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Manufacturing reshoring, framing of the phenomenon and possible incentives

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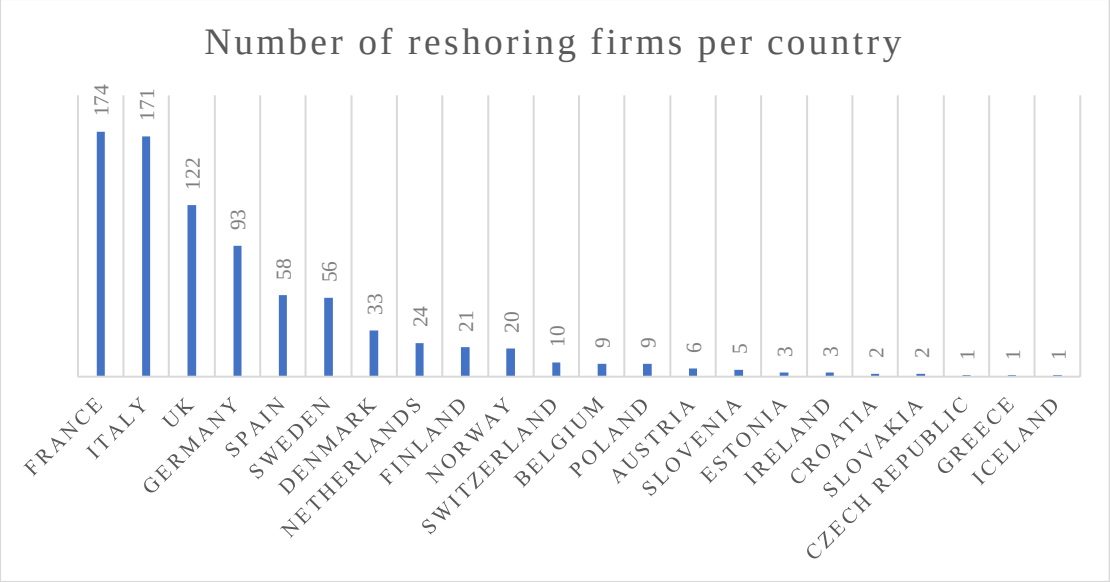
1 Introduction

The increasing globalization and digitalization, coupled with the push to seek better economies in the production costs useful to compete in a globalized market have been the most important drivers underlying advanced countries' firms' decisions to delocalize manufacturing activities towards abroad locations during the last 3 decades. Such practice, called offshoring, started growing during the last 20 years of the 20th century, and gradually transformed local supply chains into agglomerations of globally dispersed activities aimed at exploiting country advantages relative to each activity performed or resource needed (IPE Working paper). Effects on the economy were not long in coming; in fact, offshoring impacted strongly on advanced countries' GDP, unemployment, deindustrialization, and national supply chains' dependency on other countries' productions.

However, recent studies observed how some firms, motivated by both strategic elements, and changed socio-economic conditions, decided to call back their supply chain activities in their respective original country (Fratocchi, 2014). Economic shocks like a crisis, or shocks deriving from extra-economic events such as war and pandemic, and scenario changes due to host country conditions mutation represent a big threat to firms' supply chains, which have become widespread and efficient but are still little resilient, robust, and flexible (Unioncamere, 2023). Particularly, the recent impact of the pandemic and war on GVCs has been disastrous, and logistics has proven to be critical and very fragile in this context, though risk management functions are called back to reorganize operations to tackle the increased volatility characterizing the new normality. In this complex background, literature has started studying the manufacturing reshoring phenomenon and particularly its drivers, and governments have begun considering how to encourage it, given the opportunities and benefits that it offers (Senato della Repubblica, 2018). Based on the studies reviewed so far, the term

"Manufacturing Reshoring" it is meant the voluntary and deliberate decision of firms to relocate in the home country some or all of their manufacturing phases of the supply chain, previously offshored, independently from the governance mode, for satisfying local, regional, or global demand (Fratocchi, 2015, Barbieri P., 2017). There exist diverse terms for describing such phenomenon, including "Onshoring" and "Back-reshoring" used as well for referring to the relocation of production activities inside the home country. There also exist other conjugations of the term "Reshoring", depending on where the concerned activity is relocated; in a country near the home country, "Nearshoring", or in a country which is deemed politically friend, "Friendshoring" (Unioncamere, 2023); though in this research project the word "Reshoring" will be used for referring to the relocation of one or more offshored activities within the home country, independently from the governance of the activity itself. The graph below gives an overview of the volume of reshoring, that recently impacted some European countries, particularly Italy, which is on the podium and is the country focused by this study. Looking at available data it's evident that the phenomenon cannot yet be considered significant concerning a potential reindustrialization of advanced countries, because the volumes are still low, but from a perspective of change of global value chains towards regionalization, incoming in the near future, there are good reasons to think that reshoring and its conjugations have the chance to occupy a significant share between firms' value chain reorganization strategies available. The possibility to improve firms' competitiveness and bringing benefits and well-being to the respective home countries with reshoring, if appropriately incentivized, is a great occasion and cannot be ignored.



UniCLUB MoRe Reshoring, data updated to 2020

Considering the impact of offshoring on the national economies of involved countries, and all shocks that characterized the last two decades which challenged the stability of the current economic system, governments are now trying to restore countries' industrial productivity and independence. The new normality, made of strong technological innovations but also international tensions and increasingly frequent disruptions, is encouraging relocation decisions from several points of view. However, factors affecting reshoring decisions can have widely different natures as literature highlighted (Srai and Anè, 2016): for instance, concerning firms coming from the Italian context, particularly in specific sectors such as the textile, where the tendency of the consumer to consume and prefer "Made in Italy" products is diffused (Ricciardi et al. 2015), producing goods inside the country is an important driver of competition, and hence motivates firms' reshoring decisions. ESG is another driver which is gradually becoming important, consumers are getting more and more aware of social and climatic sustainability concerns, and this fact has implications on the choices regarding manufacturing location (Fratocchi, 2015). As highlighted above, motives can vary widely and often differ depending on the considered country and industry, therefore the complexity of formulating effective policies increases. Anyhow, there's a big opportunity for policymakers

to take concrete actions aimed at mitigating deindustrialization and its effects also through reshoring.

The outcome of such actions, if positive, could contribute crucially to bringing growth, productivity, and independency from the imports point of view, particularly concerning goods that are deemed strategic.

Though, for implementing policies finalized at restoring or at least increasing countries' industrial capacity and independency, a deep understanding of these phenomena, their complexity, and their drivers, coupled with a clear overview of the "new normality" that firms and countries must cope with, is strongly needed. In this research project offshoring and reshoring are addressed critically through both a macro approach and a micro point of view, considering their volumes, linkages, implications, and the transversality of their drivers, bringing out the most important insights and elements useful for understanding how reshoring can be incentivized.

In light of the data, the background considered and the events impacting international trade, like the COVID-19 pandemic, which raised significant questions about the sustainability of globally dispersed supply chains, and the Russia-Ukraine war, which contributed to the so-called "decoupling", also showing how resources and strategic goods can be manipulated, manufacturing reshoring phenomenon concretizes as an important alternative between the strategies of supply chain reorganization, and hence is a phenomenon to be deepened, particularly under the government incentives point of view. Such a topic has been addressed to a limited extent, whereby it is still unclear how to incentivize such a phenomenon, especially after the shocks triggered by the above-cited events, which could have also changed the incentive type useful for pushing reshoring and their effectiveness. This problem is of current and common public interest, considering that, if reshoring was made a widespread practice it would contribute to a significant

creation of new jobs, therefore mitigating unemployment, to the reinforcement of national industrial sectors after a long period characterized by deindustrialization, which is still ongoing. Again, a wider presence of this phenomenon could mitigate the effects of supply chain dependencies towards other countries and therefore encourage supply relationships between firms operating inside the nation. Finally, such problem is relevant because it would contribute to understanding also how to potentially incentivize the return of strategic goods productions, that in the current scenario have been manipulated and can still be manipulated to exert influence between countries. Given that, the thesis seeks to shed light on incentives for manufacturing reshoring by examining firms in the Italian context, and therefore, the question that this project intends to assess, and answer is the following: How companies would like to be incentivized to reshoring?

2 Background

2.1 Globalization and productive localization

A deep understanding of the reshoring phenomenon cannot prescind from studying the context in which it happens and the trends that preceded it. The factors affecting the context of the acceleration in globalization and digitalization that in turn contributed crucially to the intensification of international trade relationships started in 1950 (World investment report 2002) (Bottini et Al., 2007, IPE working paper) are several; starting from the transportation, a crucial point for the development of international trade. Freight transport has had a strong development through containerization, which happened in the Sixties, and the related gradual adaptations in the following years for what concerns the facilities needed (harbors, train lines, etc.) for allowing such innovation to expand, bringing in turn to the reaching of scale economies in vessels' dimensions and efficiency in the use of fuel and vessels' space, with the supply of just-in-time delivery services and the consequential lowering of transaction costs (European Parliament, 2021). Also, air transport has had strong evolutions in the years: engine efficiency

increased dramatically with the years passing, optimization of cargo planes increased the opportunity to reach better cost economies and lots of airports and infrastructures, as well as facilities allowing intermodal transportation got built, speeding up and facilitating trade of goods through this mean. Another important point to underline here is that communication has become easier and cheaper through the use of digital means and there are few or no trade barriers preventing the international movement of goods; the maximum point of openness has been reached after 2001, the year in which China joined the WTO, after a decade in which countries tried to establish multiple bilateral agreements and economics treaties aimed at lowering trade barriers and cutting tariffs (European Parliament, 2021). In this scenario, companies started internationalizing their businesses, firstly on the sale side, with the trade of completed goods for reaching global consumers, through exports, in such a way that countries export those goods in which they're specialized relatively to their comparative advantage. Then, since intermediate goods and components movement, as well as communications and coordination between entities located in different countries, was becoming easier and cheaper, trade moved also on the manufacturing side with FDIs that partially or totally relocated traditional production phases towards countries having lower production factors price, allowing transnational corporations to expand cost-minimizing strategies at a global level (Bottini et Al., 2007). Also, outsourcing decisions got undertaken for seeking flexibility and lower costs. Such evidence is proved also by trade data: one-third of global exports in 2020 originated from East Asia and the Pacific region, from China in particular, compared to 18% in 1980 (European Parliament, 2021). Again, another piece of evidence stands in the trade of intermediate goods, which accounts for almost half of the total trade in goods in 2020, having doubled from 4 trillion USD in 2005 to 8 trillion in 2018. (European Parliament, 2021). However, it's important to distinct horizontal FDI (market-seeking), which is implemented for serving the host country market, and vertical FDI (efficiency-seeking) which is implemented

for producing half-processed products abroad and reimporting them back into the home country (Bottini et Al., 2007); that is Offshoring (Kirkegaard, 2005).

2.2 Offshoring - what's before reshoring?

The latter has represented one of the dominant business practices in the last 30 years (Mukherjee, 2023), and it is the decision to migrate some or all the firm's value chain activities to countries different from the home country (Venkatraman, 2004). It's important to underline, before deepening the argument, that offshoring (as reshoring) only considers the location of the accomplished operation, independently from the ownership of the processes and facilities used (Bhagwati, 2009); hence offshoring refers to both an abroad outsourced activity and an abroad performed activity under an ownership regime. This practice started in the decade 1960-70 and gradually turned several nation-based supply chains into global networks of dispersed operations, most labor-intensive, for exploiting low wages and labor flexibility (IPE working paper); some examples of such GVCs can be found in Textile, apparel, and electronic goods sectors.

Offshoring has been mostly driven by international differences in production factors' cost. Firms seek countries that can provide advantages in labor cost, resource cost, and abundance, as well as favorable regulation and taxation (European Parliament, 2021); more generally, offshoring has been pushed by the search for more prosperous conditions of growth for enterprises, even if often in violation of internationally recognized social and sustainability standards.

China and the Asian region in this context, after lowering their trade barriers, provided a large pool of low-cost and flexible workforce and still are the most attractive locations for manufacturing and services offshoring.

The flexibility of the production, speed of delivery, and distance from the host country also are other variables that firms consider when choosing an offshoring location, hence it outlines how firms are not seeking just the lowest factor price, but they look for an optimal trade-off between labor cost and quality (Bottini et Al., 2007), also considering infrastructure and productivity.

Manufacturing activities though are not the only kind of activities that get offshored; the possibility of storing and exchanging data quickly contributed crucially to making some services tradable; knowledge-intensive tasks such as IT operations, that are cross-sectoral, get offshored for accessing low-cost technologically instructed workforce, and the case of India as host country for such activities is significant, as highlighted by the table below.

Rank	Country	Financial attractiveness	People skills and availability	Business environment
1	India	3,13	2,48	1,30
2	China	2,59	2,33	1,37
14	USA	0,47	2,71	2,15
34	Germany	0,42	2,10	2,40
41	France	0,40	2,03	2,29

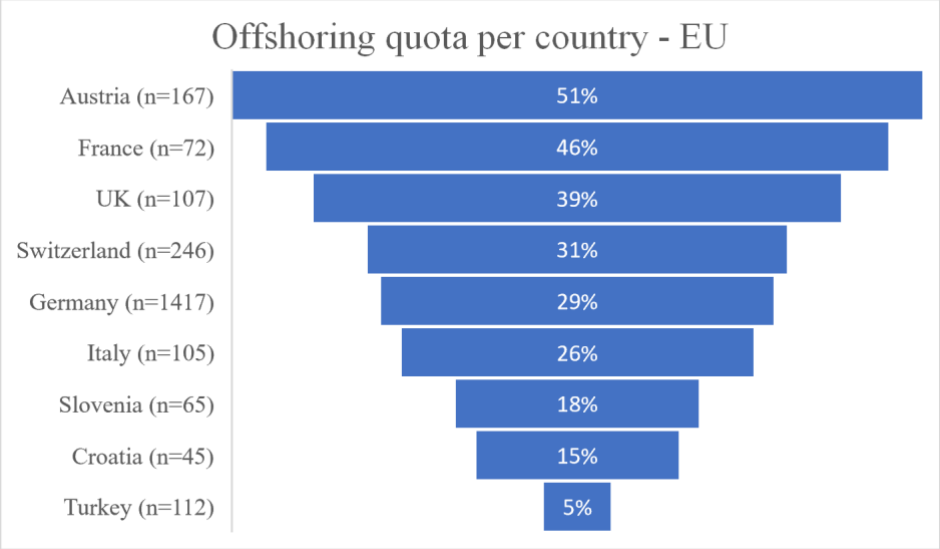
Outsourcing Global Services Location Index 2009, A.T. Kearney

Financial attractiveness (0-4), People skills and availability (0-3), Business environment (0-3)

The table describes the levels of some aggregated drivers of attractivity for services offshoring; each country makes up a total score of attractiveness which defines its position in the classification. The quality and availability of the labor pool, the attrition risk, costs of compensation, infrastructures, regulatory and tax costs, country environment, and IP protection (A.T. Kearney) are all the drivers concurring in the attractiveness result.

It's also interesting to note that companies, driven by talent shortages in the home country, (Manning et Al. 2008) offshore R&D and innovation functions in countries with highly instructed human capital.

Refocusing on manufacturing offshoring, a survey by EMS shows how one-quarter to one-half of the surveyed manufacturing companies in different Western Europe countries performed offshoring of production activities between 2002 and 2003, representing the so-called "Offshoring Race" (Dachs et Al., 2006) and highlighting how this has been an important strategy for making production more efficient.

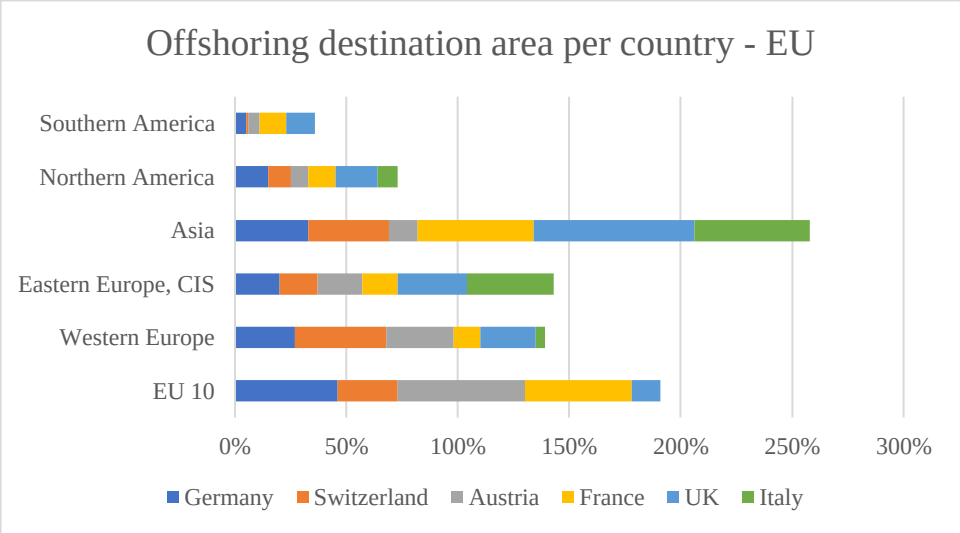


European manufacturing survey 2003/2004 (Ref. Dachs et Al., 2006)

(2249 firms in 9 EU countries, 11% Rubber & plastic, 27% metal works, 31% mechanical, 10% electrical, 21% others)

One-fourth of the Italian surveyed companies have offshored production facilities abroad, mostly towards Asia and Eastern Europe regions. Below there's another table showing this evidence: results on countries targeted for offshoring in the two years bracket 2002-2003 are quite interesting. It outlines how American regions both northern and southern have not been attractive for such activities, while the Asian region confirms itself as one of the most advantaging; in fact, Asian regions including China and India have a 36% share in the location choice of EU firms for offshoring. In this context also Western Europe results in a widely

coveted target for Swiss, German, Austrian, and UK companies, but mostly for accessing already existing production sites for balancing production capacity or for accessing technology (Dachs et al., 2006), and not for investments aimed at building new production sites in the region. On the contrary, Eastern Europe countries, due to geographical proximity importance in trade of intermediate goods and due to the UE enlargement occurring just in those years, have been a target destination of such practice, with firms investing in new production facilities for exploiting both the difference in wage levels and the available labor pool. In general terms, it's interesting to note that a lot of the offshoring phenomenon happens inside the European region even if China and India have become very attractive in the last 20 years. When it comes to the specific type of activities offshored, Knell & Rojec's study highlights that Offshoring mainly entails the movement of low-skill jobs out of Western Europe, while high-skill jobs tend to be retained inside the area.

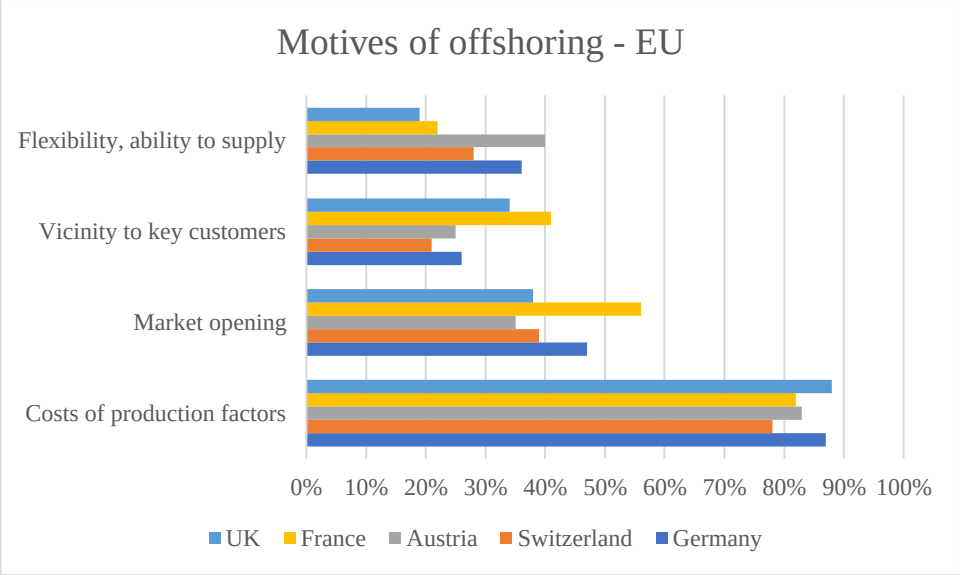


European manufacturing survey 2003/2004

Note: in % of all valid answers of a country (multiple entries possible)

(2249 firms in 9 EU countries, 11% Rubber & plastic, 27% metal works, 31% mechanical, 10% electrical, 21% others)

Regarding motives for offshoring, evidence from the same study shows the following results.



European manufacturing survey 2003/2004

Note: in % of valid answers (multiple entries possible)

(2249 firms in 9 EU countries, 11% Rubber & plastic, 27% metal works, 31% mechanical, 10% electrical, 21% others)

The "cost of production factors" as the dominant offshoring driver is confirmed by the survey, despite the interviewed companies belonging to highly automated sectors, and such results are often expected for labor-intensive sectors.

The same study found out through a regression that product complexity and offshoring tendency are linked through a transversely U-shaped relationship; very simple-to-produce goods are not tended to be offshored, also very complex goods are more convenient to be produced at home where all the needed inputs are easily accessible; on the contrary, production of goods which lie in the middle between these 2 categories is more prone to be offshored (Dachs et Al., 2006).

In the graph below some data are shown about the number of firms offshoring in a sample of European area countries in the time bracket 2002/2022.

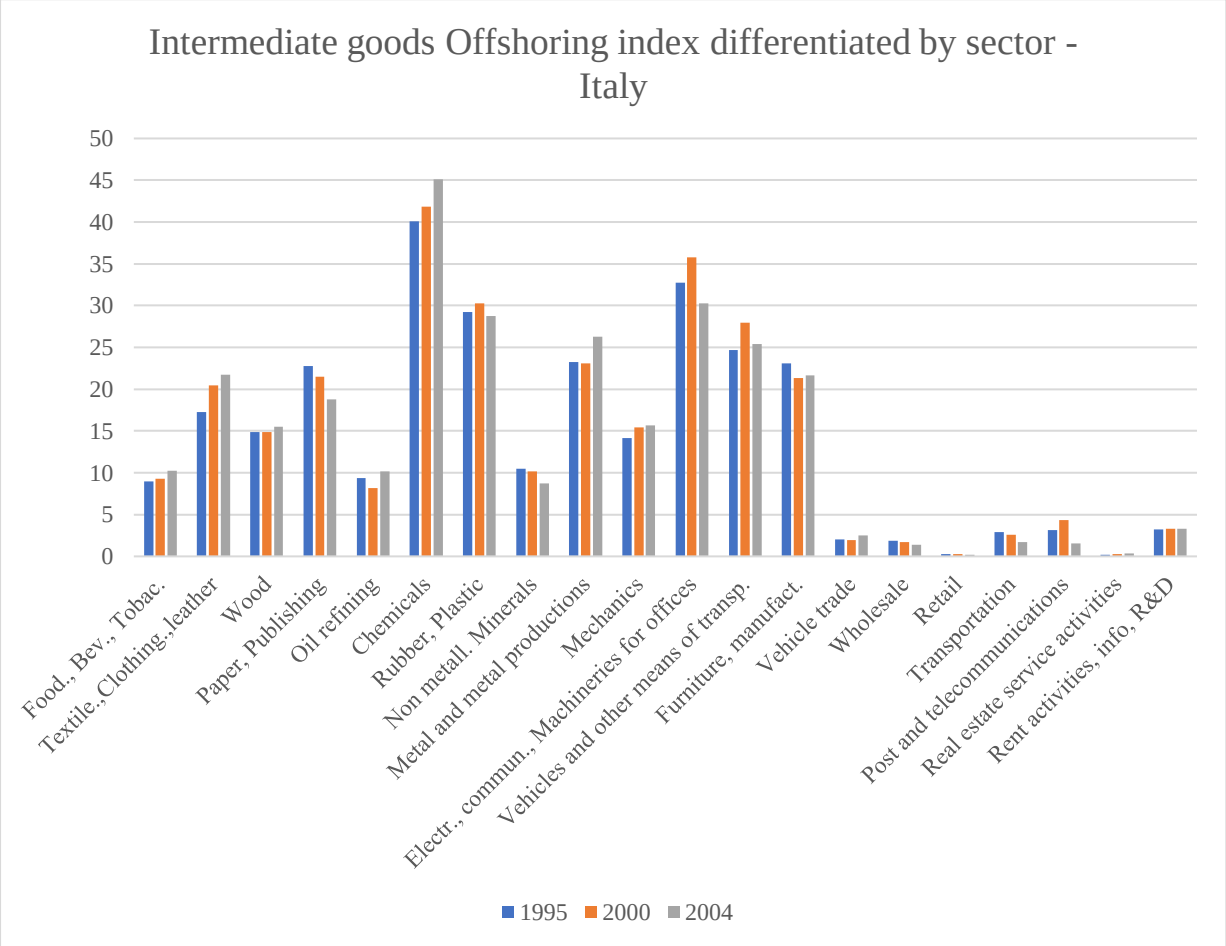
Eurofound, European Restructuring Monitor (ERM), data retrieved between 2002 and September 2022

Interesting insights could emerge from the evidence of the graph above, which shows an offshoring trend over the last 20 years in Europe. It's clear how the phenomenon had its beginning before the considered time bracket, and grew until a peak around 2006, following the increasing globalization and openness of international trade. From a long-term point of view, it's evident that the trend of offshoring is not stopping but at least decelerating.

Regarding "what" is offshored, evidence proves that service offshoring volumes are dramatically lower in absolute terms concerning manufacturing activities offshoring, highlighting that service offshoring during the study considered time bracket (1995-2004) was still a newborn phenomenon, but with a high growth rate. The average growth in the service offshoring index (40,35%) has been strongly higher with respect to that of intermediate goods (6,08%) between 1995-2000, highlighting that countries tried to exploit the most all advantages deriving from the supply of services from abroad, which was a new opportunity that communications technologies were gradually able to provide during that period. However, country-level results here are quite different: in fact, growth has been experimented by all

countries of the sample except Finland and France, with Italy having a growth trend but lower in comparison to other countries, emphasizing that the latter did not optimally exploit this opportunity. Though with the technological improvements allowing the tradability of services, it's logical to expect that such growth rates in services offshoring have further increased in the following years.

Regarding the most impacted sectors, Knell et Rojec (2009) show how electrical, electronics, and transport equipment account for 36% of the offshoring phenomenon in Europe, followed by textile, materials and construction, chemicals and pharmaceuticals, food, beverage, tobacco, and machinery sectors. For what concerns Italy the graph below shows the country's sectors most impacted by offshoring.



Source: Rework on ICE 2007-2008 Data: Istat
The offshoring index is the share of imported intermediate goods over the total input purchases

Such results are in line with UE's most impacted sectors with some differences in volumes; however, the graph stresses that Italy is strongly dependent in some sectors from other countries exporting their intermediate goods, particularly Chemicals, Textile, Rubber & Plastic, Electronic materials, and Metal productions. Concerning vehicle sector offshoring instead, the rationale could also stand in a market-seeking approach to offshoring (Knell, 2009), which is hardly applicable to other industries.

However, the geography of offshoring can change; advantages of countries can erode, and those that today present a prosperous environment for growth, could no longer be attractive; new competitive advantages in countries can arise and the volatility characterizing this period is a threat to the current offshoring geography. Firms, before undertaking such a choice must properly assess the available locations, taking into account all the crucial factors and their possibility to mutate.

2.3 Slowbalization

Innovations that drove globalization and provided advantages in expanding firms' horizons are mostly accomplished and could hardly further accelerate trade, so the scenario changed, and the strong growth of trade accompanied by countries' openness and WTO (1995) adherence, characterized the world from the second half of the last century is now decelerating, leaving the floor to a period of economic shocks, geopolitical and ideological tensions and as a consequence strong volatility (Colombo, 2023). The so-called "Decoupling" between the USA and China is representative, at least for high technological value goods production that is deemed strategic for countries. Strong implications on trade are already bringing consequences; the international movement of goods is gradually orienting towards a regional approach, in restricted areas, in competition at the international chess table. Evidence of regionalization is

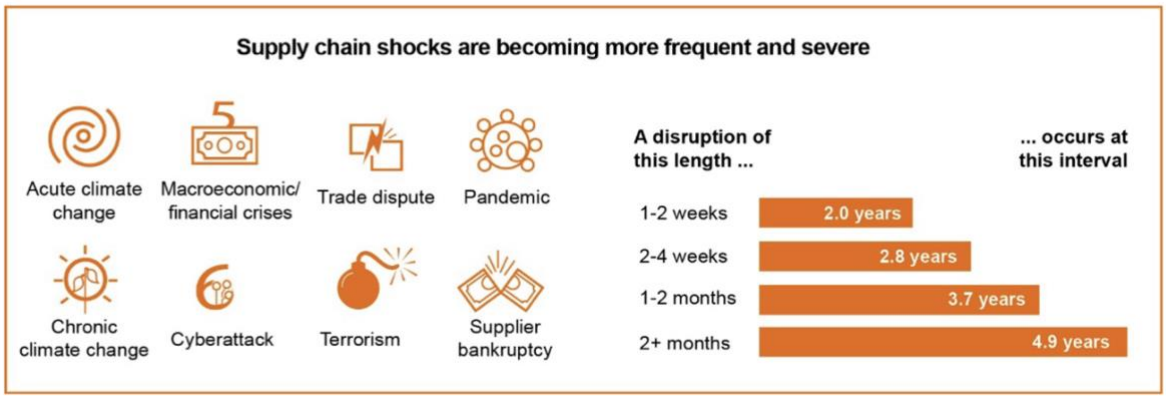
clear in maritime transport, where global routes are contracting, and regional ones are expanding while the total volume of trade remains similar. We're not fronting a decrease in the total volume of trade, but a decrease in interdependencies between countries, with geopolitical risks pushing trade towards near countries and friend countries (Unioncamere, 2023). Another fact is the propulsive effect of global supply chains organization on trade, which could change, because of the innovations in production processes including robotics, additive manufacturing, AI, and automation. Such innovations can provide two different effects, on the one hand, they could lower the need of enterprises for repetitive labor tasks in production processes, implying a possible reconsideration of offshoring decisions in labor-intensive sectors, and hence contributing to lowering the interest in finding low-cost workforce in other countries, on the other hand, they can further push abroad production plants with better productivity, thereby it's still not clear if digitalization under this point of view could contribute to the shortening of GVCs. Again, impacts carried by globalization are contributing also to the leveling of differences in labor standards, with workers fighting for their labor rights, and salaries differentials between developing countries and advanced countries gradually thinning, for instance, average wages in China increased by 150% from 1999 and 2006, and are still growing (BCG, 2011), therefore reducing the convenience of producing abroad.

In addition, crucial are the effects of disruptive events such as the financial crisis in 2008, COVID, and the Russia-Ukraine war on trade and global supply chains. Particularly the financial crisis has had a strong impact in terms of the perception of globalization, both as a prosperity-enhancing factor and as an economic insecurity factor, because of the strong interconnection between countries and the related ease of shock transmission (Unioncamere 2023). For exemplifying how such shocks can undermine trade, WTO notes that after COVID diffusion, about 90 countries implemented 230 export restriction measures (European

Parliament, 2021). The pandemic unveiled big vulnerabilities from this point of view. Many firms suffered dramatically the exposure to COVID and lockdowns for instance, because they were reliant on offshore supplies, above all if we consider the supply of protection masks and medical devices. Such shocks can reveal the lack of self-sufficiency of countries in the production of certain goods and therefore imply the hypothesis of rethinking the composition of widely dispersed and interdependent supply chains, more and more if we reflect on the fact that such interdependencies can be militarized and exploited for damaging and influencing countries, which is what happened recently with Russia cutting the supply of fuels to UE.

In this context, policies to address the risk of such interdependence were not long in coming, implying in turn a deceleration of international trade. However, as a mitigation factor, the regionalization (Confindustria, 2022) operated by enterprises to implement higher flexibility, but also robustness (ability to maintain regular operative activities during a disruption period) or resilience (ability to re-establish regular operative activities in an acceptable period after a disruption) to front this kind of shocks (Colombo, 2023) is a hypothesis. Other trends of GVCs consist in implementing effective monitoring systems on supply chains, rethinking them through practices of diversification (further fragmentation) or replication (shorter and replicated value chains), also considering the opportunity of relocating their manufacturing operations or finding new suppliers in the home country, near countries or friend countries, even though different risks, like country-specific ones, could still be present. Value chains of dispersed operations are vulnerable to exogenous shocks, particularly those with high trade intensities (high share of imported inputs). The volume of the disruption aftermath on GVCs though depends on their geographical locations and production factors. However, it is proven that the number of potential disruption threats is increasing, as reported in a McKinsey Global Institute 2020 study (European Parliament, 2021), and it is clear on the one hand that the presence of such diffused value chain structures increases the probability of shocks

transmission between countries. On the other hand, geographical diversification can mitigate the same time impact of such happenings in case they happen in single countries.



Source: Elaboration of European Parliament (2021) on MGI, 2020

A report on trading transition on over 3000 firms highlighted how 96% of executives think that at a global level, geopolitical changes happening so far will affect the repartition of supply chains; in this group, 47% believe that companies will front these changes through diversification of suppliers. (The Economist, 2023), remarking how the new normality will have an impact on the future organization of GVCs.

However, reorganization cannot be undertaken without considering the context and all the possible impacting factors; for instance, relocating to a political friend country could seem an effective strategy, but a change in government in such a country in the future could make it not a friendly country anymore, and again, relocating strategic productions in domestic locations expose the latter to internal country risks (Unioncamere, 2023).

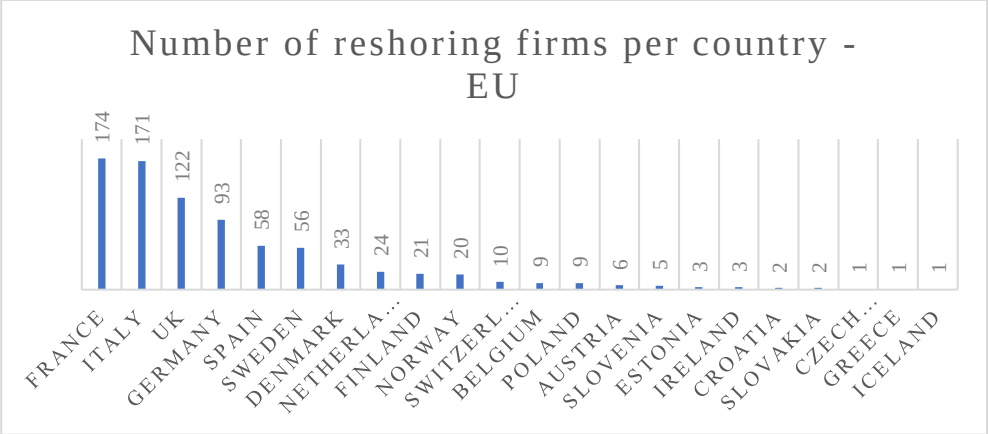
Now, with geopolitics intervening heavily on supply chains, the scenario in which firms' decisions were based on only economic and efficiency drivers is changed and such logics are no longer suitable. The strategic approach must adapt to this new normality, towards a trade-off between cost and uncertainty. An example could be seen also in the firm's management of stocks, gradually lowering the orientation towards the just-in-time lean processes (just-in-case

is still the prevailing trend), efficient but highly impacted by uncertainty. Companies, according to the report, are heading towards higher levels of stockpiling: average inventory buffers increased from 8,9 weeks in 2021 to 10.1 weeks in 2022 (European Parliament, 2021) (The Economist, 2023) implying hence more costs for facing the increased risks. (Unioncamere, 2023).

Refocusing on the theme of firms' localization decisions, the literature highlights that the location choice process is not irreversible, on the contrary, elements that challenge the supply chain resilience and flexibility, as well as changes in different locations' attractiveness (Barbieri, 2018) and strategical motives can make firm reevaluate their previous decisions. In this regard, The Economist report underlines that the new chapter of globalization consists in reducing the length of supply chains, with diversification still being the primary strategy, but with a shift headed to regionalization and reshoring.

2.4 Reshoring, definition, locations, and motivations

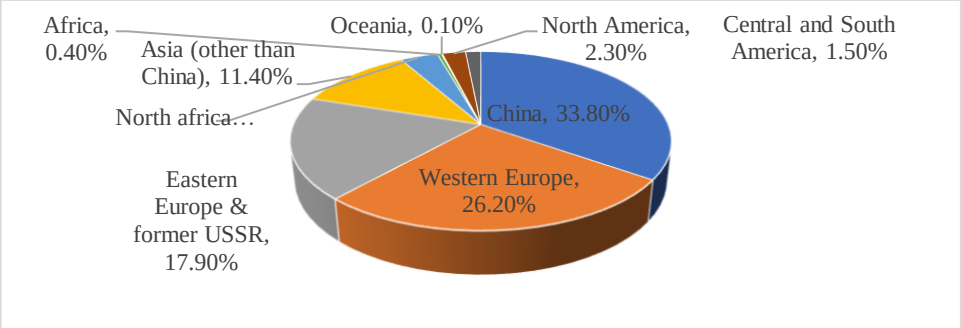
The term "Reshoring" defines the choice of relocating one or more phases of the firm's supply chain, previously offshored, in the home country, regardless of whether they were outsourced or owned (Gray et al. 2013). Such a decision can be intended in 2 ways; on the one hand as a deliberate strategy in response to endogenous or exogenous factors' change, on the other hand as a correction of a prior misjudged decision (Fratocchi et al.,2015), an observation supported also by the role of bandwagon effect in pushing offshoring strategies (Gray et al. 2013). This phenomenon is not new, there's evidence of such decisions from the '80s, but with the new frontier of reconsideration of the supply chain, this phenomenon is becoming more and more reported in economic journals, also underlining its importance for policymakers and political actors as well as its significance in the current context of advanced countries deindustrialization. A study conducted by the inter-university research group Uni-club MoRe Reshoring highlighted, through a sample of over 700 European reshoring firms, that 171 are Italian, making Italy second in Europe and after France for the volume of the phenomenon (Fratocchi et al. 2014).



UniCLUB MoRe Reshoring 2020

The graph below gives instead an overview of countries left by such companies because of reshoring.

Clearly, China occupies the biggest share and is surprisingly followed by Western Europe.

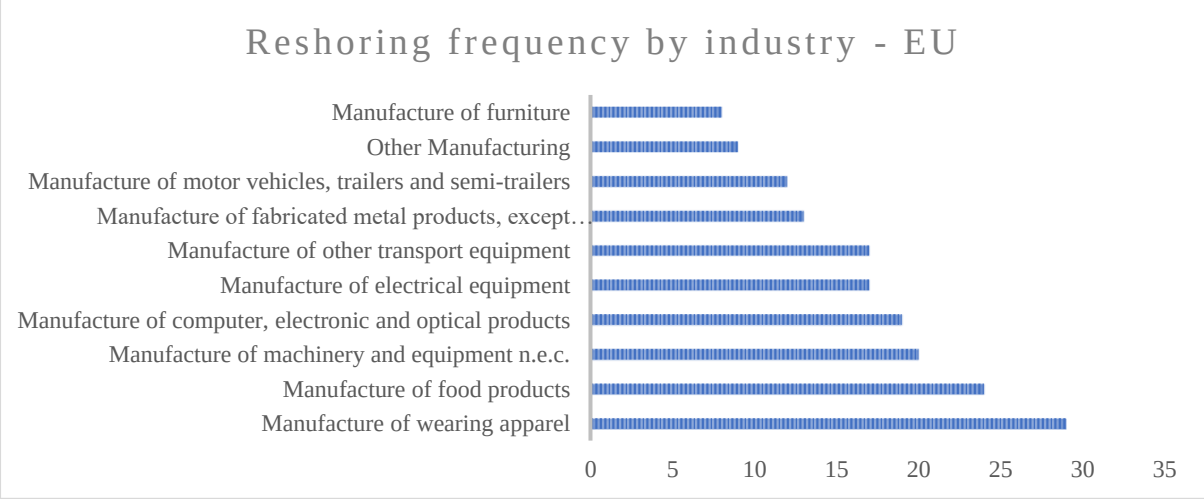


Countries from which European companies reshore

UniCLUB MoRe Reshoring 2020

For what concerns sectors impacted by the phenomenon, data are provided by European Reshoring Monitor, which gathered data on over 250 reshoring activities in Europe between 2014 and 2018.

Considering that 86,1% of the sample under analysis is composed of firms operating in manufacturing industries, below is presented a division in specific manufacturing sectors, useful for understanding which sectors are impacted the most.



European Reshoring Monitor, elaboration of Eurofound (2019)

Reshoring happens in a broad set of manufacturing sectors; hence it could be an interesting strategy for many firms (Eurofound, 2019). Fratocchi et. Al. (2015) noted that reshoring of manufacturing decisions implemented by Western companies is more frequent in industries that invested more in offshoring in the last decades, such as clothing, electronics, mechanical, and furniture; point that coherent with the data presented in the offshoring section. There's also evidence of a correspondence between the technological intensity of the sector and the tendency to back-reshore; the percentage of reshoring companies in low technological intensity sectors is lower and increases with the increase of technological sophistication (IPE Working paper)

Moving the focus on the *Why* of reshoring, several studies tried to assess all the possible motives underlying the phenomenon (Srai and Anè, 2016, Fratocchi et Al., 2016, McIvor et Al., 2021, Gray et Al., 2013). From a theoretical point of view, Dunning's Eclectic Paradigm has been used for explaining some dimensions of reshoring: such theory, originally used for explaining MNEs Internationalization and therefore offshoring, can be also applicated to reshoring. Changes in locational, ownership, or internalization advantages can alter the attractiveness of factors on which the initial offshoring decision was based, provoking in turn reshoring; though such theory does not account for firm's and process level factors like the poor quality of offshore production (McIvor et Al. 2021).

RBV and TCT have been employed for addressing such dimensions: The Transaction cost theory applies to reshoring and is valid in explaining some motives, for instance, the IP protection; in fact, producing far from the home country could imply opportunistic behavior under the governance point of view in the offshore manufacturing plant. Monitoring, coordinating, and incentivizing efficient behaviors, while preventing opportunistic ones deriving from a cultural and geographical distance, with contractual solutions for instance,

could result in too expensive, hence this fact could bring to reshoring (Fratocchi et Al., 2016). Resource-based view also applies to the phenomenon, considering that the reshoring decision could be the aftermath deriving from the firm's inability to develop critical tangible and intangible assets in the offshoring country, to bring them back in the home country, and to use them for building a competitive advantage. In this sense, factors such as the inability to deliver good quality products from the host country fit into the latter concept.

Moving on to the practical reasons pushing the phenomenon, while offshoring was mostly motivated by cost concerns (Schmeisser, 2013), reshoring has a wider array of drivers, which could be strictly strategical, or institutional, economic, social, and geopolitical; from here comes the difficulty in finding a single theoretical framework able to include all the possible drivers.

Host country's comparative advantages deteriorating (Kinkel and Maloca, 2009), the dramatic increase of logistic costs due to the increase of fuel costs and shocks of global demand, the "made-in" effect (Diamantopulous et al. 2011), the low quality of offshored products (Kinkel & Maloca,2009), the thinning of the differential between the home country and host country wages (BCG, 2011) and long delivery times accompanied by low flexibility are only some of the reasons pushing reshoring. Must be considered also the effects already cited for what regards geopolitical and climatic tensions, the government pushes for calling back production in the home countries (Colombo, 2023) and the increasing consumers' concern towards social and environmental sustainability in high transparency of supply chain context (Ellram, 2013). Srai and Anè (2016) identified 46 motivations that underlie such relocations; the drivers are listed below.

-Ability to deliver good quality products

-Location branding for product traceability

-Labor cost

-Ease of automation

-Local incentives

-Labor productivity

-Currency fluctuations

-Taxes and import duties

-Reduced hidden costs

-Reduced costs of transportation

-Reduced costs of inventories

-Reduced costs of communications

-Reduced administrative costs

-Reduced costs of raw materials

-Better payment terms

-Downsizing and rationalization

-Benefit from economies of scale

-Vertical integration benefits

-Reduced inventory management

-Growing market

-Better customer service

-Technology clusters and spillover benefits

-Defining a new value proposition

-Location branding for a quality image.

-Location branding for local social impact

-Energy cost

-Quicker product development

-Quicker replenishment

-Proximity to costumers

-Proximity to R&D

-Reduced carbon footprint

-Shorter supply chain

-Diversification of the supply base

-Reduced amount of technical issues

-Political stability

-Local security

-IP Protection

-Absence of risk for natural disasters

-Increased certainty around delivery times

-Better traceability of products

-Access to local know-how

-Privileged relationships or networks

-Physic distance

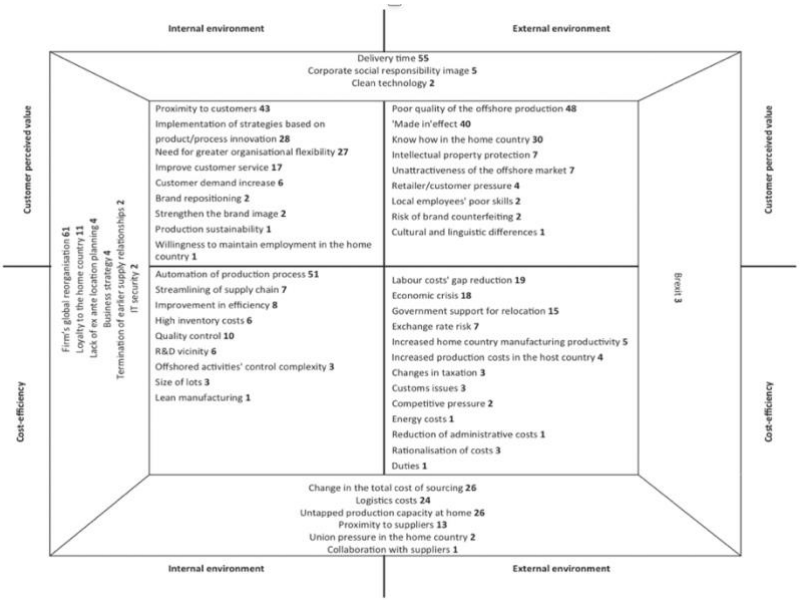
-Availability of skilled workforce

-Availability of natural resources

-Availability of infrastructure

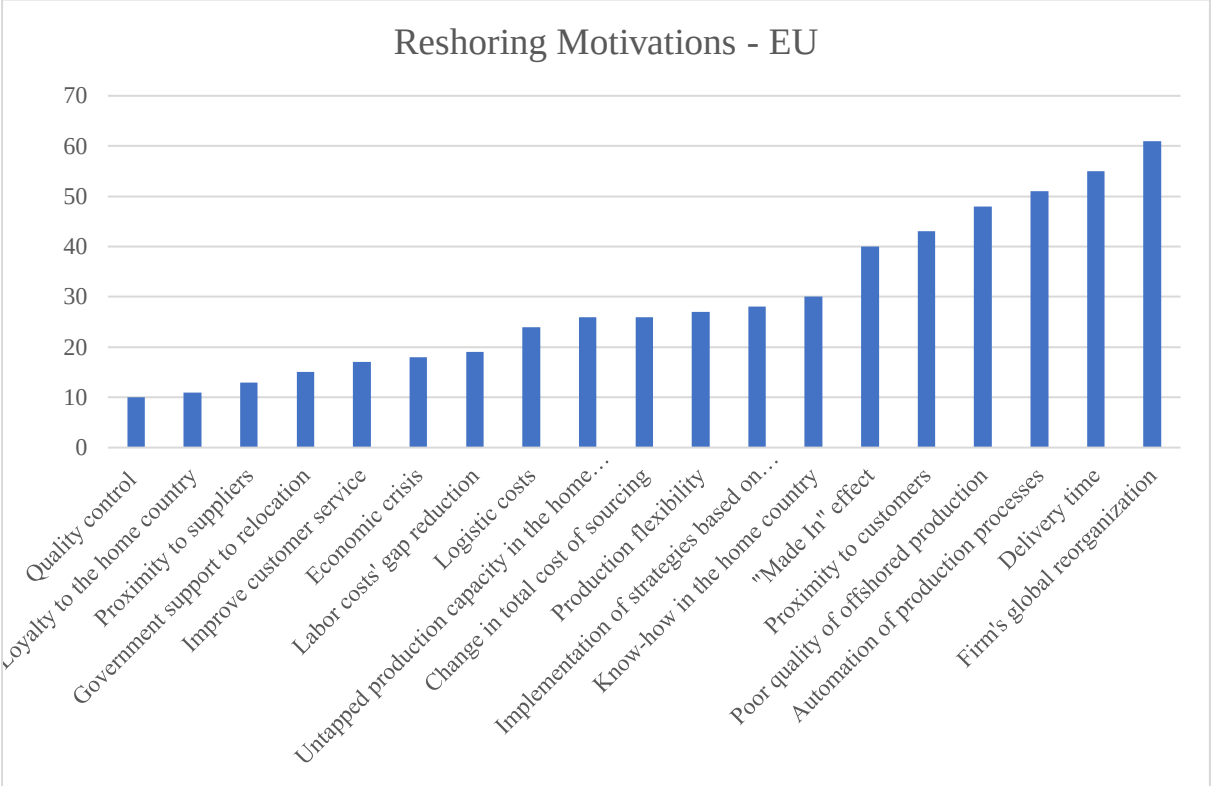
Considering the plurality of such drivers, studies tried to classify them inside macro categories such as costs, risks, and quality drivers but ended up realizing that some motives cut across all the drawn categories highlighting the complexity of this phenomenon.

Fratocchi et. Al 2016 produced a specific framework useful for distinguishing and classifying reshoring drivers based on two dimensions; the contextual factor affecting the decision (internal vs external) and the strategic goal of the firm (customer perceived value vs cost efficiency). The framework presented has been elaborated by the Eurofound research report (2019) based on Fratocchi et. Al 2016, considering a total of 56 motivations.



Eurofound (2019) elaboration of European Reshoring Monitor data based on Fratocchi et Al., 2016

Among all the mentioned reasons, in the graph below, data elaborated on ERM (Eurofound, 2019) highlight the most cited motivations underlying reshoring decisions.



European Reshoring Monitor, elaboration of Eurofound (2019); multiple alternatives can be selected

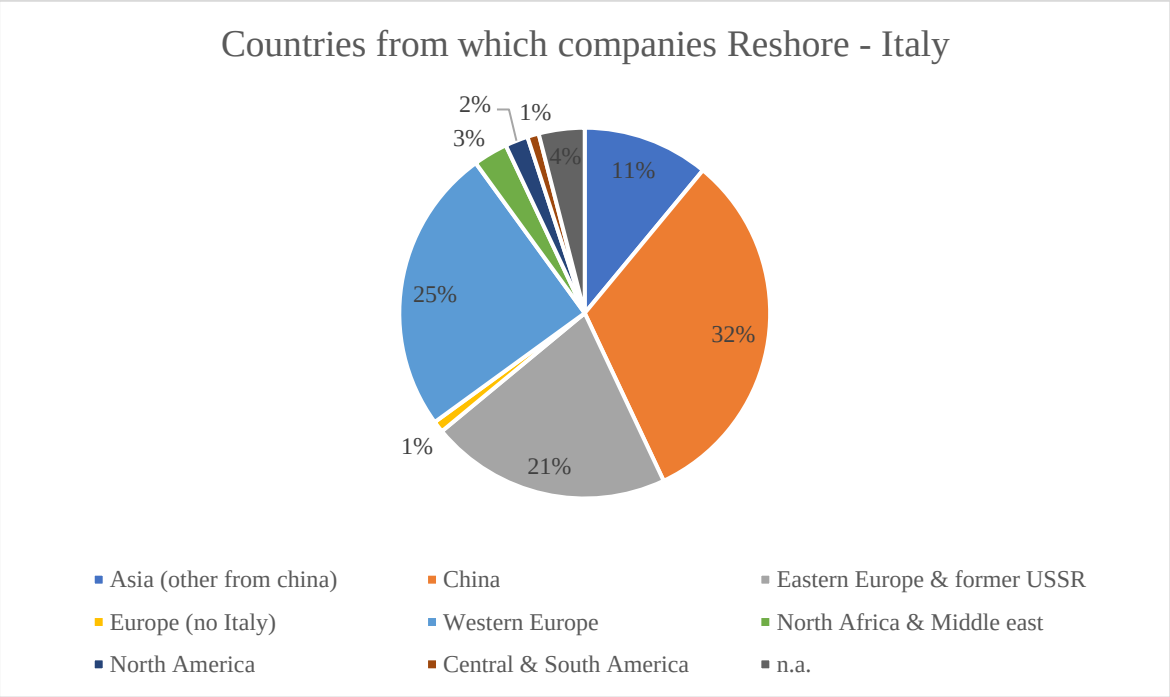
The graph stresses how factors pushing reshoring vary across many dimensions. Global reorganization seems to be the most common, but this decision includes reasons of various kinds, hence it is not significant from a single-driver point of view. Delivery time follows, particularly in the Fashion industry, in which trends are fleeting and it's crucial to maintain a certain timing with the marketing of products. Automation of production processes follows, outlining how the need for a flexible and low-cost workforce that rose in the past decades and concretized as a push factor for delocalization, now is losing its importance, contributing to push back consequently firms that are no longer dependent on such factor. Customers-related factors, namely quality of the production, proximity to customers, and "Made In" effect (only

for specific sectors) also stand on the top of the causes driving this decision, showing that companies take into account also strategic considerations, not only related to customer perceived value (higher production quality standards, higher value perception due to "Made in" good) but also in terms of market responsiveness when it comes to customer proximity, a fundamental factor for being adaptive to market needs. Logistic costs as well are an increasingly important driver, more and more after Russia started manipulating fuel supply, provoking a cost rise. Know-how in the home country driver is another important element to consider; a specialized workforce is a strong attractivity point for companies, not only from a reshoring point of view but also under a foreign investments' perspective; surely a consideration that policymakers should account for. Logistic costs (European Parliament, 2021) particularly are dimensions strongly impacted by exogenous factors such as tensions between countries, war, economic crisis, and the pandemic, therefore are prone to increase dramatically in periods of instability.

Such drivers become even more significant if coupled with sector evidence from the same study. Data show that the manufacturing of apparel sector is impacted by all motivations considered, a point aligned with the sectors' reshoring intensity highlighted before. It is good to underline as well that the "Made in" effect strongly affects Italian and UK companies mostly, concretizing as a strong pushing factor for these countries, and highlighting how policies should focus on sectors pushed by this driver for fostering this phenomenon. More specifically "Made In" effect in the study affects only Apparel and Leather products sector, other drivers on the contrary impact a plurality of industries remarking how motivations can vary widely depending on the specific industry under analysis, and also on the country towards which reshoring activity is undertaken (Wan et. Al., 2018).

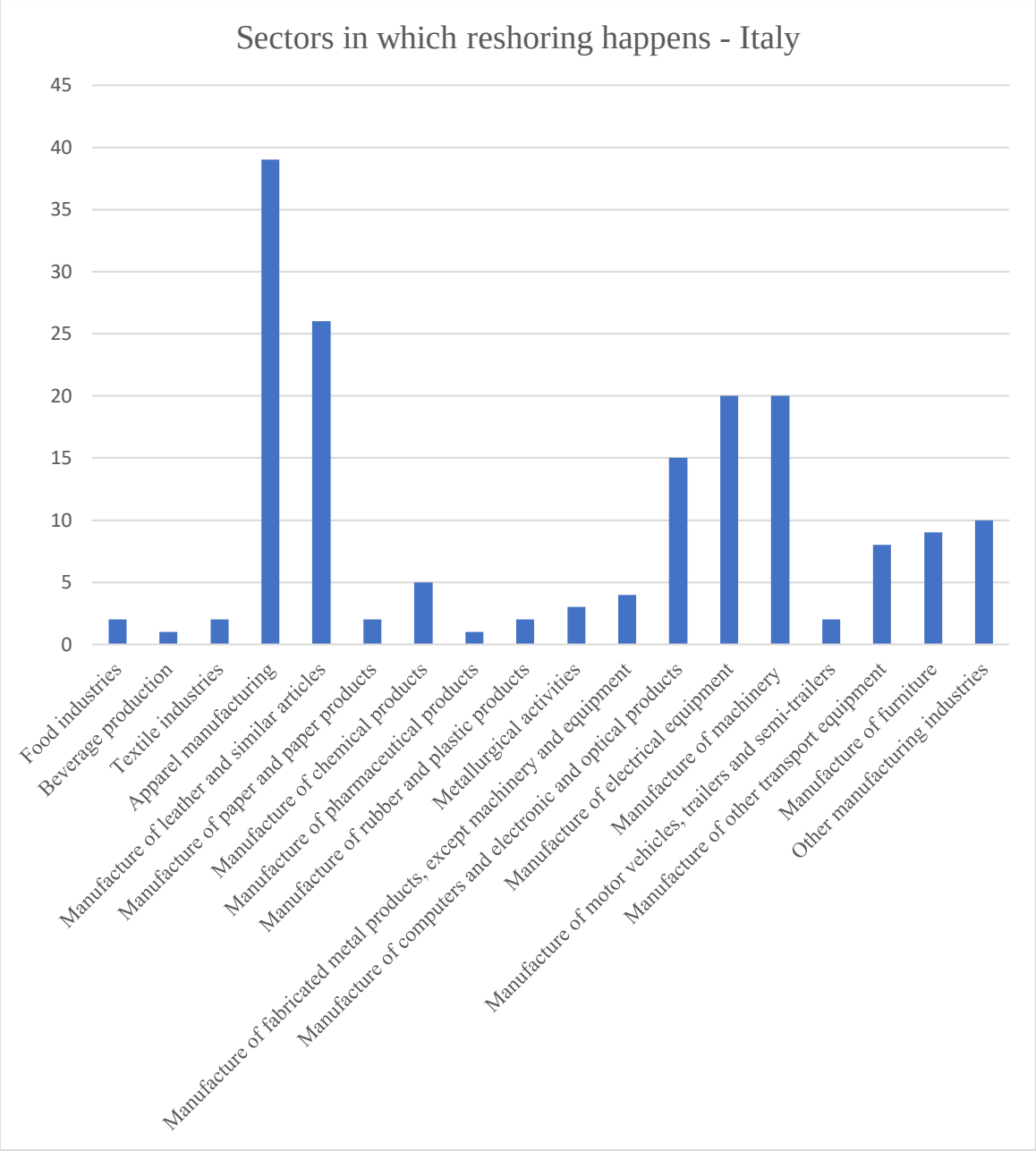
2.5 Manufacturing reshoring in Italy

Focusing now on the volume and characteristics of Reshoring in Italy, data gathered by UniCLUB MoRe reshoring provide some evidence; first an overview regarding countries that experienced reshoring to Italy, with percentages calculated on a total of 171 reshoring decisions analyzed.



Uni CLUB MoRe reshoring, 2020

It is interesting to underline that data are in line with European percentages highlighted before, with the only marked difference happening in Eastern Europe, an attractive area for made-in-Italy firms' reshoring decisions, in fact, Italian companies reshored from there 3% more than the EU average. From a regional point of view, the leading regions that are reshoring are those that offshored the most in the past decades, namely Veneto, Lombardia, and Emilia-Romagna (Savi, 2019); a focus on sectoral distribution follows.



Uni CLUB MoRe reshoring, 2020

The data show how the manufacture of apparel, leather, electrical equipment, machinery and manufacturing of computers, electronic and optical products are the most impacted sectors, with the fashion industry being the most relevant, which is not surprising considering the high specialization of Italy in this kind of production and the previous appeal to offshoring operated by medium-low quality positioned firms. Regarding this point, it is important also to recall that many fashion foreign firms nearshored to Italian industrial districts for exploiting its

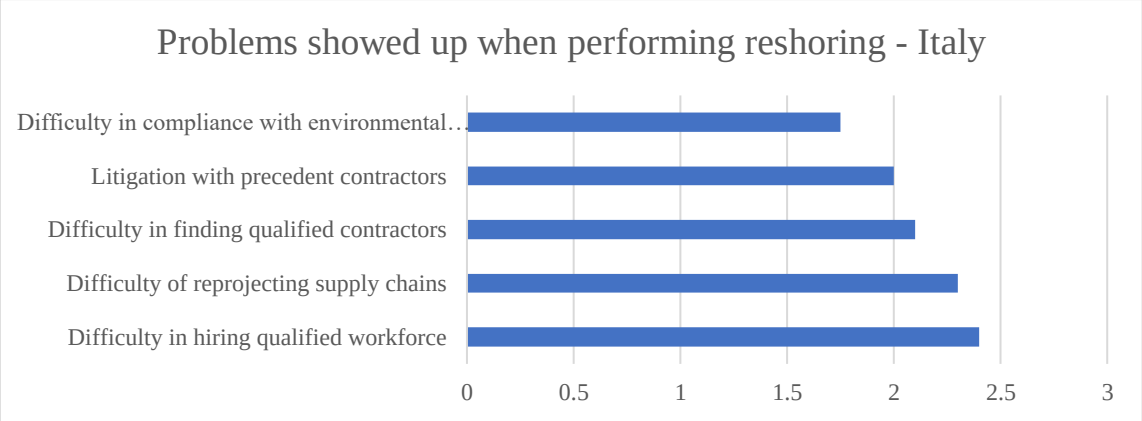
advantages in terms of quality of production and know-how heritage (Barbieri, 2017, IPE working paper). From a comparison with EU aggregated data interesting insights arise: if on the one hand, the most impacted sectors above cited are strongly impacted also in European countries, on the other hand, manufacturing of food products, vehicles and other transportation equipment are not impacted as much as in EU.

Another study performed by Confindustria/RE4lt between 2021 and 2022 on 762 Italian firms shows that 84,1% of them had their total production activity in Italy, while 15,9% had it partially or totally offshored. Focusing on the latter group, 55,5% had no programmed relocation, but 24,7% had reshoring in Italy programmed for in between the next 5 years and 4,1% for over the next 5 years. The remaining was programming further offshoring or nearshoring (Elia, 2023). The same study highlights that manufacturing reshoring is mostly undertaken by SMEs, for a total of 85% of the sample, and that 40% of firms that did manufacturing reshoring have over 50% of export intensity, highlighting a quasi-proportionality relation between export intensity and reshoring tendency.

Regarding specific drivers of reshoring in Italy, which present big differences with those outlined before for Europe, the "Made in" effect stands in the first place, followed by vicinity to customers and quality of the offshored productions (Savi, 2019); here most important drivers impact consistently on customer perceived value and are less relevant for cost concerns, which usually drive reshoring in EU, that is only accompanied by the former motives (Barbieri, 2017). However, motives can differ widely depending on the specific sector; for instance, in the mechanical sector, reshoring has been pushed also by factors such as the vicinity to the northern European markets and by the possibility to collaborate with both universities such as Bologna University, and with innovative realities present in industrial districts (in particular the motor engineering one); such strategical choices are based on strongly important characteristics of the national territory, like the presence of highly qualified human capital and non-replicable

competencies in various sectors (mechanical, fashion, agriculture, machinery, etc.) and policymakers should consider them to implement reshoring fostering actions (IPE working paper).

Focusing now on which problems showed up when performing reshoring, insightful data are available from Confindustria/ RE4lt study.



Confindustria/RE4lt, 2021 – Likert scale (1= non relevant, 5=strongly relevant)

It's clear how all the difficulties outlined, except litigations with previous contractors, leave space for policies to get implemented and support reshoring firms in complying with Italian and European regulations, as well as reprojecting their organization and finding specialized workforce and suppliers.

2.6 The benefits provided by manufacturing reshoring

Reshoring can provide several benefits to our country, starting from strengthening the Italian production system and fostering its variability and innovativeness as well as training new human capital. It could contribute to increasing both GDP, with the relocation of productive activities inside the country, and exports, since Italian products are strongly appreciated by foreign customers. Such an increase in GDP could allow for instance higher resource investments by the government. Furthermore, since reshoring mostly regards high-quality production lines, it can contribute to higher investments in R&D activities, improving Italy's

R&D over GDP ratio. Also, the return of strategic production activities, limited to those that have no resource constraints, can benefit Italy by making it less dependent on other countries' strategic goods. Primary is also the impact on employment that this phenomenon could create. Offshoring initiatives contributed dramatically to creating strong job loss in all European countries; the abandonment of production plants and operative activities due to the companies seeking lower cost production factors abroad produced 266.000 job losses, about 25.000 per year according to The European Restructuring Monitor, that gathered data on 781 offshoring cases happened in the bracket 2003-2013 in Europe (D'Attoma, 2020). In this context of deindustrialization of advanced countries, reshoring has the potential to mitigate at least the effects that offshoring produced and is still producing. As highlighted by European Reshoring Monitor, which collected data on 253 firms between 2014 and 2018, reshoring created a total of 12.800 jobs in Europe, mostly in manufacturing sectors (Eurofound, 2019). However, as underlined by Savi (2019) and Bello (2019) reshoring will not be able to restore employment to the levels of pre-crisis, taking back all the jobs that left due to offshoring, because both new technologies enabling the transformation of production organization imply a reduction in labor portion in manufacturing processes, and sectors which require no competencies in labor will continue to produce abroad where costs are lower. Another important impact can be that of calling back industries in the cities, marked by decades of deindustrialization waves and therefore filled with unused industrial warehouses (around 700.000 in Italy (BuildNews, 2015) and buildings, which can be renewed and get new scope; contributing hence to requalify such areas (Savi, 2019). The return of production in the country generates also positive effects on the national supply system; in fact, the arising of new outsourcing relationships and insourcing enterprises needing a supply of intermediate inputs produced in the country and raw materials supplied by national operators contribute to regenerate the industrial system and to strengthen local manufacturing supply chains. Lastly, it cannot be left out the incremental effect of

international perception of "Made in Italy", the more high-quality products get produced inside the country the more such perception increases and benefits the whole economy. (Ferrucci et Al. 2017).

2.7 Incentives for manufacturing reshoring, evidence, and implemented practices.

Starting with the frame in which the theme of incentives is contained, the EU regulations constitute the main obstacles in the implementation of such initiatives since they can provoke competition distortions. State aid is defined as "any transfer of public resources to certain enterprises or productions that, by conferring a selective economic advantage, distorts or threatens to distort competition" (Dipartimento per le Politiche Europee). Such regulation applies to all measures that contemplate a transfer of resources from statal entities and that result in selective economic advantages, capable of distorting competition, which wouldn't be achieved in normal conditions by the concerned enterprise or enterprises. Reducing the interest rate on a loan targeted only to an enterprise or a specific sector is considered state aid for instance and hence is incompatible with EU regulation. Generally, measures that fall within certain parameters are deemed ineligible. However various exemptions are allowed, for instance for those aids which enable the realization of common interest objectives (Mathà et Al., 2013). Governments hence have the responsibility to shape efficient policies that comply with such regulations. Moreover, policymakers should also take into account the balance to be pursued in terms of facilitating reshoring for firms that expressed the will to relocate production activities in the country while not indirectly damaging firms that stayed in the country even during crisis periods. The solution seems to stand in the equalization of incentives provided to reshoring firms and firms that are intentioned to invest in the country from abroad. In this way, it is also possible to reduce the risk of conflict with State Aid UE discipline, as well as diminish

the chance of generating discontent between firms that stayed in the country and avoided to offshore for seeking cost advantages (Senato della Repubblica, 2018).

In the current scenario, must be emphasized how institutional incentives are not considered as a pushing factor singularly, but they can be a crucial support for reshoring decisions if coupled with operational and strategical elements (Srai and Anè, 2016). At the same time, the fast-changing scenario, pushed by the ongoing digital transition, will bring firms to look for gradually less workforce but more specialized; specialization that won't occur if not supported by policies. It outlines how governments lever could constitute not only a positive input in terms of monetary incentives when coupled with operational motivations for reshoring but also a positive factor in terms of attractivity, when it comes to intervening in the opportunity of training workforce with sector-specific skills (Ricciardi et al., 2015), assuming that highly specialized human capital can attract firms in the country, as happened in India, which is a representative case for the supply of IT services to foreign companies. India's success in exporting such services, despite the presence of countries having the capacity of exporting even at lower costs, relies on the strong qualifications of its workforce;, since 1970, the Indian government implemented policies for offering computer science degree courses, and shortly thereafter accredited also private institutes offering a range of similar disciplines study courses. Furthermore, government also implemented networking infrastructures and crucial facilities for this sector, aiming at fostering its development. Again, the emigration of Indian IT specialists to advanced countries, which could be deemed a negative fact at first sight, provided linkages between established firms abroad and the growing Indian software industry. The combination of such factors has been crucial for making Indian IT services sector dominant in the international chess table (Bottini et Al., 2017).

However, refocusing on reshoring, The COVID pandemic raised chances for politics to intervene and, according to Elia et Al. (2021), the pandemic has concretized as a push factor

for policymakers to design and implement reshoring initiatives, despite mostly impacting health-related and high technological value industries. With the Next Generation EU plan, and the related national plans, particularly focusing on PNRR (Italy's National Plan for Recovery and Resilience), which is supposed to build infrastructures for logistics, push green mobility, foster innovation, sustainability, and competitivity after the COVID disruption, various opportunities open for reshoring in Italy if government, regional and local entities cooperate efficiently in order to implement policies that foster the phenomenon. In that regard policies can assume a crucial role in order to build territorial ecosystems of value intense in cross-sectoral and cross-functional linkages; in other terms the reconstruction of a flourishing environment cannot be based only on manufacturing supply chains but must be focused also on increasing the contribution of widespread craftmanship, banks willing to invest in territorial regeneration strategies, universities and schools that teach specific competencies, and public administration capable of lubricating these processes of social and economic transformation (Ferrucci et Al., 2017). Industry 4.0 policies, finalized at the adoption of high technological standards through training, education, incentives to firms investing in technologies, and design of long-term R&D programs are going in the aforementioned direction, implying new interactions between firms and public administrations, and hence concretizing in an important opportunity to develop a location advantage, useful in turn to foster relocation choices; indeed policymakers consider Industry 4.0 initiatives as measures to support their effort to bring back in the country previously offshored activities. (Barbieri et Al., 2022).

Considering now some government interventions, several aimed at supporting firms that intend to undertake reshoring through the implementation of ad hoc advisory organisms (Barbieri et al., 2018), like the case of region Lombardia, engaged in financing with €10 Million the project "attrACT, destination development", which offers a network of professional figures available

to support investors in their project within the territory. Such initiative also includes the lowering of firms' burdens, both economical and bureaucratic, the offering of locational opportunities, and coordination with a territorial network for support (Regione Lombardia, "Accordi per l'attrattività", 2017). Ricciardi et. Al. (2015) underline how such kind of monetary incentives can consist in a positive lever in the short term, but they do not ensure the pursuit of a reshoring decision in the long term; clearly, the monetary incentive cannot last for long periods, and, predictably, it could get overcome in terms of convenience by those put in place by other countries. Considering this, it is logical to assume that policies should focus on building a temporary advantage that can move firms' decisions in the short term while providing, above all, measures that aim at creating a competitive advantage able to sustain the maintenance of manufacturing activities in the concerned country in the long term. Such measures could be the investments in synergies and other forms of contamination between firms and territory, the development of relational dynamics (Corò, 2021), material and digital infrastructures, and network relationships building initiatives, exemplified by regional initiatives such as the "Carta di Pescara" in Abruzzo region and the "Smart specialization strategy" in Emilia-Romagna region. As Barbieri et Al. recall, it exists a bidirectional relationship between location and processes, which implies a strong influence of localization, intended in terms of resources and relationship networks, on the firms' capability to get the competitive advantage. The institutional setting of the home country is crucial in shaping this firm-level competitive advantage since it influences the quality and number of resources and networks that a firm can exploit (Barbieri et Al. 2022).

From the infrastructural point of view, the expansion of harbors, and the building of dry ports and facilities enabling multimodal and intermodal transportation can act as an attractivity driver for investments and export-oriented activities, contributing potentially to reshoring. Integration

between territory and logistics fosters a cohesive and open system, which provides better access to goods, services, people, and places, inside or outside the territory. Logistics must be intended as a strategic lever, crucial to compete in an international market; it costed on revenues 11% more in Italy in comparison with the European average in 2014 (Fonte, 2015), and it is logical to assume that with more efficient logistics infrastructures, companies would be more willing to invest in the country. Again, the availability of dry ports could be functional to host reshoring companies if accompanied by proper incentives such as those provided in Economic Special Zones (SEZ): circumscribed geographical areas that benefit from special conditions finalized at fostering investments and development such as facilitations for exportation, administrative burdens simplifications, exemptions from tariffs for certain imported goods destinated to processing and export, subsidized concession fees, contributes on investments, exceptions on regulations and infrastructural interventions on the concerned territory. In any case, such areas must comply with the above-cited art. 107 TFUE. (Ambrosetti, 2021)

However, the logistics' driving role has been confirmed by The World Bank, which outlined how, under a per capita income parity condition, countries having better logistic performance experiment growth of 1% more in GDP and 2% more in trade. Such interventions regarding logistics can be coupled with disincentive actions aimed at avoiding the maintenance of offshored manufacturing phases or further offshoring, for instance by contemplating the obligation of offshoring companies to make up for negative externalities produced in terms of unemployment (Fonte, 2015).

Potential incentives initiatives should also account for the advantages provided by industrial districts (clusters), which environment ensures trust, collaborations, and knowledge spillovers, characteristics very hard to replicate abroad, that in turn drive productivity and innovation.

Network building in this sense could solve the problem of finding specialized suppliers inside the country right after having reshored. Cluster presence should therefore be considered a location advantage that can drive the reshoring of firms that could potentially join the district, even more if the firm considering such a decision belonged to an industrial district before offshoring and has maintained relationships with actors located in the original context. (Bello. 2019).

It's acknowledged how such a phenomenon can be incentivized through elements that improve the competitiveness of the national territory, passing also through policies that increase managerial, manufacturing, and digital competencies that are needed in order to cope with the new business models characterizing the new normality.

Lastly, must be taken into account also the possibility of contributing to push the reshoring phenomenon with the protection of nationally produced goods, particularly concerning Italy, and countries in which national production in specific sectors is appreciated as it is a guarantee of high quality. Firms that undertook a reshoring decision relying on the driver of the "made in effect", and hence taking into consideration that consumers are no longer satisfied by the simple design or assembly in Italy but require the good to be produced entirely in Italy, ask for policies related to the certification of products' origins, which could, in turn, bring major protection for the so-called "made in Italy". It is logical to assume that if national products have quality and origin certifications, also considering the potential utility that new blockchain technology can provide in this context, then companies could be even more willing to produce in the country.

Policies cannot prescind from dealing with well-rooted problems such as the slowness of bureaucratic and judicial systems, and the high tax burdens, which have been dramatically contributing for a long time in making our country less attractive for firms than the others (Elia,

2022). Indeed, a study conducted by ANIE in 2014, which represents the Italian electronics and electrotechnics sector, reveals that such firms indicate the tax wedge reduction as the strongest motivation for reshoring, followed by bureaucratic simplification, detaxation of profits reinvested in R&D and decrease of energy costs. (Fratocchi, 2014)

Unfortunately, regarding monetary incentives in particular, European authorities apply strict regulations to all the member states hence there is little room for movement in these terms; that is probably why, when assessing motives for reshoring, incentives are often not even considered by European firms. On the contrary, the incentives' theme seems to be very relevant in fostering reshoring in the US. In fact, according to the Reshoring Initiative database, the driver mostly reported for "reasons companies reshored or did foreign direct investment" is that of government incentives, with a sample of 1,594 cases from 2010-2021 (Casting Source, 2022). Indeed, the US has been active in the current decade with direct and indirect measures for fostering reshoring, with a "Back to manufacturing" approach coupled with moral suasions. The Blueprint for an America Built to Last (2012), which is deemed the first political decision aimed at spurring reshoring, including tax cuts, tax deduction of reshoring costs and elimination of deductions related to offshoring costs, infrastructure building, creation of engineering universities related to manufacturing and reduction of energy costs; the Infrastructure Bill (2021), the Inflation reduction Act (2022) and the Chips and Science Act (2022) are all aligned in supporting such kind of initiatives with very substantial funds invested, under the infrastructural point of view, and under the tax incentives for investments in specific sectors such as energy and microprocessors in order to spur independence in strategic productions. Such an approach has been also coupled with aggressive trade policies, particularly under Trump Administration, concretized in duties on imports and finalized at increasing competitiveness of producing in the U.S. Also, incentives for repatriating capitals, tax breaks,

subsidies, increased easiness of crowdfunding, and financing possibilities have been made available, together with exceptions from regulatory and disclosure burdens for companies falling under certain categories (Pwc, 2023). Despite European countries, both internally and at a community level didn't undertake organic and strongly incentivizing measures for the phenomenon as those implemented in the US, considering also the above-cited limits, they have been still active under this point of view; at a community level, for instance, UE adopted the European Chips act (2022) for boosting the domestic production of semiconductors, and the Next Generation EU plan (2020), which has a broader scope, but could also affect reshoring. At a national level, the UK implemented law simplification instruments, reductions of taxes on workers and firms, tax exemptions, and low-cost energy supply. The "Reshore UK" policy (2014) engaged the UKTI (UK Trade & Investment Department) for supporting reshoring firms in finding suitable local suppliers, and again, MAS (Manufacturing advisory service), a government agency, was in charge of supporting strategically firms intentioned to supply reshoring firms, with interventions aimed at providing innovative practices, supply chain services and improving their processes efficiency. France as well, in the same years, promoted such a phenomenon; firms could evaluate their readiness to reshore through a software survey, then, after a candidate selection, AFII (Invest in France agency) provided support with a single contact person for bureaucratic procedures, with a network of promotion agencies at different territorial levels, plans for relocations and financial aid disbursed by an ad hoc fund. Also, a fund for relocation inside abandoned industrial areas has been established (Fond de revitalization) and a "Made in France" certification has been developed (Senato della Repubblica, 2018, Elia et Al., 2021).

Refocusing on Italy, over the aforementioned initiative implemented by the Lombardia region, and PNRR (national-level), that could support reshoring with investments in infrastructures

and functional development of the 8 ZES present in Italian territory, other regional projects have been deployed, but it's necessary to insert such measures inside a targeted national common strategy, capable of re-establishing manufacturing identity and aligning actions with firms strategies for responsive supply while emphasizing local brand and quality. (Srai and Anè, 2016, Elia et Al., 2021).

Summing up the reviewed literature, it is possible to group the various incentives under 8 macro categories according to Elia et Al. (2021):

1. Cost and financial issues: includes financial aids, fiscal incentives, and subsidies for reshoring costs
2. Supply chain: includes support for supplier research and development of suppliers' capabilities
3. Public Administration: includes single contact person and reduction of bureaucracy
4. Infrastructure: includes development of production infrastructure, other infrastructure (transportation), information on availability of plants, and plant utilities continuity
5. Innovation: includes innovation policies (collaboration with universities, support services for IT, network establishment)
6. Human capital: includes human capital development, human capital availability
7. Home country image: includes home country "made in" brand
8. Protectionism: includes duties and tariffs on imports

The functional division of incentives presented above is too complex yet, though it could be included in a broader and simpler categorization useful to conduct the interview: Monetary and Non-monetary incentives. Following such an approach means that all incentives that imply a disbursement of money that impacts directly a firm are deemed a "Monetary incentive". On the contrary, all the measures aimed at making territory and business environment more

conducive to reshoring as well as those finalized at non-financially supporting firms are considered “non-monetary incentives”. Consequentially infrastructure building for instance is deemed as a non-monetary incentive and tax cuts as monetary incentive.

Despite a wide literature deepened subjects, locations, motivations, modalities, and times of reshoring, studies concerning how do firms prefer to be incentivized to reshore are limited. Moreover, as outlined in other research fields (Rajapaksa et Al, 2019), monetary incentives are not always effective, and non-monetary ones outperform the previous in specific circumstances, as so, it is appropriate to investigate the weight of monetary and non-monetary incentives for reshoring as well. Thus, the study aims to assess, ensuring unbiased results, what government and territorial entities can do, from the companies’ point of view, to best incentivize firms’ reshoring decisions.

3 Methodology

Regarding the gathering and analyzing of qualitative primary data for answering the research question, I chose Italy as a base country for choosing the interviewee enterprises. The choice of Italy is motivated by some factors: first, it is an industrialized country that suffered to a significant extent the deindustrialization phenomenon and has been impacted significantly by offshoring (Ricciardi et Al., 2015). Italy is also in the top 3 of the world rankings for reshoring initiatives, indicating that country firms are prone to reshoring. Furthermore, as highlighted by previous studies (Fratocchi, 2015, Barbieri et Al., 2017) there are already good motives pushing the firms’ relocation to the country, and hence incentives could play a significant role in fostering the phenomenon (Srai and Anè, 2016), but still, they are in an embryonic stage in respect to American initiatives for instance, that are way more established, hence there is room for improvement. Furthermore, the choice of Italy is also reasoned on the fact that it is a European country and hence is subject to European regulation in terms of State Aid, which is

a constraint to be considered if the study is to be made representative for European countries. Concerning the interviewee, I chose 2 firms: one medium enterprise (50 employees) because such kind of firms, together with small enterprises, have been the most impacted by offshoring, with evidence proving that this dimensional class reshores the most in Italy (Elia et Al., 2022), hence incentives could further foster this phenomenon. The second firm chosen is a big enterprise (over 2100 employees), on the one hand, this dimensional class number is less significant in Italy and the impact of both phenomena on it in Italy is lower in comparison to the previous, on the other hand it could be interesting to evaluate if differences in requested incentives are present, and if diverse firm dimensional classes focus more on elements of different nature. Furthermore, the reshoring of big enterprises provides major utility for the country, hence there are good reasons to investigate their point of view. The choice of the sector is reasoned on the impact of offshoring; firms which sectors that have been impacted strongly by the latter constitute as good interlocutors since there is the possibility to improve their "Reshorability". The sectors are "Production and assembly of bicycles", which is included in "Production of Transportation Means", and "Textile, clothing and leather products"; both have been subject to large delocalization waves, and both are of major importance in Italy, thus it is significant to assess their needs in these terms. Each sector has its own features, and such fact could imply different incentives requests; in this research, I assume that such features can determine differences on incentives only from a micro point of view (e.g., the type of infrastructure). Specific firms' requirements follow: first, the firm must have offshored in the past years, and keeps performing activities abroad for reimporting its outputs in Italy and completing the product or selling them, second, such a firm could return inside the country because it has not constraints in terms of geographical localization of resources used. Also, the firm must have not offshored for market-seeking motives but for efficiency-seeking ones, because otherwise reshoring could result inefficient. The last requirement is the presence of

motives that already push the interviewed firm to reshore; in this way the interviewee will highlight the most important incentives that must be present in the country for allowing reshoring to happen, otherwise, it is reasonable to expect the demanding of very consistent incentives which go beyond the residual but crucial role of the incentive itself in pushing reshoring as defined above by Srai and Anè (2016). Both the interviewed subjects comply with such requirements. The data range from secondary data including supplementary notes, websites, documentary information, and chamber of commerce certifications to submitted semi-structured interviews for a total of 73 pages of gathered data.

The interview is made up of 9 questions and it got submitted to the firms' CEOs, a target that has the widest view on the firm and the decision responsibility when it comes to undertaking location decisions, and therefore would be best able to inform me on how firms would like to be incentivized. Semi-structured interviews have been proven to be effective in assessing specific research fields since they allow the gathering of information from interviewees' ideas while avoiding constraining them with a structured approach (Maxwell, 2012). Furthermore, such method gave me the possibility to drive the conversation towards the area of interest with open questions that provided more insightful information (Magaldi et Al., 2018). Again, the possibility to cooperate with the interviewee resulted in more precise answers (Barriball et Al., 1994). The interview starts from a broad view regarding the firms' background, then some open questions are posed, regarding previous offshoring and consequential firm's reshoring or potential willingness to reshore, together with the related motives, to let the interviewee talk and gather deeper and wider insights on the topic. The following open questions are targeted on preferred incentives, and the last one is more specific on incentives related to clusters. The aim of this structure is to let the interviewee talk openly for highlighting incentives that firms need the most and problems that must be solved through their potential use, then, eventually, provide the interviewee with information on alternatives that haven't been considered yet.

Notes have been taken during the interview to also consider the tone and reaction of the interviewee to questions.

The interview has been administered through Google Meets, recorded with a physical instrument, then written and translated. In order to analyze the qualitative data gathered in the interview I used an inductive approach useful to delineate main themes and make explicit possible linkages between them, then, following the Gioia methodology (Gioia et Al., 2013), I grouped the highlighted elements in first-order concepts and processed them to obtain aggregate dimensions useful to draw conclusions.

4 Findings

In this section, I outlined what emerged from the performed interviews and from information gathered from secondary data. The interviewed subjects are the CEOs of 2 companies. The first company has been operating since 2000 and from 2001 until 2009 it offshored its production in Turkey and Tunisia due to costs concern; the firm in fact was not able to sustain costs and supply by Italian operators with sales, thus maintained only product definition, technical office, and sampling phases in Italy. Here the interviewee had a disappointed tone indicating the uncomfortable choice and the impossibility of undertaking a different alternative from that of producing abroad because of costs.

*"This company was born from a corporate crisis of a company called "****** *******", which was producing everything integrally in Italy, at a certain point the Italian production costs and the supply market were no longer sustainable with the sales of the products"*

"Actually from 2001 until 2008 it was more a commercial company than a production company because it had moved all production abroad, only the parts of product definition, technical office and sampling had remained in Italy".

In this context reshoring appears as a winning strategy for a specific segment of production: The interviewee claims that since 2010 the high-end production, e-bikes, has been gradually relocated to Italy for ensuring better quality and right response to market demand. Also, the "made-in" effect had a role in the decision, considering how the firm pushes the high-end

product as Italian excellence production, and also the company's strategy in tackling the strong price competition and innovation characterizing this sector, focalizing on product quality excellence.

"at least for one product segment, it was a plus to have the production close to us to better follow the quality but specially to target the production batches according to the market demands."

At this point, the interviewee used a proud tone highlighting the high efforts committed for R&D in e-bike production located in Italy and the success achieved with the years passing despite the absence of reshoring incentives.

"We invested heavily in e-bikes, we were the first in Italy in doing so, So, with electric bicycles we started to bring production back to Italy. The strategy over the years has paid off and we as of 2018 are producing 100 percent of e-bikes in Italy".

Right after the interviewee also says that manufacturing of low-end products is still performed abroad and disenchantingly acknowledges the impossibility to reshore such segment due to the difficulty of finding suitable suppliers in terms of quantity and prices of semi-finished products needed, Although the company had also operative motives to possibly undertake reshoring, such as the risks linked to the supply of components. The covid-19 pandemic in 2020-2021 concretized in higher costs for importing half-processed products, due to increases in costs for maritime rents, and bottlenecks in the offer side, determining insufficient amounts for fronting the increasing demand.

"While those in the muscle bike range are still produced in Turkey and Tunisia…it is the low end that is difficult to produce in Italy".

Despite prone to reshore, the CEO states how it would be impossible to do so today, because of the company's economic conditions, showing thus that reshoring implementation is complex and onerous, and because Italian suppliers are not able to provide the needed half-processed products at market prices, implying that reshoring, in this context, would result in negative economic outcomes.

"There are not the economic conditions on the one hand, and then there is a second problem that there is a lack of subcontractors in the supply chain that could produce tubes, forgings, painting…who can produce in quantity and at market prices these activities?"

Furthermore, a major problem seems that the localization of such manufacturing activities, despite production processes being as sustainable as possible, still would produce pollution and no territory would be willing to accept them in the name of landscape, community, and animals' protection. This possibility of non-acceptance by the community could configure in political and administrative obstacles, reputational damages and judicial proceedings which may also have unfounded outcomes but would cause costs and precautionary measures that produce lags in the activity.

"I doubt that the activities can make a successful reshoring, because there is a problem at the base; where does it bring back these operations that are also vaguely polluting?... In my opinion, reshoring stops at a certain point because it clashes with people's desire to take the fumes and pollution from companies"

The regulatory dimension of pollution seems to not concern the interviewee, but problems related to social acceptance do.

"Where do I put manufacturing of pipes in Monza? I would have problems of place, of neighbours, because there is industry and residential around. It's true for 80 percent of manufacturing, it brings an impact the placement of the company...reshoring reshoring but when I bring you a steel plant close to home, raise your hand if you want it! (Playful tone)"

Again, accounting for the acceptance problem, the CEO remarks with a surrender tone that producing in the country but far from other production phases, where the activity is possibly accepted, would be unsustainable since costs and pollution both shift towards transportation, increasing complexity and maintaining anyway the environmental problem.

"It's not like you can do it 500km from where you need the material produced, furthermore you would pollute with transportation".

Then the interviewee exemplified a possible consequence of batteries production reshoring, proposing a possible solution: incentives, under this point of view, must take in to account the two sides; the firm one the one hand and the citizens on the other, focusing on how population must be refunded in such occurrences. Such kind of compensation have been already tested in the country but only for public interest works like highways and landfills. Hence could be interesting to deepen this possibility for private companies.

"I mean, the incentive must be on two sides, if you do the plant here, you should move everything in a certain range elsewhere; there's a 300 M buffer zone, there are 500 houses, it's a billion euros, we have to put a billion euros because we have to convince people not to take two fingers in the eyes for the house that's there, which will no longer be worth anything, but to sell that house valued at market price. Then with that money you get the property in a neighbouring town 10 km away."

Going deeper into incentives for firms, the interviewee seems to support the SEZ initiatives with its related incentives, particularly focusing on monetary ones such as tax cuts under several points of view; profit tax lowering, pension contribution cuts, reduction of waste tax, minor cost of energy, as well as IMU reduction and recruitment benefits. It's interesting to note also that such incentives have been listed with an indifference tone, as if there was no specific need of a single monetary incentive but a wide-ranging approach. Again, such way of listing could also highlight that incentives have a marginal role in pushing reshoring, confirming also what underlined by Srai and Anè (2016). The problem though, according to the interviewee, stands on the location of such SEZs; one the one hand they get established in depressed territories, which is a positive point, on the other hand such territories lack the infrastructures (intended as facilities, specialized schools, roads, bureaucracy, and law system) for welcoming manufacturing activities, and hence such commitment produces low utility. Infrastructure presence in fact seems to have a crucial role in fostering reshoring.

"In my opinion what China did with the first SEZ in 1980 should be accounted. It must not be that SEZ get just open in Calabria because then it lacks all the infrastructures and facilities… invest there and you put X $ there, then we help you with energy, detaxation of employees, detaxation of profits…"

The CEO furthermore claims that such Economic Special Zones should be equally spread throughout the country, otherwise it would be unfeasible to produce in SEZ positioned far from where the products are needed, because then costs would just shift to transport and higher complexity, as highlighted above.

"I see it difficult for a company in Monza, similar to our size, that makes 70 million (revenues), to say okay, let's reshore and produce bicycles in Cosenza and it ends up costing us a billion in transportation and other costs… that is infeasible."

Regarding non-monetary incentives useful to make a territory more conducive, the interviewee asserts confidently, also recalling infrastructures, that faster bureaucracy, and specialized training must be present by default for starting a business, otherwise projects start already destined to end negatively.

"These are all important things, but they are headlines in the sense that all these things here are taken for granted, for anyone doing business… There must be roads and there must be enough personnel in the specialized surroundings, we need schools."

Small monetary incentives, exemplified by the CEO as a general patent price reduction, seem to be perceived in an almost angry way because they are of little account in respect to the needed interventions, which appear to have more structural characteristics.

"I'll reduce your price for a patent, but goodness gracious, but we're talking about nothing, that's certainly not the point there!"

In line with what said above, here the interviewee refers to the absence of a product that can be possibly pushed with "made in Italy" label. It seems that such kind of incentives, related to strengthening of certifications, are not useful in this context since production of certain goods in Italy is unfeasible, therefore makes no sense to strengthen certifications when the problem is at the production level.

"I mean, there's a wonderful made-in-Italy label where we've advertised all over the world, but then the content is missing because the product and the price is missing, clearly that's not enough".

The interviewee seems to focus the most on the infrastructural problem, here he made another example referring to how investments are unsuccessful where infrastructures, intended as material and immaterial lack.

"Let's just take the example, I start manufacturing in a place where, as of today the roads are not efficient, the number of graduates is very low, there is no specific history of that industry... let's say we are putting together a whole series of walls that it's easy for the investment to be skipped or for the investment to be made and then lost".

Such theme is remarked again with the interviewee showing how there must be also a spatial alignment between infrastructure and those activities which exploit such infrastructure in order to them to function properly. Finally, the focus has shifted towards the short duration of incentives, which therefore must accompany reshoring in a first phase, but cannot constitute the main base on which reshoring relies, because otherwise it would be unsustainable to pursue it in the absence of a strong ground able to withstand it in the long term. Probably this is also the reason why the interviewee didn't focus particularly on short-term direct incentives headed only to reshoring firms; they would result pointless without a strong foundation able to provide competitivity.

"The best doctors are trained in Milan, but the best hospital gets built in Sardinia? eh? Find an alignment! ... Otherwise, the moment the incentives run out, whether they are monetary or not, then it all stops".

Regarding the opportunity of getting included in an industrial district for facilitating contractual relationships the interviewee seems to be enthusiast, seen also that finding suitable suppliers is a significant problem when reshoring, but at the same time he appears concerned because uncertain about the success of such initiatives due to freeriding. As highlighted in fact, a rainfall intervention could easily fall into the hands of subjects only interested in profiting temporarily.

"Very well, an efficient supply chain very well, a network, very well, a district that uses in a homogeneous or common way eventual funds, incentives, etc., but the problem is to re-establish the rules, because anyone will try to grab the maximum funds and make the maximum result…Doing a rain flow intervention is not enough to those who want to do the serious project and it's just useless gifts to those who had no interest in the serious project"

For this reason, the CEO claims that incentives must be directed towards sectors that have the real opportunity to be developed, their use must be monitored, and the rules must be enforced, otherwise they would configure in holed bucket interventions like 110 bonuses: a recent government policy that ended up in illicitly enrich subjects who were not real recipients of the intervention.

"So, if there is an opportunity to make investment by the state it has to be directed consistently for sectors that can really be developed, otherwise it ends up like bonus 110 and then the result is the opposite of what you were looking for".

It emerges also the crucial importance of long-term policy choices over incentives, that must deal with what the country is willing to invest in, which negative externalities is willing to accept and what competencies wants to build, acknowledging that the infrastructure on which companies will rely takes time to get established and operative.

"You must figure out what production processes one accepts to bring back and what society does not accept… then you're going to manage the consequences of the negative externalities… what workmanship do you decide your state is willing to invest, considering that you are going to create districts for that?... because to make a plant takes time and it takes years to train people"

Finally, the CEO focuses on the main problem to be solved, which is economical; reshoring cannot be undertaken if the manufacturing activity performed after reshoring reveals unprofitable, therefore it confirms what already seemed evident, that the firm requires the most structural type interventions that can influence profitability substantially over small-term incentives.

"The problem is always economic anyway, that is, industrial production, it has to arrive to the break-even point, but it cannot start with a project that arrives at the break-even because the risk of loss is always around the corner."

In sum this analysis highlighted the principal elements that companies need in order to reshore, outlining how, for this purpose, interventions must operate on multiple lines of action and not only on a short-term perspective. Tax cuts, facilitations and reshoring focused interventions cannot make a country attractive enough to obscure structural inefficiencies, particularly affecting some sectors as those under analysis.

Moving now the focus to the second firm, the interviewee is the CEO of a company active since 1961 in the fashion market, with 4 apparel product lines, 2 of which are produced completely in Italy and the remaining produced abroad in several locations having low cost of labour and low cost of energy.

*"The company today operates Four brands of which two, ********** and **** are two brands completely made in Italy, they operate in a medium Low segment and therefore can still allow to be produced with Italian costs".*

*"Two other brands are ******** and *********, and they operate in the mass market segment. The sourcing of these products has to be done abroad where the costs of both energy and labour are lower and so in the early 2000s, they started producing in China, Vietnam and today they are scattered all over the world"*

Despite resources for producing these product lines are present in Italy as well as good motives for undertaking reshoring, such as the Made in effect, logistics costs volatility and vicinity to market, it immediately appears that the possibility of reshoring is originally denied. In fact, what allows the low selling prices of such product lines seems to be substantially a very low labor cost and energy cost coupled with big production capacities that would be impossible to reach in Italy.

"So, in Italy, for that type of product there is no production capacity and adequate cost structures to be able to do them".

However, the interviewee affirms also that some phases related to product testing have been reshored because of a need of speed in testing the appreciation of products. This speed in testing then would concretize in lower delays in commercialization due to delivery times in case testing production was made abroad; however, in that circumstance no incentives for such activity have been exploited.

"Yes some small parts of the productions are done in Italy because they have test nature and therefore being test productions that have to be done very fast, there is no time to do them abroad…".

Anyhow, the interviewee frankly remarks that there is no way to reshore significant parts of the production since both cost of labour, in such a labor-intensive industry, and production capacity in Italy result prohibitive in this sense, that's why the interviewee also use the word "ecosystem", referring to how Italy is not able to welcome such kind of activities.

"Ah, in my opinion the conditions do not exist if we are talking about the core business production, so clothing…".

"For us reshoring that kind of production is virtually impossible; on the one hand because we don't have the costs to be able to do it and on the other hand because there wouldn't even be the production capacities".

"Until sewing robots will substitute manual work, sewing will be made by tailors, hence being labor intensive it is clear that for production planning one goes to look for countries where there is that industry with a labor cost compatible with the margin structure that the firm has".

"You don't have the possibility to reshore them with any kind of industrial policy, because they are labor intensive and the labor costs in Italy are so high that no tax cut would be able to make it competitive with countries in the far east or North Africa".

"It's impossible, in my industry it's impossible, because the government would have to bring the labor cost to a quarter, or a fifth of what it is now, so it's impossible".

"Generally, the ecosystem of Italy is a manufacturing ecosystem which is adequate to do processing probably quality products. Thus, there is no way of producing low-cost products in Italy for us"

The interviewee then moves the focus to the purpose of avoiding offshoring of the firms still operating inside Italy. In fact, a lack of skilled workforce and of proper training is dramatically threatening the industry, and some actions must be taken on the policymaker's side. In particular, implementing industry specific training and incentives on cost of labour, like those for hiring seem to be advantaging interventions.

"But instead for those two brands that produce in Italy, the point is what can we do to keep them from offshoring?"

"There is a lack of specialized workforce, so an industrial policy should manage first to create training of the professional figures that support the supply chain, and secondly there should be incentives from the point of view of hiring".

"There is not enough skilled labor to be able to sustain the current production volume in our country. So rather than talking about reshoring, we need to talk about offshoring, avoiding offshoring".

"Adequate training; I'm speaking in general, today my entrepreneur friends who do metalworking can't find the specialized workers. So, it's not that there is a shortage of tailors, there is a shortage of skilled workers".

"...A labor shortage that is felt in all sectors and no one is immune. In the long-term birth and immigration policy must be managed".

Again, from the interview it emerges also how labor regulations and the related bureaucracy are too complex and time consuming, determining significant opportunity costs on other business

dimensions. Thus, incentives aimed at simplifying bureaucracy and compliance to regulation would result advantaging. Also, flexibilization of employment contracts has been considered for making environment more conducive.

"It is necessary a lower labor cost and it is necessary that the contractual forms are flexible, it is necessary that the bureaucracy around labor is adequate and not suffocating…".

"We need to lower bureaucracy of labor, because in Italy labor is too bureaucratized on both safety at work and labor relations. Convoluted, unworkable, incomprehensible regulations often, it is an oppressive bureaucracy".

The interviewee here also underlines in a worried and disenchanted way how also establishing new factories in Italy concretizes in a very slow and time-consuming activity. It seems that being compliant with regulations, legal provisions and authorizations of habitability takes long times that are non-compatible with business activity.

"If I want to open a factory in Italy, it will take 10 years. For instance, the various municipalities to which we have to apply for the authorizations that we need…".

"We need to take away the 30 percent of time that entrepreneurs think about bureaucracy because that's time they take away from serving new products, thinking about new markets".

The interviewee focuses also on energy costs, a substantial cost item after the recent shocks given by Russia-Ukraine war; in particular it seems that incentives for firms investing in self-sufficiency from the energy point of view would be significant to support firms in the country, also considering the positive impact on sustainability.

"Finally, we need to work on Energy costs, because to do manufacturing, firms consume energy: it would be necessary that the industries that invest to make themselves energy self-sufficient get incentivized as much as possible".

Then, referring particularly to workforce training and lowering of bureaucracy of labour and factory establishment, the interviewee asserts that such points would prevent offshoring, indicating also that such interventions would also foster reshoring for firms that can afford the Italian ecosystem.

"…This will prevent offshoring".

"I do not exclude that when this will happen, some activities that can afford the ecosystem conditions in Italy, so a certain cost of labor, a certain cost of energy, a certain cost of rent, can also come back".

"Clearly it is much more comfortable to produce the product, if sold in Italy, in Varese rather than in Warsaw, however, there must be these conditions".

In the last part of the interview, after having provided the keyword "Infrastructures", the interviewee seems to evaluate positively the presence of material and immaterial infrastructure on the territory, despite resulting of low importance in comparison to the previously highlighted elements.

"…road infrastructure in Italy is certainly improvable and this implies a disadvantage on freight traffic clearly".

"…if you go to Bulgaria and not to Florida (playful tone), all over the Bulgarian territory there is 5G connection, we don't have it. Infrastructure is certainly an important issue, but not the most important issue for offshoring and reshoring".

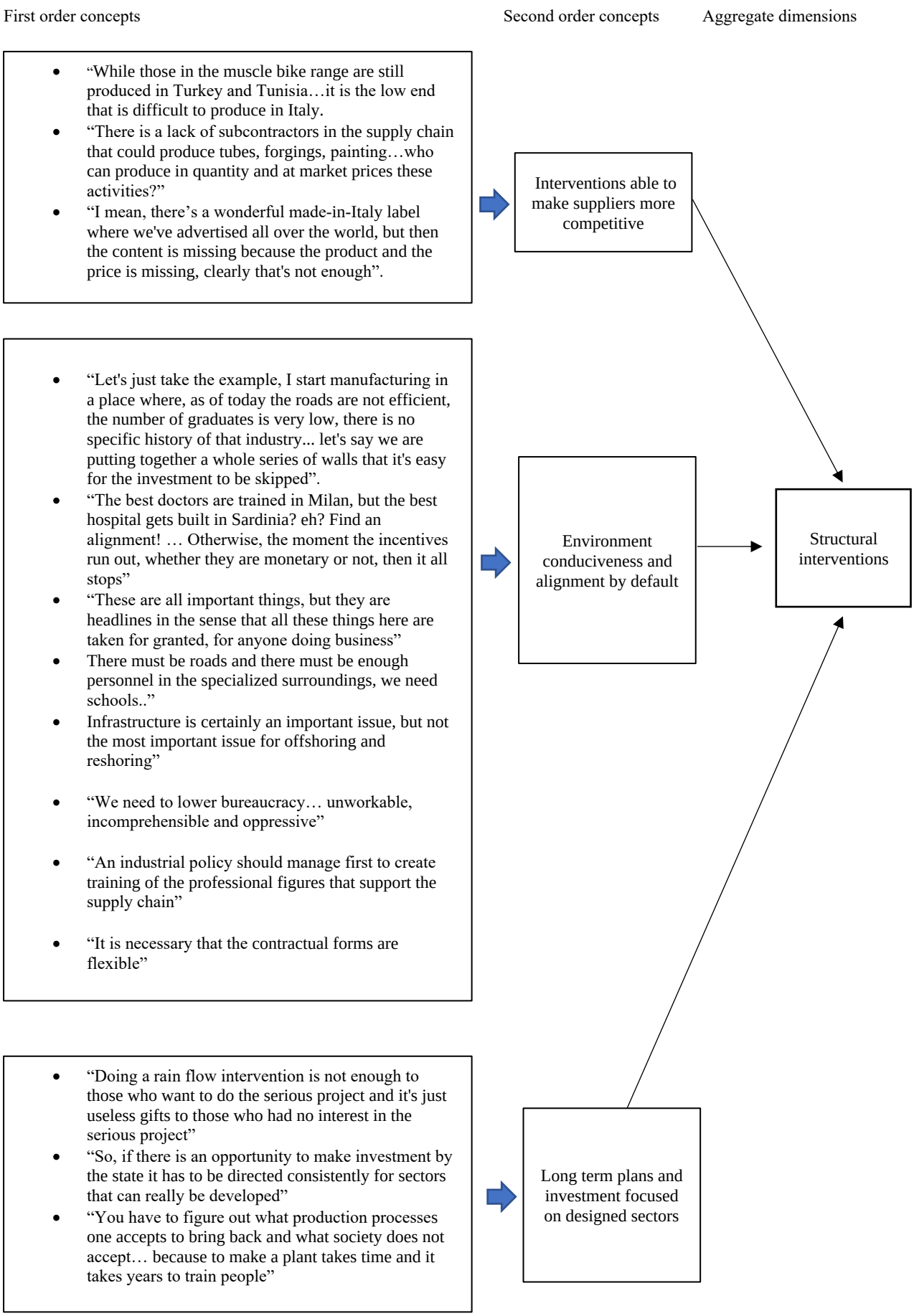
Regarding the possibility to get included in an industrial district, the interviewee seems to react positively, evaluating such opportunity as useful when it comes to reshoring

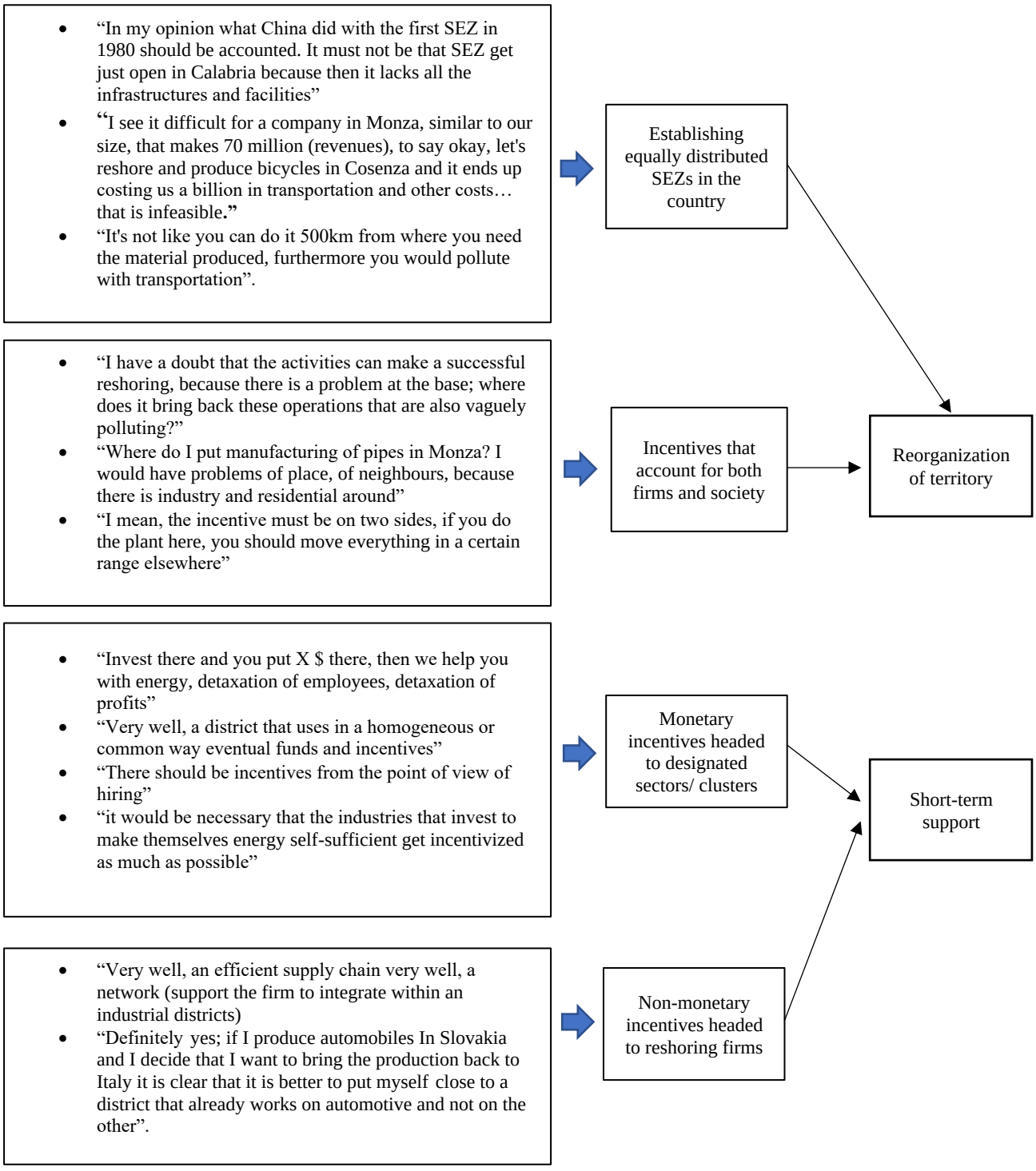
"Definitely yes; if I produce automobiles In Slovakia and I decide that I want to bring the production back to Italy it is clear that it is better to put myself close to a district that already works on automotive and not on the other".

The scheme in the following paragraph summarizes the findings and the main theoretical dimensions that emerged from the analysis of the interviews.

5 Discussion

My study aims at shedding light on how firms want to be incentivized to reshore, grounding on the concept that incentives can play a crucial role in fostering reshoring if coupled with already present operative motives that drive the phenomenon (Srai and Anè, 2016). Such motives outlined in the background section, together with the disrupting events occurred in the last few years and their aftermath, could drive companies to consider relocation in Italy and incentives may give a differential effect on the decision of undertaking it or not.


First order concepts
Second order concepts
Aggregate dimensions
"While those in the muscle bike range are still produced in Turkey and Tunisia…it is the low end that is difficult to produce in Italy.
"There is a lack of subcontractors in the supply chain that could produce tubes, forgings, painting…who can produce in quantity and at market prices these activities?"
"I mean, there's a wonderful made-in-Italy label where we've advertised all over the world, but then the content is missing because the product and the price is missing, clearly that's not enough".
Interventions able to make suppliers more competitive
"Let's just take the example, I start manufacturing in a place where, as of today the roads are not efficient, the number of graduates is very low, there is no specific history of that industry... let's say we are putting together a whole series of walls that it's easy for the investment to be skipped".
"The best doctors are trained in Milan, but the best hospital gets built in Sardinia? eh? Find an alignment! … Otherwise, the moment the incentives run out, whether they are monetary or not, then it all stops"
"These are all important things, but they are headlines in the sense that all these things here are taken for granted, for anyone doing business"
There must be roads and there must be enough personnel in the specialized surroundings, we need schools.."
Infrastructure is certainly an important issue, but not the most important issue for offshoring and reshoring"
"We need to lower bureaucracy… unworkable, incomprehensible and oppressive"
"An industrial policy should manage first to create training of the professional figures that support the supply chain"
"It is necessary that the contractual forms are flexible"
Environment conduciveness and alignment by default
Structural interventions
"Doing a rain flow intervention is not enough to those who want to do the serious project and it's just useless gifts to those who had no interest in the serious project"
"So, if there is an opportunity to make investment by the state it has to be directed consistently for sectors that can really be developed"
"You have to figure out what production processes one accepts to bring back and what society does not accept… because to make a plant takes time and it takes years to train people"
Long term plans and investment focused on designed sectors



Findings show that the interventions needed vary widely and cover a larger scope than simple incentives headed towards reshoring firms, since it cannot be taken for granted that when it comes to reshoring, there is a responsive and competitive entrepreneurial structure and a

conducive territory ready to host the relocation of a firm efficiently. Therefore, it is logical to expect that firms would demand interventions that strengthen the attractiveness of a country for investments and therefore its competitivity on multiple points of view.

Starting from the fact that the most important dimension highlighted is the structural one, intended as the basis on which the firm operates, and it has implications not only on the specific firm considered, but also on all the environment in which it would operate after reshoring. Suppliers competitivity strongly impacts the possibility of a firm to reshore because a lack in supply of right quantity of components at market prices prevents the ability to compete at the origin. Secondly, environment non conduciveness, that can arise by infrastructural inefficiency due to lack of specialized workforce (Ricciardi et al., 2015), lack of facilities (Corò, 2021), slowness of bureaucracy or legal system (Barbieri et Al., 2022), but also by a spatial or scope misalignment between infrastructures and user firms, affects the possibility to profit of both the reshoring firm and its potential suppliers. Therefore, environment conduciveness and suppliers' competitiveness are also linked, and they influence each other. The third element, included as structural, is the long-term policy theme, that in turn influence both the above cited concepts. If a country undertakes a sector-specific policy intervention, taking as an example that of Indian government for fostering IT sector in the country, it is logical to expect that the business environment could become more attractive for investments due to increased specialization, presence of key facilities, that in turn foster suppliers competitivity and territory conduciveness (Bottini et Al., 2017).

Clearly these 3 dimensions work together in empowering structural efficiency, a feature that is fundamental not only for potential reshoring firms but also for foreign ones willing to invest in the country and firms that never delocalized and decided to stay. After recognizing the major importance of structural elements, which presence ensures basic conditions that allow

reshoring, I'm going to examine the other emerged elements, that are more targeted towards the phenomenon.

From the territory reorganization point of view, there is also a clear impact, despite seeming lower in comparison to the previous, on the incentivization strength side. In fact, the presence of well-spread SEZs in the country could provide firms with some zones where plants or buildings can be established for enjoying operative advantages, provided by the exploitation of common-use facilities (Ambrosetti, 2021), and tax advantages typically given by such zones, while avoiding disputes with community, if such areas could get established far from population centers for instance. Incentives on the population side, intended as compensations for accepting polluting firms nearby inhabitants, can be interesting to evaluate as a solution for relocation problems since could speed up the plants' establishment processes while avoiding possible obstacles and costs deriving from community discontent; in this sense, it would be interesting to explore the possibility of integrating them under a burden-sharing perspective between firm and state, since reshoring firms establishment in the national territory should be included in government interests.

The third aggregate dimension, short-term support, includes monetary and non-monetary incentives headed toward specific sectors/clusters, and non-monetary incentives directed to possible reshoring firms. Concerning the first, it would contribute positively to the development of the activities and to the investment in specific sectors, providing also little advantage for reshoring firms that operate in the incentive scope. In this sense, however, they cannot be deemed as important drivers to undertake a reshoring decision, they can rather be considered an additional advantage, but not decisive. Non-monetary incentives directed to reshoring firms, such as the facilitated insertion in a cluster, or the building of a network with suppliers and other sectors' actors, seem to result useful, particularly in fostering relationships between firms and suppliers, a problem typically affecting firms after reshoring. Such support,

in addition, would also contribute positively to reshoring firm innovativeness (Bello, 2019), more so if the considered firm operates in an innovation-oriented market, like the first firm, which invests a lot in innovating its product, and hence would benefit strongly from this intervention. However, such dimension seems to play a minor role in attracting firms that could reshore, although it would support companies' activities. Such measures in fact would contribute positively to the beginning or continuation of the activity, to the creation of relationships, or to the innovativeness of the reshored activity, but cannot prescind from the interventions cited above for fostering reshoring effectively. So, such incentives seem to assume valence only if paired with the structural interventions dimension. Despite such interventions could result advantaging for some enterprises, particularly small and medium ones, they seem to be completely vain for big companies having labor-intensive products with low positioning in the market and hence particularly advantaging cost structures grounded on foreign countries' salaries; it is also reasonable to derive that the latter concept applies also to firms of smaller sizes as well.

6 Results

My study contributes to the understanding of the reshoring phenomenon and to the comprehension of how companies need to be incentivized in order to undertake it. What emerged from the study and the following analysis then, is that beyond the already present motivations that could push reshoring, as the "made in" effect and the supply chain-related shocks, some conditions, deemed as structural, must be present in the host country, and interventions must focus on assuring them first for pulling reshoring phenomenon on the relocation country side. Then, other types of incentives can be taken into account to make reshoring less onerous and complex and hence more attractive, with a marginal effect on the decision to undertake it. Accordingly, the three lines of intervention outlined, (Structural interventions, Reorganization of territory, and Short-term support incentives) relate in the

following way: reorganization of territory and short-term support incentives consist in catalysts that assume value only if coupled with structural interventions, that can produce the right premises for the phenomenon to take place. In case the right premises are already present instead, reorganization of territory and short-term support incentives can act together for pushing the phenomenon further. However, the validity of incentives to reshore stops at a certain point: as outlined in the second interview, the presence of incentives, even if significant, results completely vain for enterprises having large-scale production plants abroad characterized by strong cost-efficiency grounded on low labor costs; there no exist incentives able to replicate it or equalize its cost conditions in Italy. Thus, it is logical to assert that labor-intensive manufacturing enterprises basing their competition on price, and thus having certain cost structures, are way more incentivized to produce abroad, as outlined by D'Attoma (2020), at least until the salaries in the host countries remain unvaried, a condition that may persist up to a certain point, given the current trend of narrowing in salary differentials.

Refocusing on small-medium size firms, which is the first case under analysis, the three lines of intervention must be undertaken jointly in order to act broadly and ensure attractiveness of the country, thus providing conducive conditions and short-medium-term advantages to firms having the possibility and the willingness to reshore. Such interventions declined at the micro-level for specific sectors, would hence contribute to the increase of manufacturing reshoring phenomenon in Italy, at least for small and medium enterprises that are already pushed by some of the motives discussed above, and have a cost structure that can be reasonably replicated in Italy. Summing up, the elements outlined and the linkages between them provide important insights to policymakers and local entities, that in turn may take advantage of the information that emerged for implementing policies and incentives; wide range, coordinated, and targeted interventions grounded on multiple lines of action and time should be considered for fostering reshoring phenomenon effectively. It is also evident that such an objective cannot be

prosecuted except through a national organic strategy that serves as a framework for local policies, which instead need to focus on micro-level actions, more specific respectively to their territory.

6.1 Limitations & Future developments

Although the study contributions on reshoring topic are varied, some limitations must be considered. The main limitation of such method of data gathering was the language, in fact both the interviews were conducted in Italian language since both the CEOs believed they could provide better answers as Italian is their native language. For this reason, I tried to maintain most of the Italian modes of expression in the interview, allowing a more precise analysis, but unfortunately some of them got lost in the translation, thus the English translation might express lightly different concepts in comparison to what the CEOs answered. Then, research is focused only on 2 firms, implying that the sample is too small to generalize results. Furthermore, such firms are Italian, thus the study can be generalized in geographic terms until a certain extent: the elements underlined could be deemed not incentivizing in other countries for the same sectors, meaning for instance that Deutsch firms producing bicycles are no looking for structural interventions since the infrastructures' efficiency is higher in Germany. Furthermore, the study has been carried out in only 2 sectors, which imply that results are representative of all industries up to a certain point since their structural development, the sector specific features, as well as the relative strength of already existing reshoring motivation also determine the micro type and relative power of necessary incentives to reshore. On the other hand, many interventions underlined prescind from the sectoral dimension. Such limitations though provide directions for future developments; further research should include a higher number of interviews for codifying the main incentives for reshoring in a plurality of sectors, thus ensuring generalizability at least in Italy. In conclusion, after having verified compliance of codified incentives with European regulation, in order to make research more

meaningful, a quantitative study on such dimensions should be performed, resulting in an incentive package ready to be valued by policymakers for possible interventions.

7 Appendix

INTERVIEW ***** S.p.A. - 04/2023

1)What does the company produce and how long has it been in business?

Muscle and electric bicycles and e-bikes; this company has been in business since 2000, even though it comes from a company that is more than 100 years old.

2)Has the company ever undertaken offshoring of manufacturing steps? If yes, when where, and why?

*He did this from 2001 until about 2010, because this company was born from a corporate crisis of a company called " ****** ******* " which was, in fact, producing everything integrally in Italy, at a certain point the Italian production cost and the supply market were no longer sustainable with the sales of the products. With the crisis and the creation of the new company, a part of the Italian production was taken to the Far East, to Turkey and then to Tunisia; actually from 2001 until 2008 it was more a commercial company than a production company because it had moved all production abroad, only the parts of product definition, technical office and sampling had remained in Italy.*

3) Does the company make use of resources available only in the host country?

No

4)Has the company already carried out manufacturing reshoring practices in Italy? If yes, why?

Yes, let's say that starting in 2010 but maybe even earlier, when we invested heavily on e-bikes, which we were the first in Italy in doing so, at least for one product segment, it was a plus to have the production close to us to better follow the quality but especially to target the production batches according to the market demands. So, with electric bicycles we started to bring production back to Italy. The strategy over the years has paid off and we as of 2018 are producing 100 percent of e-bikes in Italy, but already in previous years, we were at 80 percent. (The interviewee here has shown very convinced of having made the right choice when he decided to reshore) While those in the muscle bike range are still produced in Turkey and Tunisia. A good part of our 15% of sales are made in Turkey, it is the low end that is difficult to produce in Italy (Here the interviewee has had a disenchanted tone, referring to the impossibility of producing such product in Italy because of the high costs and the difficulty of finding suitable suppliers)

5)Did the company, in that context, take advantage of possible reshoring incentives? If yes, which ones?

No

6) If the company has/has not already undertaken manufacturing reshoring in Italy, would it be willing to carry it out for additional manufacturing steps or undertake it for the first time? If yes, why?

Yes but "there is a but here"; we have brought back the last part of the production of a product, which in fact is the assembly: we have here the first part of development and finally the assembly, in between there is the part of, for example, producing frames, welding, painting, which would be interesting to bring back to Italy or Europe, but to date there are not the economic conditions on the one hand, and then there is a second problem that there is a lack of subcontractors in the supply chain that could produce tubes, forgings, painting…who can produce in quantity and at market prices these activities?. So yes, but we enter in a phase that is too early for Italy, but secondly there are not the economic conditions, and thirdly, I have a doubt that the activities can make a successful reshoring, because there is a problem at the base; where does it bring back these operations that are also vaguely polluting? Are there places willing to take a large number of businesses, which then produces pollution? I personally don't think so, in my opinion reshoring stops at a certain point because it clashes with people's desire to take the fumes and pollution from companies. Even just a little bit of noise, trucks, transportation.

Giovanni Ghizzoni: "Also regarding pollution some regulations are present"

Adhering to the standards is mandatory but it's also feasible, but there's another point, if the factory makes pipes and frames, it's not like you can do it 500km from where you need the material produced, furthermore you would pollute with transportation (here the interviewee refers, with a surrender tone, to the choice of reshoring but ending up producing far away from where the product is needed, underlining the high costs that would arise and the increased complexity deriving); where do I put it in Monza a factory that makes pipes, welds and paints? I would have problems of place, of neighbours, because there is industry and residential around. It's true for 80 percent of manufacturing, it brings an impact the placement of the company...reshoring reshoring but when I bring you a steel plant close to home, raise your hand if you want it! (Playful tone). For example, ILVA, you can also bring it up to standard with the technologies, with the best manufacturing plant today, but there will always be an impact on the houses that are 200m away from there, so either you move ILVA, or you move the houses. Then it means that if you move the houses you have to provide incentives, so multiply ILVA by all the reshoring you do when you go on such activities. If you want to bring in a mega factory that produces batteries, which doesn't assemble batteries, but produces from the ground up, where do you put it? It is the equivalent of having a steel mill. Nice to say, let's produce batteries in Europe but it comes out a mega Factory, starting from the earth, so fumes, dirt... it changes your landscape, I mean. The incentive must be on two sides,(here the interviewee provides an example) if you do the plant here, you should move everything in a certain range elsewhere; there's a 300 M buffer zone, there are 500 houses, it's a billion euros, we have to put a billion euros because we have to convince people not to take two fingers in the eyes for the house that's there, which will no longer be worth anything, but to sell that house valued at market price. Then with that money you get the property in a neighbouring town 10 km away.

7)If the company were to undertake manufacturing reshoring in Italy, how could the government best incentivize it?

In my opinion what China did with the first SEZ in 1980 should be accounted. It must not be that SEZ get just open in Calabria because then it lacks all the infrastructures and facilities and so what? They must provide incentives, kind of (here the interviewee provides some examples) "invest there and you put X $ there, then we help you with energy, detaxation of employees, detaxation of profits for a certain period, Imu, waste for x years you have a reduced price, You hire 100 employees and you will have the contributions cut for the first 10 years, you will have that if

corporate tax are at 26% it will be 18%, and so on. That is, however, where? Not only in objectively depressed areas because then the infrastructure is lacking. They should be done evenly, spread throughout the country, because I see it difficult for a company in Monza, similar to our size, that makes 70 million (revenues), to say okay, let's reshore and produce bicycles in Cosenza and it ends up costing us a billion in transportation and other costs… that is infeasible.

8)In light of the various possibilities for incentives , both non-monetary (investment in commonly used infrastructures, investment in specialized training, enhancing "made in Italy" certifications, business support and advisory, and speeding up bureaucracy for example) and monetary (tax cuts, cheap energy supply, and settlement facilitations for example),how could the business environment be made more conducive to the point of encouraging manufacturing reshoring practices in Italy?

These are all important things, but they are headlines in the sense that all these things here are taken for granted, for anyone doing business. I mean Eh. That there's a wonderful made-in-Italy label where we've advertised all over the world, but then the content is missing because the product and the price is missing, clearly that's not enough. These are things that must be basic there. You tell me, (example) I'll reduce your price for a patent, but goodness gracious, but we're talking about nothing, that's certainly not the point there. They have to be there by default because otherwise the projects don't even start. Let's just take the example, I start manufacturing in a place where as of today the roads are not efficient, the number of graduates is very low, there is no specific history of that industry... let's say we are putting together a whole series of walls that it's easy for the investment to be skipped or for the investment to be made and then lost, which is worse for everybody, because then you have cathedrals in the desert. Do you want to make a manufacturing hub? There must be roads and there must be enough personnel in the specialized surroundings, we need schools… I give an example, that is, if the university of reference for physicians is, let's invent it, the Normale of Pisa, I would invest around there for building an hospital. Again, the best doctors are trained in Milan, but the best hospital gets built in Sardinia? eh? Find an alignment! Otherwise you have to make Sardinia an experience for the whole world so you transform an area that had no history of this type, but with really billion-dollar investments, you attract the world, then you will not only open a hospital, you will open a university, then a whole series of related things, manufacturers of medical equipment etc. etc. because there is the infrastructure that leads. Otherwise, the moment the incentives run out, whether they are monetary or not, then it all stops, that is, it doesn't work, it can't work because then nobody pays for it. Especially if it's a private enterprise, because at some point the funds run out and you don't have the ability to move forward. Bringing back a production, it means that by default there are conditions, if there are no conditions it fails, it's just a matter of time.

9)What do you think about the possibility of facilitating the company to build relationships with an industrial district as an incentive for manufacturing reshoring in Italy?

You have to be very careful in making this work. The problem is always economic anyway, that is, industrial production, it has to arrive to the break-even point, but it cannot start with a project that arrives at the break-even because the risk of loss is always around the corner. So, the point is, very well, an efficient supply chain very well, a network, very well, a district that uses in a homogeneous or common way eventual funds, incentives, etc., but the problem is to re-establish the rules, because anyone will try to grab the maximum funds and make the maximum result. So, the real point is, it has to be real, factual stuff, not just a title ... where it says, "look I have a billion euros, I move it in there", and then it's not being used well or it's not being use. Doing a rain flow intervention is not enough to those who want to do the serious project and it's just useless gift to those who had no interest in the serious project, but they take

the benefits and use them in normal production. So, if there is an opportunity to make investment by the state it has to be directed consistently for sectors that can really be developed, otherwise it ends up like bonus 110 and
then the result is the opposite of what you were looking for. By bringing the company back to Italy we gave employment more or less to 100 people. Pretty big bicycle company in Italy, but no big deal, so if you multiply that by, for example, just the turnover it expresses, considering that Monza Brianza expresses something like 32 billion in turnover, we make 70 million, and just with one processing we brought back jobs to about 100 people. You make the proportion, and it would mean having a huge amount of work brought back, at least in theory, after that you have to figure out what production processes one accepts to bring back and what society does not accept, such as a polluting stuff. Having said that, the potential is objectively huge, but the money is extremely limited, so from my point of view, the windfall, where I give you money in a district and "let's see what happens", it doesn't work. There are policy choices here in reshoring which are key points; "what processing do you agree to bring back?", and then you're going to manage the consequences of the negative externalities e.g., more traffic, more smoke and whatever. What workmanship do you decide your state is willing to invest in, considering that you are going to create districts for that? To compete with the Far East, China, Taiwan, Korea, India, you also have to start from the idea that there are states that tend to favour a lot of export with state aid; so on the other side you have to think about how you can tackle it, because incentives cannot last forever, but for a period, they only serve to start the phenomenon, then it develops. It takes a very strong political choice at the base, and it cannot be a one-year or two-year political choice, it is a long-term choice, like "this is the situation and I know for the next 20 years I will commit to this choice" because to make a plant takes time and it takes years to train people. Getting into an economically viable area takes years, then maybe it will start with a small industry focused on a few products, but as time goes on, the day 1 they'll be making bicycle frames, but the next day it could be that they'll be making Car frames, electric battery cases. We will start with a mega Factory of batteries for cars, but then we could do it for mopeds and bicycles, iPhones, and hair dryers.

INTERVIEW ***** S.p.A. - 05/2023

1) What does the company produce and how long has it been in business?

It was founded in 1961, clearly not in the form of today, but in the form of an individual enterprise. In the 1980s then it becomes an LLC then in the 2000s a spa. The company today is engaged in the production and marketing of men's, women's, and children's clothing items.

2)Has the company ever undertaken offshoring of manufacturing steps? If yes, when where, and why?

*The company today operates Four brands of which two, ********** and **** are two brands completely made in Italy, they operate in a medium Low segment and therefore can still allow to be produced with Italian costs. Two other brands are ******** and *********, and they operate in the mass market segment. So, we have the typical structure of those firms working in mass market. The sourcing of the product has to be done abroad where the costs of both energy and labor are lower and so in the early 2000s, they started producing in China, Vietnam and today they are scattered all over the world. it was then done offshoring, because the segment is low cost, and the product has to be done abroad because the brands have positioned themselves on a low-cost market segment. So, in Italy, for that type of product there is no production capacity and adequate cost structures to be able to do them.*

3) Does the company make use of resources available only in the host country?

No, resources found in the host country could be found everywhere

4)Has the company already carried out manufacturing reshoring practices in Italy? If yes, why?

Yes some small parts of the productions are done in Italy because they have test nature and therefore being test productions that have to be done very fast, there is no time to do them abroad, hence it is a speed matter. Then in Italy, in our world, there are not even the production capacities: if we also wanted to make our low-cost products In Italy, we are talking about 90 million pieces a year, there would not even be the production capacities to do that, because by now, rightly the made in Italy industry on clothing has focused on smaller productions, higher value-added and high quality, so for us reshoring that kind of production is virtually impossible; on the one hand because we don't have the costs to be able to do it and on the other hand because there wouldn't even be the production capacities.

5)Did the company, in that context, take advantage of possible reshoring incentives? If yes, which ones?

No

6) If the company has/has not already undertaken manufacturing reshoring in Italy, would it be willing to carry it out for additional manufacturing steps or undertake it for the first time? If yes, why?

Ah, in my opinion, the conditions do not exist if we are talking about the core business production, so clothing, there are not the conditions to be able to do it, In Italy there are

neither the production capacities nor the cost structures that can be found abroad. The real problem is another and that is to maintain what is remaining in Italy in terms of manufacturing. In my opinion, from the point of view of industrial policies, at least talking about my industry which is labor intensive, until sewing robots will substitute manual work, sewing will be made by tailors, hence being labor intensive it is clear that for production planning one goes to look for countries where there is that industry with a labor cost compatible with the margin structure that the firm has. Thus, that kind of labor of the two brands, that are the low-cost segment, you don't have the possibility to reshore them with any kind of industrial policy, because they are labor intensive and the labor costs in Italy are so high that no tax cut would be able to make it competitive with countries in the far east or North Africa. But instead for those two brands called, that produce in Italy, the point is what can we do to keep them from offshoring? this is the point for us precisely because I mean we have in our cost breakdown 50 percent of the cost is labor, so the risk, today, is that an industrial policy does not account for incentivizing the training of new people. There is a lack of specialized workforce, so an industrial policy should manage first to create training of the professional figures that support the supply chain, and secondly, there should be incentives from the point of view of hiring. If I hire a tailor today who is able to work because he has had the training, that's one thing, if, as it happens to us to hire someone, who can't do anything, it will require the state to take over the training that it didn't give them, and we should do. Then there is a whole issue of competition also on the labor regulations; first if you want to bring manual labor it is necessary that the cost of labor is lower and it is necessary that the contractual forms are flexible, the bureaucracy around labor must be adequate and not suffocating as today, so from the point of view of industrial policy we need to work on training, cost of labor, and contractual forms of labor. Finally, we need to work on Energy costs, because to do manufacturing, firms consume energy: it would be necessary that the industries that invest to make themselves energy self-sufficient get incentivized as much as possible, also because this is also in the logic of the European decarbonization plan.

7)If the company were to undertake manufacturing reshoring in Italy, how could the government best incentivize it? Also, from a point of view of reindustrialization.
It's impossible, in my industry it's impossible, because the government would have to bring the labor cost to a quarter, or a fifth of what it is now, so it's impossible,

Giovanni Ghizzoni: so, we acknowledge that certain types of productions can no longer be brought back to developed countries for a labor cost reason.

Exactly, certain kinds of productions in certain market ranges; you can do reshoring in Italy for clothing in certain ranges, but not in that of mass market, because since it has to have selling prices of a certain kind imposed by the market it has to have production costs imposed by the market that are not compatible with the labor cost structure In Italy. Labor cost and tax regime, but generally the ecosystem of Italy is a manufacturing ecosystem which is adequate to do processing probably quality products. Thus, there is no way of producing low-cost products in Italy for us,
But again, the point of view, according to me in my industry, but not only in my industry, is different: but those productions that can still be done in Italy today, will they be possible to produce in 5 years, 10 years? In my opinion no, because there is not enough skilled labor to be able to sustain the current production volume in our country. So rather than talking about reshoring, we need to talk about offshoring, avoiding offshoring.

8)In light of the various possibilities for incentives , both non-monetary (investment in commonly used infrastructures, investment in specialized training, enhancing "made in Italy" certifications, business support and advisory, and speeding up bureaucracy for example) and monetary (tax cuts, cheap energy supply, and settlement facilitations for example),how could the business environment be made more conducive to the point of encouraging manufacturing reshoring practices in Italy and also to preventing manufacturing offshoring from happening? Here I would ask you to speak with a little bit broader point of view, which also goes beyond your specific business

Adequate training; I'm speaking in general, today my entrepreneur friends who do metalworking can't find the specialized workers. So, it's not that there is a shortage of tailors, there is a shortage of skilled workers. We need to implement in the long-run policies that encourage the birth rate, because we have few Italians working, also we need to guarantee flows of people coming to Italy to work because we don't have any. These points respond to the same theme; a labor shortage that is felt in all sectors and no one is immune. In the long-term birth and immigration policy must be managed; these people, who have grown up or arrived need to be educated, they need to be trained. Secondly we need to lower bureaucracy of labor, because in Italy labor is too bureaucratized on both safety at work and labor relations. Convoluted, unworkable, incomprehensible regulations often, it is an oppressive bureaucracy...We need to lower bureaucracy business activity in Italy, that is, if I want to open a factory in Italy, it will take 10 years. For instance, the various municipalities to which we have to apply for the authorizations that we need, comply with all the legal provisions that are present, have all the final authorizations of habitability.. So, the real problem is that we are a country with few young people and with a bureaucracy that takes up 30 percent of the entrepreneur's time. That is, we need more trained young people, and we need to take away the 30 percent of time that entrepreneurs think about bureaucracy because that's time they take away from serving new products, thinking about new markets. This will prevent offshoring. I do not exclude that when this will happen, some activities that can afford the ecosystem conditions in Italy, so a certain cost of labor, a certain cost of energy, a certain cost of rent, can also come back. Clearly it is much more comfortable to produce the product, if sold in Italy, in Varese rather than in Warsaw, however, there must be these conditions.

Giovanni Ghizzoni: To add something else on this point I give you a keyword, then you tell me what comes to your mind... if I say infrastructure?

Infrastructure certainly is another issue; road infrastructure in Italy is certainly improvable and this implies a disadvantage on freight traffic clearly; rail facilities on the freight side are quite underdeveloped. Technological infrastructure as well; if you go to Bulgaria and not to Florida (playful tone), all over the Bulgarian territory there is 5G connection, we don't have it. Infrastructure is certainly an important issue, but not the most important issue for offshoring and reshoring, the ones I told you before are the biggest points.

9)What do you think about the possibility of facilitating the company to build relationships with an industrial district as an incentive for manufacturing reshoring in Italy?

Yes, it is certainly important. I have no experience or knowledge of Government Interventions on this issue personally

Giovanni Ghizzoni: I have seen some interventions that have been implemented abroad, and also in Italy, but in a less structured way... however would you find it useful?

Definitely yes; if I produce automobiles In Slovakia and I decide that I want to bring the production back to Italy it is clear that it is better to put myself close to a district that already works on automotive and not on the other side because I will have all the suppliers close there, and it will cost less to move the product and it will be easier for me to innovate, Yes, definitely it would be useful.

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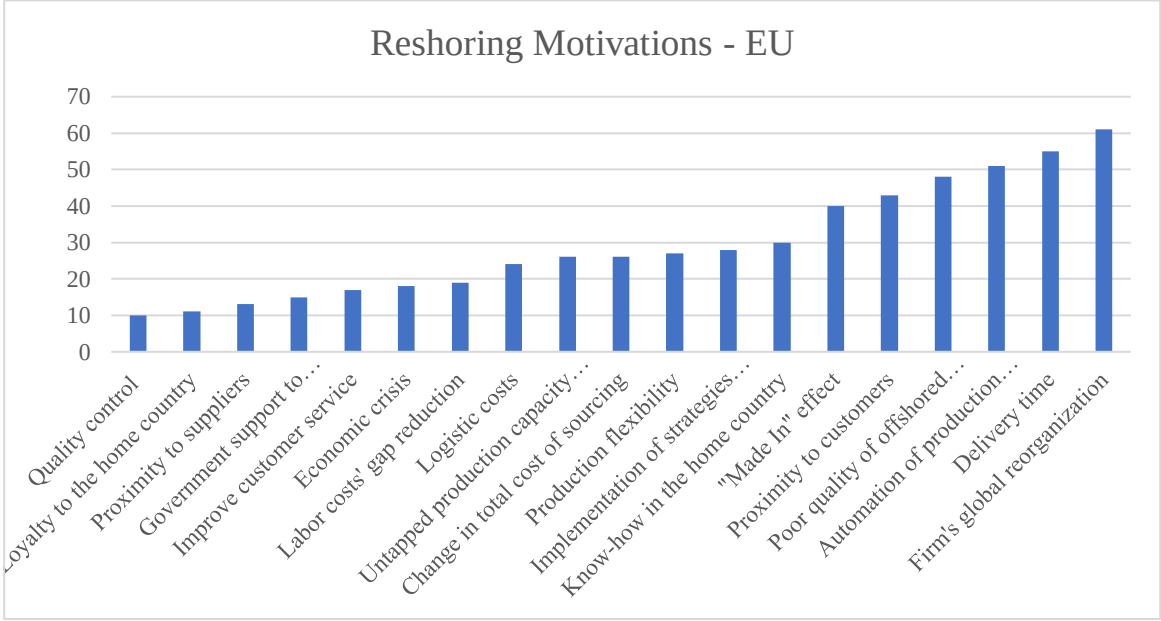
SUMMARY

The main factors influencing businesses in advanced countries over the past three decades have been the growth of globalization and digitalization, as well as the propensity to find better economies of production necessary to compete in a globalized market. Offshoring is a practice consisting in migrating some or all the firm's value chain activities to countries different from the home country, independently from the governance mode of such activity. This phenomenon began to gain popularity in the final 20 years of the 20th century and gradually changed local supply chains into aggregations of globally dispersed activities meant to take advantage of country resources and competencies in relation to each activity carried out. Offshoring had a significant negative impact on advanced countries' GDP, unemployment, deindustrialization, and reliance on foreign production. Recent research, however, has shown that some businesses have chosen to reshore their operations in their respective home countries due to strategic considerations and altered socioeconomic circumstances. Supply chains are greatly threatened by economic shocks like crisis, shocks resulting from extra-economic events like war and pandemics, and scenario changes brought on by changes in host country conditions. Although supply chains have expanded and become more effective, they are still not very resilient, robust, or flexible. The recent effects of the pandemic and war on GVCs, in particular, have been dramatic, and logistics have shown to be crucial and extremely fragile in this scenario. However, risk management functions are being called back to reorganize operations to deal with the heightened volatility characterized by the new normality.

In light of this complicated backdrop, research has started to examine the causes of manufacturing reshoring, and governments have started thinking about ways to support it given the potential advantages it presents. According to the studies that have been reviewed so far, "Manufacturing Reshoring" refers to a company's voluntary and intentional decision to return some or all of its previously offshored manufacturing activities to the home country, regardless

of governance mode, in order to meet local, regional, or global demand. The term "Reshoring" will be used in this research project to refer to the relocation of one or more offshored activities within the home country, independently from the governance of the activity. Reshoring and its conjugations have the potential to occupy a significant share among firms' value chain reorganization strategies, but from the perspective of change of global value chains towards regionalization, which is coming in the near future, the phenomenon cannot yet be considered significant from a reindustrialization of advanced countries point of view, because its volumes are still low, and in any case, the impact of AI, automation and innovations in manufacturing make it impossible to restore industrial sector at the levels prior to the advent of offshoring practices. However, reshoring presents a good opportunity to increase businesses' competitiveness, if properly incentivized, and can also benefit and improve the wellbeing of the respective home nations. Focusing now on the research question, since literature has focused mostly on motivations, locations and modes of reshoring, I tried to fill the gap existing in the incentives for reshoring topic; thus, this research project is aimed at finding how companies want to be incentivized to reshore, starting with a framing of the scenario in which offshoring, which a prerequisite for reshoring to take place, started to catch on between business practices. The increase of international trade due to innovation in communication technologies and in transportation, particularly in freight transport via sea and air, as well as the accompanying incremental adjustments that followed, contributed dramatically to fostering offshoring activities. A description of the volumes, sectors, involved countries and motives of offshoring has been made, showing that many European countries' businesses in labor-intensive industries relocated their plants abroad in order to seek low-cost workforce, ensured by countries in the Asian region such as China and nations in the East-Europe. Despite offshoring practice is still active and several companies have globally dispersed supply chains, motives of different nature and shocks as well as geopolitical tensions are threatening such

organization of production, implying a reconsideration of supply chains from the companies' side. The examination of such motives, together with recent disruptive extra-economic events, that will become more and more common in the future, and their strong implications on companies' cost economies, reveals that firms are trying to reorganize their supply chains in order to tackle the increased volatility of the new normality; reshoring, together with other strategies, is a possible practice to undertake for fronting the challenges arising in this new scenario. A description of available data and literature on reshoring phenomenon, its drivers, sectors, and most impacted countries is described. What emerges is that Italy is between countries undertaking such practice the most, together with France and USA, indicating that our firms are prone to reshore, particularly in sectors impacted by "Made in" effect, that strongly characterize some Italian productions, thus pushing firms to reshore for benefiting it. The most cited motivations by European firms are highlighted below.



European Reshoring Monitor, elaboration of Eurofound (2019); multiple alternatives can be selected

From secondary data it emerges that Apparel, Electrical equipment, and Machineries sectors are the most impacted in Italy. However, motives fostering reshoring vary widely: augmented logistic costs due to dramatic increase in fuel prices caused by effects of Russia-Ukraine war,

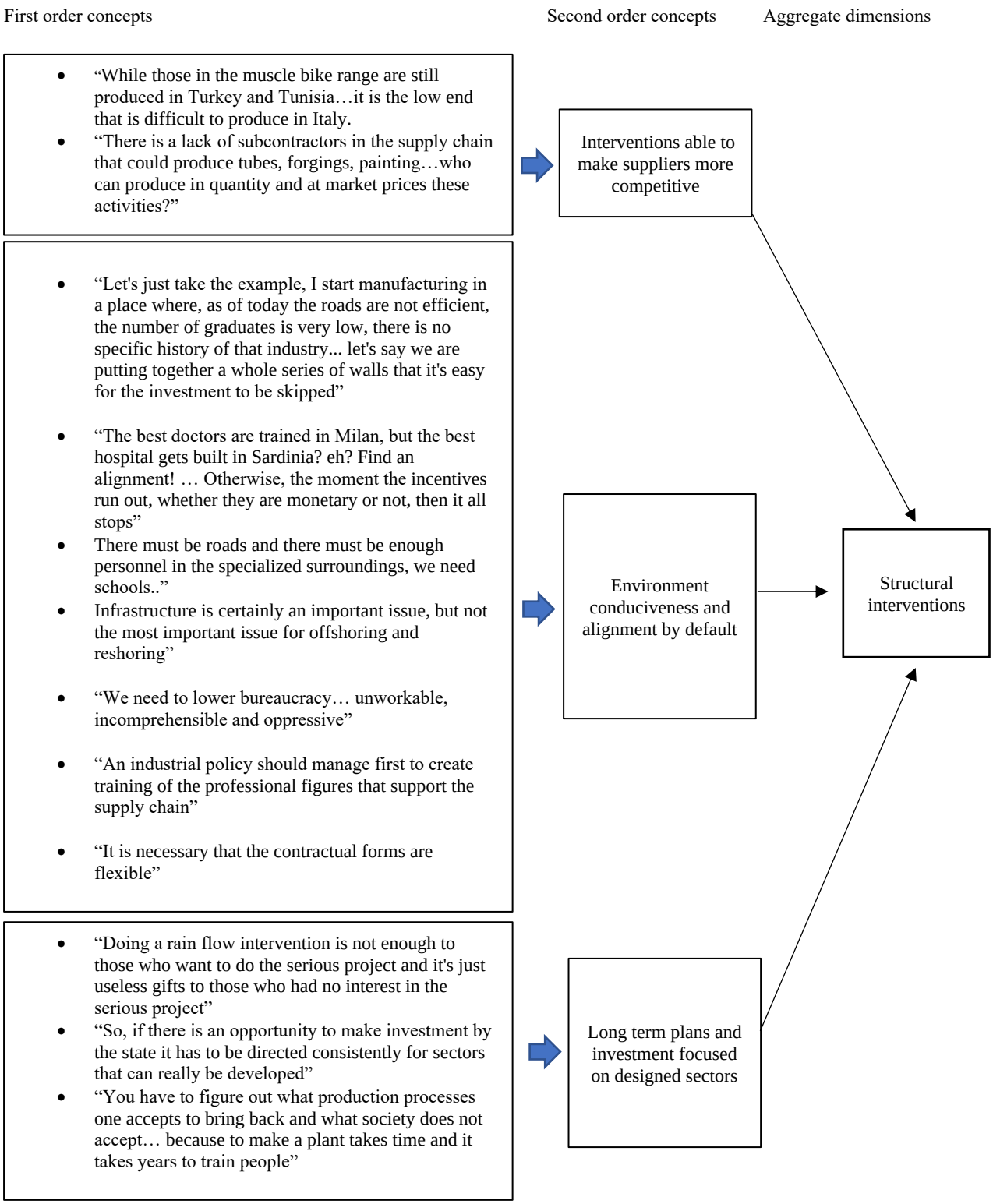
thinning of salary differentials between developing and developed countries, geopolitical tensions causing restricting interventions on trade, and increased perception of sustainability concerns on the consumer side are only some of them. Starting from this background, the research project grounds up on the fact that reshoring drivers, together with changed socio-economic conditions and recent shocks, and with potential reshoring incentives, can determine an increase in the phenomenon. Thus, the role of incentives is considered here as the straw that breaks the camel bag, being their impact marginal but crucial if coupled with the above cited elements. Clearly, positive effects on the economy are several, starting with the increase in employment (as highlighted by European Reshoring Monitor, which collected data on 253 firms between 2014 and 2018, reshoring created a total of 12.800 jobs in Europe, mostly in manufacturing sectors) higher GDP, and lower dependency on foreign suppliers, that is an important theme to be considered, seen the effects of medical instruments and surgical masks lack during the COVID pandemic and the possibility of countries to militarize such dependencies. Focusing now on incentives, some initiatives have already been implemented in European countries and literature also deepened some possibilities of incentives: In UK, MAS (Manufacturing Advisory Service), a government agency, was in charge of supporting strategically firms intended to supply reshoring firms, with interventions aimed at providing innovative practices, supply chain services, and improving their processes efficiency. This was done in accordance with the "Reshore UK" policy (2014), which engaged the UKTI (UK Trade & Investment Department) for supporting reshoring firms in finding suitable local suppliers. Again, AFII (Invest in France agency) offered support with a single point of contact for administrative procedures, a network of promotion agencies at different territorial levels, plans for relocations, and financial aid distributed by an ad hoc fund after a reshoring candidate was selected. Italy also have been active from this point of view with some regional initiatives like the "Carta di Pescara" in the Abruzzo region and the "Smart specialization strategy" in the

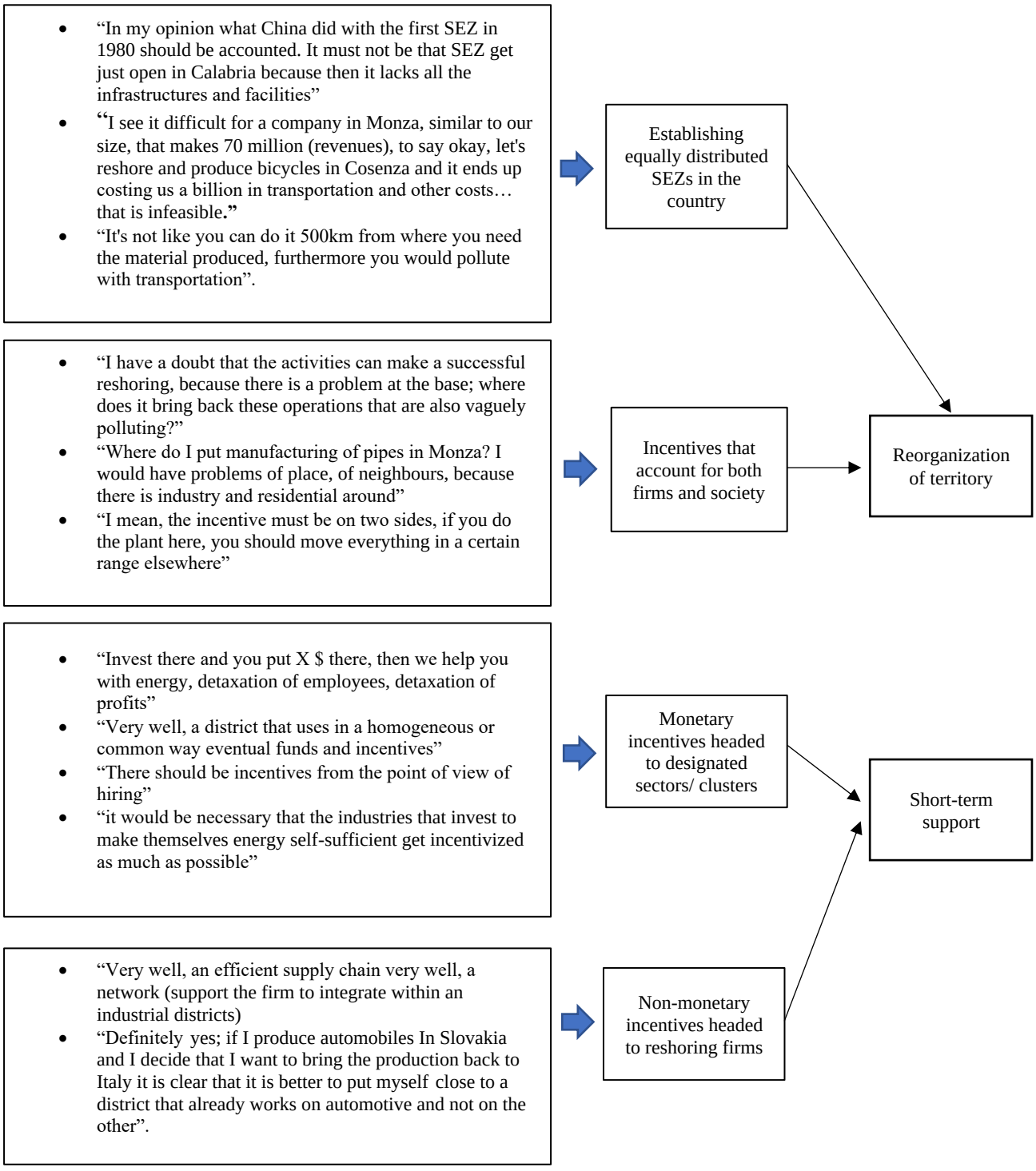
Emilia-Romagna region. Investments in these cases were focused on synergies and other forms of contamination between firms and territory, the development of relational dynamics and the building of material and digital infrastructures. Anyhow incentives implemented in Italy are in an embryonic stage in respect to US' initiatives, considering for instance The Blueprint for an America Built to Last (2012), a way more established and coordinated intervention; another reason for deepening such topic. What emerges from literature is that governments and local entities should better coordinate and build an aligned national strategy to foster the phenomenon properly. Must be noted also that incentives in Europe have to comply with the regulation of State aid for preserving competition, hence interventions can have a smaller range in comparison with the US' ones; this could be a reason why incentives are never mentioned between reshoring motivations in European countries, while in the US they appear between the primary motivations.

Focusing now on answering the research question, I decided to submit a semi-structured interview to CEOs of 2 Italian manufacturing firms. CEO is the most competent interlocutor when it comes to location decisions, and thus is best able to inform me on incentives needed by firms in order to reshore. The semi-structured interview as a mean for research has been used to gather as more data as possible since it allows the interviewee to talk with no constraints. Italy as a base country was chosen for a variety of reasons: First, it is a developed nation that experienced considerable deindustrialization and has been significantly damaged by offshoring. Furthermore, incentives could play a significant role in promoting the phenomena because, as previous research have shown, there are already good reasons driving the firms' relocation to the country. The choice of Italy is further justified by the fact that it is a member of the European Union and as such must comply with European State Aid regulations, which is a limitation that must be taken into account if the study is to be made representative of European nations.

Regarding the firms, I chose two companies: one medium size business (50 employees), because together with small enterprises have been impacted the most by both offshoring and reshoring phenomena, and a big size enterprise (over 3100 employees). On the one hand, the latter's dimensional class number is less significant in Italy and the impact of both phenomena on it in Italy is lower in comparison to the former. On the other hand, it might be interesting to assess whether there are differences in requested incentives and whether various firm dimensional classes concentrate more on elements of different nature. Additionally, the reshoring of large firms strongly benefits the nation, therefore there are good reasons to learn more about their perspective. The impact of offshore is taken into consideration when choosing a sector: industries that have been significantly impacted by offshoring are good interlocutors since they have the potential to increase their "Reshorability." The two sectors are "Textile, clothing, and leather products," which is part of the "Production of Transportation Means" sector, and "Production and assembly of bicycles." Both have experienced significant waves of delocalization and are major sectors of Italy, so it is important to evaluate their needs in this context. Each sector clearly has unique characteristics, and this fact could indicate various incentive requests; in this research, I presume that such characteristics (for instance the type of infrastructure) can only be used to determine changes in incentives at the micro level. Firms furthermore must comply with some requirements: they must have offshored in the past and must continue performing activities abroad in order to reimport its outputs in Italy, complete them, or sell them. Second, such must have the possibility to reshore because it is not constrained by the geographical localization of its resources. Additionally, the company must not have offshored for market-seeking reasons as this could make reshoring inefficient. The final prerequisite is the existence of motivations that are already push the interviewed company to reshore; in this way, the interviewee will highlight the most crucial incentives needed in the home country for allowing reshoring to happen; otherwise, it is reasonable to expect the demand for very consistent incentives that go beyond the incentive's residual role in

pushing reshoring. Both interviewees meet these qualifications. The interviews include a total of 9 questions ranging from the previous offshoring practice to the following reshoring initiatives and needed incentives. After having gathered data I proceeded to analyze them inductively, trying to codify the emerged elements in aggregated dimensions through the Gioia methodology.





From the analysis it emerged that interventions needed by firms materialize in 3 lines of action: structural interventions, reorganization of territory and short-term incentives. Structural interventions substantiate in making infrastructure efficient, building a conducive environment, and committing to long-term choices headed towards specific sectors. Also, such dimension

results of major importance when it comes to reshoring. The second dimension outlined is that of reorganization of territory, which regards the establishment of equally distributed SEZs (special economic zones) inside the country for providing localization and logistic advantages as well as the typical exemptions and facilitations typical in such areas. In the latter concept, also incentives on the citizens' side that account for material establishment of plants in inhabited areas are considered. Short-term incentives instead concretize in monetary and non-monetary incentives directed towards specific sectors/clusters or reshoring firms, useful mostly to support the short to medium term activity of reshoring firms. Policy makers should focus on a joint action which include all the three lines of intervention in order to ensure the structural attractiveness of a country, which enables profitability, and other short-medium term advantages able to attract further the firm to undertake the reshoring decision. It is also clear that both dimensions of organization of territory and short-term incentives cannot prescind from the structural intervention one, since the lack of elements outlined above determines a partial or total impossibility for the firm to profit; interviewee cited lack of specialized workers and competitive suppliers with significant production capacity, as well as lack of infrastructures. Also, bureaucracy and law system slowness have been highlighted as significant problems to be tackled by policymakers. The second interview in particular provided information on the limits that incentives to reshoring have: despite the presence good motives pushing reshoring and possible incentives, big firms having plants abroad ensuring cost-efficiency due to low labor costs in the host country are way more incentivized to keep such plants active instead of reshoring. Clearly, some advantaging cost elements cannot be replicated in Italy with any kind of incentive. Thus, it is logical to derive that incentives pushing role is valid to a certain extent, which depends on the enterprise dimension and its cost structure. Despite providing insightful information and implications on the reshoring phenomenon and incentives useful for policymakers, results are generalizable up to a certain

point. Research is only concerned with 2 companies, which suggests that the sample size is too small to generalize findings. Furthermore, because these companies are Italian, the study has low applicability to other countries. The elements highlighted could be considered not incentivizing in other nations for the same sectors, for instance, German bicycle manufacturers could not look for structural interventions because German infrastructure is more efficient. Additionally, because only two sectors were studied, results are assumed to be representative of all industries up to a certain point. This is because industries' structural development, sector-specific characteristics, and the relative power of already existing reshoring motivations play a role in determining the micro type and relative power of incentives to reshore. However, several initiatives outlined prescind from the sectoral dimension, thus the study can be deemed significant if the incentives outlined are considered from a macro point of view, without declining them in sector specificities. However, these limits provide guidance for future work; another study needs to conduct more interviews to codify the key incentives for reshoring across a range of industries, ensuring generalizability at least in Italy. Then, also compliance with European regulations must be verified. Lastly, a quantitative analysis of the highlighted elements should be conducted, resulting in an incentive package that is ready to be valued by policymakers for potential interventions, thus making the research more valuable.