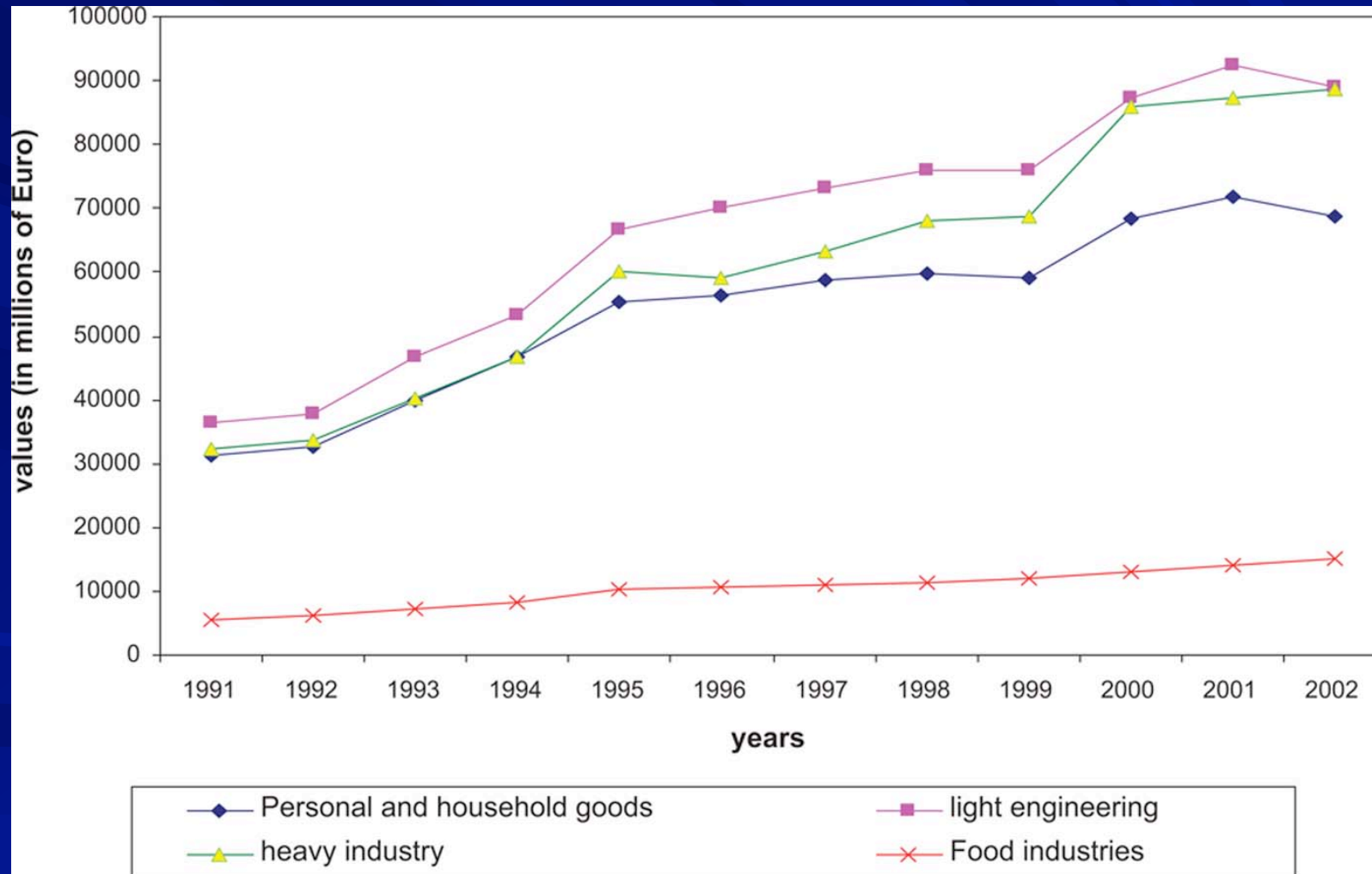


Globalization and the Italian Industrial Districts

Josh Whitford

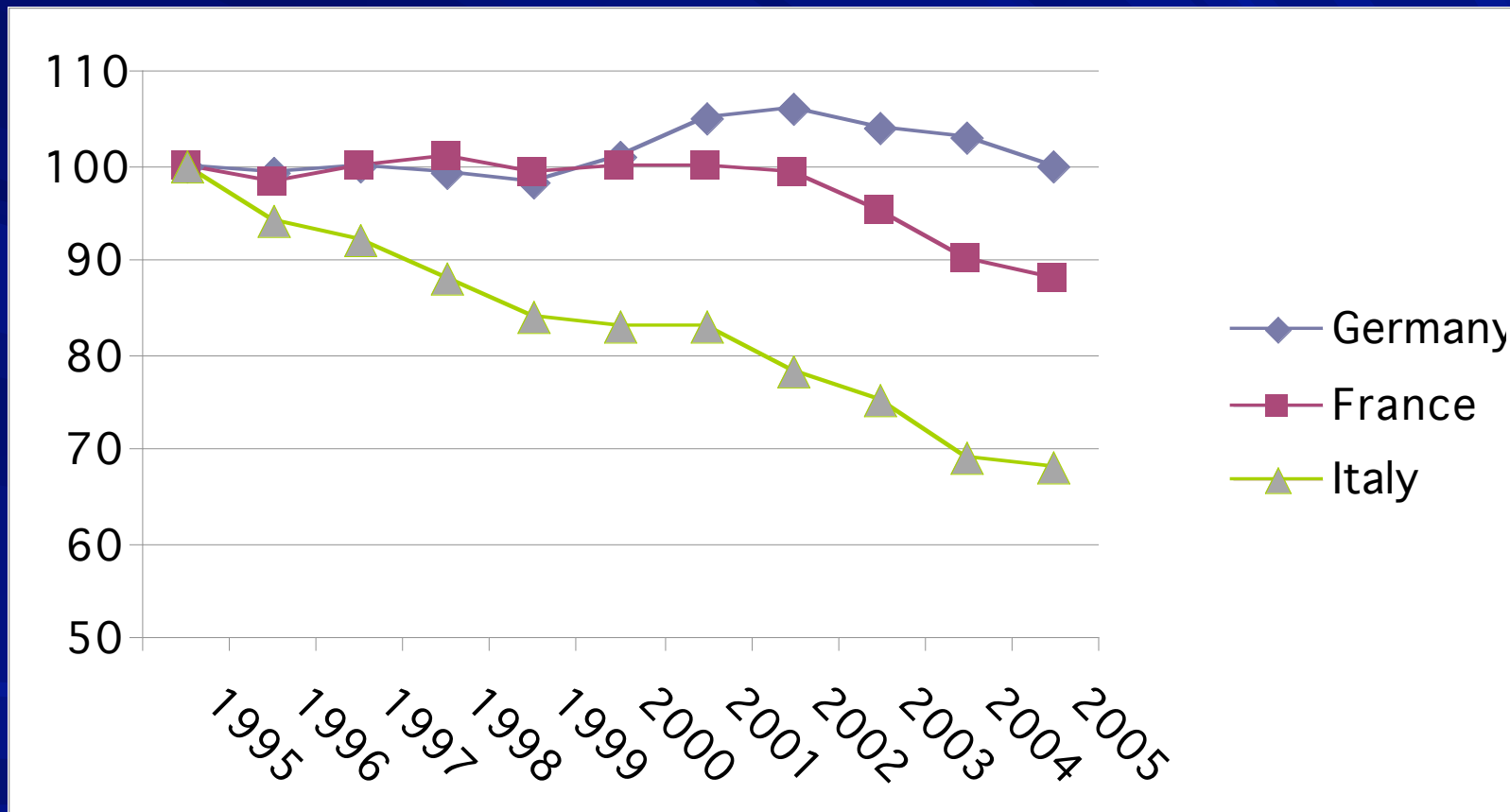
Columbia University

Italy's manufacturing exports by product type



Source: Becattini and Dei Ottati (2006) elaboration of ISTAT data

Relative export performance 1995-2005



Source: Capitalia 2005

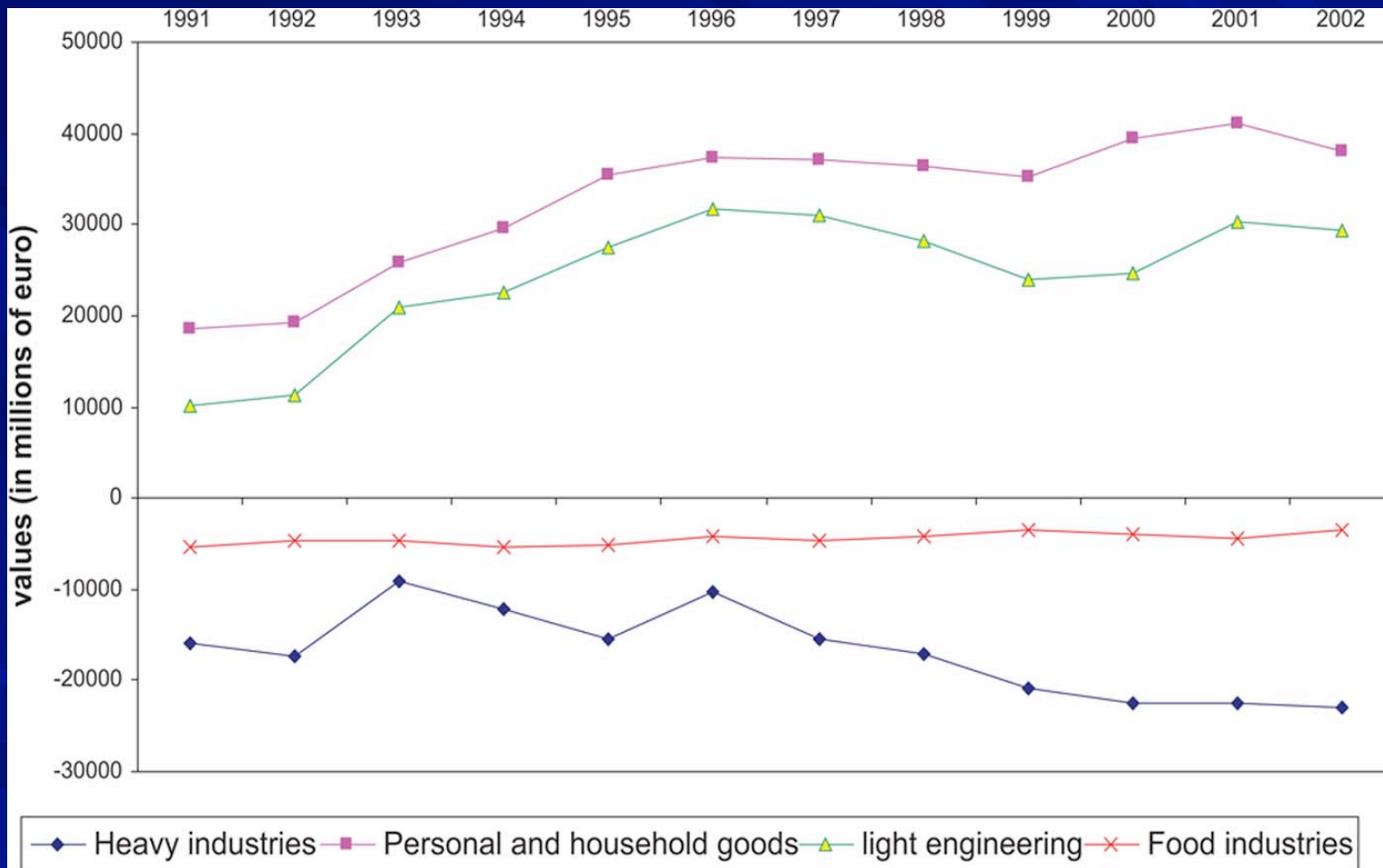
The Italian debate (1)

- Italy has an industrial structure that relies heavily (but not entirely) on flexible networks of small and mid-size firms
 - The “Emilian model” to prominence in the 1980s
 - Strong export orientation
 - Reliance on local institutions and “collective competition goods
 - Specialization in light industry and “Made in Italy” products
 - e.g. clothing, textiles, shoes, machine tools, etc.
 - Niche and luxury markets, high customization
 - Product and process innovation

The Italian debate (2)

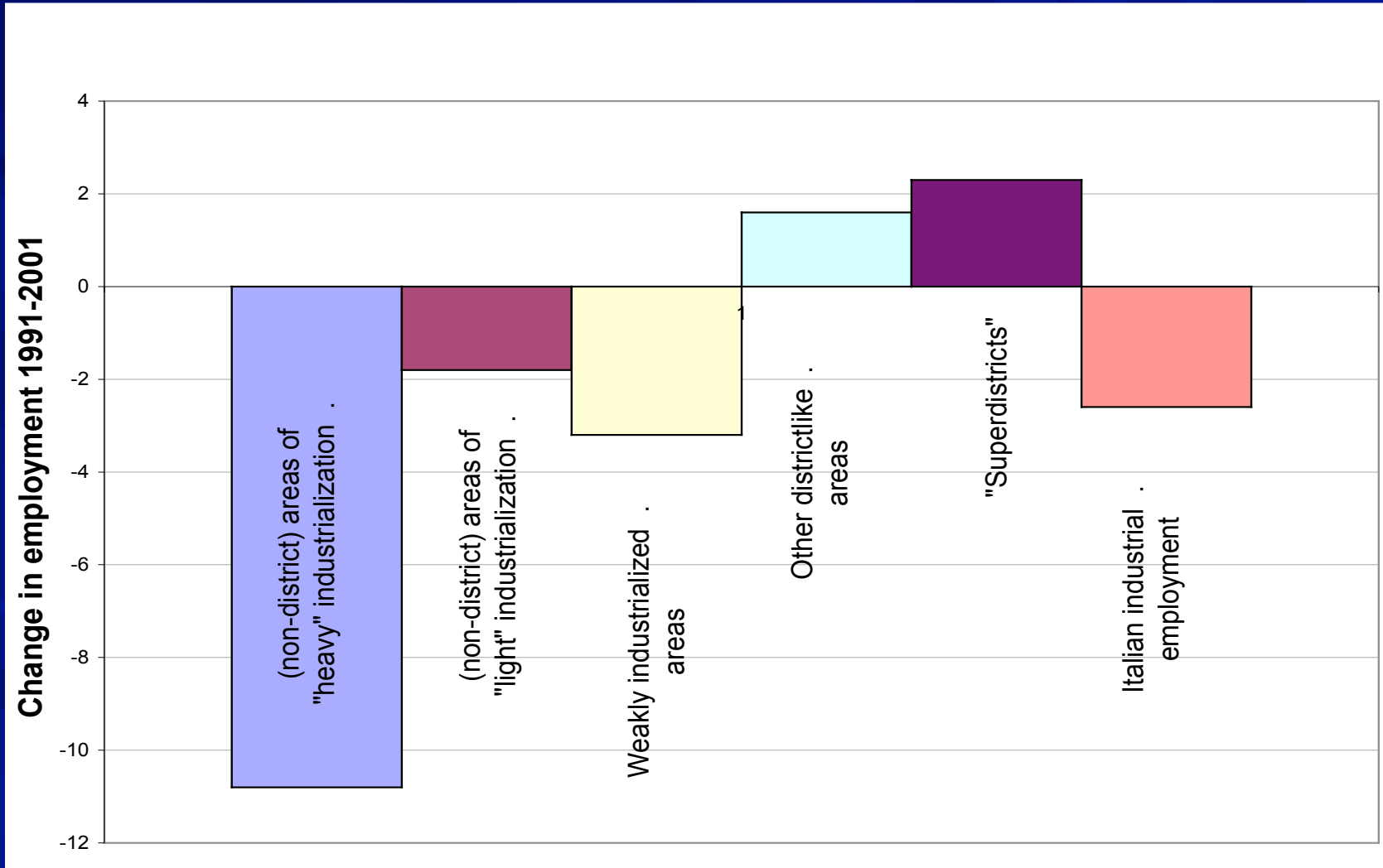
- Loss of national competitiveness due to low productivity growth
- Has what was once a strength become a liability?
 - National industrial specialization in sectors particularly exposed to low-wage competition
 - Path dependency and opportunity cost? Did the peculiarities of the 1980s mask a more fundamental weakness to a model premised on small firms and traditional products?
 - Small firms – often family held – are unable (or perhaps unwilling) to grow and internationalize
 - District firms are more likely to export, but can they become global players?

Italy's balance of foreign manufacturing trade by cluster of products



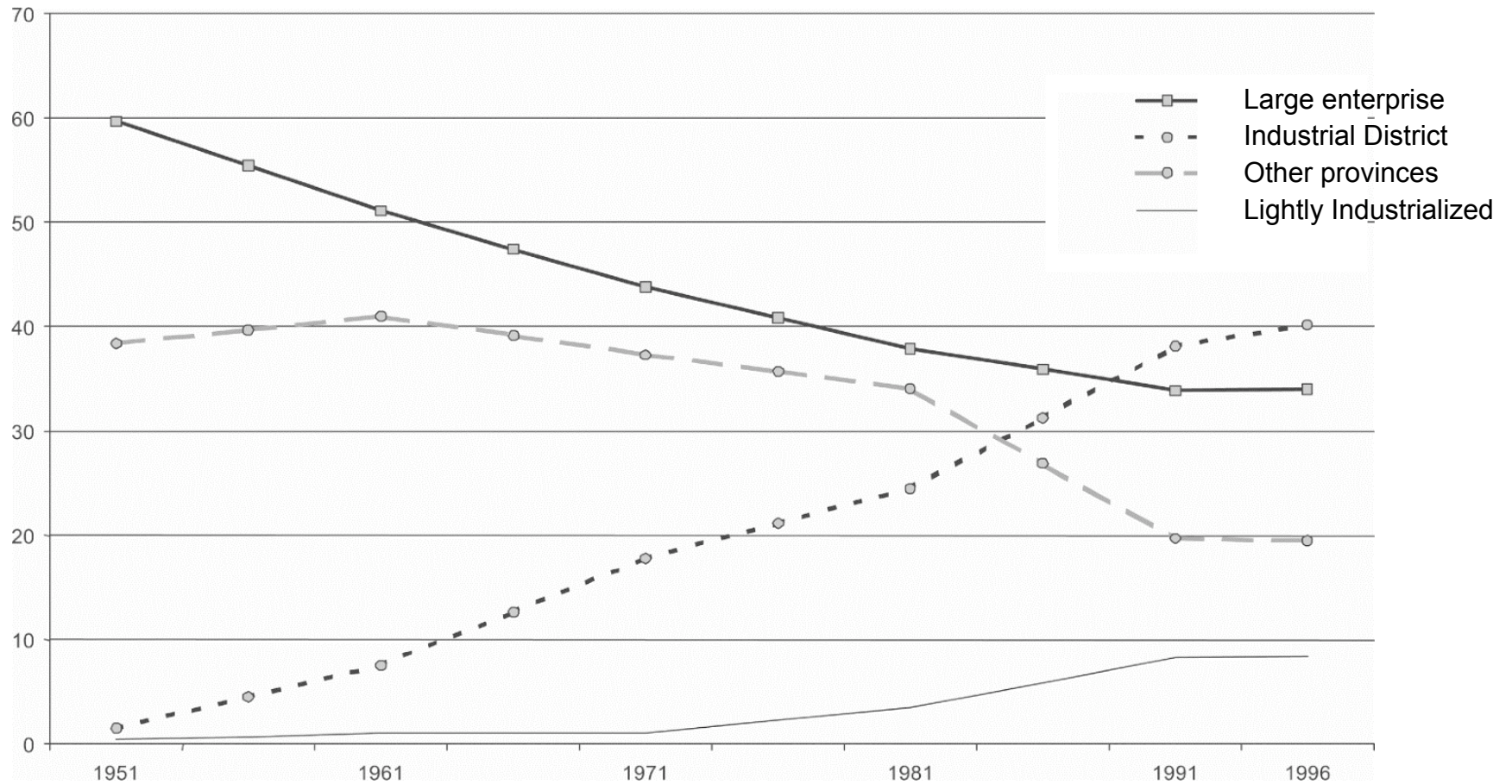
Source: Becattini and Dei Ottati (2006) elaboration of ISTAT data

Change in industrial employment by type of regional industrial structure



Source: Signorini and Omiccioli (2005)

Share of mfg value added by province type

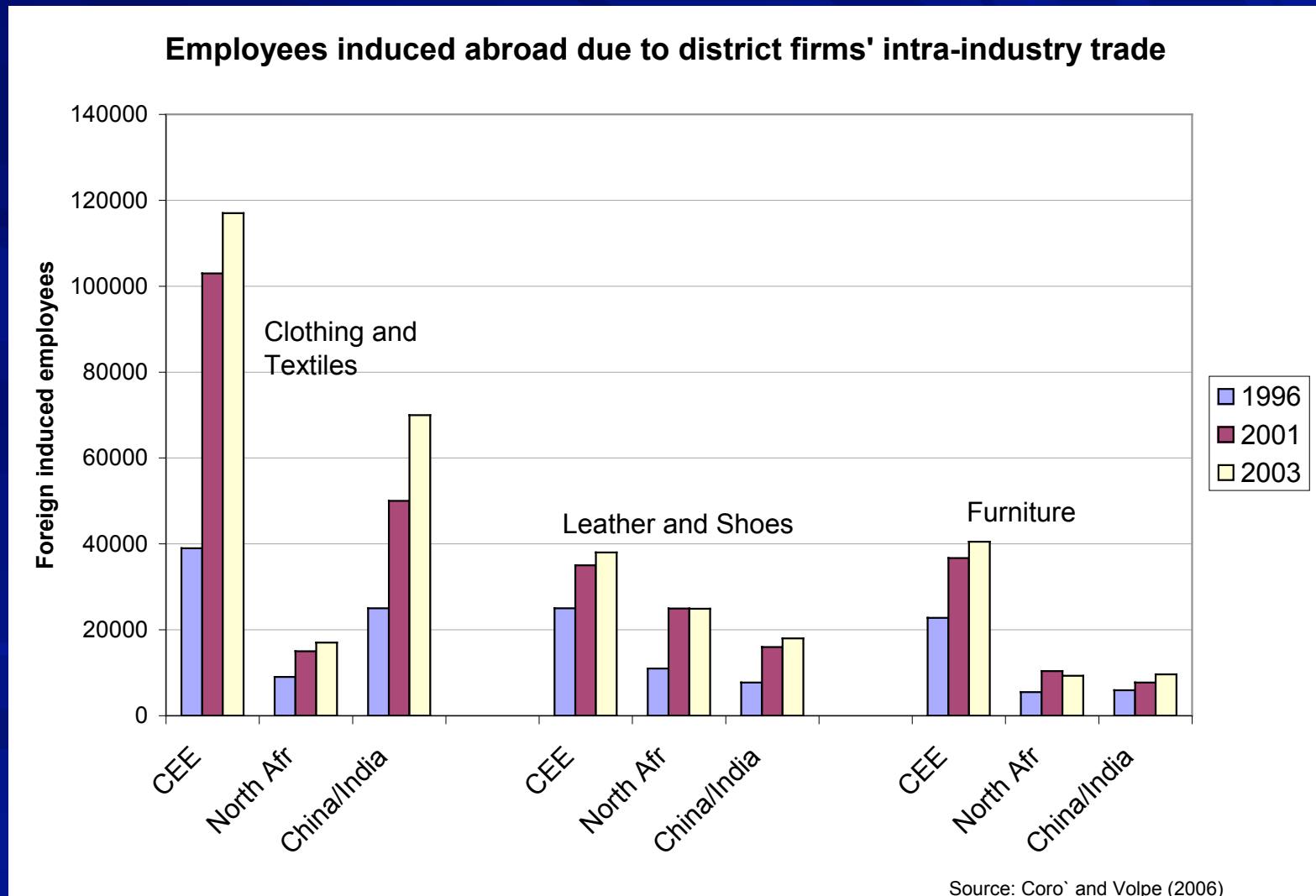


Source: Becattini and Coltorti (2006) elaboration of ISTAT data

But the concerns are real

- Structural transformation and heterogeneity of district performance
 - The rise of “leader firms”
 - Divergent local interest in the reproduction of local collective goods
 - Substantial “delocalization” of productive phases favored by an already “fragmented” production process
 - Eastern Europe as a favored location
 - Smaller firms delocalize “through” leader firms
 - But not all districts are equally blessed with leader firms
 - Shifting sectoral specialization and a move away from the “final” market
 - Textiles, leather growing relative to clothes and shoes
 - A relative shift from final goods to the machines for making those goods

Italian industrial districts and the international fragmentation of production – concentrated in E. Europe



Structural transformations and their implications for regional competitive advantage (1)

- Differential delocalization and innovation [Belussi and Sammarra (2007)]
 - Montebelluna “sport-system”
 - “Selective” relocation
 - 8000 workers in Montebelluna, 60,000 employed abroad through subcontracting activities (many clustered in Timisoara, Romania)
 - Internationalization of phase production has included the relocation of Montebelluna subcontractors (reproducing relational structure)
 - New investment of R&D, entry of foreign MNCs into district
 - Vibrata-Tordino-Vomano (VTV) fashion district
 - “Replicative” relocation
 - Firms in district have made little effort to innovate
 - Greenfield investments in Eastern Europe and N. Africa that exacerbate competitive pressures
 - The types of activities in the district are not intrinsically different from those located abroad

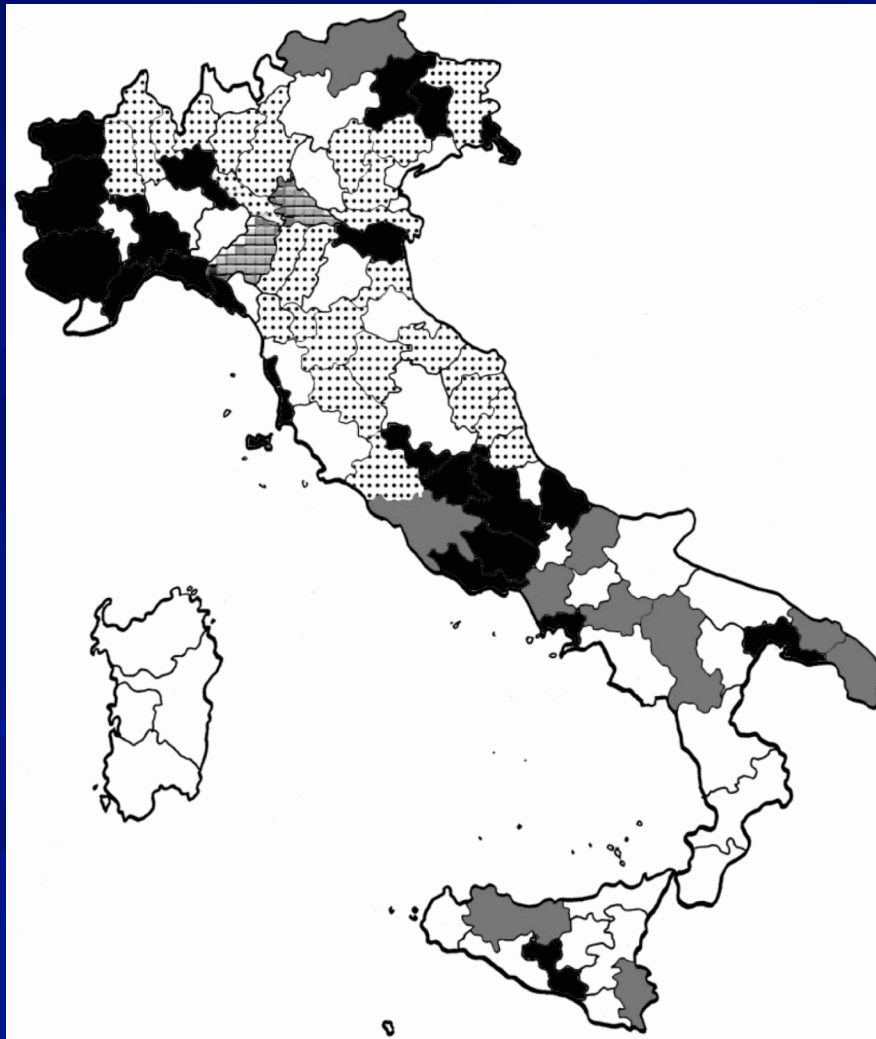
Structural transformations and their implications for regional competitive advantage (1)

- What happens to the machine tool industry as their end-users increasingly move abroad?
 - Historic source of innovation has been inter-sectoral “cross-pollinization”
 - E.g. Sassuolo in ceramics *and* tilemaking machine tools
 - Vigevano in shoes *and* shoemaking machine tools
 - Biella in textiles *and* textile machine tools
 - Districts propensity to export correlates to their propensity to delocalize
 - Access to technology elsewhere threatens position of Italian final goods producers..., which can in turn threaten machine tool producers privileged access to market information
 - Reverse engineering of machine tools may give rise to “complete” competitor districts

The questions

- If there is more than one way to offshore, can regional actors influence how this happens?
 - Policies oriented towards the renewal of regional competencies
 - Reproduction of local competencies (to compensate for the weakening of traditional entrepreneurial channels)
 - Policies oriented towards the active internationalization of the district
 - What constitutes a “trans-local public good”?
 - Standards?
 - Inter-cluster associationalism and trans-local networks?
 - e.g. Italian association in Sassuolo with satellite office in Castellon de la Plana
 - Montebelluna with service center in Timisoara

The geography of Italian Manufacturing



Italian provinces in 1996:

Black = Provinces dominated by large enterprises

Grey = Weakly industrialized

Dotted = Provinces dominated by industrial districts

Hash = Mixed between large enterprise and industrial districts