

# Chapter 10

## Chinese Investments in Italy: Is the Wave Arriving?<sup>1</sup>

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### ABSTRACT

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

### 1. INTRODUCTION

One of the most interesting phenomena to have emerged in the international economic and financial scenario of late is the leading role played by various emerging economies as global investors (Unctad, 2006). New multinational enterprises (MNEs), primarily those tied to what is known as the “BRIC” area (Brazil, Russia, India and

China), have embarked upon rapid globalization processes based on investment transactions not only of the South-South type, but also targeting industrialized economies, particularly Europe and the USA (Wilson & Purushothaman, 2003; Sauvart, 2005, 2006).

China is certainly the most striking example of this phenomenon, due in part to the strong role its government plays in the creation of a vast network to aid and support the country’s enterprises. Aid consists mainly of information services, financial

DOI: 10.4018/978-1-4666-0276-2.ch010

and fiscal incentives, insurance coverage, and consulting support (Shi, 2002). Several cases of acquisitions of well known Western companies (Wu, 2005; Anzkiewicz & Whalley, 2006) have drawn the attention of scholars and the media to the current and prospective effects of this policy, known as *Go Global*, especially considering the significant acceleration shown by Chinese initiatives in recent times and the rapid pace at which these enterprises are expanding on a global scale (Hong & Sun, 2004; Unctad, 2006, pp. 7-8).

The characteristics and effects of the *Go Global* phenomenon have yet to be studied in depth, chiefly due to the fragmentary nature and limited extent of available data. The recent scientific interest in this issue has produced several studies describing trends and drivers of Chinese investments (Taylor, 2002; Deng, 2003, 2004; Wong & Chang, 2003; Buckley et al., 2008b; Morck et al., 2008; Yeung & Liu, 2008; Alon & McIntyre, 2008), quantitative analyses of the reasons behind Chinese investments (Buckley et al., 2007, 2008b; Morck et al., 2008; Gao, 2008), and case studies of individual internationalization experiences (Liu & Li, 2002; Warner et al., 2004; Anzkiewicz & Whalley, 2006; Bonaglia et al., 2007; Rui & Yip, 2008; Liu & Tian, 2008).

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

The paper is divided into two parts. The first part consists of a reconstruction of the theoretical framework on which the analysis is based. The second part is focused on the Italian situation, in

an attempt to draw a map of the phenomenon and verify several initial hypotheses.

## **2. MNEs FROM EMERGING COUNTRIES AND GO GLOBAL: AN OVERVIEW OF THE LITERATURE**

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

In this context, the traditional interpretation based on Dunning's approach – the OLI theory (Dunning, 1977, 1979, 1980, 1988) does not seem capable of explaining the outreach towards international markets. According to several authors, the approach taken by MNEs from emerging economies is the opposite of the traditional one (Bonaglia et al., 2007, p. 3; Dunning et al., 2008). They internationalize in order to achieve competitive advantages rather than to affirm their current

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