The transnational investment promotion community between Italy and China: an example of post Washington consensus neoliberalism

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Abstract

Since investment promotion practices have been a hallmark of the neoliberalizing global economy, how these practices changed after the 2008 economic crisis becomes a critical question for the viability of neoliberalism. This article studies the role of an Italian investment promotion community (IPC) in Shanghai in promoting transnational investments between Italy and China. It is based on 12 semi-structured interviews and trade and investment data collected between 2013 and 2014 as well as individual authors’ longer term research in both countries. There are two main findings. First, the Italian IPC in Shanghai is better organized with more functions than the similar communities in Central and Eastern Europe before the crisis. Second, there have been emerging practices of investment promotion catering to the bi-directional investment flows between Italy and China. The central theoretical contribution is that the Italian IPC in Shanghai signals the tension between continuity and change in neoliberalism since 2008.

Keywords: Foreign Direct Investment (FDI), Investment Promotion Practices, Neoliberalism, Economic Crisis, Italy, China

1. Introduction

Geographers have long debunked a notion of neoliberalism as inevitable or paradigmatic, replacing it with a multiple and contextualized concept in which neoliberal ideology articulates itself with existing political economies (Springer, 2014). Neoliberal policies have proven to be adaptable to different institutional contexts, dynamic, and resilient over time. In particular, after the 2008 crisis, existing neoliberal policies have been recalibrated to adapt to the new conditions of the global economy (Peck, Theodore and Brenner, 2013). One of these new conditions has been the emergence of large suppliers located in rapidly developing economies, which are reshaping the
core-periphery relationship in the post Washington Consensus (Gereffi, 2014). Within the discussion on the diffusion and adaptability of neoliberalism, it is well-established that the promotion of foreign direct investments (FDI) plays a crucial role in aligning national and local institutions with neoliberal-minded transnational actors (Phelps, Power and Wanjiru, 2007; Drahokoupil, 2008; Sellar and Pastor, 2015).

First, neoliberal ideology considers FDI as the highest form of financing development (Phelps, Power and Wanjiru, 2007, p. 84). Second, the competition for FDI is pervasive, and has led to widespread building of investment promotion (IP) institutions. In fact, more than 160 countries have established public investment promotion agencies (IPAs), and their activity is complemented by, and overlaps with, a large private sector comprising location consultancies, banks, and other service firms (Phelps and Wood, 2006).

We emphasize the community nature of IP, in which the public IPAs have “thick” relations with private IP firms and business associations in specific places. As a whole, we call these communities “investment promotion communities” (IPCs). Together, actors in these communities push national and local policies to align with the interests of transnational investors. Using the Italian IPC in Shanghai as an example, we investigate the ways in which IPCs changed after the 2008 crisis.

Our overarching question is to what extent the Italian IPC in Shanghai represents trends in the broader evolution of neoliberalism. This article has two main findings. First, after the 2008 crisis, the IPC began supporting not only Italian firms, but also Chinese investors to Italy, because bi-directional capital flows have been emerging between China and Italy. Based on this finding, we argue that the evolution of neoliberalism needs to be put into the historical context of both the global expansion of the emerging powers and the relative decline of some Western economies. Second, although inheriting the basic structure of predecessors in Central and Eastern Europe, the Italian IPC in Shanghai has become better organized thanks to the leadership of the Italian consul. This finding suggests a substantial evolution in the institutional arrangements promoting FDI.

The rest of the article is structured as follows. The second section presents our methodology. Section 3 reviews the literature of actually existing neoliberalisms and neoliberalism post-crisis. Section 4 focuses on the changing roles of Italy and China in the post-2008 world economy. It is followed by the 5th section which discusses the changing flows of the two countries’ outward and inward investments globally. Section 6 focuses on the ways in which the Italian IPC in Shanghai changed after 2008. The concluding section discusses the new paradigm of IP promotion in the post Washington Consensus neoliberalism.

2. Methodology

This article is primarily based on 12 semi-structured interviews conducted in Shanghai between November 2013 and July 2014. Despite the limited number of interviews, our interviewees represent a spectrum of Italian public and private actors providing services to internationalization of Italian and Chinese firms: three state agencies, three public-private partnerships, and the private companies including law firms and tax advisors supporting the legal and logistical aspects of internationalization. Questions focus on the evolution of institutional support to internationalization, the new services offered after 2008, and the changing challenges to Italian and Chinese investors. In addition to the interviews, we draw trade and investment data from Italian National Statistics Agency (ISTAT), National Bureau of Statistics of China (NBSC), and Organization for Economic Co-operation and Development (OECD).

The article is also based on materials from our previous research, which we did individually. Lan conducted 80 interviews with Italian and Chinese entrepreneurs, workers, policymakers, and social activists between 2011 and 2013, focusing on the transnational entrepreneurship of Chinese immigrants in Italy. This research led to the discovery of the bi-directional capital flows between China and Italy and the collaboration between Italian and Chinese governments on FDI promotion. Sellar conducted 120 interviews in Central and Eastern Europe between 2005 and 2012. His research has focused on Europeanization, institutional
change, and the activity of Italian firms in Central and Eastern Europe. Cheng has provided institutional support and assisted in conducting interviews in China.

3. Neoliberalization and IPCs

Neoliberalism comprises the policy applications of neoclassical economic theory, tracing back to the work of Friedrich Hayek (Hayek, 1944). As such, it identifies the free market reforms implemented in the early 1980s in the USA and UK, and their worldwide diffusion in the 1990s including curtailing welfare programs, lifting barriers to trade especially in the financial sector, reducing state intervention in the economy, and privatizing public assets (Lipietz, 2001; Harvey, 2010). Since then scholars have used the term neoliberalism to critique the societal consequences of the free market ideology, in an ever broadening research agenda (Springer, 2014). Scholars highlighted that neoliberalism produces place-specific policies that combine the neoliberal credo with local, inherited, and path-dependent institutional structures, regulatory regimes, and cultures (Brenner and Theodore, 2002; Brenner, Peck and Theodore, 2010; McCann and Ward, 2011). More recently, the global financial crisis of 2008 has led to new research on the relationship between free market ideology and post-crisis economic policies (Neilson, Pritchard and Yeung, 2014). Scholars have variably argued that neoliberalism has run out of ideas politically (Smith, 2008, p. 2), but also that it is resilient and will take time to lose its hegemonic position (Aalbers, 2013). Additionally, the discursive representations of the crisis and the proposed solutions vary, but little new material is in fact being presented (Oosterlynck and Gonzalez, 2013, p. 1079). Peck et al. (2013, p. 1095) demonstrated that the responses to the crisis consisted chiefly of the recalibration of existing policies rather than in brand new developments. Some scholars pointed out that the belief system among elites, rather than hard economic data, are contributing to the resilience of neoliberalism. This is the case with urban policies in Frankfurt (Schipper, 2014) as well as national and regional economic policies in Slovakia (Sellar and Pastor, 2015). These institutional responses went hand in hand with the changing geography of global powers. In particular, Gereffi (2014) argued that the neoliberal project has changed so profoundly that it is possible to talk about a post Washington Consensus world. In this new world, the Western institutions that led neoliberalization in the 1990s (Washington Consensus) are now sharing power with emerging economies in the South and East.

This paper argues that a closer look at investment promotion may provide insights on the continuity and new trends in the post Washington Consensus world. In studying investment promotion, different scholars used widely diverse case studies and named these communities differently, for instance either as “communities of investment promotion practice” (Phelps, Power and Wanjiru, 2007) or “investment-promotion machines” (Drahokoupil, 2008). However, they described strikingly similar phenomena, i.e. communities of institutions, belonging to different countries, different levels of government and the private sector. Across the board, these institutions shared a certain level of coherence in order to stabilize FDI (Phelps and Wood, 2006, p. 494).

This literature identifies two most important ways in which IPCs contribute to neoliberalization. First, as Phelps et al. (2007) argued, IPCs have been playing a central role in transferring neoliberal policies across national borders. By so doing, IPCs are crucial actors shaping actually existing neoliberalisms. Their research shows that the national agencies such as investment promotion bureaus and private actors such as banks and consulting companies were the most active actors in translating neoliberal models into actual policies and institutional arrangements. More recent research also indicated that private actors were closely involved in the transferring of neoliberal policies between cities (Phelps et al., 2014).

Second, scholars also found that the IPCs were playing a central role in the localization of investment promotion practices and intermediation between subnational governments at different levels (Tewdwr-Jones and Phelps, 2000; Phelps and Wood, 2006; Drahokoupil, 2008). For example, both Phelps and Wood (2006) and Drahokoupil (2008) identified similar processes in liberal democratic UK and US as well as in post-socialist Central
Europe. In both cases, while national governments signed large projects with foreign investors, they relied on subnational institutions to translate national interests into regional and local contexts. Because of different levels of government are elected separately and presumably have its own political autonomy, such a translation often means the violation of the liberal-democratic ideals (Tewdwr-Jones and Phelps, 2000; Phelps and Wood, 2006).

4. Italy and China in the post Washington consensus world

Italian-Chinese investment flows nicely embody both the continuity and new trends in neoliberalism. As predicted in the literature on actually existing neoliberalism, both countries have been places of selective and highly contested adoption of neoliberal practices. Both countries have deployed new state regulations after 2008 to reshape and support their participation in the global economy. Finally and most importantly, they are at the opposite ends of the spectrum in the post Washington consensus world: Italy is an established capitalist economy, member of the G8, but crisis ridden and struggling to redefine its role in global economy, whereas China is the leader among the rapidly developing economies that are reshaping the post Washington Consensus world.

On the one hand, as many scholars have pointed out, the Chinese economy is a cross-scalar and cross-sectoral mixture of neoliberal and regulatory doctrines (Lim, 2014; Lan, Pickles and Zhu, 2015). In particular, Lim (2014) showed that the Chinese government has become a neoliberal advocate for export and outward FDIs while remaining regulatory when it comes to import and inward FDIs. Since the years immediately preceding the 2008 crisis, China has been transitioning from a lower-cost production hub to a major consumer market and global investor (Buckley et al., 2007). Supported by the nation’s “Go Out” policy, the Chinese capital has been seeking investment opportunities around the world (Zhu and Pickles, 2014). More importantly, as Dunford and Yeung (2010) recently argued, the 2008 economic crisis marks the “convergence” of the global economy in which China’s continuous growth and the decline of the West are inevitable. Based on a similar hypothesis, Henderson et al. (2013) argued that the externalization of Chinese capital(-ism) might usher in a new version of globalization with different impacts on different countries. While most scholars have been particularly interested in the impact of Chinese capital in the developing world (e.g. Kaplinsky, 2013), there is also an emerging interest regarding Chinese investments in Europe (Pietrobelli, Rabellotti and Sanfilippo, 2010; Si, Liefner and Wang, 2013).

On the other hand, considered by many scholars far from the neoliberal model, the Italian economy has been defined as a ‘mixed market economy’ in which government subsidies compensated for the financial weakness of the private sector, and in which firms and trade unions have veto power over the state and can demand compensation for state intervention (Molina and Rhodes, 2007; Hassel, 2014). However, due to competitive pressure since the 1990s, Italy had to adopt elements of the neoliberal model, including painful fiscal restructuring, privatization, and more openness to international trade. First, since the 1990s Italy has seen decreasing GDP growth which has developed into a recession since 2007. As a response, the Italian state has slowly begun the process to proactively remove trade barriers, by developing new policies to shift from a purely outward FDI promoter to an inward FDI facilitator (Pietrobelli, Rabellotti and Sanfilippo, 2010). Second, since the 1990s Italian firms had to open up and extend their value chains abroad. While some firms became suppliers for large multinationals (Rabellotti, Carabelli and Hirsch, 2009), others extended their own value chains to emerging economies by outsourcing production and opening up new markets (Chiarevesio, Di Maria and Micelli, 2010). Given Italy and China’s complementary position in the post-Washington Consensus world, an analysis of their IPCs may shed some new lights on the emerging features of post-2008 neoliberalisms.

In this article, we focus on the ways in which Italian IPCs have changed in response to the crisis. In Italy, the practices of promoting outward FDI has an origin in the 1920s and further developed since the early 1990s. When
former socialist states in Central and Eastern Europe (CEE) opened to the West, Italian banks and consultancies emerged to offer localized services to Italian small and medium-sized investors (Sellar 2015). Similar to the functions identified by Phelps et al. (2007), the Italian IPCs in CEE have been active translators of foreign cultures for Italian investors (Sellar, 2009). What has been new since 2008 is the emerging inward investment promotion in Italy, and thus the alignment between the Italian laws and the needs of transnational capital (interview lawyer, Shanghai, February 09 2015). The following sections show that the emergence of Chinese outward FDI is offering new opportunities to Italian IPCs and making them into “investment promotion machines” working in two directions.

5. Chinese and Italian FDI flows: growing interconnections in the post-2008 world

Phelps et al. (2007, p. 107) rightly pointed out: “existing geographical patterns of FDI promote IP expenditures, not the other way round.” If the increase in FDI is to be considered a feature of neoliberalism, then both Italy and China have become more neoliberal after 2008. In turn, the intensification of FDI flows has led to a proliferation of IP. Figure 1 compares the employment generated by Italian firms in different world regions in 2007 and in 2011, the most recent year reported by the Italian government. The data show clearly a decline in Western Europe, a relatively stable Central and Eastern Europe (CEE) (reported as “other EU countries (EU 27)” in the figure), a growth of “other European countries” (meaning mostly the growth of Russia) and the emergence of North and South America as well as East Asia. The data are consistent with the trends observed from the 1990s to the mid-2000s (Federico, 2004; Sellar, 2009; Sellar, 2015). These scholars detected that Italian investments were progressively becoming more capital intensive and expanding from close-by locations in Romania and Slovakia to further-away places in the Balkans, former Soviet Union, and North Africa. These were mostly offshore manufacturers serving Italy’s traditional markets in Western Europe. The geographical advances of Italian outward FDIs went further after 2008. The nature of the investments also changed from purely manufacturing outsourcing to developing new export markets (interview chairman, IC & partners, June 19 2014).

Sellar (2009; and Sellar, 2015) argued that the progressive intensification and geographic expansion of Italian investors created a demand for place-specific knowledge, and thus led to the emergence of IPCs. Because of their small average size and thus limited resources, many firms could not gain local knowledge by themselves (Sellar, 2015). Therefore, investment promotion communities (IPCs) made of banks, service firms, and public agencies, emerged to cater to their needs. In a later paper, Sellar and Pastor argued that the post-2008 recession in Italy was pushing Italian firms to seek export and sourcing opportunities even further, and that also consultancies were looking for opportunities in new markets, chiefly in Asia and Latin America (Sellar and Pastor, 2015).

In the same years, Chinese outward FDI also expanded, as shown in Figure 2, which presents the Chinese outward FDI flows by world region before and during the crisis. Chinese investment does not exhibit the same cautious geographical progression as Italy’s. While Italy’s internationalization was driven by SMEs in industrial districts since the 1990s, in response to globalization (Cento Bull, 2011), China’s outward FDI has usually been led by state-owned enterprises (Si, 2014). These large firms usually have enough resources and so do not need the incremental approach to internationalization like Italian SMEs (Cattani and Tschoegl, 2002).
In China, the strategic decision of the government to develop the domestic market shaped the geographies of outward FDI (Buckley et al., 2007; Si, 2014). Encouraging Chinese firms to invest abroad has been part of key national policies for the Chinese government (Zhu and Pickles, 2014). Because it needed reinvesting the world’s biggest foreign currency reserve, China started a wave of outward FDI prior to the 2008 crisis (Buckley et al., 2007). Si et al. (2014) recently showed that the Chinese outward FDI in fact follows different models in developing and developed countries: while in developing countries these Chinese multinationals focus on access to natural resources and labor force, in developed countries they prioritize knowledge acquisition. At the same time, the Chinese domestic market has attracted the attention of foreign firms. Even though foreign investors still largely use China as a manufacturing base, an increasing number of them has begun to produce to sell in China (Whalley and Xin, 2010). A recent report shows that although Chinese
consumers only spent 8% of private consumption in the world, “it contributed more than any other country to the growth of consumption in 2011-13” (The Economist, 2014). Besides consumer markets, Li et al. (2012) also showed that China had also been highly integrated into the international trade of intra-industry intermediates, in particular with the European Union.

Tables 1 shows the bilateral investment flows between Italy and China, before and during the crisis, resulting from the trends described above. On the one hand, Italian investments in China grew nearly 81 folds between 2003 and 2012, despite the significant drop in 2009. On the other hand, Chinese FDI flows to Italy were almost negligible before 2008, though grew dramatically after that. Even though the FDI flows from China to Italy were still incomparable to the other way round, it was still a 29-fold growth between 2003 and 2012.

<table>
<thead>
<tr>
<th>Year</th>
<th>Italy to China</th>
<th>China to Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>42</td>
<td>5</td>
</tr>
<tr>
<td>2004</td>
<td>103</td>
<td>-2</td>
</tr>
<tr>
<td>2005</td>
<td>230</td>
<td>8</td>
</tr>
<tr>
<td>2006</td>
<td>204</td>
<td>3</td>
</tr>
<tr>
<td>2007</td>
<td>388</td>
<td>-6</td>
</tr>
<tr>
<td>2008</td>
<td>737.63</td>
<td>16.85</td>
</tr>
<tr>
<td>2009</td>
<td>36.23</td>
<td>180.99</td>
</tr>
<tr>
<td>2010</td>
<td>1089.05</td>
<td>-19.77</td>
</tr>
<tr>
<td>2011</td>
<td>1144.09</td>
<td>142.18</td>
</tr>
<tr>
<td>2012</td>
<td>3401.16</td>
<td>147.44</td>
</tr>
</tbody>
</table>

Table 1. FDI flows between Italy and China reported by Italy in million euros. Source: elaboration of data from OECD.

Table 2 shows the sectoral breakdown of FDIs from Italy to China in 2005 and 2011. Manufacturing firms represent the bulk of Italian investments: their turnover grew 60%, from 3.8 to 6.1 billion of euros. However, the sharpest growth was registered in wholesale trade (from 340 to 911 million of euros), reflecting firms’ need to develop China’s export market. This is a new trend, differentiating pre 2008 sourcing investments from the contemporary emphasis on export to compensate for the decline of the Italian market. Among manufacturing sectors, the sharpest growth rates are registered in automotive, machine building, IT, as well as food processing and home appliances. These data show a dual trend: first, Italian firms are tapping into China’s industrialization efforts by providing intermediate goods to Chinese manufacturers; and second, they are trying to tap into the fast developing Chinese consumer market (interview Italian lawyer, Shanghai, January 07 2014).

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2005</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minining</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>total manufacturing</td>
<td>3,793</td>
<td>6,103</td>
</tr>
<tr>
<td>food processing</td>
<td>571</td>
<td>993</td>
</tr>
<tr>
<td>textile</td>
<td>134</td>
<td>174</td>
</tr>
<tr>
<td>clothing</td>
<td>138</td>
<td>143</td>
</tr>
<tr>
<td>leather accessories</td>
<td>52</td>
<td>51</td>
</tr>
<tr>
<td>wood processing</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>paper products</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>coal and oil refineries</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>chemical industries</td>
<td>169</td>
<td>204</td>
</tr>
<tr>
<td>pharmaceuticals</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>rubber and plastics</td>
<td>397</td>
<td>349</td>
</tr>
<tr>
<td>other non-metal mineral products</td>
<td>100</td>
<td>130</td>
</tr>
<tr>
<td>metal industries (excluded machine building)</td>
<td>114</td>
<td>224</td>
</tr>
<tr>
<td>computer and electronics</td>
<td>270</td>
<td>786</td>
</tr>
<tr>
<td>home appliances</td>
<td>469</td>
<td>765</td>
</tr>
<tr>
<td>machine building</td>
<td>389</td>
<td>718</td>
</tr>
<tr>
<td>automotive</td>
<td>523</td>
<td>1,279</td>
</tr>
<tr>
<td>other transportation devices</td>
<td>24</td>
<td>105</td>
</tr>
<tr>
<td>furniture</td>
<td>383</td>
<td>130</td>
</tr>
<tr>
<td>other manufacturing - service and repairs</td>
<td>21</td>
<td>13</td>
</tr>
<tr>
<td>energy, gas and water</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>construction</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td>wholesale trade</td>
<td>341</td>
<td>911</td>
</tr>
<tr>
<td>logistics and transportation</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>telecommunication and IT</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>other services</td>
<td>149</td>
<td>515</td>
</tr>
<tr>
<td>Total</td>
<td>4,307</td>
<td>7,587</td>
</tr>
</tbody>
</table>

Table 2. Italian FDI stock in China by sector in million euros. Source: elaboration of ICE data.
We are not able to access to the sectoral breakdown for the FDIs from China to Italy. However, some existing studies have shown its sectoral pattern. For example, Pietrobelli et al. (2010) showed that at least until 2009, the Chinese FDI in Italy were highly concentrated on a very few number of strategic projects, which then resulted in the fluctuating FDI flows. These were usually the industries which Italy had comparative advantage such as motorcycles and home appliances. Thus, China’s need for knowledge acquisition found a favorable environment in Italy after 2008 because many Italian firms in industrial districts began seeking inward FDI after the crisis. Many scholars (Belussi and Sedita, 2009; Belussi and Sedita, 2012) have shown that district firms have been increasingly relying on global knowledge pipelines with distant firms outside the districts. By so doing, the Italian partners can provide Chinese firms with advanced technology, while Chinese partners provide Italian firms with capital and tacit knowledge for the Chinese market.

Altogether, the post Washington Consensus world brought substantial changes to the geographies of both China and Italy’s FDI. In both cases the spatial distribution of investments has widened and flows have intensified; the complementary conditions of the two countries have led to substantial cross investments. However, unlike in the older Washington Consensus regime, this intensification has not occurred because of deregulation and tax cuts. Instead, it is the fruit of circumstances and active involvement of public and private actors. The next section discusses one aspect of such increased institutional involvement: the Italian effort to build an investment promotion community (IPC) in Shanghai and beyond.

6. Continuity and change: what is new in the Sino-Italian IPC?

The emergence of a strong IPC in Shanghai is in many ways a product of the post-2008 environment. In this section, we show that despite some similarities between the IPC supporting Italian firms in CEE in the 1990s and those in China in the 2000s, the IPC in Shanghai have become better organized to match the new needs of Italian firms.

Since 2008, the Italian expatriate community in Shanghai has grown exponentially. From a few dozen individuals in the 1990s, Italian permanent residents in Shanghai doubled between 2004 and 2009, reaching 2,800 by 2013 (interview, undisclosed interviewee, December 19 2013). These data correspond with the national-level data on Italian immigration to China. The Italian government reports a 239% growth of Italian citizens permanently residing in China since 2006 (Today, 2013). The overwhelming majority of those expatriates are students, entrepreneurs and consultants (Today 2013). In a nutshell, the crisis in Italy has been pushing young Italians to look for opportunities abroad, firms to internationalize and entrepreneurs to emigrate. Such growth in the community attracted Italian lawyers and other service firms while also giving Italian institutions more opportunities to organize trade fairs and other promotional events (undisclosed interviewee, December 19 2013).

By the mid-2010s, the Italian IPC in Shanghai comprised the following public, semi-public, and private actors, which played complementary and sometimes overlapping roles in support of the business community:

- Consulate General (public), representing the Italian Government in Shanghai and three surrounding provinces. It provides the overall strategy for all institutions.
- ICE – Institute for foreign trade – (public), focuses on market analyses, promotion, and dissemination of information.
- Italian cultural institute (public). Established in 2007. Even though its goal does not involve business promotion, it was able to support Italian cultural firms, especially in publishing. It also helped an Italian firm to win the tender for the restoration of the city walls of Nanjing.
- Consorzio Camerale per l’Internazionalizzazione (semi-public). Formerly called Promos, it is a representative of the Chamber of Commerce of Milan, plus a consortium of other chambers. It supports the internationalization of small and medium sized enterprises (SMEs). Its services in-
clude: organizing firms’ participation in trade fairs; providing database of service providers; organizing business missions. These are visits by groups of around ten Italian companies seeking to work in China, which include developing portfolios and organize meetings with potential Chinese partners.

- China-Italy Chamber of Commerce (semi-public). It is a bottom-up organization, an association of Italian and non-Italian enterprises in China, officially recognized by both the Chinese and Italian government. It chiefly serves the interests of Italian companies who are already established in China.

- Sino Italian Campus, Tongji University (public, Chinese). It coordinates dual-degree programs, in which both Italian and Chinese students are trained in Italy and China. It organizes with ICE an annual job fair for Italian firms.

- Around ten well established lawyers (private).

- Several accounting and interpreting firms (private).

It stands to the logic that there are strong elements of continuity between this IPC and similar communities that emerged in Central and Eastern Europe (CEE) since the 1990s (Sellar, 2009, 2015; Sellar and Pastor, 2015). First of all, the public actors in the IPC are global organizations with rotating personnel. Second, business associations and consultancies in Italy have a certain degree of information sharing and influence over foreign affiliates (Sellar, 2013). In fact, IPCs across CEE share the same basic structure with Shanghai. In both CEE and China, ICE and other institutions organize trade fairs and events to market the Made-in-Italy brand and provide information to investors. In both cases, entrepreneurs founded Italian chambers of commerce and business associations. Following a quite established pattern, these organizations are special cases in international law, because they start as private non-profits, and later acquire a public dimension and recognition by the Italian state and host governments (Sellar, 2015). Finally, lawyers, accountants and business consultants sell place-specific knowledge to businesses. In both CEE and China, IP actors have branded their services as ‘culture’ and cultural mediation. For example, the following interview excerpts with two different business consultants, the first collected in Slovakia in 2005 and the second in Shanghai in 2014, describe cultural mediation as the core of their professional activity in remarkably similar ways:

[We] provide ‘cultural’ support, providing a bridge between Italian and local [Slovak] entrepreneurial cultures. ... First of all, we insist on the concepts of ‘listening’ the inputs coming from the local people. Second, we provide detailed information on norms and customs (interview entrepreneur, EDAS, September 26 2005).

Cultural issues are of paramount importance. Chinese entrepreneurs now are aggressively seeking foreign partners, but companies must be prepared to engage them. ... , in Western countries relationships are easy and recognizable. Here they are not (interview Italian lawyer, Shanghai, January 07 2014).

Even though there are vast differences between Slovakia and China, the two business consultants made nearly identical statements about listening and understanding local cultural norms.

However, there are also some new features in this IPC in Shanghai. The first is the tight synergy between agencies of the Italian government and private actors, under the leadership of the Italian consulate. Relationships in the IPC have grown organically alongside the expatriate community as shown by an undisclosed interviewee:

[Since the mid-2000s] we increased more and more the coordination between government agencies, and between agencies and firms. Consider there are around 1,000 Italian firms in Shanghai and three surrounding provinces, leading to significant trade flows with Italy. We call our experience here ‘Shanghai Laboratory’, because we achieved an exceptional level of coordination between the consulate, IC and the other agencies, and the firms, and because our most important events were implemented thanks to everyone’s support (interview, undisclosed interviewee, December 19 2013).
In recent years, the consul general has streamlined the work of Italian institutions and built synergies with Italian consultants and manufacturers by introducing strategic planning, regular stakeholders meetings, and information-sharing. In so doing, the IPC in Shanghai has been collectively branded as the Sistema Italia (Italian System) (Consulate, 2013). The regular meetings with Italian state agencies and firms soon became a central feature of the Italian IPC in Shanghai (interview, undisclosed interviewee, December 19 2013; interview, China Chief Representative, Consorzio Camerale per l’Internazionalizzazione, December 19 2013).

Second, while in CEE IPCs focused almost exclusively on the needs of Italian companies, IPCs in Shanghai started serving Chinese companies, too. Even though already in the 1990s Italian chambers of commerce were designed to serve the interests of both Italians investing in host countries and host country entrepreneurs investing in Italy, investments from CEE to Italy were not significant (interview General Secretary, Italian-Slovak Chamber of Commerce, June 07 2006). However, several actors in Shanghai are now also serving the Chinese business community. In so doing, they are becoming bi-directional knowledge pipelines because they provide legal and place-specific knowledge about China to Italians and about Italy to Chinese clients. One well-established Italian lawyer described the situation as follows:

Chinese companies to Italy are roughly 25% of our turnover, but they are very interesting to us. Our traditional customers, Italian companies in China, face terrible competition... Instead, Chinese investments to Europe are very interesting: the world market is more difficult, so Chinese companies are starting to buy businesses in Italy for supply chain management (interview Italian lawyer, Shanghai, January 07 2014).

Law firms help Chinese companies navigate the Italian regulatory system and bridge the cultural gap between the two economies. As one lawyer indicated:

The first question a Chinese investor asks is ‘what is the tax level in Italy?’ We need to tell them that there is not a straightforward answer. When we say that, they think we are incompetent, but it is not true, it’s just that Italian laws are not geared towards attracting investors yet (interview Italian lawyer, Shanghai, January 07 2014).

Business associations are also contributing to turning the IPCs into two-way streets. Consorzio Camerale per l’Internazionalizzazione represents the Chamber of Commerce of Milan and a consortium of other chambers. Beyond its original goal to support the internationalization of Italian SMEs, it has recently established Investlombardy, a new division to support Chinese firms in Italy. This new operation is small but growing quickly and it is also aimed at promoting Italy to Chinese government officials who play a crucial role in directing Chinese outward FDI flows.

Third, Italy’s crisis and the new opportunities arising in China are reshaping structures and behavior in the IPC. Italian public agencies must contend with both expanding functions and budget cuts. In particular, the Italian government is taking several initiatives to promote export as an anti-crisis measure (interview chairman, IC & Partners Group, June 19 2014). In this new policy climate, Shanghai’s consulate has shifted from working mostly on visas to becoming an active trade and investment promoter. However, the expanding functions were not matched by any significant increases in budget or personnel. Therefore, these new initiatives had to involve other agencies and private firms, starting the leading role of the consulate in the IPC (interview, undisclosed interviewee, December 19 2013).

Not only does the crisis mean reduced tax revenue, it also means a contraction of credits for Italian businesses, estimated in -2.5% in 2012 (Del Principe et al., 2013). Paradoxically, less credit to business meant more work for the consulate and the rest of the IPC in Shanghai. ICE, Italian lawyers, and chambers of commerce are now receiving more service requests from Italian firms. In fact, firms have more limited
budget to travel and thus need the IPCs to work on their behalf (interview China Chief Representative, Consorzio Camerale per l’Internazionalizzazione, December 19 2013). Overall, tighter budgets and expanded functions has improved the efficiency of the IPC in Shanghai, especially when compared with Central and Eastern Europe in the mid-2000s (Sellar, 2015). In particular, conflicts and overlapping functions between actors have diminished, even though not been completely removed. Specifically, some of the private actors claimed that there are still gray areas of overlap and competition with public agencies in the same IPC (interview Fondazione Italia Cina, Milan, November 12 2013; interview Italian lawyer, Shanghai, January 07 2014).

Finally, looking beyond Shanghai the strong institutional interest of the Italian government in promoting export to China as well as attracting inward investors allow the IPC in Shanghai to adapt to local business environments in China. One example is the Milan-based Fondazione Italia Cina which also serves both Italian and Chinese investors at the same time. In particular, in order to build effective relationships between Chinese and Italian business partners, the Fondazione has created a business model adaptive to the Chinese business culture. Realizing the importance of ‘guanxi’ between the managers in China, the Fondazione has created a number of training programs which allow managers from one company to work in its Chinese partner company for a period of time. Such a model has been particularly successful in Guangdong with supports from that provincial government. Meanwhile, similar to Italian chambers of commerce in CEE, the Fondazione has maintained its status as a ‘private subject with a public dimension’ (interview Fondazione Italia Cina, Milan, November 12 2013). Such a hybrid status allows the institution to work with a wide range of similarly hybrid Chinese institutions and thereby avoid many bureaucratic processions that incur additional costs. Even without exaggerating the importance or the uniqueness of ‘guanxi’ in China, the underlying ethics and norms of guanxi practitioners (as characterized by Ho and Redfern, 2010) are apparent in the following interaction between the Italian cultural institute and the local environment:

Any business proposal has to be introduced by a local mediator. For example, if I want to promote an Italian author and go talk directly with a publisher here, everyone will be polite and nothing will happen. Instead, I will be successful if I first speak with a respected Chinese intellectual and then he will talk to the publisher on my behalf. Another example is student exchanges: first, local agencies contact the men of the households; then those fathers and their sons and daughters will meet with the representatives of Italian schools to finalize their programs (interview cultural attache, Italian Cultural institute, Shanghai, December 18 2013).

Italian firms, and especially SMEs, come to this connection-based context with the goal of selling their products. This requires a different kind of services than in the earlier IPCs in CEE, where the main goal was sourcing – i.e. establishing factories to supply the Italian and Western European markets. Thus, in CEE consultants focused largely on labor laws and relations with labor. In Shanghai, the emphasis is on cultivating relationships with Chinese business partners and building distribution networks (interview China Chief Representative, Consorzio Camerale per l’Internazionalizzazione, December 19 2013). Services focused on relationship-building are becoming more and more important because consultants’ clientele is changing. In fact, interviewees reported an increased demand from professionals: engineers, architects, and other kinds of professionals are immigrating to Shanghai and seek for consultants support to build the relationships they need to operate in China (interview Italian lawyer, Shanghai, January 07 2014).

In sum, in recent years Italian expatriates improved the IPC in Shanghai in a number of ways. Although the structure of this IPC is similar to IPCs that emerged in CEE in the 1990s, it has some innovative traits responding to conditions in the post Washington Consensus world.
7. Conclusions

In the context of a rapidly unfolding post Washington Consensus neoliberalism, the present paper studies the growing FDI flows between Italy and China, two countries occupying complementary positions in the new global economy. To support those flows, an investment promotion community (IPC) has emerged in Shanghai: an assemblage of public institutions, public-private actors, and private consultancies aimed at supporting investment flows to and from Italy. This community has structural similarities, but also important differences when compared with earlier IPCs that emerged in Central and Eastern Europe in the 1990s. First, the Italian IPC in China has a more centralized organization through government institutions. While IPCs in CEE are loose and conflict ridden, the Italian consulate in Shanghai has taken a more proactive leadership role and prevented many, if not all, conflicts between Italian actors. Second, Shanghai’s IPC has begun to support bi-directional capital flows. In CEE in the 2000s, IPCs worked almost exclusively to support Italian firms in the host countries, while in Shanghai the IPC supports both Italians in China and Chinese in Italy. At present, Chinese investors in Italy are still few, but are rapidly growing. Third, the Italian government’s new emphasis on export promotion has led to more agreements with Chinese institutions. Fourth and final, the services provided are geared towards export promotion and building distribution networks, rather than sourcing and labor management.

Theoretically, this expansion of FDI flows between Italy and China and the micro-level emergence of the Shanghai’s IPC shed some light on the tension between continuity and change in post Washington Consensus neoliberalism. On the one hand, post Washington Consensus neoliberalism has important elements of continuity with the past, and represents an acceleration of existing trends. Data reported in this paper show that Italian investments as a whole have been following a pattern of intensification and geographical expansion, entering Asian (but also American) markets a decade after sourcing patterns were established in Central and Eastern Europe and North Africa. The IPC in Shanghai is obviously a strong case of path dependency with experiences Italians acquired in Central and Eastern Europe before the crisis.

On the other hand, both inward and outward FDI promotion efforts are closely linked within Shanghai’s IPC, and both play a crucial role in sustaining Italy and China’s neoliberalization in new ways. When compared with the existing literature on IP and its focus on inward promotion, the Shanghai case shows that new forms of institutional support to markets are emerging. The traditional logic of capturing value through investments coexists with a broader logic of promoting profits through bilateral flows. This new logic is a part of an acceleration of neoliberalization. In the past decades, both countries have been highly selective and limited in their embrace of neoliberal ideology. In different ways, after 2008, both government have attempted to further implement the neoliberal principles of open economies, encouraging (in different ways) both inward and outward FDIs. Therefore, this post Washington Consensus neoliberalization is qualitatively different from the past. Our case shows that similarly to Werner et al. (2015) argument, Italy is not pursuing the neoliberal utopia of free market through state minimalism. Instead, in Shanghai the Italian consulate is actively translating the goals of the Italian government to local contexts by coordinating between the public and private institutions.

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