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China Economic Review



Editorial

Small business industrial clusters in China and Italy

When Belton Fleisher proposed us to organize a conference on “Small Business Industrial Clusters in China and Italy” (SBICCI) we found his idea extremely appealing and were happy to suggest the “Gabriele d’Annunzio” University in Chieti-Pescara as a possible location for this interesting event. This seemed to us a quite natural choice: according to the *8th General Census of Industry and Services*, the region Abruzzo, where Pescara is located, hosts about a fourth of the industrial districts in Southern Italy (ISTAT, 2012), and this relatively high presence of districts has promoted the interest of the local political and academic institutions.

At the same time, the economic ties between China and Italy are becoming stronger. In the last two decades the market share of China on Italian trade has doubled twice, going from 1% to 5% of total trade (OECD, 2012). Foreign direct investments (Fdi) are also increasing, despite the ongoing economic crisis. Although Italy is still lagging behind with respect to other European countries, both as a recipient of investments from China and, especially, as an origin of Fdi to China, there is some evidence that the situation is evolving (Stanca, 2009). According to the *China Council for the Promotion of International Trade* (2010), Italy ranks 7th worldwide, and 3rd in the Eurozone, among the top ten countries attracting overseas investments from Chinese firms. Moreover, industrial clusters are a crucial feature both of China’s and Italy’s industrialization process, as witnessed, from the Italian side, by the intense research activity of Giacomo Becattini and his school (see Becattini, Bellandi, & De Propis, 2009, Long & Zhang, 2011). Interestingly enough, this research took as one of its starting points the study of the textile district of Prato, near Florence. The same district is nowadays one of the most successful experiences of Chinese workers integration in Italy, hosting a community of about 15,000 Chinese people, about 10% of the local population, as well as an important destination of Chinese overseas investments.

Taking all these well-known facts into account, we expected the conference to promote a large interest in Italy and possibly abroad. In fact, we received submissions from ten countries worldwide, and we were happy to host from May 28 to May 29, 2010, about 50 academics, and to provide them an arena for a constructive and vibrant discussion of their research results.

This special issue of *China Economic Review* contains four selected papers presented at the conference. The papers included in this issue provide a picture of the conference objectives, among which:

- the evolution of clusters and industrialization (both recent and in history)
- economic geography and clusters
- spatial econometric analysis of industrial clusters
- industrial clusters, industrial ecology and environmentally sustainable development
- policy implications for economic development
- managerial and technological dynamics and spillovers
- the role of local government and business associations
- sources of finance and financial contracts within clusters
- contracts, legal issues, and transactions costs.

The first paper in this issue, “Patterns of China’s industrialization: concentration, specialization, and clustering”, by Cheryl Long and Xiaobo Zhang, deals with the relation between the evolution of clusters and industrialization in China. Starting from a careful definition of industrial clusters, where interconnectedness plays a crucial role, the authors calculate on a large dataset some multi-dimensional measures of industrial concentration, regional specialization, and clustering, including an indicator of proximity in the product space, used as a proxy for interconnectedness. The evolution of these indicators over the decade from 1995 to 2004 is used to describe some patterns of China’s industrialization. The evidence suggests that China’s industrialization has been largely cluster-based, with increasing spatial concentration and regional specialization, as well as more interactions among firms, within both industries and regions. This model of development fits well with China’s comparative advantages at the onset of the reform process, since cluster-based businesses, as compared to non-clustered large factories, make use of more

entrepreneurs and labor, and require less initial capital. At the same time, the robustness of these patterns prompts some interesting research questions, among which the question on what factors or policies tend to promote the development of industrial clusters.

Two further papers in this issue provide some answers to this question, by analyzing the role of local government and institutions (like the specialized markets) in the promotion of industrial clusters.

"Industrial development policies and performances in Southern China: beyond the specialised industrial cluster program", by Elisa Barbieri, Marco R. Di Tommaso and Stefano Bonini, focuses on the Guangdong province (that accounts for about a fourth of China's total export), and considers the relation between local development policies and industrial performance. As a first step, the authors construct a synthetic index of policy intensity (IPI), that combines quantitative evidence on policies addressing technology upgrading as well as the support of industrial clustering. The relation between this index and an index of industrial performance is then explored in the 21 prefectures of the Guangdong province using a nonparametric testing procedure. The results provide useful insights on the strength, the aims, and the effectiveness of policy intervention in the Guangdong province, in particular as far as the geography of production and the advantages of agglomeration are concerned.

The paper by Marco Bellandi and Silvia Lombardi, "Specialized markets and Chinese industrial clusters: the experience of Zhejiang province", investigates the relation between local specialized markets and specialized industrial clusters, a relation that lies at the heart of the so-called "Zhejiang model" of development. While proximity and interconnectedness among firms have received a lot of attention in the literature, the role of specialized markets has promoted little research. The authors fill this gap using the results of a research fieldwork conducted in four clusters located in Zhejiang province. Their results seem to support the view that local specialized markets played an important role in the take-off of industrial clusters, and corroborate the hypothesis that China's economic transformation has been accompanied by bottom-up institutional innovations.

The last paper in the issue, "The effects of universities' proximity to industrial districts on university-industry collaboration", by Alessandro Muscio, Davide Quaglione and Michele Scarpinato, deals with the "technological spillovers" issue. Using a comprehensive sample of Italian university departments in the fields of Engineering and Physical Sciences, the authors address an important, yet under-investigated, research question: does universities' proximity to industrial clusters affect positively knowledge transfer activities? The results of both descriptive and econometric analyses, where proximity is considered along with other determinants of the private funding of academic research, demonstrate that universities' proximity to industrial districts plays a crucial role in shaping the industry-university relations.

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