Istituto Affari Internazionali

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Chinese Investments in Italy: Facing Risks and Grasping Opportunities

by Marco Sanfilippo

ABSTRACT

This paper analyses foreign direct investment (FDI) activities of Chinese multinational enterprises (MNEs) in Italy. Chinese investments in Italy present features similar to those in other advanced countries, while also showing some country-specific features. Italy is considered an attractive destination for Chinese investors not only because of its large market and its strategic position as a gateway to the Mediterranean, but also because it is seen as a valuable source of strategic assets in both traditional and advanced industries. The analysis of the Italian case is supported by the presentation of a number of detailed case studies, which exemplify the strategies followed by Chinese companies in the country and help summarise the main implications of this phenomenon. Evidence presented in this paper gives rise to a number of suggestions for policy makers on how to maximise the benefits from rising flows of FDI from China and other emerging economies.

China | Foreign direct investments (FDI) | Italy

keywords

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Chinese Investments in Italy: Facing Risks and Grasping Opportunities

by Marco Sanfilippo*

Introduction

The rising role of emerging-market multinational enterprises (EMNEs) is one of the most recent features of the globalisation process, in which we are now seeing some of the larger and more dynamic middle-income countries become major destinations for foreign direct investment (FDI). According to the last *World Investment Report*,[1] not only do EMNEs as a group already represent one-third of global FDI, but some of these emerging market countries are now listed among the top 10 countries for the size of their FDI.

Needless to say, the People's Republic of China is probably the most relevant example of such trends, since its outflow was almost insignificant in the early 2000s and, in less than a decade, it has become the third largest investor worldwide (just below the US and Japan).[2] This sudden rise of Chinese FDI follows the launch of the "Going Out" strategy, officially implemented by the Chinese Government with the tenth five-year plan in 2001, whose final purpose was to foster domestic actors to invest abroad. The case of China is of particular interest not only for this rapid growth, but for other reasons as well, including the geographic spread of Chinese investment and the fact that the largest share of its FDI can be attributed to state-owned enterprises, thus reflecting also the Government's strategic approach to the international integration of the country.

Although a lot could be said about strategic investments to get access to natural resources in Africa or Latin America, there seems to be even more interest among policymakers, media and the research community in understanding the dynamics

[1] UNCTAD, *World Investment Report 2013*, http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=588.

[2] Ibidem.

* Marco Sanfilippo is Tenure Track Docent at the Institute of Development Policy and Management, University of Antwerp. E-mail: msanfilippo@uantwerp.be.

. Paper prepared for the Istituto Affari Internazionali (IAI), November 2014. Presented at the seminar on "Investimenti cinesi in Italia. Opportunità e rischi", Rome, 18 November 2014.

of investments from Chinese MNEs in developed countries. The main reason is that most of the investments directed to advanced economies are motivated by the need to get access to a range of strategic resources, including technologies, know-how, and brands, which are particularly needed in China to enable the country to upgrade towards more sophisticated production within the global value chains. The interest of Chinese investors in advanced countries has intensified in the wake of the financial crisis, which enabled Chinese MNEs to pick up some key public assets of financially constrained countries such as in Greece (port infrastructures) and Portugal (telecommunications and energy assets). However, some other attempts to buy strategic assets (mainly in the telecommunications and the oil industry) have been blocked due to domestic protectionism.

Within this context, the case of Italy – which is the focus of this paper – is not only a good exemplification of these trends, but it is also a case of interest in its own, given that the country shares with China a similar productive structure, mainly based on traditional manufacturing sectors, and because the two countries have long-standing economic and political relations. As a matter of fact, Italy has been one of the most significant destinations of Chinese migrants and entrepreneurs since the late '80s. In more recent years, following the above-mentioned trends, Italy has increasingly been targeted by large-scale Chinese investors looking for more advanced resources and assets.

Even if it cannot be considered as one of the most attractive countries for foreign investors, so far Italy has been seen as one of the preferred destinations as a European entry point for Chinese firms. Existing analyses on Chinese investments in Italy have emphasised that they mostly take the form of small-sized investments, concentrated in the north of the country and growing since the mid-2000s. These studies also noted that some of the more promising takeovers have so far underperformed, mainly because of problems related to cultural and managerial integration during the post-acquisition phase. This problem notwithstanding, it is possible to identify some interesting cases, spanning from the automotive industry and the white goods sector to machinery and luxury goods, for deeper analysis.

This paper is an attempt to put the case of Italy in the broader context of Chinese FDI in advanced economies and, in particular, in Europe. After introducing the main issues related to the rise of FDI from China, including their motivations and the global distribution, the paper presents some statistics on the role of Italy in the European strategies of Chinese companies. These statistics have been collected from a range of different sources, given that official data from the Chinese Ministry of Commerce seriously underestimate the real destination of some of the investments directed to advanced countries. The analysis of the Italian case is supported by the presentation of a number of detailed case studies, which, in our view, well exemplify the main strategies followed by Chinese companies in the country and help summarise the main implications of this phenomenon. The last section is devoted to understanding the key implications that can be drawn from the existing evidence, with the objective of deriving useful suggestions to policy makers on how to maximise the benefits from rising flows of FDI from China and

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

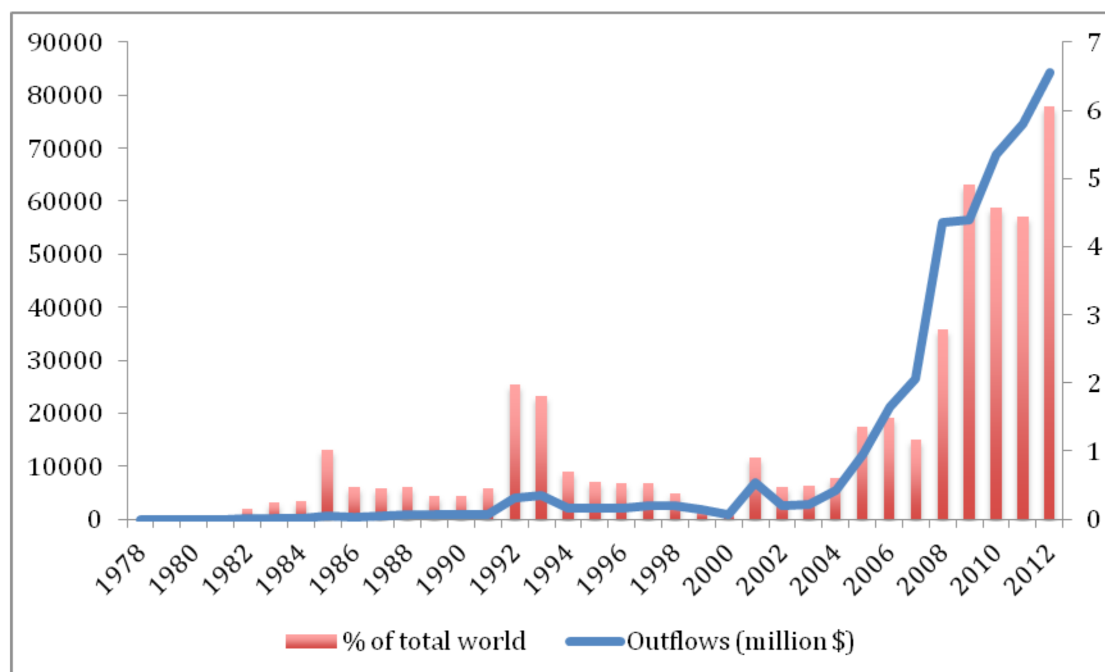
other emerging economies.

1. Chinese FDI: background

China's foreign direct investments and the globalisation of domestic multinationals have become increasingly debated topics in the wake of the "Going Global" policies, officially implemented with the tenth five-year plan in 2001.

Since then, FDI from China has been rapidly increasing, including during the financial crisis, with flows amounting to 84.2 billion dollars in 2012, 13 percent more than in the previous year (Figure 1). According to the latest data from UNCTAD, China has already completed its transition and, today, it is among the top-investors worldwide, with a share of roughly 6 percent of global outflow, just behind the US and Japan.[3]

Figure 1 | Trend in Chinese FDI, 1978-2012 ($ mln left axis; % of world's total right axis)



Source: Author's elaborations on UNCTAD FDI Statistics.

[3] Ibidem.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

A large strand of research has emerged in recent years to investigate the pattern of internationalisation of Chinese multinational enterprises, their motivations, the institutional background and the role of the State among the others.[4] Overall, most of these studies share similar conclusions in that Chinese FDI shows a unique pattern, different from traditional investor countries, supporting the need for an extension in traditional approaches to the internationalisation of firms.

Some specific features of Chinese FDI have been the subject of a wide literature. One of these features is certainly the overwhelming role of the Chinese Government in shaping the internationalisation strategies of domestic firms either directly, considering that the largest share of FDI can still be attributed to state-owned enterprises[5] or indirectly, through strong regulation of the investment policies, which has only been relaxed in the last few years.[6] Such extensive involvement of the government, including in particular the overall guidance and support provided to investors in industries and countries of interest has been identified by the existing literature as a major source of comparative advantage for Chinese investors.[7] Recent empirical evidence has shown that most of the specific features of Chinese FDI are attributed to the activities of state-owned enterprises, while private companies are more likely to undertake internationalisation following more traditional motivations, including profit-maximisation and the exploitation of competitive advantages.[8]

Another issue raised in the literature is the unconventional pattern of many Chinese investments, with *asset-exploring* motivations often prevailing over *asset-exploiting* ones, especially when FDI is directed to more developed countries.[9] The competitive advantages of Chinese MNEs have been found to be network- and home country-based. Therefore, among the prevailing pressures to invest abroad is the opportunity to access strategic assets to build up global competitiveness. As a matter of fact, there is evidence based on case studies and ad-hoc surveys that Chinese MNEs investing in advanced markets are mostly in search of new technology, productive capacities, brands, marketing and other intangible assets.[10]

[4] Peter J. Buckley et al., "The Determinants of Chinese Outward Foreign Direct Investment", in *Journal of International Business Studies*, Vol. 38, No. 4 (July 2007), p. 499-518.

[5] Ligang Song, Jidong Yang and Yongsheng Zhang, "State-owned Enterprises' Outward Investment and the Structural Reform in China", in *China & World Economy*, Vol. 19, No. 4 (July-August 2011), p. 38-53.

[6] Ken Davies, "China Investment Policy: an Update", in *OECD Working Papers on International Investment*, No. 2013/1 (2013), http://dx.doi.org/10.1787/5k469l1hmvbt-en.

[7] John Child and Suzana B. Rodrigues, "The Internationalization of Chinese Firms: A Case for Theoretical Extension?", in *Management and Organizational Review*, Vol. 1, No. 3 (November 2005), p. 381-410.

[8] Alessia Amighini, Roberta Rabellotti and Marco Sanfilippo, "Do Chinese State-Owned and Private Enterprises Differ in their Internationalisation Strategies?", in *China Economic Review*, Vol. 27 (December 2013), p. 312-325.

[9] Ping Deng, "The Internationalization of Chinese Firms: A Critical Review and Future Research", in *International Journal of Management Reviews*, Vol. 14, No. 4 (December 2012), p. 408-427.

[10] Peter J. Buckley et al., "The Determinants of Chinese Outward Foreign Direct Investment", cit.;

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

While much emphasis has been given to some of the more noteworthy operations of Chinese MNEs, less has been said so far on the difficulties experienced by many firms in their international operations. In some cases, the lack of substantial prior international experience of many Chinese firms and their cultural differences with western companies have led observers to doubt their ability to successfully manage large-scale operations abroad, including some complicated M&As. Thus, for instance, the joint venture between TCL and the French company Alcatel did not prove successful and finally broke up because the cultural differences between the two companies were huge.[11] Similar difficulties can be found in the post-acquisition management of the Italian motorbike company Benelli by QJ[12] or in the internationalisation process of the carmaker Chery in Europe.[13]

As latecomers in international markets, Chinese MNEs often invest abroad with little or no prior experience, lacking internal management capabilities and with only limited knowledge of western-style managerial practices and the social and economic aspects (including corporate governance regulations) of the host country markets.[14] Private firms, more than state-owned enterprises, suffer from this relative lack of experience, which contrasts with their need to rapidly internationalise to raise capital and to escape a less favourable domestic environment.

In this respect, the shortage of domestic "talents" with relevant international experience is often pointed to as one of the main constraints on Chinese firms' performance and their globalisation strategies. In a recent survey of 110 executives from Chinese companies, 82 percent of them identified the lack of management expertise in handling FDI as the main challenge for future ventures abroad.[15]

1.1 Geographic distribution of Chinese FDI

Before getting into the description of the geographic and sectoral trends of Chinese FDI, a short methodological note is necessary.[16] In China, there are two main

Ping Deng, "Why do Chinese Firms Tend to Acquire Strategic Assets in International Expansion?", in *Journal of World Business*, Vol. 44, No. 4 (January 2009), p. 74-84.

[11] Friedrich Wu, "The Globalization of Corporate China", in *NBR Analysis*, Vol. 16, No. 3 (December 2005), p. 1-29, http://www.nbr.org/publications/nbranalysis/pdf/vol16no3.pdf.

[12] Francesca Spigarelli, Ilan Alon and William Wei, "Benelli and QJ Compete in the International Motorbike Arena", in Ilan Alon, Marc Fetscherin and Philippe Gugler (eds.), *Chinese International Investments*, Basingstoke and New York, Palgrave Macmillan, 2012, p. 355-375; Francesca Spigarelli, Ilan Alon and Attilio Mucelli, "Chinese overseas M&A: overcoming cultural and organisational divides", in *International Journal of Technological Learning, Innovation and Development*, Vol. 6, No.1/2 (2013), p. 190-208.

[13] Ying Zhang and Sergey Filippov, "Internationalization of Chinese Firms in Europe", in *UNU-Merit Working Papers*, No. 2009-041 (2009), http://www.merit.unu.edu/publications/wppdf/2009/wp2009-041.pdf.

[14] Peter Nolan, *Is China Buying the World?*, Cambridge and Malden, Polity Press, 2012.

[15] EIU, *A brave new world. The climate for Chinese M&A abroad*, March 2010, http://www.economistinsights.com/business-strategy/analysis/brave-new-world.

[16] This short methodological note is based on Alessia Amighini et al., "Investigating Chinese

agencies – the State Administration of Foreign Exchange (SAFE) and the Ministry of Commerce (MOFCOM) – that collect FDI data according to different criteria. SAFE data are aggregate Balance-of-Payments data, which provide a picture of China's international investment position. They are published annually and generally do not allow either sectoral or geographic disaggregation. FDI data provided by MOFCOM are based on officially approved investments, but are affected by a number of concerns.

- First, re-invested earnings and intra-company loans are not officially recorded by this source.[17]
- Second, at least for the period 2002-2005, they do not include FDI from financial institutions, whose approval procedure was not under the control of MOFCOM.
- Third, underreporting is common practice, especially among private firms that are treated differently depending on the specific regional regulations[18] and can often escape formal approvals.[19]
- Fourth, MOFCOM data are also strongly affected by the practice of round-tripping, i.e. channeling of large investment outflows through tax havens via the establishment of special purpose entities, and reinvesting in China or in third countries.[20] This is the result of a common practice among firms to register only the first destination of their investments, which results in the overestimation of some transit locations with respect to the final destinations.

How such concerns may, in fact, influence the reliability of Chinese official statistics can be easily checked by a quick look at the distribution of the data by destination countries and regions (Figure 2). According to the official data, by 2011,[21] 73.6 percent of total Chinese FDI went to Hong Kong, the Cayman Islands, and the Virgin Islands, with the final location generally undisclosed.[22] Given the above, it is hard to consider the geographic distribution of Chinese FDI provided by MOFCOM as one that can entirely be trusted. As a matter of fact, following the official data, the shares of Africa, Europe and North America, taken together, would represent only a small fraction of the total, a claim that conflicts with mounting evidence of increasing investments in these areas.

Outward Foreign Direct Investments: How Can Firm-level Data Help?", in *China & World Economy*, Vol. 22, No. 6 (November-December 2014), p. 44-63.

[17] OECD, "China 2008: Encouraging Responsible Business Conduct", in *OECD Investment Policy Reviews*, November 2008, http://www.oecd.org/investment/investmentfordevelopment/oecdinvestmentpolicyreviews-china2008encouragingresponsiblebusinessconduct.htm.

[18] Ken Davies, "China Investment Policy: an Update", cit.

[19] OECD, "China 2008: Encouraging Responsible Business Conduct", cit.

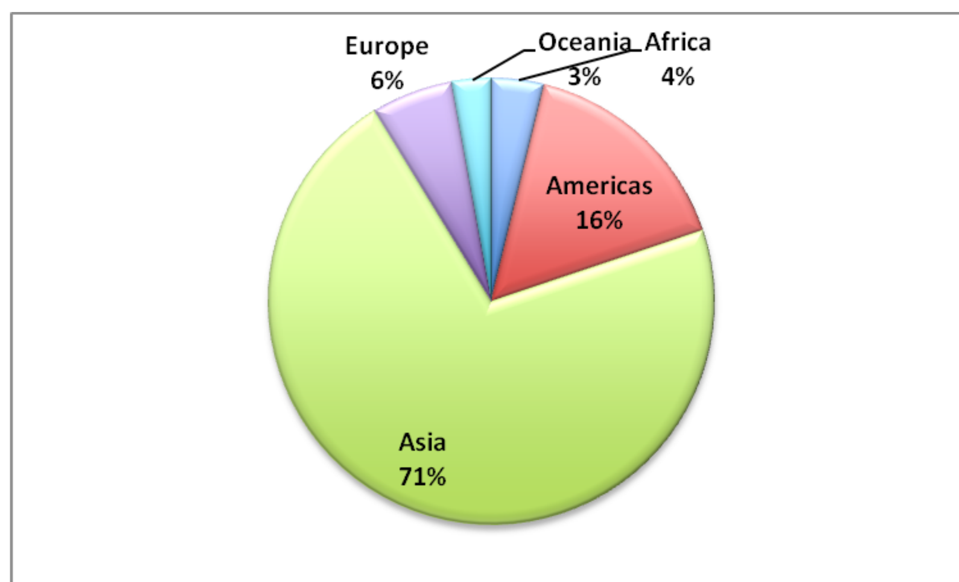
[20] Dylan Sutherland and Lutao Ning, "Exploring 'Onward-Journey' ODI Strategies in China's Private Sector Businesses", in *Journal of Chinese Economic and Business Studies*, Vol. 9, No. 1 (February 2011), p. 43-65.

[21] At redaction, 2011 was still the latest year for which official statistics on Chinese FDI were publicly available from MOFCOM's Statistical Bulletin.

[22] MOFCOM, *China Commerce Yearbook 2012*, Beijing, China Commerce and Trade Press, 2012.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Figure 2 | Geographic distribution of Chinese FDI, stock 2011



Source: Author's elaboration on MOFCOM, *China Commerce Yearbook 2012*, cit.

In order to disclose the real distribution of Chinese FDI one should better rely on host countries' statistics (such as national banks or statistical offices); however, even the latter are often outdated and not standardised across different countries. More reliable sources of information then are those collecting firm-level data, which have the invaluable advantage of drawing the information directly at the level of the destination country, thus bypassing intermediate ones, including the financial centers. In the end, for the sake of providing a global view on the distribution of Chinese FDI, this paper reports information collected by a new database recently published by the Heritage Foundation,[23] which records transactions (each worth more than 100 million dollars) at the firm level. Table 1 compares the geographic distribution of Chinese FDI flows from MOFCOM with the Heritage data. Even if the latter data do not include a large number of deals, given the high threshold used for inclusion in the database, aggregate flows from the two sources are similar to one another, making comparisons less risky.[24] If we look at the top 10 destinations worldwide, we can see that they are quite concentrated in the case of MOFCOM, where they represent 85 percent of the total, while they account for roughly 60 percent of total in the case of Heritage, reflecting a wider geographic distribution of Chinese investments. Even more interestingly, data show also that when financial centers (and especially Hong Kong) are not counted as the final targets of investments, but only as transit locations, OECD countries, such as Australia, the United States, Canada and the UK attract the bulk of Chinese flows. Hence,

[23] For a description of the dataset see: *China Global Investment Tracker*, http://www.heritage.org/research/projects/china-global-investment-tracker-interactive-map.

[24] On the methodology, see Derek Scissors, "China's Global Investment Rises: The U.S. Should Focus on Competition", in *Backgrounder*, No. 2757 (8 January 2013), http://herit.ag/18kFDRn.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

using firm-level information allows for the dissection of the real distribution of Chinese investment, providing a clearer picture of this phenomenon. In support of such findings, other recent attempts to analyse Chinese investments by means of firm-level information appear consistent with the picture provided in Table 1,[25] confirming that there is a bias in the official statistics published by MOFCOM.

Table 1 | Chinese FDI by destination country, stock 2011

MOFCOM top 10	% on total	#	Heritage top 10	% on total
Hong Kong	61.6	1	Australia	13.2
Virgin Islands (US)	6.9	2	United States	13.1
Cayman Islands	5.1	3	Canada	9.5
Australia	2.6	4	Brazil	6.5
Singapore	2.5	5	United Kingdom	3.8
United States	2.1	6	Indonesia	3.6
Luxembourg	1.7	7	Russia	3.3
South Africa	1.0	8	Kazakhstan	2.6
Russia	0.9	9	Argentina	2.4
Canada	0.9	10	South Africa	2.2
Top 10	**85.2**		**Top 10**	**60.2**

Source: Author's elaboration on MOFCOM, *China Commerce Yearbook 2012*, cit., and Heritage Foundation database.

2. Chinese FDI to advanced economies: the European inroad

As reported in the previous section, looking beyond official figures, advanced economies are among the most attractive destinations for Chinese investors worldwide. The reasons are not hard to understand. The process of structural transformation of the Chinese economy is, in fact, linked to the upgrading of its production structure. Hence, developed countries have become necessarily a target for many Chinese firms in search of advanced assets and more sophisticated markets.

Apart from the cases of Australia and Canada, which have mostly been targeted for their natural resources, the bulk of the strategic-asset seeking activity by Chinese investors is nowadays in the United States and in Europe. However, there are some similarities, but also clear differences, between the two areas. The US have been

[25] Thilo Hanemann and Daniel H. Rosen, *China Invests in Europe. Patterns, Impacts, and Policy Implications*, New York, Rhodium Group, June 2012, http://rhg.com/reports/china-invests-in-europe-patterns-impacts-and-policy-issues; Alessia Amighini et al., "Investigating Chinese Outward Foreign Direct Investments…", cit.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

targeted by a large number of Chinese firms in a broader spectrum of industries. The *China Investment Monitor* by the Rhodium Group[26] has tracked 820 large (minimum 500,000 dollars) projects, for a total amount of 37.4 billion dollars since the year 2000. The most recent trends show a significant upsurge of investments in high-tech manufacturing and advanced services, including financial services, entertainment and IT.

Table 2 | Failed Chinese FDI transactions in the US, 2003-2013

Year	Investor	Size ($ mln)	Share (%)	Partner	Sector	Subsector
2005	CNOOC	18,000		Unocal	Energy	
2008	China Development Bank	2,000	1	Citigroup	Finance	Banking
2008	Huawei	600	17	3Com	Technology	Telecom
2008	CITIC	1,000		Bear Stearns	Finance	Investment
2008	Great Wall	300	43	Iomega	Technology	
2008	SAFE	100		TPG	Finance	Banking
2008	CIC	2,430		Morgan Stanley	Finance	Investment
2009	Minsheng	120		UCB	Finance	Banking
2009	A-Power	900	60	Renewable Energy Group	Energy	Alternative
2010	Sichuan Tengzhong	150		Hummer	Transport	Autos
2010	Huawei	480		2Wire	Technology	Telecom
2010	Huawei	1,300		Motorola	Technology	Telecom
2010	CIC	690	10	Morgan Stanley	Finance	Banking
2010	Huawei and ZTE	5,000		Sprint	Technology	Telecom
2011	Ansteel	170	14	Steel Development	Metals	Steel
2012	Beijing Superior Aviation	1,790		Hawker Beechcraft	Transport	Aviation
2012	COFCO	150	5	Smithfield Foods	Agriculture	
2013	Sany	490			Energy	Alternative
2013	New China trust	4,230			Transport	Aviation

Source: Author's elaboration on Heritage Foundation database.

[26] The monitor is available at the following link: http://rhg.com/interactive/china-investment-monitor.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8
© 2014 IAI

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

In the first quarter of 2014 alone, Chinese investors announced high-tech deals worth more than 6 billion dollars, including the takeovers of Motorola Mobility, IBM's x86 server unit, and electric carmaker Fisker. But while the latter has been successfully completed,[27] the former acquisitions – both proposed by the electronics giant Lenovo – are still waiting for final approval from the Committee on Foreign Investment in the United States (CFIUS). In this respect, it has not been uncommon to observe Chinese investment proposals rejected in the US, due to the concerns over the transfer of strategic technologies to China.[28] The Heritage Foundation also collects information on the "troubled" investments, i.e. those that failed. As reported in Table 2, it is evident that these deals are concentrated in key sectors of the economy, especially financial services and telecommunications, as well as that in most cases the investor is a state-owned or a state-linked enterprise (such as in the case of the sovereign wealth fund, the China Investment Corporation, CIC).

On the other hand, investments in Europe are clearly more heterogeneous given the differences in endowments between the different countries. Europe offers a large number of advantages to Chinese investors. Overall, it can be considered a safe destination. It has a large market, long experience in a wide range of traditional manufacturing production, as well as a strong specialisation in advanced technologies and services and it is home to well-recognised international brands.

A recent survey run by the European Chamber of Commerce in China of 74 Chinese firms showed that the large majority of them invest in the continent with a market-seeking motivation; either to gain access to the European market (85 percent of the cases) or to expand their shares back in China (47 percent).[29] Importantly, almost one-third of the firms mention the search for advanced assets (such as technologies and know-how) as a key motivation. Interestingly, when firms are asked to report on the main difficulties encountered in their European ventures, 40 percent of them mention the cultural differences and unfamiliarity with local markets. This is in line with the existing concerns over the ability of Chinese investors to integrate into more advanced, diversified and complex markets, such as the European ones.

Concerning the destinations, as remarked in the previous section, information is somewhat sensitive to the data adopted. A recent report by the Rhodium Group[30] has put together a number of different sources (including Eurostat, MOFCOM and firm-level data) to show that whatever the source adopted, up to 2011, the three biggest recipients in Europe were France, the UK and Germany (see Figure 3). While

[27] Tom Hals, "Court clears sale of hybrid car maker Fisker to China's Wanxiang", in *Reuters*, 18 February 2014, http://www.reuters.com/article/2014/02/18/us-fisker-wanxiang-sale-idUSBREA1H1LM20140218.

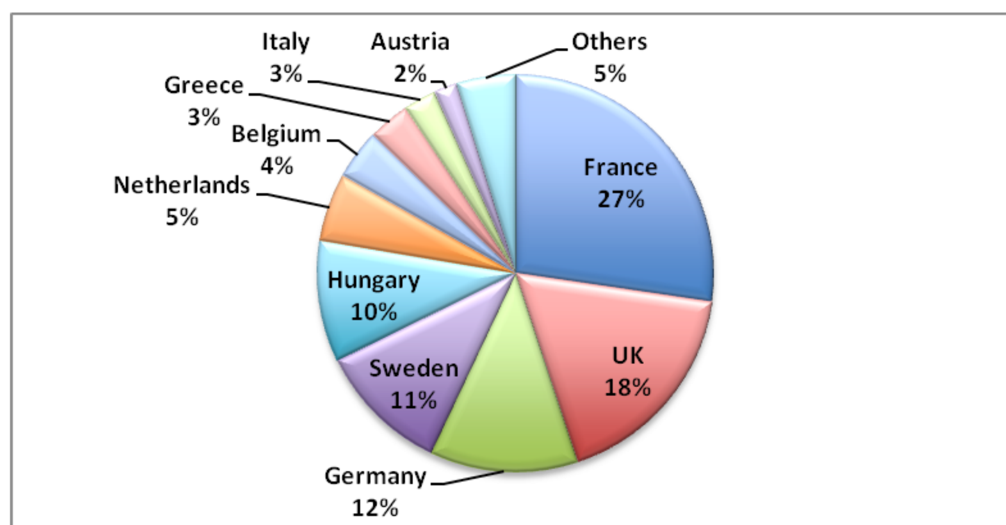
[28] Indeed, a recent survey of Chinese investors points out that the US is indicated as the hardest place to invest. See Ken Davies, "China Investment Policy: an Update", cit.

[29] European Union Chamber of Commerce in China, *Chinese Outbound Investment in the European Union*, Beijing, January 2013, http://www.europeanchamber.com.cn/en/publications-archive/10.

[30] Thilo Hanemann and Daniel H. Rosen, *China Invests in Europe*, cit.

France has been mainly targeted in capital-intensive sectors (such as chemicals and energy), the UK is a more attractive destination for financial activities since many MNEs (including in the mining sector) establish their headquarters in London. Germany, on the other hand, is by far the country that has received the largest number of Chinese investors, even if, on average, of smaller size, including in the machinery, communication and consumer goods sectors.

Figure 3 | Geographic distribution of Chinese FDI flows in Europe



Source: Author's elaboration on Thilo Hanemann and Daniel H. Rosen, *China Invests in Europe*, cit.

As far as other European countries are concerned, they have received a smaller number of investments, although some of them are noteworthy. The crisis in Europe provided an attractive opportunity for the entrance of new types of Chinese investors. As financially constrained governments were forced to privatise assets and attract foreign capital, some big investments have taken place, especially in weak countries at the periphery of the continent. Chinese investors have taken advantage of the opportunity to gain access to national assets, including local utilities, such as energy in Portugal, Poland and Malta, or transportation infrastructure, such as COSCO's long-term lease in the Greek port of Piraeus and the related investment for the modernisation of the container terminal (Table 3). This can be certainly explained by China's stronger economic and political bargaining power in time of crisis, as well as by weaker political resistance in some countries to accept new foreign partners in key domestic assets.[31] Perhaps the most significant example of

[31] A relaxation of measures on FDI attraction has interested many countries during the crisis. Meunier reports that those who have mostly benefitted Chinese investors are related to migration policies. "In December 2012, Hungary adopted the 'Hungarian investment immigration law' granting residency to those investing at least EUR 250,000 in government bonds. In January 2013, Portugal instituted the 'Golden Residence Permit' which enables foreigners to acquire residency status in Portugal if they transfer at least EUR 1 million in capital, or create 10 new jobs in Portugal, or purchase property worth at least EUR 500,000." Sophie Meunier, "'Beggars can't be Choosers': The European Crisis and Chinese Direct Investment in the European Union", in *Journal of European Integration*, Vol. 36, No. 3 (2014), p. 298.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

such trends is Portugal, which had to implement a strict privatisation programme of state-owned companies as a consequence of the crisis. The acquisitions made by Chinese state-owned enterprises in the energy sector cannot be considered to be driven only by economic opportunities or contingencies, but they have as well a strong strategic orientation given that the two acquired companies had existing interests in fast growing markets in Latin America and Africa.[32]

Table 3 | Major Chinese FDI to European peripheral countries

Year	Investor	Size ($ mln)	Share (%)	Partner/Target	Sector	Country
2008	China Ocean Shipping	4,560			Transport	Greece
2009	Unicom	1,000	1	Telefonica	Technology	Spain
2010	Wanhua Industrial	190		BorsodChem	Chemicals	Hungary
2011	China Unicom	500	1	Telefonica	Technology	Spain
2011	Wanhua Industrial	1,660	58	BorsodChem	Chemicals	Hungary
2011	Fosun International	120	10	Folli Follie	Other	Greece
2011	Wanhua Industrial	260			Chemicals	Hungary
2011	Three Gorges	3,510	21	Energias de Portugal	Energy	Portugal
2012	Guangxi Liu Gong Machinery	100	100	Huta Stalowa Wola	Transport	Poland
2012	State Grid	510	25	REN	Energy	Portugal
2012	China Ocean Shipping	150			Transport	Greece
2012	Huawei	1,500			Technology	Hungary
2012	China Power Investment	740	51	Kompania Weglowa	Energy	Poland
2013	HNA	310	20	NH Hoteles	Real estate	Spain
2013	Shanghai Greenland	240		Melia Hotels	Real estate	Spain
2013	China Ocean Shipping	300			Transport	Greece
2013	China Power Investment	260		Enemalta	Energy	Malta

Source: Author's elaboration on Heritage Foundation database.

[32] Wayne Ma and Patricia Kowsmann "China gets stakes in Portugal's EDP", in *The Wall Street Journal*, 23 December 2011, http://on.wsj.com/vfjmdQ.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Still, in recent years, some strategic assets in the manufacturing sector have also passed into Chinese hands. This has involved different industries. Some examples of these acquisitions can be found in the industrial machinery (Beijing No.1 Machine Tool-Coburg Waldrich) or the renewable energy (Goldwind-Vensys) sectors in Germany, auto parts in Sweden (BAIC-Weigl), chemicals in France (Chemchina-Bluestar Adisseo), general aviation in Austria (AVIC-FACC) or natural resources in Norway and Iceland. Further to this, Chinese companies have tried to tap into Europe's human resources and its research infrastructure by establishing research and development (R&D) centres in the continent. Greenfield investments in R&D are quite frequent, especially in the telecommunications sector. Such is the case with Huawei, which has established its affiliates all over the continent.[33] Greenfield investments in production activities are less frequent, but are on the rise. Eastern European countries in particular are attracting such investments due to the lower costs of inputs, and the opportunity to easily get into the large EU market. Key examples include the electronics sector, with companies such as Hisense and Haier building facilities in Poland, or the automotive sector, with the investments made by Great-Wall in Hungary and Bulgaria to assemble new cars for the European markets. The case of the automotive industry is clearly one of the most relevant,[34] including for our focus on Italy (see next section), considering that Europe provides a set of resources, including advanced skills in design and technologies, as well as production platforms with long tradition to rapidly growing Chinese automakers.[35]

3. Chinese FDI in Italy

Italy cannot be considered the most attractive destination for foreign investment within Europe. According to the latest data from UNCTAD, inward FDI in Italy performed quite poorly in the last few years, representing on average between 0.4 and 1 percent of the world's total, and about 4 percent of the investments directed to the EU-27. This is not surprising if one looks at the position of the country in some of the most relevant rankings measuring competitiveness. Indeed, these ranks usually show a poor performance of Italy compared not only to other OECD countries, but also to middle income ones. As an example, Italy ranks 46th in terms of the global competitiveness index of the World Economic Forum, and 56th in the *Doing Business* report of the World Bank.[36]

[33] Alessia Amighini et al., "Investigating Chinese Outward Foreign Direct Investments…", cit.

[34] Alessia Amighini, "The International Expansion of Chinese Auto Firms: Typology and Trends", in *International Journal of Automotive Technology and Management*, Vol. 12, No. 4 (2012), p. 345-359.

[35] See Alessia A. Amighini and Andrea Goldstein, "Se la Cina investe nell'automotive occidentale, in *OrizzonteCina*, marzo 2014, p. 6-7, http://www.iai.it/pdf/OrizzonteCina/OrizzonteCina_14-03.pdf.

[36] World Bank, *Doing Business*, October 2014, http://www.doingbusiness.org/data/exploreeconomies/italy.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

The reasons for this poor performance are well known and include structural factors such as the fragmentation of the private sector dominated by small and medium-sized enterprises, specialisation in traditional sectors characterised by low R&D expenditure, and the large size of the public sector. Other disadvantages are the poor infrastructure, high levels of criminal activity in some areas of the country, high levels of bureaucracy and rigid labour market regulation.

On the other hand, the size of the domestic market and the lower labour costs compared to other western countries make Italy an appealing destination within Europe. Moreover, another factor driving foreign investors to Italy is the opportunity to exploit the economies of agglomeration in its famous industrial districts, characterised by strong sectoral specialisation and by the existence of efficient and competitive networks of suppliers.[37] The Italian specialisation in a variety of sectors such as automotive, textiles and clothing, machinery, and home appliances represent an attraction factor for multinationals from emerging economies, including China, currently trying to upgrade their production and technological capabilities and build their own global champions in these industries.

Overall, the presence of multinationals from emerging economies is on the rise. The latest edition of *Italia multinazionale*,[38] the most comprehensive source of firm-level information on inward FDI in Italy, reports a significant rise in the number of emerging market multinationals, with Chinese investors representing the largest group (Table 4). Despite this, as confirmed also by existing research,[39] Chinese affiliates are characterised by a smaller scale of activities compared to other EMNEs. Their contribution in terms of employment is much smaller compared to Russian or Indian companies (accounting for 15,000 and 5,000 jobs in 2011, respectively), while the turnover of Chinese firms is marginal when compared with resource-related investments by Arab firms.

Table 4 | Summary statistics on Chinese investors in Italy, 2005-2011

	2005	2006	2007	2008	2009	2010	2011
N. of affiliates	28	32	46	70	77	81	86
Employees	1,240	1,348	1,769	2,889	2,833	2,820	2,885
Turnover (mln Euro)	676	721	914	1,666	1,187	1,869	1,941

Source: Author's elaboration on database REPRINT, http://www.ice.gov.it/statist_esterno/fr_dx4.htm.

[37] Giacomo Becattini, "The Marshallian Industrial District as a Socio-Economic Notion", in Frank Pyke, Giacomo Becattini and Werner Sengenberger (eds.), *Industrial Districts and Inter-firm Co-operation in Italy*, Geneva, International Institute for Labour Studies, 1990 p. 37-51.

[38] Sergio Mariotti e Marco Mutinelli (eds.), *Italia multinazionale 2012. Le partecipazioni italiane all'estero ed estere in Italia*, Soveria Mannelli, Rubbettino, 2012.

[39] Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "Chinese FDI Strategy in Italy: The 'Marco Polo' Effect", in *International Journal of Technological Learning, Innovation and Development*, Vol. 4, No. 4 (2011), p. 277-291; Valeria Gattai, "Chinese ODI in Italy: An Empirical Investigation at the Firm-level", in *Journal of Chinese Economic and Business Studies*, Vol. 10, No. 1 (February 2012), p. 47-66.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Despite their small relevance in the overall picture, the rise of Chinese MNEs in Italy is a phenomenon that deserves a careful consideration. So far, in fact, the rise of Chinese investors in Italy has only been studied anecdotally and there have been few comprehensive analyses based on firm-level surveys or case studies.[40] In what follows, this paper reviews the existing evidence, update the information to the latest available year and analyse the strategic motivations and implications arising from some of the more significant cases of investments that have been undertaken so far.

3.1 The rise of Chinese investments in Italy: some facts

When discussing the rise of Chinese investments in Italy, it seems almost inevitable to refer to the rapid increase of Chinese migrant entrepreneurs who flowed into the country since the end of the '80s. And, along these lines, it is difficult not to mention Prato and the large literature on the changes that occurred in the local industrial district due to the entry of Chinese workers and enterprises.[41] This is, however, a parallel story to the one we are focusing on in this paper. Small-scale activities run by Chinese entrepreneurs – constantly on the rise over the last decade[42] – cannot, in fact, be defined as foreign direct investments and, in the case of Italy, these two forms of capital transfers from China do not appear linked to each other by strategic interactions between small and bigger investors nor by Government policies.

Chinese FDI in Italy started as early as the '80s, even if at that stage the investments were quite sporadic, including an office in Turin of the Nanjing Motor Corporation, a commercial office of Cemate Machinery Technology and a branch of the Bank of China in Milan. It is only since the beginning of the new century that Chinese FDI grew larger, and included some interesting cases to analyse.

A review of the existing evidence shows that the greater number of investments is concentrated in the manufacturing and the service sectors. In the former group, household appliances (white goods) and the automotive dominate the picture,

[40] Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "Chinese FDI Strategy in Italy...", cit.; Valeria Gattai, "Chinese ODI in Italy...", cit.; Francesca Spigarelli, Ilan Alon and Attilio Mucelli, "Chinese Overseas M&A: overcoming Cultural and Organisational Divides", in *International Journal of Technological Learning, Innovation and Development*, Vol. 6, No. 1-2 (2013), p. 190-208, http://dx.doi.org/10.1504/IJTLID.2013.051703; Alessandra Vecchi and Louis Brennan, "An Analysis of Chinese Acquisitions of Made in Italy Firms in the Luxury Sector", in *Chinese Business Review*, Vol. 13, No. 3 (March 2014), p. 192-208, http://www.davidpublishing.org/show.html?16920.

[41] See Gabi Dei Ottati, "A Transnational Fast Fashion Industrial District: An Analysis of the Chinese Businesses in Prato", in *Cambridge Journal of Economics*, Vol. 38, No. 5 (November 2014), p. 1247-1274.

[42] A recent report by the CGIA of Mestre shows that, with 66,000 units, Chinese are the third group of foreign entrepreneurs in the country. In addition, they calculate that their number increased by 42.9 percent, between 2008 and 2014, the fastest in absolute terms compared to other foreign communities. CGIA Mestre, *Aumenta l'imprenditoria straniera: boom di quella cinese*, August 2014, http://www.cgiamestre.com/2014/08/aumenta-limprenditoria-straniera-boom-di-quella-cinese.

since they are industries in which Italy has a strong comparative advantage and in which China is eager to upgrade.[43] Most of the investments in the service sector are in trade-related activities. Financial and consulting companies, recently on the rise, represent some exceptions. A further important sector is transport and logistics, whose relevance is due to the geographical position of Italy as a hub in the Mediterranean. Italy also represents an important market for electronics and telecommunications, which are other attractive industries for Chinese investors. In contrast to other southern European countries affected by the crisis (Table 3), Italy has not yet been targeted for strategic sectors such as energy and utilities. A relevant exception is represented by the very recent interest of Shanghai Electric to buy a 40 percent stake of Ansaldo Energia, a power equipment company currently owned by Finmeccanica, which accepted the deal in order to reduce its debt burdens and to keep focusing on its core business.[44] This is expected to be a mutually beneficial agreement, given that the Chinese company does not possess the specific technologies to develop gas turbines on their own, and Ansaldo was in need of financial capital to invest in upgrading its core technologies. Also, the recent agreement by China's State Grid Corp. for a 2 billion euro stake in the capital of CDP Reti,[45] the Italian energy grid holding company, can be seen as a large-scale example of an expansion of Chinese investors' interest to acquire public assets. These recent acquisitions are also among the most relevant of a more aggressive entry of Chinese institutional investors in the domestic financial market. Among them, the stakes acquired by China in leading domestic interests such as Telecom and FIAT (both around 2 percent of the capital), can be considered as part of a new strategy to invest in Italy's financial markets.

Table 5 | Sectoral distribution of Chinese investors in Italy, 2005-2011

Sector	Affiliates	Turnover (mln Euro)	Employees
Manufacturing	35	598.3	1723
Logistics	4	54.209	467
Trade	28	897.702	480
Construction	1	19.986	2
Professional services	2	113.645	326

Source: Author's elaboration on database REPRINT, cit.

[43] Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "What Drives Chinese Multinationals to Italy?", in Riccardo Crescenzi and Marco Percoro (eds.), *Geography, Institutions and Regional Economic Performance*, Heidelberg, Springer, 2013, p. 397-414.

[44] Giulia Segreti, "Shanghai Electric to buy Ansaldo Energia Stake", in *The Financial Times*, 8 May 2014, http://www.ft.com/cms/s/0/4e8e4cc4-d6ba-11e3-b251-00144feabdc0.html.

[45] Fernando Pineda, "State Grid of China in Snam e Terna. La versione di Franco Bassanini (Cassa depositi e prestiti)", in *Formiche.net*, 31 July 2014, http://www.formiche.net/2014/07/31/state-grid-of-china-snam-terna-la-versione-franco-bassanini-cassa-depositi-prestiti.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Geographically, Chinese investments are strongly concentrated in the north. By far, the region of Lombardy hosts the largest number of Chinese firms, the majority of which are based in the metropolitan area of Milan. This is not surprising, given that the region is the main attractor of FDI, as it hosts 49.4 percent of total foreign affiliates in the country, in turn contributing to 45.3 and 46.7 percent of total foreign employment and turnover, respectively.[46] Milan is particularly attractive to firms in the service sector. It hosts branches of the Bank of China, established in 1998, and of the Industrial and Commercial Bank of China (ICBC), the largest bank in the world in terms of stock market capitalisation, which has opened its first Italian branch in 2011. Consulting firms set up to assist Chinese companies wanting to invest in Italy are also present. Among them, since 2007, the China Milan Equity Exchange (CMEX) provides comprehensive advice on legal, fiscal, financial and organisational issues to firms interested in investment to or from China. Similar functions are those of the law firm YingKe, which is already in Italy since 2011 (Verona) and has recently inaugurated its Milan's headquarters. Other regions, including in particular Piedmont and Veneto, have so far received a number of Chinese investments, largely in their sectors of specialisation, i.e. automotive and white goods.

Table 6 | Geographic distribution of Chinese investors in Italy, 2005-2011

Region	Affiliates
Lombardy	37
Piedmont	10
Veneto	8
Lazio	6
Emilia Romagna	4
Liguria	4
Friuli	1
Marche	1
Campania	1
Calabria	1

Source: Author's elaboration on database REPRINT, cit.

3.2 Motivations and case studies

Similar to the evidence from other advanced economies, existing research on Italy confirms that the main motivations for Chinese investments in the country are the search for new markets and other trade-related activities (*market-seeking*), and

[46] Sergio Mariotti e Marco Mutinelli (eds.), *Italia multinazionale 2012*, cit.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

the search for strategic assets.[47] Chinese FDI in Italy look for brands and access to advanced skills and technological capabilities in specialised clusters. Moreover, and importantly, it has been shown that despite some attempts by Chinese MNEs in Italy to minimise the influence of cultural differences by making use of local advanced managerial capabilities, they still suffered problems in integrating the different management cultures.[48]

In what follows, this paper discusses some of the most common strategies of entry, including the motivations and the modalities adopted by Chinese firms in Italy. Insights from selected case studies, including the most representative operations concluded by Chinese firms in Italy so far, help provide an evidence-based discussion to discern the main features of Chinese FDI in our country.

As far as market-related motives are concerned, an important distinction is between those oriented to enhance existing trade or create new opportunities to export in the host market, and those mainly targeting the Chinese market. As for the latter, some investments have initially been made with the idea of serving the home market in a more efficient way and with differentiated (and upgraded) products. In the case of acquisitions, this strategy can benefit Italian firms, as the investment opens a preferential channel to the Chinese market. So far, the most notable example is represented by the acquisition of the machinery company CIFA by Zoomlion.[49] Both the acquirer and the acquired committed to the integration of the two companies, mixing the know-how and excellence of Italian production with the efficiency and financial capacities of the Chinese group. A large amount of resources has been invested to standardise the main management processes, and integration was achieved starting from R&D and then moving to all other activities, including marketing, sales, and production. Despite the deep impact of the financial crisis on the construction sector, relevant sales results were achieved by the Italian production unit, opened in the Zoomlion industrial park, with a reverse internationalization process. The "Factory in the Factory", which later became a separate company, CIFA Hunan, allowed CIFA to sell branded or co-branded products in China.

On the other hand, some important investments in the logistic and transportation sectors are clearly aimed at supporting trade with the host country and its home region. With the rise in Chinese exports, the main logistics companies have begun to invest in Europe initially forming joint ventures and strategic alliances with local enterprises, while at the same time establishing also representative offices through greenfield investments. Having acquired new capabilities and increased

[47] Valeria Gattai, "Chinese ODI in Italy: An Empirical Investigation at the Firm-level", cit.; Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "Chinese FDI Strategy in Italy...", cit.

[48] Francesca Spigarelli, Ilan Alon and Attilio Mucelli, "Chinese Overseas M&A...", cit.; Alessandra Vecchi and Louis Brennan, "An Analysis of Chinese Acquisitions of Made in Italy Firms in the Luxury Sector", cit.

[49] For more details see Daniela Grancini et al., *CIFA L'anomalia vincente. Dal seme americano al "secolo cinese"*, Milano, Tecniche Nuove, 2013.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

their market power, Chinese companies are keen to strengthen their position by acquiring European companies and investing in new infrastructure projects.[50] This pattern well applies to Chinese investments in the Italian logistics sector: COSCO (China Ocean Shipping Group) and China Shipping Company, both of which are in the top ten world shipping companies in terms of tons of goods transported, invested in the ports of Naples and Genova to secure their presence in the most important Italian ports. In this respect, it has also to be highlighted how in the search for a more stable gateway in the Mediterranean, the port of Gioia Tauro received some interest from Chinese investors, before they decided to invest heavily in Greece's Piraeus port.

The need to open the way to larger and more sophisticated markets, together with the search for upgrading existing capacities are behind the decision of Haier, nowadays a world leader in the white goods sector, to invest in Italy. In 2003, Haier made its first acquisition in Italy buying Meneghetti, a refrigerator producer, and in 2009 it acquired another Italian company, Elba, specialised in the production of cooking appliances. These acquisitions were motivated, on the one hand, by the need to overcome EU tariff barriers and, on the other, by the objective of improving the capacity to design, develop and produce goods suitable for the European market and the high end of the Chinese import market. Further to this, the intention to acquire knowledge and managerial capacity was behind the decision to locate the headquarters in Varese, given the area's strong tradition in white goods manufacture. In fact, Varese is well known for its white goods production and is home to important companies such as Philips and Whirlpool, and many other firms specialised in components and intermediate products. The agglomeration of many specialised firms generates positive externalities, arising from the presence of a pool of specialised workers and suppliers and by specialised knowledge on markets and technologies.

Though with different modalities and objectives, one can find the same logic in the entry of Chinese carmakers in the automotive clusters based in the Turin area.

The existence of a specialised automotive cluster concentrating all different phases of the production process is also behind the decision of two Chinese automotive companies, Jac Anhui Janghuai and Changan, to invest in Turin. In 2004 and 2005, the two companies established R&D and design centres in Turin, where Chinese researchers are working together with their Italian counterparts in strict collaboration with other local specialised firms and research organisations. In both cases, the target is to improve technical know-how, with a particular emphasis on design skills. Both companies are "newcomers" to the global automotive market and see investment in Italy as a rapid and efficient way to improve their capabilities in design and product development. Compared to other possible locations such

[50] Christian Milelli, Françoise Hay and Yunnan Shi, "Chinese Firms enter Europe: Some Empirical Evidence", in Zhongmin Wu (ed.), *Financial Sector Reform and the International Integration of China*, London and New York, Routledge, 2009, p. 198-214.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

as Germany or the UK, the Turin cluster offers the advantages of excellent design skills, availability of highly qualified and cheaper human resources and a pool of specialised suppliers for outsourcing a wide range of activities including engineering, modelling, prototyping and mathematical analysis and calculation. Among the motivations for investing in Italy, the managers interviewed also stressed the need to escape rising competitive pressure in the Chinese market, which has become overcrowded, given the presence of numerous global players. Chinese carmakers share 25 percent of their home market, and have started looking abroad – first exporting, then producing in developing countries (e.g. in Latin America and East Asia) and, more recently trying to acquire new strategic assets by investing in more sophisticated markets. This, however, does not imply that they plan to produce for the European market in the short run, but rather they are looking for new competences to catch up with the global players or pursue specialisation in niche markets.[51]

The strategies of the firms in Turin broadly reflect the dynamics occurring in the automotive industry in China,[52] and can be quoted among the most interesting cases of technology-seeking investments made by Chinese companies in Europe so far.[53]

Still, another interesting story mixing market- and strategic asset-seeking motives is that of the telecommunications giant Huawei. Huawei entered the Italian market relatively early, in 2004, by establishing representative offices in Rome and Milan. Later, it broadened the scope of its Italian activities opening innovation centres in Rome, Turin and Milan. The latter, in particular, hosts a large R&D centre on microwave technologies.[54] Interestingly, in Italy, Huawei has rapidly gained a significant foothold as a strong provider of contracting services to the major telecommunications operators. After having ensured the supply of its services to Telecom and Vodafone, it has recently agreed to roll out a new mobile-broadband technology to Wind for a 1.3 billion dollars contract to be completed in the next five years, an amount among the highest signed so far in Europe.[55]

Moving to investments aimed at getting access to high-value assets in our country, there are a number of interesting cases to discuss. It is interesting to observe that few of these cases are in the textiles sector, without any doubt one of the most attractive of the made-in-Italy brands. So far, the only noteworthy operation has to do with the entry of Trendy International in the capital of Sixty (a firm specialised

[51] Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "Chinese FDI Strategy in Italy…", cit.

[52] Described in Alessia A. Amighini and Andrea Goldstein, "Se la Cina investe nell'automotive occidentale, cit.

[53] Alberto Di Minin, Jieyin Zhang and Peter Gammeltoft, "Chinese Foreign Direct Investment in R&D in Europe: A New Model of R&D Internationalization?", in *European Management Journal*, Vol. 30, No. 3 (June 2012), p. 189-203.

[54] Sergio Mariotti e Marco Mutinelli (eds.), *Italia multinazionale 2012*, cit.

[55] Sam Schechner, "Huawei to upgrade Italian Mobile Network", in *The Wall Street Journal*, 12 April 2013, http://on.wsj.com/1z70Cop.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

in teenagers' clothing) to distribute in the large Chinese market.[56] For the rest, a very recent rumour regards the acquisition of Krizia, one of the best-known brands of the ready-to-wear ("*pronto moda*") business, by Shenzhen Marisfrolg Fashion Co Ltd, with the objective to expand internationally, and especially in the Chinese high-end market.[57]

Some of the most interesting strategies can be observed in luxury products, a segment in which Italy has a strong comparative advantage, and where Chinese producers are eager to enter quickly to satisfy the large demand in their home country. In this context, a first interesting deal was the 2007 acquisition by XinyuHengdeli Holdings Limited (XHH), one of the world's larger distributors of watches of internationally renowned brands, of OMAS, a producer of luxury pens, from the French group LVMH (Louis Vitton Group). As described in more details by Vecchi and Brennan,[58] the acquisition was motivated by XHH's willingness to diversify its core business, and to acquire a better understanding of the know-how in both production and brand marketing in order to increase XHH's market shares in China. Importantly, production was kept in the original establishment in Bologna, and no Chinese workers were hired. On the other hand, a significant restyling of old management practices has led to a substantive re-organisation of the company in view of keeping a stronger control on the Chinese side and to respond more quickly to demand.

Further to this case, the recent acquisitions by Chinese companies of two yacht producers in the north of Italy, Cantieri della Pietà and Ferretti, provide similar insights. The latter, in particular, is an interesting case, as it embodies many of the features of Chinese investments in strategic assets in advanced markets. Founded in 1968, Ferretti rapidly become a world leader in the segment of luxury and technologically advanced boats and yachts. Due to the impact of the 2007 crisis, the company experienced financial distress and, after various attempts to find fresh capital to finance debts and new investments, 75 percent of the company was finally sold to the Shandong Heavy Industry Group (SHIG) in 2011. Interestingly, the Chinese investor in this case, motivated by the need to diversify its business and to serve the rising demand of luxury boats in China, has also not undertaken any delocalisation in production, but kept the original establishment and employees, both considered as key sources of competence and know-how, not easily exportable to China. For SHIG, on the other hand, the acquisition of Ferretti represents as well a long-term strategy to transfer such competences and technologies back to China, in view of using them in the production of advanced products.

[56] Rita Fatiguso, "Sixty entra nell'orbita cinese", in *Il Sole24Ore*, 17 December 2011, http://24o.it/10cZV9.

[57] Giuliana Ferraino, "Krizia venduta ai cinesi di Shenzen Marisfrolg Fashion", in *Corriere.it*, 24 February 2014, http://www.corriere.it/economia/14_febbraio_24/krizia-venduta-cinesi-shenzen-marisfrolg-fashion-6432d4ea-9d72-11e3-bc9d-c89ba57f02d5.shtml.

[58] Alessandra Vecchi and Louis Brennan, "An Analysis of Chinese Acquisitions of Made in Italy Firms in the Luxury Sector", cit., p. 201.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Lastly, as discussed in the previous sections, it has to be noted that not all the Chinese attempts to buy foreign companies have met the original expectations. The relative inexperience of Chinese investors, the cultural diversity and differences in managerial practices compared to western countries have led, in some cases, to the deals underperforming, if not failing. One of the most emblematic cases often referred to by the existing literature is the acquisition of the Italian motorbike company Benelli by the Chinese firm Qianjiang. This was initially considered a good opportunity for the Chinese investor, given that Benelli was a well-recognized brand in its sector facing a risk of closing business due to long-lasting financial troubles. However, a number of problems, mostly related to the difficulties of matching Chinese and Italian managerial cultures, have made the post-acquisition phase of this venture quite troublesome and clearly underperforming when compared with the initial expectations.[59] The case of Benelli, as described by Spigarelli et al.[60] clearly shows how this has been consequence of the lack of effective managerial and organizational competences of the Chinese partner.

Conclusions

The recent rise of multinational corporations from the global South represents a further step in the globalisation process and reflects the rising weight of emerging markets in the distribution of global wealth. Within this group of countries, China is certainly the most notable case. Over the last thirty-five years, the country underwent a rapid transformation, including a tremendous expansion of international trade and the absorption of external technology and know-how together with consistent inflows of capital through high levels of inward foreign direct investment. Nowadays, China is experiencing a further process of reforms, which are expected to lead towards a more balanced (and sustainable) pattern of growth and an overall upgrading of the structure of the domestic economy. Within this context, an important role (and strong political support) is increasingly given to domestic MNEs and to their globalisation strategies, driven by the need to access new markets, resources and strategic assets, largely needed to drive the process of structural transformation of the country.

Advanced economies are increasingly attracting Chinese MNEs with mixed feelings. On the one hand, there are great concerns about transferring key assets to Chinese competitors, and finally losing out the competitive edge guaranteed by the possession of key technologies and competences. Such concerns are reinforced by the view that China's economic size, combined with nonmarket advantages, could

[59] For a description of the case see Francesca Spigarelli, Ilan Alon and William Wei, "Benelli and QJ Compete in the International Motorbike Arena", cit.; Francesca Spigarelli, Ilan Alon and Attilio Mucelli, "Chinese overseas M&A…", cit. See also Alessandra Vecchi and Louis Brennan, "An Analysis of Chinese Acquisitions of Made in Italy Firms in the Luxury Sector", cit.

[60] Francesca Spigarelli, Ilan Alon and William Wei, "Benelli and QJ Compete in the International Motorbike Arena", cit.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

threaten the correct functioning of markets, as well as by the fear of violations of intellectual property rights by Chinese companies. On the other hand, investment flows from emerging economies are increasingly welcomed, especially in the aftermath of the global financial crisis, for their capacity to bring in fresh capital and jobs and to revitalise static sectors of the economy where the role of traditional investors has begun to shrink.

In light of the evidence brought in by this paper, it is possible to distinguish different types of Chinese investors in our country. The first type is represented by firms whose decision to invest in Italy is part of an organic strategy of growth in foreign markets. Most of these companies have established small representative or marketing offices in Italy as part of their European strategy. This is the case for the majority of Chinese firms currently based in Italy, who have mainly made greenfield investments with the main motivation of establishing themselves in the Italian market to favour trade or other financial transactions with China.

Over time, some of these firms have targeted Italy as a more strategic location, giving rise to a second type of investor now embedded in our country. This second type of Chinese investor includes, among the others, Haier, which has chosen Italy as the European headquarters for its white goods industry; Jac and Changan, which have created research centres in the automotive industry due to the availability of relatively lower-cost but well-trained employees together with a tradition of excellence in the industry; and COSCO, which created a large-scale logistics platform here thanks to the favourable location in the Mediterranean.

A third type includes the larger operations – mostly M&As – made so far by Chinese investors with the aim of getting access to strategic resources. Initially, as happened in other European countries, such acquisitions have targeted financially-constrained firms and have been used as test bed for relatively inexperienced Chinese investors. Indeed, as in the case of Benelli, such inexperience, together with large cultural and managerial differences, resulted in troubled management of the acquired company, translating into poor post-acquisition performance. Later on, and especially in the aftermath of the financial crisis, the acquisition strategies of Chinese firms have become more aggressive and successful (such as in the case of CIFA) and are now also targeting larger scale assets, including those owned by public companies, as exemplified by the very recent cases of Ansaldo and CDP Reti.

Moving to the implications: generally speaking, there are two aspects through which research on FDI can contribute to inform policymakers on better defining a country's investment-attraction policy. The first has to do with the determinants, i.e., the factors affecting the location choice of foreign firms, and the second being the impact on the host country. So far, the state-of-the-art knowledge on Chinese FDI in general, and to Italy in particular, allows for more insights on the former dimension than on the latter.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Factors driving Chinese investors in Italy: As far as the factors attracting Chinese investors are concerned, existing evidence, discussed in section 3, and supported by some ad-hoc surveys,[61] is clearly showing that access to the domestic and neighbouring markets (including overcoming trade barriers) ranks first for Chinese investors, followed by access to strategic resources. This is a common feature that can be found in Chinese MNEs in the more advanced European markets as well.[62] What makes Italy peculiar, then, is the specialisation in industries characterised by a long tradition and an international reputation for adding high value and for excellence, as well as the attractiveness of its industrial districts. The main industries of specialisation of Chinese FDI in Italy reflect these features. China's strategy to increase the sophistication of its production and to move away from standardised commodities and intermediate manufactures and components is determining its investments in Italy. Italy is considered a key market for investment because of its size and, especially, sophisticated demand. Gaining knowledge about how to satisfy very demanding customers in terms of design, style, branding, marketing and post-sales assistance is what Chinese companies are keen to learn from their activities in Italy and, particularly, in Italian industrial districts known globally for their production and design excellence, for the density of agglomeration economies and the competitiveness of the supplier networks. Chinese companies are seeking the original skills and knowledge available in Italian companies and localities, especially in design-intensive, high-quality production. They link with Italian firms, with the double objective of learning from them and leveraging upon their skills and capabilities. These are for instance the very successful cases of the specialised automotive cluster in Turin (see Section 3.2) and the home appliances district in Varese. In both cases, Chinese companies have established R&D and design centres and headquarters to absorb foreign technology and improve their technical know-how, especially in design skills, and to benefit from the pool of specialised suppliers to outsource a wide range of activities from engineering to modelling and prototyping.

Existing research has also highlighted factors that actually hamper the attractiveness of Italy to Chinese investors. These factors include, in particular, the high levels of red tape or the difficulties in getting access to key services or poor infrastructural endowments.[63] These are well-known weaknesses of the Italian system, which contribute to the low levels of competitiveness of the country. Another key concern is represented by migration policies. Chinese managers have been complaining about the difficulties in getting a visa[64] and, even where successful, about having little chance to guarantee a longer-term stay in the country.

[61] Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "Chinese FDI Strategy in Italy…", cit.; Valeria Gattai, "Chinese ODI in Italy…", cit.

[62] European Union Chamber of Commerce in China, *Chinese Outbound Investment in the European Union*, cit.

[63] Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "Chinese FDI Strategy in Italy…", cit.

[64] Alessandra Vecchi and Louis Brennan, "An Analysis of Chinese Acquisitions of Made in Italy Firms in the Luxury Sector", cit.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

The effects of Chinese investments for Italy: Moving to the impact, due to the fact that evidence is still scattered and too recent, it is still difficult to provide a proper assessment. A few generalisations, however, can be made when looking at the main cases examined in this paper. The first is that Chinese major investments in the country have so far positively contributed to domestic employment, and this can be considered good news in a prolonged phase of recession. This has happened either through the creation of new jobs, especially for the young and skilled workforce, such as in the cases of greenfield investments by the automotive companies in the Turin area and by Huawei, or by preserving existing jobs when – as in the cases of OMAS, Benelli or Ferretti – acquisitions have avoided the closure of domestic firms. And this latter occurrence links to another positive effect of Chinese investments. Existing evidence shows that the major cases of acquisitions aimed at acquiring the strategic assets of domestic companies have so far maintained production and assets, including, in particular, human resources, in Italy. At the moment, this seems to reassure against the negative perception of Chinese predatory strategies motivated by the willingness to delocalise acquired assets to China. In the cases examined, Chinese investors have considered key to their asset-seeking strategies to keep production, technologies and skills in their original endeavours with the intent to absorb knowledge and know-how from the target company. Whether this strategy will lead in the future to weaker commitments towards local production remains a matter of concern, especially when acquisitions target key technologies such as in the recent case of Ansaldo. On the other side of the coin, an immediate drawback that arises from keeping production in Italy is represented by the problems experienced during the post-acquisition phases. Such problems have been very well synthesised in the analysis of the Benelli[65] and OMAS acquisitions made by Vecchi and Brennan: "Different habits and cultural background emerge in daily routines due also to differing working environments in China and Italy. On the one hand, the Chinese management are frustrated by the bureaucracy that hinders the business development. On the other hand, Italian managers are hampered by a rigid and suspicious mentality and by a highly centralized decision-making management style that can create rifts between management and employees by thus delaying the implementation of the strategy."[66]

Lastly, there is another relevant consequence arising from Chinese investments. As the case of CIFA[67] shows very well, Chinese acquisitions can contribute to securing easier access for domestic firms to the Chinese market, nowadays among the biggest and most dynamic in the world. This is an example of how foreign acquisitions can guarantee mutual benefits to all the parties involved, and can be

[65] See also Francesca Spigarelli, Ilan Alon and William Wei, "Benelli and QJ Compete in the International Motorbike Arena", cit.; Francesca Spigarelli, Ilan Alon and Attilio Mucelli, "Chinese overseas M&A...", cit.

[66] Alessandra Vecchi and Louis Brennan, "An Analysis of Chinese Acquisitions of Made in Italy Firms in the Luxury Sector", cit., p. 206.

[67] Daniela Grancini et al., *CIFA L'anomalia vincente*, cit.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

seen as a promising strategy for many Italian companies currently constrained by the weakness of the domestic market and the lack of resources to target more distant markets in the Far East.

For an advanced economy like Italy, still struggling against the consequences of the crisis, public discussion needs to move beyond the choice of attracting foreign capital or preserving national ownership of domestic assets. Rather, policies should move in the direction of attracting new investors while maximising the spillovers of FDI. Within this picture, it is crucial to understand the changing geography of capital flows, nowadays coming at an increasing pace from emerging markets, and the different characteristics and approaches of the new investors. In this respect, it has to be considered, for instance, that, as investment-attraction policies are usually designed to maximise the spillover potential and the externalities stemming from FDI, attracting EMNEs can result in different impacts compared with the attraction of more traditional investors, such as those from other advanced countries. In fact, the scope for technology- and knowledge-spillovers may be marginal where the motivations for the investment is to obtain access to such strategic assets, rather than transfer them to the host country. On the other hand, as well exemplified by the case of China, such new investors provide other opportunities, including the availability of fresh capital and the chance to build a bridge to link domestic firms to the most dynamic markets in their home countries.

Dealing with non-traditional investors, such as Chinese MNEs, poses additional challenges, too. Competition to attract new Chinese investors is becoming extremely fierce in Europe, given their rapid increase in the post-crisis phase. The expected establishment of the China-EU Bilateral Investment Treaty (BIT), which will replace individual BITs that all the European countries have so far signed with China, will also alter the picture. There are at least three main dimensions in which improvements are needed to make Italy a more attractive destination vis-à-vis its European neighbours. The first is enhancing competitiveness. This is clearly a more generic receipt, which has been long demanded to attract foreign investors, besides revitalising the domestic economy. Chinese investors too would be clearly motivated by new measures in the direction of enhancing the country's competitiveness, especially with regard to the infrastructural endowments, service provisions and the removal of high levels of bureaucracy and red tape. The second has to do with an upgrade of investment-attraction policies, which represent a strategic tool to enhance the commercial policy of a country. Looking at the activities implemented by the Investment Promotion Agencies (IPAs) of the EU-27 countries in response to the rising role of FDI from emerging economies, Italy's backwardness emerges quite clearly. A detailed review of the IPAs' activities shows, for instance, that Italy is the only advanced European country that does not seem to have a tailored approach to Chinese investors (nor to investors from other main emerging economies).[68] As a matter of fact, Italy is one of the few

[68] Sergey Filippov, "The Rise of Emerging Economy Multinationals: Policy Responses of European Investment Promotion Agencies", in Marin Marinov and Svetla Marinova (eds.), *Successes and*

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

countries (together with some eastern European ones) that do not provide website information in the official languages of the major emerging economies (including China), nor have a representative office in these countries. Arranging measures to adequately promote the country's attractiveness in China (and other emerging markets) is urgently needed to catch-up with the main competitors within the EU. Third, policies to favour an easier circulation of skilled migrants from China are also needed. Recently, as part of the post-crisis policies, a relaxation of measures on FDI attraction has interested many countries, and those that proved more effective to attract Chinese investors (such as in the case of Portugal's golden visa) have to do with less restrictive migration policies.

Updated 23 December 2014

Challenges of Emerging Economy Multinationals, Basingstoke and New York, Palgrave Mcmillan, 2014, p. 217-256.

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

References

Alessia Amighini, "The International Expansion of Chinese Auto Firms: Typology and Trends", in *International Journal of Automotive Technology and Management*, Vol. 12, No. 4 (2012), p. 345-359

Alessia A. Amighini and Andrea Goldstein, "Se la Cina investe nell'automotive occidentale, in *OrizzonteCina*, marzo 2014, p. 6-7, http://www.iai.it/pdf/OrizzonteCina/OrizzonteCina_14-03.pdf

Alessia Amighini, Roberta Rabellotti and Marco Sanfilippo, "Do Chinese State-Owned and Private Enterprises Differ in their Internationalisation Strategies?", in *China Economic Review*, Vol. 27 (December 2013), p. 312-325

Alessia Amighini et al., "Investigating Chinese Outward Foreign Direct Investments: How Can Firm-level Data Help?", in *China & World Economy*, Vol. 22, No. 6 (November-December 2014), p. 44-63

Giacomo Becattini, "The Marshallian Industrial District as a Socio-Economic Notion", in Frank Pyke, Giacomo Becattini and Werner Sengenberger (eds.), *Industrial Districts and Inter-firm Co-operation in Italy*, Geneva, International Institute for Labour Studies, 1990 p. 37-51

Peter J. Buckley et al., "The Determinants of Chinese Outward Foreign Direct Investment", in *Journal of International Business Studies*, Vol. 38, No. 4 (July 2007), p. 499-518

John Child and Suzana B. Rodrigues, "The Internationalization of Chinese Firms: A Case for Theoretical Extension?", in *Management and Organizational Review*, Vol. 1, No. 3 (November 2005), p. 381-410

Ken Davies, "China Investment Policy: an Update", in *OECD Working Papers on International Investment*, No. 2013/1 (2013), http://dx.doi.org/10.1787/5k469l1hmvbt-en

Gabi Dei Ottati, "A Transnational Fast Fashion Industrial District: An Analysis of the Chinese Businesses in Prato", in *Cambridge Journal of Economics*, Vol. 38, No. 5 (November 2014), p. 1247-1274

Ping Deng, "The Internationalization of Chinese Firms: A Critical Review and Future Research", in *International Journal of Management Reviews*, Vol. 14, No. 4 (December 2012), p. 408-427

Ping Deng, "Why do Chinese Firms Tend to Acquire Strategic Assets in International Expansion?", in *Journal of World Business*, Vol. 44, No. 4 (January 2009), p. 74-84

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

EIU, *A brave new world. The climate for Chinese M&A abroad*, March 2010, http://www.economistinsights.com/business-strategy/analysis/brave-new-world

European Union Chamber of Commerce in China, *Chinese Outbound Investment in the European Union*, Beijing, January 2013, http://www.europeanchamber.com.cn/en/publications-archive/10

Sergey Filippov, "The Rise of Emerging Economy Multinationals: Policy Responses of European Investment Promotion Agencies", in Marin Marinov and Svetla Marinova (eds.), *Successes and Challenges of Emerging Economy Multinationals*, Basingstoke and New York, Palgrave Mcmillan, 2014, p. 217-256

Valeria Gattai, "Chinese ODI in Italy: An Empirical Investigation at the Firm-level", in *Journal of Chinese Economic and Business Studies*, Vol. 10, No. 1 (February 2012), p. 47-66

Daniela Grancini et al., *CIFA L'anomalia vincente. Dal seme americano al "secolo cinese"*, Milano, Tecniche Nuove, 2013

Thilo Hanemann and Daniel H. Rosen, *China Invests in Europe. Patterns, Impacts, and Policy Implications*, New York, Rhodium Group, June 2012, http://rhg.com/reports/china-invests-in-europe-patterns-impacts-and-policy-issues

Sergio Mariotti e Marco Mutinelli (eds.), *Italia multinazionale 2012. Le partecipazioni italiane all'estero ed estere in Italia*, Soveria Mannelli, Rubbettino, 2012

Sophie Meunier, "'Beggars can't be Choosers': The European Crisis and Chinese Direct Investment in the European Union", in *Journal of European Integration*, Vol. 36, No. 3 (2014), p. 283-302

Christian Milelli, Françoise Hay and Yunnan Shi, "Chinese Firms enter Europe: Some Empirical Evidence", in Zhongmin Wu (ed.), *Financial Sector Reform and the International Integration of China*, London and New York, Routledge, 2009, p. 198-214

MOFCOM, *China Commerce Yearbook 2012*, Beijing, China Commerce and Trade Press, 2012

Peter Nolan, *Is China Buying the World?*, Cambridge and Malden, Polity Press, 2012

OECD, "China 2008: Encouraging Responsible Business Conduct", in *OECD Investment Policy Reviews*, November 2008, http://www.oecd.org/investment/investmentfordevelopment/oecdinvestmentpolicyreviews-china2008encouragingresponsiblebusinessconduct.htm

Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "Chinese FDI Strategy in Italy: The 'Marco Polo' Effect", in *International Journal of Technological Learning,*

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Innovation and Development, Vol. 4, No. 4 (2011), p. 277-291

Carlo Pietrobelli, Roberta Rabellotti and Marco Sanfilippo, "What Drives Chinese Multinationals to Italy?", in Riccardo Crescenzi and Marco Percoro (eds.), *Geography, Institutions and Regional Economic Performance*, Heidelberg, Springer, 2013, p. 397-414

Derek Scissors, "China's Global Investment Rises: The U.S. Should Focus on Competition", in *Backgrounder*, No. 2757 (8 January 2013), http://herit.ag/18kFDRn

Francesca Spigarelli, Ilan Alon and Attilio Mucelli, "Chinese Overseas M&A: overcoming Cultural and Organisational Divides", in *International Journal of Technological Learning, Innovation and Development*, Vol. 6, No. 1-2 (2013), p. 190-208, http://dx.doi.org/10.1504/IJTLID.2013.051703

Ligang Song, Jidong Yang and Yongsheng Zhang, "State-owned Enterprises' Outward Investment and the Structural Reform in China", in *China & World Economy*, Vol. 19, No. 4 (July-August 2011), p. 38-53

Francesca Spigarelli, Ilan Alon and Attilio Mucelli, "Chinese overseas M&A: overcoming cultural and organisational divides", in *International Journal of Technological Learning, Innovation and Development*, Vol. 6, No.1/2 (2013), p. 190-208

Francesca Spigarelli, Ilan Alon and William Wei, "Benelli and QJ Compete in the International Motorbike Arena", in Ilan Alon, Marc Fetscherin and Philippe Gugler (eds.), *Chinese International Investments*, Basingstoke and New York, Palgrave Macmillan, 2012, p. 355-375

Dylan Sutherland and Lutao Ning, "Exploring 'Onward-Journey' ODI Strategies in China's Private Sector Businesses", in *Journal of Chinese Economic and Business Studies*, Vol. 9, No. 1 (February 2011), p. 43-65

UNCTAD (2013), *World Investment Report 2013*, Geneva, United Nations Conference on Trade and Development, 2013, http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=588

Alessandra Vecchi and Louis Brennan, "An Analysis of Chinese Acquisitions of Made in Italy Firms in the Luxury Sector", in *Chinese Business Review*, Vol. 13, No. 3 (March 2014), p. 192-208, http://www.davidpublishing.org/show.html?16920

Friedrich Wu, "The Globalization of Corporate China", in *NBR Analysis*, Vol. 16, No. 3 (December 2005), p. 1-29, http://www.nbr.org/publications/nbranalysis/pdf/vol16no3.pdf

Ying Zhang and Sergey Filippov, "Internationalization of Chinese Firms in Europe", in *UNU-Merit Working Papers*, No. 2009-041 (2009), http://www.merit.unu.edu/publications/wppdf/2009/wp2009-041.pdf

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI

Istituto Affari Internazionali (IAI)
Founded by Altiero Spinelli in 1965, does research in the fields of foreign policy, political economy and international security. A non-profit organisation, the IAI aims to further and disseminate knowledge through research studies, conferences and publications. To that end, it cooperates with other research institutes, universities and foundations in Italy and abroad and is a member of various international networks. More specifically, the main research sectors are: European institutions and policies; Italian foreign policy; trends in the global economy and internationalisation processes in Italy; the Mediterranean and the Middle East; defence economy and policy; and transatlantic relations. The IAI publishes an English-language quarterly (The International Spectator), an online webzine (AffarInternazionali), two series of research papers (Quaderni IAI and IAI Research Papers) and other papers' series related to IAI research projects.

Via Angelo Brunetti, 9 - I-00186 Rome, Italy
T +39 06 3224360
F + 39 06 3224363
iai@iai.it
www.iai.it

Latest IAI WORKING PAPERS

14 | 19 Marco Sanfilippo, *Chinese Investments in Italy: Facing Risks and Grasping Opportunities*

14 | 18 Sirja-Leena Penttinen, Nicolò Sartori and Kim Talus, *Governance Challenges of the EU's 2030 Energy and Climate Framework*

14 | 17 Elif Burcu Günaydın, *Can South-Eastern Mediterranean Gas be a Supply for the EU?*

14 | 16 Nathalie Tocci, *The Neighbourhood Policy is Dead. What's Next for European Foreign Policy Along its Arc of Instability?*

14 | 15 Guillaume Lasconjarias, *NATO's Posture after the Wales Summit*

14 | 14 Silvia Colombo and Nicolò Sartori, *Rethinking EU Energy Policies Towards the Southern Mediterranean Region*

14 | 13 Eleonora Poli, *Is the European Model Relevant for ASEAN?*

14 | 12 Sohbet Karbuz, *EU-Turkey Energy Cooperation: Challenges and Opportunities*

14 | 11 Giulia Rosa Maria Cavallo, *European Banking Union: An Immediate Tool for Euro Crisis Management and a Long-Term Project for the Single Market*

14 | 10 Kristina Kausch, *Competitive Multipolarity in the Middle East*

IAI WORKING PAPERS 14 | 19 - DECEMBER 2014 ISSN 2280-4341 | ISBN 978-88-98650-24-8 © 2014 IAI