ISSN 2384-9398

GeoProgress Journal

Volume 6, Issue 1, 2019

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NOVARA

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at University of Eastern Piedmont
Via Perrone 18 – 28100 Novara, Italy

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ISSN 2384-9398

GeoProgress Journal

Volume 6, Issue 1, 2019

Edited by *Francesco Adamo*, Emeritus Professor,

Università del Piemonte Orientale

GEOPROGRESS EDITIONS

NOVARA

GeoProgress Journal

Is a serial publication of scientific papers edited by Geoprogress in line with its strategic objective to increase and disseminate knowledge in order to contribute to the progress of humanity.
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Table of contents

EDITORIAL NOTE

The articles published in this ordinary issue all satisfy, in some sense, the purpose of the Geoprogress Global Forum, promoted by this Journal to examine and discuss important global problems, connected to processes that affect the whole world, even if examined at various geographical scales in their territorial specificities. These are often economic processes and problems, generally intrinsic to capitalism, but also political, geopolitical and cultural, and not least, in our day, ecological, all interacting with each other.

The first article - by Tullio D'Aponte, a Master of Italian Geography - examines the financial crisis of 2007-2008 that exploded in the United States stock exchange; the effects of which show that the United States, although the world economy was increasingly multipolar, was still the undisputed center of the world market, as it had already become evident with the crisis of 1929.
After discussing the situation created in the international and European level in terms of regulation of financial assets, this paper focuses in particular on the European reality and addresses the issue of strategies that the Union's banking system tends to assume, in a context made further complex following the UK's recent abandonment of the European Partnership.
Reflecting, in conclusion, on the possible directions of the "new financial geography" in the globalized world, he rightly considers, together with the consequences of that financial crisis, the EU's inability to put in place shared cooperative instruments at Community level, capable of promoting growth and development. This inability before the financial crisis would be one of the factors of the same detachment of the United Kingdom by the European Union, with major implications in the financial geography and geopolitics.

Due to the inability to become a political union - that is to say with a common fiscal policy and its own and common foreign and defense policy - the European Union has so far been unable to contribute to the construction of an international multipolar system, which is desirable. The multipolarity of the system is possible not only on the economic-financial level but also on the political-military one; the opportunity for the construction of this multipolarity has been offered to us since 1990: since the end of the USSR and the bipolar world - founded on the "balance of terror" between the US and the USSR.
From this historical event that put an end to the world that emerged from the Second World War, the greatest contributions to the construction of a desired multipolar world came from China and partly also from Putin's renewed Russia. As is known, China, with its continuous economic growth and recently also with its global strategy, has been contesting American hegemony, but still without taking on the weight and responsibility it should have in international monetary and financial institutions. Russia, in the Putin era, not only economically reorganized itself but above all it assumed a leading political role in the system of international relations - but no longer the same as the USSR one, despite the representations given by the dominant political forces in NATO, under the pressure of the military industrial complex needing to always identify an enemy to survive and do business.

The growing global role of China, not only economic, is highlighted in the second and third articles, respectively by Teresa Amodio and Alessia Amighini, who particularly deal with the recent major project One Belt One Road Initiative (BRI) and its implications for Italy and Europe. The first paper focuses on transport infrastructures, offering a summary of maritime transport of goods and Chinese investments in Mediterranean ports considering their strategic role for Chinese access to continental Europe via the renewed Suez Canal. The second essay offers a satisfactory synthesis of Italy-China economic relations and mutual interests, considering commercial relations, investments and tourist flows.
These contributions underline that "Italy has been targeted by Chinese investors since quite some time, ...but Chinese interest in Italian ports has intensified over the past few years. This led to the signature of a MoU (memorandum of understanding) on BRI in March 2019".
Considering the global role assumed by China, confirmed by this recent initiative and by others on every continent, a joint action of Russia and the Union of States of Europe, which would also find support from other emerging nations and regional associations of states, could induce the United States and China to accept the creation of a new international order - by reorganizing in a multilateral form the system of international important bodies -: a more just and stable order, both from a monetary and financial as well as from a political-military point of view, with an authority that guarantees both monetary and economic stability and lasting peace, even in the Middle East.

The fourth contribution, by Maria Giuseppina Lucia, Ludovica Alessio and Alessandro Volpe, deals with one of the topics most studied by regional economists and geographers of the economy in the last thirty years of the twentieth century: the industrial district and more generally the local systems of small and medium enterprises. In particular, the work assigns attention to the challenges that SMEs must necessarily face in order to remain competitive in the era in which international integration has taken the form of globalization. To compete globally, SMEs must establish a constant presence in the markets they intend to oversee in order to integrate the most common light internationalization practices. In this sense, the tool of the network contract has proved effective, which allows companies to make critical mass and overcome the criticality of the small size and to take advantage of all the tax and access to credit facilities provided for by the legislation.

The crises and conflicts created by an international system without rules, the social problems created by delocalization and by an economic system dominated by companies whose sole objective is the realization and accumulation of profits - issues that many, including myself, raise - represent the need to build stronger democracies capable of imposing internal and international rules that guide the market towards greater social justice. They certainly also pose the need for economic players, workers and consumers and not least entrepreneurs to assume greater social conscience, an ethics based on the principle of respect for others and the priority of general interests over individual ones.

The last (but not least) article, by Monica Maglio, focuses on this moral requirement, which is an essential condition for the promotion of greater social justice that requires adequate choices and social rules and states capable of enforcing them. However, such an ethic would seem in itself insufficient as the results achieved so far by the preaching of millenary religions seem to highlight.

Francesco Adamo
Editor in Chief

ARTICLES

“FRAGMENTS” OF “FINANCIAL GEOGRAPHY”: FROM THE “BIG CRISIS” TO THE “BREXIT”

Tullio D’Aponte

Abstract

After summarizing the succession of events, connected to the 2007-08 financial “big crisis”, through the most recent literature, the contribution focuses on the European reality, with particular attention to the labor market and the difficulties of the public sector, subject to the constraint of EU “fiscal compact” rules, especially in “high budget deficit” countries. We are going to analyze the business structures and the characteristics of the European banking system in a perspective that is attentive to the relative effects on the territorial projections of the individual national structures, in function of the role played by the main stock exchanges and the respective “markets”, attracting operators and investors. Discussing the configurations that characterize the framework of the main European stock markets, by “capitalization” values, it emerges the leading role of the RU, in relation to which, it arises the issue of the changes, foreseeable and, in part already in place, consequent to the “Brexit”. As a consequence of the constraints affecting the banking system, an inevitable “emigration” of many supranational credit companies is underway; they are forced to leave the UK to avoid being in a third country position, implying costly consequences to continue operating in the EU area. In this perspective, the French and the German initiatives to host the bank branches transferring from the UK, are discussed, but also opportunities represented by locations in Ireland, as a European center of gravity, in geographical proximity to the UK, are envisaged. Finally, after evaluating the distribution strategies of foreign companies with respect to the structures of the main international Stock Exchanges, this work concludes that a significant abandonment of the London station is unlikely, and it is actually believed that it will continue to represent the main financial market of the Old Continent.

Keywords: big crisis 2008, banks strategies, finance and territory, London Stock Exchange Group, Brexit

1. Introduction

The rapid spread of the American financial crisis, between 2007 and 2008, which affected the major national banks, triggered negative reactions in the real economy in Europe, producing a substantial contraction of GDP.

However, as early as 2012, the Union’s most dynamic economies, to a large extent Germany and, in part, France, experienced signs of recovery, together with the most recent Partners of the latest UE enlargements. In any case, this recovery seemed rather

weak and, absolutely incomparable to the speed with which, in the same period, the US economy was recovering. This is especially relevant, considering the magnitude of the amount of financial resources destroyed, and the consequent upheavals that the 2007/8 Wall Street crash had produced in the States.
The ability to react to the American banking crisis depended on the adoption of timely and courageous measures implemented according to at least three criteria:

a) The change of political course, which followed the Lehman Brothers failure in September 2008, inspired by the principle of "too big to fail";
b) The positive effects produced by the adoption of "centralist" initiatives by the Federal Government in USA;
c) The temporary relaxation of any strong "liberal" conception, with the, pro-tempore, intervention of the Federal State in the re-capitalization of the big American banks.

Also, the central authorities of the USA well understood that the main cause of the unexpected collapse of the system was due to the excessive ease with which a mix of toxic securities has been traded through a complex financial alchemy. These securities quickly spread within a world globalized banking reality. To overcome the difficulties, therefore, an effort was needed to revise the regulations on financial production, based on criteria of transparency, independent control, and reliability of the offer.
In this "scenario", our contribution, initially, examines the post-crisis set-up on the International and European scale; thereafter, it examines the regulatory strategies that have been adopted from 2008 to 2018 in the major financial markets worldwide. Subsequently, focusing the research on the European reality, it examines the political climate in which the decision of the British people to leave the EU matures and the consequent strategies of the big banks reacting to the loss of "European Country Status".
Finally, the research focus addresses the issue of bankers' strategies vis-à-vis the exit of the British from the EU. At the same time, it will analyze, in more detail, the effects of "Brexit" with reference to the position of the London Stock Exchange as the main European and World financial big market[1].

2. "Fragments" of Financial Geography: from the "Big Crisis" to The "Transparency" Model inspired by "G20 Agenda"

The "big crisis" took place in a scenario where, after President Nixon's decision to suspend unilaterally the convertibility of the dollar in August 1971, an excessively large amount of dollars could circulate in America's external trade, as a consequence of the negative balance of the US. All US bankers, constantly looking for new opportunities, largely amplified their range, also facilitated by the abandonment of the Bretton Woods' rules, and even thanks to a favourable legislation on concentration and mixture of financial and merchant functions[2].

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[1] The British London Stock Exchange is the Fifth Largest Financial Center in the World, after the Two US Exchanges (NYSE and NASDAQ) and Three Asian exchanges (Tokyo, Shanghai e Hong Kong). Recently, worried by Brexit, important stockholders have left LSE for Euronext which has surpassed London by capitalization, but not for the number of listed companies.

[2] After the great crisis of 1929, the Glass-Steagall Act was enacted in 1933 in America preventing commercial banks from carrying out brokerage, trading, participation and acquisition of companies,

The gradual liberalization, which started in the United States in the Seventies, evolved with greater intensity in the Eighties, during Reagan's administration, and was followed by successive administrations. At the same time, in Great Britain, with the advent of the government of Margaret Thatcher, the liberal model further expanded its borders, spreading later to the rest of the Western countries and, increasingly, around the world.
A system forged on the principles of neo-liberal thinking, which posits a limited degree of state intervention in the economy and the ability of markets to self-regulate, has given free rein to financial markets and subtracted from nation-states most of the instruments of economic policy to govern situations of difficulty or crisis. This system nevertheless forced governments to take charge of the rescue of banks, in order to avoid tragic social effects and the collapse of the economic system.
The absence of "geography" in the recent history of financial institutions, to a large extent, determines consequences that seem completely unpredictable. On the one hand, the full liberalization of the financial markets amplifies the opportunities, allowing the involvement of a multitude of potential investors, buyers of financial products attracted by promising high returns, without the necessary knowledge on the risks arising from product compositions, in turn, constructed through intricate financial networks. At the same time, as a consequence of the complexity and the high degree of complementarity and connection that characterize the products offered on the market by a network of "global finance", the ultimate purchaser, the customer, not only does not know the initial issuer, (who, in turn, ignores completely the same profile of the investor-buyer of financial securities), but cannot interpret in any way the complex value chains which support the final product whose attractiveness is due to somewhat uncertain profitability expectations (D'Aponte, 2012).
In this context, the main objective of finance is no longer to support the production system in business risk, but the real imperative is the maximum return at all costs, thanks to the speeding up of negotiations and the "construction" of products "derivatives" in which, together with solid securities, poorly solvent securities are included. The behaviour of the "global financial banker", in a system characterized by a growing indifference towards a customer outside the specific geographical area, becomes dangerous. Although, on the one hand, this model has allowed the opportunity to diversify risk and, undoubtedly, also fuelled the growth of production, on the other hand, it favoured the emergence of new types of risk which, with domino effect, involve the entire global financial system and, consequently, the product placed on the market ends up producing serious damages in the real economy.
A vast scientific literature has discussed the complex alternation of events that mark the history and the strategies adopted by different governments to overcome the crisis[3]. In this paper we are interested in discussing the initiatives directly related to a more

consulting and insurance firms simultaneously. On the other hand, the government took care of ensuring the deposits conferred by the citizens. Even during Reagan's presidency many controls were loosened, until 1999, when the law was abolished under President Carter. The most controversial aspect of the liberalization lies in the absolute lack of relationship between deposits, credit financing and speculative activities carried out by banks and insurance companies.

[3] In a previous work, carried out by a group of Italian geographers, in which the author of this contribution participated (D'Aponte, 2012), the main aspects of the "geography of the financial crisis 2018" are widely examined (Lucia, Rizzo, 2012).

effective and transparent regulation of the financial sector (Anginer-Demirguc-Kunt, 2014; Classens-Kose-Laeven, 2014; Anderson, 2013; Alessandrini et al, 2009).
The policy of the Federal Government, in the short term, was focused on bailing out banks, then it focused on long-term initiatives, to avoid the repetition of catastrophic financial risks.
However, after urgent action, it was absolutely necessary to restore investors' confidence and, at the same time, avoid future crises. This need explains the reason why in the US, where the "crisis" began, the courage and timeliness with which the Federal Government introduced monetary liquidity into the banking system[4] allowed a more rapid restoration of "national economic growth". At the same time, ensured the international trade expansion[5], the Regulatory bodies introduced very strict control rules to ensure the "transparency" of financial products and especially the stability of financial markets.
In Europe, such policies were not implemented with similar timeliness, and individual States suffered the consequences of the crisis with uneven results[6]. In general, economic growth, in Europe, was slower and the negative consequences of the crisis were very serious for those countries able to allocate a limited amount of resources to investments and to the modernization of their production systems.
Although with rather slow implementation times, the recommendations that, since 2008, followed one another in the G20 Agendas, led to the adoption of specific control rules on financial activities throughout the industrialized world (Arias-Barrera, 2019). Political authorities were concerned about the risk of inadequacy of the instruments for restoring the stability of the production systems and the social stability of their country; banking institutions were instead alarmed by the crisis of confidence which compromised their survival, while, at the same time, making it easier to place their financial products on a large geographical scale[7].

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[4] However, many researchers have pointed out the "suspected coincidence" that the Secretary of the Treasury of the Bush administration, who managed the crisis, after the sudden collapse of Lehman Brothers, was Hank Paulson who had previously had a pivotal role on the board of Goldman Sachs bankruptcy. His successor, appointed by the Obama administration, Tim Geithner, had been, also, a super banker, as head of the New York branch of the Fed.
[5] The importance of international trade for the US economy is evident in the aggressive positions taken by the Trump administration in the "tariff war" with China and Europe, according to the "America The First" doctrine. The main objectives of American policy, according to President Trump, must be the national security strategy and the restoration of the primacy of the USA over any other global power, in a context in which the Federation must act keeping in mind the danger posed by the market contention that sees the US in competition with the European Union, the Russian Federation, China and other Eastern Countries.
[6] For various reasons a part of responsibility for the reduced ability of the European Partners to introduce public financial resources into their respective production systems depended on the "fiscal compact" rules adopted in 2012 for the "fear of the Euro crisis", depending by "excess deficit" of the National budgets. The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (so-called Fiscal Compact) was signed at the European Council on 1-2 March 2012 by all EU Member States with the exception of the UK and Czech Republic. As a direct consequence of the new European regulations, Constitutional Law No. 1/12 was approved in Italy on April 17, 2012, aimed at introducing the constraint on the budget balance.
[7] For many national financial market regulators, the agenda defined by the G20, and given substance by the FSB, CPMI, BCBS and IOSCO has defined their own focus and indeed work- plan over the last ten years, with a commensurate impact on regulated entities.

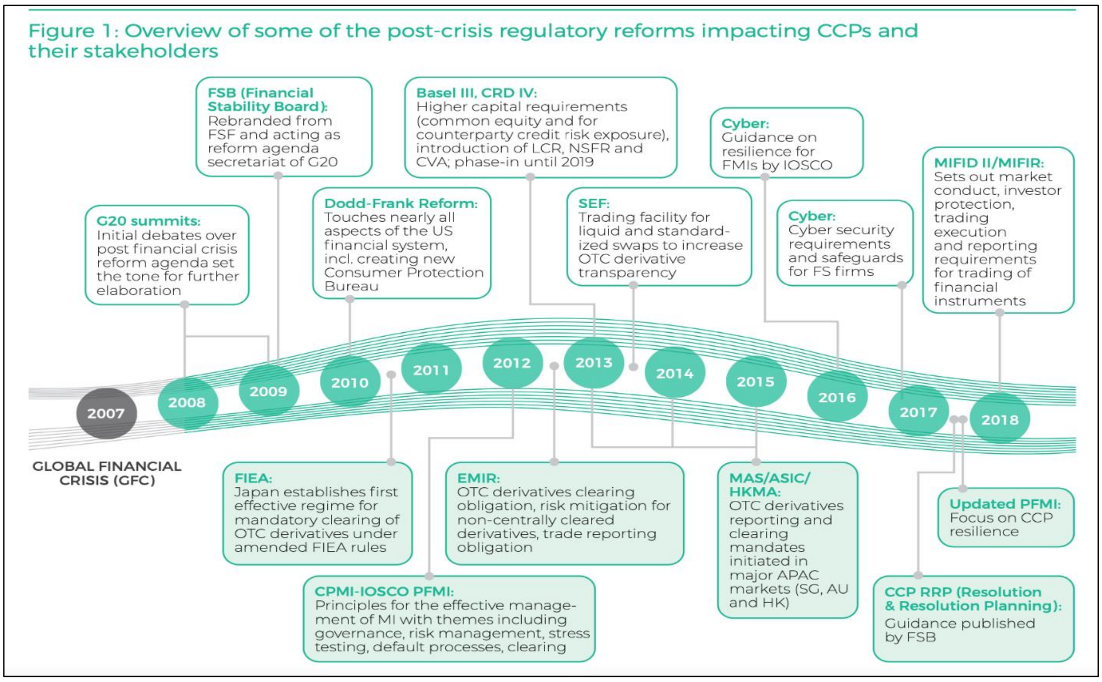

Figure 1: Overview of main post-crisis regulatory in the industrial countries of the World.
Source: Wyman, 2019.

The choice of an explicit "transparency", in all phases of the distribution process of the financial offer, represented the most convincing choice to restore a condition of trust, at all levels of the scale of transactions, induced by the placement of those "bonds" in which the individual components could remain scarcely intelligible, if not even, "obscure".
The G20, aware of the risks that the crisis of confidence would have produced towards the global finance that had spread all over the world, between 2008 and 2009, had hastened to include in the Agenda of political meetings at the highest levels of state responsibility (Financial Stability Board) the issue of a specialized structure in charge of formulating guidelines, the contents of which, allowed, in 2010, the formulation of a detailed regulation, immediately adopted by the United States, (Dodd-Frank Act, 2010).
The legislation impacted every aspect of the American financial system, promulgating innovative rules for the "protection" of consumers, whose content, for the first time, overturned the positions, between seller and buyer, attributing explicit advantages to the latter in terms of "transparency" and "recognisability" of the composition of the securities being traded[8].

[8] After the establishment of the new executive of the Financial Stability Act (transformation of the Financial Stability Forum of 1999) which brings together the representatives of Governments, Central Banks, Supervisory Authorities on institutions and financial markets, for the purpose of controlling "transparency" processes of the financial transactions, several other specialist bodies were set up. The IOSCO (International Organization of Securities Committee), the CPMI (Committee on Payments and Market Infrastructures), the BCBS (Basel Committee on Banking Supervision). These bodies, then, at national level, were divided into individual institutions for regulating specific banking systems, based on regional governance models.

The new model loses completely its connection with the territory, which cannot longer remain confined in the narrow local and national spaces, but it must globalize, increasing its reference market in search of a greater size and potential customers[9]. The reform attaches particular importance to the criterion of "over-the-counter (OTC)" market control which constitutes a decentralized transaction space, in which shares, raw materials, currencies or other financial products are exchanged directly between two parties, without a central broker[10]. This bargaining model has increasingly developed, in function of the rapid spread of digitized IT operations (Belcredi and Ferrarini, 2013).

3. "Fragments" of Financial Geography: Strategies of Stock Exchanges, Bankers, Large and Medium-sized Enterprises

The "great crisis", of which we summarized the essential characteristics, developed in a "theater" in which, after the decision of President Nixon, to unilaterally suspend the convertibility of the dollar (August 1971), resulted in the introduction of huge quantities of American currency in the international trade regulations, as a consequence of the negative balance of the US balance of payments. In the same period of time, all American bankers, always ready to take advantage of any new opportunity, greatly expanded their range of action, also facilitated by the abandonment of the Bretton Woods rules, and even encouraged by a favourable legislation on the concentration and combination of financial and commercial functions in the same institutional context of the American banking system.

In this climate, the main objective of finance was losing the peculiar institutional purpose of supporting the production system in business risk, switching to increasingly complex speculative articulations in search of the maximum achievable return, thanks to the acceleration of negotiations and the "construction" of bonds in which to converge, together with solid securities and securities with high volatility.

The new model completely loses its link with the territory, which can no longer remain confined in narrow local and national spaces, but must globalize, expanding the reference market, in search of large dimensions populated by potential customers in continuous expansion.

The "banker" does not try to read anymore the "territories" as physical spaces of its shrewd use; he does not longer operate based on his own experiences, in relation to the nature and purpose of the project to be financed. He now cares about the expected profitability measure, predicts the speed of the placement of the product to its extensive customer base[11].

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[9] Numerous acronyms are inserted in Figure 1. FMI stands for Financial Market Infrastructures: FIEA stands for Financial Instruments and Exchange Act; CPMI is the Committee on Payments and Market Infrastructures; HKMA is an acronym for the Hong Kong Monetary Authority and the Securities & Futures Commission; CYBER is the regulatory tool for cyber governance of dematerialized transactions; EMIR stands for European Market Infrastructure Regulation; MiFID II and MiFID are the abbreviations of the financial instruments adopted by the European Parliament in June 2014, whose Directive on the protection of investors in financial instruments was adopted in Italy by CONSOB only in February 2018.

[10] In Italy, the Central Counterparty functions are performed by the Compensation and Guarantee Fund (CC&G) which is a spa within the Italian Stock Exchange, currently included in the London Stock Exchange Group which since 2007 has absorbed the Italian Stock Exchange by merger.

[11] C. Goldfinger (World Bank Analyst) already in 1986 suggested extending the field of analysis of financial geography to the territory also intended as a "non-physical (...) place (...) to which businesses,

The central nucleus of the “deterritorialized” system of the new era, dominated by “investment banks”, is, in fact, the Stock Exchange, a fundamental infrastructure for the largest and most diverse penetration of the global market, where firms look for capitals and seek greater “visibility” within their production context.
This “global banker” chooses to focus on achieving the maximum profitability that the financial product allows, by any means, stimulates the speed of product positioning and increases its geographical area, in which to distribute large quantities to a large customer base, completely unrelated, absolutely anonymous.
The Stock Exchange is a fundamental infrastructure for the widest and most diversified penetration of the global market. It is a Big Market where Companies enter to search new capital, but also to enlarge seeking greater “visibility”, competitiveness and reputation within their own specific sector of reference.

Stock Exchance Name The WFE Statistics Team Feb 2020	Domestic Market Capit. JAN 2020 (USD millions)	% WORLD	% REGIONAL	%CHANGE JAN'20/JAN'19
WORLD	**92.642.733,43**	**100**		
AMERICAS				
Total for region	***41.007.867,90***	***44,26***	**100**	***9,82***
B3 - Brasil Bolsa Balcão	1.118.281,76		**3**	4,71
Nasdaq - US	13.286.825,21		32,40	24,61
NYSE	23.363.502,34		57,00	4,00
TMX Group	2.360.504,90		5,80	5,80
OTHER	878.753,69		2,14	nc
APAC				
Total for region	***30.274.137,95***	***32,68***	**100**	***8,57***
ASX Australian Securities Exchange	1.480.916,07		4,9	9,58
BSE India Limited	2.181.351,90		7,2	9,47
Hong Kong Exchanges and Clearing	4.595.366,11		15,2	12,27
Japan Exchange Group	6.044.050,02		20,0	6,23
Korea Exchange	1.402.716,54		4,6	-8,25
National Stock Exchange of India	2.162.693,11		7,1	10,13
Shanghai Stock Exchange	5.037.349,28		16,6	20,11
Shenzhen Stock Exchange	3.454.965,32		11,4	5,87
Taiwan Stock Exchange	1.143.210,09		3,8	17,31
OTHER	2.771.519,51		9,2	nc
EMEA				
Total for region	***21.360.727,58***	***23,06***	***100,00***	***8,50***
Deutsche Boerse AG	2.020.041,04		**9**	9,46
Euronext	4.821.103,52		22,57	22,57
Johannesburg Stock Exchange	1.001.570,63		4,69	4,69
LSE Group	4.024.164,26		18,84	18,84
Nasdaq Nordic and Baltics	1.594.481,61		7,46	7,46
Saudi Stock Exchange (Tadawul)	2.333.838,79		**11**	10,93
SIX Swiss Exchange	1.775.268,21		8,31	8,31
OTHER	3.790.259,52		17,74	nc

Table 1: The Capitalization of World Stock Exchange in January 2020.
Source: WFE Statistical Focus, Feb. 2020.

institutions, governments and individual operators they resort to their operations by moving large volumes of wealth from one area of the globe to another”(Lucia, 2012).

The Stock Exchange, through the dynamics of the individual prices, takes on a particular function of real “certifier” of the meeting between the demand of the single stock market, in a given time. Consequently, it provides a clear and immediate dimension of the reliability and profitability of the single listed company and, consequently, through sector indices, the profitability of the reference sector, on national and global scale. The relevance of the individual stock market therefore depends on the mass of circulating values that relates to the quantities of capital of listed companies. Capitalization, understood in its concentration value, depending on the size of shares, together with the articulation and specific characteristics of the market that the stock exchange infrastructure involves, constitutes the real discriminating factor to which the production system is induced to refer.

A look at the global distribution of stock market capitalization in early 2020 (January)[12] shows how more than 2/5 is concentrated in America, 1/3 in Asia and 1/4 in Europe. In the EMEA region, LSE alone, concentrates 19%; while Euronext, which brings together the stock exchanges of Paris, Amsterdam and Brussels, constitutes 22.5% of the total area pricelist. These simple data demonstrate the centrality of the London Stock Exchange towards the overall Europe-Middle East region (EMEA).

The main world stock exchanges take on a very specific territorial dimension, through the treatment of shares of listed companies, both on domestic and foreign markets, while the banking system provides for the retail distribution of financial products. Therefore, the real risk of “volatility” of the exchanged shares remains allocated in the banking system, involving the final buyers. The role of the stock exchanges, through the dynamics of the individual prices, takes on a particular function of real “certifier” of the meeting between individual stock market demand. Consequently, the stock exchange provides a clear and immediate “evaluation” of the listed companies and, through sector index, of reference sector of production, on a national scale, and on a global scale.

RANK	STOCK EXCHANGE/ NATIONALITY	Capitalization		Listed Comp.	
		Million of US$	%	Number	%
1	NewYork Stock Exchange (NYSE) -USA	20.679.476,91	27,03	2.285	4,38
2	Nat. Ass. of Securities Dealers Aut. Quot. (NASDAQ) - USA	9.756.836,14	12,76	3.058	5,86
3	Japan Exchange Group - JAPAN	5.296.811,10	6,92	3.657	7,00
4	Shanghai Stock Exchange - CHINA	3.919.420,26	5,12	860	1,64
5	Hong Kong Exchanges and Clearing - CHINA	3.819.215,40	4,99	2.315	4,43
6	Euronext – EUROPE (Eurozona)	3.730.398,31	4,88	1.208	2,31
7	LSE Group – UK + ITALY	3.637.996,04	4,76	2.479	4,75
8	Shenzhen Stock Exchange - CHINA	2.405.459,50	3,14	2.120	4,06
9	BSE India Limited - INDIA	2.083.482,76	2,72	5.066	9,70
10	National Stock Exchange of India Limited - INDIA	2.056.337,32	2,69	1.950	3,73
	Subtotal “top ten”	**57.385.433,74**	**75,02**	**24.998**	**47,87**
	WFE Total	**76.492.140,51**	**100**	**52.212**	**100**

Table 2: Rank of Top Ten Stock Exchange by Capitalization in 2019.
Source: WFE Statistical Report, Year 2019.

[12] The data reported in January is useful for comparison because the data of the last months are strongly influenced by the financial crisis due to the spread of the “corona virus”.

When the market perceives situations of dubious profitability of a financial product, shares or derivatives, a process of abandonment of that financial product is triggered by investors which, giving rise to substantial sales, determine a sudden drop in its price.
The average of the price, changes over the course of an entire trading day, translates into a trend influencing the percentage value of the stock market "increasing" or "decreasing" the Stock Exchange Global Index.
In situations of particular panic, which determine the state of "crisis", the transition from the depletion of the securities issued, to that of the market value of the banking institution which concentrates large quantities of them, occurs automatically and particularly quickly.
In the event of a "great crisis", the entire activity of the stock exchange in which the trading of products that the market considers to be devoid of concrete monetary value undergoes a collapse, that can have disruptive effects transmitting the crisis situation in all the other markets stock exchanges, in which the contaminated products were progressively distributed.
Figure 2 shows the trend of the capitalization of the NYSE and NASDAQ in the long run (from 2003 to 2019), while Figure 3, shows the same phenomenon for the main European Stock Exchanges.

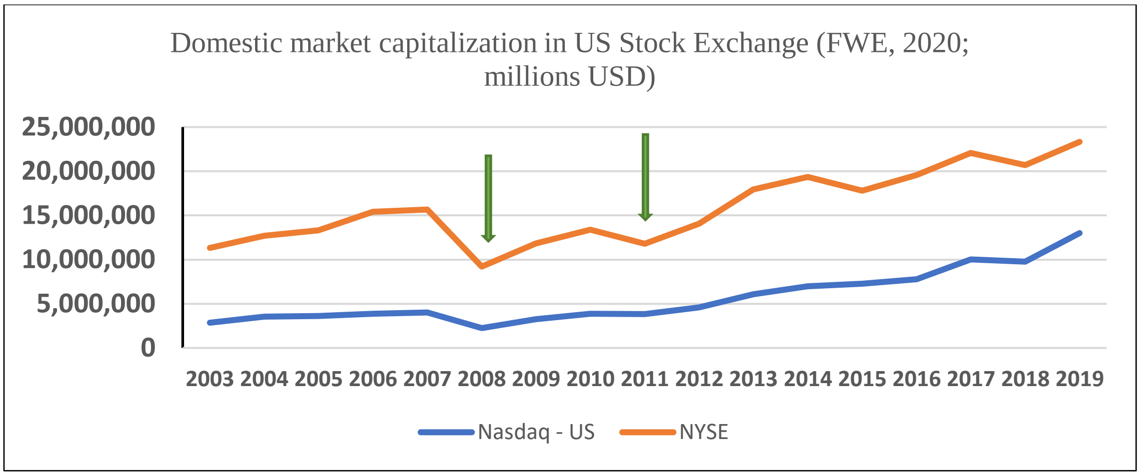

Figure 2: The US Stock Exchange capitalization by NYSE and NASDAQ from 2003 to 2019.

The comparison reveals the exact coincidence of the minimum capitalization in NYSE & Nasdaq Index, determined in the period 2008-2011.

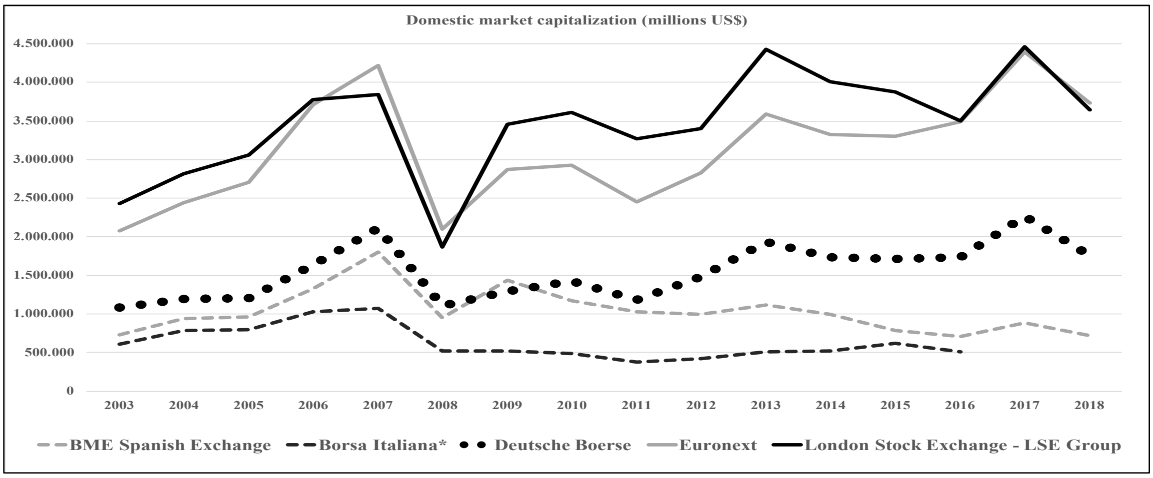

Figure 3: The European Stock Exchange capitalization by
the main Groups from 2003 to 2018.
Source: WFE, Report 2019.

However, while for the USA the recovery of the stock market is progressively and steadily occurring[13], this trend is not recorded in the case of European stock exchanges. More, in detail, the dynamic involving the European stock exchanges proves to be discontinuous, with alternating peaks of growth and decrease, overall, still today and still below the thresholds that characterized the trend in the early years of the contemporary century.

The measure of stock market capitalization is important for the choices of the companies and for the activity of the investors, because larger dimensions determine wider market prospects and, therefore, the possibility of very important business opportunities.

Despite the wide and widespread digital platforms whose access and operation are becoming increasingly simple and free of constraints, the distance factor produces a concrete “barrier” effect, mainly by affecting the degree of “visibility” of information amplitude, towards a foreign company, which, therefore, ends up being scarcely “interesting” despite the extent and liveliness of the foreign market that it was intended to intercept. From Table 3, reproduced below, it is well understood the evident disproportion in the ranking of the main world stock exchanges as regards the relationship between domestic and foreign companies. In fact, foreign companies often make up a very small percentage; however, they are always represented by large companies particularly in the main internationally renowned stock exchanges (NISE, NASDAQ, LSE, HKECE, EURONEXT).

[13] The rise continues with absolute intensity in recent years, during the Trump presidency, when significant indirect support for the national economy has been provided, following the doctrine known as “America the first”.

Rank 2019	Stock Exchange	Domestic Firms	Foreign Firms		RANK 2019	Stock Exchange	Foreign Firms
1	BSE India Limited	5.066	1		1	CEESG - Vienna	610
2	Japan Exch. Group	3.657	5		2	NYSE	510
3	TMX Group	3.383	53		3	LSE Group	418
4	Nasdaq - US	3.058	436		4	Singapore Exchange	259
5	BME Spanish Exchanges	3.006	27		5	Hong Kong Exch. and Clearing	154
6	LSE Group	2.479	418		6	Euronext	149
7	Hong Kong Exch. and Clearing	2.315	154		7	ASX Australian Securities E.	142
8	NYSE	2.285	510		8	Luxembourg Stock Exchange	135
9	Korea Exchange	2.207	21		9	Bolsa de Comercio de Santiago	80
10	ASX Australian Securities E.	2.146	142		10	TMX Group	53
Total		**29.602**	**1.767**		14	Deutsche Boerse	49
…					…..…		
14	Euronext	1208	149		17	Bermuda Stock Exchange	38
…					……..		
24	Deutsche Boerse	514	49		20	BME Spanish Exchanges	27
Total WFE		**52.212**			……..	Cayman Islands Stock Exchange	2

Table 3: Top Ten World Stock Exchange by Domestic Firms and
Top Ten Stock Ex. by Foreign Firms.
Source: WFE, Report 2020.

The NYSE, although not at the top, still aggregates a large number of listed foreign companies and together with NASDAQ, constitutes the largest concentration of listed companies headquartered outside the USA; while, the London Stock Exchange is precisely the place where, outside of America, the phenomenon of the presence of companies that do not belong to the same country, thickens at the highest level of its rank. Overall, the percentage of foreign companies, compared to the total mass treated by main world stock exchanges, assumes significant weight both in the United States and in Europe. Both stock markets, constitute the most attractive financial market realities on a global scale.

4. "Fragments" of Financial Geography: The "Brexit", The Future of the LSE and UE Banks

The different aspects of the "Brexit" on the of the UK and the EU economies are widely analyzed in the scientific literature published since 2016 (see references on the last page). Various researches paid attention to what many political observers called "Prime Minister Cameron's careless evaluation" (Glencross, 2016), referring to a favorable outcome for the United Kingdom's permanence in the European team which, through the referendum, had contributed to strengthening the Labor government team. In fact, differently from expectations, the referendum produced the prevalence of votes for the "leave", while in the political scene it was determined the return of the conservatives to lead the Country.
In public opinion, a feeling of hostility was spread towards the "lien", considered excessive, imposed by the EU, in sharp contrast with a "nostalgic" vision of a glorious

independent future that would once again place the UK in the position of "global player" of the world economy and politics.
An explicitly nationalist "vision" has been widely shared by the government of Mrs. May, facilitated by vague promises of American origin[14]. This 'vision' has been supported by the obvious complicity of Trump who proposed himself pro-British to simulate the real anti-European objective of the ideology pursued by the White House (Hill, 2018).
In the complex of the vast scientific literature, the "Brexit phenomenon", understood as an unexpected political-economic novelty in a context of neo-nationalist ferments spread in various countries of the Union, has produced a broad general debate between political scientists, economists (Ottaviano, Pessoa, Sampson, 2014; Dhingra, Ottaviano, Sampson, Van Reen, 2016); Craft,2016), sociologists (Outhwaite,2017), and geographers (Rinaldi, 2019; Lavery, McDaniel end Schmid, 2018; D'Aponte and Rinaldi, 2016), attentive to the effects of "territoriality" in the strategic choices of financial stakeholders.
With a view to assessing the effects of "Brexit" on the economic-financial system, the most accredited literature agrees in attributing particular attractiveness to the UK both for the opportunities offered by its financial market and for the opportunities offered by a very dynamic job market. It presents a very attractive labor market due to the heterogeneous skills of foreign workers (highly qualified, but attracted by higher wages with respect to those obtainable in their countries of origin), coming from countries such as Italy, Spain, Portugal, but also from the new Partners aggregated by the extensions to the East of the EU from 2004 to 2008 (Sampson, 2017; Campos-Corricelli, 2017).
On the other hand, reflecting on possible alternative scenarios related to the financial and banking context, the candidacies most credited in the event of a diaspora from London appear to be those of Frankfurt, Germany, and Paris, France (Lavery et al, 2018).
In this complex political-institutional situation, the aspect of greatest practical interest is represented by geo-economic changes in the relations with the Old Continent, mainly with an unpredictable redistribution of commercial and financial flows (Rinaldi, 2019; Sampson, 2017).
The common strategy adopted by important banking institutions, which operate on a multinational scale, which have been present for a long time in the market area of the London stock exchange, suggests that, ultimately, a sort of "brexodus" emerges, imposed by legal precautions and regulations that appear particularly stringent outside the EU market for "reciprocity" procedures. Numerous listed companies, and the banking institutions themselves, while not giving up a presence on the British market, appear oriented to plan a process of removal from the City which, at least initially, involves the legal offices, i.e. the administrative structures of the financial institutions, without this ultimately, it means renouncing the maintenance of operating activities on British territory (D'Aponte, 2017).

[14] The hypothesis of a direct relationship between British expectations and the new course of American economic policy connected by the rise of Donald Trump appears fully shareable: The election of President Trump made that even less attractive. Thus, it was hardly surprising that Prime Minister Theresa May and her Cabinet started to talk increasingly of Britain's 'global' future. What this might mean in practice is by no means clear and cannot be understood without reference to the historical background (Hill, 2018, p. 183).

Even in the hypothesis that despite the loss of membership status, the nature and specific regulatory constraints to which financial institutions are subject, as well as the same main interests of economic operators acting on large markets, must be interpreted in the light of a principle of direct consequentiality, as a result of which the economic-financial dynamics evolve according to absolutely more accelerated rhythms, with respect to the speed with which political-institutional relations are recomposed. In this perspective, it must be kept in mind that the financial fabric proves to be predisposed to anticipate its timing, putting in place anticipatory strategies, at least of a precautionary nature, even if, in any case, they are by no means irreversible (Capriglione and Sacco, 2015).

In other words, the two main factors, dynamism of the specific market and regulatory lies and constraints, when divergent, push operators to adopt strategic behaviors, not excluding sudden changes in the distribution of the relative structures, according to a criterion of dynamic balance of the most appropriate location conveniences (D'Aponte, 2014).

From this point of view, the geographical logic of the location, both of the network of the major international banks, and the criteria for the choice of the place of listing of Companies, will be totally reconsidered, provoking a massive exodus from the London square. This is true for the the simple reason that many of the opportunities originally at the basis of the choices made to the extent of the expected uses in the medium term, will only continue to display the same value in terms of internationalization and market viability (Ferrara, 1998). In addition, there is the the important additional reason that in the London area there is a strong concentration of production initiatives, only partially found in other business centers of the Continent, while the company managing the London Stock Exchange, the LSE Group, appears in search for technological innovations in the IT field that includes an offer of high quality services that act as incontrovertible factors of attraction (The CityUK, 2016).

From a geographical point of view, it is clear that: "The territorial and social factors, combining in virtuous ways, make the United Kingdom, in particular Greater London, an extremely profitable region, both for businesses and investors, both for economic operators, commercial enterprises and for the workers themselves in search of progressive individual welfare". (D'Aponte, 2017, p. 602).

For the majority of foreign operators, the London Stock Exchange appears to be more attractive in terms of "proximity to markets and potential consumers", even more than for the potential for development of the relative internal market, unlike what occurs with respect to the Chinese stock exchanges and Indian[15], as emerges from a recent survey (City of London & FDI Intelligence, 2018). Another additional factor which is far from negligible must be identified in the position of "gateway" that the London Stock Exchange played towards the European market, precisely in function of the status of "EU member country", on which the possibility of developing opportunities

[15] In the case of China and India, the "internal" market, due to accelerated growth factors and population, is the main attraction for those who intend to operate there. In contrast, in all the other financial regions of the contemporary world, the "internationalization" factor assumes a largely predominant character in the "geographical" choices of the operators.

for interaction depended, unconstrained[16], within a geopolitical basin, extended to all 28 countries of the UE (Schoenmaker, 2017; Crafts, 2016).
The loss of the “close connection” of European partnership assumes even greater relevance for the banking sector. According to the current legislation governing the derivatives market, the relative marketing within the partner countries is not allowed for products packaged outside of the borders of the European Union. This is true, not only due to the controls introduced for financial product after the 2007-08 crisis, but mainly due to the problem of “clearing” between banking institutions outside the Union, which could no longer take place, if not through expensive and complicated mechanisms[17].
For this reason, if the large foreign banks currently present in the UK experience difficulties in interacting with EU banking institutions, the convenience of keeping their presence active in the UK would be significantly compromised (Howart and Quaglia, 2017). This explains why, even before the definitive detachment of the UK from the EU, several operators began a progressive, albeit cautious rethinking of the convenience to persist in the London listing. The situation is very well highlighted by the graph (Figure 4) that clearly shows how, initially (2003-2007) foreign companies listed by Euronext tend to pass through the London city, while the number of foreign companies that landed in Euronext and Deutsche Boerse have undergone a clear increase since the global crisis of 2008; however, by no means enduring.
However, it is useful to specify that this is a phenomenon that determines considerable uncertainties about the actual advantage of the disengagement from the British market which, however, remains undisputed for efficient organization and sizing, at the top of the rank of world stock exchange groups (Lavery et al, 2018).

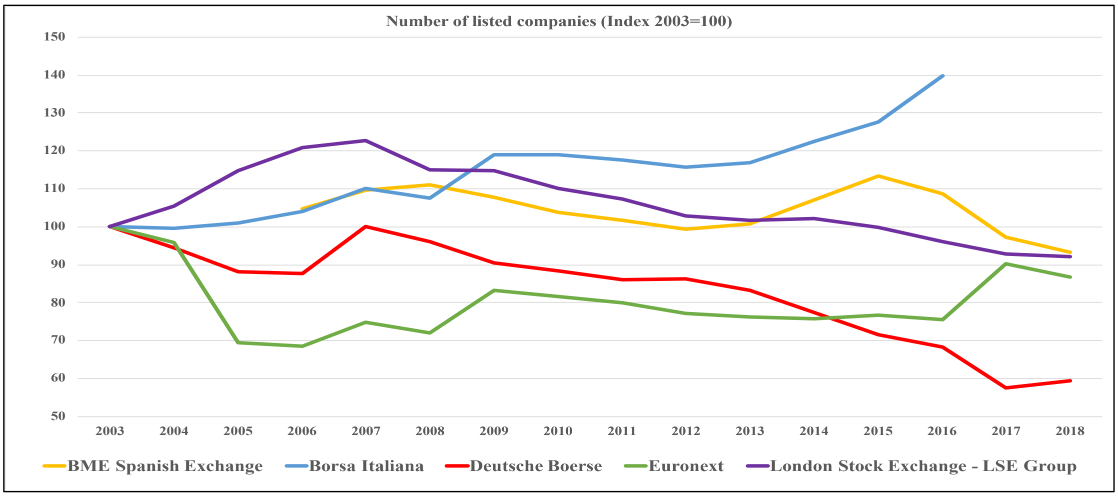

Figure 4: Trend in the number of listed companies (Index 2003 = 100). Source WFE, 2019.

[16] The role of the so-called “passporting rights” represents the condition for which financial companies can offer their services across the EU directly from the London office, without having to open branches or undergo further bureaucratic procedures in the other 27 countries of the common area European.
[17] The interest of the banks is very high as the “derivatives” transaction market is estimated, still expanding, at around over one trillion for the very last years of activity of the London Stock Exchange. Therefore, it represents a tempting opportunity for the banking network that earns profitable commissions whose loss would significantly affect the profitability of the system.

The situation that emerges from the most recent statistical data reveals a structure of the major European stock exchanges in which the largest number of listed foreign companies, despite the divestments, still remains firmly attributed to the LSE Group, as shown in the following graph (Figure 5).

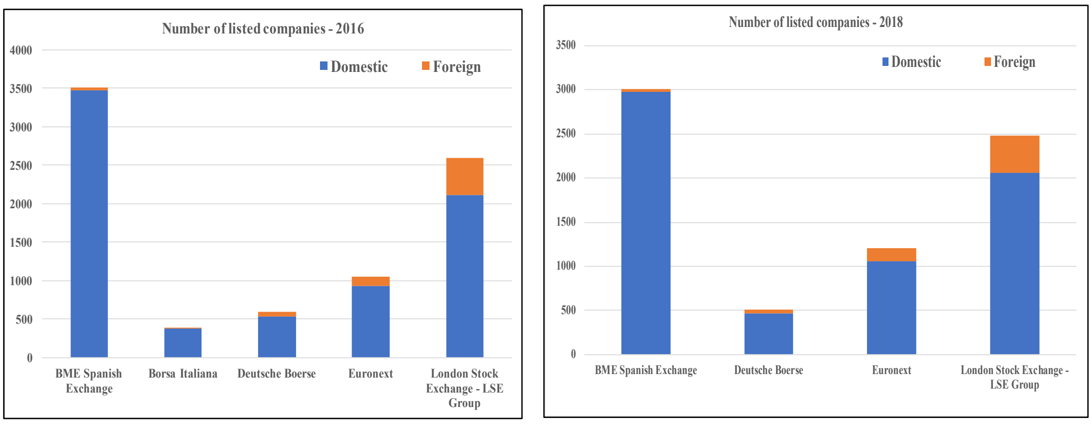

Figure 5: Companies listed by nationality - Comparison between 2016 and 2018. Source: WFE Monthly Report Dec. 2016 and Dec. 2018.

The migratory flow, that appears to be of greatest importance, therefore, is not that linked to the stock exchange market, but more explicitly regards the banking network which, as already clarified previously, is more severely affected by the loss of EU partner status by of the UK, in relation to the main activities characterizing the viability and profitability of the banking sector.

Ultimately, we can say, that the exit of the UK from the EU, represents a more or less incisive factor, depending on the industrial activity carried out and the related presumed evolution determined by the new regulatory post-Brexit framework.

Some concrete examples may be useful, to better understand the meaning of this statement[18]. The case involving Toyota, a car company particularly active in all European countries, to continue registering the cars produced in the UK after the "leave", the Japanese company risks suffering heavy taxation, in a highly competitive sector, such as the automotive sector, already experiencing market difficulties within the same sector. On the other hand let us consider a multinational such as Schlumberger, present in the RU precisely for its interests, in relation to its business related to plant supplies and the implementation of technological innovations in the field of oil exploration and extraction activities, for which the geographic region of the North Sea represents a set of market opportunities.

[18] From the analysis of the data referring to the largest companies by capitalization, listed on the London market after the vote for the "leave", it emerges that the most relevant positions were attributable to a set of assets expression of the US banking (JP Morgan Chase & Co., Bank of America) and British (HSBC Holdings), together with Technology companies, in the US electrical and electronic sectors, (General Electric Co., Honeywell Int. Inc.), of the mining extractive technology sector Schlumberger (multinational with registered office in Curacao), and finally, the automobile settlement of the Japanese Toyota. In view of the uncertainty about the convenience of any disengagement from the London market, consideration of the practice often implemented by large companies to simultaneously access a quotation both on a domestic regulated market and on one or more should not be overlooked foreign markets, creating the so-called *"dual listing"* or even "*multiple listing*".

Therefore, there is a wide heterogeneity of the possible strategies that underlie the conveniences of the individual industrial groups. There is no doubt about the evidence of explicit actions that come from the dynamics underway by the major banking groups present in the UK, in relation to the possible exodus to other destinations on the Old Continent.
The most concrete prospects concern, first of all, the French and the German financial markets. These locations, for a number of shareable reasons, seem to be the most attractive realities for a transfer of the banking network beyond the Channel. Hypotheses, these, much more realistic than a simple hypothesis currently under study, referring to the turning point represented by the recent agreement concluded between the government of Prime Minister Johnson and the European Commission, that unequivocally established, at the end of 2020, the status of "third" EU country for the United Kingdom.
The prospects identified by a Bloomberg research, already in the early months of 2008, to understand the strategies of the major international banks, appear very interesting.
The available data indicate that "five of the largest banks are transferring 750 billion euros of their asset to Frankfurt in order to continue providing their services on the European market[19]. The German city has been chosen by Citigroup, Morgan Stanley and Goldman Sachs which will also have an office in Paris), while the Swiss UBS will transfer its risk and support services center to it" (Rinaldi, 2019).
A privileged position appears to be that of Ireland whose location advantage, dependent on remaining firmly anchored to the EU and simultaneously included in the British geographic area, makes it attractive for important US banking institutions, such as Barclays, JP. Morgan, Bank of America and ASI (Aberdeen Standard Investments) for whom the link with the United Kingdom remains a fundamental environmental factor.
The definitive "theater" is not yet possible to define, in all its multiple horizons[20]. Currently it seems possible to assert that many banking institutions will continue to open their offices in the main EU cities, often continuing to maintain offices in the UK, with the aim of simultaneously monitoring the evolution of that financial market (Sampson, 2017).
A particularly important unknown factor regards the definitive investment strategies that will be adopted by the Chinese capital, currently at the top of the FDI (Foreign Direct Investment) in the UK. Regardless of the "Brexit", it is foreseeable that the flow of foreign capital will continue to land in the UK, targeting markets such as energy technology, the building sector, and the financial activities themselves.
Currently, in any case, there is no doubt that the consequences of Brexit on the British stock exchange market appear evident in terms of reduction of capitalization and

[19] The motivations that justify the choice of Frankfurt and Paris for companies that emigrate from LSE are intensely influenced by the timely political initiatives of their respective governments, but also by the provision of efficient services and by an adequately hospitality climate (Lavery, 2018, p. 79). More directly, the President of the Bundesbank argues that in relation to the strategies that will be adopted as a result of the Brexit "Frankfurt is virtually predestined for the role of continental partner for British financial institution" (BdB, 2017).
[20] In Germany (Frankfurt) it will host Citigroup, Morgan Stanley and Goldman Sachs. These are not indifferent to the important position in the "derivates" transaction reached by Deutsche Bank. Even for the Swiss financial giant HSBC, the transfer from London to Paris will also have the consequence that the seven foreign branches (Belgium, Czech Republic, Ireland, Italy, Luxembourg, the Netherlands and Spain) will no longer depend on London, but on Paris, with predictable relocation of numerous workers.

modification of the ranking of the largest listed companies on the LSE group (see Figure 1 and 2 and Table 4).

RANK 2015	COMPANY	SECTOR	NAZ.	CAPITALIZATION (MiLL. £)
1	Jpmorgan Chase & Co	Banks	USA	176.465,08
2	General Electric Co.	General Industrials	USA	163.058,75
3	Toyota Motor Corp	Automobiles & Parts	JP	153.924,17
4	Hsbc Hldgs	Banks	UK	103.344,96
5	Royal Dutch Shell	Oil & Gas Producers	UK	100.863,95
6	Bank Of America Corp	Banks	USA	98.924,43
7	Total Sa	Oil & Gas Producers	FR	74.579,65
8	Boeing Co	Aerospace & Defence	USA	71.324,91
9	British American Tobacco	Tobacco	UK	70.193,55
10	Honeywell International Inc	General Industrials	USA	69.405,58
RANK 2018				
1	Royal Dutch Shell Plc	Oil & Gas	UK	190.850,19
2	Toyota Motor Corporation	Automobiles & Parts	JP	163.208,46
3	Boeing Co.	Industrial Goods & Services	USA	149.912,64
4	Hsbc Holdings Plc	Banks	UK	129.601,13
5	Int. Business Machines Corp.	Technology	USA	116.410,66
6	Total S.A.	Oil & Gas	FR	110.076,42
7	Bp Plc	Oil & Gas	UK	99.975,85
8	General Electric Company	Industrial Goods & Services	USA	93.296,04
9	Honeywell Int. Incorporated	Industrial Goods & Services	USA	92.460,47
10	Astrazeneca Plc	Health Care	UK	74.399,85
	(Source, LSE Group, 2019)			

Table 4: Top Ten Companies Comparison by Capitalization on 2015 and 2018 in LSE Group.

The table, clearly, shows the downsizing of the American component, mainly in the banking comparison. While the companies in the technological, electrical and aeronautical sector in the USA keep stable the leading positions on the London stock exchange. In general, the most prominent positions in LSE change from American to British, while the sector prevalence crosses from the finance sector to the technological and energy sector (Industrial's, Technology, Oil & Gas)[21].
The transfer of activities from the UK to other European locations produces significant effects for the consequent flow of workers who must move.
These workers belong to good social classes and enjoy medium-high wages so they will certainly require housing and services at the highest levels in the sector. As a consequence, significant market disturbances will occur, with a growing trend in house and service prices, in European cities where the exodus of companies from the UK is produced.

[21] In the case of Toyota, it must be considered that the transfer of the production plants to a new location in the EU area is not possible in a short time, for obvious reasons of a technical and economic nature. However, as we have already pointed out, from next year (2021) the problem of localization outside the EU borders will be very relevant for the competitiveness of the Japanese company.

A forecast believed to be very reliable, made by Bloomberg through a survey of March 2018, assesses the number of workers who will leave the UK as a result of the restructuring of the British financial sector as a result of Brexit, in over 5.000 workers[22].

	Lavoratori in UK	Trasferimenti previsti	% sul totale
HSBC (UK)	5000	1000	20%
Goldman Sachs (USA)	6000	700	12%
Deutsche Bank (DE)	9000	500	6%
JPMorgan (USA)	16000	400	3%
Societe Generale (FR)	2000	400	20%
Bank of America (USA)	4500	400	9%
Morgan Stanley (USA)	6000	280	5%
Citigroup (UK)	9000	250	3%
Credit Suisse (CH)	6600	250	4%
UBS (CH)	5000	200	4%
Barclays (UK)	10000	150	2%
Standard Chartered (UK)	1800	130	7%
Nomura (J)	2300	100	4%

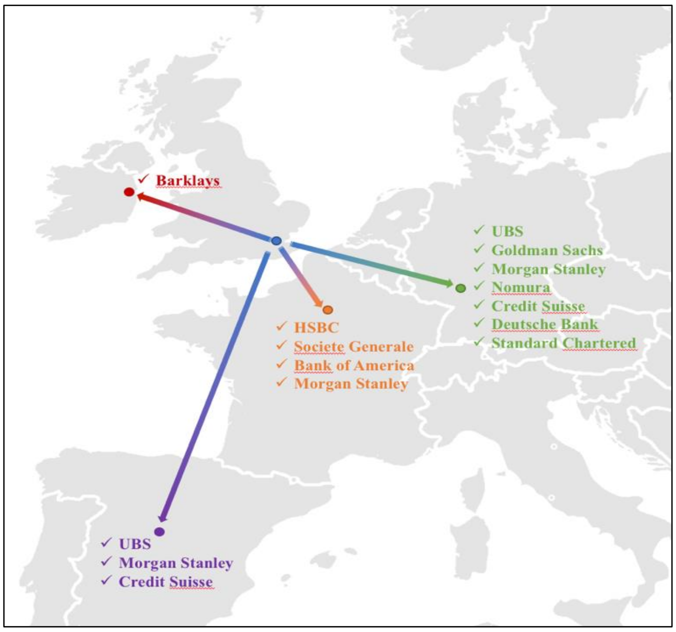

Figure 6: Immigration flows in Europe expected downstream of Brexit.
Source: Rinaldi, 2019 on Bloomberg data.

A very relevant aspect of this flow of workers, from the UK to other large European capitals, is represented, as the chart shows (Figure 6), by the exodus involving both the large American banks and the British giant HSBC, "corporate website", established in 1865 by Hongkong & Shanghai Banking Corp.[23] This is a very relevant aspect of the effects of "Brexit", (which also affects many Citigroup and Barclays workers), which the people of the City have tried in every way to oppose, by voting compactly, but without success, for the "remain". The other flows of workers, other than the component of employees from US banks, concern French, German and Swiss companies that may return to their respective countries of origin.

[22] The Japanese of Nomura and those of Daiwa and Sumitomo, which operate intensively in the financial market, would opt for the Netherlands, while Luxembourg is the preferred base for the activities related to the Investment Fund market (Everbright, Blackstone and Carlyle) indeed, financial activity that was originally not very present in the sphere of influence of LSE. The employees of all these important foreign companies that will be forced to leave the UK will have different effects on the structures of the individual companies, but their amount will, however, be significant in numerical terms and by professional qualification.
[23] The HSBC Group took on its current name in 1989; while in 1991, anticipating the transfer of Hongkong to the jurisdiction of the Pop Rep. Chinese (1997), the HSBC Holding was established in London. HSBC, as well as being a large banking group, is itself a symbol of ancient British supremacy in Orient, strongly perceived by the English people.

5. Some short conclusions

Through the most accredited literature a "new financial geography" emerges, designed by the "Brexit", characterized by a complex interaction of concomitant factors.
First of all, there are the political and regulatory consequences produced by the choices made by the United States governments, in a time between the end of the Second World War and the outbreak of the financial crisis, at the beginning of the new Century.
Crucial events, for the spread of a financial "euphoria", are to be charged: a) the sudden monetary turn, caused by the abandonment of the full golden convertibility of the dollar; b) the extreme liquidity of American currency, consequently poured onto international markets; c) the mix of credit and speculative finance, in the context of the large US banks, and in their related international branches.
At the same time, undoubtedly with very positive consequences, once again the decisive and rapid action of politics allows access to the antidote to curb the crisis, after the traumatic failure of the Lehman & Br., through the transfer of immense liquidity into the system of large private banks by the FED.
Finally, to restore "confidence" to the markets, assumes considerable importance the position of the World Powers within the G20, for the launch of a rigid regulation to ensure control levels and, more than anything else, of absolute "transparency" to the production of 'recognizable' financial products placed on the derivatives market and traded on world Stock Exchanges.
"Double-sided" process, on the one hand, has been fueled by disastrously "contagious" events due to systemic "toxicity"; on the other it has been characterized by political resolve and good regulatory practices. A new "virtuous" scenario in which, the most serious global finance crisis, that hit the world economy, takes on characteristics capable of determining tendentially stable prospects.
In this reference "scenario", after the great fear of 2008, the financial geography of the new century, progressively, seems to have stabilized. The main world stock exchanges have returned to negotiate, growing, sometimes alternating, sometimes continuing, large capitalization values. Banks are forced to undertake mergers and new acquisitions in order to achieve adequate dimensions, for comparison and competition on large markets. The territory has returned to assume an important role, due to the qualitative and quantitative characteristics of the relative population and the distribution of economic activities.
The recovery of economic growth in the United States took place with greater intensity, allowing stable positive GDP growth rates. Constant increases have been favored by expansive public policies and by the large capacity of the production system to exploit favorable market opportunities on a global scale. Otherwise, Europe, unable to implement a shared economic policy, held back in the implementation of expansive public policies by strict "fiscal compact" rules, is going through a long period of "disaffection" for the Community institutions, with the consequent spread of neo-nationalist movements, in many countries of the Union.
Faced with the inability of the EU institutions to adopt shared policies aimed at promoting growth and development, easing budgetary constraints and simplifying the overall regulatory system, superordinate to national laws, in the UK, second largest economic and commercial power in the Union, a path started in 2016 and it would have determined its definitive detachment from Europe.

The victory of the "Brexit" is the result of a referendum comparison difficult to interpret in rational terms, but more understandable by evoking independence and nationalist nostalgia of the British people (Glencross, 2016; Outhwaite, 2017), while the distribution of the vote reveals a geography of the "Leave" and "Remain", intensely marked by social and cultural differences and by a clear contrast between the electorate of the central areas and the electorate of the suburbs (Clarke et al, 2017; Lavery-McDaniel-Schmid 2018).
At present, the most significant consequences of the new geopolitical positioning of the UK, in terms of commercial relations, can give rise, at the moment, only to forecasts, in any case, consistently pessimistic towards the British economy [24] (Dhingra, et al, 2016; Ottaviano et al, 2014; Crafts 2016; D'Aponte-Rinaldi, 2017).
On the other hand, the question of the reorganization of the banking-financial sector, has included many investigations and assessments, in relation to the changes that have taken place, or are in progress, by the location structures of the companies in that area. In terms of redistribution of foreign financial assets, that have no priority to stay in a UK outside the EU, the question of the most favorable location within the countries of the Old Continent, represents a topic of great importance in the agendas of the main national governments.
In fact, confirming the importance that the topic assumes in the evaluation of the European national governments, it should be noted that both in Paris and in Frankfurt the efforts to attract exodus activities from the UK are led by primary political actors within an intense dialogue public-private sector focused on promoting these two business locations as desirable locations for financial activities outsourced by the City (Lavery, p. 79)[25].
However, it is inevitable to note that, although several cases of full-blown diaspora have been recorded, and others are expected soon, the results of the research carried out, lead to the conclusion that, although with some limitations, the business context, understood as a whole, has absolute necessity of effective interconnection within a large financial market, so that, in any case and despite the "divorce" from the EU, the position of the City, the incontestable "bridge" between the Old and New World, will continue to constitute a profitable market reality, a concrete dynamic opportunity, which will be quite difficult to disregard (D'Aponte, 2017).

[24] A London School study predicts that, overall, the EU's trade loss would range between 0.12% and 0.29% of cumulated GDP. Otherwise, the damage to the HR would be much greater, initially assessed (IMF, 2016) in an overall measure varying between 1.5 and over 5% of the national GDP, subsequently revealed to be unfounded given the real trend since which shows an increase of 1.9% in 2016, 1.9% in 2017 and 1.4% in 2018 and an estimate of 1.3 for 2019.

[25] In Frankfurt, local government has been particularly active. Ministers from the state government of Hesse have travelled repeatedly to the UK heading delegations of state officials as well as business leaders to showcase the advantages of Frankfurt (FMF, 2017). In Paris, there has been marked unity between actors from national and local government. In a report for France's Senate on Paris' post-Brexit strategy, the rapporteur général notes the positive "joint mobilization of all public authorities and the private sector", which he argues has been perceived positively internationally (de Montgolfier, 2017, p. 71).

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THE CHINESE INFRASTRUCTURAL NETWORK TO CONQUER THE MEDITERRANEAN

Teresa Amodio*

Abstract

The contribution starts from the analysis of the complex system of maritime commercial transport in relation both to the geo-economic transformations connected with the changes in the geography of the flows and the routes, and to the consequences that derive in terms of ports at different scales. In this scenario the emergence of a new global competition among ports is deepened, as a result of the strategies adopted by large shipping companies, which seem to be increasingly influenced in the choice of ports by logistical and organizational conditions of greater advantage rather than only by the geographical location of the freight. In particular, a great interest is paid to Mediterranean ports that, favoured by the enlargement of the Suez Canal and by redevelopment operations started in order to gain attractiveness, have become the object of speculative interest by global investors, such as China, interested in consolidating their infrastructural and logistical bases in the Basin. China, in fact, has started to invest heavily in its ports and maritime terminals allowed in the Mediterranean, implementing the One Belt One Road. The project aimed at strengthening the role of China on a global scale, favouring international investment flows and commercial outlets for national productions, and it was based on the creation of a global network of infrastructures, on land and sea, to ensure a complete crossing from Asia to the Mediterranean.

1. Introduction

The research, from a methodological point of view, finds its theoretical basis in studies of a geographic nature that proficiently highlight how the China Mediterranean relations are strongly linked to the global transformations that saw the passage of the ocean pivots from West to East (Vallega, 1997).

The analysis of the Mediterranean is carried on from the point of view of the positioning of the Basin by virtue of the dynamics connected with transport and maritime traffic (Lucia, 1997). It highlights how the history of maritime relations on a global scale has been characterized by alternate events, effect of a perennial competition with other areas, such as the Atlantic or Pacific ones (Sellari, 2013).

The most significant events in the establishment of the maritime transport centrality of the Mediterranean are certainly identifiable in the opening of the Suez Canal in 1869,

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which facilitated the shortening of the routes connecting Europe and the East and the functional transformation of the Mediterranean ports, after the Second World War.
In the medium term there will be important repercussions especially on the main routes between the Mediterranean, the Red Sea and the Persian Gulf, also in consideration of the impracticability of many terrestrial routes due to the conflict situations in the area (Amato, Talia, 2015).
Furthermore, the considerable savings in operating costs and investment costs will induce shipping companies to choose the Suez-Gibraltar route to reach the United States rather than slow steaming through the Cape of Good Hope.
This choice is also closely linked to fuel costs (bunkers), since, with low oil prices, companies find more advantageous the option to lengthen routes by sailing at low speeds.

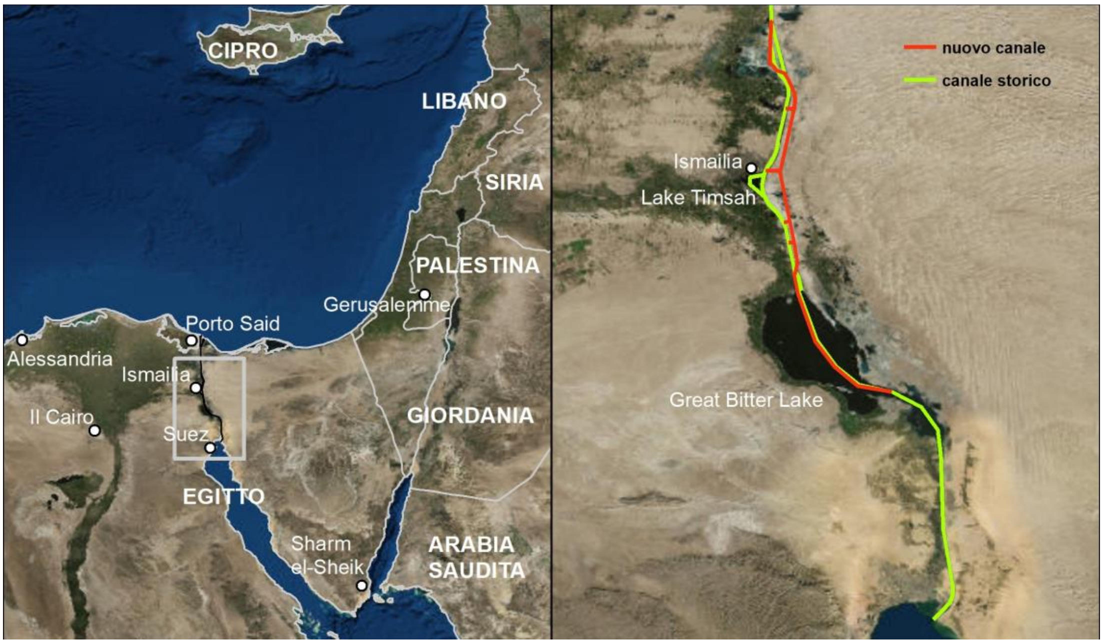

Figure 1: The doubling of the Suez Canal.
Source: processing on Google Earth.

In the theoretical studies about the territorial effects of the transformations of sea commerce (Vallega, 1997), it is precisely emphasized the passage from the "mercantile" phase to the "industrial" one in which the ports, not excluding the Mediterranean ones, were involved in a significant change, rapidly becoming maritime areas with a strong industrial vocation (MIDAs - Maritime Industrial Development Areas).
The research, based on these theoretical ideas, starts from the analysis of the complex system of maritime commercial transport in relation both to the geo-economic transformations connected with the changes in the geography of the flows and the routes, and to the consequences that derive in terms of ports at different scales.
In this scenario the emergence of a new global competition among ports is deepened, as a result of the strategies adopted by large shipping companies, which seem to be increasingly influenced in the choice of ports by logistical and organizational

conditions of greater advantage rather than only by the geographical location of the freight.
In particular, a great interest is paid to Mediterranean ports that, favoured by the enlargement of the Suez Canal and by redevelopment operations started in order to gain attractiveness, have become the object of speculative interest by global investors, such as China, interested in consolidating their infrastructural and logistical bases in the Basin.

2. The reference scenario

Since the Twentieth century, the shipping sector has been affected by the development of production models based on maximum flexibility. This has boosted, on the one hand, the relocation of economic activities in areas characterized by low-cost factors and, on the other, the shift of the economic axis of reference from the Atlantic to the Pacific, with significant effects on the reorganization of the global economic scenario (Labrianidis et al, 2011).
This process, in which the limits to mobility historically imposed by physical space have progressively reduced in favour of the development of networks, both tangible and intangible, has led to a significant increase in the international trade and, in particular, in the maritime traffic (Figure 2).

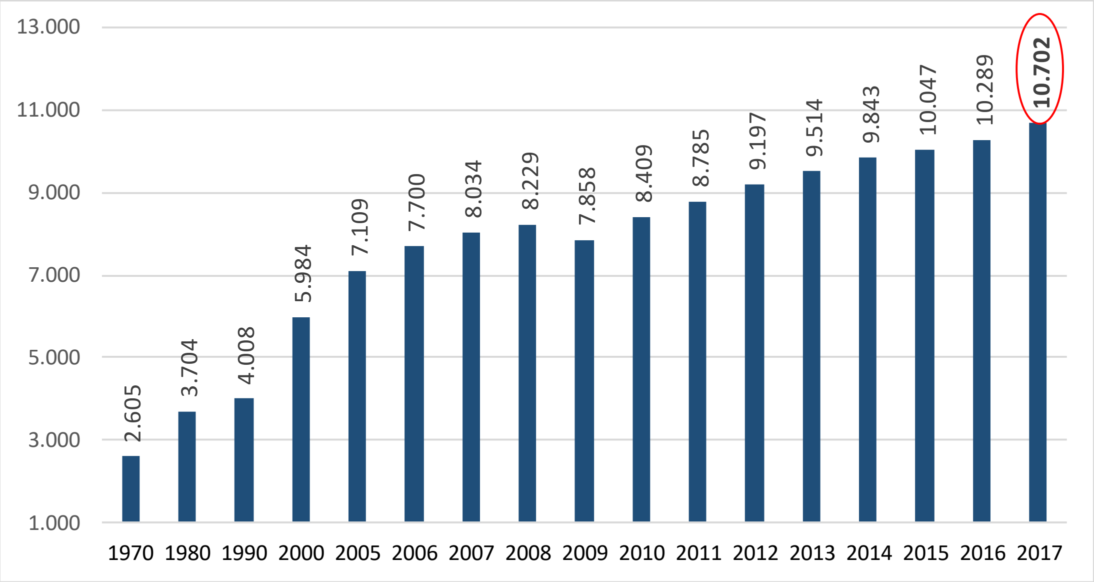

Figure 2: Goods transported by sea (millions of tons).
Source: processing on data Unctad, Review of maritime transport, 2018.

Since 2009, year of overcoming the global economic crisis, freight transport by sea has progressively increased, reaching for the first time, between 2015 and 2017, the threshold of 10 million tons, estimating for 2030 the achievement of a threshold of 17 billion tons.
The increase in traffic volumes has been supported, and in some ways encouraged, by important changes, both at organizational and structural level, that have affected this economic segment.

In terms of transport consistency, the adoption of an ever-increasing containerization has led to an exponential increase in fleet size and load capacity, which, thanks to the reduction in transport costs for each single TEU[26], has made possible the introduction of economies of scale, even in this specific transport segment.
Downstream of this, a phenomenon defined as naval gigantism has been developed and, however, it demonstrates the technological achievements related to the size of the ships. It has made possible the transition from a first generation of container ships, the converted cargo ship, with a low capacity, to carriers classified as ultra large container vessels (ULCV), built to guarantee a load capacity of more than 14,000 TEUs.
The economic strength is necessary for the management of the fleets meant that, from the point of view of shipping equipment, the proliferation of shipping companies, mostly large-sized, has been organized to provide an articulated series of services. This service is suitable for handling vast quantities of goods among the various world production areas, which have become the main beneficiaries of productivity gains deriving from the progressive unitization of the loads in the international logistics.
The result is a scenario based on the presence of few large companies, the only ones able to operate on a global scale, mainly based on the contractual capacity strengthened by the signing of commercial agreements.
Currently, based on the Alphaliner[27] data for the first months of 2017, the world fleet is worth over 6 thousand ships used in scheduled services worldwide, with a growth of 1.5% and a total capacity of about 20,2 million TEUs. In addition, the data on the international order book suggest a growth in the size of the ships that will allow, in 2020, to have 1.043 units of more than 7.500 TEU, of which 105 are even higher than 18.000 TEU.
This impressive endowment is held by thirty shipping companies classified worldwide that, with a load capacity of 18,544,597 TEU, have a hold share of 93.2% of the world total (Table 1).

1980	1992	2003	2006	2015	2017
26%	42%	58%	71%	88%	93,2

Table 1: Percentage in the world fleet of the first 30 companies.
Source: processing on data Alphaliner.

Among these companies highly specialized in container transport, the first six, each of them exceeding one million TEUs transported, have a total load capacity of 12.376.393 or 62,2% of the world total.
Analysing the geographical distribution of the legal offices related to the first thirty shipping companies, it is evident that the greatest concentration is based in the Asian countries, the absolute owners of the world shipping supremacy.
On the western front, five carriers, headquartered in Europe, namely in Copenhagen, Geneva, Marseilles, Hamburg and Aharaus, with 10.234,898 TEU, represent 51,2% of the world fleet (Figure 3).

[26] Twenty-foot Equivalent Unit, the standard volume measurement in ISO container transport, corresponding to about 20 feet, or 40 total cubic meters.
[27] The ranking of the first hundred companies in the world takes into consideration both the current fleet, consisting of owned and hired vessels, and orders waiting delivered to armaments, https://www.alphaliner.com/.

From the point of view of the offer, there has been a further concentration process characterized by the establishment of strategic alliances[28] among the main carriers. Controlling about 90% of the market, they leave a very modest traffic percentage to be managed from the other operators, obtain considerable bargaining power towards terminal operators and Port Authorities and constitute the backbone of world container traffic (Wang Z. et al, 2016).

The set of outlined transformations developed in a system characterized by the redefinition in the geography of the routes, as evidenced by the strong increase in passages coming from China and directed towards the East coast of the United States. It contributed significantly to the saturation of the Canal of Panama and to the use, alternatively, of the so-called pendulum [29] paths between Far East and the Mediterranean, as the first stretch, and, in continuation of the transit, from Northern Europe to North America.

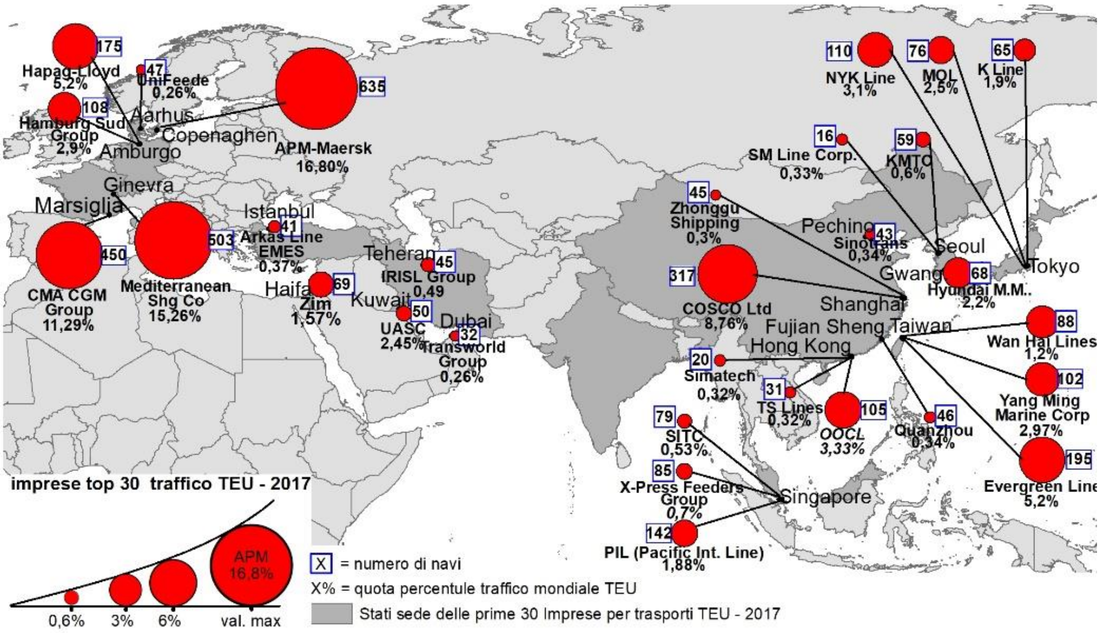

Figure 3: Top 30 shipping companies in the container sector.
Source: processing on data Alphaliner, TOP 100 Operated fleets, 2017.

There has also been a process of revision of the strategic choices made by the shipping companies that, although not being the only players in shipping[30], have a decisive influence on the fate of the port systems.

The shipping companies, although generally orientated towards the choice of large ports, characterized by high levels of demand for maritime transport, and the related

[28] The Ocean Alliance, composed of CMA CGM / APL, COSCO Shipping, Evergreen, OOCL; the Alliance, composed of Hapag Lloyd/UASC, NYK, MOL, K-li, Yang Ming; the 2M, formed by Maersk and MSC + HMM.

[29] The *pendulum* routes are structured to generate a trip and a return on the same route, following the Suez-Gibraltar axis.

[30] Entrepreneurs, shippers, carriers, shippers, terminal operators, logistic providers, etc.

market, carefully evaluate also the infrastructural endowment and the handling[31] costs, with emphasis on more complex services and/or additional values.

They also take into consideration other types of factors, essentially attributable to the characteristics of the ports (geographical positioning, infrastructural equipment, efficiency, links to land infrastructures and presence of logistics support centres).

The efficiency that concerns port operations is linked with various parameters such as the times and costs of services, the degree of reliability, the continuity or the quality of services, availability, costs of logistics activities.

Moreover, some carriers have started to manage the terminals directly to reduce the stopping times of the ships and maximize efficiency, also influencing the choices of the competitors (Siviero, 2010), so that, in the presence of terminals managed by the company, the latter will have a greater incentive to touch that port rather than another. It contributed to a natural selection process of which benefited the realities that could achieve conditions of greater attractiveness, and where, at the same time, back port infrastructures focused on logistic and intermodal systems able to support the needs of the chain.

The choices made by the carriers, in relation to the routes of origin and destination of goods and the types of ports that best meet the needs of navigation, affect the performance of the ports.

Thus, the most dynamic ones have had to face a review of the strategies, starting massive infrastructural investments aimed at modernizing the structures and lowering the seabed to make it suitable for hosting the new mega ships. At the same time, interventions on the improvement of logistics are realized, in order to make the goods sorting faster, more efficient and economically sustainable, in relation to the growing and ever more demanding request from operators.

These transformations have helped to redefine the role and functions of the ports and their regions of reference through a selection process that has seen emerging situations with greater attractiveness, also in terms of back-port conditions, focusing on logistic and intermodal systems adapted to support supply chain needs.

The result is a new spatial configuration of the world port ranking, in the geography of trade, characterized by an ever-increasing functional demarcation between transhipment hubs, with an international vocation and deputies to the transhipment of containers, and more specifically regional ports in the short sea shipping.

Furthermore, ports of the same type have started to compete in terms of resource allocation and interception of flows. Some ports have become more easily replaced due to reduced transport costs, and have been deprived of the typical geographical privileges of the past.

2. The geography of commercial ports

Looking on a world scale at the geographic distribution of the main ports, which are also the main provinces of goods, it can be noted that, in 2017, based on the world ranking of the first hundred ports characterized by a handling threshold of more than 1,000.000 of TEU, the broad weight of the Asian continent emerges. The latter, in the containerized transport segment, holds almost half of the ports, and the strength of

[31] Term used to indicate the port handling related to the boarding / disembarking activities of a container and related crane operations, apron and related services.

China has recorded an amount of total handled quantities of 54,560,410 TEU (1% more than in 2014). Among the first 100 ports[32], 46 are located in Asia and 20 of these are located in China (Figure 4).
In a good position is the Northern Range area[33], where 10 ports are located, followed by the Mediterranean Basin which boasts the presence of 12 large ports and equally significant handling capacity.
The Middle East area has seven of the top 100 ports in the world, three of which are in the United Arab Emirates.
The American port system is characterized by the presence of 9 US ports and 2 Canadian ports, as well as by 10 port entities located in the southern part of the continent, while only two ports are located respectively in Oceania and in Africa.

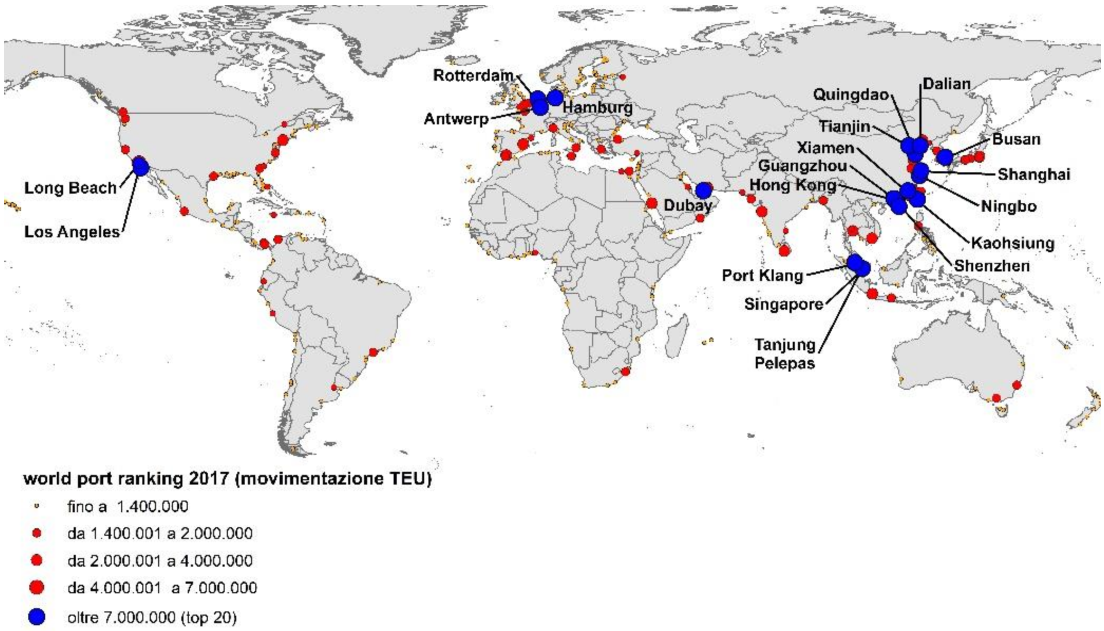

Figure 4: Port rankings worldwide for TEU handling.
Source: processing on Container Management data.

In the context of a constellation of world ports, represented in red, the first twenty ports are shown in blue, with the exception of the two Americans from Los Angeles and Long Beach and the three Northern Europeans Rotterdam, Antwerp and Hamburg are all located in the Asian area.
These first twenty ports also have significant market shares, ranging from 11,7%, on the world total, to Shanghai, to the value of 2,1 of Long Beach.
Even from a general standpoint, the top twenty ports in the world are all in the East, and these, with the exception of the port of Dubai, are almost all Chinese (seven out of ten) (Figure 5).
At the top of the world rankings are, in fact, the Shanghai ports (36.537.000 TEU), Singapore (30.922.300 TEU) and Shenzhen (24.204.000 TEU).
Following these ports there are Ningbo-Zhou Shan (China) in Hong Kong (China), Busan (South Korea), Guangzhou (China), Qingdao (China) and Tianjin (China).

[32] http://www.lloydsmaritimeacademy.com/.
[33] Antwerp, Bremen, Hamburg, Le Havre, Rotterdam, Zeebrugge.

To find European ports you have to get to the eleventh position, where the port of Rotterdam is located, stable compared to the previous year, followed by Antwerp (14th place) and Hamburg (18th).
More distanced are the ports of Bremerhaven (25th place), Valencia (30th), Algeciras (31st) and Felixstowe (35th).
Among the Italian ports which obtained a position in the ranking of the first 100 container ports in the world, there is Gioia Tauro, in 64th position with a traffic of 2.547.000 TEU.
Among the ports of destination, however, Genova, with a movement of 2.242.902 TEU is located at 71st place, ahead of Kobe (Japan) and behind Sydney (Australia). For Genova the first twenty positions in the world remain a mirage, but in this ranking the port has managed to overcome a port that has always been its competitor in the Mediterranean represented by the one of Barcelona, which differs for eight positions and 277.662 TEU handling.
The data on traffic volumes, aggregated by country, outline the supremacy of the Far East-Gulf-Mediterranean-Europe trajectory that has established itself with considerable intensity during the last few years.

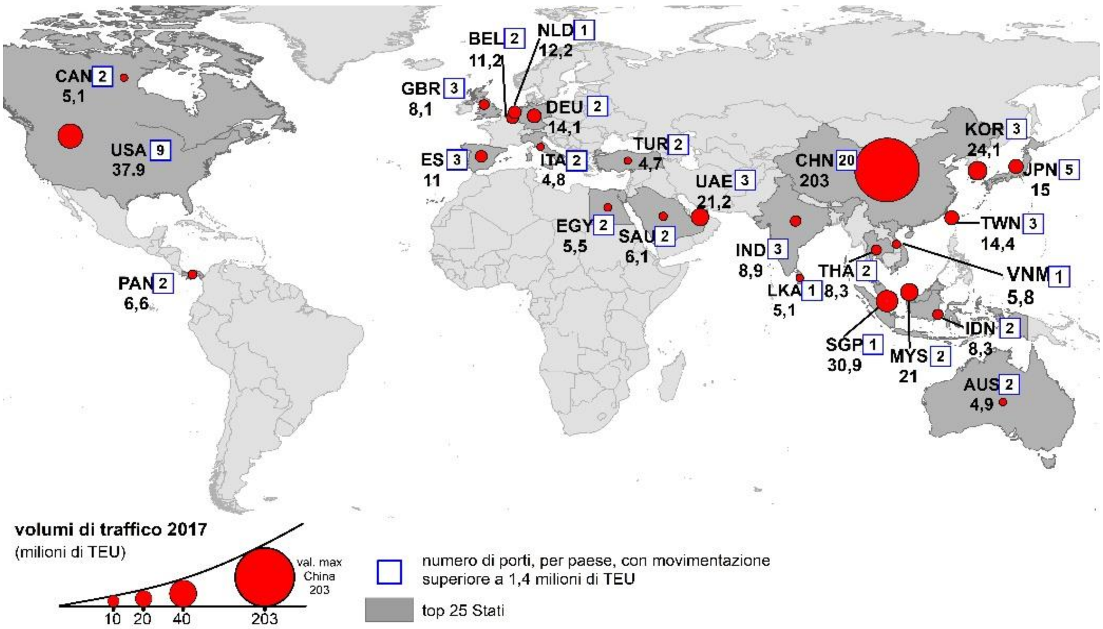

Figure 5: First 25 States for TEU handling capacity and number of ports, 2017.
Source: processing on Container Management data.

China and the other Far East countries follow, but with considerable detachment, the ports of the USA and the Gulf; to follow the Northern Range and the European countries bordering the Mediterranean (Figure 4).
The first place in the ranking by country is occupied by China with 20 ports, followed by the US with 9 and Japan with 5 ones.
According with the new logics of the commercial routes and the related new logistic-port structures, even the Mediterranean ports have been fully involved in the dynamics of the sector.

Overall, the Mediterranean area, in 2017, was affected by the crossing of 98.928.015 TEUs, compared to 83.746.008 in 2008, with a total increase doubled by 18.13% (+15.184.015 TEU), the various ports register differentiated growth rates.

The new centrality assumed by the area, in overall terms, has had significant repercussions on the port system, determining a sort of differentiation/competition between different ports, characterized respectively by different connotations, potentials and development prospects (Figure 6).

In the first positions there are the ports with movement, for 2017, exceeding 5 million TEU, such as Rotterdam (12.385.168), Antwerp (10.037.318), Hamburg (8.910.000) and Bremen (5.488.999). These are followed by significant freight rates, between 2.500.000 and 5.000.000 TEUs, such as Algeciras (4.759.571), with high growth rates (5.5%), Valencia (4.722.273, +2,3%), Piraeus (3.749.709, +12.3%), and again Felixstowe (3.700.000), Marsaxlokk (3.080.000), Port Said (3.000.000), Tanger Med (2.963.654) and Ambarli (2.802.000).

Piraeus, which rose from 2% in 2008 to 12% in 2017 and Tanger Med from 4% to 10%, but also the port of Genoa, which rose from 7% to 8% market of the top 10 of the Mediterranean, becoming the third port for better growth performance.

In terms of container handling, Italy, at the European level, is behind the main competitors (in the order, Germany, Spain and the Netherlands).

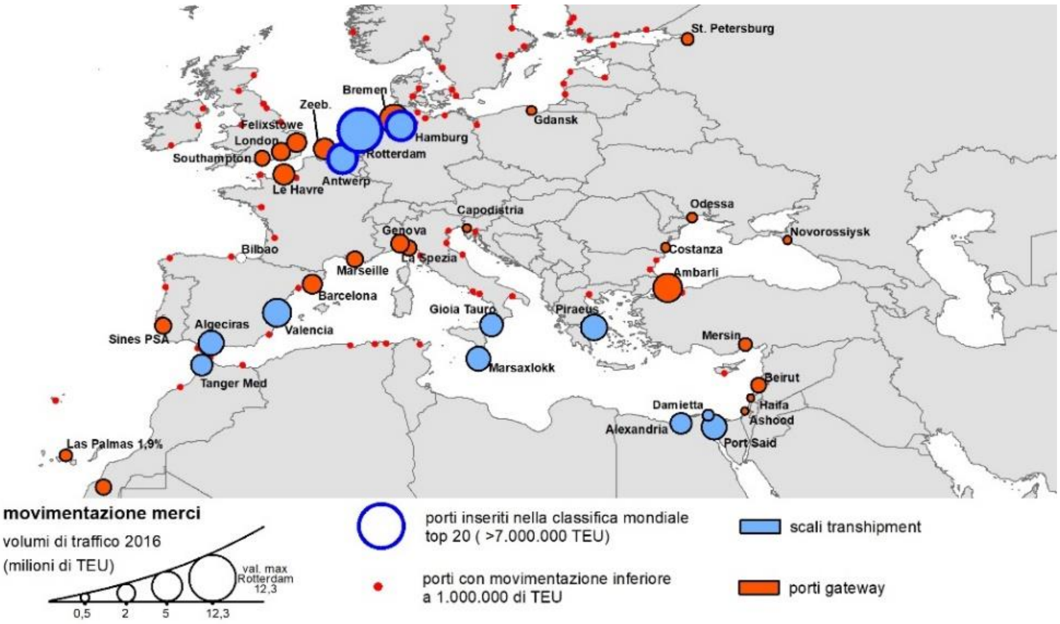

Figure 6: Classification of ports by type of handling.
Source: processing on SRM data.

3. The Belt and Road Initiative and the presence of China in the Mediterranean

The role of China in global maritime transport and the growing interest in sector investments carried out in the Mediterranean basin derive from the economic importance of the maritime economy, which for the country has a value of approximately 970 billion dollars and contributes the 9,4% of GDP (OECD, 2014).

The consolidated economic-maritime vocation has been supported, in recent years, by logistics and infrastructural initiatives and investments aimed at commercial growth, and, thanks to the expansion of the Suez Canal, to the implementation of expansion strategies in the direction of a strong Chinese presence in the Mediterranean.
This strategy is carried out through the establishment of a very strong shipping group, the Cosco Shipping, based in Shanghai, which is the largest in the world. With 1.114 ships, it holds the first place in terms of fleet capacity of ownership with regard to cargo ships (365 vessels, 33.52 million tons of gross capacity), the fourth in the world rankings of the segment of container ships with a fleet of the capacity of 1.58 million TEU containers.
China has started, for years, through this shipping group, a very incisive penetration strategy in the ports and port terminals of the Mediterranean, in the Gulf and in Northern Europe, pursuing different routes, namely (Ministry of Transport of the PRC, 2011):

- the acquisition of infrastructures, including terminals and ports where it now holds important shares of participation;
- the strict policy of alliances and the choice of the most productive global routes in terms of business to be pursued.

The Belt and Road Initiative (BRI) project[34] has been central, with the aim of fostering Eurasian integration through the development of infrastructures for the growth of local markets and the increase in trade.
More precisely, the ambitious project of transnational industrial and financial policy, starting from the development of transport and logistics infrastructures, aims to promote the role of China in global relations, favouring the flow of international investments and the commercial outlets for national productions.
The BRI, which will activate between 1.000 and 1.400 billion dollars of investment to build and strengthen maritime, road, port and railway works, involves the participation of a number of countries between 60 and 100, including China, in which almost 30% of wealth and over 60% of the world's population are concentrated (Figure 7).
Even if BRI is proposed as an open and participatory platform, China reserves itself a role at least of primus inter pares, in a logic of internal politics marked by a trajectory of external expansion. It reflects previous policies and ideas that the BRI represents the first real attempt on the Chinese side to conceive a design of integration of the global order in a Sino-centric way.
The substantial investment program, which envisages the creation of both land and sea lines, is aimed at creating a global network of infrastructures able to guarantee a complete crossing of Asia, up to the Mediterranean, also involving Italy.
The different actions, recovering the suggestion of the ancient Silk Road, travelled by caravans coming from China to Europe through Asia and the Near East, will allow China to increase trade relations with Eurasia and, in particular, with the Mediterranean countries.
This perspective, which appears to be the Chinese challenge-proposal to change the geopolitical scenarios, seems oriented to define a new world order, based on the expansion of Chinese influence in the global economic context, with a view to going out of China.

[34] http://www.cn.undp.org/content/china/en/home/belt-and-road.html.

The country, in fact, going beyond a more traditional protectionist approach, aims at overcoming distances and barriers and conditioning the Western economic system.
The project, in detail, provides two trajectories:

- the Belt, consisting of six terrestrial corridors that, starting from China, cross Central Asia to reach the heart of Europe;
- the Road, the sea route connecting the Chinese port hubs with the Indian Ocean and the Mediterranean, passing through the Straits of Malacca and Suez.

The terrestrial route of the plan retraces the route of the ancient Silk Road on a railway track and aims at connecting the major production centres of central China with Russia and the markets of central and northern Europe, passing from Iran and Turkey.
The maritime route is the South route that connects the ports of the Chinese east coast with the main ports of Southeast Asia and Africa, establishing a system of integrated landings, from which the traffic is redirected, through Suez, towards the Mediterranean and, from here, to the European markets.
The plan is supported by specific Beijing agreements with Indonesia, Malaysia, Thailand, India and Sri Lanka.
The project includes also a third segment, consisting of the so-called Cino-Pakistani corridor, about 3 thousand kilometres long, which aims at connecting the regions of eastern China with the Indian Ocean and in particular the port of Gwadar, Pakistan, from which the traffic is redirected by sea to North Africa and Europe.
In terms of volumes, the maritime component, with the related logistic infrastructures, is more relevant within the project compared to the continental corridors, cantered on the development of rail links.
This rationalization seems to have two objectives.
On the internal front, the aim is to continue and strengthen the Chinese government’s commitment to foster the development and security of the most backward and turbulent western provinces, including that of Xinjiang in the first place, transforming them into strategic junctions of the Eurasian corridors.
On the outside, the main aim is to reorganize global supply chains in a functional way to Beijing’s interests.
The complex project, in fact, includes a part of the activities that strongly and directly involve the ports in the Mediterranean, whose potential has been fully understood by China.
In short, it is a matter of blocking the passage from and to Europe, which is the first import market for Chinese goods, which 60% passes from the Suez Canal.
In the official BRI routes, the Mediterranean, as the landing point of the Road, is presented as the terminal part of the Maritime Silk Road, the connecting segment of the Chinese ports with those of Southern Europe, through a series of intermediate stops in the Indian Ocean making the Basin to acquire new strategic value.

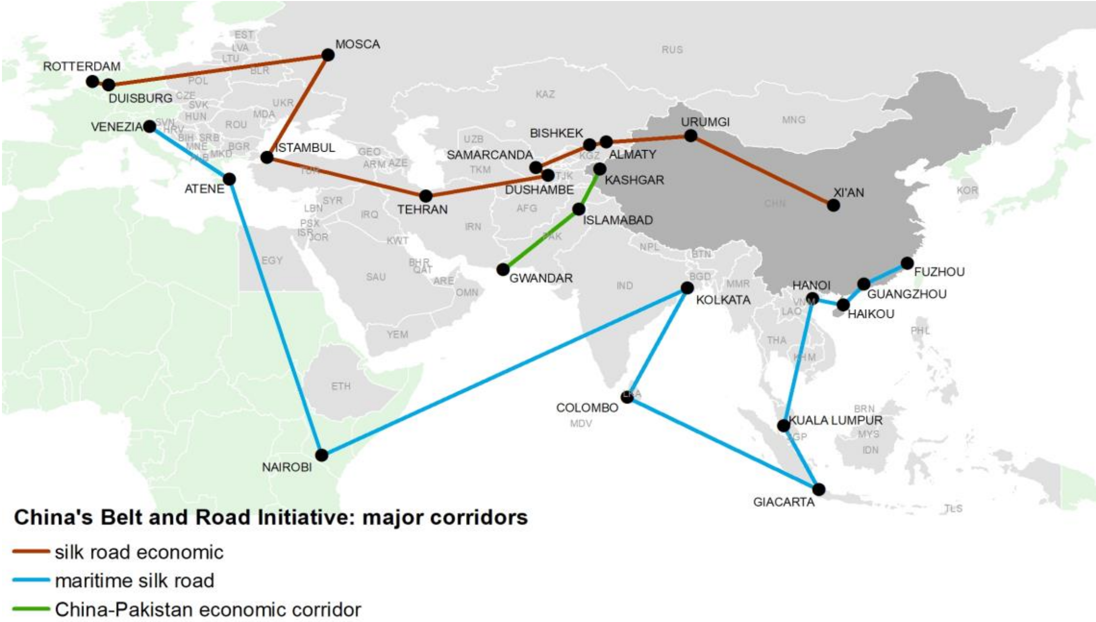

Figure 7: The Belt and Road Initiative.
Source: China Council on Foreign Relations.

In this perspective, specific investments have already been made to consolidate the presence in the Northern Range, firstly, by means of the placement in Hamburg of its control centre for all intra-European services and, secondly, with the purchase, in Holland of 35% of the Rotterdam Terminal, of 20% of those of Antwerp and Zeebrugge.
As for the southern side of Europe, one of the largest investments concerned the acquisition, in 2016, of 67% of the Piraeus port authority.
Other investments have been made in the management of the port terminals with the modality of purchasing company shares.
The oldest and most famous investment is the one made in Egypt to purchase the company that manages the Suez Canal Container Terminal, carried out to gain the control of the port market connected with the traffic in the Suez Canal.
In 2016 COSCO obtained the concession for the container terminal in Algeciras, Spain, which is one of the most important ports in the Mediterranean for the transhipment of containers and oil products.
In 2015, China joined a holding company for the container terminal in Kumport, in the port of Ambarli, the third largest in Turkey, located on the northwest coast of the Sea of Marmara.
Furthermore, the Chinese positioning is also consistent in the East Med area, where an important port asset has been acquired, the one of Haifa in Israel.
Last, only in order of time, it is the investment in Italy for the creation of a joint venture that will take over the management of the future container terminal of Vado Ligure.
On the whole, in relation to the Chinese project, whose economic, infrastructural and political importance is indisputable, Europe expressed doubts. First of all, due to the fact that the Chinese penetration strategy should show consistency with the European projects relating to transport infrastructures. At the same time, issues related to the compliance of the Chinese procedures with respect to the European standards on occupational safety and the conditions of employment contracts have been solved.

This way of looking at the BRI is the conclusion of a reasoning that interprets the Silk Road not only as a mere transport project, but as an expansionist strategy towards which attitudes of reflection begin to emerge, aimed at identifying how and if, the project, which is undoubtedly interesting for China, can have positive implications also for European countries.
Overall, the outlined scenario suggests some critical reflections that, however, differ according to the scale taken into consideration.
In the Euro-Mediterranean area, the presence of extremely different port regions and in mutual competition weakens the scenario towards international players whose bargaining power, investment and rooting increases proportionally to the lack of shared local strategies.
In this context, further risks could derive from the fact that a good part of the maritime traffic is based on random conditions connected, for example, with the strong Chinese presence, currently almost exclusively dependent on the Mediterranean maritime economy, which could go into a decline.
Furthermore, it should be noted that the special back-country economic zones, strongly connected to international investors, first of all the Chinese ones, are often not very connected to the settlement territories and, therefore, unable to constitute a real driving force for development of the local economy.

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ITALY IN THE BELT AND ROAD INITIATIVE

Alessia Amighini*

Abstract

Within the Belt and Road Initiative (BRI), a massive international infrastructure investment programme designed by China under President Xi's leadership, Italy has a geopolitical advantage as access to continental Europe, which has further increased after the huge Chinese investments in Piraeus, now the main hub of Chinese trade in Europe. Italy has been targeted by Chinese investors since quite some time, aiming well beyond its manufacturing industries, specifically in infrastructures (ports, logistics and utilities), but Chinese interest in Italian ports has intensified over the past few years. This led to the signature of a MoU on BRI in March 2019. In this paper we review the circumstances that led to the above MoU, mainly focusing on economic aspects.

Keywords: China, Italy, Belt and Road Initiative

1. Introduction

2020 is going to be a special year in bilateral relations between Italy and China. Being the 50th anniversary since the establishment of diplomatic relations between the two countries, official celebrations have gathered a lot of attention and efforts within the diplomatic community, since a few years ago - a project known as "Road to 50". That road reached rather unexpected heights when the two countries signed a Memorandum of Understanding (MoU) on the Belt and Road Initiative (BRI) on March 23rd, 2019, during the first State visit to Italy by President Xi Jinping.

Although Italy-China relations have always been very positive and further improved over the last few years, they have strengthened throughout 2018 and the trend continued through 2019. The main tools for strengthening were (Ambasciata d'Italia in Cina, 2020):

- official bilateral meetings between representatives of the Italian and Chinese governments. In September 2018, the Minister of Economic Development Luigi Di Maio and the Minister of Economy and Finance Giovanni Tria participated in an official state visit to China. The following month, on the sidelines of the twelfth Asia-Europe Meeting (ASEM) in Brussels, Prime Minister Giuseppe Conte met with his Chinese counterpart, Premier Li Keqiang. In late January 2019, the Minister of Foreign Affairs of the People's Republic of China Wang Yi was on a State visit to Italy. These meetings have proved essential to define cooperation

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agreements between the two countries: the new Global Strategic Partnership, the Action Plan for strengthening cooperation in the field of economy, trade, culture, science and technology for the 2017-2020 four-year period and the Memorandum of Understanding for cooperation in third countries.

- a series of informal agreements and working groups that operationalized cooperation between the two countries: the thirteenth meeting of the Mixed Committee held in Beijing on December 17, 2018, the Italy-China Forum for small and medium-sized enterprises held in Dalian and Qingdao from June 19 to 21, 2018, the fifth Business Forum of November 6, 2018, the China Task Force of the Ministry of Economic Development (MISE), the agreement between the China Council for the Promotion of International Trade (CCPIT) and the Italy-China Foundation for cooperation in the Belt and Road Initiative (BRI), the Mechanism of dialogue between the Ministries of Finance and the Italy-China Intergovernmental Committee whose tenth plenary session is scheduled in China in 2020.

China is an important trading partner for Italy, both on the export and import side (ISTAT, 2020). To China are headed 2.8% of our total exports, equal to 13.7 billion euros in 2018, compared to the EU (55.5%), the USA (9.1%), Switzerland (4.6%). To this aggregate figure must be added, although without being able to substantiate it with reliable data, the value of the purchases of Chinese tourists in Italy, which represent an important share of purchases in the luxury sector. On the import side, China is a key partner for Italy, with 7.1% of the total imports (30.78 billion euros in 2018), after the EU (55.5%). The trade balance between the two countries gradually deteriorated from 2001 onwards, and was negative for Italy with a 17.6 billion deficit in 2018 (due to exports decreasing by 2.4% compared to 2017, and imports increasing by 8.2%).

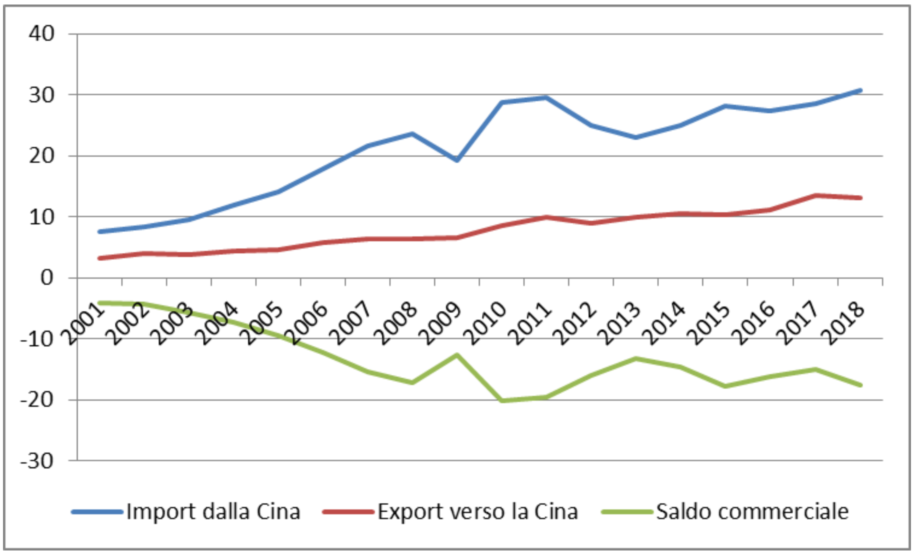

Figure 1: Italy-China trade flows since 2001 (€ billion).
Source: author’s elaboration on data from Coeweb Istat.

The main Italian products exported to China are special-purpose machines (1.360 million), general-purpose machines (994 million), clothing items (744 million), other general-purpose machines (724 million) and cars (601 million). The main Chinese products imported into Italy are telecommunications equipment (2.186 million), clothing items (1.945 million), basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms (1.442 million), machines for general use (1.307 million) and computers and peripheral units (1.269 million).

As regards bilateral investments, Italy’s net foreign direct investment (FDI) in China amounted to € 537 million in 2017 according to balance of payments data, while the flow of net FDI from China to Italy went from 60 million euros in 2016 to 9 million in 2017. This decrease is in part a consequence of the 2017 Chinese regulations that limit the flow of Chinese investments abroad. In the five years between 2013 and 2017, the stock of Italian direct investments in China increased only slightly, from 8.8 to 8.9 billion euros (ICE, 2020).

In October 2017, the Italian government approved a decree to strengthen the disclosure requirements for foreign investors who intend to acquire significant shares in Italian companies and expand the “Golden power”, under which transactions may be vetoed in some strategic sectors and in high-tech companies, such as those dealing with data storage and processing, artificial intelligence, robotics, semiconductors, dual-use technology and space / nuclear technology.

Italy has been among the first recipient countries of Chinese acquisitions in the past 20 years, after Great Britain and Germany. From 2000 to 2018, 15.3 billion euros arrived in Italy, slightly more than the 14.3 billion arrived in France, compared to 22.2 billion in Germany and 46.9 in Great Britain. In this regard, it is worth noticing that Brexit will unquestionably modify this composition in favor of EU countries, since Great Britain has represented an entry point into the EU and most of the Chinese investments there actually had continental Europe as an indirect target.

There are 539 Italian companies with Chinese controlling interests (with at least 25% of the share capital) at the end of 2017, with a strong incidence in the wholesale and retail sectors (124 companies), manufacturing (110) and professional, technical and scientific services (63). It is worth noticing that 80 of these companies, i.e. 14.8% of the total, operate in sectors now considered “strategic”, as their activities have significant repercussions for the economy and national security. Among the latest Chinese high-profile acquisitions in Italy, we shall remember Candy (together with two of its supplier companies Bessel and Gasfire) by Haier (for 475 million euros), and in the medical sector, the acquisition of 90% of the shares of the NMS Group (for a value of approximately 300 million euros) by Hefei SARI V-Capital Management Co. Ltd and by Esaote by the sovereign wealth fund China Investment Group. The main operations concluded between 2014 and 2016 on Italian territory include the purchase by China National Chemical of a controlling stake in Pirelli (specifically for controlling the company’s Trucks division) for 7.3 billion euro, the 400-million-euro investment of Shanghai Electric in Ansaldo Energia and the acquisition of 35% of Cdp Reti by the electricity giant China State Grid, for a value of 2.81 billion (ICE, 2020).

Italy-China relations have recently developed also through a quite significant expansion of bilateral tourism. 2020 was scheduled to be “the year of Chinese tourism in Italy”, if the recent widespread contagion from the Covid-19 virus had not forced a temporary shut-down of direct flights between the two countries. 2018 was “the year of EU-China tourism”, an initiative was launched in Venice in January 2018 to promote sustainable tourism, stimulate investment opportunities, improve connectivity and flight safety and reduce visa requirements between China and the countries of the European Union. In 2018, Italy was the third most visited country in

Europe by Chinese tourists. On average, tourists were families and small groups. The length of each stay extended in 2018, which marks an important change in Chinese tourism in Italy. In terms of connectivity, air transport from China to Italy between January and April 2018 recorded an increase of about 10% compared to the same period of 2017. Air connections between Italy and China have doubled in the last five years, the highest rate when compared with the connections between China and the rest of Europe. In terms of flows, China is the eleventh country of origin for tourists in Italy with an annual average of five million visitors. Lazio, Veneto and Tuscany are the regions that most attract Chinese tourists (63.5% of the total flow). Lazio and Veneto are also the best destinations for spending rates, after Lombardy. As China is a world leader in international tourism spending rates, the country has been one of the most interesting markets for Italy, which still shows significant growth potential. The total annual expenditure of Chinese tourists in Italy is around 480 million euros. Monthly spending trends are extremely unstable, recording the highest peaks in September (53 million euros) and at the end of the year (48 million euros in November and 49 million euros in December). The average daily expenditure of Chinese tourists in Italy is 900 euros and mainly includes luxury goods or services. Although the spending of Chinese global shoppers decreased by 4% compared to 2017, China remained the nation with the best performance in the duty-free shopping market worldwide and represents 29% of the total duty-free expenditure in the whole Europe (MIBACT, 2020).

2. How was that Italy joined the BRI

Italy's embrace of BRI represents a milestone in Italy-China relations. Under the umbrella of the BRI, China has organised all of its foreign relations since 2013, developing bilateral infrastructure, trade, finance agreements with now more than 70 countries that have partnered on that Initiative (Amighini, 2017; Blanchard and Flint, 2017). However, BRI is not only a geopolitical and geo-economic initiative, but also a major "exercise in geo-cultural power" (Winters, 2020), as confirmed by the specific developments in March 2019. Celebrations for the 50th anniversary are organized within a joint project called "the year of culture and tourism between Italy and China", foreseeing a series of events, shows and exhibitions in the two countries. "China and Italy are two symbolic nations, respectively of the East and the West" said Zheng Hao, deputy director of the Ministry of Culture, fluent in Italian. They are global leaders ex aequo for UNESCO World Heritage Sites with 55 each (although Italy is far above both for geographical density and in per capita terms). Italy was the most favourite European destination by Chinese tourists in 2018, with around 3 million visitors, which are estimated to have increased by 20 percent in 2019. A recent agreement signed by ENAC, the Civil Aviation Authority, and the Chinese counterpart, has increased the slots on the China and Italy axis from 56 to 164 per week, the highest number among European countries (temporarily suspended at the end of January 2020 due to the sanitary measures to prevent a further spread of a new coronavirus - COVID19 - from China).

Italy is potentially a strategic terminal hub in the BRI, one of the most important of the 65 countries involved (Amighini, 2017). First of all, with 477 million tons, it is the third European country for managed traffic, equal to 12.8 percent of the total. This helps to explain China's great interest in intensifying relations with Italy. The geopolitical advantage of Italy as access to continental Europe has further increased after the huge Chinese investments in Piraeus (two thirds of the port of Athens have recently been acquired by the Chinese Cosco) which has now become the main hub of Chinese trade in Europe.

Italy has been targeted by Chinese investors since quite some time, aiming well beyond its manufacturing industries, specifically in infrastructures (ports, logistics and utilities), since when a Chinese delegation visited the port of Gioia Tauro back in 2008 with then PM Romano Prodi. Much before the official launch of the BRI in 2013, the strategic position of Italy in the Mediterranean was clear to Chinese leaders and it still is. Several Italian ports have been approached but so far there is no approved project up to the size required to meet Chinese needs to proceed from Pireus to the centre of Europe. Hence their interest in having a stronger relationship with Italy. At the same time, Italy has tried to attract investments to improve its competitive position compared to northern European routes and ports. The possibility to attract and develop infrastructure development projects financed by the AIIB has been poor, not least for the lack of transparency of the Bank’s financing procedures. One major problem in Italy is that there has been no strong enough vision and willingness on the part of the central government in Italy to define national priorities, and this is due to internal competition among different regions. Moreover, the growing trade deficit with China, and therefore the need to improve Italian exports explains why the MoU was mostly perceived as a way to secure more exports to China and more chances to access financing from the AIIB.

Central in the framework of the TEN-T transport networks is the integrated logistics center of Mortara, located at the intersection of the Mediterranean Corridor and the Rhine-Alps Corridor, one of the few infrastructures in Lombardy capable of guaranteeing the integration of a railway terminal to logistics. The strategic nature of the infrastructure can also be seen by considering the travel times: the journey between Mortara and Chengdu is between 17 and 19 days, significantly less than the 45 days needed on the sea route. Furthermore, if on the one hand the Rotterdam-Shanghai sea route serves inefficiently the territories of the European and Chinese hinterland where important manufacturing productions are located, on the other hand, the Mortara-Chengdu line guarantees the connection between two centers with a strong manufacturing vocation in the respective territories. Mortara can manage the logistics needs of Lombardy and Northern Italy, while the new area of Tianfu serves the Chiengdu Hi-tech Industrial Development Zone.

Behind the “romantic” and peaceful - aura of the legendary Silk Road, there are huge financial resources channeled through the Silk Road Fund ($ 40 billion) and the Asian Infrastructure Investment Bank ($ 100 billion), both Chinese initiatives intended to finance investments to build the BRI. Among these, the idea of a Balkan corridor, Piraeus-Budapest, a project that the Austrians had already hypothesized more than a century ago (Thessaloniki-Novi Pazar-Pest railway) to obtain a logistic route on the Aegean Sea in the case of blockade of the Adriatic.

Chinese pragmatism suggests looking also to the northern Adriatic as a strategic outlet to connect maritime trade in the Mediterranean with Austria, Germany, Italy, Switzerland, Slovenia and Hungary, leveraging the interest of all its ports as a relevant alternative to the major terminals of the Northern Europe. The northern Adriatic certainly has an advantage over the upper Tyrrhenian Sea, as the orographic conformation and the infrastructural difficulties due to the numerous railway or road tunnels do not facilitate the development of further logistics lines. This requires careful reflection on the future of Italian port and the great ports of the South: if Gioia Tauro has progressively lost volumes of traffic, the real Italian natural hub - Puglia with its largest port, Taranto - is sharply growing. Truly creating an integrated Italian port and logistics system that leverages on the location advantages is not only an opportunity for the South, but for the whole country.

Chinese interest in Italian ports has intensified over the past year, precisely in consideration of the strategic nature of the Peninsula’s logistics platform within the framework of the BRI. Beijing has already secured a direct presence in Ligurian logistics since 2016, through a participation of 49.9% in the container terminal of Vado Ligure (40% through COSCO Shipping and 9.9% in the port of Qingdao), where it is building a new platform that should be operational by the end of 2019, equipped with the latest technologies in terms of automation and capable of accommodating large ships. Interest has also been shown for the port infrastructures of Genoa and Savona, with the recent visit of representatives of the Port of Qingdao and with the signature of a cooperation agreement with the CCCC (Chinese Communications Construction Company), aimed at construction of works aimed at strengthening the Ligurian logistics system. However, Beijing already accounts for 30% of the total interchange between the two airports. On the Adriatic side, there has been intense cooperation with Beijing for some time. Trieste is part of the Trihub project, within the framework of a framework agreement between the EU and China to promote mutual infrastructure investments. The China Merchants Group could make new investments in the Trieste port, while the giant CCCC intends to engage with a huge financial exposure (equal to about 1.3 billion euros) in the construction of a deep-sea dock in the port of Venice. In the Adriatic too, in 2018 the China Merchant Group invested 10 million euros in the port of Ravenna with the aim of making the Byzantine city the European hub of naval engineering and Oil & Gas (strategic and sensitive sector included in the European investment screening document that Italy has not adhered to).

The signing of a Memorandum of Understanding (MoU) with China on March 23, 2019, during the first visit of Chinese President Xi to Rome, attracted the attention of half of Europe, the EU and Washington, since its first announcement in October 2018. A founding country of the Union and still among the pillars of a united Europe, as well as a founding member of NATO, Italy was the first G7 country to sign such a document with Beijing. The signature of Italy has attracted criticism from both Washington, based on vivid concerns about a growing Chinese interference in strategic sectors (such as 5G technology, infrastructures and networks in which China asks for a greater presence) and for the consequences that this interference could have on the role of Italy in the North-Atlantic alliance, both in Brussels, which has long sought to build a shared position in Europe on the future of economic relations with Beijing (Tiezzi, 2019).

As for the contents regarding the areas of cooperation, the draft confirms the intention to include in the bilateral cooperation some strategic sectors, such as transport, infrastructure, logistics, environment and finance. Like all the other MoUs signed by China, the areas of cooperation are the same 5 that make up the official BRI deliverables, namely: policy coordination, connectivity and infrastructure, free trade, financial integration and cultural exchanges. Regardless the potential opportunities for Italy as a partner of the BRI, critical issues remain. It is also worth mentioning that the other major European exporters, whose main economic and commercial strength in China is underlined, have not signed any MoU, but led and supported consortiums and business missions to sign contracts and agreements. BRI is one of the projects that will have the greatest geopolitical and economic repercussions in the near future. Italy, like all other European countries, must carefully weigh the opportunities and risks that accompany the project, also in view of the current rebalancing of the structures of international power and of the mounting concerns and criticisms about the multifaced rationales behind the BRI, as described in the next section.

3. BRI around the world: political support, debt, procedures, arbitrations and contracts

Beyond the common narrative, the BRI, in Italy often translated as “new silk roads”, is an internal and international development project with important geopolitical connotations (Amighini, 2017). On October 24, 2017, the completion of the BRI was included in the Chinese Constitution, which coincides with the Constitution of the CCP. The BRI is now a strategic state objective, not just an economic and commercial initiative.

Far beyond the logistics and transport projects, therefore, the new silk roads are today the main driving forces of Chinese foreign policy. Since physical, digital and institutional infrastructures simultaneously represent the skeleton, circulation and power of the global economy, China is preparing to become a leader in the governance of the global economy, since it aims to control ever wider areas (Amighini, 2017). As a result, the Chinese approach to regional integration differs from ASEAN or EU-style regionalism. Instead of using multilateral treaties to liberalize markets, China promises prosperity by linking countries to its continued growth through physical infrastructure such as railways, highways, ports, oil pipelines, industrial parks, border customs services and special economic and commercial areas; virtual infrastructures such as payment and virtual connectivity networks; institutional infrastructures such as finance for development, bilateral trade and investment agreements and regional cooperation forums, as in the case of the 17 + 1 initiative. Not only does this approach not open the markets in a non-preferential way, but it could create economic, financial, if not political dependence on China. The spirit and the inclusive and cooperative intent of the BRI, which China continually emphasizes, does not mean that it does not have a strong national strategic interest in it, with the aims to access raw materials and take them home for its manufacturing and construction industries, to use the special economic areas where the sorting and processing of exports takes place near the main markets to increase its turnover, to manage the virtual space of activity of millions of individuals, to collect the data of millions of consumers, to become a creditor of a growing number of countries, potentially also to guarantee a cooperative attitude in multilateral decisions (Sidaways and Woon, 2017).

In recent years, China has established closer ties with the emerging economies of Africa and South America, leading many of these nations to break ties with Taiwan. One of the most controversial projects is in Sri Lanka, where the government has signed a 99-year lease agreement for the unprofitable, but located along a busy Indian Ocean shipping lane, along with land for the development of a free trade zone, to a company controlled by Chinese capital, in an agreement opposed by residents. China entered into trade agreements worth $ 390 billion with the countries participating in BRI in the first four months of 2018, an increase of 19.2% year-on-year. In addition, China held the first round of free trade agreement (FTA) negotiations with Mauritius and the second round of FTA talks with Pakistan. It also signed an economic and trade cooperation pact with the Eurasian Economic Union. By the end of April, China had built 75 zones of economic and trade cooperation along the "belt and road" countries with a total investment of $ 25.5 billion. In this context, it is difficult to believe that China is not pursuing any geopolitical purpose: above all by looking at the ways in which BRI projects are developing, with priority in areas of strategic importance, from Central Asia to Southeast Asia, from Middle East to West Africa. In fact, China's port projects abroad include activities that can lend themselves to dual civil-military use. Furthermore, the influence of the Chinese Communist Party is high in these projects, through the involvement of Chinese state-owned companies and control through shareholdings or long-term leasing. Finally, the opacity and low expectations of expected return on investments make them extremely risky. State banks have lent billions of dollars to hundreds of projects in countries where most investors are afraid of even joining. A Bloomberg News analysis last October showed that among 68 BRI partner nations, the sovereign debt of 27 was classified as junk, or less than investment grade according to the top three international rating companies. Another 14, including Afghanistan, Iran and Syria have not been rated or have withdrawn their rating requests. In addition, these projects are often developed in places of great political and commercial risk, or places where legal systems are uncertain, as well as legal and commercial culture. According to recent analyzes by the Center for Global Development, BRI creates the potential for debt sustainability problems in some of the weakest economies in the world (Rolland, 2017; Yong, 2016). Infrastructure projects have a very high marginal impact on the external debt / GDP ratio in some countries and are therefore putting them at risk of excessive debt, in particular Djibouti, Kyrgyzstan, Laos, Maldives, Mongolia, Montenegro, Pakistan and Tajikistan. This creates potential problems for the receiving countries, and consequently an excessive power of Beijing, in addition to what it already exercises through commercial dependence. Along with well-being and growth, the new silk roads also build an economic and financial, and therefore potentially political, dependence on China (Yuan, 2018).

Speculation abounds among scholars and politicians as to which strategy inspires Chinese investors and whether the visible hand of the Chinese government, much more than the invisible hand of the market, works behind the scenes to orchestrate those investment flows. The search for new markets and technologies are clearly the main reasons for Chinese investments in Europe, similarly to other foreign investments in the old continent. However, the Chinese nationality of investors requires more attention from beneficiary countries in Europe, due to the widespread role of the state behind investment decisions. The state could pursue other objectives in addition to profitability, such as market share, especially when the restructuring of the sector of state-owned and controlled companies (SOE) culminated in the creation of large industrial conglomerates, within which a company was listed only in part but is still classified as a private company by Chinese statistics. The entry of large groups with overcapacity on European and global markets also prevented competition. In addition, the main investors are also a rather concentrated group. Six investment companies have more than 10 agreements, which increases investor's market power.

Overall, the circumstances that made Italy sign a MoU on BRI with China are very peculiar. The Italian rationale in signing the BRI MoU mainly builds on economic motivations, which have largely outweighed other motives. When the Italian government originally started tentative talking about its membership in the BRI, that was based on hopes that it would improve bilateral trade and investment relations, compared to those that Germany and France has held for 4 decades. The belief that the MoU was a vehicle for deepening business and trade relations with China was offered as a major justification for the Italian signature in front of both the Parliament and the public opinion. Certainly, there was a combination of factors that convinced the government at that time that such a move would be a way forward in bilateral relations, given the strong interest by China for a largest Italian role in both the maritime and the overland trade routes within BRI. The idea was that trade relations could be significantly improved as a result of the MoU, and also that such a decision would put Italy in a position to become a favourite partner within the EU. Unfortunately, so far there is no clear signs that those expectations have been met, while signs are piling up confirming the Chinese perspective about the role of Italy within BRI.

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ITALY'S SMES: FROM THE INDUSTRIAL DISTRICT TO THE WORLD STAGE

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Abstract

Increasingly global competition requires Italy's small and medium-sized enterprises to take an approach to internationalization that is no longer based exclusively on exports, but also entails establishing a firm foothold in the target markets. To understand the opportunities that SMEs have for setting up operations outside their home country, this paper will examine the institutions that support internationalization, with particular reference to how industrial districts are evolving. Given that the success of a foreign investment hinges on having a thorough knowledge of the target country, the paper will illustrate the PESTEL analysis method and its application to two Eastern European countries that have long been favorite destinations for Italy's SMEs**.**

Keywords: SME, internationalization, district, business network, PESTEL

1. Introduction

The integration of the world's economic systems is a major challenge for small and medium-sized enterprises that hope to compete at the global level. Taking our cue from prominent scholars' argument that "enterprises, whatever their size, must achieve insider status in the geographical areas that are considered to be attractive" (Valdani and Bertoli, 2004) [35], the following pages will present a few reflections on the tools that SMEs can use to establish a firm foothold on their target markets and thus implement the more common forms of "light internationalization"[36].

Though there is no denying that difficulties and obstacles abound, an enterprise's performance hinges more than ever before in events and trends in the global economic system. Consequently, it is no longer possible to neglect organizational strategies that enable SMEs to reach the critical mass needed for a model of "aggregative growth and innovation" (Perrow, 1992; Butera, 1999) and face the challenge of new competitors

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While all authors made a substantial contribution to the paper, sections 1 and 2 were written by M.G. Lucia, and L. Alessio and A. Volpe wrote the presentations given in section 3 of the PESTEL analyses for the Republic of North Macedonia and the Republic of Albania respectively.

[35] For a review of the literature on enterprise internationalization, see Valdemarin and Lucia, 2018. See also Beretta Zanoni, 2012.

[36] "Light" internationalization refers to forms based on exports.

in emerging countries. In this connection, Italy's regulatory framework for business networks and the analysis methods developed in academia provide valuable tools for developing new organizational strategies and gaining a comprehensive understanding of all the characteristics of the geographical areas tapped as new production sites.
The following section gives an insight of Italian SMEs with special emphasis on the regulatory framework aiming at assessing whether the enterprises could be enabled to overcome the critical issues related to the small size. Indeed, the small size is a major obstacle to obtain financing for the internationalization process.
The success of the internationalization depends on the economic, political, social features of the host country. Therefore, we will outline a method for analyzing new markets - the PESTEL analysis - that has been applied to Republic of North Macedonia and Republic of Albania, that may be regarded as countries with significant attractiveness for the Italian SMEs, as evidenced by enterprises already in place.

2. Challenges and opportunities of internationalization

Italy's small and medium enterprises account for over 70% of the country's production, employing around 5 million people. Moreover, the majority - 86% - are considered "micro-enterprises", with yearly sales of less than €2 million. Small though they may be, however, their numbers are growing - by around 6% between 2015 and 2017, while the number of larger enterprises dropped by 1% in the same period (Istat, 2018). For the most part, Italian SMEs work in traditional manufacturing sectors (the textile, clothing, footwear and furniture industries) and are grouped in geographically defined industrial districts[37]. We do not propose here to dwell at any length on the origin, characteristics and positive interactions between district-based enterprises and their surrounding areas, which have been extensively investigated in a large and authoritative literature[38]. For our analytical purposes, it is more useful to note that when industrial districts were first gaining prominence in the Eighties and Nineties, and to an even greater extent in the slump following the global financial crisis, the academic world was not behindhand in calling for strategies for formalizing the networks that had arisen spontaneously in certain areas, and for nursing a sector that was still a mainstay of the Italian economy back to productive health.
Here, then, it is enough to recall that an industrial district is a production system marked by shared practices, stable social relationships, informal rules that result in consolidated ties, and exchanges of information and knowhow (Lucia, 2015). Essentially, until the recent past, the industrial district relied on a system of shared values and attitudes, a skilled workforce trained on the job, and *spontaneous* networks for cooperation and agreement between firms (Sforzi, 2005). From this perspective, a number of scholars argue that the rise of "product culture" is a source of strength for district-based enterprises venturing onto the international market[39].
On closer scrutiny, then, we can see that the district is not a model in crisis, but a model in transition, which must be helped to deal with the changes taking place in the international economic system by opening up to the rest of the world and becoming

[37] For an in-depth analysis of Italian SEMEs see Adamo, 1999.
[38] Among the many scholars dealing with industrial districts, mention should be made of Beccattini, 2000 and Dei Ottati, 1995.
[39] Product culture is an organization system designed to achieve continual product development and improvement. For further information, see https://www.productculture.org/.

part of the global value chains (Corò and Micelli, 2007). Over a decade ago, Gabi Dei Ottati (2009) called for the formation of a *business group*, or in other words, a vertically and horizontally integrated aggregation of enterprises guided by a firm with greater ability to adapt to new patterns in international value creation. Naturally, the relationships between the enterprises involved in this process no longer depend necessarily on geographical proximity and long-standing social and cultural ties, but on formal organizations which aim to increase prominence on the world scene by joining long networks (Vitali, 2010).
At this point, one could raise the objection that the merging of the district into the global networks could nullify its identity and undermine the relationship with its local community. But if you think that the present economic system meshes global and local interactions, the district does not lose his identity but provides the whole territorial context with information and innovation that spread in the global network.
Essentially, the issue at hand here is the size of the enterprise, or rather, the type of organization that enables Italian SMEs to reach the "critical mass" needed for the internationalization process, which is now hampered by low outward investments. Indeed, according to the *Italia Multinazionale* report published by ICE, the Italian Institute for Foreign Trade (Mariotti and Mutinelli, 2017), Italy's foreign direct outflows amounted to 24.9% of gross domestic product, far below the EU average of 55.5%. In particular, average FDI outflows between 2012 and 2016 shrank by around 62% from the levels reached in the previous five years.
As regards this situation, some scholars maintain that Italy's level of internationalization is not in fact so very distant from that of its main competitors elsewhere in Europe, given that the Italian system is oriented towards forms of "light internationalization" such as manufacturing and trade agreements and other types of delocalization that statistical surveys do not consider foreign direct investments. By contrast, other scholars argue that Italy's internationalization patterns are shared with those of other countries, but with the substantial difference that the instruments they involve are regarded complementary to FDIs rather than replacing them (Barba Navaretti et al, 2011).
To overcome the hurdles associated with firm size[40], tools have been developed to assist SMEs in achieving the necessary critical mass. Of particular interest is the contractual business network, an "aggregative" tool introduced to the Italian legislative framework by Law 133/2008 (Ministry of Economic Development, 2014)[41]. Later modified and improved, the business network enables firms to maintain their own identity while at the same time leveraging the synergies provided by larger size and thus be better able to compete on the world stage not only with exports, but also through a direct presence on the target markets. Thanks to its flexibility, the legislative framework provides for several types of network. The general consensus is that the most effective is the business network with legal personality (Ricciardi, 2018): through registration in the ordinary section of the Registry of Business Enterprises, the network becomes a legal and tax entity. This status gives it greater opportunities for access to

[40] It should be borne in mind that size is not the only critical factor for Italian enterprises. Several authors also warn of another problem, viz., the fact that their foreign direct investments are concentrated in Europe, whereas the emerging countries are more profitable. See Iacobucci and Spigarelli, 2003; Mariotti and Mutinelli, 2005.
[41] For an extensive analysis and an assessment of the contractual business network's effectiveness, see Cabigiosu and Moretti, 2015.

bank credit, tax benefits and the institutional funding offered by the European Investment Bank and by national and local agencies. Another important point is that banks can also be part of contractual business networks. This not only makes it easier for the firms in the network to find financing, but also ensures greater risk diversification for the banks (RetImpresa, 2015; Pieralli, 2018).
As can be seen from national statistics, over 4 thousand business networks were registered in 2018, an increase of almost 19% over the previous year. These networks were made up of around 31 thousand firms, 24% of which were in the manufacturing and crafts sectors. In addition, surveys of firms belonging to networks show that they significantly out-perform other businesses operating in the same sector (ICE, 2017; IntesaSanPaoloMediocredito, 2015; 2018).
The majority of firms that have joined contractual business networks are located in Lombardia and Lazio. In recent years, however, the number of business networks has doubled in the Northeastern regions, where there is a marked propensity for firms from different sectors and geographical areas to band together (Registro di Impresa, 2018; Il Sole24Ore, 2019). This suggests that the legal framework for networks tends to encourage district structures that are self-organized on a geographical basis to move towards a form of organization where spatial proximity and administrative borders do not matter. That said, it should also be noted that the business network should not be considered an alternative to the district, given that agreements as contemplated by the legislation governing networks can be entered into by firms in a district, and outside business networks can link up in networks with the district's firms[42].
The resources earmarked for supporting SMEs' internationalization are handled by Italy's export credit agency SACE (Servizi Assicurativi del Commercio Estero) and by SIMEST, the development finance company controlled by the publicly owned Cassa Depositi e Prestiti banking group and Italy's largest banks. The SACE-SIMEST pole recently launched a portal-based subsidized loan program which supports SMEs in all stages of internationalization, from initial assessments of new markets' potential, to equity investments in increased production capacity. In addition, it provides banks with guarantees against default - thus making it easier for SMEs to open medium and long-term credit lines - and foreign direct investments for joint ventures, M&As and partnerships, as well as capital for projects abroad (SACE, 2018).
As can be seen, then, the business network and the financial tools and services provided by SACE and SIMEST can smooth small and medium enterprises' path to being competitive on the world market[43].
Once the weakness of the small size has been overcome, the enterprise must assess the "where", namely the geographical area more advantageous for its establishment. As previously said the PESTEL analysis is a useful tool, how we will try to explain in the next section, taking as an example the Republic of North Macedonia and the Republic of Albania. Their geographical position provides an opportunity to broaden their market to Eastern European countries and to Middle East.

[42] Examples include the business network set up in 2012 by 12 firms in the Friuli-Venezia Giulia chair manufacturing district, whose specific objective was to expand on international markets, the COMET metalwork manufacturing industries' network (also in Friuli-Venezia Giulia), and the SEED Group network of Pordenone. In the San Daniele Prosciutto District, on the other hand, outside suppliers have stipulated a contract to leverage the advantages of the district brand.
[43] For firms' access to credit, see also Sestini, 2011.

The first country was chosen because it is one of the most dynamic of the transitioning economies, both socially and economically. In addition, its geographical position as an important strategic link between Europe and the Middle East provides businesses with an opportunity to set up operations in a transit and distribution hub for international trade. The Republic of Albania also has considerable potential for Italian firms, given the country's cultural affinities and similar business models. Indeed, 72% of the Albanian population understands the Italian language (INSTAT, 2018), while in both Italy and Albania, SMEs account for over 85% of the production fabric (ICE, 2019). Like the Republic of North Macedonia, the Republic of Albania also enjoys a strategic geographical position providing openings to markets showing constant growth. Under the IPA-II Instrument for Pre-accession Assistance, moreover, the European Union provides direct funding through the Transport Sector Operational Programme 2014-2020 for improving the two countries' road and rail infrastructures and making them part of the Trans-European Transport Network (ICE, 2018).

3. A method for analyzing new markets

A thorough understanding of the target country is a crucial part of SMEs' internationalization strategies. The challenges for the firm, in fact, are not limited to its capacity to adapt to new surroundings, but also include its ability to collect exact information and resources in the stages preceding its entry into the new country. In this connection, PESTEL analysis is an effective tool for implementing a strategy of expansion beyond the home country's boundaries because it makes it possible to select the key variables needed to formulate the business idea and assess the overall attractiveness of the geographical area in question (Valdemarin, 2015).

In this section, after a brief presentation of the method, we will illustrate a practical application of PESTEL analysis to the Republic of North Macedonia and the Republic of Albania, countries with transitioning economies[44], marked by upward trending growth, good domestic demand projections and, consequently, encouraging prospects for entry in global economic circuits.

Though PESTEL analysis[45] was first used in the 1960s, it was improved in the second half of the Eighties (Fahey and Narayanan, 1986), when a growing number of multinationals expressed a need for effective tools to help them along the road to expansion beyond their home countries.

PESTEL analysis is such a tool, as it identifies the macroeconomic factors - or in other words, the political, economic, social, technological, environmental and legal picture presented by the area where a business is to operate - and makes it possible to monitor any changes the firm will have to deal with over time. Naturally, it is not enough to survey and describe the external forces, as it is also necessary to evaluate their potential impact on the firm's performance in order to identify in advance the opportunities and obstacles that will be faced in the country targeted by foreign direct investment.

Our PESTEL analysis of North Macedonia and Albania found that neither country is particularly problematic from the political standpoint, as they are in line with European standards. Moreover, the Republic of North Macedonia is well along in its negotiations

[44] These are countries that, after the collapse of the Soviet Union in 1989, gradually adopted the institutions typical of market economies.

[45] After its introduction in the 1960s, this analysis was further developed under a number of different acronyms. For further information on PESTEL analysis, see Agostoni and Gulino, 2013.

for accession to the EU, while Albania has been asked to make further improvements, especially in terms of creating a professional civil service.
As regards economic policies, the situation in both countries is attractive to foreign investment thanks to highly favorable tax legislation. As for the economic picture as a whole, major international surveys such as the *World Economic Outlook* and the *World Investment Report* indicate stable prices and exchange rates, low inflation and shrinking unemployment[46]. As can be seen from the World Bank's *Doing Business* report (2018), this scenario is made even more attractive by efficient bureaucratic procedures, favorable taxation, and a well-trained and low cost workforce, the latter being a factor that provides a concrete competitive advantage for firms that engage in efficiency-seeking FDI[47].
The social environment in Albania and North Macedonia is also non-problematic, as the population is relatively young, educated and open to innovation. Another point in the countries' favor is the fact that Italian is the second-most common language spoken by the majority of the population.
From the standpoint of technological development, the Republic of North Macedonia in particular has made significant progress in recent years, while Albania is still lagging behind. The countries' climate is particularly suitable for agribusiness, while their geographical proximity to the European Union and the growing Balkan markets further increases the opportunities for Italian SMEs to extend their processes of internalization. Last, as regards legal factors, it should be noted that both countries have entered into Stabilization and Association Agreements[48] with the European Union, and customs duties are being liberalized as a result.
As can be seen, the opportunities for Italian SMEs to do business in North Macedonia and Albania are significant, especially in the renewable energy, ICT and automotive industries, given that the countries' governments tend to encourage firms to group together in industrial districts similar to those in Italy.
The results of the PESTEL analysis shed light on the strategic investment potential offered by the two target countries, as well as the problems they present. The opportunities for Italian SMEs in the Republic of North Macedonia and the Republic of Albania consist primarily in their lower overall cost of doing business compared to Italy and their geographical position, which ensures an outlet to Eastern European markets.
However, further administrative and legal reforms are needed in both countries to provide greater protection for foreign investors and to speed up integration in the EU, thus making them more attractive to FDI.

4. Concluding remarks

In discussing Italian SMEs' prospects for internalization, it must be emphasized that formalizing spontaneous networks is important in order to overcome the obstacles that

[46] The *World Economic Outlook* is a survey prepared by the International Monetary Fund which presents global macroeconomic developments, with particular attention to GDP and growth potential, inflation and trade balance. The *World Investment Report* is published annually by the United Nations Conference on Trade and Development, and monitors global international investment trends.
[47] Efficiency-seeking foreign direct investment is a form of FDI that attempts to increase efficiency by keeping production costs down and/or increasing economies of scale.
[48] The Stabilization and Association Agreement (SAA) is the basis for implementation of the accession process for countries wishing to join the European Union.

small firms face in setting up production outside their home country, and thus gain a competitive edge in global economic circuits. The effectiveness of the institutional framework has been reported in a study carried out by Istat, RetImpresa and Confindustria (2017), from which is evident that contractual business network has had positive effects on the enterprises' performance, working as an industrial policy instrument able to protect, to some extent, the Italian manufacturing system during the crisis.

A qualitative survey carried out on a sample of just over three hundred enterprises by the Ministry of Economic Development (2014) points out that the exports of those joining the contractual business network have increased by some 25%. The lasting of the economic system crises and the simultaneous entering of new countries in the world market, has led to a shift of attention on the process of internalization of the SMEs. Thus, in 2014 has been extended to the contractual business network the master agreement signed between ICE and RetImpresa, which allow special benefits for the internationalization and for promoting abroad Italian SMEs.

This master agreement allows the network of SMEs to take advantages of any kind of export consulting services. Furthermore, to encourage the process of internationalization provision it is envisaged the organization of business mission abroad with the cooperation of the Italian embassy of the country next export market or location site of Italian SMEs (PMI, 2014).

This brief analysis of the tools that have been developed at the institutional level to assist small and medium enterprises along the path to internalization has shown that the contractual business network is not simply an alternative to the industrial district, which as indicated earlier is one of the pillars of Italy's economy.

Together, the legal framework for business networks, the funding earmarked by the Italian government, and the services offered by the companies charged with administering these funds provide an effective mechanism that not only encourages SMEs internationalization initiatives, but can also help Italy's industrial districts evolve towards forms which go beyond a focus on exports and expand production abroad.

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ETHICS IN THE ECONOMY AND TERRITORIAL DYNAMICS

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Abstract

Starting from the broad ethical debate on the economy, the paper highlights "other forms of economy", and evidences their main elements. The focus is on the need to develop a collective consciousness that implies taking a relational approach. In this respect, the affirming of the Benefit Corporation phenomenon confirms the trend involving development actors in terms of following the "shared value perspective of creation". This strengthens the links between a visible (economic and financial choices) and immaterial dimension (collective wellbeing), in order to support effective territory policies for the pursuit of the common good.

1. Introduction

The spread of the economic-financial crisis worldwide due to the interconnecting of markets, intermediaries, nations, etc., has posited relevant debate on the planet's future and the values underpinning its evolution. In this respect, several years have passed since Sen (2003, pp. 7-21) claimed that development cannot be conceived simply as an increase in per capita GDP, industrial growth, technological innovation or social modernisation, but its value must be linked to the territorial impacts of progress. Despite great achievements, our world is still marked by both prosperity and extreme poverty. Already in 1994, Ruffolo in *The Development of Limits*, argued that the question was badly posited as the dichotomy we face poses not the dilemma between growth and non-growth, but between "growth of power" and "conscience". In this context, in 2000 the representatives of 189 countries signed the Millennium Declaration, indicating a series of objectives considered fundamental both to reduce inequality and to narrow the segment of world population that does not have the opportunity of living a dignified life. At the same time, the European Council Meeting in Lisbon assigned the European Union the task of eradicating poverty and combating social exclusion. Subsequently, in 2015, the United Nations Summit adopted the Agenda for 2030, an Action programme for humanity and the planet[49]. Other global

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[49] The 2030 Agenda objectives, universal in nature are based on the integration between the three dimensions of sustainable development (environmental, social and economic), as a prerequisite for eradicating poverty in all its forms. The new Agenda fully recognizes the close link between individual wellbeing and the optimum state of natural systems, as well as the presence of the common challenges that countries are obliged to face.

institutions albeit working against unsustainable situations, have failed however, to foster confidence in the future. Negative phenomena persist in a context of unprecedented gravity, constituting a thorn in the heart of our civilisation. Solutions require the presupposing of various conditions, however, this leaves open wide gaps in current debate. Unanimous however is the consideration that change is desirable, but becomes alarming when the quality of life of a large segment of the population deteriorates to such an extent. The present study attempts to provide insights on contributions aimed at presenting reasonable prospects for collective wellbeing. After years of vain hope, we are on the threshold of a phase of greater awareness of the need for the cooperation of all the players in the territory. The attempt to “create economic value” sustainably by simply obeying the imperative to consume more in a period in which citizens earn less is giving way to a change of direction towards an ethics/ethical economy to “create shared value” (Porter and Kramer, 2011, p. 72). However, misunderstandings intrinsic to such approach have not made dialogue easy, to the point of causing sectarian closures and difficulty in prospecting accurate definitions (Bruni and Zamagni, 2009). Finally, we will come to argue that the actors of development (regardless of the roles they play in the economy) through cooperation can create a shared value and generate collective well-being.

2. Forms of alternative economy

As is well known, Ethics mainly invests the field of philosophy and theology, placing humanity at the centre of reflection and attributing actions that modernism would have dependent on external causes, separated from the assumption of individual responsibility. In the period characterising the transition from the II to the III Millennium[50] the reconciling of an efficient economic system with the principles of solidarity, fairness and respect for the individual and the environment, had generated strands of studies previously considered the prerogative of the Church alone[51]. The latter, over the years, has clarified that any system aimed at subordinating social relations to economic factors is contrary to the nature of humanity. For the Church, true development cannot consist in the simple accumulation of wealth and in the greater availability of goods and services if achieved without due consideration for the social, cultural and spiritual dimensions of the person. In other words, wealth remains a good and whoever possesses it must use it and make it circulate, so that even the needy can enjoy it; the failure of the market must be seen in the immoderate attachment to the wealth and profit of the individual (John Paul II, 1987, 1991). To this purpose, the economy is a useful tool both in the scientific field and in practice: it is entrusted with the partial task of producing, distributing and consuming material goods and services, but it must not betray its function of “instrument for the global growth of humanity and society, and in particular for the improvement of the quality of human life” (Pontificial Council for Justice and Peace, 2004). It stands to reason therefore, that the relationship between morality and economics is fundamental: economic activity and moral behaviour are intimately linked. Morality is neither in opposition

[50] This has happened above all because of the gradual loss of ethical and moral values that in the past characterized the economic sciences.

[51] The Church, already with Pope Pio XII, in 1941 had begun to talk about ethical economics in the Social Doctrine, mentioning the issue again in successive papal encyclicals, up until 1997 when with Pope Giovanni Paolo II, the issue of ethical economies was endorsed in the third part of Roman Catholic Doctrine.

nor neutral to the economic process. On the contrary it is a factor of efficiency of the economy itself and becomes an opportunity for everyone to live in solidarity and with the vocation for interdependence. In this respect, ethics is configured as a "guideline" to reconstruct the gap between the economy, seen as an autonomous mechanism from which output can be evaluated (income, power, etc.), and behaviour, which transforms resources into products. At the end of the 20th century, in a society where the collapse of ideologies has risked overwhelming even the most profound ideals of man, impoverishing him and reducing him to a mere link in the chain of consumerism, the need was felt to overcome utilitarian and individualistic conceptions, giving space to the *homo ethicus* (and not exclusively *religiosus)*. He is a person, open to relationships with the world around him, willing to seek not only his own good but that of the environment in which he lives, of his family, business, community. Forms of "other economies" have since emerged, parallel to the realisation that:

(1) the classical theoretical-scientific system is no longer able to explain a large part of contemporary social phenomena with consequent organic and exhaustive distortions;

(2) Inappropriate behaviour undermines the bases of the market economy given that reality is complex and never completely corresponds to the descriptions of the manuals.

After about a century, mainly in Great Britain, in 1980 it was specified that the "Social Economy" a set of organisations that:

(1) does not belong to the public sector whose functioning is based on democratic principles and equal rights and duties;

(2) is equipped with a specific regime of ownership and distribution of profits;

(3) uses surplus to expand the activity and improve the offer of services to its members and society as a whole[52].

Such distinctive features have been extensively examined and disseminated by economic essays and have delimited the area that is structured around cooperative Associations, mutual societies and associations, to which the foundations have recently been added (European Economic and Social Committee, 2012). During the 1980s pioneering initiatives aimed at improving the living conditions of the Southern countries of the world, not so much by virtue of welfare, humanitarian or income support but rather by developing the productive and entrepreneurial capacities of the inhabitants and favouring economic growth through the trade of products in the markets of rich countries. These experiences represented the first form of "Solidarity Economy". Exponents of the Catholic and Trade Union universe engaged in social work, the Organisations of the Third Sector and international cooperation, ecologists, pacifists believed in the ideal of creating direct bridges between "weak" economic subjects and "critical" consumers/savers, aware of the unfair distribution of resources. In this context, in 2002 the path of constructing the Solidarity Economy Network was undertaken, putting the economic subjects of the diverse sectors in direct relation, to render them more independent from the system of trade and relations of the capitalist

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[52] The definition of social economy was coined in France in 1970 by the Comité national de liaison des activités mutualistes, coopératives et associatives or CNLAMCA (National Coordination Committee of Mutual Societies, Cooperatives and Associations). The most recent definition of the concept of social economy by the organisations of the sector is that endorsed in the Charter of The Principles of the Social Economy promoted by the Permanent European Conference of Cooperatives, Mutuals, Associations and Foundations.

market. Along the same lines, “Districts of Solidarity Economy” (DES) were created as laboratories in which to experiment forms of territorial organisation with networks created at local scale.
The “Economy of Communion”, on the other hand, was disseminated by the Focolare Movement in 1991 to advance a form of management of economic phenomena where companies were obliged to create wealth for the poor, sharing part of their profits with society as a whole. The model consisted in a form of brotherhood in business management of the company and in the sharing and tripartition of profits produced: one third reinvested, one in favour of the diffusion of culture, the other for the poor (Chiminazzo, 2007). It therefore became a practice and an economic culture marked by gratuitousness and reciprocity, proposing and living a lifestyle alternative to that predominant in the capitalist system. This conviction gave rise to the creation of productive and industrial centres in the small towns of the Focolare Movement, of which they represented the vital and life-giving component, as foundational and fundamental places in which to develop and make visible the Communion Economy.
In the new Millennium the school of thought led by Zamagni and Bruni (2009) had the merit of placing the “Civil Economy” at the centre of studies and founded on the values of reciprocity and fraternity, as a potential alternative to the capitalist concept in economic and financial activity[53]. Although based on the characteristics of a market economy (division of labour, development/accumulation, freedom of enterprise), the difference concerned objectives to be pursued: while for the civil economy the aim was to achieve the common good, for the second is the product / service. The challenge was to achieve the coexistence of three principles of the social order: efficiency, equity, reciprocity. As economic science is often linked to a specific ideological form it is fundamental that the latter does not erase the ethical perspective.
The brief overview on the profiles of “alternative economies” shows that the solution to the crisis of capitalism cannot be entrusted to generic theories, religious opinions or to the various relationships of force in the global world, but to scholars who systematically and scientifically reflect on potential outcomes. Certainly, the absence of clear boundaries between the aforementioned forms makes it difficult to identify and classify the many applied case studies, as well as to analyse the impacts generated in the various geographical areas. However, the common characteristics of ethical economy initiatives are evident, which - interpreted within the sphere of inductive methodology - lead to exalting the importance of territorial roots. As concerns factors that favour the spread of praxis involving entrepreneurs, savers, consumers, public Institutions and banks, positing a territorial approach capable of interpreting the reasons and relations of the dynamics of reference cannot be avoided.

3. Territoriality as a driver of the ethics in the economy

The prosperity of a geographical area cannot be induced from the outside by intervening on its economy; only change in the system of moral values can generate

[53] The authors argue that the civil economy is a typical Italian practice of intending the economy, already in place during the XV and XVI Centuries and later developed during the XVIII Century, with Antonio Genovesi (1713-1769). Genovesi conceived human society as “civil” and the marketplace founded on the rights/duties of its members to be helped on the basis of principles of mutual assistance and reciprocity. The social order is the result of the balance between personal interest and cooperation. Trade thus becomes a specific form of mutual aid that enables a complex society not only to survive but to grow by virtue of the constant interaction of the marketplace with the Institutions.

collective well-being and, consequently, enrich the economy of an area. Such change represents the condition for the development of a territory: from the improvement of the individual follows that of the mass in a vision of "integral ecology". To provoke inclusive growth, the key element is to cement productions of both economic and social value (Venturi and Rago, 2015). Economics is the visible part of ethics and ethics is the invisible part of the economy (D'Anna, 2011, p. 428): ethical economic processes are basically the result of interactions between individuals with specific identities and between them and the communities of reference[54]. Hence the criticism of utilitarianism according to which the increase of social utility depends on the sum of the private utilities pursued by individuals (Sen, 2006, p. 42).

On the basis of such assumptions, new pathways are being undertaken to respond in a concrete manner to the need for justice, solidarity and reciprocity, which are at the basis of integral development. In this direction participatory and transversal dynamics is justified involving a plurality of subjects with "place consciousness" (Magnaghi, 2010) aware of the profound change of perspective for the creation of shared value, relational goods, sustainable happiness (Bruni, 2002). The backdrop to such evolution is the overcoming of the clear - and now obsolete - contrast between local actors, in order to work together, interacting and influencing one another up to the creation of a renewed territoriality (Governa, 2005, pp. 60 -61). Such procedural approach (Raffestin, 1981) thus becomes the lever for the ethical economy, which does not depend simply on human behavior, but on its construction in the light of specific priorities in the scale of values, from the set of praxis and knowledge of men in relation to material reality, to the sum of the relations between individuals and between the latter and the outside.

The ethical economy in other words has become a collective choice built through initiatives shared by territorial subjects, in a way that is also distinct from the specificities of the places[55]. Citizens, have discovered a new protagonism: thanks to recent technologies and the web acting as facilitators, in some cases organising themselves to face common problems (e.g. the success of the sharing economy), in others - as consumers - active in rewarding or punishing companies and / or countries that are more or less responsible from a social and environmental point of view (Bechetti, 2008). Moreover, not to be neglected are the Institutions that, by ceasing their traditional function aimed at solving the problem of negative externalities generated by companies during production, assume the responsibility of co-production of welfare services for the benefit of collective wellbeing. The non-profit sector is also currently gearing up to respond to emerging needs that the State is no longer able to satisfy, evolving towards so-called hybrid realities (Venturi and Zandonai, 2014), such as innovative start-ups with a social vocation, organisational hybrids with a cooperative matrix, social enterprises, etc. (Symbola-Unioncamere, 2016).

Social and environmental sustainability is currently becoming a major competitive factor, positioning for-profit companies in markets where attention is growing for the

[54] "The response to Social problems comes from community networks, not with the mere sum of individual goods", as "the possibilities of individual initiatives and the cooperation of persons, trained individualistically, will not be sufficient to respond to them" (Papa Francesco, 2015, p. 132).

[55] Few studies exist on the specific context necessary for the dissemination of the Ethics/Ethical Economy, predominantly referring to variables related to entrepreneurship (culture, professional background, network of relations, philosophical orientation, Institutions, etc.) (Autio, Mustar et al, 2014) and more generally related to social capital.

issue by stakeholders (Sturabotti and Venturi, 2016). They are very clear that profit performance is increasingly dependent on values and prospects that are not directly economic: the protection of nature and workers' rights, the enhancement of resources, support for communities, and cultural promotion. Within the Italian business landscape, for example, Benefit Companies[56]. are emerging, aimed at the production of shared value, i.e. changing in a stable and positive way the level of wellbeing of a company (or part of the same) and playing a key role in eco-compatibility[57] Introduced by the Stability Act 2016, in the ferment of the global Benefit Corporation movement originating in 2007 and which in Italy has led to the recognition of thirty-six companies voluntarily and formally choosing, since their inception, to generate contemporaneously benefits of a social and environmental nature and profits[58]. Firms which have made a transition of this kind aim at integrating within their *business* a collective consciousness**,** i.e. the principle of sharing (and not only competition) not to mention the concept of active intervention for the future, placing ethics at the core of the market place.

Finally, a part of the world of finance has reformulated existent values of reference with an alternative approach (the individual and not capital, ideas not assets, fair remuneration of the investment and not speculation). Banks, operators and institutional investors are gradually beginning to integrate social and environmental factors in capital allocation decision-making processes. The difficulties of identifying confines to indicate a clear taxonomy has led the scientific world to accept a sometimes overlapping tripartition of initiatives:

(1) socially responsible investments (SRI), which include the activities of brokers/intermediaries who select investments according to ethical screening criteria[59];

(2) the financing of the Third Sector in order to promote beneficial initiatives to combat poverty and financial inclusion;

(3) more broadly, the activity of all intermediaries adopting corporate social responsibility (CSR) policies or ethical codes of conduct in customer relations.

Ethical finance is also using the B LAB's valuation system as an innovative rating[60], in addition to the Ethics Bank's Global Reporting Initiative. In this way, in addition to

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[56] From the analysis of the Italian scenario, Benefit Companies are located mainly in Lombardy (9), Lazio (4) and Puglia (3), followed by Veneto (2), Tuscany (1), Emilia-Romagna (1) Marche (1) Abruzzo (1). The diverse sectors involved include health, environment, tourism, construction, etc. with a prevalence in information technology.
http://societabenefit.com/.

[57] It should be pointed out that a particular research strand (Loewenstein, 2013) does not consider necessary the existence of a hybrid model traceable to Benefit Companies that includes the harmonisation of a social purpose with the search for profit, as normal for-profit companies have a duty to take on a social responsibility with which to ensure widespread benefit.

[58] In 2010, Maryland U.S.A. completed the legislative process defining the legal form for benefits, flanking for-profit and non-profit, thus innovating corporate law. Currently, 27 states acknowledge the same form of legislation.

[59] In 2016, for example, the Banca Etica granted more than EUR 970 million in funding in support of almost 9,000 projects in the main areas of intervention: legality; social cooperation; international cooperation; environment; culture and civil society; the new economy.

[60] B LAB is a Pennsylvania-based non-profit organisation credited with creating and promoting B Corporation certification, granted to companies that voluntarily meet certain standards of transparency, accountability and sustainability, guaranteeing benefits not only for traditional players such as shareholders, but also positive impacts on the environment and society. The issue of measuring the

risk and return, the reflection of investment in the so-called "real" economy, which contributes to changing financial behaviour in a more social sense, has introduced parameters of humanly and ecologically sustainable development and rejecting purely financial gain[61].

In short, the ethical economy should be a global practice, but its implementation depends on the ability of territories to become centres of change, pursuing priorities shared by their players. The effort to conceive and implement actions capable of fostering a fairer society and a more humane world is a bitter challenge, but also an inspiring duty for the actors of the territory. Everyone has the right to participate in economic life and the responsibility to contribute, according to their abilities, to the progress of their geographical area and of humanity as a whole: it is the duty of solidarity and justice, but it is also the best way to make progress in the community towards "positive interdependence." In other words, a virtuous circle between populations, organisations, institutions, companies where skills are mutually strengthened together with the ability to achieve shared goals in common, interrelationships, not to mention the emotional sharing of events as an opportunity to acknowledge a sense of belonging: wide representation of local actors, knowledge and skills, continuity of dialogue with administrations, adequate organizational structures, external relations networks for the exchange and sharing of experiences, albeit in the difficulty of reaching shared solutions, with all the relational implications (Banini and Picone, 2018).

4. Conclusions

The present work is the premise for further study of specific case studies and is proposed as a theoretical contribution to the awareness of development actors on the need to "return to the territory" to promote an effective model of "ethical economy". Over the years the instances of common good, local collective goods, bioeconomy, collaborative economies, circular society, etc. they start from the observation that the dominant production-consumption system is creating more malaise than well-being and that the practicable attitude is that of living as little as possible. However, there is no lack of alternatives found in numerous bottom-up practices that have in common the need to respond to essential needs and which are based on access to non-competitive common goods, i.e. those goods which, while responding to individual needs, are not offered by the market, but they can be produced and enjoyed through common actions dictated by shared intrinsic motivations. On the other hand, the territorialist approach takes the "territory production" as the basis of the production of wealth in an ethical vision. The construction of a new society does not derive from a spontaneous process, but is a collective responsibility. As Stiglitz (2018) states, there are alternatives and policies for reformulating our development and ethics in a different way, even if it is an imprecise compass, but it does offer an orientation.

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impacts of ethical initiatives is much discussed in the literature (Zamagni, Venturi, Rago, 2015, p. 90) and can be traced mainly to the practices of the Benefit Impact Assessment (BIA), which considers the effects on four sectors (governance, workers, community, the environment).

[61] These include both the traditional activities of the so-called non-profit sector - social and international cooperation, ecology, protection of human rights, cultural and artistic activities, etc. - and those entrepreneurial activities that produce on social and environmental benefit for a territory.

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Publishing date: 16/04/2020