



**The geo-economics/politics of Italy's investment promotion community**

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## The geo-economics/politics of Italy's investment promotion community

### 1 Introduction

Literature in the field has seen geographers study assemblages of actors promoting and stabilizing foreign direct investments (FDI). Various named 'communities of investment promotion practice,' 'Investment promotion machines,' or, more generally the 'comprador service sector,'<sup>1</sup> these communities comprise investment promotion arms of international organization, national and regional investment promotion agencies (public sectors), transnational accounting firms and consultancies' location consultants, lawyers, political risk analysts, and real estate firms (private).<sup>2</sup> Phelps, Woods and Sellar and Pástor also emphasized the community aspect of investment promotion: they comprise groups of professionals with overlapping tasks and they inhabit close-by spaces in capital cities and major regional centers. Thus, we call them investment promotion communities (IPC).

While the literature tends to focus overwhelmingly on *inward* IPC – driven by policies aimed at attracting transnational and generally large firms to invest in the domestic economy – this paper studies the much less explored *outward* IPC. Outward IPC are driven by foreign policies and extraterritorial projections of state organizations and institutions, aimed at supporting domestic firms' success in foreign markets. Although there are not many conceptual discussions of outward investment promotion (IP) in geography, the phenomenon is not unknown. A notable piece is Nicholas Phelps'<sup>3</sup> analysis of Singapore's overseas industry and technology parks, established in joint venture with local governments in China, India, Indonesia and Malaysia.

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3 These unevenly successful policies were a clear case of outward IP, as the goal of the parks was  
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5 to create safe havens for Singaporean firms abroad.  
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9 The goal of this paper is not to survey outward IPC practices beyond Singapore; instead, the  
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11 paper will discuss the role of IPC in political geography as a relatively recent and rapidly  
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13 evolving feature of the territoriality of the nation state – one driven by the restructuring of firms’  
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15 value chains. The empirical sections focus on Italy, particularly on one subnational-level state  
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17 agency, Informest. The agency was established in 1991 to provide information about investment  
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19 opportunities in Central and Eastern Europe (CEE). Together with two other agencies, Simest –  
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21 aimed at financing foreign investment projects, – and Finest, also aimed at financing, though  
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23 focused on firms headquartered in specific regions in North Eastern Italy – Informest marked the  
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25 passage from a limited infrastructure supporting exporters to a full-fledged IPC. The latter  
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27 emerged because both national-level and regional and local-level policies led to a proliferation of  
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29 loosely coordinated extraterritorial activities, involving multiple types of actors (public, semi-  
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31 public and private), having cross-scalar reach (from global to local), and overlapping functions.  
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38 The Italian case is important because it shows clearly the connections between the ‘political’ –  
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40 and in particular the redefinition of Italy’s foreign and domestic policies, with the transformation  
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42 of the value chains of small and medium sized enterprises (SMEs). The paper identifies two  
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44 moments in which such changes occurred simultaneously: first, at the end of the Cold War in  
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46 1991; and second, after the Global Financial Crisis in 2008. The empirical section will show that  
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48 IPCs emerged and then consolidated during these moments, as a result of coping strategies  
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50 adopted by both firms and the national government within larger trends of globalization. Overall,  
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52 this paper provides a historical account of the emergence and redefinition of IPCs from 1991 to  
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3 This paper studies IPC within the framework of geo-economics, i.e. the economic means by  
4 which nation-states externalize their influences beyond national borders.<sup>4</sup> This scholarship gained  
5 widespread attention by standing in contrast to the traditional framework of geopolitics, in which  
6 nation-states organized their own territorial structures and claimed external influences, usually  
7 by military power. In the literature, scholars generally re-casted the dichotomy between  
8 geopolitics and geo-economics as two clearly distinct discourses that elites used to justify  
9 strategic decisions.<sup>5</sup> Meanwhile, they pointed out that territoriality and sovereignty, are being  
10 partially enhanced and partially transcended by the intensifying interactions between the state  
11 and capital.<sup>6</sup>

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13 We argue that the IPC studied in this paper contributed to stabilizing and reproducing the  
14 transformations of territoriality induced by geo-economics over time. By definition, investment  
15 promotion is a set of ‘partially interrelated and internationalized practices’ whose central goal is  
16 policy transfer and alignment between national and local policies and the interests of  
17 transnational capital.<sup>7</sup> Thus, IPCs, both inwardly and outwardly, play a role in enabling the  
18 interactions between state and capital by delivering state policies to firms. IPCs also provide an  
19 organizational infrastructure to sustain and reproduce investment promotion practices over time,  
20 and in so doing affect territoriality.

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22 The first part of our argument is that the IPC has been both a driver and an indicator of the  
23 structural transformations of the Italian state and the emergence of new territorialities. In so  
24 doing, they follow global trends identified in a special issue published in *Geopolitics* in April  
25 2013, namely being dedicated to the transformation of state spaces.<sup>8</sup> In this special issue, Moisi  
26 and Paasi document the tension between the understanding of states as static territorial

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3 frameworks and dynamic networks.<sup>9</sup> In our work we document the emergence of transnational  
4 networks of IPCs that are rooted in the territorial Italian State.  
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9 The second part of the argument is that Italian policymakers deployed the perceived needs of  
10 domestic firms to gain legitimacy and build new institutions to pursue a national agenda.  
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13 Therefore, the Italian IPCs traditionally played a role complimentary to the inward investment  
14 promotion practices studied elsewhere: the latter focusing on incorporating the interests of  
15 transnational firms into domestic policies – oftentimes at the expense of the democratic process,  
16 with the former contributing to projecting national interests abroad, especially when the State  
17 perceives the transnationalization of firms as part of its foreign policy and development  
18 strategies.<sup>10</sup>  
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29 Three research questions frame the argument:  
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32 a. How have policies and institutions of the Italian state evolved to support the  
33 internationalization of Italian firms, shifting from limited export support to full-fledged  
34 IPCs after the end of the Cold War?  
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38 b. How have the processes of firms' internationalization and foreign trade influenced the  
39 emergence of IPCs in the same period?  
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43 c. How did the interactions between policies and firms' internationalization shape the  
44 micro-level development of Informest, a specific state agency within the IPC?  
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49 Answers are organized as follows. The first section contextualizes the study of IP within broader  
50 debates ongoing in geo-economics. In so doing, it argues that the influences of outward  
51 investment promotion in reshaping sovereignty and territoriality should be studied in greater  
52 detail. It also argues that Italy provides a particularly strong case of mutual influences between  
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3 firms' internationalization and new territorialities. In fact, the importance of small and medium  
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5 enterprises (SMEs) in the Italian economy created a demand for institutional support of  
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7 internationalization – which larger and more resourceful multinational corporations do not need.  
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10 After a brief methodology (section three), the following empirical sections illustrates the  
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12 evolution of the institutional support, from its origins in the post-Cold War environment to its  
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14 redefinition after the recent economic crisis. Taken together, the sections describe a relatively  
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16 consensual process of institutional change, in part due the traditional support of the Italian Left to  
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18 SMEs and also owing to European Union policies aimed at increasing investment flows across  
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20 Europe. Elements of conflict are nevertheless present throughout the history of outward IP:  
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22 Italian firms motivated their request for better services arguing they must compete with other  
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24 groups of investors; public and private actors in the IPC struggle over functional overlaps, and  
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26 lobbying the local governments may prove more difficult outside the EU. Section four focuses  
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28 on the legal and institutional reforms leading to the emergence of the IPC after 1991, when  
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30 neighboring Central and Eastern European countries (CEE) began free market reforms and  
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32 opened up to foreign investments. Section five discusses the consolidation of the IPC after the  
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34 crisis in 2008, while section six zooms in the case of Informest. The concluding section seven  
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36 reflects upon the role of the IPC in the transformations of Italy's territoriality and sovereignty.  
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## 48 **2 Geo-economics, the state-territory nexus, and investment promotion: the case of Italy**

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50 Scholars have argued for a long time that geo-economics, understood as a discursive strategy  
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52 deployed by governments to frame and justify foreign policy, emerged in conjunction with  
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54 qualitative changes in the mutually constitutive relations between states and territories, or  
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3 territoriality. This section argues that investment promotion links the political processes  
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5 underpinning shifts in territoriality and the emergence of geo-economics with firms'  
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7 internationalization, explaining how those shifts occurred in Italy.  
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### 10 11 Changing views of the territorial state: geopolitics vs. geo-economics

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14 Scholars in the field have outlined competing understandings of the nature of the State. These are  
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16 portrayed either as static territorial frames, or as dynamic, multi-scalar, and networked social  
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18 processes.<sup>11</sup> Works on state theory include the strategic relational understanding of the state,<sup>12</sup>  
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20 which emphasizes the mutual influence between the institutions of capitalist states and social  
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22 action: certain institutional structures “may privilege some actors, some identities, some  
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24 strategies” that actors need to deploy to achieve their goals. In turn, actors’ strategic actions  
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26 shape how institutions evolve.<sup>13</sup> Such understanding captures the dialectic tension between the  
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28 territorial and networked view of the state, showing that state power is the result of the  
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30 interaction between territorially framed institutions and the social forces operating within and  
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32 around these institutions. The special issue of *Geopolitics*,<sup>14</sup> mentioned in the introduction  
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34 suggested rethinking the contrast of territorial and relational government practices. In a nutshell,  
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36 state institutions use both traditional territorial jurisdictions and relational networks in different  
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38 contexts to further their resources and reach.<sup>15</sup> In the fourth issue of 2010, the same journal  
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40 hosted a roundtable discussing John Agnew’s concept of territorial trap.<sup>16</sup> The concept called  
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42 attention on the assumptions of conventional territoriality, i.e. that state organizations and  
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44 societies are neatly contained within national boundaries. The special issue furthered the concept  
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46 by exploring the history of the territorial state, considering forms of power other than  
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48 sovereignty and rethinking the relationships between power, space and political systems. More  
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50 recently, the concept was used in efforts to understand territoriality in border areas.<sup>17</sup>  
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3 Changes in the territoriality of states are reflected in the tension between geopolitics and geo-  
4 economics. While geopolitics emerged in the 19<sup>th</sup> century as a “science of state power and  
5 security vs. other states” to rationalize military expansionism,<sup>18</sup> geo-economics emerged in the  
6 20<sup>th</sup> century to signify a shift from military to economic interstate competition. It rose to  
7 prominence thanks to Edward Luttwak<sup>19</sup> who used it to conceptualize the new rationale in  
8 international relations in which “not only the *causes* but also the *instruments* of [interstate]  
9 conflict must be economic” (original emphasis). Later, geographical research scrutinized the  
10 relationship between geopolitics and geo-economics, highlighting the dialectic relations between  
11 the two terms. Sparke<sup>20</sup> refused Luttwak’s view of a succession from geopolitics to geo-  
12 economics. Instead, he conceptualized the two terms as distinct discourses alternatively deployed  
13 by the US and global elites to extend control over resources. Cowan and Smith<sup>21</sup> traced the  
14 emergence of geo-economics as a “spatialization of political, economic, and social power that  
15 lead beyond geopolitics”. Most recently, Vihma re-evaluated the original contribution by  
16 Luttwak, arguing that his view of geo-economics as “a negative, hostile, and zero-sum  
17 phenomenon” (p. 9) contrasts with the non-zero sum logic of commerce and with neoliberal  
18 notion of interdependency, thus opening an analytical space between neoliberal optimism and  
19 critical views about relatively homogeneous interests of global capitalism.<sup>22</sup> Taken together,  
20 these contributions show that geo-economics recasts, rather than replaces, geopolitics.  
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46 The novelty of geo-economics is that the more intertwined the strategic relations between states  
47 and capital are, the more network-like the relations between states become. On the one hand,  
48 even though state assistance to the capitalist class beyond national borders is not new, the  
49 military, institutional, and legal infrastructures providing assistance has grown tremendously.<sup>23</sup>  
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56 These infrastructures are highly flexible to permit retrenchment in territorially bounded  
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3 geopolitics when required by security or other strategic issues and to promote geo-economics  
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5 when required by the demands of capital. On the other hand, even though the historical  
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7 dominance of territorial states was neither necessary nor complete,<sup>24</sup> the state power has  
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9 increasingly been a result of the interactions between territorially framed institutions and the  
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11 social networks operating within and around these institutions.<sup>25</sup> Thus, the oscillations between  
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13 territorial and networked institutions in turn enable the persistent dialectic of geopolitics and  
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15 geo-economics.  
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### 20 Geo-economics and investment promotion

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23 This paper argues that a closer look at investment promotion may provide insights on the  
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25 persistent dialectic between territorial and networked views of the state. In studying investment  
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27 promotion, different scholars have used widely diverse case studies and named these  
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29 communities differently, for instance either as “communities of investment promotion practice”<sup>26</sup>  
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31 or “investment-promotion machines.”<sup>27</sup> However, they describe strikingly similar phenomena,  
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33 i.e. groups of institutions belonging to different countries, different levels of government and the  
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35 private sector. Across the board, these institutions shared a certain level of coherence in order to  
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37 stabilize foreign direct investments.<sup>28</sup> IPCs contribute to geo-economics in two ways. First, as  
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39 Phelps et al.<sup>29</sup> argued, IPCs have been playing a central role in transferring (neoliberal) policies  
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41 favorable to large multi-nationals across borders. In so doing, they implicitly support the geo-  
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43 economic strategies of both Western and leading developing countries interested in opening up  
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45 foreign markets. Second, scholars also found that the IPCs were important intermediaries  
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47 between firms and subnational governments at different levels, often at the expenses of  
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49 democratic practices.<sup>30</sup>  
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### 57 Italian IPC as nexus between small firms’ internationalization and territoriality

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3 In Italy, the relationship between state institutions, territoriality and firms has changed rapidly.  
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5 Institutions began to change because large numbers of Italian firms began internationalizing in  
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7 the mid-1990s and, especially in key regional economies that expanded abroad, established new  
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9 contracting relations and/or foreign direct investments.<sup>31</sup> Responding to slowing economic  
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11 growth since the 1990s and outright recession since 2007, Italian firms extended their value  
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13 chains abroad even further. While some firms became suppliers for large multinational  
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15 corporations,<sup>32</sup> others extended their own value chains to emerging economies by outsourcing  
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17 production and opening up new markets.<sup>33</sup> On one hand, consequences in some areas were  
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19 harsh.<sup>34</sup> On the other hand, firm consolidation occurred: some firms were so successful in their  
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21 foreign operations that both Italy's academic and popular press defined them as *multinazionali*  
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23 *tascabili* — 'pocket multinationals'<sup>35</sup> that include both international and domestic sourcing.<sup>36</sup>  
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30 These SMEs coped with the challenges of internationalization – geographically distant  
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32 headquarters, unfamiliar language and business practices, and unknown legislation – thanks to  
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34 Italian service providers who followed them abroad.<sup>37</sup> In this paper, we show that not only  
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36 services but a complex array of Italian public agencies and private actors constitute the IPC. The  
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38 relationship between the IPC and firms is complex. While banks and consultancies responded  
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40 directly to firms, the government restructured its agencies as a result of external geopolitical  
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42 flashpoints, internal political debate, and the entrepreneurial spirit of policy makers. The latter  
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44 interpreted firms' internationalization as a larger political opportunity and took concrete steps to  
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46 start up new state agencies. The following sections detail the emergence of new territorialities of  
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48 the Italian State and their complex relationship with the internationalization of SMEs.  
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### 3 Methodology

The paper examines the emergence of the outward IPCs in the historically and geographically contingent transformations of the Italian state and firms through analysis of in-depth key informant interviews with senior officials (current and retired) in Italian public agencies including ICE and Informest, consulate officials in China, Slovakia and Romania, retired politicians that participated in the implementation of laws establishing the IPC, Italian business consultants operating in Italy, China, and throughout Central and Eastern Europe, and leaders of Italian business associations in China, Slovakia and Romania. Interviews took place over a decade between 2005 and 2015, as part of two closely related projects on the internationalization of the Italian economy, the first focused on Central and Eastern Europe, the second on the bilateral relations between Italy and China. The three authors had a various level of involvement: Poli edited the research design of the first project, and provided names and contact information of key consultants in CEE; Lan and Sellar jointly designed and conducted the second project; and Sellar led the first project.

This paper builds on a subset of the interviews collected in the two projects, as presented in Table 1. These interviews were for the most part conducted in Italian and translated in English by Sellar; only two interviews were conducted directly in English with fully proficient Romanian officials. In both projects, interviewees were asked similar questions on the role of Italian consultancies towards client firms and local partners and their relations with Italian and local institutions, as well as to reflect upon firms' internationalization as a whole at the time of the interview. As an exception, interviews with former Informest officials consisted in a retrospective evaluation of their work for the agency one or more decades after the fact. Their statements were matched against the text of laws and legal documents they referred to in order to

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3 guarantee accuracy and consistency. Thus, the authors also collected and analyzed texts of Italian  
4 laws, public agencies' internal documents, and official macroeconomic, investment flows, and  
5 trade collected by ISTAT and ICE.  
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11 The authors' different positionalities provided intersecting viewpoints on Informest and the IPC:  
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13 Sellar has a personal and family history in the Northeastern Italian border regions where  
14 Informest is based; Lan has experience studying transnational Chinese entrepreneurship in Italy –  
15 thus providing an outsider point of view; and Poli is an Italian consultant with twenty-five years  
16 of experience in the IPC system; thus providing an insider perspective. The analysis focuses on  
17 the historical processes leading to the emergence of new organizations supporting firms'  
18 internationalization, with particular attention to the stakeholders involved. Our goal is to show  
19 the breadth of the political processes resulting in the emergence of the IPC. In so doing, we point  
20 out that serving firms' needs is only one among multiple (geopolitical and geo-economic)  
21 concerns that resulted in the IPC. Laws are cited in the format used in Italian official documents:  
22 for example, Law 19/1991 means the 19<sup>th</sup> law approved by the Italian parliament in 1991. The  
23 empirical material is arranged chronologically. Section 4 outlines the development of the IPC,  
24 from its precursors in export policies of the twentieth century, to its origin in 1992, to its  
25 development until 2007. It draws on legal texts, statistical data, secondary literature on Italy's  
26 regional economies, and on the interviews conducted in 2006. Section 5 describes the  
27 transformation of the IPC system in response to the global financial crisis between 2008 and  
28 2015, drawing largely from interviews conducted in Italy and China between 2013 and 2015.  
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30 Section 6 narrates the history of Informest, building on retrospective interviews with the former  
31 president and vice-president, and on an interview with the current director of Informest  
32 consulting. These interviews were conducted in 2014.  
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## &lt; Table 1 &gt;

**4 The establishment of Italy's IPC: 1992-2007. New transnational institutions emerge between geopolitics, laws, and the need of firms**

The end of the Cold War and the consequent post-socialist transformation of Central and Eastern Europe were the first external flashpoints leading to the establishment of Italy's IPC. Overall, the emergence of the IPC was an adaptation of existing institutions to new conditions rather than a dramatic change. In fact, the Italian government has had a long tradition of supporting export as a foreign policy tool, dating back to the early twentieth century. In 1926 the Italian government had established INE (*Istituto Nazionale per le Esportazioni*, National Institute for Export), which was later renamed ICE (*Istituto per il Commercio Estero*, Institute for Foreign Trade), as an institutional support for Italian firms attempting to access foreign markets. The institute initially targeted non-European areas where the stronger French and British colonial powers had a system of tariffs and preferential trade agreements limiting Italian exports.<sup>38</sup> In the 1970s a new phase of global instability led the Italian government to add a second public agency – SACE –to provide credit insurance to exports, because the Cold War, decolonization and nationalization processes were threatening Italian investments.<sup>39</sup> These two agencies supported a fairly established system of exporters. In the system, 'industrial districts' of small firms in the Northeast and on the Eastern Coast supplied large Fordist enterprises based in the Northwest.<sup>40</sup> Sourcing was primarily domestic. These national and local value chains were successful exporters, especially in the light industries and machine building sectors.<sup>41</sup> As for institutional support, ICE and its network of offices abroad provided assistance to Italian firms overseas and promoted made-in-

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3 Italy products, although their services were not fully utilized due in part to mistrust between the  
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5 entrepreneurial class and the state.<sup>42</sup> Similarly, SACE provided export insurance which was  
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7 mostly utilized by larger firms. Parallel to ICE and SACE, private consultancies in industrial  
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9 districts provided small firms with assistance for exports, focusing on contracts involving  
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11 complex financial mechanisms, including political risk insurance and other specific types of  
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13 contracts.<sup>43</sup>  
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18 The end of the Cold War and economic reforms in the CEE opened up investment opportunities  
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20 near Italy and challenged that system, altering both the sovereignty structure of the Italian State  
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22 and value chains of the Italian firms. The twin transformations of sovereignty and value chains  
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24 are rooted in the specific geo-political conditions of Italy during the Cold War and its  
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26 redefinition afterwards. At the end of World War II, Italy had lost its easternmost province to  
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28 Yugoslavia, causing a long term territorial dispute formally solved with the Osimo Treaty of  
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30 1975. However, the conflict lingered at the regional level due to Italian refugees, whose  
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32 properties were nationalized by Yugoslavia and never returned, were largely resettled close to  
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34 the border. Thus, Italy's eastern border had national significance as a militarized but peaceful  
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36 border, a local significance as lost land and lost properties, and a global implication as  
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38 southernmost part of the Iron Curtain dividing East and West.<sup>44</sup> Moreover, thanks in part to the  
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40 importance of the Italian Communist Party, large Italian firms had won several tenders in the  
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42 USSR and allied countries<sup>45</sup> Thus, after the Cold War ended, Italy inherited a) opportunities for  
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44 SMEs to enter newly opened market, independently from the earlier successes of large firms; b)  
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46 a pressing need to re-establish political relations with its Eastern neighbors after regime changes  
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48 in the context of European Union enlargement; and c) lingering tensions in local communities on  
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50 the Eastern border.  
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3 The transformations of Italian the firms and value chains after the end of the Cold War are well  
4 documented by Italian scholars who showed that, since the mid-1990s and early 2000s, firms  
5 expanded abroad, establishing new contracting relations and/or foreign direct investments.<sup>46</sup>  
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7 Studying the textile and clothing industries, Dunford showed that the wave of international  
8 outsourcing in the 1990s was a phase of a consolidated strategy, in which leaders in the fashion  
9 industry in Milan had pushed suppliers to re-locate to lower wages areas as a cost containment  
10 strategy.<sup>47</sup> Several waves of relocation occurred previously. In the 1970s, firms disinvested from  
11 their original locations in Italy's northwest (e.g. Lombardy) to produce in the then lower cost  
12 northeast (e.g. Veneto). In the 1980s, further expansion occurred along the eastern coast; and  
13 then in the 1990s firms began to disinvest in Italy and move production abroad.<sup>48</sup> Although  
14 Dunford and other economic geographers did not emphasize the geopolitical underpinning of  
15 firms' decisions to invest abroad, it is revealing that the phenomenon became statistically  
16 significant in the early 1990s, immediately after the Cold War ended. The relationship between  
17 geopolitics and investments becomes even clearer when considering the distinct geography of  
18 Italian commitments abroad as identified by Italian scholars. Focusing on light industries  
19 (apparel, leather and footwear, wood and furniture), Corò and Volpe analyzed Italian firms'  
20 involvement in three macro areas: Central and Eastern Europe (CEE), the Mediterranean basin,  
21 and China and India.<sup>49</sup> The authors were aware that only relative large and well-established firms  
22 had the resources necessary for FDI, that in many cases firms' ownership was a mix of Italian  
23 and local capital, and that firms of smaller size or in the early stages of internationalization  
24 preferred sub-contracting relations with independent producers. In order to capture such diverse  
25 types of foreign operation, they developed an index of employment which accounted for the total  
26 number of people working for firms either fully or partially owned by Italians and their  
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3 subcontractors. In so doing, they highlighted that between the mid-1990s and the early 2000s, the  
4 majority of Italian firms preferred internationalizing in CEE, rather than Asia or the  
5 Mediterranean (Figure 1). More precisely, it is not that the political end of the Cold War caused  
6 Italian firms to invest in CEE per se. Rather, the transition to a market economy of countries  
7 geographically close to Italy, with low wages and low energy costs occurred at a time when  
8 Italian SMEs in labor intensive industries were hard-pressed to contain costs.<sup>50</sup>  
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18 **Figure 1 here**  
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21 On the other hand, scholars have paid less attention to the geopolitical side of the story, i.e. the  
22 ways in which the political relations with CEE and the stability of the Eastern border regions  
23 influenced the Italian government decision to further support the internationalization of Italian  
24 firms. In fact, an examination of key Italian laws passed between 1990 and 1992 shows that  
25 Italian policymakers furthered institutional support to internationalizing firms *specifically*  
26 *targeting* investors headquartered in the eastern border regions that chose to invest in CEE. Law  
27 100/1990 established Simest, a state agency providing financial services to internationalization.  
28 Law 19/1991 established Finest, a second agency providing financial services, but with a more  
29 focused scope: it served firms headquartered in the northeastern regions close to the former Iron  
30 Curtain. Moreover, Finest financing was specific to projects in CEE and the former Soviet Union  
31 (FSU). The same law established Informest, a public-private partnership initially conceived as a  
32 knowledge-based support structure for Finest: firms would acquire information about  
33 opportunities in CEE from Informest, and then apply for funding from Finest. Law 212/1992  
34 expanded both agencies and established grant programs, financed by the Italian government and  
35 managed by both the Ministry of Foreign Affairs and the Ministry of Foreign Commerce to  
36 provide assistance for economic development in CEE.  
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Around the same time, business service providers especially in the areas of consulting, financing, and accounting began receiving requests to support their clients' investments abroad. In this respect, Italian investors and expatriate entrepreneurs in Romania played a crucial role, as they were the largest contingent of Italian firms in CEE.<sup>51</sup>

First of all, Italian entrepreneurs in Romania and other countries in CEE lobbied their own banks and business consultants in Italy to provide Italian speaking legal, accounting, and financial services in the host countries.<sup>52</sup> Second, these Italian firms constituted chambers of commerce and business associations abroad. These associations hold a hybrid status, because they are private entities in the host country, but enjoy special recognition and official partnership with the Italian government.<sup>53</sup> Romania hosted the largest of these associations.<sup>54</sup> Called *Unimpresa Romania*, later renamed *Confindustria Romania*, it is not only a major political player in the host country, but also directly linked and sponsored by the largest business association in Italy, *Confindustria*. As a result of the feedback from firms abroad, chambers of commerce and *Confindustria* in Italy began to provide services for internationalization, mostly in terms of organizing missions abroad, supporting firms' participation in international trade fairs, and maintaining databases for consultancies.<sup>55</sup>

Besides post-1991 geopolitics and firms' lobbying, domestic political debates also influenced the IPC. In 2001, Italy reformed its constitution, allowing regional governments to establish their own agencies supporting internationalization. As a result, a large number of initiatives emerged ranging from viable agencies such as *Toscana Promozione* (internationalization agency of Tuscany) to less structured promotional initiatives. Besides these regional agencies, after 2001 entrepreneurs and policy makers established new private and public-private hybrid organizations aimed at promoting the export of specific products. There are also business associations focusing

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3 on specific countries, which may or may not have public financing. The two largest among these  
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5 associations are the Italy-China Association and the Italy-Russia Association, both of which are  
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7 based in Italy.  
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11 Overall, the establishment of the IPC in Italy, together with local IPCs in CEE occurred with a  
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13 relatively low level of social conflict. In CEE, the enlargement of the European Union (EU)  
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15 included a progressive adoption of EU laws that started in the mid-1990s and culminating with  
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17 the enlargement of 2004-2007. These laws, together with the ideological messages  
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19 accompanying EU enlargement, created a climate favorable to foreign investors.<sup>56</sup> In Italy, the  
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21 Communist Party and its political successors have had a long standing tradition supporting SMEs  
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23 as tools to promote rising living standards for the working class.<sup>57</sup> Such political support from  
24  
25 the Left facilitated IPCs in at least two ways. First, trade unions adopted an Europeanist rather  
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27 than nationalist approach to outsourcing: instead of trying to fight to stop outsourcing, which was  
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29 considered necessary to SMEs survival, they attempted to co-ordinate with their counterparts in  
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31 CEE to minimize worker exploitation.<sup>58</sup> Second, firms did not face strong domestic opposition  
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33 when pursuing internationalization projects. The consequences of such relative freedom of action  
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35 become apparent when comparing Italian firms with other Western European countries with a  
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37 strong trade unionist tradition, as shown in the following interview excerpt. The interviewee is a  
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39 CEO with experience in Italian and French textile firms. At the time of the interview, he  
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41 managed an Italian-owned yarn manufacturer in Bulgaria. During the interview he compared the  
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43 Italian textile districts of Prato and Biella with the district of Lille in France, arguing that Italians  
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45 survived globalization better than their French counterparts. The discussion included the  
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47 following statement about Bulgarian workers coming to firms' headquarters for training:  
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3 In France they could not bring the Bulgarian employees to be trained in the old factory. There was  
4 social – I mean trade unions – issues, so they could not do it in France. The French authorities  
5 refused to give working visas, which means people could not have entered in the factories. In Italy  
6 they did not have this problem: when I worked for [Company name] we sent many Bulgarians to  
7 Italy for training.<sup>59</sup>  
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10 In summary, the well-established support of the Italian Left to SMEs translated into less  
11 resistance against firms' internationalization. As a result, firms were free to choose their  
12 internationalization strategies, which included the specific visa issue described in the interview.  
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14 More broadly, internationalizing firms did not meet relevant political opposition; therefore, they  
15 could ask service providers and business association for support abroad without much public  
16 debate. Thanks to the support given to SMEs by Left-wing political parties, the lack of  
17 opposition by trade unions, and the well-established, seven decades long tradition of State  
18 support to exporters, IPCs could emerge without strong societal challenges.  
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30 On the other hand, there were elements of conflict with the IPC itself. Despite the close relations  
31 between the State and business associations, the interrelations among these business associations  
32 in the Italian IPC were rather loose. Grouping of institutions depended on the professional goal  
33 to serve businesses, and, in part, by financing mechanisms. For example, regional associations of  
34 *confindustria* were organizing events such as seminars and missions abroad when there are  
35 public funds available from regional governments or ICE. Then, these events attract banks and  
36 consultancies, which may decide to join the missions organized by chambers of commerce or  
37 other entities.<sup>60</sup> Such a lack of coordination among actors in the IPC guarantees flexibility, but  
38 also leads to overlaps in services, and in some cases outright competition between public  
39 agencies and private consultancies.<sup>61</sup>  
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## 5 The reorganization of Italy's IPC after 2008. A better organized community underpins new territorialities

The global economic crisis of 2008 was the second external flashpoint that accelerated the evolution of the IPC in Italy as well as the geography of Italian IPCs abroad. Overall, the crisis led to higher efficiency, as well as more rapid geographical expansion of IPCs beyond CEE. The latter already begun as a consequence of the enlargement of the EU to CEE in 2004 and 2007.

The adoption of the euro in Slovakia (2009) and Slovenia (2007)<sup>62</sup> led to a sharp increase in costs in both countries, and was accompanied by rising wages and energy costs across CEE.

Across the region, especially firms in the textile, clothing and other labor intensive sectors began to explore new investments.<sup>63</sup> As a result, Italian consultants began looking for new opportunities beyond CEE.<sup>64</sup>

The crisis also accelerated the restructuring of the IPC system. Because of the crisis and a very long recession between 2008 and 2014, the Italian public sector had fewer resources across the board. Most important, the trend of Italy's GDP growth in the whole period discussed in this paper was declining. Figure 3<sup>65</sup> shows Italy's GDP change as a percentage of the previous year. Since 1992, only two years register a growth above 2%. The dotted line represents the overall trend. The combination of deep and long recession, sluggish growth even in the good years, and declining overall trend led to shrinking public expenditure.

### Figure 2 here

The private sector was experiencing hardships as well. At the aggregate level, firms coped with both fewer resources *and* more competitive pressure to internationalize. They experienced a contraction of the domestic market. In this context, exports and international sales became more

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3 important, because they balance out the smaller domestic market. They also had to develop new  
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5 export markets, as their traditional market in Western Europe declined and new rapidly  
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7 developing economies emerged.<sup>66</sup>  
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11 To cope with the crisis, the Italian State reworked its development strategy. At the level of state  
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13 institutions, in 2008 the Italian government merged the *Ministero per il Commercio*  
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15 *Internazionale* (Ministry of International Trade) with the *Ministero delle Attivita' Produttive*  
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17 (Ministry of Productive Activities). This reform established a single unit, in charge of both  
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19 industrial policies and international activities, the *Ministero per lo Sviluppo Economico* (Ministry  
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21 of Economic Development).<sup>67</sup> Within the Italian bureaucracy such organizational changes are  
22  
23 relatively rare: since the establishment of the Republic after World War II the then Ministry of  
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25 Industry and Commerce was restructured six times, acquiring the name of Ministry of Productive  
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27 Activities in 1999 after the merger with the Ministry of Communications. Such change was part  
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29 of a new law aimed at cutting administrative costs by merging ministries.<sup>68</sup> Thus, the reform of  
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31 2008 can be interpreted as both a step towards building a more efficient and less costly  
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33 bureaucracy and as a strategic choice to build an organization in charge of both industrial  
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35 policies and policies supporting firms' internationalization. Therefore, the government created  
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37 the structural precondition for a development strategy encompassing the domestic and  
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39 international spheres. Within its borders, the new ministry pushed for more territorial marketing,  
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41 introducing for the first time reforms to facilitate inward FDI.<sup>69</sup> Beyond its borders, it adopted  
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43 export promotion as an explicit economic development and anti-crisis strategy. In so doing, it  
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45 charged consulates and other public agencies with more intense promotional activities for the  
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47 'made in Italy' brand. The overall goal is to increase the number of firms that regularly export.<sup>70</sup>  
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3 However, implementation has proven difficult as Italian firms are small on average, have lesser  
4 resources than in the past, and the budgets for the public portion of the IPC are shrinking.  
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9 Pushed by both government strategy and market forces, IPCs had to expand services to clients  
10 less able to pay while investing fewer resources. Public institutions and private actors in the IPC  
11 underwent painful restructuring to provide new services. ICE was remade with a nimbler  
12 structure in 2011. The system of chambers of commerce is suffering because of their highly  
13 uneven resources and results. Private consultancies and public agencies are broadening their  
14 services to capture a broader clientele; now offering relatively inexpensive, entry level  
15 assistance, in addition to the more complete and costly forms of support.<sup>71</sup> These services to  
16 firms include new policy tools, developed by the State to help smaller firms becoming exporters,  
17 such as the *Reti d'Impresa* [enterprise networks]. This is a new kind of contract, allowing firms  
18 and regional governments to share resources to shift from very dense and geographically  
19 concentrated value chains, typical of the industrial districts model, to the larger networks and  
20 supply chains brought by globalization.<sup>72</sup>  
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38 The restructuring of services is sensitive to an evolving demand by firms. Consultants  
39 interviewed in this research witnessed significant changes in their clientele. In the early 2000s  
40 they worked mostly on outsourcing projects – i.e. shifting segments of supply chain to lower  
41 wage and lower energy cost countries. In so doing, firms decreased their cost without changing  
42 their final markets. After 2008, most consulting work focused on supporting export, through the  
43 acquisition of know-how and the optimization of supply chains.<sup>73</sup> Another consultant captured  
44 those changes well:  
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55 Delocalization – i.e. outsourcing production abroad to serve the domestic market at lower costs -  
56 was an important issue in the early 2000s. [Instead] now I see one client every hundred or so  
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3 delocalizing. The overwhelming majority of our clients now are ... chiefly interested in  
4 exporting.<sup>74</sup>  
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9 These changes of institutions and services to firms have deep territorial implications. In  
10 particular, John Agnew challenged traditional views of sovereignty to account for the projections  
11 of state power beyond national boundaries.<sup>75</sup> Studying Europe, Beck and Grande argued that the  
12 'either/or logic' that formerly characterized Europe of disparate nation-states has been eclipsed  
13 by a 'both/and logic,' that allows for expanding and mixing both territorial and their functional  
14 competences.<sup>76</sup> The IPC is a clear example of both a territorial and functional mix. At a  
15 functional level, the IPC breaks the distinction between public and private: both public agencies  
16 and private sector consultancies provide services to internationalization. Very often the  
17 distinction between publicly and privately provided services is rather fuzzy, and interviewees  
18 reported some cases of outright competition between public and private actors.  
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33 At the territorial level, the majority of IPC actors are organized in networked structures. They  
34 usually have headquarters in Italy and branches abroad. The capacity of those networks varies,  
35 ranging from the around sixty offices abroad of ICE to the smallest consultancies having one  
36 office in Italy and one abroad. Nevertheless, research published elsewhere<sup>77</sup> shows that these  
37 networks coalesce in key locations abroad, leading to the emergence of local IPCs. More  
38 specifically, overseas IPCs are a blend of Italian expatriate consultants, institutions, and local  
39 institutions and consultants serving Italians and other foreign investors. These foreign IPCs are  
40 extensions of the Italian state, with institutional, economic, and social dimensions. For example  
41 in Shanghai, China, the IPC is the expression of a growing expatriate community of general  
42 managers, professionals, entrepreneurs and students, led by enterprising consul generals. This  
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3 the promotional activities on behalf of Italian firms are strategically planned, information sharing  
4 is encouraged, and joint activities among Italian institutions are frequent.<sup>78</sup> Collectively called in  
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6 the consulate's official communications '*Sistema Italia*' [Italian system], the Shanghai IPC plays  
7  
8 a central role in facilitating both the political appeals of the Italian government and the economic  
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10 ambitions of the Italian firms.  
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15 In a nutshell, new laws in the early 1990s started a process of changes in the geopolitics of state  
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17 spaces in conjunction with firms' internationalization, which two decades later enabled  
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19 extraterritorial politics such as *Sistema Italia* to emerge. The following section provides more  
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21 details about the ways in which those laws were implemented, leading to organizational  
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23 innovation in the public sector. . Through case study analysis, the section discusses Informest, a  
24  
25 public agency in the IPC. It also adds one more layer of analysis to the emergence of the IPC: the  
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27 role played by the European Union and its funding programs in supporting this agency.  
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### 37 **6 A closer look at the geopolitics of investment promotion: the case of Informest**

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39 Informest defines itself as a 'public agency supporting Italian companies in Eastern Europe  
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41 through the provision of consulting services, scouting and dissemination of information about the  
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43 opportunities in the host region.' We chose this particular agency because it is 'in the middle of  
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45 things': with a relatively modest size and it is placed in between large state agencies, regional  
46  
47 development agencies, and private consultancies. On one hand, large state agencies like ICE  
48  
49 primarily market Italy as a whole by supporting the organization of trade fairs and business  
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51 meetings to promote the 'made in Italy' brand. On the other hand, regional agencies and private  
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53 consultancies focus on assisting individual regions and firms in developing and implementing  
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3 internationalization strategies and business plans. Informest has played all these roles during its  
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5 history. As aforementioned, Law 19/1991 established Informest within the strategic redefinition  
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7 of Italy's foreign policy. The title of the law was 'for the development of the Italian Eastern  
8  
9 border regions'. The appointed founding institutions, i.e. the regional authorities of Friuli  
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11 Venezia Giulia and of Veneto and the ICE, enacted Informest in December 1992. Its history is an  
12  
13 example of how large geopolitical events, the EU, national, regional and local politics, as well as  
14  
15 the needs of firms, may converge in the shaping of innovative bodies like this agency. Gianni  
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17 Bravo, who was the actual founding President of Informest, described the circumstances of its  
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19 foundation as follows:  
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25 I contributed to design [some of the provisions of the 1975 treaty between Italy and Yugoslavia,  
26 solving the territorial dispute along the Iron Curtain] ... thanks to that experience, after the end of  
27 the Cold War I was invited to be part of the team that wrote Law 19/1991 ... At the very  
28 beginning, Informest was just a name I invented, meaning 'to inform the East' and [a provision of]  
29 social capital. Thus, I established a high level scientific committee to design the institution: it  
30 included a representative from OECD in Paris, a representative from Trento University, lawyers  
31 expert in international law, the president of the Adenauer Foundation from Germany, and the  
32 former Italian Ambassador in Moscow... The Adenauer Foundation inspired me greatly:  
33 ...[following its example] we decided to give Informest the task of producing and regularly  
34 updating business guides for each country in CEE and CSI- and selling them to Italian firms and  
35 consultants.<sup>79</sup>  
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40 The octogenarian Mr. Bravo is a former politician that occupied several regional and national  
41 posts in the 1970s and 1980s. Still working as a consultant, his office displays several honors,  
42 including an official recognition by the US State Department for his work during the Cold War.  
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44 His account shows the connection between his political experiences in managing issues across  
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46 the Iron Curtain.  
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52 Right after Informest's formal establishment, the 'grand' post-Cold War geopolitics that inspired  
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54 its foundation became intertwined with local politics. In fact, when the newly constituted agency  
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3 became operative, it had to find its space among other local institutions in northeastern Italy, as  
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5 shown in this interview excerpt with an Informest former Vice-president:  
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9 Geographically, it was located in Gorizia, the smallest provincial capital in the Friuli Venezia  
10 Giulia Region, where no other agency dealing with internationalization was located. As such, the  
11 local Chamber of Commerce fully supported its starting-up process, and Informest was enabled to  
12 grow, beyond some local politically motivated jealousy.<sup>80</sup>  
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16 By 1996, Informest employed around ten people who scouted business opportunities (in both  
17 trading and investment), fostered transnational business partnership, and provided consultancy,  
18 training programs and local assistance to the companies for their ventures in CEE.  
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24 Because of its institutional goals, Informest began immediately to establish its own network of  
25 professionals in CEE. By so doing, it actively contributed to the expansion of state functions and  
26 sovereignty described in the literature on sovereignty and territoriality, as well as the blurring of  
27 competences between the public and private sector described by Agnew and Beck and Grande.<sup>81</sup>  
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31 Funded by the Italian Government through the Ministry of Foreign Trade and with the active  
32 support of the Ministry of Foreign Affairs and the network of Italian Embassies in the relevant  
33 countries, Informest carried out two major projects for the identification, selection and training  
34 of consultants to be trained in the specialized support of Italian entrepreneurs. Recipients were  
35 two high-level experts in each country of CEE, who became the actors of an Informest network  
36 aimed at supporting Italian FDI in particular. By early 1998, the network was fully operational in  
37 eighteen countries. The tasks of these 'investment promoters' included editing and updating  
38 country business guides as well as providing local public relations and legal assistance.  
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53 Along with this process, Informest developed its internal organization based on two departments:  
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55 Consulting and Assistance and Information, the latter based on the early choice of Informest to  
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3 enshrine all its information and documentation activity in the new web-based ICT, adopted in  
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5 1993. Informest's IT center quickly developed into one of the pilot internet platforms for  
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7 business purposes in Italy. In 1994, Informest began also to access the funding programs of the  
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9 European Union (EU). Given its mission and strategic location, Informest was well positioned to  
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11 compete for programs dedicated to the support of business – such as the ENTERPRISE  
12  
13 Programme, managed by the former Directorate General XXIII of the European Commission, in  
14  
15 addition to programs dedicated to support the accession of CEE to the EU. Among the latter  
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17 programs, the most important for Informest was the PHARE Programme, managed by the  
18  
19 European Commission in conjunction with national governments. PHARE's goals included  
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21 strengthening public administrations and institutions as well as facilitating the adoption of EU  
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23 laws<sup>82</sup> and thus represented a good match for Informest's institutional expertise.  
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30 The first EU project consisted in organizing a large international event bringing together firms in  
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32 five different sectors from four regions of EU member states (Northeastern Italian Regions –  
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34 Bavaria – Catalonia – Corsica) and from four CEE regions or small countries (Slovenia –  
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36 Slovakia – Estonia – Hungarian South Trans-Danubian Region). The event took place in January  
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38 1995 in Gorizia (I) with the participation of over 120 SMEs. The project was funded by a both  
39  
40 the ENTERPRISE and PHARE programs. In later years, Informest carried on projects for a variety  
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42 of EU programs, including INTERREG – supporting cooperation among regional governments  
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44 in the EU<sup>83</sup> and several others.<sup>84</sup>  
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50 Following this first experience with EU funds, Informest established a new department called  
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52 'Development Projects' to work on EU and Italian national grants which soon provided around  
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54 50% of Informest's turnover while focusing primarily on regional economic policies. These  
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56 projects responded to PHARE's goal to facilitate the adoption of EU laws in CEE by organizing  
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3 meetings between policymakers of subnational governments within the EU (mostly from Italian  
4 regional governments, but also others) with their counterparts in CEE. The meetings were aimed  
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6 at transferring best practices in the implementation of policies. Other projects were aimed at  
7  
8 financing business-to-business meetings and manager training programs. The IPC expanded  
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10 Italy's institutions beyond national boundaries to support firms, however, the use of EU funds is  
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12 not in conflict with its role as an agency dedicated to a national development strategy.  
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18 In the following years, Informest kept expanding. In 2007, it incorporated the Institute for the  
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20 Studies on East Europe (ISDEE), a policy, geo-political and economic research center based in  
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22 Trieste since the end of the 1970s, and in this way a fourth department was established, the  
23  
24 Studies & Research Department, that provided demand-driven innovative approaches to the  
25  
26 market analysis of the target countries of the agency. Thus, by 2008 Informest was a flexible,  
27  
28 well established, regional public agency with an extended network of consultants and  
29  
30 institutional partners across CEE and beyond. In terms of size and reach, it was smaller than  
31  
32 ICE, but larger than other regional agencies and private consultancies. It articulated its  
33  
34 operations to different layers of commercial relations that included new member states of the  
35  
36 European Union, still candidate or potential candidate countries, mostly in the Balkans, and the  
37  
38 New Independent States of the former Soviet Union plus Mongolia, and later China. It served  
39  
40 across CEE the needs of both Italian firms pursuing internationalization projects as well as  
41  
42 regional and governmental institutional cooperation through economic development and policy  
43  
44 transfer projects. As such, it acted both as infrastructure for Italian GVCs in CEE, as well as an  
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46 element of the changing geopolitics of the Italian State and its projection to CEE.  
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55 When the global economic crisis hit, Informest was already restructuring its organization  
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57 beginning a process of rationalization that included the closing of ISDEE and culminated in 2010  
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3 with the creation of a new for-profit company, Informest Consulting. While Informest  
4 concentrated on public tenders, Informest Consulting took over all commercial activities  
5 focusing on the provision of services to private firms. Initially 100% owned by Informest, the  
6 consulting company was later privatized.<sup>85</sup>  
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14 The growth and privatization of Informest Consulting marked a changes in the services provided.

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16 The Head of Business Services at Informest Consulting describes its work as follows:

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19 Informest consulting is tailoring its services to help each individual firm to find partners and  
20 establish operations abroad. Second, it connects firms with the appropriate financial instruments.  
21 Third, it helps firms with group applications for public (national or regional) tenders. Because of  
22 the crisis, these large tenders are much rarer than it used to be. Fourth, it supports applications to  
23 international tenders<sup>86</sup>  
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27 The keyword in this interview is tailoring. In short, Infomest Consulting has to operate in a more  
28 competitive environment than Informest ever did. In an age of scarcer public tenders, it has to re-  
29 focus its services to help firms identifying partners and financial sources in the private sector to  
30 facilitate market access in CEE. Like the rest of the IPC, Informest Consulting must contend  
31 with an increased demand for its services but fewer resources available to pay for them. Thus,  
32 like other actors in the IPC, it is segmenting, tailoring, and rationalizing its consulting services.  
33 In so doing, it is part and parcel of broader transformations of both private consultancies and  
34 public institutions that contributed to redefine relationships between the Italian State, firms, and  
35 the territorial reach in which these relationships occur.  
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## 52 **7 Conclusion**

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55 The goal of this paper was to explore the links between investment promotion (IP) and the  
56 transformations in territoriality induced by the tension between geopolitics and geo-economics.  
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3 We built on the work of Ian Drahokoupil, Nicholas Phelps, and others, who have focused on  
4 investment promotion agencies and private consultancies promoting *inward* FDI flows. In  
5  
6 contrast with them, we focused on *outward* investment promotion, arguing that such practices  
7  
8 are part of geo-economic strategies projecting state power as a by-product of supporting  
9  
10 domestic firms beyond borders. Thus IP practices contribute to solving the tensions between the  
11  
12 territorial and networked notions of states identified in two *Geopolitics* special issues, the first on  
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14 Agnew's territorial trap and the second on the geopolitics of state spaces.<sup>87</sup> The empirical focus  
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16 on Italy's investment promotion community (IPC) highlighted roots in the evolution of the  
17  
18 territorial state, leading to network structures projected abroad. Specifically, we showed that the  
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20 IPC provides an institutional infrastructure to the Italian state's functional extension beyond  
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22 national boundaries.  
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30 Theoretically, the paper showed the connections between the 'political' – i.e. the new  
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32 territorialities of the Italian state emerging after the 1990s and evolving after 2008 – and the  
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34 'economic' – i.e. the transformations of firms' supply chains. In so doing, it shows the  
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36 mechanisms underlying the persistence of both geopolitics and geo-economics, as well as  
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38 providing a closer look at the organizational innovations that made geo-economics and the  
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40 relative emergence of networked forms of state possible. In a nutshell, geo-economics as a zero-  
41  
42 sum game is possible because capitalist firms do compete, and internationalizing firms lobby  
43  
44 their home governments for services to gain a competitive edge abroad. Such lobbying also show  
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46 the connection between geo-economics as strategy and the organizational changes underpinning  
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48 networked states, because investment promotion actors need to establish networks covering both  
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50 the home and host countries.  
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3 The empirical analysis showed the act of lobbying for better services to internationalization place  
4 capitalist firms as active agents in the strategic decisions taken by the state. The first part of our  
5 argument is that by actively requesting services to support internationalization, firms became a  
6 part of the larger geo-economic strategy of the Italian state, aimed at projecting political  
7 influence abroad. However, the second part of the argument is the relationship between firms'  
8 demands and policies is complex. Policymakers act autonomously, taking the needs of firms as  
9 one of many factors leading to the political reforms that made IPCs possible, in addition to  
10 foreign policy motivation, participation in EU funded programs, and the search for a solution to  
11 the economic crisis post-2008.  
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25 Overall, the new territoriality of the Italian State described in this paper took the form of an IPC  
26 in the homeland networked with local IPCs in key locations abroad. The IPC is deeply rooted in  
27 the institutions of the nation state. Even though funds from the European Union allowed some IP  
28 actors to grow – such as Informest – key decisions to establish and develop IP actors were taken  
29 at the national or even local level. Once established, the IPC contributed significantly to the  
30 emergence of networked territoriality. In brief, the IPC in Italy is the central node of a  
31 transnational network of service providers which constitute local IPC in specific locations  
32 abroad. These foreign IPCs largely overlap with the locations of Italian FDI and expatriate  
33 entrepreneurs, and especially target the needs of SMEs. Within each foreign IPC, Italian FDI,  
34 expatriate entrepreneurs, their business associations, and representative offices of the Italian  
35 government (such as consulates, but also ICE offices and regional governments) establish a more  
36 or less coherent organization. These communities represent an extension of territoriality because  
37 they enjoy special recognition from the Italian government and thus can speak on its behalf when  
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3 lobbying the local governments on issues related to commerce and promotion of Italian  
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5 businesses.  
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9 The empirical analysis also showed that the Italian network of IPCs has a distinct history and  
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11 geography, shaped both by geopolitics and by business opportunities for firms. As for history,  
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13 we detailed the emergence and consolidation of the IPC from its beginning at the end of the Cold  
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15 War in the early 1990s to the expansion and restructuring after the global financial crisis in 2008.  
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17 In regards to geography, the IPC followed the same pattern as the internationalization of Italian  
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19 SMEs – the IPC’s main clients, starting in Central and Eastern Europe and to a lesser extent  
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21 North Africa, and later moving further afield.  
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26 Across time and space, the IPC system proved to be highly dynamic and resilient, adapting  
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28 rapidly to different contexts and to new strategies of firms and governments. A seemingly  
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30 constant characteristic is the relatively low level of social conflict surrounding the IPC in Italy.  
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32 Thanks to the traditional support of the Italian Left to SMEs, firms were able to internationalize  
33  
34 without facing a strong resistance from trade unions. Such good treatment extended to services,  
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36 and thus the IPC could emerge. Instead, elements of friction and contestation can be found  
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38 within the IPC, and between IPC actors and their clients.  
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44 The case study of Informest provides a concrete illustration of the trends described above. In  
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46 particular it presents an example of the shift from traditional geopolitics to geoeconomics, as  
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48 evidenced by Informest’s founder deploying the perceived needs of internationalizing SMEs  
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50 through knowledge-based services rather than the more traditional supplies of dry financial  
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52 means or geopolitical reasoning to gain legitimacy. Speaking the language of firms’ support, he  
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54 was actually pursuing a national geopolitical agenda, redefining Eastern Italian politics after the  
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3 end of the Cold War. In conclusion, the IPC has redefined Italy's territoriality by establishing a  
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5 network of Italian public officials, consultants, CEOs and expatriate entrepreneurs pursuing  
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7 political agendas in foreign locations aimed at influencing local governments on commercial  
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9 issues and capable of doing so in official fashion as representatives of the Italian government.  
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12 These networks proved to be resilient and fluid, as they are shaped by a constant and ongoing  
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14 mechanism of feedback between large geopolitical events, the responses of firms and their  
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16 business associations, and the actions of innovative enterprising policymakers and private  
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18 consultants.  
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26 **1.** The first of these definitions has a narrower focus on FDI promoter, the second a broader  
27 focus on consultancies lobbying for the alignment of laws with the interest of transnational  
28 capital. See Jan Drahoukoupil, 'The Investment-Promotion Machines: The Politics of Foreign  
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31 *State in Central and Eastern Europe: The Politics of Foreign Direct Investment*. (London:  
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34 **2.** List of actors elaborated by Nicholas Phelps and Andi Wood. 2006. 'Lost in Translation?  
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37 Christian Sellar and Rudolf Pástor. "Mutating Neoliberalism: The Promotion of Italian Investors  
38 in Slovakia before and after the Global Financial Crisis." *International Journal of Urban and*  
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41 **3.** Nicholas A. Phelps, "Gaining from Globalization? State Extraterritoriality and Domestic  
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48 98; Adrian Smith, "Imagining Geographies of the 'new Europe': Geo-Economic Power and the  
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51 Geoeconomics," *Antipode* 41, no. 1 (2009): 22–48.  
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53 **5.** Matthew Sparke, "Geopolitical Fears, Geoeconomic Hopes, and the Responsibilities of  
54 Geography," *Annals of the Association of American Geographers* 97, no. 2 (2007): 338–49.  
55  
56 **6.** John Agnew, *Globalization and Sovereignty* (Rowman & Littlefield Publishers, 2009); Sami  
57 Moisió and Anssi Paasi, "From Geopolitical to Geoeconomic? The Changing Political  
58 Rationalities of State Space.," *Geopolitics* 18, no. 2 (April 2013): 267–83.  
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7. Both Phelps and Woods (note 2) and Drahokoupil *Globalization and the State* (note 1) use this definition of investment promotion.
8. The special issue editorial was Sami Moisio and Anssi Paasi, "Beyond State-Centricity: Geopolitics of Changing State Spaces.," *Geopolitics* 18, no. 2 (April 2013): 255–66.
9. Moisio and Paasi (note 6)
10. Phelps (note 3). In this work, Phelps documents a case of state-led development strategy articulated around firms' internationalization. On the other hand, works by Drahokoupil (note 1) describe the work done by public and private IP actors to meet the policy demands of transnational firms, often at the expense of the democratic process.
11. Moisio and Paasi (note 6).
12. Bob Jessop, "Institutional Re (turns) and the Strategic-Relational Approach," *Environment and Planning A* 33, no. 7 (2001): 1213–36; Bob Jessop, "The Strategic Selectivity of the State: Reflections on a Theme of Poulantzas," *Journal of the Hellenic Diaspora* 25, no. 1–2 (1999): 41–77.
13. Jessop, "Institutional Re (turns)" (note 12).
14. Ibid.
15. Ibid. p. 263.
16. The special issue editorial is Simon Reid-Henry, "The Territorial Trap Fifteen Years On.," *Geopolitics* 15, no. 4 (October 2010): 752–56.
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27. Drahokoupil "Investment Promotion Machines" (note 1).
28. Phelps and Wood (note 2) p. 494.
29. Phelps et al. (note 27).
30. M. Tewdwr-Jones and N. Phelps, "Levelling the Uneven Playing Field: Inward Investment, Interregional Rivalry and the Planning System," *Regional Studies* 34, no. 5 (2000): 429–40. See also Phelps and Wood (note 2) and Drahokoupil (note 1).
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"PHARE was launched as a specific EC programme, initiated by Council Regulation No. 3906/89. Its budget was established by the European Union's budgetary authorities - the European Parliament and the Council of the EU. The responsible authority for the ongoing management of PHARE funds is the European Commission. Implementation of PHARE is largely decentralised to the recipient countries, and is becoming more so as countries develop the systems to manage the programme. Within each country there is a National Coordinator, usually a minister, who supervises PHARE through planning, programming and implementation. The start-up and management of the programme is handled by Programme Management Units (PMUs), usually run by local civil servants from the relevant ministries, and other implementing agencies. The PMUs are the driving force of PHARE on the ground. They are involved in the preparation, implementation and monitoring of PHARE projects, and are also responsible for launching tenders for supplies and services." (p. 1)  
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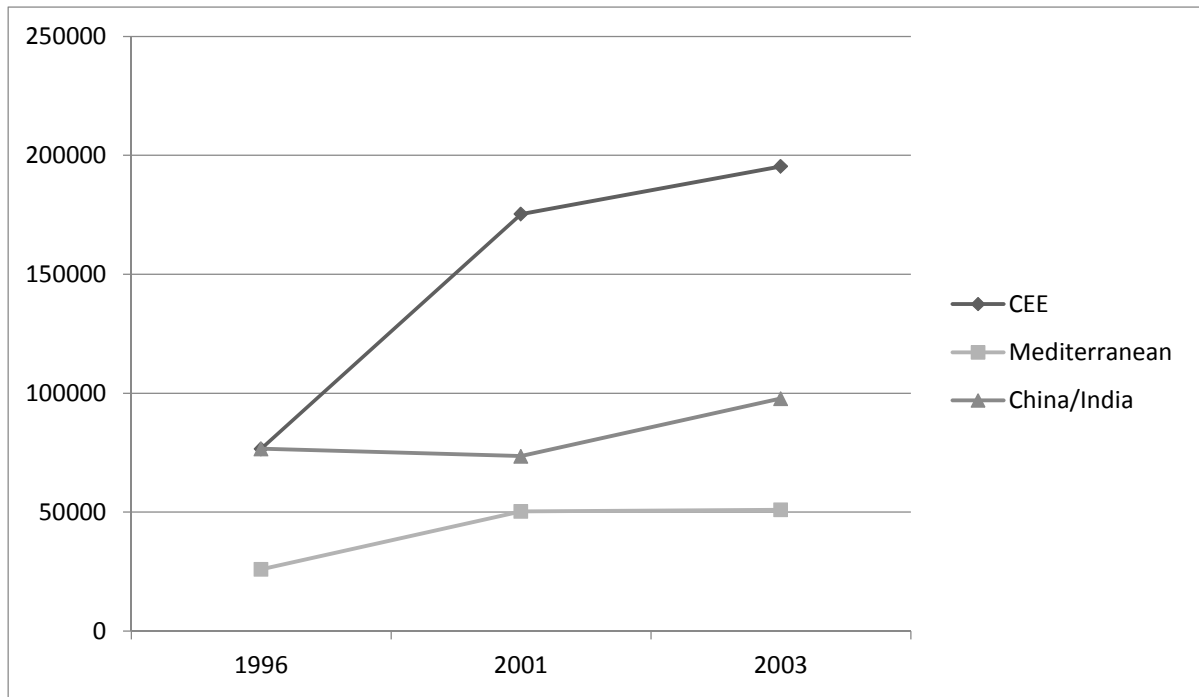
Table 1. Key interviewees

<b>Interviewee title and employer</b>	<b>Place of employment</b>	<b>Language of interview</b>	<b>date</b>
President CNA Federmoda,  Entrepreneur, Rinfreschi S.R.L.	Prato, Italy	Italian	2015, June 22
General manager SIT Manufacturing (Suzhou) Co., Ltd  Board director, China- Italy Chamber of Commerce	Suzhou, China	Italian	2015, April 20
Trade Commissioner, Italian Trade Commission (ICE), Shanghai Office	Shanghai, China	Italian	2015, February 24
Vice President, China- Italy Chamber of Commerce	Shanghai, China	Italian	2015, February 12
Lawyer, Zunarelli B&T International Law Firm	Shanghai, China	Italian	2015, February 9 2014, January 7
Former Vice president, Informest	Gorizia, Italy	Italian	2014, July 31
Ceo at Metamanagement.srl - Cluster and Network Manager	Milan, Italy	Italian	2014, June 25
Head of business services Informest Consulting	Gorizia, Italy	Italian	2014, June 23
Former and Founding President, Informest	Gorizia, Italy	Italian	2014, June 20
Chairman, IC&Partners Group	Udine, Italy	Italian	2014, June 19
Undisclosed interviewee	Shanghai, China	Italian	2013, December 19
China Chief Representative	Shanghai, China	Italian	2013, December 19

China Representative Office Consorzio camerale per l'internazionalizzazione			
General Secretary, FILTEA-CGIL [Italian Federation of textile, apparel, leather and shoemaking workers]	Rome, Italy (phone interview)	Italian	2006, July 1
CFO, Italian Yarn Producer in Bulgaria	Plovdiv, Bulgaria	Italian	2006, June 18
Head of Local Development and EU integration, The City Hall of Timisoara	Timisoara, Romania	English	2006, April 14
Trade analyst, ICE Punto di Corrispondenza di Timisoara	Timisoara, Romania	Italian	2006, April 10
Counsellor, Department of External, Internal Economic Relations and European Integration, Chamber of Commerce of Timisoara	Timisoara, Romania	English	2006, April 6
Accountant, Boscolo & Partners, Timisoara	Timisoara, Romania	Italian	2006, April 5
President, Unimpresa Romania, Territorio di Timis  President, Norad Groups	Timisoara, Romania	Italian	2006, April 3

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**Figure 1: Employment generated by Italian labor intensive in selected macro areas in the early phases of internationalization. *Source: Adapted from Coro and Volpe (note 49)***



Review Only



**Figure 2: Italy's GDP trend** *Source: World Bank (note 65)*