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di

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Migrant Networks and Italian Foreign Direct Investment: A Cliometric Perspective*

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Abstract: Recent economic literature highlights that migrant networks help to overcome the informal barriers that exist in the international markets and boost international investment. Empirical studies on different countries confirm this prediction. This paper estimates (OLS-IV) an econometric model to study the impact of both emigration and immigration on Italy's bilateral foreign direct investment (FDI). The main results are that Italian emigrants abroad have a significant positive effect on Italy's both inward and outward FDI, while immigrants are not a significant determinant. A theoretical framework, a profile of the diaspora and of immigration in Italy and some exemplary entrepreneurial histories help to interpret the econometric evidence.

Keywords: International investment, migrant networks, entrepreneurial histories

JEL: F21, F23, N84

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1. Introduction

More than other European countries, Italy has an important history of mass emigration, dating from the mid-XIX century and, more than other nations, maintains strong links with its diaspora. They concern cultural and social matters, but also citizenship and political affairs. Italian emigrants and their offspring are Italian citizens, vote in the country's political elections and, since 2006, have their own representatives in parliament. While these ties have become stronger with time, mass emigration has receded and finally reached an end by the beginning of the 1970s.

The surviving links of other European countries with their ex-colonies mostly consist of similarities in institutions and social norms, common languages and, in some cases, political and economic agreements, as the British Commonwealth. Due perhaps to the labour, rather than imperial or traumatic nature of the Italian emigration (Cohen, 1997), Italy's external ties have always been related more to the people of the diaspora than to the countries of settlement and, perhaps also because of this, have been tighter and enduring.

Meanwhile, new links have been built up by the immigrant populations now living in Europe and in other countries of the world. In Fullilove's words, immigrants and their transnational networks are world wide webs, which represent the human dimension of globalization (Fullilove, 2008). A recent economic literature has stressed that, by helping to overcome the informal barriers that separate countries, made by differences in cultures and languages, these webs boost international transactions. Moreover, massive empirical evidence on different economies documents this positive and significant impacts of immigrants on the bilateral trade or the international investment (FDI) taking place between them and the countries if origin of immigrants. Among others, some of these studies are, for the UK: Girma and Yu, 2002; for France: Combes *et al.*, 2005; for Germany: Buch *et. al.*, 2006; for Spain: Blanes, 2006; for the US: Gould, 1994; Head and Ries, 1998; Dunlevy, 2006; Kugler and Rapoport, 2006.

As other rich European economies, Italy is now a receiving country: since the beginning of the 1970s immigration flows have been growing rapidly and immigrants now count at least for 5% of the total population. Also in this case, therefore, it seems reasonable to expect that they influence the country's international transactions. At the same time, as the links between the diaspora and the home country appear to be still strong and alive, they can also be expected to affect bilateral exchanges. This makes Italy a particularly interesting case: potentially it stands at the centre of a double set of networks, those of immigrants and those of emigrants. Besides, as these are mostly connected to different areas of the globe, if significant, their economic effects would not overlap, but add up.

This paper adds to the above literature by focusing on the impact of both immigration and emigration on Italy's bilateral foreign direct investments (FDI), and tries to understand whether and why one or the other set of networks may prevail. The paper is structured as follows.

Section 2 outlines the theoretical framework. It is based on the explanation of the role of diasporas in prompting business between countries provided by matching and network models (Rauch, 2001; Rauch and Casella, 2003; Casella and Rauch, 2002;) and on the strand of literature on social networks that analyses the interactions among individuals, within and between networks, in terms of "strong" and "weak" ties (Granovetter, 1973; Greif, 1992).

Section 3 tests the relationship between migrant networks and the Italian FDI by estimating an econometric model (OLS-IV). It takes into account the stock of Italian emigrants abroad and that of immigrants in Italy in the 1990-2004 period, as well as a number of other proxies for socio-cultural and institutional similarities between countries (i.e distance, quality of governance, regional agreements, religion) that can influence the decisions of investment by firms. The main result is that only the Italian diaspora has a significant positive effect on Italy's both inward and outward FDI.

Section 4 presents a historical profile of Italian diasporas and of immigration in Italy that is based on the theoretical concepts of "strong" and "weak" ties and helps to interpret the results of the econometric test. In particular, it focuses on: the contacts between migrants and their countries of origin, including return and circular migration, frequency of travel between host and home countries; the cultural and economic links, as schools in the origin country language, hospitals, workers and business associations, flows of remittances, subsidies to migrant travels and associations; the institutional links, as bilateral agreements between host and home countries on migration and laws of citizenship. It shows that the strong ties between the Italian diaspora and the home country may have lead to the rejection of other interactions, among which the weak-ties type ones with the networks generated by immigrants.

Sections 5 and 6 present some exemplary entrepreneurial histories of outward and inward Italian FDI for which emigrants' strong ties played a relevant role. As regards outward FDI, these ties have crucially relied on the information, financing, managerial skills, labour force, distribution channels and demand provided by emigrant communities. Inward FDI have also depended significantly on the information element and on the emigrant ties with the home country, among which the Italian law of citizenship, which allowed them to invest in the Italian economy without having to overcome the formal and informal barriers that halted other foreigners.

Section 7 concludes. The Appendix provides details on the data and sources.

2. Theoretical framework

Recent studies in economics show that differences between countries in culture, institutions and social norms are informal barriers that obstruct trade and international investments and that the international migration of people, in particular the ethnic and business transnational links that migrants and diasporas build across countries, tend to lower these barriers (Rauch 2001, Gould 1994). Diasporas have been recently depicted as world wide webs, which constitute "the human dimension of globalization" (Fullilove, 2008).

Some theoretical explanations for the economic role of diasporas are provided by matching and migration models (Casella and Rauch, 2002; Rauch and Casella, 2003; Rauch and Trindade, 2002; Kugler and Rapoport, 2006). Rauch and Casella (2003) develop a model of matching in the international markets where entrepreneurs search for partners of other countries with the aim of producing jointly. Immigrants supply entrepreneurs with information and provide matching and referral services on business opportunities in their home countries. The probability of successful matching is higher for entrepreneurs endowed with the information and the ties provided by immigrants. Several empirical studies have found a positive and significant impact of migrant networks on bilateral investments and trade between their destination and home countries (e.g., relatively to trade: Gould, 1994; Head and Ries, 1998; Girma and Yu, 2002; Wagner, Head and Ries, 2002; Dunlevy, 2006; relatively to FDI; Gao, 2003; Tong, 2005, Buch *et al.*, 2006; Kugler and Rapoport, 2006; Doquier and Lodigiani, 2006).

According to these principles, any group of migrants is supposed to exert a positive impact on a country's external transactions and FDI, independently of their ethnicity. These models, however, do not contemplate another possibility, which is that, because of a lack of trust, entrepreneurs may reject the information and referral services provided by some groups of immigrants. Trust on the information provided by heterogeneous agents may depend on the ethic or cultural vicinity between these agents and the potential users. As a simplifying example, consider a country where entrepreneurs can choose between the ties provided by two types of individuals, immigrants, who belong to other ethnic groups, and emigrants, who are of their same ethnicity. All agents, immigrants and emigrants, supply ties that objectively lead to the same returns and each of these ties relate to different foreign partners or countries (there is no overlapping). If the entrepreneurs rely more on the individuals of their same ethnicity (emigrants), and if this is so to the point that some or all of the ties supplied by the other agents (immigrants) are rejected, then, the country's number of successful matching and overall returns in the international markets will decrease as the

level of inter-ethnic trust decreases.[1] At the two opposite extremes, for very low trust levels, only the emigrants' ties will be utilized, for high and not-binding levels all the ties supplied will be used.[2]

Cohesiveness within social groups and relations between groups are analyzed by a strand of social networks theory. Granovetter (1973) studies the interactions taking place among individuals belonging to a group or society and defines them in terms of "strong" and "weak" ties. Ties are strong when everybody within the group knows each other, while ties are weak when each individual may know each other's relevant characteristics either directly or by referral. The boundaries of weak-ties networks are less sharply defined, and members of the network interact with individuals of other groups more often than in the strong-ties case. Ties crucially affect the economic performance of groups or societies. As innovation and information flow more rapidly when they run through both direct and indirect channels, the more vibrant economies are those characterized by the predominance of weak ties. In Granovetter's view, this determines "the strength of weak ties". Closed coalitions, in contrast, put a limit to the spread of information and to profitable economic interactions.

Greif (1992) analyses the social, cultural and institutional factors through which transnational networks affected trade and investment in history. Similarly to Granovetter, he maintains that members of diasporas with strong ties, as were the Maghribis during the Middle Ages, exerted a positive impact on the economic transactions between the countries where they resided, but also that they rejected other potentially more profitable and efficient interactions with networks and countries that were external to their coalition.

The recent empirical studies, quoted above in this section, on transnational networks have focused on the impact of immigrants on the bilateral economic interactions of several countries. Italy is a country of particular interest because it allows the study of the impact of both immigrants and emigrants: it has experienced massive flows of people in both directions: outward, since the mid nineteenth century until the beginning of the 1970s, and inward, with rapidly growing immigration, since the 1970s. Following the basic insights of networks theory, Italy should stand at the center of

[1] The example assumes that matching and production abroad concerns only the native entrepreneurs of each country and not migrants themselves.

[2] In the spatial model of Casella and Rauch (2002) individuals may reject the ties that lead to returns that are certain but lower than the uncertain returns of untied matching. Differently, in our case some ties are rejected because the individuals providing the ties are not trusted by the entrepreneurs, even when the effective returns are the same for both the accepted and the rejected ties. The lack of trust depends on the ethnic characteristics of the individuals, not on their "spatial" positions in the matching model. Goldberg et al. (2005) present a principal-agent model of investments abroad where principals-investors are subject to moral hazard by the agents linked to the investments abroad. In our assumptions, investors consider the risk of moral hazard to be higher with immigrants than with emigrants, despite the effective risk is the same. The attitude is similar to that related to discrimination in the labor market. A different strand of the literature takes into account the characteristics of migrants by distinguishing between skilled and unskilled individuals (Kugler and Rapoport, 2006; Docquier and Lodigiani 2006).

a double set of world wide webs, one generated by the Italian diaspora and the other by the immigrant ties, and both should positively influence the bilateral FDI.

The networks of emigrants and immigrants, however, differ in an essential aspect, while the former are of the same ethnicity of Italian natives, and the latter are composed by an heterogeneous collection of different ethnicities. Following the theories of ties and coalitions of Greif (1992) and Granovetter (1973), the influence of the two sets of networks on the Italian FDI could differ if, for example, Italian entrepreneurs tend to prefer the ties supplied by individuals of their own ethnic type to those of immigrants.

More precisely, an econometric testing showing a positive impact of both immigrants and emigrants on Italy's FDI would suggest that Italian entrepreneurs utilize in the same way, and trust equally, the ties provided by individuals of their same nationality and by immigrants and, also, that the immigrants themselves make use of their ties with the home countries. In this case, the "Italian network", including the diaspora and entrepreneurs in Italy, would qualify as of a weak-ties type. Conversely, if only members of the diaspora ought to influence the FDI, the "Italian network" could be seen as a strong-ties coalition, which does not interact with the immigrant networks, while the latter do not develop their own their transnational links. Finally, if only immigrants affected FDI, then it could be presumed that entrepreneurs privilege the weaker, but newer, ties provided by these networks.[3]

3. Econometric testing

In this section we test the relationship between migrant networks and Italian FDI by estimating an econometric model (OLS-IV) that takes into account the stocks of Italian emigrants abroad and of immigrants in Italy, assuming that in principle any of these networks may provide matching and referral services to investors. Moreover, together with distance, which is meant to capture transaction and other costs that increase with the geographic distance between countries, we also consider some proxies for the socio-cultural and institutional similarities between countries, as quality of governance, regional agreements and religion. These similarities may have been inherited from the past or, for example, from colonial times and tend to lower the informal barriers that impede international investments.

[3] In the case of both immigrants and emigrants positively influencing FDI, it could be also be hypothesised that each set of networks works independently and as closed coalitions, Italian entrepreneurs with emigrants, and immigrant networks on their own. While this cannot be excluded in theory, in practice it is difficult to conceive immigrants as isolated communities within the host economy that invest abroad and receive investments from abroad.

We consider the FDI position of 51 foreign countries[4] with respect to Italy (inward) and also the FDI position of Italy in these economies (outward), by taking into account the *average* FDI stocks for each country over the period from 1990 to 2004[5].

Following Goldberg *et al.* (2005), we choose a specification of the econometric model which focuses especially on the "human" factors determining the FDI, and which leaves the traditional macroeconomic determinants to have an indirect influence on the dependent variable.[6] More precisely, we focus on the impact of these human factors on the "abnormal" stocks of bilateral FDI, i.e. on those stocks that exceed or are below the normal patterns of every country. For example, considering France, one of Italy's partner countries, we measure the share of France's FDI into Italy relatively to the sum of all 51 countries' FDI in Italy (which is France's propensity to invest in Italy), we then measure the share of France's FDI in the world relatively to the sum of all 51 countries' FDI in the world (France's propensity to invest globally), and we say that France invests an "abnormal" amount in Italy if the proportion of Italy's inward FDI originating from France is larger than the France's share of FDI in the world. Symmetrically, we take into account also Italy's abnormal investments abroad, by considering the part of Italian FDI in each partner country that exceeds of falls short of Italy's propensity to invest globally[7]. These measures are precisely explained in the next paragraph.

Tables A2 and A3 in the Appendix report the complete lists of inward and outward abnormal FDI respectively. We can note that in both cases 11 countries out of 51 show *positive* abnormal FDI.

Most of these countries (Argentina, Brazil, Chile, France, Germany, Luxembourg, Netherlands, Switzerland, UK, United States and Venezuela) have been amongst the main destinations of the Italian diasporas and nowadays host a sizeable Italian community. Some of them (Luxembourg and, to a lesser extent, Switzerland and the Netherlands) are also tax heavens[8], while among the others

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[4] Albania, Algeria, Argentina, Australia, Austria*, Brazil, Bulgaria, Canada, Chile, China, S. Korea, Croatia, Denmark*, Egypt, France*, Germany*, Japan, Greece*, Hungary, India, Indonesia, Iran, Ireland*, Israel, Libya, Luxembourg*, Malaysia, Morocco, Mexico, Norway, Netherlands*, Philippines, Poland, Portugal, UK*, Czech Rep., South Africa, Romania, Russia, Singapore, Slovakia, Slovenia, Spain*, USA, Sweden*, Switzerland, Thailand, Tunisia, Turkey, Ukraine, Venezuela. *: European Union.

[5] Details on the data and the sources of the dataset are provided in Table A1 in the Appendix.

[6] The *level* of FDI depends upon various determinants regarding both the origin and destination country. Among them, the size of the economies (e.g. GDP or population) and their wealth (e.g. per capita GDP), access to natural resources, labour, costs of capital and labor, markets and technological expertise; customs duties, quotas, health and safety regulations; real exchange rates. On the determinants of the *level* of Italian inward and outward FDI, see Murat and Pistoresi (2007a).

[7] France's propensity to invest in Italy is the 14% of the total inward FDI, while its propensity to invest globally is only 5.8%. Hence, France's abnormal inward FDI is 7.5%. For comparison, the share of Italy's FDI into France relative to the sum of all 51 countries' FDI in France (e.g., Italy's propensity to invest in France) is 10% and its abnormal outward FDI in France is 8%. See Tables A2 and A3 in the Appendix for the complete lists of inward and outward abnormal FDI.

[8] The biggest abnormal inward FDI is from Switzerland: the 13.7%, while the biggest Italy's abnormal outward FDI are in Netherland: the 15.5% and in Luxemburg: the 12.3%.

are the major industrial nations of the Western world (United States, Germany, France and the UK)[9]. These countries invested to Italy – and, to a lesser extent, attracted FDI from Italy – since the beginning of the XX century and even earlier and have been traditional trade partners of Italy (Viesti, 1988; Colli, 2007). Lastly, it is worth noticing the presence of some Latin American countries (Argentina, Brazil, Chile and Venezuela)[10] whose main feature is just to have been the destination of mass migration flows from Italy.

3.1. The econometric specification

The econometric model that we estimate explains the determinants of foreign FDI in Italy (*inward FDI)* that exceeds the normal propensity of the foreign investor to invest in other economies and also the part of Italian FDI into another country that exceeds or falls short of a its propensity to invest globally (*outward FDI*).

More generally, to model the propensity of country *i* to invest in Italy and the factors that should help country *i*'s investors to have access to information and judge the quality of investment opportunities in Italy we use the following equation:

$$1)\ \frac{FDI_{i,IT}}{\sum FDI_{j,IT}} = \alpha + \beta_1 \frac{FDI_{i,world}}{\sum FDI_{j,world}} + \beta_2 \frac{EMI_{IT,i}}{\sum EMI_{IT,j}} + \beta_3 \frac{IMMI_{i,IT}}{\sum IMMI_{j,IT}} + \beta_4 DIST_i + \beta_5 GOV_i + \beta_6 CH_i + \beta_7 EU_i + \xi_i$$

where $\frac{FDI_{i,IT}}{\sum FDI_{j,IT}}$ is the propensity of country *i* to invest in Italy, that is the share of country *i* relative to the sum of all 51 countries' FDI in Italy. $FDI_{i,IT}$ is the FDI stock of country *i* in the Italian economy and $FDI_{j,IT}$ is the total FDI in Italy from the 51 countries considered. $\frac{FDI_{i,world}}{\sum FDI_{j,world}}$ is a scale factor (world normalization) that measures the share of country *i*' FDI in the world relative to the sum of all 51 countries' FDI in the word. This normalization takes into account the fact that large countries invest more and receive more FDI.

We also model Italy's outward FDI and the variables which should help Italian investors to have access to information and judge the quality of investment opportunities abroad. Since we are now

[9]There is no evidence of abnormal inward FDI from the USA, but Italy invests an abnormal amount of FDI in the USA equal to the 9.8% of the total of all 51 countries' FDI in USA. The UK's abnormal FDI is the 3.9%, while the Italy's abnormal FDI in UK is the 6.53.

[10] In the case of Brazil, Italy's abnormal outward FDI is 1.5%, while the other cases have all positive abnormal inward and outward FDI but the amount is less than 1%.

dealing with FDI from only one country, we do not need to normalize by the total size of a country's FDI as we did when considering inward FDI.[11]

Hence, for Italy's outward FDI we simply estimate the following equation:

$$(2)\quad \frac{FDI_{IT,i}}{\sum FDI_{IT,j}} = \alpha + \beta_1 \frac{EMI_{IT,i}}{\sum EMI_{IT,j}} + \beta_2 \frac{IMMI_{i,IT}}{\sum IMMI_{j,IT}} + \beta_3 DIST_i + \beta_4 GOV_i + \beta_5 CH_i + \beta_6 EU_i + \varsigma_i$$

where $\frac{FDI_{IT,i}}{\sum FDI_{IT,j}}$ is the Italy's propensity to invest abroad in the 51 countries considered; $FDI_{IT,i}$ is Italy's FDI stock in country *i* and FDI_{IT}, *j* is the Italy's total FDI in all the 51 countries considered.

The control variables are the same for both models (1) and (2). In particular, $\frac{EMI_{IT,i}}{\sum EMI_{IT,j}}$. is the share of the Italian emigrants in country *i* relative to the total of Italians in the 51 countries of our sample; $\frac{IMMI_{i,IT}}{\sum IMMI_{j,IT}}$ is the share of immigrants from country *i* relative to the total immigrants in Italy from the 51 economies considered. EMI and IMMI are respectively the stock of emigrants from Italy to country *i* and the stock of immigrants in Italy from country *i*; *DIST* is the distance between country *i*'s capital city and Rome (km); *GOV* is an index of the quality of institutions and governance, which we have derived from Kaufmann *et al*. (1999): this index's values are a positive function of civil liberties, political rights, independence of the media, political stability, quality of bureaucracy, supply of public services, effectiveness and predictability of judiciary institutions and enforceability of contracts, and a negative function of regulatory burdens on foreign trade and business development and corruption. As a proxy of "culture", we include a variable on religion: CH is the share of people of Christian religion, including the Orthodox, in the overall of population.

The expected signs of the regressors are the same for both inward and outward abnormal FDI. We expect, except for distance, ~~a~~ positive coefficients for all these variables. These independent variables affect the estimates of the expected returns of investment, in other words they should increase the FDI (dependent variable), via a reduction of information and other transaction costs.

The expected sign of the distance is negative, in fact DIST captures the positive role of the proximity in investment decision and other investment costs that increase with the distance. A proximity role is also captured by the dummy EU. It is equal to 1 when a country is in the European Union in the 1990s (see note 1 for the list of countries included). It captures Italy's different propensities to invest (or receive investment) into (or from) this EU area.

[11] Here we are considering a country's FDI (Italy's outward FDI) and not a variety of countries with different total FDI. In other words, the scale factor (e.g., the world normalization) is always the same across the cross-sectional units.

3.2 .OLS regression results

In columns 3 and 4 of Tables 1 and 2, we present the result from the OLS estimation of equation (1) for Italy's inward FDI and equation (2) for outward FDI. In all these models the share of Italian emigrants abroad and the share of foreign immigrants in Italy are used as independent variables. For comparison, we also present the regressions where the network effects is proxied by the stocks of migrants in logs (columns 1 and 2). The estimates in columns 1 and 3 are from the general model (1), while these in columns 2 and 4 from a final parsimonious specification. F tests of model reduction are presented in the Tables.[12]

Now we detail the outcome in Table 1 for inward FDI. All the significant variables (distance, world normalisation and emigrant networks) have the expected signs in all the specifications. A significant pro-inward FDI sign due to Italian emigrants abroad is present in all the models. Conversely, a weakly significant negative sign of foreign immigrants in Italy appears in columns 3 and 4. In terms of the theoretical framework of Section 2 above, these results suggest that the interactions between Italy and its diaspora are privileged with respect to those with the immigrants into the country. The "Italian network", which includes the diaspora and the entrepreneurs at home, seems to be working as a strong-ties coalition. Furthermore, the weakly significant, but negative, coefficient of the immigrants variable show that the immigrants' sending countries invest below normal in Italy. Hence, not only the immigrants business links appear to be weak or inactive, but, as in the traditional model of integration (Burda, 2004), the international movements of labour and of capital follow opposite directions.[13] The quality of institutions (GOV), cultural and religion similarity (CH), and the proximity and historical common market area (EU dummy) do not play a significant role in explaining the propensity to invest in Italy.

Table 2 reveals a significant pro-outward FDI effect of Italian emigrants abroad. This is present in all the regressions, while the network effects due to foreign immigrants in Italy is statistically not significant. Among the other independent variables, only the EU dummy, is significant in columns 3 and 4 to explain Italy's abnormal FDI. It documents that Italian propensities to invest into the European Union economies, with cultural and institutional similarities and historical business relationships, is significantly greater than in other areas.

[12] For brevity, we do not report the intermediate steps of the model reduction from "general to specific" model. Also note that a "specific to general" strategy produces the same results. In particular, the pro-FDI effect of the immigration variables is always absent or not significant. All these results are available on request.

[13] In Kugler and Rapoport (2006) the expansion of the unskilled labour force in the economy has ambiguous effects on the returns to capital: on the one hand they increase because of the increased labour supply, on the other hand, they decrease because the share of human capital (of skilled labour force) in the economy diminishes. We do not control for skilled and unskilled immigration but, as specified in Section 4, a great majority of the immigrant labour force in Italy is employed in low-skilled jobs.

Finally, note that these results of the econometric analysis confirm the findings of a previous paper, focused on trade rather than FDI: while emigrants exert a positive significant influence on Italy's bilateral trade flows, immigrant networks are not a significant determinant (Murat and Pistoresi, 2007b).

Table 1. Determinants of the FDI by other countries into the Italian economy (inward FDI) – cross-section regressions

	(1) OLS	**(2) OLS**	**(3) OLS**	**(4) OLS**
Constant	0.0301 (0.63)	0.062 (1.35)	0.047** (2.28)	0.087*** (2.81)
FDI (world) normalization: $\frac{FDI_{i,world}}{\sum FDI_{j,world}}$	0.5797*** (3.90)	0.6201*** (5.24)	0.5233*** (3.99)	0.6001*** (5.63)
European Union dummy : EU	0.0089 (0.42)		0.0135 (0.90)	
Distance (logs) : DIST	-0.0098** (-2.07)	-0.0124*** (-2.81)	-0.0074*** (-2.72)	-0.0107*** (-3.045)
Governance quality index (standardised): GOV	0.0192 (0.67)		0.0196 (1.047)	
Christian share: CH	-0.0069 (-0.71)		-0.0019 (-0.275)	
Stock of Italian emigrants, (logs): $EMI_{IT,i}$	0.0069 ** (2.10) (HC1: 1.94; HC2: 1.81)	0.0077*** (2.78) (HC1: 2.64; HC2: 2.59)		
Stock of foreign immigrants (logs): $IMMI_{i,IT}$	-0.0010 (-0.34) (HC1: -0.31; HC2: -0.30)	-0.0019 (-0.67) (HC1:-0.62; HC2: -0.61)		
Share of emigrants: $\frac{EMI_{IT,i}}{\sum EMI_{IT,j}}$.			0.48*** (2.85) (HC1: 2.62; HC2: 2.18)	0.5138*** (3.44) (HC1: 3.27; HC2: 2.81)
Share of immigrants: $\frac{IMMI_{i,IT}}{\sum IMMI_{j,IT}}$			-0.11* (-1.79) (HC1: -1.64;HC2: -0.89)	-0.1708** (-2.50) (HC1:-2.38; HC2:-2.36)
R^2-adjusted	0.488	0.506	0.611	0.615
N. Observations	51	51	51	51
F –statistic testing coefficients equal to zero		F(3,43)=0.76 p-value= 0.51		F(3,43)=0.95 pvalue =0.42

***Notes**:* *** 1%, ** 5%, * 10% significance level. The t-value in parenthesis is based on the White's heteroskedasticity robust standard errors. For some coefficients are also reported in parenthesis t-values (HC1 and HC2) based on different heteroskedasticity robust standard errors. HC1 is provided by MacKinnon and White (1985) and HC2 by Davidson and Mackinnon (2004).

Table 2. Determinants of the FDI from Italy into other countries (outward FDI) – cross-section regressions

	(1) OLS	**(2) OLS**	**(3) OLS**	**(4) OLS**
Constant	-0.0241 (-0.46)	-0.0472 (-1.62)	0.0020 (0.10)	0.0036 (1.32)
European Union dummy : EU	0.0244 (1.51)		0.0307* (1.99)	0.0406** (2.85)
Distance (logs) : DIST	-0.0038 (-1.24)		-0.0017 (-0.84)	
Governance quality index (standardised): GOV	0.0193 (1.12)		0.2259 (1.39)	
Christian share: CH	-0.0021 (-0.25)		0.0059 (0.96)	
Stock of Italian emigrants, (logs): $EMI_{IT,i}$	0.007*** (3.89) (HC1: 3.62; HC2: 3.57)	0.007*** (3.51) (HC1: 3.66; HC2: 3.45)		
Stock of foreign immigrants (logs): $IMMI_{i,IT}$	0.0004 (0.13) (HC1: 0.12; HC2: 0.11)	0.0007 (0.23) (HC1: 0.24; HC2: 0.22)		
Share of emigrants: $\frac{EMI_{IT,i}}{\sum EMI_{IT,j}}$.			0.3012** (2.57) (HC1: 2.39; HC2: 2.18)	0.3365** (2.85) (HC1: 2.73; HC2: 2.44)
Share of immigrants: $\frac{IMMI_{i,IT}}{\sum IMMI_{j,IT}}$			-0.0117 (-1.24) (HC1: -0.23; HC2:-0.18)	-0.0114 (-0.31) (HC1: -0.29; HC2:-0.27)
R^2-adjusted	0..357	0.381	0.344	0.377
N. Observations	51	51	51	51
F –statistic testing coefficients equal to zero		F(3,44)=1.28 pvalue= 0.29		F(3,43)=1.23 pvalue =0.30

***Notes**:* *** 1%, ** 5%, * 10% significance level. The t-value in parenthesis is based on the White's heteroskedasticity robust standard errors. For some coefficients are also reported in parenthesis t-values (HC1 and HC2) based on different heteroskedasticity robust standard errors. HC1 is provided by MacKinnon and White (1985) and HC2 by Davidson and Mackinnon (2004).

3.3. The Instrumental Variable Regression

This sub-section takes into account the potential *simultaneous causality bias* due to FDI affecting migration and migration affecting FDI. For example, migrant networks may reduce the transaction costs conveying information on the investment opportunities or providing contacts to facilitate FDI inflows to the migrants' origin country. In this case the causality runs from migrant networks to FDI (Buch *et al.*, 2006; Goldberg *et al.*, 2005; Javorcick *et al.*, 2006). However, as FDI inflows capital, know how, new technologies, they may lead to faster economic growth, better employment opportunities and higher wages. This can have a positive effect on migrant flows. In this case, the causality runs from FDI to migration flows.

This simultaneous bias may occur for both inward and outward FDI and abnormal emigrants and immigrants (or the stock of emigrants and immigrants). For this reason we estimate model (1) for inward FDI and model (2) for outward FDI by Instrumental Variables Method (2SLS or simply IV). The IV estimation permits to obtain consistent regression coefficients by using instruments (in the IV terminology the "exogenous" variables) instead of the regressors X, i.e. the migration variables (in the IV terminology the "endogenous" variables)[14]. These instruments must be correlated to the X, but not correlated (or scarcely correlated) with the dependent variable Y, i.e. the FDI.

The instruments for the emigrant network variables are: i) the predetermined stock of Italian emigrants in 1990, ii) the number of Italian schools abroad in 1990. The instruments for the immigrant networks are: a) the predetermined stock of immigrants in Italy in 1990, b) the population density in the origin country, c) the immigrant populations in the core European economies in 1990[15].

In the Notes of Tables 3 and 4 we detail the instruments, the endogenous variables and their combined use in the estimation. We also report the Hausman test to discriminate between OLS and IV, the first stage F statistics on the instrument relevance and finally the Sargan over identifying test on the validity of the instruments [16]. All tests for instrument relevance suggest that the predetermined stock of foreign immigrants in Italy 1990 and the population density in the origin country in 1990 are weak instruments. For this reason we do not report in Tables 3 and 4 the outcome for these IV estimations. Note that in all cases, the Hausman test suggests that the OLS regressions is preferred.

[14] The IV estimation has some specialized terminology to distinguish variables that are correlated with the error term of the regression because of the simultaneous bias (called endogenous variables), and variables that are uncorrelated with the error term (the instruments) that are called exogenous. The historical source of these terms traces to models in which endogenous variables are determined within the model and exogenous ones outside it. On the simultaneous causality bias in OLS, see Stock and Watson (2006).

[15] These countries are the 15 EU members in 1995.

[16] On these tests, see Stock and Watson (2006).

To conclude, this robustness analysis reinforces the outcome in Tables 1 and 2: Italian emigrants are a significant determinant of Italy's both inward and outward FDI.

Table 3 Determinants of the FDI by other countries into the Italian economy (inward FDI) – cross-section regressions

	(1) IV	**(2)IV**	**(3) IV**	**(4) IV**	**(5) IV**	**(6) IV**	**(7) IV**	**(8)IV**
Constant	0.061 (1.16)	0.048 (0.97)	0.065 (1.15)	0.66 (1.27)	0.09 (2.37)	0.084 (2.80)	0.095 (2.93)	0.076 (2.65)
FDI (world) normalization	0.557*** (3.94)	0.55**** (3.73)	0.63*** (3.57)	0.62*** (5.17)	0.534*** (3.68)	0.57** (2.80)	0.72***(4.87)	0.47** (2.62)
Distance (logs)	-0.012**(-2.80)	-0.012**(-2.73)	-0.012**(-2.82)	-0.012**(-2.85)	-0.011**(-2.55)	-0.010**(-2.93)	-0.011***(-3.12)	-0.009**(-2.71)
Stocks of emigrants (logs): $EMI_{IT,i}$	0.009**(2.85)	0.0094**(2.82)	0.0074*(1.90)	0.0077**(2.77)				
Stocks of immigrants (logs): $IMMI_{i,IT}$	-0.003 (-0.81)	-0.0018(-0.60)	-0.0019(-0.65)	-0.0022 (-0.62)				
Share of emigrants: $\frac{EMI_{IT,i}}{\sum EMI_{IT,j}}$.					0.65*** (3.51)	0.558** (2.68)	0.336* (1.87)	0.71*** (3.43)
Share of immigrants: $\frac{IMMI_{i,IT}}{\sum IMMI_{j,IT}}$					-0.36 (-1.31)	-0.17**(-2.71)	-0.18** (-2.63)	-0.15** (-2.58)
R^2-adjusted	0.50		0.50	0.50	0.58	0.60	0.58	0.58
N. Observations	51	51	51	51	51	51	51	
Hausman test Null: OLS is consistent	χ^2 (2)=3.0 Pvalue=0.22	χ^2 (1)=2.5 Pvalue=0.11	χ^2 (1)=0.009 Pvalue=0.92	χ^2 (1)=0.042 Pvalue=0.83	χ^2 (2)=3.5 Pvalue=0.16	χ^2 (1)=0.17 Pvalue=0.68	χ^2 (1)=1.45 Pvalue=0.23	χ^2 (1)=2.46 Pvalue=0.12
First stage F statistics < 10 weak instruments		F(2,45)=185.3	F(1,46)=11.63	F(1,46)=116.6		F(2,45)=10.02	F(1,46)=8.54	F(1,46)=12.50
Sargan over-identifying test Null: all instruments are valid		T R^2.= 0.39 Pvalue=0.53				T R^2.= 4.60 Pvalue=0.031		

***Notes**: :* *** 1%, ** 5%, * 10% significance level. The t-value in parenthesis is based on the White's heteroskedasticity robust standard errors. The t-value in parenthesis is based on the White's heteroskedasticity robust standard errors.

Instruments and endogenous variables

Instruments for the "*share of Italian emigrants*"*:* the predetermined stock of Italian emigrants, 1990 (logs), the number of Italian Schools abroad. Instruments for the"*stock of Italian emigrants abroad* : the predetermined stock of foreign immigrants in Italy 1990 (logs), the population density in the origin country, 1990 (logs). Instruments for the *" share of foreign immigrants in Italy":* the foreign immigrants toward core Europe (logs), the predetermined stock of foreign immigrants in Italy, 1990 (logs), the population density in the origin country (logs). Instruments for the "*stock of foreign immigrant is in Italy*"(logs): the foreign immigrants toward core Europe (logs), the predetermined stock of foreign immigrants in Italy 1990 (logs), the population density in the origin country, 1990 (logs).

(1) IV estimation : 2 instruments (stock of emigrants and immigrants, 1990) **;** 2 endogenous (stock of emigrants and immigrants, average 1991-2005**), (2) IV estimation :** 2 instruments (stock of emigrants 1990 and Italian schools)**;** 1 endogenous: (stock of emigrants, average 1991-2005**), (3) IV estimation** 1 instruments (Italian schools); 1 endogenous: (stock of emigrants)**, (4) IV estimation** 1 instruments (stock of immigrants 1990); 1 endogenous: (stock of immigrants)**, (5) IV estimation :** 2 instruments (stock of emigrants and immigrants 1990) **;** 2 endogenous (share of emigrants and of immigrants, average 1991-2005**), (6) IV estimation :** 2 intruments (stock of emigrants 1990 and Italian schools abroad)**;** 1 endogenous: (share of emigrants, average 1991-2005**), (7) IV estimation** 1 instruments (Italian schools); 1 endogenous: (share of emigrants)**, (8) IV estimation** 1 instruments (stock of immigrants 1990); 1 endogenous: (share of immigrants).

Table 4 Determinants of the FDI from Italy into other countries (outward FDI) – cross-section regressions

	(1) IV	**(2)IV**	**(3) IV**	**(4) IV**
Constant	-0.052* (-1.89)	-0.040 (-1.18)	0.002 (0.94)	0.004 (1.48)
European Union dummy : EU	0.030* (1.92)	0.035** (2.14)	0.037** (2.17)	0.042** (2.52)
Stock of Italian emigrants, (logs): $EMI_{IT,i}$	0.0076*** (3.62)	0.0057* (1.86)		
Stock of foreign immigrants (logs): $IMMI_{i,IT}$	0.0006 (0.21)	0.0008 (0.28)		
Share of emigrants: $\frac{EMI_{IT,i}}{\sum EMI_{IT,j}}$.			0.477*** (3.38)	0.289** (2.03)
Share of immigrants: $\frac{IMMI_{i,IT}}{\sum IMMI_{j,IT}}$			-0.019 (-0.38)	-0.008 (-0.21)
R^2-adjusted	0.38	0.38	0.35	0.36
N. Observations	51	51	51	51
Hausman test Null hypothesis:OLS is consistent	χ^2 (1)=0.60, Pvalue=0.43	χ^2 (1)=0.10, Pvalue=0.74	χ^2 (1)=1.81, Pvalue=0.18	χ^2 (1)=0.076, Pvalue=0.78
First stage F statistics < 10 weak instruments	F(2,46) = 171.6	F(1,47) = 10.11	F(2,46) = 11.32	F(1,47) = 6.36
Sargan over-identifying test Null hypothesis: all instruments are valid	T R^2.= 0.33, Pvalue=0.56		T R^2.= 1.92, Pvalue=0.16	

***Notes**:* *** 1%, ** 5%, * 10% significance level. The t-value in parenthesis is based on the White's heteroskedasticity robust standard errors.

Instruments and endogenous variables
Instruments for the "*share of Italian emigrants*"*:* the predetermined stock of Italian emigrants, 1990 (logs), the number of Italian Schools abroad.
Instruments for the *"Stock of Italian emigrants abroad"* , logs , the predetermined stock of foreign immigrants in Italy 1990 (logs), the population density in the origin country, 1990 (logs).
(1) IV estimation : 2 instruments (stock of emigrants 1990 and Italian schools)**;** 1 endogenous: (stock of emigrants, average 1991-2005**)**
(2) IV estimation 1 instruments (Italian schools); 1 endogenous: (stock of emigrants)
(3) IV estimation : 2 intruments (stock of emigrants 1990 and Italian schools abroad)**;** 1 endogenous: (share of emigrants, average 1991-2005**)**
(4) IV estimation 1 instruments (Italian schools); 1 endogenous: (share of emigrants)

4. A profile of Italian emigration and of immigration in Italy

Following Greif (1992) and Granovetter (1973), in this section we try to interpret the results of the econometric test carried out in section 3 by considering the main factors affecting the tightness of the network ties, through time and distance, of the Italian emigration abroad and of the more recent immigration in Italy. Among others, these are: i) effective contacts between migrants and their countries of origin, including return and circular migration, travel between host and origin countries; ii) cultural and economic links, prompted by migrant associations of various kinds, schools in the origin country language, flows of remittances, home and host countries' subsidies to immigrant associations, schools and hospitals; iii) institutional links, such as bilateral agreements between host and home countries on migration, laws of citizenship. This may help to shed light on the strength of ties within the Italian networks, which includes the diaspora and Italians in the home country, and on the interactions with the immigrant networks.

4.1. Italian emigration

Emigration from Italy reached massive proportions between 1860 and 1970. It is estimated that about 25 million Italians – that is, one out of four – emigrated in that period (Del Boca and Venturini, 2003). Nowadays the number of people of Italian nationality or descent living abroad may approach that of the population in Italy (about 60 million) (Gabaccia, 2005). The main destinations of emigrants were countries of Western Europe, North and South America and Australia. Departures were dictated mainly by labor reasons (Cohen, 1997) and a high proportion of emigrants returned. Not only they made their way back home more frequently than other European emigrants, but they returned also from the more distant destinations of America, Africa and Australia. Argentina, for example, was a land of permanent settlement, but also of annual (circular) migrations related to the harvesting seasons, which are reversed with respect to the northern hemisphere. These migrants were called *golondrinas* (swallows) (Foester, 1919). Italians living abroad tended to gather in ethnic communities, little Italys in the cities and rural villages into the countryside, and to remain deeply tied to the home country (Gabaccia, 2006). Associations were widespread (Foerster, 1919). In earlier times these consisted especially of mutual aid societies, workers' aid societies called *patronati*, social circles, but also business associations and Chambers of Commerce[17]. Remittances, since the earlier times have always been conspicuous.

[17] The older Chambers of Commerce were established in the main destination countries of emigration between the end of the nineteen and the beginning of the twentieth centuries. The years of foundation were: 1884 in Argentina, 1886 in the UK and in France, 1887 in the United States, 1902 in Brazil, 1909 in Switzerland, 1911 in Germany, 1914 in Spain, 1916 in Chile. These same countries registered the highest numbers of workers-aid associations, or *patronati*: 55 in Argentina, 36 in the U.S., 26 in Brazil, 43 in Switzerland, 49 in Germany, 34 in France, 11 in the UK. Conversely, in

Except for the fascist era, when permanent departures were banned or restricted, the Italian government demonstrated interest in the emigration phenomenon and even actively regulated and backed it. It subsidized travel expenses, made agreements with the governments of destination countries aimed at guaranteeing acceptable living and working standards for the emigrants, ensured repatriation in difficult circumstances, banned emigration to certain countries during pestilences (Foerster, 1919), subsidized the creation of schools of Italian language and culture abroad, of Italian hospitals, and supported the existence of *patronati*. In 1901 a permanent Commissariat of Emigration (*Commissariato dell'Emigrazione*) was established, which depended on the Foreign Ministry, but had its own budget and held power of regulation.[18]

Emigration for the Italian government meant lower demographic pressure within the country, especially amongst the poorest, inflows of hard currency and higher purchasing power through remittances, but also favorable effects on some sectors of the economy (for example, sea-transports) and a support base for exports. In fact, Italian communities abroad supported more than just exports: they imported Italian goods but were also crucial for the foreign investments of Italian firms in their host countries. They supplied information to potential investors on existing business opportunities, made available the financial means needed to accomplish the investment, provided managerial skills, were a reliable labor force and represented a final demand for the goods produced. Only during short periods of time, the Italian government considered this wider role of the diaspora. One of these periods coincided with the end of the nineteenth and the beginning of the twentieth centuries. In 1900, the case of Enrico Dell'Acqua, a Lombard textile entrepreneur who invested in Argentina, Brazil and other Latin America economies, boosting employment and profits at home, became well-known to the public when the Italian economist and statesman Luigi Einaudi published a book on his ventures, entitled *Un principe mercante* (*A Merchant Prince*). During the last decades of the eighteenth century the government started to subsidize the creation of Italian Chambers of Commerce in the countries of settlement of emigrants, but all this came to an end by the early 1920s, with the onset of the fascist regime. Only after WWII the Italian government reconsidered the matter of emigration and, with it, the role of the diaspora as a positive factor for the internationalization of the Italian economy, but again, it was seen more as a factor that lowered

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the Eastern hemisphere the Chambers of Commerce have been established much latter, partly because of the political status of some of these countries: in 1966 in India, in 1991 in China, in 2000 in Russia and in Singapore, in 2001 in the Czech Republic. In several emerging countries of Asia and Africa they are still absent, while the workers' *patronati* had not been created in the past and are lacking completely.

[18] The Commissariat of Emigration granted licences to carriers, kept order at ports of embarkation, provided heath inspection for those leaving, set up hostels and entered into agreements with receiving countries on the living conditions of those arriving. It dealt with the US labour laws that discriminated against alien workers and even suspended, for a while, migration to Brazil, where many migrants were mistreated in large coffee plantations.

demographic pressure at home and sustained Italy's balance of payments through remittances rather than one that boosted business and bilateral FDI (Romero, 1991).

A particularly important issue for emigrants was citizenship. A wish to ensure the possibility of repatriation, after decades of absence and even for the progeny, was deeply felt. In 1908 and 1911, the first two general meetings of the Congress of Italians Living Abroad focused on this issue (Foerster, 1919). In 1912 the Italian government, acting in response to the requests of emigrants, extended the right of citizenship to their offspring. The law, based on the principle of the *jus sanguinis* (adopted also in the new 1992 citizenship law), acknowledges the right to citizenship to the Italian progeny born abroad, even beyond the first and second generation. Being also compatible with dual and multiple citizenship, it allows also emigrants to become naturalized citizens in the host countries without ceasing to be Italians. There are very few examples of countries' laws of citizenship as favorable to their diasporas as the Italian one (Fullilove, 2008; Bertocchi and Strozzi, 2004, 2006).

Despite emigration rates dropped dramatically at the beginning of the 1970s, when the Italian economy reached high levels of living, the ties between the diaspora and the home country did not fade but, in some respects, they became even stronger. In 1988 the Italian government set up a registry of Italians living abroad (AIRE, containing the data we utilize in Section 3 of this paper), and provided registered emigrants the right to vote in Italy's parliamentary elections; subsequently, it allowed the possibility of voting by post and, since the last political elections in 2006, also of having their own representatives in parliament.

While the social, political and institutional ties between the diaspora and the home country have always been tight and their strength has increased along time, their full economic implications have been rarely recognized or become object of active policies. More generally, and independently from emigration, throughout the twentieth century the attitude of the Italian authorities with respect to foreign investments, outward and inward, has been extremely cautious and sometimes even disapproving. This may explain their scarce interest on the economic support that the diaspora could offer to the Italian FDI. However, paradoxically, the government's scarce interest may have contributed to increase the effective importance of emigrants in prompting Italian FDI. Without the government's active support and without significant colonial markets depending on their country, Italian entrepreneurs had to rely heavily on the emigrant communities abroad.

4.2. Immigration in Italy

Immigration in Italy is a relatively recent phenomenon. Since immigration rates became positive, at the beginning of the 1970s, people arrivals increased rapidly. Immigrants originate from a wide

number of foreign countries, most of them developing. Some ethnic groups are overrepresented, especially from East European, North African and East Asian countries, but people from several other world areas, of Sub-Saharan Africa, Asia and Latin America, are also present.

Except for the minority of people originating from other European and rich countries, most immigrants in Italy do not visit their countries of origin frequently. Traveling abroad has been limited by a heavy burden of regulations on immigration permits. Regular immigrants need to validate their residence permit annually and, until 2006, they could not leave the country during the months elapsing between the request and the obtainment of the permit renewal. Irregular immigrants, who are a significant proportion of the immigrant population, face the practical impossibility of making round trips, except at the high costs and risks of reentering Italy illegally. Therefore, typically they cannot return home for several years, at least until their legal situation regarding residence is regularized. However, both regular and irregular immigrants send annually home huge amounts of remittances (*World Bank*, 2008; *Banca d'Italia*, 2007).[19]

While the Italian law of citizenship, based on the *jus sanguini*, has proven to be extremely inclusive for the members of the Italian diaspora, it has also revealed to be strongly exclusive for immigrants. Regular immigrants and their children born in Italy can be entitled to become Italian citizens only if they fulfill rather restrictive conditions and go through long and cumbersome procedures, with the result that only a tiny share of immigrants have succeeded in becoming Italian citizens (about 0,6% of the immigrant population in 2004). At the same time, some immigrants' home countries do not allow their nationals to hold dual or multiple citizenships (among others: China, Philippines, Egypt, Ukraine, India) and, in this way, contribute to lessen their willingness to apply for the Italian citizenship.

Also the tendencies to form associations appear to have been weaker among immigrants in Italy than for Italians abroad. These phenomena are not fully comparable for various reasons, one is that a diaspora refers to a common nationality in different locations, while immigration concerns an heterogeneity of nationalities in a common location. In the first case, therefore, what can be observed is the "cultural" tendency of a population to form associations abroad, while in the second is rather the stimulus that a country provides to immigrants to form associations. Another reason is that several Italian associations abroad were formed before WWII, when proper welfare states did not still exist in many of the host countries. Mutual aid societies, for example, are extremely rare among modern immigrant populations in developed countries, where aid, especially in terms of

[19] The outflow of remittances in 2006, sent through formal channels, has been calculated in 4.1 billion euros (Banca d'Italia, 2007) and corresponded to nearly the 0.35% of the GDP. In the same year, Italy's official expenses in aid to poor countries amounted to 2.6 billion euros.

health, social security and schooling, is typically provided by government institutions rather than by groups of individuals (Moya, 2005; Fullilove, 2008).

More importantly, the empirical evidence and rigorous studies on the associations of immigrants in Italy, which could help to shed light also on their international links, are very scarce. Caponio (2005) argues that this paucity simply reflects the effective scarcity of the associations themselves, but also that they were more widespread in the past than in recent years. Along the 1990s, not just mutual aid societies, but a wider range of immigrant organizations have progressively been "crowded out" by government pro-immigrant initiatives, as well as by lay and religious Italian-lead groups. Hence, even considering the above differences between the two phenomena, it does seem that the propensity to form associations among immigrants in Italy is weaker than that of the Italian diaspora, but also scarcer than that of immigrants living in other rich countries (about the latter: Moya, 2005).

Together with the hypothesized crowding out effect exerted by Italian institutions and groups, other factors may have contributed to determine the existing situation. One is the already mentioned shortest history of the immigration phenomenon in Italy relatively to other European destination countries. Time, however, turns out to be to be a secondary factor in influencing the formation of associations when the economic status and the social mobility of immigrants is taken into account. Immigrant associations tend to mushroom and thrive as the members of the immigrant communities are successful and become wealthier and more educated in the host countries (Saxenian, 1999; Moya, 2005). Recent studies have shown that, more than in other rich countries, immigrants in Italy tend to be employed in the low-skill, low-pay segments of the labor market, and that this happens independently of their education levels (Murat and Paba, 2004; Barba Navaretti *et al.*, 2006).

It has been also observed that, in general, the associative activity is weaker among gender-unbalanced immigration populations (Moya, 2005). While this result has been referred to predominantly male communities, some populations in Italy are unbalanced in the opposite direction. In particular, a substantial proportion of immigrants originating from East European, and from some Asian and Latin American countries, is composed by women, most of whom are employed in low-skilled jobs in the tertiary sector, such as house-keeping and elderly-caring. The levels of education of some of these immigrants are above the average of the overall immigrant population (Istat, 2001)[20], but the gender imbalance together with the character of jobs tend to curb

[20] The gender composition and the average levels of education of some East European countries are the following. Ukraine: female 85%, tertiary education 28,3%; Russia: female 81,6%, tertiary education 39,6%; Poland: female 71,8%, tertiary education 14%. A prevalently female gender composition concerns also the immigration from some Asian (Philippines: 64% female, tertiary education 13,6%) and Latin American countries. The proportion of 25-64 year-olds in Italy who have attained a tertiary education is about 10% (OECD, 2004), lower than the above proportions.

the formation of associations, especially of the kind that may be conducive to economic international links and bilateral investments.

The more recent phenomenon of immigration in Italy relatively to other rich countries, together with the prevalence of low-paid jobs among immigrants, their scarce social and economic mobility, the weak presence of immigrants associations, are all consistent with a lack of influence of immigrant networks on Italy's bilateral FDI, and help to explain the results of the econometric exercise of section 3 above. In his study on world diasporas, Fullilove (2008) says that "Italy is as generous with its emigrants as it is mean with its immigrants". While the author focuses on social and political interactions, this Section has considered their economic implications. They suggest that the strong ties of the country with its diaspora may have in fact crowed-out the weaker, but potentially profitable, ties with the immigrant networks and, through them, with their countries of origin. Many of the latter are located in the emerging and more dynamic areas of the world.

5. Entrepreneurial Histories: Outward FDI

This section presents some relevant cases of outward FDI by Italian firms that have been significantly influenced by the role played by emigrant communities abroad. They illustrate that emigrants have been be crucial in providing information on business opportunities in their countries of settlement, a reliable labour force, ethnic management, the demand for the final products and, often, also the capitals needed to finance the investment. The cases considered concern the expansion abroad of the two major mixed banks (Banca Commerciale Italiana and Credito Italiano) in the first three decades of the XX century; the multinational expansion of the two major Italian manufacturing firms (Fiat and Pirelli) throughout the XX century; and the internationalisation processes of medium-sized firms that have evolved throughout the XX century but have become relevant especially in recent years.

5.1. The two major mixed banks

Banca Commerciale Italiana [BCI] and Credito Italiano [CI] were founded respectively in 1894 and 1895 as universal banks on the German model. At the beginning of the XX century, both of them started FDI by establishing their first networks of affiliates and branches abroad (Confalonieri, 1974-76; Hertner, 1991; Toniolo, 1994).

5.1.1. BCI

First mover in this respect was BCI. In 1905 it sent its chief executive officer Louis Dapples – a Genoese-born Swiss national with a vast experience in international financial markets – to Brazil and Argentina to build contacts there. Following a suggestion formulated by Dapples, BCI made an alliance with a group of Italian entrepreneurs in São Paulo. In 1906 BCI became the most important shareholder in Banco Commerciale Italiano of São Paulo, which was renamed Banco Commerciale Italo-Brasiliano. This bank had been founded in 1900 by a group of Italian entrepreneurs – Giuseppe Puglisi Carboni, Francisco Matarazzo, Mariano Gatti, Emidio Falchi (Chocolates Falchi) and Egidio Pinotti Gamba (Grandes Moinhos Gamba) – and was particularly active with the Italian community in São Paulo (Piluso, 1994).

By acquiring Banco Commerciale Italiano, BCI recognized Cono-Sur – Brasil, Argentina and Uruguay – as a strategic area for expansion. Lacking the classical competitive advantages of British overseas banks, an Italian bank in Cono-Sur could nevertheless exploit a number of specific advantages: a strong group of Italian entrepreneurs; a large community of Italian emigrants; a steady flow of remittances towards Italy fed by emigrants, a fairly solid import-export flow with Italy; finally, an incipient investment activity by Italian industrial companies (particularly in textiles, electricity, mechanics, rubber products and tyres) (Piluso and Toninelli, 2002).

Since a few decades Brazil and Argentina had seen the formation of an ethnically-based credit subsystem, as Italian merchants and entrepreneurs had set up a banking network with the aim of securing the banking work connected with bilateral trade with Italy and business activities of Italian immigrants in South America[21].

Thus, by acquiring of Banco Commerciale Italiano, the BCI could enter the Brazilian market and take advantage of the links that the former had already established there (Piluso, 1994).

In 1910 BCI decided a further expansion in South America. In that year BCI, together with its French banking partners – headed by Paribas[22] – established the Banque Française et Italienne pour l'Amerique du Sud (Sudameris), into which Banco Commerciale Italo-Brasiliano was integrated. The reasons for this cooperation are to be found in the failure of French banking expansion in Brazil, which induced major French banks to revise their strategies in South America. Indeed, the scarcity of French immigrants within Brazil along with the reduced volume of trade between the

[21] The first Italian bank in Argentina was Banco de Italia y Rio de la Plata (1872), founded by the Italian entrepreneur Antonio Devoto and three Italian banks (Banca di Genova, Banco di Depositi e Sconti, Banco Italico); it was followed by Nuevo Banco Italiano (1887) and Banco Popular Italiano (1898). In Brazil the main Italian banks – apart from Banco Commerciale Italiano – were Banco Italo-Brasileiro (1891), Banco Italiano de Campinas (1899), Banco de Cambio Italo-Paulista (1899), Banco de Crédito Italiano (1899), Banco Italo-Popular (1901) and Casa Bancária Italiana (1901) (Piluso, 1994).

[22] Paribas had entered BCI's capital in 1899 and had become over time one of its most important and stable foreign shareholders (Confalonieri, 1976).

two countries made it difficult for a large French bank to survive in Latin America, the more so as potential customers tended to turn to banks from their own country. Accordingly, managements of BCI and Paribas saw in the creation of a joint-venture (Sudameris) a way to combine French capital and financial expertise with the commercial activities of Italian communities in Brazil (Di Quirico, 1999).

Before WW1 Sudameris developed its own banking network in South America in order to take advantage of the favourable business cycle emerging with the first wave of industrialisation in Brazil and Argentina. After São Paulo and Rio de Janeiro, in 1912 Sudameris opened a third branch in Buenos Aires, while in the 1920s Sudameris set up its own branches also In Uruguay, Chile and Colombia (Piluso and Toninelli, 2002).

Sudameris in Brazil collected deposits from Italian communities and distinguished itself above all for financing companies owned and managed by Italian immigrants, the most prominent of whom were at the same time shareholders of the bank and sat in the bank's discount commissions. These companies operated mostly in the textiles and metal-engineering industries, such as Mechanica-Tecidos de Juta of the Siciliano family, Cotonificio Crespi and Industrias Reunidas Fabricas Matarazzo. In contrast, branches in Chile, Colombia and Uruguay derived a higher share of their profits from exchange operations, probably due to a weaker Italian entrepreneurship in those countries (Piluso, 1994; Di Quirico, 1999).

During WW1 the North American market assumed a significant importance in the financing of the world trade. Thus, in 1916 BCI expressed the intention to be present in that market. Another motivating factor comprised the large number of Italian immigrants in the United States who sent remittances to their families in Italy (Di Quirico, 1999).

BCI opened a branch in New York in 1918. The choice of a branch was taken in spite of many restrictive regulations concerning the activity of foreign banks in the state of New York, the most important of which was the prohibition of the deposit taking function. In order to overcome these constraints, BCI acquired in 1919 an interest in an American bank – Lincoln Trust Co. – and also invested in the Italian American Bank of San Francisco in 1921-22. The aim of these investments was the amassing of deposits from within Italian communities and to turn them over to BCI via its New York agency. But this solution proved to be ineffective and both investments were liquidated in 1922 (D'Alessandro, 2002; Barbiellini Amidei and Goldstein, 2007).

As migration flows to the United States were curtailed in the early 1920s, BCI decided to undertake direct deposit collection within the country and in 1924 established a wholly owned trust company – Banca Commerciale Italiana Trust Company of New York (BCI Trust) – for this purpose. As this

was a legally-constituted American undertaking, it could take deposits in New York unfettered (Barbiellini Amidei and Goldstein, 2007).

In the late 1920s, BCI's strategy in the United States was further developed by envisaging the establishment of further trust companies in cities where a sizeable community of Italian immigrants existed, such as Boston, Chicago, Cleveland, Philadelphia, Pittsburgh and St. Louis. In order to overcome interstate banking prohibitions and obtain the resources necessary for the realisation of this spatial expansion within the United States, BCI created in 1928 a holding company – BCI Corporation – which was also to manage the trust companies. BCI incorporated BCI Corporation and raised US$ 1,900,000 through an offer equal to ¼ of its stock – mainly underwritten by Italian immigrants in the United States – while the reminder was underwritten by BCI itself. In 1929 the trust companies in Boston and Philadelphia began business while the openings of the other ones were abandoned after the October 1929 crash (Confalonieri, 1994; D'Alessandro, 2002; Barbiellini Amidei and Goldstein, 2007).

In 1933 BCI was taken over by the newly-constituted state-owned holding IRI, that viewed the bank's interests in the United States inadequate to support the group's overall development. Hence the decision to liquidate, in 1938, the trust companies of Boston and Philadelphia. As WW2 broke out, BCI Trust and branch in New York were closed as well in 1941 (Brambilla, 2002).

In 1919 BCI took over Union du Crédit Cooperatif Franco-Italienne, a bank operating in Liguria and along the French Riviera (the Cote d'Azure) This venture was essentially aimed to do business in Southern France, where there was a sizeable Italian community and the bank's branches were mainly concentrated (Confalonieri, 1994; Di Quirico, 1999).

After WW1 BCI started to regard east central Europe as its main area of expansion after the Americas. Contrary to the Americas, east central Europe had never been the destination of mass migration from Italy and did not have any sizeable communities of Italian immigrants. However, Italian emigration turned out to play an important part for BCI's espansion also in this area, even though in a different way. In fact, in pursuing its penetration to east central Europe, BCI relied to a great extent on the tie – that is, advise and collaboration – provided by an Austro-Italian financier, Camillo Castiglioni.

Castiglioni was a an ethnic-Italian Trieste-born financier of a Jewish origin who, before 1914, had moved to Vienna where he had become a leading figure in international finance. Prior to 1917, he was counsellor for the Anglo-Austrian Bank, one of the most important Viennese universal banks which had extensive shareholdings in east central European banking and industry. Thereafter, Castiglioni became President of Allgemeine Depositenbank and turned this second-rank Viennese bank into a first-rank bank. Castiglioni possessed effective negotiating skills and in 1921 he

represented Italy at the diplomatic disputes between Hungary and Austria over their borders (Stanciu, 2000).

Therefore, familiar with the economic and financial environment in the former Dual Monarchy, Castiglioni had much to offer to BCI. This chose Vienna as a stepping-stone for its advance into east central Europe, setting up a wholly-owned subsidiary in 1918 – Società Generale Commissionaria (Sogenara) – with branches in Trieste and Prague. In 1919, Sogenara was transformed into Banca Italiana di Credito Comemrciale [Itabank], based in Milan with branches in Vienna and Trieste. It was to manage the industrial assets of both Castiglioni and BCI within the region, Castiglioni becoming its vice-president (Stanciu, 2000).

Within a few days of its establishment, Itabank subscribed for shares in what would be BCI's most significant east central European investment: Foresta SA, Milan.

Foresta was established in July 1919 to acquire the business of a former Austro-Hungarian bank – Creditinstitut Ungarischer Holzhändler AG, Budapest [Holzbank] – which had provided credits to timber exploitation/processing plants and sold their products in Europe, Italy included. Before 1914, Holzbank had financed 24 plants within the Dual Monarchy, mostly located in Transylvania. After the war, it could not recover credits and its Austrian management approached Castiglioni in the hope of attracting Italian capital without losing control. Initially BCI granted Holzbank a US$ 2 milllion loan, while Castiglioni contemplated taking it over. Eventually it was decided that Holzbank would become an Italian company, with headquarters in Milan and an administrative office in Vienna. BCI subscribed for a majority (80.7%) of its capital, followed by Depositenbank-Castiglioni and Itabank (8% each), Paribas (3%) and the former Austro-Hungarian managers (0.3%) (Stanciu, 2000). Castiglioni insisted that BCI should establish banking affiliates in Hungary and Romania to assist Foresta's enterprises financially. Consequently, in 1920, Banca Commerciale Italiana e Romena, Bucharest, and Banca Ungaro-Italiana, Budapest, were formed and soon became important local banking institutions (Stanciu, 2000).

However, collaboration between BCI and Castiglioni came to a sudden end in 1924. Castiglioni was accused of involving Depositenbank in an unsuccessful speculative bear attack against the French franc. The Viennese bank incurred in a substantial loss and collapsed, while Castiglioni was sent to jail but, given his connections – included BCI's managing director, Giuseppe Toeplitz – he managed to leave Austria to Germany and afterwards to the United States. He returned to Italy only after WW2 (Stanciu, 2000).

5.1.2. CI

A less clearly defined strategy of international expansion can be envisaged for the other major Italian universal bank, CI. The only initiative in which migrant networks played a relevant role was undertaken in 1911, when CI was invited by a group of Belgian, Swiss and French banks[23] to take part in a joint-venture, Banque Italo-Belge [BIB]. Like Sudameris, BIB was intended for developing business in South America with the communities if Italian immigrants and financing the export-import flows between South America and Italy (Piluso and Toninelli, 2002).

After WW1 CI strengthened its position inside BIB and became the bank's relative majority shareholder. In the 1920s the BIB's also supported Italian companies that were seeking to invest in South America. BIB's manager in Buenos Aires – Antonio Parenti – was appointed in the board of directors of such companies as Pirelli's subsidiary in Argentina, Compañia Italo-Argentina de Electricidad, and Compañia General de Fósforos (Devoto family). In 1917 BIB granted a loan to Pirelli's subsidiary in Argentina to finance the construction of a plant for cables and electric wires production for the South American markets, which was eventually opened in 1924 (Piluso, 1994).

However, Sudameris had a better standing among Italian residents, as in 1937 its deposits amounted to FF. 1,450 millions, while BIB raised only FF. 380 millions (Brambilla, 2002).

Italian managers and clerks were persistently requested in South America by both BIB and Sudameris. Italian personnel was preferred because it was able to operate in credit markets ethnically characterized – where it was necessary to speak the *clientèle's* language – such as São Paulo or Buenos Aires (Piluso and Toninelli, 2002).

6.2. Fiat

Fiat was founded in 1899 and in a few years became Italy's largest car manufacturer. Fiat very soon started an internationalisation process. In 1906 it established a first commercial subsidiary to serve Mexico, Argentina and other Latin American countries where there was a sizeable community of Italian emigrants. In 1911 a second subsidiary was set up in Russia, which was followed in 1914 by the German subsidiary. In 1909 Fiat set up an assembly plant – Fiat Motors Co. – in the United States to avoid *ad valorem* import duties on cars and to save on transport costs. By 1918, this plant was closed because Fiat could not keep the pace with the growth of the United States auto industry (Fauri, 1996).

After the end of WW1 Fiat – similarly to what had been the case for BCI – collaborated with Camillo Castiglioni to expand its investment in Austria. In 1919 Fiat acquired the majority share

[23] Among the Belgians were Société Générale de Belgique, Banque de l'Union Anversoise, and Bunge & Cie.; the Swiss were represented by the Banque Commerciale de Bâle and Leu & Cie; the French by the Banque de l'Union Parisienne (Piluso, 1994).

stock of Austria's largest steel company, Alpine Montangesellshaft. In 1920 Castiglioni helped Fiat to repulse the Austrian government's attempt to regain control of the company. However, Fiat's collaboration with Castiglioni came soon to an end. In 1921 Fiat rejected Castiglioni's proposal to form a joint-venture with Austro-Daimler and Puch and in the same year sold its shares of Alpine Montangesellschaft to the German industrialist Hugo Stinnes (Bigazzi, 1986; Castronovo, 1999).

It was only after WW1 that the establishment of foreign subsidiaries became systematic: between 1919 and 1931 Fiat established 20 branches abroad, mostly in the other European countries (Volpato, 2002). However, Fiat's only successful FDI in the period between the two world wars was that in France. In 1926 Fiat established its French commercial subsidiary called Société Anonyme Française des Automobiles Fiat (Safaf) thanks to the shady practice of Enrico Teodoro Pigozzi, an Piedmont-born Italian who had migrated at a very young age to France. Pigozzi became a businessman in France, got a contract for the supply of French ironware to Fiat to then be hired by Fiat as Safaf's manager. In the early 1930s, the increase of import duties on car imports pushed Fiat to establish direct production in that country and in 1934 Société Industrielle de Mécanique et Carrosserie Automobile (Simca) with Pigozzi as its manager (Fauri, 1996, Bigazzi, 1997).

Another promising area was South America. In 1919 a Fiat branch was settled down in Buenos Aires, and four years later, in 1923, Fiat Argentina S.A. was set up – with BIB's support – for sale and technical back up of cars and trucks imported from Italy. Some prominent member of the Italian business community in Argentina were appointed in the board of directors, as well as fiduciaries of companies such as Istituto Italo-Argentino de Seguros Generales (insurance) and Compañia Italo-Argentina de Electricidad (electricity) controlled by Italian-Argentine capital (Bigazzi 1991a).

Fiat's sales in Brazil hinged in the early 1920s on a dealership agreement with the Italian entrepreneur Francisco Matarazzo, who – as we have seen – was also a shareholder and client of Sudameris's. However, a sales' drop in the mid-1920s induced Fiat to replace it with a wholly-owned commercial branch, whose development was curbed by the great depression of the 1930s (Bigazzi, 1991b).

After WW2, a large share of Fiat's FDI was once again directed towards South America, where the community of Italian immigrants was particularly numerous.

In 1948 the Fiat delegation for Latin America (DAL) was created to study the possibility of helping with technicians and working capitals Argentina's development in the main fields of agriculture, energy and transport. DAL's initial activity was related to the agriculture department. On that purpose, in 1949 Agromecanica SACIF was set up for the marketing, import and technical backup of Fiat tractors. Another activity branch was the maintenance and technical back up of big diesel

motors. The company in charge of this activity, Fidemotor was founded in 1951 (Autohistoria, 2003).

In 1952, Fiat came to a technical backup agreement with the tractor division of the Argentine state-owned company IAME (State Aeronautical and Mechanical Industries). In 1954 this led – thanks to the tie provided by Agostino Rocca, an Italian top-manager who had migrated to Argentina in 1946 – to the setting-up of Fiat Someca Construcciones (renamed in 1965 Fiat Concord) in Cordoba for the production of agricultural tractors. In 1955 a plant for diesel engines production was added in the same location. In 1956 Fiat got a bid from the Argentine railways to the supply of 300 diesel locomotors and their trailers. This agreement led to the setting-up of Materfer, a company destined to the production of railway rolling material, whose plant was also located in Cordoba (Castronovo, 1999).

In 1959, the Argentine government approved Fiat's proposal to invest 4.5 million dollars to build a new plant in Caseros (Buenos Aires), the first one for car manufacturing (Autohistoria, 2003).

The establishment of production facilities in Argentina enabled Fiat to soon become the market leader in that country. In 1969, the first heavy trucks began to be produced in the Còrdoba location. In 1971 IAVA S.A. (Argentine Industry of Advanced Cars), a company destined to the construction of special cars, was set up (Autohistoria, 2003).

Fiat Concord relied heavily on the Italian community in Argentina non only as an ethnic clientele for a product perceived as "Italian", but also for the provision of the company's management. In fact, in the early 1970s Fiat Concord's president was Aurelio Peccei, who had long been one of Fiat Turin's top managers before being sent to represent Fiat's interests in Argentina after WW2; general manager was Oberdan Sallustro, an Italian who had also migrated to Argentina after WW2; while the automobile division manager was another Italian immigrant, Giuseppe Sclaverano, who had fought as a partisan on the Piedmont mountains during WW2 before in turn moving to Argentina (Castronovo, 1999).

In 1980, Fiat Concord was conferred to Sevel s.a., a joint-venture between Fiat and Peugeot. Two years later ~~after~~, Peuguot left Argentina and Fiat reduced its share in Sevel to 15%, while the remaining 85% of the capital was acquired by an Argentine partner, the Macri group, owned by Franco Macri, an Italian who had migrated to Argentina in 1949. The Macri group had already developed long-standing collaboration with the Fiat group that had started in the mid-1960s when Macri's Sideco company established a joint-venture with Fiat's Impresit company – named Impresit-Sideco – to operate in the constructions sector in Argentina (Salvi, 1997). In 1990 the Cordoba factory was broken down from Sevel and conferred to the newly constituted Cormec

company, whose capital was subscribed for 55% by Fiat and for 45% by the Macri group (Volpato, 1999).

In 1973 Fiat got also into the Brazilian market by establishing Fiat Automovéis in Belo Horizonte, a joint venture with the state of Minas Gerais, for the production of agricultural tractors. Within a few years car production was added. In 1986 Fiat took over the whole ownership of the company and Fiat Automovéis soon became the most important foreign subsidiary of the group. In the mid-1990s Fiat had become one of the top-three companies on the Brazilian market challenging the dominant position of the US big car manufacturers (Castronovo, 1999).

In 1993 Fiat launched the project for its world car, called Palio. As in the previous internationalisation efforts, the largest investments were once again carried out in Brazil and Argentina. In January 1996, production for *Palio* model started in Brazil at the Betim plant, in the state of Minas Gerais. In 1996 a high rate of 21,000 staff employment was recorded and a mass training program by Fiat Automevéis was carried out. Conversely, in Argentina a new plant for the Palio cars was established in Cordoba and in December 1996 production started, with direct employment of 5,000 people and 15,000 indirect ones, involving a training program of 40 million dollars, the largest ever carried out in Argentina by a single enterprise (Volpato, 2002).

5.3. Pirelli

Pirelli was founded in 1872 in Milan and was the first company in Italy to undertake the manufacture of rubber goods. By the end of the century Pirelli had begun to diversify into the production of insulated wires for telegraphy (1879) and undersea telegraph cables (1886), and had launched the first pneumatic bicycle tyre (1890), while the first pneumatic car tyre appeared in 1901 (Bigazzi, 1981).

With the beginning of the XX century, Pirelli began to expand abroad. In 1902 it opened a cable factory in the Spanish town of Villanueva y Geltrú, while 11 years later Pirelli General cable Works was created in Southampton, England (Amatori and Lavista, 2007).

In 1910 Pirelli also landed in Argentina, setting up a commercial branch in Buenos Aires, which was followed in 1917 by the establishment of a factory for electric conductors (Pirelli, 1946; Barbero, 1990). However, penetration in the Argentine market was hindered by the major British and German electromechanical groups, that had established a widespread network of shareholdings in the local electricity distribution sector and had secured captive contracts for their cables and equipment. To counteract its competitors, Pirelli therefore decided in 1911 to take part in the setting up of an Argentine electricity company, Compañía Italo-Argentina de Electricidad, in which the interests of the Italian business community were largely involved. Actually, Pirelli involvement in

this venture was due to the action of an Italian engineer, Giovanni Carosio, who had migrated to Argentina where he had become the local agent of two European electromechanical companies: Aeg (Germany) and Franco Tosi (Italy). At the beginning of the XX century, Carosio had also founded two electricity companies in Argentina, of which he had become the general manager: Compañía Industrial de Electricidad del Rio de La Plata and Compañía de Electricidad de la Provincia de Buenos Aires. The wave of mergers and acquisitions that occurred in the Argentine electricity sector between 1900 and 1907 pushed Carosio to quit these two companies and to rally a group of investors within the Italian business community who asked Pirelli to join them in the setting up of the Compañía Italo-Argentina de Electricidad. This company was aiming to enter the market of electricity production and distribution in Buenos Aires. Pirelli, in turn, involved in this venture two major European electromechanical companies: Franco Tosi (Italy) and Brown Boveri (Switzerland). In 1913 a new holding company, named Columbus S.A. and based in Glaris (Switzerland), was set up for this purpose. Its capital was subscribed for 47% by the Swiss group (Brown Boveri and some Swiss banks), 33% by the Italian group (Pirelli, Franco Tosi, Credit and some minor investor) and 20% by the Argentine group (Carosio and his associates, many of whom were also among the major shareholders of Banco de Italia y Río de la Plata). Pirelli was entrusted with the supply of conductors, cables and wires to the power stations and the distribution networks that Compañía Italo-Argentina de Electricidad would realize in Argentina, Franco Tosi with that of boilers and burners, and Brown Boveri with that of engines, dynamos, turbines, alternators, and other electrical equipment (Bezza, 1986; 1987).

Pirelli operations in Argentina were increased in the 1920s and 1930s to include plants for tyres and various items made of rubber. In that period all managers, technicians and foremen as well as most of white and blue collar workers of Pirelli Argentina were former Italian immigrants. Usually a blue collar worker was hired after having been introduced to the company by another worker or foreman (often a relative or a countryman), by an executive or middle manager, or by one of the many Italian Catholic organisations that were active in Argentina at that time (Barbero and Felder, 1994).

In 1929 Pirelli entered Brazil by establishing a subsidiary for cable and electrical equipment production, while in the same year a new tyre factory was opened at Burton-on-Trent in England. In 1936 a new factory was opened in Belgium. (Pirelli, 1946; Amatori and Lavista, 2007).

After WW2, Pirelli set new records for expansion overseas, opening a further cable factory in Canada in 1953, a latex foam plant in France in 1957, and new tire plants in Greece and Turkey in 1960. Pirelli reinforced its position in both South America and Australasia when it opened further cable manufacturing plants in Peru in 1968 and Australia in 1975 (Dedrak, 1996).

In the 1970s and early 1980s the Pirelli Brazil was the most thriving foreign subsidiary of the group. Four new plants were established in that period and Pirelli's employees in Brazil increased by 3,000 people. On the contrary, the Argentine branch was deeply affected by the economic crisis that hit that country: investments and maintenance were reduced, production faced repeated disruptions and the company suffered from very serious losses. However, Pirelli's headquarters decided not to liquidate it in order not to abandon a country with very deep Italian roots (Manca, 2005).

In 1970 Pirelli embarked on a long-term research and development agreement with the British Dunlop group. However, this move did not lead to a full merger and neither party seemed to be too disappointed when the agreement was terminated in 1981 (Amatori and Lavista, 2007).

In 1985 Pirelli acquired Metzeler Kautschuk, a German company with many interests in the rubber industry, while in 1988 Pirelli took over Armstrong Tire Co., the sixth-larger US tyre manufacturer. In the same year Pirelli bought Filergie S.A., a cable manufacturer with 13 plants in France and Portugal (Dedrak, 1996). In the 1980s, as part of a push into opto-electronics, Pirelli acquired David System, a producer of technologically advanced communications systems in Silicon Valley (Barbiellini Amidei and Goldstein, 2007).

5.4. Medium-sized firms

The presence of medium-sized firms has been a constant feature of Italian capitalism throughout the XX century and even before. However, the weight of medium-sized firms grew especially in the last thirty years of the century due to a large extent to a very intense multinational activity (Colli, 2002). Here we survey a few cases of medium-sized firms' internationalisation for which Italian emigrants abroad played a relevant role: Buitoni, Coen, Safilo and STMicroelectronics.

5.4.1. Buitoni

Buitoni was founded in 1827 by the Buitoni family and by the end of the XIX century became the lead firm in the production of pasta in Italy. In 1907 the Buitoni family founded a second company, Perugina, that in the 1920s became the market leader in fine chocolate and confectionary production in Italy (Buitoni, 1972).

In 1935 Buitoni began to expand abroad by establishing a subsidiary in France at Saint-Maur.des-Fossés near Paris. As Italian regulation at that time forbade capital exports, this venture resorted on financing by a group of Jewish French bankers. However, in order to launch Buitoni's products in the French market advertising was necessary as well. For that purpose, an Italian immigrant, whose

surname was Miotti, put the company's boss, Giovanni Buitoni, in contact with Publicine, a major advertising agency in France (Buitoni, 1972).

In 1937 Giovanni Buitoni sent Armando Spagnoli, a manager as well as the son of one of the founding partners, on a 6-month trip to explore business opportunities in the United States. While products were being sold through a local agent, Eugene J. Petrosemolo, an Italian-American, the distribution was poor and most outlets were in peripheral areas and run by Italians. In 1938, Perugina agreed to have its products sold at Macy's and in another store in New York City.

In spring 1939, Giovanni Buitoni opened a Buitoni pavilion at the World Fair in New York. Buitoni created two American companies by the end of 1941: La Bomboniera, to manage the Perugina flagship store and a warehouse in New York City, and Buitoni Products Inc., with US$ 40,000 capital of which ¾ raised among Italian-Americans, to manage two pasta restaurants inside the Fair's Amusement Area in New York. After Italy's December 1941 war declaration to the United States, Giovanni Buitoni did not to return to Italy and remained in the United States to manage the company's ventures in that country ((Bova, 1996; Barbiellini Amidei and Goldstein, 2007).

Buitoni Products's shareholders included Dario Soria, a recent Italian Jewish immigrant (born in 1912, migrated to the United States in 1939) who later became a leading figure in the New York media scene, two Italian Catholic priests living in New Haven (Father Giufoletti and Father Quaglia) and a number of Italian-American food and beverages entrepreneurs. Buitoni Products restaurants initially used pasta produced by one of its Italian-American shareholders, but in 1943 acquired a small plant for pasta production in Jersey City. La Bomboniera, on the other hand, suffered from the consequences of a government decision to claim import duties, a decision that the company disputed not to avail (Bova, 1996; Barbiellini Amidei and Goldstein, 2007).

In 1952, Buitoni inaugurated a new huge plant in Hackensack, NJ. Joe di Maggio, the retired New York Yankees star and himself an Italian-American, was hired to push the Buitoni macaroni dinners in supermarkets and appointed vice president in charge of public relations with the West Coast (Bova, 1996; Barbiellini Amidei and Goldstein, 2007).

In 1969 Buitoni further expanded its operation abroad by establishing a subsidiary in the UK. However, the crisis that hit the company in the 1970s pushed it to liquidate its production activities in the United States, while retaining only the commercial organisation. But this did not prevent Buitoni to be taken over by the Cir group of Carlo De Benedetti in 1985 (Bova, 1996, Amatori and Colli, 1999).

5.4.2. Massimo Coen

Massimo Coen was an Italian Jew born in 1918 who left Italy to London in order to escape from the anti-semitic laws passed by the fascist regime in 1938. During WW2 he worked at the BBC international service to Italy and at the same time attended a course for foreign students at LSE. After the war he quit the BBC and set up Granosa Trading Co. Ltd., a company that took the agency in the UK for about thirty wool mills of the Prato textile district. His ties with the Tuscan business community brought him after a few years to also establish Etrufin Reserco, a company which represented eight Tuscan saving banks in the UK. In the 1970s he founded the consulting firm Britalia Consultants and became the honorary chairman of Italian Chamber of Commerce in the UK (Castronovo, 2001; Castagnoli and Scarpellini, 2003).

5.4.3. Safilo

Safilo was founded in 1934 by Gugliemo Tabacchi, born in 1900 in the United States and son of Italian emigrants. Before WW1 he returned to Italy and at the age of 15 opened a fancy-goods shop in the Cadore region, Northern Italy. After WW1 Tabacchi opened a garage in Pieve di Cadore, but in the late 1920s he migrated to Poland where he became the owner of three ice-cream parlours in Warsaw. In 1934 Tabacchi once again returned to Italy and with the revenues from the ice-cream parlours' selling he bought S.A. Ulisse Cargnel & C. in Calalzo di Cadore, a small eyeglass factory that he renamed Safilo (Castronovo, 2001).

In 1968, Safilo became an industry pioneer when it debuted the first designer eyeglasses, in conjunction with noted designer Count Emilio Pucci. Then, Guglielmo Tabacchi died in 1974 and the company passed to his sons. Safilo focused primarily on the Italian market until the mid-1970s. After the founder's death, the growing popularity of Italian-made eyewear elsewhere in the world led the company's new management to pursue an international expansion, starting with the launch of a subsidiary in Belgium in 1977. The success of this venture led Safilo to open distribution subsidiaries in Denmark, Spain, Germany, and France as well (Dedrak, 2003b).

In the 1980s Safilo's designer business brought it also to the United States, where it acquired 50% in New Jersey-based eyeglasses company Starline Optical, which was building up its own selection of designer eyewear, such as a line of Calvin Klein-designed styles launched in 1985. By 1986, Safilo had acquired full control of Starline, giving it one of the largest eyewear distributors in the US market. In 1989 when it acquired Optique du Monde, based in the United States, which held the license to produce eyewear under the Polo Ralph Lauren brand (Dedrak, 2003b).

During the first half of the 1990s, Safilo strengthened its commercial component, taking over its distributors in Canada and Sweden, then boosting its presence in the Far East with the creation of a

dedicated division for that region in 1994. The company expanded throughout Europe as well, opening subsidiaries in the United Kingdom in 1995; Greece, The Netherlands, and Austria in 1996; Australia and South Africa in 1997; then Japan, Brazil, and Portugal through the end of the decade.

In 1996, Safilo made two important acquisitions. The first was Smith Sport Optics, the US-based leader in sports-specific eyewear, particularly ski masks. Next, Safilo won in its bid to buy bankrupt Carrero-Optyl Group of Austria. These purchases not only added new production capacity – including Carrera-Optyl's three plants in Austria and Slovenia – but also added to Safilo's stable of brands with Carrera-Optyl's Carrera, Sunjet, Viennaline, and Terri Brogan, and licenses to produce eyewear for Christian Dior, Hugo Boss, Dunhill, and Porsche (Dedrak, 2003b).

5.4.4. STMicroelectronics

The beginning of the history that led to the setting-up of STMicroelectronics dates back to the 1950s, when then-Olivetti subsidiary Telectro began its own semiconductor manufacturing operations to supply its parent company, then undergoing its own transformation as an electronics company. Telectro established a new subsidiary, Società Generale Semiconductor (SGS), in 1957 and acquired a license to produce chips from Fairfield Semiconductor. After Telectro had been acquired by France's Alcatel, ownership of SGS was transferred to Finmeccanica, a subsidiary of the Italian state-owned holding IRI (Gianola, 2000; Dedrak, 2003a).

By the end of the 1970s, SGS, like the rest of its European counterparts, was losing money. *In 1980, IRI appointed Pasquale Pistorio as president and chief executive officer of SGS. Pistorio was born 1936 in a village near Enna (Sicily) and graduated in 1963 in Electrical Engineering from the Polytechnic of Turin with a Degree in Electronics. He began his career as a salesman for Motorola products and in 1967 he joined Motorola in Italy, rising through the ranks to become marketing director for Europe in 1970 and director of international marketing in July 1977, based in Phoenix, Arizona. At the same time, he was appointed vice president of Motorola Corporation and soon after, in November 1978, he was promoted to general manager of Motorola's international semiconductor division, responsible for design, manufacturing and marketing activities for all areas outside of the United States.*

Pistorio accepted the challenge to return to Italy and make SGS profitable. His stay in the United States at Motorola headquarters had given him a very deep and worldwide knowledge of the telecommunication and semiconductor markets he could now resort to in his new managerial position in Italy.

To compete on a global level, however, SGS would have to grow in size. Therefore, SGS began to look about for suitable acquisition targets to help it gain scale. The company also began its first moves toward the specialization of its semiconductor production: unable to compete on the so-called "commodity" market, dominated by Asian manufacturers, and lagging far behind DRAM production, then the fastest-growing segment with the arrival of the personal computer, Pistorio – relying on his knowledge of the ICT sector he had developed during his stay in the United States as

vice president of Motorola – began to lead SGS into newer niche categories, such as SOCs (system on a chip) and EPROM (electronically programmable read-only memory) and the erasable EEPROM variant.

The last category brought it into contact with the semiconductor manufacturing wing of France's Thomson-CSF, as the two companies formed an EPROM development partnership. SGS and Thomson-CSF had already gained experience working together at the beginning of the 1980s. As the two sides met to work on the EPROM project in 1987, their government parents began to discuss a marriage between the two companies.

In 1987, the French and Italian governments decided to merge the Thomson-CSF and SGS semiconductor businesses, creating SGS Thomson, with Pistorio placed as its chief executive officer. Over the next two years following the merger, SGS Thomson continued to lose money. Yet Pistorio began restructuring SGS Thomson's operations, shutting down seven of its 22 manufacturing facilities. The company also began construction of a new, state-of-the-art production plant in Grenoble, France, which brought the company up-to-date in the early 1990s.

In the 1990s, the company, which until then remained more or less focused on the European market began making moves to balance its geographic mix. In that year the company expanded its US operations with the purchase of TAG Semiconductors. At that time, both the Italian and French governments were by then undergoing a privatization drive, and in 1994, SGS Thomson was taken public, listing on both the New York and Paris stock exchanges.

The company also had continued to make progress on improving its geographic spread, beginning construction on a new plant in China, which was completed in 1998. Meanwhile, the company pressed on with an aggressive investment drive, adding new facilities in Italy, France, and Singapore before the end of the decade.

Thomson sold off its shares in SGS Thomson in 1998, and the company then changed its name to STMicroelectronics. In that year, also, the company listed its shares on the Milan Stock Exchange as well. STMicroelectronics made a series of add-on acquisitions at the end of the XX century, including purchasing the United States' Metaflow Technologies Inc., in 1997, in an effort to enter the computer processor market. In 1999, the company added the hard drive division of Adaptec, enabling the company to become a market leader in that sector, as well as Arithmos, which designed chips for digital display terminals. The company took over the Canadian semiconductor business of Nortel Networks in 2000, but shut down that operation a year later because of overcapacity.

6. Entrepreneurial Histories: Inward FDI

In this section we present three cases of inward FDI for which migrants' networks turned out to be important: Techint, Charles Forte (Carmine Monforte) and Francesco Bellini.

In the case of inward FDI, the strong ties of the diaspora with the home country have allowed immigrants to provide, and utilize themselves to invest from abroad, valuable information on business opportunities in Italy. Emigrants of Italian origin share language and culture with the home country and are also Italian citizens. This has allowed them to enter all sectors of the economy without having to overcome the formal and informal barriers that may have halted other investors.

6.1. Techint

Techint was founded after WW2 by Agostino Rocca, an innovative Italian engineer, manager and entrepreneur. Born in 1895, Rocca graduated at Milan Polythechnic in 1921 and in the same year started to work as a trainee engineer at Dalmine, Italy's main producer of seamless steel tubes. Since 1923, along with his work at Dalmine, Rocca was also entrusted with the task of inspecting and auditing several companies that had been funded by BCI. In the early 1930s Rocca worked at Sofindit, the finance company that had taken over BCI's industrial participations before they were transferred to the newly-created state-owned holding IRI. In 1935, IRI appointed Rocca as Dalmine's managing director. In 1937, when IRI's companies operating in the steel sector were grouped in the sub-holding Finsider, Rocca also became the latter's general manager (Rugafiori, 1984).

In 1941 Rocca resigned from Finsider, but retained his office at Dalmine until 1944. After WW2, aware to have no chances to return to a top position within Finsider because of his collaboration with the fascist regime, Rocca set up his own company – Compagnia Tecnica Internazionale – and in 1946 migrated to Argentina. Compagnia Tecnica Internazionale's headquarters was also transferred to Argentina and in 1947 the company was renamed Techint. The company began providing engineering services for industrial development to clients in Argentina and other Latin America countries. Construction activities soon followed, among them the southern gas pipeline in Argentina, inaugurated in 1949: seamless steel tubes for this venture were imported from Dalmine while civil engineering works were contracted to a small company recently set up by another Italian immigrant, Franco Macri (Lussana, 1997).

In 1951 Techint set up its Brazilian subsidiary, Tebra, that constructed the Santos-São Paulo oil pipeline and obtained several contracts from the Brazilian electricity industry. Tebra's president

was appointed fascist Italy's former foreign minister Dino Grandi, who had participated to WW1 in the same battalion as Rocca and after WW2 had migrated to Brazil[24].

Techint soon established two subsidiaries for seamless steel tubes production: Tamsa in Veracruz (Mexico) and Siderca in Campana (Argentina), with Dalmine assuming a minority shareholding. Both plants began production in 1954. Several managers, technicians and workers for Siderca's were also provided by Dalmine and by another Italian company Innocenti, that had collaborated to the construction of the Dalmine plant in Apuania (Tuscany) in the late 1930s when Rocca was Dalmine's managing director (Lussana, 1997).

In the late 1960s Techint built a flat steel cold-rolling facility in Ensenada (Argentina), which was meant to be the first step of a planned fully integrated operation. Technit's technicians for the Ensenada plant were trained at a Finsider centre in Italy. In the 1960s and 1970s completed engineering and construction (E&C) projects established Techint as one of the world's major pipeline builders, and a supplier of turnkey plants for productions ranging from steel to metal-engineering and to petrochemicals (Lussana, 1997).

After Agostino Rocca died in 1978, his son Roberto became president of Techint. In the mid-1980s Techint undertook a major, export-oriented expansion of the Siderca seamless tube mill, and in 1986 acquired Argentine welded pipe maker Siat (Lussana, 1997).

In the 1990s Siderca also acquired full control of the Veracruz mill in Mexico. Steel pipe manufacturing facilities were also acquired in Brazil, Venezuela, Japan, Canada, and Romania. At the same time, cold rolling of flat steel continued in the Ensenada plant. During the 1990s the Techint group invested in oil and gas blocks in Argentina through exploration and production company Tecpetrol and also acquired operations in Venezuela, Bolivia, Brazil, Ecuador, Mexico and Peru (Pederson, 2004).

When Italy privatized the state's owned holding IRI, Techint, through its subsidiary Siderca, obtained in 1996 a controlling interest in Dalmine, the company where its founder, Agostino Rocca, had worked for more then 20 years and served as managing director before WW2. IRI subordinated Dalmine's selling to Techint to the establishment of a controlling syndicate between the latter and a major Italian bank, Banca di Roma. In compliance with the syndicate pact, Technit acquired 35.01% of Dalmine's shares, Banca di Roma 15% while the remaining 49.99% of shares was offered to a group of Italian and international investors. Among the former were two Lombard local banks (Banca Popolare di Bergamo and Credito Varesino with a share of 3% each) and several Bergamo small entrepreneurs while among the latter the larger share was subscribed by the

[24] Grandi had also been Italy's minister of justice, ambassador in the UK and speaker of the Chamber of Deputies (Lussana, 1997).

Hungarian-American financier George Soros. Techint was given the right to appoint the majority of Dalmine's board members and auditors (Dringoli, 2000).
In Italy, the Techint group also entered the health services sector in the mid-1990s by building and managing Istituto Clinico Humanitas, a state-of-the-art hospital and medical research institute near Milan. Specialized company Humanitas has subsequently acquired controlling interests in other important private hospitals in Bergamo, Turin and Catania (Pederson, 2004).

6.2. Charles Forte (Carmine Monforte)

Carmine Manforte was born in Monforte Casalattico, a small village near Rome, in 1908. He emigrated from Italy to Scotland at the age of four and attended Alloa Academy and St. Joseph's College in Dumfries. He worked in a cafe chain owned by his father, then in 1935 set up his first milk bar as Strand Milk Bar Ltd. Soon he began expanding into catering and hotel businesses. After WW2, his company was renamed Forte Holdings Ltd and bought the Cafe Royal in London in 1954. A few years later he obtained the state concession for the catering service at London airport. By the end of the 1960s Forte Holdings managed the catering service for 125 airlines and 19 international airports.
Through acquisitions and expansion, Forte Holdings became a large business group that included the Little Chef and Happy Eater roadside restaurants, Crest, Forte Grand, Travelodge and Posthouse hotels, as well as the wine merchant Grierson-Blumenthal. His hotel chain came to number 940 hotels located throughout the world, especially in Europe and the United States.
The Forte group also invested in Italy by constructing a big hotel in Sardinia with 1,600 sleepers, 12 restaurants, seven swimming-pools and 400 employees.
Charles Forte was knighted in 1970 by the queen of England and awarded a life peerage in 1982 as Baron Forte of Ripley. Since then he could therefore seat in the House of Lords. He also served as president of the Italian Chamber of Commerce in Great Britain until 1978 (Bigazzi, 1997; Castronovo, 2001; Wikipedia, 2008).

6.3. Francesco Bellini

Francesco Bellini was born in Ascoli Piceno, Italy, in 1947. After taking a chemistry diploma from the technical high school of his native town he in 1967 migrated to join his parents in Montreal,

Canada. He received his Bachelor of Science degree from Loyola College (now Concordia University) in 1972 and his PhD in organic chemistry from University of New Brunswick in 1977 (Castronovo, 2001).

In 1967 he found his first job in Canada as a technician at the labs of a small paint factory. After a few month Bellini was contacted by Dr. Gresilin, an Italian immigrant who worked as chief researcher at the Canadian subsidiary of Ayerst, a US-based multinational pharmaceutical company, and had noticed his CV at the consulate of Italy in Montreal. Thus, from 1968 to 1982 Bellini had a fruitful career as a researcher at Ayerst in Montreal. When Ayerst's Canadian offices were moved to Princeton he decided to remain in Montreal and established the Biochemicals Division of the Institut Armand-Frappier at the Université du Québec, which specialized in research, manufacturing and the commercialization of fine chemicals. He headed up this unit until leaving in 1986 to co-found Biochem Pharma, an innovative biopharmaceutical company focused on infectious diseases and cancer (Platero, 1997).

In the early 1990s Biochem Pharma started to expand abroad. In 1990 it took over North America Vaccine, a company that produced vaccines against diphtheria, tetanus and tuberculosis. In 1991 it carried out its first FDI outside North America by acquiring two companies in Bellini's home country, Italy: Industria di Farmaceutica e Cosmetica Italiana (pharmaceuticals) and Chemila (diagnostics). In 1992 Biochem Pharma established a joint-venture with the Swedish company Astra to develop and market a new painkiller drug. In 1994 it acquired the diagnostics division of tnhe Swiss multinational Serono while in 1995 it set up a joint-venture with the Warner Lambert group to develop and market a new anti-thrombosis drug. In the mid-1990s Biochem Pharma also took over another three companies in Italy: Biodata, Ifci Clone System and Biochem Immuno System (Platero, 1997).

In the year 2000 Bellini sold out Biochem Pharma to concentrate on a company which he had founded in 1993, Neurochem Inc., specialised in the production an commercialization of therapeutics primarily for the treatment of the Alzheimer disease and other neurological disorders. In 2001 he set up a new venture, Adaltis, a company specialized in diagnostics with research and development departments in Montreal and Rome and production facilities in China (Castronovo, 2001).

In 2004 Bellini purchased an old winery, with over 40 hectares of vineyard along with eight hectares of olive grove in his native region Marche, Italy. A longtime Marche friend, Orlando Antonini, joined him in this venture, for which a new company, Domodimonti, was founded. This built a new winery which uses new and old methods to make Marche fine wines.

7. Conclusions

The empirical, econometric and historical evidence presented in this paper shows that despite the Italian economy stays at the centre of a double set transnational networks, of emigrants and of immigrants, only the former has significantly boosted the country's bilateral FDI.

This paper tries to interpret these results by taking into account some key factors influencing the formation and endurance of migrant ties with their home countries, and by analysing, in an historical perspective, some exemplary cases of outward and inward Italian FDI. As to emigrants, it shows that the strong ties with the home country have been consistent with the labour nature of the emigration phenomenon, with many emigrants returning home regularly, maintaining enduring links with their families and towns of origin, and living abroad in ethnic communities that preserved their original culture, language and traditions. At the same time, the Italian government demonstrated interest on emigration matters, especially regarding social, institutional and political aspects. An important consequence of this is the Italian law of citizenship, which was conceived with the purpose of preserving the Italian nationality of the diaspora. These ties did not fade over time but, on the contrary, they became even stronger: Italians abroad now vote for the Italian political elections and have their own representatives in parliament.

The Italian government, however, has long failed to recognize the importance of emigrant communities in prompting bilateral FDI. The absence of active government policies on this regard may in fact have reinforced the tendency of Italian firms to invest in countries where the support of emigrants was available.

The paper has shown that emigrants have provided Italian firms wanting to invest abroad with valuable information, managerial support, a reliable labour force, the demand for the final products and often also the funding of their investments projects. These factors have been largely present across the entrepreneurial histories presented in the paper. Among other exemplary cases, it has been seen that, during the first three decades of the XX century, the BCI's foreign expansion privileged the areas of the world (South America and the United States) that had been the main destination of the mass emigration from Italy. The establishment of BCI's subsidiaries was aimed at collecting remittances, deposits and share capital from the Italian communities, financing bilateral trade with Italy, prompting Italian immigrants' entrepreneurship and the FDI from Italian firms in those countries. Managerial positions within them were also entrusted to Italians.

Also Fiat, after WW2, directed its internationalisation mainly towards South America, where it could rely on the Italian communities not only as an ethnic clientele for a product that was

perceived as “Italian”, but also as a provider of managerial staff. More recently, in the 1990s, when Fiat launched its world car project, the largest investments were once again carried out in South America.

The information channels provided by emigrants have been also at work for the FDI of smaller firms. These were, for example, the cases of Massimo Coen, an Italian Jew who migrated to the UK in the late 1930s and after WW2 established important ties between his settlement country where there was a sizeable Italian community and several wool mills and saving banks of the region of Tuscany, and, more recently, of STMicroelectronics, whose internationalisation strategy in the 1980s and 1990s relied to a large extent on the links established in the 1970s by his CEO, Pasquale Pistorio, when he worked in the United States as Motorola vice president.

The strong ties of the diaspora with the home country have also influenced the inward FDI. Wealthier emigrants significantly relied on the tight links with the home country to invest from abroad. The Italian citizenship has given them an advantage with respect to other foreign potential investors. We have seen, among others, the exemplary case of Techint, the engineering company founded by the former IRI manager Agostino Rocca after he left Italy for Argentina in 1946. Rocca first relied on his ties with the Italian business community to boost Techint’s expansion in South America. Then, in the 1990s, Techint took over Dalmine, an Italian company where Rocca had worked as managing director before WW2.

As to immigrants, results differ from those of the literature on other receiving countries: immigrants in Italy have not boosted bilateral FDI. Some of the likely reasons staying behind these results have been examined. Among these are the shortest history of the immigration phenomenon in Italy relatively to that of other major receiving countries, the gender imbalance of some immigrant communities, the low-skill, low-wage level of most immigrants’ jobs. More important, however, appears to be the scant and diminishing presence of immigrant associations in Italy, having either cultural, social, or business purposes. Conversely, there is a growing presence of Italian pro-immigrant associations, which may be having a crowding-out effect on immigrant networks and, consequently, on their transnational business links.

In sum, an effect of the strong ties prevailing within the Italian-network, which includes the country and its diaspora, may be that of leaving aside other interactions, as those with immigrants, which are significant and potentially profitable because several immigrant communities in Italy originate from the fast-growing and emerging areas of the world. While in the past and until present days the Italian diaspora has played an important role in supporting the internationalization of the Italian economy, in particular of the FDI, the lack of formation of new interactions of the inter-cultural or

"weak-ties" type may be signalling the existence of missed opportunities. Thus, the outcome of the preference for a strong-ties network may now be that of diverting more than of creating FDI.

Appendix

Table A1. Data and Sources

Data	*Source*
Distance	The great circle distance in km between capital cities, which is available on http://www.wcrl.ars.usda.gov/cec/java/lat-long.htm .
Italian emigrants: stocks (1990-2004 average)	AIRE (Anagrafe Italiani Residenti all'Estero); register of Italians residing abroad. Ministry of Interior: http://infoaire.interno.it/.
Immigrants: stocks (1990-2004 average)	ISTAT: Migration trends and foreign population. Census data on resident population.
Foreign direct investment inward and outward (stocks): current prices, U.S million dollars (1990-2004 average)	Source OECD International Direct Investment Statistics - International direct investment by country Vol. 2005 release 01 and UNCTAD WID Country Profiles and National Statistics
Italian Schools: total number of Dante Alighieri and other Italian Schools (1990-2004 average).	- Dante Alighieri schools - http://www.scuoladantealighieri.org/ - Italian schools abroad: Italian Foreign Ministry, www.esteri.it
Religion: % of Christians (Roman Catholics, Greek Catholics, Protestants, Anglicans, Lutherans, Orthodox and other Christians) on population (1990-2004 average)	*The World Factbook*, Central Intelligence Agency.
Governance indexes (1990-2004 average)	Kaufmann D., A.Kraay and P.Zoido-Lobatòn (1999), "Governance Matters", Policy Research Working Paper 2196. *The World Bank*.

Table A2. Abnormal inward FDI (%)*

Albania	-2.15208	**Luxembou**	**9.40127**
Algeria	-1.59962	Malaysia	-0.48457
Argentin	**0.71607**	**Mexico**	**1.12805**
Australi	-0.55099	Morocco	-4.84240
Austria	-1.74061	**Netherla**	**10.17629**
Brazil	-0.48297	Norway	-0.66528
Bulgaria	-1.71389	**Philippi**	**0.80215**
Canada	-2.32711	Poland	-1.79712
Chile	**0.81348**	Portugal	-0.57503
China	-1.86326	Romania	-1.98488
Croatia	-2.39157	Russian	-2.26108
Czech Re	-2.06033	**Singapor**	**1.31414**
Denmark	-1.71001	Slovak R	-1.87706
Egypt	-0.89842	Slovenia	-2.88379
France	**7.50504**	South Af	-2.28452
Germany	**3.30933**	Spain	-3.67001
Greece	-3.02291	**Sweden**	**0.34775**
Hungary	-2.19712	**Switzerl**	**13.66831**
India	**0.33768**	**Thailand**	**0.57948**
Indonesi	**0.76138**	Tunisia	-2.37724
Iran	-0.02146	Turkey	-1.25607
Ireland	-2.63748	Ukraine	0.94828
Israel	-0.80279	**United K**	**3.98198**
Japan	**2.38237**	United S	-2.29497
Korea	**0.36299**	**Venezuel**	**0.80587**
Libya	-1.91525		

Notes: In bold the positive "abnormal" inward FDI. The percentage is calculated as $\varepsilon_i \times 100$.

* Residuals ε_i from the cross-section regression:

$$\frac{FDI_{i,IT}}{\sum FDI_{j,IT}} = \alpha + \beta_1 \frac{FDI_{i,world}}{\sum FDI_{j,world}} + \varepsilon_i$$

Table A3 Abnormal outward FDI (%) *

Albania	-3.02839	**Luxembou**	**12.28763**
Algeria	-2.54835	Malaysia	-0.88956
Argentin	**0.62485**	Mexico	-0.76132
Australi	-0.07590	Morocco	-1.98070
Austria	-2.02972	**Netherla**	**15.47556**
Brazil	**1.55987**	Norway	-2.10775
Bulgaria	-2.58716	Philippi	-0.89460
Canada	-0.57643	Poland	-1.52437
Chile	-0.75987	Portugal	-1.39905
China	-0.84407	Romania	-2.44313
Croatia	-2.80816	Russian	-1.90342
Czech Re	-2.60358	Singapor	-0.75857
Denmark	-2.23276	Slovak R	-2.72533
Egypt	-1.99525	Slovenia	-3.11542
France	**8.10217**	South Af	-0.88932
Germany	**3.70484**	**Spain**	**2.53178**
Greece	-2.28847	Sweden	-1.83136
Hungary	-2.57059	**Switzerl**	**4.91546**
India	-1.16124	Thailand	-1.00214
Indonesi	-0.80914	Tunisia	-2.67041
Iran	-1.33501	Turkey	-1.60150
Ireland	-0.14906	Ukraine	-1.03808
Israel	-2.01551	**United K**	**6.53649**
Japan	**0.09229**	**United S**	**9.78838**
Korea	-0.97139	Venezuela	-0.89399
Libya	-1.79926		

Notes: In bold the positive "abnormal" outward FDI. The percentage is calculated as $\tilde{\varepsilon}_i \times 100$.

*Residuals $\tilde{\varepsilon}_i$ from the cross-section regression:

$$\frac{FDI_{IT,i}}{\sum FDI_{IT,j}} = \alpha + \tilde{\varepsilon}_i$$

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