

## Chinese Remake the 'Made in Italy' Fashion Label



Nadia Shira Cohen for The New York Times

**LIGHTS OUT** In Prato, Italy, the Chinese manager of a textile factory closed it down after a police raid. [More Photos »](#)

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PRATO, Italy — Over the years, Italy learned the difficult lesson that it could no longer compete with China on price. And so, its business class dreamed, Italy would sell quality, not quantity. For centuries, this walled medieval city just outside of Florence has produced some of the world's finest fabrics, becoming a powerhouse for "Made in Italy" chic.

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And then, China came here.

Chinese laborers, first a few immigrants, then tens of thousands, began settling in Prato in the late 1980s. They transformed the textile hub into a low-end garment manufacturing capital — enriching many, stoking resentment and prompting recent crackdowns that in turn have brought cries of bigotry and hypocrisy.

The city is now home to the largest concentration of Chinese in Europe — some legal, many more not. Here in the heart of Tuscany, Chinese laborers work round the clock in some 3,200 businesses making low-end clothes, shoes and accessories, often with materials imported from China, for sale at midprice and low-end retailers worldwide.

It is a "Made in Italy" problem: Enabled by Italy's weak institutions and high tolerance for rule-bending, the Chinese have blurred the line between "Made in China" and "Made in Italy," undermining Italy's cachet and ability to market its goods exclusively as high end.

Part of the resentment is cultural: The city's classic Italian feel is giving way to that of a Chinatown, with signs in Italian and Chinese, and groceries that sell food imported from China.

But what seems to gall some Italians most is that the Chinese are beating them at their own game — tax evasion and brilliant ways of navigating Italy's notoriously complex bureaucracy — and have created a thriving, if largely underground, new sector while many Prato businesses have gone under. The result is a toxic combination of residual fears about immigration and the economy.

"This could be the future of Italy," said Edoardo Nesi, the culture commissioner of Prato Province. "Italy should pay attention to the risks."

The situation has steadily grown beyond the control of state tax and immigration authorities. According to the Bank of Italy, Chinese individuals in Prato channel an estimated \$1.5 million a day to China, mainly earnings from the garment and textile trade. Profits of that magnitude are not showing up in tax records, and some local officials say the Chinese prefer to repatriate their profits rather than invest locally.

The authorities also say that Chinese and probably Italian organized crime is on the rise, involving not only illegal fabric imports, but also human trafficking, prostitution, gambling and money laundering.

The rest of Italy is watching closely. "Lots of businesses from Emilia Romagna, Puglia and the Veneto say, 'We don't want to wind up like Prato,'" said Silvia Pieraccini, the author of "The Chinese Siege," a book about the rise of the "pronto moda" or "fast fashion" economy.

Tensions have been running high since the Italian authorities stepped up raids this spring on workshops that use illegal labor, and grew even more when Italian prosecutors arrested 24 people and investigated 100 businesses in the Prato area in late June. The charges included money laundering, prostitution, counterfeiting and classifying foreign-made products as "Made in Italy."

Yet many Chinese in Prato are offended at the idea that they have ruined the city. Instead, some argue, they have helped rescue Prato from total economic irrelevance, another way of saying that if the Italian state fails to innovate and modernize the economy, somebody else just might.

"If the Chinese hadn't gone to Prato, would there be pronto moda?" asked Matteo Wong, 30, who was born in China and raised in Prato and runs a consulting office for Chinese immigrants. "Did the Chinese take jobs away from Italians? If anything, they brought lots of jobs to Italians."

In recent months, Prato has become a diplomatic point of contention. Italian officials say the Chinese government has not done enough so far to address the issue of illegal immigrants, and they are seeking a bilateral accord with China to identify and deport them. Some Prato residents suspect that the flood of immigrants is part of a strategy by Beijing to exploit the Italian market, though the Chinese government does not generally use illegal migrants to carry out its overseas development plans.

Italian officials say Prato is expected to be on the agenda when Prime Minister Wen Jiabao of China visits Rome in October.

## China in Italy's Backyard

According to the Prato chamber of commerce, the number of Italian-owned textile businesses registered in Prato has dropped in half since 2001 to just below 3,000, 200 fewer than those now owned by Chinese, almost all in the garment sector. Once a major fabric producer and exporter, Prato now accounts for 27 percent of Italy's fabric imports from China.



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Shira Cohen for The New York Times  
Clothes like those on a rack in the parking lot of a "pronto moda" or "fast fashion" company are sold worldwide.  
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Resentment runs high. "You take someone from Prato with two unemployed kids and when a Chinese person drives by in a Porsche Cayenne or a Mercedes bought with money earned from illegally exploiting immigrant workers, and this climate is risky," said Domenico Savi, Prato's chief of police until June.

According to the Prato mayor's office, there are 11,500 legal Chinese immigrants, out of Prato's total population of 187,000. But the office estimates the city has an additional 25,000 illegal immigrants, a majority of them Chinese.

With its bureaucracy, protectionist policies and organized crime, Italy is arguably Western Europe's least business-friendly country. Yet in Prato, the Chinese have managed to create an entirely new economy from scratch in a matter of years.

A common technique used, often with the aid of knowledgeable Italian tax consultants and lawyers, is to open a business, close it before the tax police can catch up, then reopen the same workspace with a new tax code number.

"The Chinese are very clever. They're not like other immigrants, who can be pretty thick," said Riccardo Marini, a textile manufacturer and the head of the Prato branch of Confindustria, the Italian industrialists' organization.

"The difficulty," he added ruefully, "is in finding a shared understanding of the rules of the game."

Prato's streets have slowly become more and more Chinese, as the Chinese have bought out Italian-owned shops and apartments, often paying in cash. Public schools are increasingly filled with Chinese pupils.

Hypocrisy abounds. "The people in Prato are ostriches," said Patrizia Bardazzi, who with her husband has run a high-end clothing shop in downtown Prato for 40 years. "I know people who rent space to the Chinese and then say, 'I don't come into the center because there are too many Chinese.' They rent out the space and take the money and go to Forte dei Marmi," she added, referring to the Tuscan resort town.

A short walk past the city's medieval walls, past the cathedral with Filippo Lippi's Renaissance frescoes, lies Via Pistoiese, the heart of Prato's Chinatown. Here, shop signs in Chinese and Italian advertise wedding photography, hardware, electronics and gambling parlors.

Outside a supermarket selling foodstuffs imported from China, an electronic job board flashes a running ticker of garment-industry jobs.

The work — long hours at sewing machines — takes place in back-room workshops with makeshift sleeping quarters. The heart of the “fast fashion” sector is an industrial area on the outskirts of town, Macrolotto, filled with Chinese fashion wholesalers.

Here, vans from across Europe line the parking lots as retailers buy “Made in Italy” clothing to resell back home at a huge markup. By buying in relatively small quantities and taking advantage of the fluid borders of the European Union, most manage to avoid paying import tariffs.

On a recent afternoon, a couple from Montenegro loaded racks of cotton summer dresses into boxes in the back of their van. The wife wielded a label gun, tagging each dress “Made in Italy.”

Just blocks away, Li Zhang, who immigrated to Italy in 1991 from Wenzhou, a city in southeastern China known for its global network of entrepreneurs, explained how his clothing company, Luma, produced on-demand fashion.

He showed off bolts of fabric, which he said he bought locally or in India or China. He often buys white fabric and has it dyed and cut by other Chinese companies in Prato before giving the pieces to subcontractors to produce the requested items — 1,000 green skirts, in a typical example — in a matter of weeks, if not days.

Mr. Zhang and hundreds of other Chinese like him are at the center of Prato's so-called gray economy, whose businesses are partly above board in that they pay taxes, and partly underground, in that they rely on subcontractors who often use illegal labor. (Asked if his subcontractors used illegal labor, Mr. Zhang laughed and said, “You'd have to ask the subcontractors.”)

Since founding Luma in 1998, Mr. Zhang said, he has exported clothes to 30 countries, including China, Mexico, Venezuela, Jordan and Lebanon. He said that his biggest order was for the Italian retailer Piazza Italia, but that he had also sold to wholesalers who said they had sold to Zara, Mango, Top Shop and Guess, European retailers specializing in bargain chic.

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The raids, he said, are hindering business, unsettling the local Chinese community to the point that many workers had gone into hiding.

“People are afraid,” Mr. Zhang said.

“This was a political decision. At first, they left us too free. Now they are tightening things too much.”

### The New Sheriff in Town

Much of the tightening comes from Prato’s new administration. In 2009, the traditionally left-wing city elected its first right-wing mayor in the postwar era, whose winning campaign tapped into powerful local fears of a “Chinese invasion,” and who seeks a broader European Union response to Chinese immigration.

“How can China leave a mark like this in the E.U.?” the mayor, Roberto Cenni, asked. “Noise, bad habits, prostitution. People can’t live anymore. They’re sick of it.”

An elegant man in a well-cut gray suit, Mr. Cenni is a former president and a current shareholder of Go-Fin, a Prato holding company that is behind several midrange Italian fashion companies. At least one of these, Sasch, has moved much of its production to China within the last 10 years.

Powerless to reverse the broader economic currents, the mayor has instead focused on small initiatives, including new rules that prohibit drying fish on balconies and require all Prato shopkeepers to speak Italian. These have won him praise from some local people, but also criticism for bigotry.

The mayor has also stepped up raids on Chinese businesses. Critics say they are little more than media spectacles, but local Chinese have seen them as unwarranted attacks.

On a rainy recent morning, a team of police officers, tax collectors and other state officers swooped in on two Chinese workshops in a residential and industrial area just outside Prato’s downtown.

Tucked behind apartment houses, the garage-like space was filled with rows of sewing machines, with white fabric strewn about and lace shirts lying unfinished on the concrete floor.

The police rounded up the workers in the courtyard. A woman in plastic flip-flops carried a black bucket filled with urine downstairs, accompanied by a young boy wearing only underwear. “Pantaloni,” she told the officers in broken Italian, “Pants.” “O.K., let him put on pants,” an amenable officer agreed with a shrug.

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Next door, the police brought some Chinese workers in a small, windowless bedroom to be identified. A woman in a blue T-shirt sat on the bed and sobbed uncontrollably.

The officials sorted through paperwork. "This is the last name, right?" one asked an interpreter.

Between the two workspaces stood a little house with hydrangeas in the yard. The Italian couple in the doorway did not want to reveal their names.

"It's an ant colony," the man said. "Who knows how many? They closed the door and covered up the windows."

His cautious wife tugged on his arm. "You can't get into these discussions," she said, drawing him back inside.

Soon an owner of the workspace came in from his home down the block. Paolo Bonaiuti, 73, a tall man with white hair, blue eyes and a look of unflappability, waved his lease, showing that he rented out the space for \$2,220 a month. To judge from their expressions, the police officers did not look as if they believed it.

### **Italy's Immigration Woes**

But crackdowns like these can only do so much. In the first half of this year, the authorities raided 154 Chinese-owned businesses — out of more than 3,000. To do the job, "We'd need an army of people," said Lina Iervasi, the head of the Prato Police Department's immigration office.

Earlier this year, several officers in that office were arrested on charges that they took bribes in exchange for granting residence permits.

“We don’t go on the hunt for the illegal immigrants. We’re not so crazy as to do that,” said Mr. Savi, the former police chief. “But we seek a balance between norms and reality.”

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That balance has been strikingly hard to find.

Many illegal Chinese immigrants arrive by bus from Russia or the Balkans, and either destroy their passports or give them away to the organized crime groups that help bring them. Many others overstay their tourist visas.

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“Italy has a 20th-century immigration law; it tends to think of immigrants as a phenomenon linked to work, in which people move from poor countries to rich ones,” said Andrea Frattani, a former social welfare commissioner in Prato’s previous center-left government.

Instead, he argued, what Italy is witnessing in Prato is “a precise strategy” on the part of the Chinese government to create an economic foothold in Europe.

Asked at a recent public appearance if that was the case, China’s ambassador to Italy, Ding Wei, said only that Prato had been a central issue in his portfolio since he arrived in the spring, and that he had sent advisers to investigate.

“I’ve been very attentive to resolving the question of Prato, which is unique and particular,” he said in late July. “It should not have an impact on the cooperation between our countries.”

Italians in Prato are feeling less sanguine. “At 20, I was sure the world was mine,” said Mr. Nesi, 45, the culture commissioner and a writer whose family sold its three-generation, high-end textile business in 2004.

“It’s hard to accept that all this happened in a short time,” he said, bewildered. “It makes us feel old and without hope.”

The problems will not be resolved easily. “There’s no plan,” said Xu Qiu Lin, a local entrepreneur and the only Chinese member of Confindustria in Prato, echoing a widespread sentiment. “There’s no plan; that’s the problem.”