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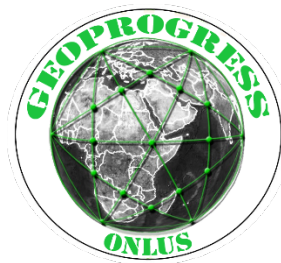
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Editorial Note

This first issue of volume 8 (2021), which is of the second pandemic year, publishes three important study contributions on some political and economical phenomena and processes on which largely our life depends, respectively at global, macro-regional (Europe), and national (Italy) scales.

Paolo Pane, in the first article, deals with the extension of the geopolitical competition from the conquest of terrestrial spaces to that of extra-terrestrial spaces, highlighting that the new geopolitics requires a reinterpretation in a modern key of some basic concepts of classical geopolitics, in particular on the concept of borders.

In conclusion P. Pane underlines “space determines new economic opportunities and new geopolitical relations, and in particular, I should add, new strategies for peace keeping. Space, in fact, exalts what is understandable even just by reflecting on long-range missiles, which have put in crisis and should have overcome some classic geopolitical theories on which this article rightly makes us reflect.

Sergio Conti still gives us a masterful paper, in addition to the one published in the previous issue, dealing here with the concepts of regional development and the role attributed in it to the space-environment values, considering specifically the territorial policies of the European Union. All the various versions of the European Spatial Development Perspective (ESDP, he states, “pivot around three *key general principles*, set out in Leipzig in 1994: social and economic cohesion, sustainable development, balanced competitiveness for Europe”. Reflecting on the the success stories that have marked local/regional development in Europe in recent years underlines some *key lessons* and concludes that success factors - so identified as “keys to local development” – are “territorial cohesion, polycentrism and active territoriality”.

Last article, by Silvia Grandi and Christian Sellar, using the geographical patterns of Italian banks’ international network as a case study, analyses the relationship between governmental economic strategies, the international strategies of banks, and firms. As it models the main strategic organizational processes of the banking system since the late 2000s and highlights the relationships with internationalization, trade flows, and government policies, it gives a relevant contribution to the Geography of banks.

The article also demonstrates the importance of a geographic approach - of the geographer's "mania" of wanting to understand the relationships between different phenomena and processes - to understand socio-economic systems and their developments.

Francesco Adamo

THE CONQUEST OF SPACE. FOR A REVIEW OF GEOPOLITICAL CONCEPTS.

Paolo Pane

Abstract

The last few years have been marked by a resumption of the strategic competition between the powers for the conquest of space, which has become a terrain of competition and an object of growing interest on the part of the main world players, creating a real geopolitics of space exploration that requires a reinterpretation in a modern key of some basic concepts of classical geopolitics, in particular on the concept of borders. The massive process of globalization that for decades has determined the political-economic geography of global space has already contributed to enriching the concept and role of borders, making it a matter of absolute relevance. A crucial aspect regarding the definition of the concept of border and its evolution over time concerns the progressive and ever increasing attention that global players, be they States or private individuals, have dedicated and dedicate to the conquest of orbital space. The traditional concept of international relations and geopolitics has, in fact, radically changed over the years: until the advent of new technologies in the air and space fields, all interactions took place on the earth's surface. Space therefore determines new geopolitical relations and new economic opportunities.

Keywords: geopolitics of space; border studies; space economy.

1. Introduction

The last few years have been affected by a resumption of strategic competition between the powers for the conquest of space, which has become a terrain of competition and the subject of growing interest on the part of the main global players. China and the US, the European Union as in other dimensional domains, are the leaders of the competition to strengthen their position of strength in a competitive environment that has high economic and strategic implications. There is, therefore, a real geopolitics of space exploration that requires a modern reinterpretation of some basic concepts of classical geopolitics, first of all that of borders. In recent years, the debate on the concept of the border, in philosophical as well as in geographical and political terms, has acquired an unprecedented centrality, becoming the privileged object of various researches. The term, crucial in political geography for the understanding of global, regional and national dynamics, and for its multiple social, economic and political implications, is rich in meaning and susceptible to different declinations, especially

with respect to the scientific, historical and territorial context of reference. For many years, political geography has considered borders as a fixed and immutable fact (Paasi, 1999), which substantially determines human political history. This theory has its roots in Westphalian thinking of a central state exercising its sovereignty over a well-defined (*bounded*) territory in which a given population resides. The capacity of the border to define territorial belonging determines, in this perspective, the possession and exercise or not of a certain power and, consequently, the limit of this power (Zaman and Cosckun, 2015), which is clearly political. It is precisely its politico-legal dimension that differentiates the border from the concept of frontier¹. It is a field that mainly privileges geographers, who were in an important position in redrawing the political boundaries between states during the post-war changes, but it is the object of analysis in many disciplines. In fact, for example, if we move within the sphere of defining the border as a natural entity, closely linked to the point of being determined by the morphology of the territory, we will find a series of elements of continuity. But if we refer, on the other hand, to certain spheres such as ethnicity, religion, traditions, we may find, on the contrary, considerable discontinuities. The traditional approach, generally used until the end of the 19th century and carried out by geographers such as Ancel (1936) and Hartshorne (1936), is a historical-geographical approach, which is based on the accumulation of empirical data in order to create detailed maps of the socio-economic structures of border regions. The development of these areas is represented through its changes in space and time. The morphology of the border is studied with a focus on the balance of political, economic and military power of the neighbouring states. The theory of natural borders as rigid demarcation lines is developed and then lost in importance.

The change in global space shows that the image of the border as a simple line is no longer able to convey the complexity of the contemporary world. In this sense, the imposing process of globalisation that for decades has been determining the political and economic geography of the global space, the emergence of new and ancient migratory phenomena, the affirmation of new and innovative tools in the field of communication, such as social networks, the rise of financial capitalism, a common and widespread universal sensitivity to the issue of human rights, the growing role of supranational bodies such as the European Union, have contributed to enrich the concept and the role of borders, making it an issue of absolute importance. In fact, despite the effects caused by these phenomena, which refer to a vision of a world without limits, the most recent news in the geopolitical sphere and not only, tells us of an increasing demand for stable and defined borders. Therefore, the issues related to the definition and perception of borders have attracted a multidisciplinary scientific interest ranging from political science to geography, from economics to urban planning, from law to theology, from which border studies² were born, in which investigations

1 Further differential points between frontiers and border are the following: the frontier is "outward-facing", i.e. towards the possibility and danger outside its territory, whereas the border is "inward-facing" and refers to the exercise of sovereignty and central power within a given geographical perimeter; the frontier is not self-evident, the border, to be such, must be real or at least reflect reality; the frontier is a manifestation of centrifugal forces, pushing outward, the border is characterised by centripetal forces.

2 In the European context, one example is the Centre for Border Studies at the University of Glamorgan. An overview of the spread of border studies is offered by the Association for Borderlands Studies (ABS), which publishes the biannual *Journal of Borderlands Studies*.

that have started an intense experimentation of that interdisciplinarity identified as a necessary requirement for border research have converged (Cole and Wolf, 1999). The idea of the border, which for a long time was linked to the perception of a natural dimension defined by the morphology of the territory, has thus become the object of renewed scientific interest, which has generated a plurality of theoretical and methodological stimuli that has configured a real field of study that is expanding at a global level (Prescott, 1978). A particularly relevant contribution from this point of view is that offered by the development of US border studies, and by the various ethnographic, geographical, sociological, and legal research projects on the border between Mexico and the United States. Starting from the theorisations and cultural practices born on the aforementioned border, border studies have gradually come to the fore in Europe as well, presenting themselves as one of the newest and most complex areas of reflection in recent years. The question of borders initially emerged above all in studies on the western states of the continent, focusing on the study of the relationship between sovereignty and territoriality, between international legislation and the crossing of borders, not only of people, but also of goods and information. The progress of European integration has led to an evolution of reflection in this sense, particularly in the field of political science, which since the end of the 1970s has worked on aspects such as the specificity of the political and economic profile of border regions and cross-border cooperation (Battisti, 1996). The end of the Cold War gave further impetus to developments in border research. On the one hand, this event marked the dissolution of the division between East and West, whose impassability had been summarised by the image of the Iron Curtain, while on the other hand it opened the way to the multiplication of international borders with the emergence of numerous states in Eastern Europe, raising urgent questions about the mechanisms governing the emergence of new borders.

2. Borders in political geography.

A first scientific contribution on the subject of borders can be attributed to Friedrich Ratzel, one of the founding fathers of modern political and human geography. As early as the first volume of his *Anthropogeographie*, Ratzel related the distribution of human groups on the earth's surface and the characteristics of the territory, addressing, among other things, the concepts of coastline, island, and mobility. It is precisely from the analysis of mobility that the theme of borders, understood as political phenomena, which define the spaces of human groups, is addressed. Specifically, Ratzel (1882) deals with and defines the nature of borders in the fourth part of the first volume entitled *The Borders of Peoples*: "*Where the spread of an organic form stops, there is the border of it. The boundary thus consists of innumerable points at which an organic movement has stopped. As many as there are areas of diffusion of different plant and animal species, areas occupied by forests or covered by coral formations, there must be as many boundaries. Similarly, there are racial and ethnic zones and boundaries, and also political boundaries, i.e. those human groups that make up states. The origin*

of all these areas is the same, and resides in the movement that is proper to every living thing and that stops, either because of the lack of the conditions necessary for life, like the forest at a certain altitude in our mountains, like man in the snow-covered or icy areas of the polar and subpolar regions, or because of the resistance offered by a movement coming from another direction with which it has come into contact". Between the end of the 19th and the beginning of the 20th century, the German author reflected further on the concept of the border. In *Politische Geographie* (Ratzel, 1897), he dealt with the relationship between territory and state: "Every state is a portion of humanity and a portion of territory. Man is unthinkable without the earth, and even less so is man's most distinguished work on our planet, the state". In *Die Erde und das Leben: Eine vergleichende Erdkunde* ("The Earth and Life: Comparative Geography"), Ratzel (1901a) defined the border of a state as a flap of an organism, not a line that separates. In fact, the border is a particular geographical space that on the one hand separates, but on the other hand unites. It can be defined as the location of points belonging to two or more different regions. Ratzel even tries to refute the idea of a natural and political border as a simple line (Scaramellini, 2007). The German geographer's work assigns, for the first time in geographic literature, great importance to the themes of borders, mobility, and forms of movement, which are used for the government of the territory. The border in Ratzel plays a significant role in the organisation of community life, as he defines the state as a portion of humanity and a portion of territory. Thus, Ratzel questioned the possibility that borders, especially on the level of political organisations, could consist of simple lines. On the other hand, in the same period, although in a different context, the idea of the mobile frontier had been developed by F. J. Turner (1921), who had reconstructed the formation of the United States of America based on the frontier paradigm. At the annual Congress of the American Historical Association, in 1893, he expressed an initial and significant reflection on the concept of the frontier. Thanks to the intuition of the frontier, the American historian was able to explain, in a convincing manner, the socio-cultural and economic-political dynamics that occurred in the United States until the end of the 19th century. In recent decades, the various schools of thought have developed significant differences between the concepts of border and frontier. In Italy the Trieste school has stood out for its studies on these topics. At the international level, it is mainly French and American geographers who have sparked an interesting debate. Both the border and the frontier certainly represent limits of a territory or parts in common between two territories or regions, where in the first case we refer to a line, in the second to an area. A recent declination of the term border, which tends to propose new forms of political and territorial organisation, going beyond the concept of the nation-state, is the concept of cross-border regions. Within these cross-border regions, the border becomes a line of contact, knowledge and even opportunity. It is within the European Union, for example, that this concept now takes shape. The territories that are part of it have the opportunity to adopt a more efficient system of functional relations without calling into question the authority or unity of the state to which they belong. In Europe, the so-called 'Euroregions' have been established since the 1970s as a result of the transfer of various competences from the individual states

to the EU bodies and the related and increasingly evident defunctionalization of borders (Terrana, 2013).

3. New horizons for the study of borders: from terrestrial to orbital space.

A crucial aspect on the definition of the border concept and its evolution over time concerns the progressive and increasing attention that global actors, be they states or private individuals, have dedicated and are dedicating to the conquest of orbital space. The traditional concept of international relations and geopolitics has changed radically over the years: until the advent of new technologies in the field of aviation and space, all interactions took place on the surface of the earth. Space therefore determines new geopolitical relations and new economic opportunities. Recent years have seen a strengthening of the strategic competition between powers for the conquest of space, which has increasingly become a terrain of competition that goes beyond traditional boundaries, and follows new and different ways of interpreting and defining geographical space. In this regard, it is interesting to start with the theory of *Lebensraum* or living space according to Ratzel (1901b). From a purely geographical point of view, the concepts of position and space are important in this theory, in addition to the borders already mentioned (Hunter, 1983).

Location is the ultimate expression of determinist geography: it represents the physical location of a state and the natural resources linked to that territory. The development of the country and its relationship with other peoples is highly dependent on this. And the same position also influences the peculiar characteristics of the people who will occupy that place: it is this that determines the influence and the lines of development of the states. Another element on which political geography is based is *der Raum*, the space: it can be defined as the surface extension to which the life and evolution of the State is linked and represents the territorial ambitions of peoples and States (Lando, 2012). According to Ratzel (1901b), a state must constantly grow to maintain its vitality and obtain the necessary resources to support its people. And in this continuous and incessant growth it ends up meeting other states: the struggle for existence thus becomes a struggle for space, *Lebensraum*, the living space, that geographical area which is necessary to support a living species at its current demographic size. Thus Ratzel argued that the living space of a people consists not only of the place where its people live, but also the land from which they have always derived their livelihood, the area within which they have travelled and traded, the region around which plans for security against competitors are concentrated, giving prominence to the land from which the population obtains its material sustenance, given also the primacy Ratzel gave to agriculture. Today, however, in geopolitical dynamics other types of space, which the classical literature could not take into account, such as the orbital space as well as the virtual space, exist and are becoming increasingly important.

The geopolitical scenario, in which the exploration of space took its first steps, was not only that of a competition for scientific knowledge and the progress of humanity, which was promoted in the context of the International Geophysical Year of 1957-1958, but that of a real field of contention between the two victorious superpowers of the Second World War, the USSR and the USA, with the aim of affirming their respective strategic and military superiority over each other and at a global level (Spagnuolo, 2019). A fierce competition, not only in the arms and technology sector, but also in several other social and economic activities, such as sport, architecture, art, fashion, advertising, and space activities that will exert a great influence on the public, creating the Space Age (Panella, 2021). The Space Age was not only a set of scientific and technological, industrial, and economic factors, but it was also, and perhaps above all, the competition on superiority and cultural, aesthetic, and narrative contamination of facts and people. The competition led to growing research and experimentation in missile launch technologies, used not only for military purposes, but also as an indispensable tool to allow access to outer space and, thus, demonstrate technological superiority. Therefore, it became necessary, for post-classical geopolitics, a redefinition of space, and therefore of its borders, in the sense of its multidimensionality. More recently, Dolman (2001), taking his cue from the contributions of some classical authors, precursors of modern geopolitics, and projecting and transferring their theories into space, has given life to a branch of geography renamed by Dolman himself "astropolitik", that is, the study of the relationship between the physical and mechanical characteristics of extraterrestrial space, technology, and political-military strategies. Dolman takes his cue from Mahan's Theory of Maritime Power (Mahan, 1894), observing how its transposition into the space field attributes relevance, in a deterministic key with respect to the space race, to the availability of a geographical position suitable to allow launches at latitudes compatible with the orbits to be reached, or to the possibility of establishing control posts on the territory, for command and telemetry operations.

MacKinder's Heartland Theory (MacKinder, 1904) also finds its interpretation in the spatial sphere, especially regarding the crucial passage according to which, if a state wishes to control global power but is unable to physically occupy strategic points on its territory, it must at least prevent these from being controlled by its adversaries. In fact, even if it is true that there is not yet a wide literature on the power of space, it is however equally unquestionable that for now, and probably for a long time, the doctrinaire lines at the basis of Maritime Power can however be conceptually expressed also among the celestial bodies, in themselves not so foreign to the globalisation of commercial space, a place in all senses, moreover, no longer of state monopoly interest, but widely open to the world of private enterprise. This last aspect, which is particularly important and innovative, has given rise to a phenomenon described as the New Space Economy. In fact, if space exploration and exploitation started under the monopoly of States, the third millennium is showing a definite change, leading to a new role for private actors in the sector. This phenomenon is described as New Space, a new generation of companies using a new approach to collaborate with

public or other private actors who share the huge risks and potential returns of investing in space (Achenbach, 2013). According to Space Foundation (2020), the Space Economy represents one of the most promising development opportunities for the world economy in the coming decades and includes public and private actors involved in the development, research and use of products and services, from the use of infrastructures to applications generated by scientific research. Therefore, we mean a new ecosystem based on an end-to-end approach and efficiency that drives the space sector towards a more business and service-oriented phase, thanks to the presence of specific factors or trends that have enabled and facilitated its full evolution (Iacovino, 2019). Firstly, it seems appropriate to recall how the growth forecasts for the space industry can justify the entry of private players into the sector. According to OECD (2019a), the market for space activities was worth around \$350 billion in 2018, with a projected move to between \$1.1 and \$2.7 trillion in 2040. Today, some further consideration needs to be given to the potential impact of the COVID-19 pandemic on the industry, which has severely affected, if not disrupted, global supply chains and international trade. Although not as directly affected as other segments, such as tourism, the space sector is bearing the consequences of the pandemic. But thanks also to its diversification, it can be said that the space sector is showing some resilience to the effects of COVID-19, mainly due to the presence of institutional actors supporting its demand (Scatteia and Perrot, 2020).

Through national programmes, bilateral cooperation and participation in international projects, Italy is one of the few nations in the world to have a space and aerospace sector characterised by a complete chain of products and services. This significant strategic autonomy has enabled Italy's industry to develop excellent expertise and very strong competitiveness on the international market in the development and production of products and services. The OECD (2019b) estimates that Italian industry consists of approximately 500 players distributed as follows: 54% in Northern Italy, 23.4% in Central Italy, 19.5% in the South and the remaining 3.1% on the islands. Lombardy is the leading region in terms of number of companies with 18.7% of the total, followed by Latium, Campania, Piedmont, Emilia-Romagna, Veneto, Liguria, Tuscany, Apulia, and Friuli-Venezia Giulia. Around 60% of these companies specialise in the production and/or repair of aircraft and spacecraft, while the remaining 40% are involved in the production of radar, flight recorders and engine control instruments. The aerospace industry is therefore an important driver of current and potential development for the Italian economy, and for southern Italy in particular. Moreover, the aerospace sector is among those that suffered less from the effects of the 2007 crisis (SRM, 2015) and could therefore potentially play a significant role in the recovery from the current economic crisis due to COVID-19. This will clearly be the case if the sector is able to intervene in the short term on production processes, to promote efficiency and keep selling prices down compared to competitors, activate synergies with growing markets (especially in Asia), increase the degree of internationalisation and, finally, consolidate the contribution of artificial intelligence in production and decision-making processes. To this end, however, it will also be necessary to exploit

the different geographical positions of Italian districts. While the southern regions face the Mediterranean, an area of great prospective development, those in the north are projected towards Eastern Europe, which has been experiencing considerable industrial development for decades. It is therefore important to encourage a greater degree of integration between companies throughout the country, trying to reduce the productive and infrastructural imbalance between North and South. For this reason, it is necessary to launch regional, national and EU policies that share a strategic vision for the sector, promoting the growth and development of the various centres of excellence, and coordinating the territorial experiences of the individual aerospace districts. In this context, public administrations and entrepreneurs in southern Italy should consider this sector a key tool both for the economic and social revival of their territories and for making full use of the human capital and skills present there.

Thus, the rapidly changing global space context, the increase in international competition, the emergence of new operators, and the growing economic and commercial nature of space, all imply new challenges and new thinking. A particularly controversial issue concerns precisely a new definition of the boundary that can be combined with the growing importance of the use of space, particularly in the distinction between airspace and outer space. In fact, if the definition of a space boundary is to be considered a purely scientific matter, the need to determine a boundary between airspace and outer space appears relevant in the light of the political and economic implications (Cheng, 1962). This need already arose in 1958, within the United Nations, on the establishment of the United Nations Committee on the Peaceful Uses of Outer Space (COPUOS)³. At present, there is still no unambiguous definition and, as a result, various doctrines and schools of thought have emerged which have attempted to provide an answer to the problem. In this context, we can identify different approaches or theories on the delimitation of outer space. A first theory, defined as spatialist (Ancis, 2019), has tried to identify a boundary, declined as a demarcation line between airspace and cosmic space. This approach inevitably encounters a series of problems from both a strictly geographical and legal point of view. In fact, for example, an aerospace vehicle may need to access (suborbital) space for a short time, while carrying out its main activity in airspace. Moreover, what makes the identification of a linear boundary difficult to apply are the important differences between aviation law and space law. Indeed, according to Article 1 of the Chicago Convention⁴, the airspace above the territory of a State is subject to its complete and exclusive sovereignty, whereas Articles 1 and 2 of the Outer Space Treaty⁵ prohibit the State from exercising any form of territorial sovereignty in space.

³ It was established in 1959 by Resolution 1472 (XIV) adopted by the United Nations General Assembly. It is the main intergovernmental forum for the development of international legal principles for activities in outer space.

⁴ Convention on International Civil Aviation, signed in Chicago on 7 December 1944 and entered into force on 4 April 1947.

⁵ Treaty of 27 January 1967 on the Principles Governing the Activities of States Relating to the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies, entered into force on 10 October 1967.

In addition, the application of aeronautical law to all objects passing through airspace is in partial contradiction with international law, since many provisions of aeronautical law apply only to aircraft, while some provisions of international space law extend their scope to space objects passing through airspace (Chatzipanagiotis, 2012). For these and other considerations, therefore, the spatialist theory, based on a linear conception of the boundary, does not appear to be able to provide an adequate solution to the problem of delimitation between airspace and outer space.

A second approach, the functionalist one (Jakhu et al., 2011), tries to solve the normative problem by approaching the issue from a different point of view. In fact, this theory tries to go beyond the concept of a linear boundary, focusing no longer on the identification of a physical place, but on the type of vehicle used. In order to identify the type of vehicle involved, consideration is generally given to its purpose, activity or destination. If the main purpose of the vehicle is to go into outer space, then the vehicle will qualify as a space object and space law will prevail. Conversely, if the main purpose of the vehicle is to provide transport from one point to another on Earth, the vehicle will qualify as an aircraft, and aviation law will prevail. It is clear, therefore, that functionalist theory would be effective in overcoming mainly legal issues. It should also be pointed out that some aspects of the issue have already been resolved by customary international law, according to which airspace lies below 100 km from sea level, and above 100 km begins outer space (Vereshchetin and Danilenko, 1985). However, the existence of such a numerical or quantitative limit on the delimitation of outer space is not accepted by many States and is not shared by many scholars who believe that, although there is a rule of customary international law that recognises the lowest altitude of satellite orbit, it does not mean that such international custom recognises this altitude as the boundary between outer space and airspace. Moreover, it should be emphasised that the problem of delimiting such a boundary is essentially a political issue; in this perspective, legal profiles are relegated to the background, with only the law being able to intervene when a normative solution is formulated.

4. Conclusions.

Nowadays, as we have already said, a certain idea of globalisation would tend to make the concept of the boundary marginal, to the point of making us ask ourselves if and to what extent the debate on boundaries is still current and relevant for Geography and for the other disciplines that have been confronted with this issue. There is no doubt that the debate on the border remains central to contemporary geographical research as the related scientific debate is still very lively and full of new insights. One of the effects of globalisation, a phenomenon that brings together political and economic actors and consumers of goods and services on a global scale, is to reduce distances. The distance between two places is now measured not only by physical space but also by travel time. This leads to a change in the map and its scale. Compared to the basic

cartography, a study by Espon (2004) assumed a cartographic representation in which the compression of space from 1993 to 2020 is evident due to the spread of, among others, high-speed railways. All this would lead one to think that a reduction in space, understood as travel time, would correspond to a reduction in borders. On the contrary, in recent decades borders have even increased, even within individual urban areas or sub-regional territories. Even with regard to the phenomenon of migration, which often finds its most important moment in the crossing of a border, the most recent processes of globalisation do not tend to determine a world without barriers, but have contributed to giving new directions to the concepts of citizenship, inclusion and sovereignty, in which the border has often become the scene of clashes and violence.

From an administrative point of view, the increase in the number of borders has clearly occurred as a result of autonomy drives that have led to the formation of many independent states from larger territorial units. One thinks of the many proclamations of independence from the Soviet Union since the early 1990s, or of the break-up of the Socialist Federal Republic of Yugoslavia, which led to the formation of seven independent states. Even the process of European integration, which through the 1995 Schengen Agreement and the decisions on enlargement to the east following the 2002 Copenhagen Summit gave the green light on the one hand to free movement and on the other to a major expansion of the EU's borders, has not erased the different levels of internal borders. On the contrary, it may have accentuated a certain nationalist sentiment, as is especially evident in recent years due to economic crises. Another issue that refers to the emergence of new borders is the digital divide, i.e. the inequality of access to information and information technology. The digital divide is a phenomenon that affects the development and freedom of peoples, and is itself a border that usually coincides with the borders of states or continents, the effect of globalisation that is making certain territories increasingly marginal. The need for new borders and new regions emerges forcefully even if we refer to all those local development policies that have affected and continue to affect areas that are generally sub-regional in size, as has happened, for example, in some Italian areas since the 1990s through Integrated Territorial Projects (ITPs), territorial pacts, industrial districts or, more recently, tourist districts. From this point of view, the partition of the territory, i.e. the identification of new sub-regional boundaries, given the qualitative and quantitative change of the actors involved in the local development proposal, takes on important functions and meanings that do not only concern the objective of striving for maximum administrative efficiency. Therefore, the importance of the study of boundaries, which this work certainly cannot claim to have concluded in an exhaustive manner, is still relevant and capable of describing phenomena and trends of our contemporary world.

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NEW ECONOMIES, NEW GEOGRAPHIES. A FRAMEWORK FOR EUROPEAN TERRITORIAL POLICIES

Sergio Conti¹

Abstract

The paper is focused on the evaluation of the Territorial Agenda of the European Union, aimed to support the Lisbon and the Gothenburg strategies, and focuses on the main challenges promoted, such as spatial integration, network policies, historical vocations. These goals must be connected to polycentrism and cohesion, in order to contrast the so-called “blue banana” (or European backbone) and to pursue an active and positive territoriality based on collective action of local actors, and therefore to reach a real European polycentrism.

Keywords: Territorial cohesion, ESDP, Polycentrism, Active territoriality, Networks, Local development, MEGA nodes.

1. Introduction

The history of territorial policies developed and practised in the European Union can be seen as the result of a process of dynamic tension between "competing" centres of power within an institutionally complex framework.

Making a simplification, we can state that the EU decision-making arena appears marked by the presence of two sets of actors, which, even if not always in a unitary form, try to tilt the balance of operational responsibility in the definition of territorial policies in their favour. On the one hand, the European Commission, a technical and executive body formally independent of the member countries, that has not only oriented the conceptual debate on European territory through forward-looking documents and official communications, but also, through the planning of the Structural Funds, has effectively channelled substantial financial flows into the European urban system.

On the other hand, there are the member states, which have full responsibility for territorial planning policies, and have started out in recent years along the difficult road of inter-governmental co-operation through the European Council and the informal councils of the ministers responsible for planning. The instrument through which members strived to create the territorial backdrop and, at the same time, the frame of

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political options is the European Spatial Development Perspective, presented in its final version at Potsdam in May 1999.

More recently, during the Informal Ministerial Meeting on Urban Development and Territorial Cohesion in May 2007, a new instrument of EU territorial policy has been agreed: the Territorial Agenda of the European Union. The Agenda supports the implementation of both the Lisbon and the Gothenburg Strategies through an integrated territorial development approach (see articles 2, 16 and 158 of the Constitutional Treaty) and it is supposed to contribute to economic growth and sustainable development by strengthening territorial cohesion of Europe.

Nevertheless, empirical evidence shows that in many cases these agendas missed their goals. In the context of the European Union, one famous case regards the Lisbon and Gothenburg strategies. In these two agendas, the European Union set all-important action and development plans to tackle some recognised and striking challenges (productivity and stagnation of economic growth in the EU) and contribute to economic growth and sustainable development. In order to accomplish the goals set by the agenda, various policy initiatives were formulated for all EU member states in a medium and long-term perspective. The broader objectives set out by the Lisbon strategy, for instance, are to be attained by 2010. Yet in 2006 the European Parliament as well as the European Commission recognised the need for a re-launch of the Lisbon Strategy as it was essentially failing the goals set in March 2000. Reasons for the failure are not clear. The mild commitment of single national governments probably played a major role as well as the ever-changing external and internal conditions. Nevertheless, a disproportionate formulation of the strategy might also have occurred, as suggested by the recent effort in the policies developed in the European Union toward a strategic development framework based on an integrated territorial approach. The territorial dimension of EU policies has been acknowledged by the Constitutional Treaty, agreed upon - yet still to be ratified - by the Intergovernmental Conference of the EU Member States on 29 October 2004.

2. A view to the past: the "European Spatial Development Perspective" as a guidance document for national planning policies

The European Spatial Development Perspective (ESDP) was the expression of a long process of inter-governmental co-operation aimed, at least in the original intentions, at establishing a "guide" for integrated strategies of the territory of member states and, at the same time, a means of co-ordination and harmonisation of the options that have a spatial impact, already adopted or to be adopted in the framework of the Union's various sectoral policies (Janin Rivolin, 2004).

The Committee for Spatial Development's decision to produce it was made in the framework of the informal committee of the ministers responsible for territorial planning in the member states, at Liège in November 1993. The first official draft of the document was presented at the informal meeting of the ministers responsible for territorial planning in the member states held in the Dutch town of Noordwijk in June 1997. The definitive version (CSD, 1999) was presented officially at the Potsdam meeting (1999).

All the various versions of the ESDP pivot around three key general principles, set out in Leipzig in 1994: social and economic cohesion, sustainable development, balanced competitiveness for Europe.

The ESDP, in addition to gathering the results of the work produced in the framework of experiences such as Europa 2000 and Europa 2000+, co-ordinated directly by the Commission, summarises in explicit terms a political viewpoint, the expression of the fifteen member countries, from the perspective of reaching an integrated strategy for the development of the territory of the EU. At the same time, in observance of the principle of subsidiarity, it specifies that the territorial policies defined by the ESDP are not imperative but represent only guidelines, and that the document does not have the purpose of developing a new framework of action for community policies, but only the improvement of the implementation of existing community policies and increasing their effectiveness and relevance by better integrating the territorial dimension in their area.

The main spheres of activity of European territorial policies address three priority objectives:

- a balanced and multi-centred urban system and new forms of city-countryside relations
- equal accessibility to infrastructures and knowledge
- careful management and development of the natural and cultural heritage.

The rationale of the ESDP is also founded explicitly on the need to take into account, through strongly institutionalised and inevitably "comprehensive" forms of co-ordination, three fundamental types of interdependence: the interdependence of territories (with strategies of transnational territorial integration), interdependence between the various community sector policies with an impact on territorial organisation (horizontal co-ordination), and interdependence between the various levels of governance with territorial management powers (vertical co-ordination) (Salone, 2005).

Geo-politics of the ESDP: a difficult compromise between different "visions"

It is however necessary to highlight the co-existence of diverging forces in the formation of the agenda of European territorial policies and, as a consequence, their compromising and negotiated nature. Striving to orient our analyses according to the cultural perspectives that differentiate the national traditions in territorial planning and regional policies, we can identify, with a certain degree of precision, at least four competing European "visions" (Janin Rivolin and Faludi, 2005), the expression of special cultural features, but also of precise geo-political connotations.

This entails a first vision, seen from the north-west, made up of France, Germany, the Netherlands and countries with related cultures in Belgium and Luxembourg; a second one specific to a country traditionally "tepid" towards European unification, the United Kingdom; a third vision, typical of the Scandinavian countries, Denmark, Sweden and Finland; and a fourth view, the expression of a Mediterranean perspective on European territorial policy, found in the Iberian countries, Italy and Greece. Here we will limit ourselves to discussing the first one, that turned out to be decisive.

A look at the fundamental stages in the process of drafting and approving the ESDP, and at the places where those decisions were taken, enables us to clarify these aspects better than a series of analyses of a political nature:

- 1) although many stimuli should be placed even further back in time, the bases of the construction of the document were laid in 1989 under the French presidency;
- 2) the document's first official presentation was instead at Noordwijk, in the Netherlands, under the Dutch presidency;
- 3) the document's definitive version was officially approved in the capital of the German Land of Brandenburg, Potsdam, in 1999.

It was thus Germany that closed the circle, a country in a certain way symbolic of the new Europe that emerged from the Cold War and the division of the continent in blocs following World War Two.

As can be observed, all the key places of the process of drafting the ESDP are located in countries in north-west Europe: this observation, far from being just a touch of colour, underlines instead the effective central and leadership role of these areas in the process of construction of a European territorial policy. These elements of cultural, technical and political leadership can easily be seen by analysing the cultural perspectives that characterise the three main countries in the north-west axis.

1) The French perspective: the approach followed right from the start of the process of defining the structure of the ESDP seems strongly influenced by the French concept of *aménagement du territoire*, seen as a field of action of territorial political of an indicative and not prescriptive nature. The approach concerns in particular regional economic planning and has been adopted as a working model for the ESDP. Particularly important is the role played by France in the introduction of the theme of polycentrism among the central issues of the ESDP, as a key for interpreting and implementing "territorial cohesion" (even if, or perhaps precisely for this reason, France is one of Europe' least multi-centred countries);

2) The German perspective: this is dominated by the federal concept, which is the basis of the formal constitution of the contemporary German state. This concept is extended to relations between member states as the fundamental ingredient of that inter-governmental co-operation that was to "produce" the ESDP;

3) The Dutch perspective: it was under the Dutch presidency at the 1991 conference in The Hague that the Committee for Spatial Development was established for the technical management of the process of drawing up the ESDP; the traditional negotiating skills of the Dutch were to turn out fundamental for mediation between the two differing concepts outlined above.

Yet these equilibria (or disequilibria) were probably good for the new Europe that emerged from the Cold War and the division of the continent in blocs following World War Two, but need to be investigated with greater attention respect to the enlarged one as demonstrated by the process of formation of the new Territorial Agenda of the European Union.

Territorial Agenda of the European Union

When it was presented in its preliminary version (under the German presidency, in summer 2007), the Territorial Agenda of the European Union was significantly characterised by the subtitle "Towards a More Competitive Europe of Diverse Regions". The starting point of the Agenda was in fact the acknowledgment that some most important territorial trends and driving forces expected to rapidly turn into striking challenges would influence diverse European cities and regions differently. The Agenda constitutes a strategic and action-oriented framework for the territorial development of Europe. It supports the implementation of both the Lisbon and the Gothenburg Strategies through an integrated territorial development policy. More precisely, the Agenda aims at contributing to economic growth and sustainable development by strengthening the territorial cohesion of Europe.

After becoming a politically accepted objective of the EU in 2004, territorial cohesion has formally been addressed in several EU documents (among the others: in the Third Cohesion Report of 2005 and the Community Strategic Guidelines on Cohesion adopted in 2006), and it was added as a third dimension, along with economic and social cohesion, as an objective of the EU policy agenda.

As described in the Community Strategic Guidelines, the concept of territorial cohesion is associated with the capacity of cohesion policy to adapt to the particular needs and characteristics of specific geographical challenges and opportunities. Under cohesion policy, geography matters. This means that a different meaning should be given to territorial cohesion, linked to each Member State's history, culture or institutional framework. Adopting explicitly a strategy aimed at promoting the "territorial diversity" among European regions, the Agenda stresses the importance of territorial cohesion, in terms of:

- focusing territorial development policies towards an efficient exploitation of regional potential and "territorial capital";
- implementing strategies for strengthening regions and cooperation in order to achieve better interconnection and territorial integration;
- promoting synergies among European policies which support sustainable development at both the national and regional scale.

While focusing on the sustainable economic growth of Europe, the Territorial Agenda of the EU builds upon the European Spatial Development Perspective (ESDP) agreed by the Ministers in 1999 as a result of cooperation by EU Member States on spatial development, and goes beyond it at least from three different points of view:

- in the assessment of the background framework, the Agenda takes advantage of some important scoping documents such as the latest spatial research outcomes of the European Spatial Planning Observation Network (ESPON) Programme, the different spatial visions and strategic aims of Transnational Cooperation Areas, which have been supported in the framework of the EU Community Initiative INTERREG III B, and the report *The Territorial State and Perspectives of the European Union*. Thus we can say that the Agenda is no longer the result of a single geopolitical vision overwhelming the other ones, but the result of a work of synthesis of different representations that have stratified over time;
- the Agenda is developed in an open process with stakeholders. The ambitions of the Territorial Agenda are to be achieved through informal structures of cooperation.

It also contains a programme of joint activities, on which the Ministers have agreed to take an active role during the period 2007-2010. In particular the Ministers see for themselves a role in raising awareness and stimulating debate on the most important territorial challenges for Europe. This means that there is no longer either the juxtaposition of few competing visions nor the absolute predominance of one of them as in the case of the ESDP;

- it is characterised by the shift from a spatial to a territorial perspective. The Agenda provides a strategic framework with priorities for territorial development of Europe and it recommends a number of key actions aimed at creating a more coherent approach to territorial development within EU and national policies as well as opportunities for better using the territorial diversity and potentials of Europe.

The Territorial Agenda of the EU addresses some important challenges that are recognised as having diverse impacts on territories:

- geographical concentration of activities supported by market forces and general evolution of society;
- accelerating integration of the EU in the global economic competition;
- growing interdependency between the EU territory and neighbouring countries as well as the other parts of the world;
- effects of ageing and migration on labour markets and social sustainability;
- impacts of climate change e.g. on occurrence and type of hazards;
- rising energy prices and uneven territorial opportunities for a new energy paradigm;
- impacts of the enlargement on the economic, social and territorial cohesion of the EU;
- aspects of unsustainable development leading to the overexploitation of the ecological capacity of the regions.

Moreover, in the light of the Lisbon and Gothenburg Strategies, the Agenda recognises that the diverse territorial potentials for sustainable economic growth and job creation in Europe must be identified and mobilised and the constraints removed or mitigated. In addition the obstructive effects of borders on the optimal utilization of territorial potentials must be overcome by more intensive cross-border and trans-national cooperation.

3. The values in play: territoriality, cohesion and polycentrism

The territorial dimension of development and competitiveness

It is no chance that the success stories that have marked local/regional development in Europe in recent years underline a number of key lessons:

- these successful systems have not pursued improbable new vocations, but that have enhanced and given new life to historically rooted technologies and savoir faire, both at the business level, on which to enhance core competencies, and at the territorial level, on which to enhance regional core competencies;

- they have pursued integration (clustering) of the production systems, i.e. based on relatively stable organisational bonds. Co-location has turned out to be a decisive component of competitive advantage (in that it is the basis of collective learning);
- applied network policies of technological, management and financial assistance, in addition to dialogue between the actors (envisaging the maximum collaboration and interaction at the local level);
- in the light of a shared political agenda and the presence of strongly interventionist institutions, i.e. capable of stimulating the formation of interest groups that share a common regulatory framework.

This underlies the unanimous recognition of the local territory – and its material and relational connotations – in addition to rigorous criticism of traditional territorial (and above all institutional) frames of reference, as well as the related regulatory instruments. Territoriality is, in fact, based essentially on factors of relations and processes as well as material conditions. In particular:

- it expresses a system of relations that a community has both with a (local) environment and with other actors;
- it is a place of action, characterised by changes and processes that continually organise and reorganise a territory), as the material expression of a project, of intentions and power relations on which planning itself is based;
- it is a social construction, stemming from the mobilisation of local groups, interests and institutions in a process that assumes various forms: discussion, co-operation and conflict. Its construction thus depends on the actors' collective action.

It follows that development and other economic processes can no longer be interpreted as a consequence of the behavioural dynamics of a limited number of privileged actors (large companies, for example), but instead as the expression of networks of relations that connect the co-located actors (small and large companies, trade unions and workers, trade associations, universities and public and private research centres, public authorities, financial institutions, schools and training centres). A substantial part of these relations is not of an economic or commercial nature but rather more socio-cultural and institutional: in other words, non mercantile relations.

In effect, with the decline of Fordism and the emergence of a new international division of labour, a surplus value rose made up of the local environment, society and knowledge – the external territorial economies. Apart from the most visible and mature processes (such as the explosion of information, the concentration of growth, the consequent social polarisation and the cutting of traditional bonds of solidarity), a new political demand (in a framework of decreasing resources), with the consequent modification of the forms of management of public problems and modes of governance: in general, the major public institutions are not able in themselves to adapt and respond to the complexity and multiplication of demand, above all due to the complicated operating processes that have been stratified over time.

In particular, economic policies and territorial planning have seen a growing process of overlapping between their fields of application, to the point of converging in the most mature experiences in the concept of territorial policies, underlining an inseparable set of objectives, actions and instruments that go beyond the limits of

standard planning to assume the role of a real local development strategy. In other words, the subject of territorial policies is not only the management of the physical territory – from the planning of infrastructures to housing and business units – but also, and above all, that of the intangible territory, meaning by this term the relational and institutional dimensions on which competitive and innovative processes are based today. This opens the examination of two fundamental concepts introduced above, those of cohesion and polycentrism.

Territorial cohesion as a strategic objective

The European Union reached the expression "territorial cohesion" through the definition of the more general concept of "economic and social cohesion", already contained in the European Single Act of 1986. In the Amsterdam Treaty of 1997 the expression "social and territorial cohesion" appears (Article 16) as a criterion for regulating the possible conflict between the state and the market in the management of services of general interest that play a role as territorial public assets. Finally, "territorial cohesion" was taken up again and re-interpreted by the Third Report on Economic and Social Cohesion (2004). Here, territorial cohesion policy is defined in positive terms as "a dynamic policy that strives to create resources by targeting factors of economic and employment competitiveness, especially where the unused potential is higher", in that "growth and cohesion offer mutual support" (p. xxii).

If, as is well known, territorial cohesion "translates in a territorial sense the goals of sustainable and balanced development explicitly assigned by the Union in the treaties", the concept is still characterised by conceptual and political ambiguities, due above all to the use that community documents make of this concept in various situations. The concept therefore swings between a sense of territorial cohesion as a value in itself and a purely instrumental conception to increase economic competitiveness or to repair the damage deriving from its excesses. In any case, it is a fact that, as the territorial dimension of sustainability (alongside the technological, diplomatic and behavioural/organisational dimensions), territorial cohesion is a framework of reference with direct implications for territorial policy, in its three essential components (Camagni, 2004):

- territorial quality: this puts into play the characteristics of the living and work environment, collective prosperity, the availability of community services and the equality of access to knowledge; it underlines the role of territorial policies in producing and maintaining collective assets (infrastructures, amenities and intangible values such as social capital)
- territorial efficiency: this case covers the forms of use of natural, landscape and energy resources, but also the capacity to attract capital, people and competitiveness for their own territories
- territorial identity: the presence of social capital, the safeguard of the specific local features and industrial traditions, and the strengthening of the competitive advantage of each local area). Here we find the identity incorporated in the local culture, in competencies, social capital and the landscape, which represent for this reason the ultimate bonding element of local communities, the basis of collective learning and dynamic strengthening of the local production fabric (i.e. territorial cohesion).

The territorial dimension thus "contains" three co-evolutionary sub-systems: economic, social and environmental/landscape. This therefore implies an integrated approach to territorial cohesion policies which, in turn, postulates forms of horizontal and vertical co-operation between the various institutional levels and between the different departments of the same administrations – the only ones capable of providing complex and multi-dimensional responses and actions.

Territorial efficiency, quality and identity represent in themselves objectives and values for any advanced society and are the basis of collective well-being, as well as pre-conditions for the competitiveness of local territories. However, whilst the first two objectives – efficiency and quality – are known and shared, the inclusion of the third goal, that of territorial identity, may appear surprising in this context. Nonetheless, territorial identity in particular will play a growing role in European strategies and policies. To understand this better, it is worth shifting attention to a second term that is decisive for our purposes, that of polycentrism.

Polycentrism

Polycentrism is a particular type of spatial structure based on networking relationships, which can exhibit a hierarchical or equipotential pattern. It is at the same time a structural concept, concerning a spatial pattern that has grown "spontaneously" over time, and a functional one, constructed by spatial policies at various scales (Nordregio, 2003). The latter aspect may be induced and stimulated through the stronger or weaker planning effort of supra-local authorities (European Union, and to some extent states and regions) or through local co-operation among municipal authorities. Cohesion and territorial development policies stated by the official documents of the EU, and particularly by the ESDP, might be interpreted as the attempts to recompose, at the European level, the territorial fragmentation of the individual national territories, by boosting voluntary forms of transnational co-operation and by referring to the principle of subsidiarity at sub-national level.

The concept refers, in an intuitive way, to the presence of multiple development nodes on the territory, and in this sense it can be considered to be in opposition to the traditional polarization theories that characterize post-war regional science. The concept of polycentrism is ideally the evolution of decentralized concentration, traditionally tied to Dutch spatial planning and referring to policies aimed at the spread of economic activities from major congested areas in order to reconcentrate them in the main poles of the less developed regions. Obviously the aim does not simply consist in the reorganization of a fixed amount of economic activities in a sort of zero-sum game, but to encourage development processes and cities characterized by economic stagnation, industrial decline, or depopulation (Mazza, 2015).

As a geographical concept, polycentrism can be considered from three different perspectives: as a spontaneous phenomenon, as a theoretical model, and as a political objective. From the first point of view, the current popularity of polycentrism among scholars reflects a general trend of the urban phenomenon: several monocentric and polarized structures, i.e. characterized by one big dominant centre, tend to reorganize

themselves in networks and polycentric structures: this is, for example, the case of many Italian urban areas.

The topic therefore overlaps with polycentrism as a theoretical concept, almost in opposition to the traditional idea of urban hierarchy in terms of dimensions and “rank” of the urban functions (for example, in terms of population in the famous Zip’s rank-size model). From this perspective, the recent debate on the polycentric urban region does not only concentrate on the different endowments of functions of the territorial system, but on the variety and diversity of these functions, their distribution between the centres, and the consequent relations of integration and interdependence.

From a political point of view, finally, the objective of polycentrism is to promote a fair and balanced spatial development and, for this reason, it has been included in the policy aims identified by the European Commission. The polycentric strategy can be read on different geographical scales: in a wider European perspective, it refers to the development of new development axes in the peripheral regions outside the European core (CRPM, 2002), while on the regional scale the aim is to contrast the formation of monocentric urban systems in which most of the functions are concentrated in one narrow area, in order to promote equipotential networks of competitive centres sharing different functions. At the centre of this second perspective lies the idea that polycentrism may represent a tool for enhancing regional competitiveness. This is an aspect of the debate that presents a certain ambiguity: arguments in favour of polycentrism, in fact, apparently contrast with the literature referring to the advantages of the major cities in terms of increasing returns to scale. In reality, the theoretical body is not strictly in contrast with the idea of polycentric development in terms of “decentralized concentration”. Polycentrism, in fact, never denies the benefits of spatial concentration, but underlines the necessity to promote networks and different development paths in those situations where an excessive geographical concentration (at different scales) leads to social and territorial imbalances, as in the case of the European core, or in that of some regions characterized by a critical centre-periphery model.

Nevertheless, the literature concerning polycentrism calls attention to some specific ways to enhance the competitive advantage of urban systems. First, cities can enjoy particular external economies deriving from sharing a common labour market, infrastructures like airports and freeways, or highly specialized services like universities. Second, cities can take advantage of their different complementary elements and specializations: basically, referring to the traditional economic theories, every city can specialize in economic sectors in which they enjoy specific comparative advantages. Third, it is reasonable to suppose that frequent interaction between the nodes of a polycentric structure, together with the sharing of problems, solutions and perspectives, will promote governance synergies, while the sharing of resources and programmes allows the financing of bigger projects.

The antinomy between hierarchy and polycentrism has really been one of the most discussed themes during the debate on the construction of the European Spatial Development Perspective (ESDP) and the Study Programme in European Spatial Planning (SPESP), as well as at the present, when the work of the European Spatial Planning Observation Network (ESPON) 2006 is under way. The antinomy is

particularly relevant if one pays attention to the possible danger of concentration of functional and economic strength in the core of the European Union, the so-called “pentagon”.

On the other hand, one cannot ignore that some hierarchical elements may not only be inescapable, but also desirable in order to exploit critical mass effects and to give rise to diffusion processes in regions where the spatial system is weak and dominated by one or few urban centres. Indeed, as the study of the Council of Peripheral and Maritime Regions highlights (CRPM, 2002), European space is now characterized by a twofold phenomenon of spatial diversity at different scales:

- at the European level, the divergence between the central part of the continent and its peripheries;
- at the national level, in most countries the divergence between the most competitive conurbations and the rest of the territory.

The notion of balanced territorial competitiveness and economic and social cohesion mirror some of the crucial challenges facing the EU today. Reinforcing polycentrism may be a strategic answer to the currently unbalanced structure of European space.

According to Simin Davoudi (2003), “one of the most central yet least clear concepts in the ESDP is the concept of polycentricity”. The relevance of the concept depends on its coherence with the political options for the development of European space and on its capacity to face the three main objectives of the ESDP: economic and social cohesion; conservation of natural resources and cultural heritage (sustainable development); more balanced competitiveness of the European territory.

Actually, in the ESDP and in other European official documents which draw inspiration from it, the concept of polycentrism was not used to explain an existing or developing phenomenon, but as a normative agenda for achieving two political goals which are often conflicting: social and territorial cohesion on the one hand; economic competitiveness on the other. The ESPD promotes polycentrism at the European level in order to ensure a more regionally balanced development across the EU and to enhance the Community’s economic competitiveness in the world market (balanced competitiveness).

Nevertheless, the concept of polycentrism is and remains problematic for a lot of reasons. First, from an analytical point of view, despite its widespread usage and its long history, the precise meaning of polycentrism has remained elusive: it “means different things to different people” and also “different things when applied at different spatial scales” (Davoudi, 2003). Second, from a political point of view, it testifies an “idealistic approach” to spatial planning highlighting a theoretical and practical gap. In other words, it is not clear what kind of policies have to be implemented to reach it and, in more general terms, whether polycentrism really is a panacea for the European spatial, economical and social structure.

4. Territorial cohesion, polycentrism and active territoriality: the keys to local development

Talking about the theoretical and empirical foundations of such a concept as polycentrism is an arduous task for a review paper. To discuss these problems, one could refer to the ESPD process to understand how and why polycentrism becomes a main goal for the spatial planning at the EU level.

If we look more closely, on the European scale the goal is to promote the formation of a transnational network of "dynamic areas integrated with the global economy" outside the Pentagon, each focused on an existing metropolis or on a group of geographically close medium-sized and small cities that network with each other.

An idea of this kind had already been proposed by Kunzmann and Wegener (1991) when they contrasted the image of a bunch of grapes to the famous French Datar group's "blue banana" (or European backbone). A study published in 2002 by the Conference of Peripheral Maritime Regions (CRPM) in collaboration with government offices of the United Kingdom, Sweden, Portugal, Spain, France and Italy, attempted to verify how many large "grapes" Kunzmann's bunch could have outside the Pentagon – or, to use the language of the CRPM, how many Metropolitan European Growth Areas (MEGAs) there could be.

This study demonstrates that the idea of European cohesion based on polycentrism is founded on certain current facts and trends. More in general, it helps us to understand that the possible MEGA nodes ("the areas integrated into the global economy" of the ESPD) are in turn intra-regional networks made up of a number of local urban systems, i.e. of smaller cities with their surrounding areas. Two indications stem from this. The first, apparently obvious but often forgotten, is that each of these is in reality a network. This means that the polycentric European system and its governance should be seen as a network of networks. The other, on which it is worth pausing, is that the nodes of the networks of the lowest hierarchical level are local territorial systems. It is therefore at this level that we find the foundations of the entire construction of European polycentrism: an effective activation of local systems and their diverse specific features are a basic condition for territorial cohesion and the development of Europe.

This was implicitly acknowledged in the ESPD, starting from its initial declaration (par. 1.1.1): "the territory of the EU is characterised by cultural diversity [...], one of the most significant factors of development". As is well known, this variety is local and regional as much as national. In effect, the ESPD includes in the three factors that influence long-term European territorial development trends "the growing role of regional and local authorities and their function with respect to territorial development" (par. 1.1.6). It follows that the Community also needs "cities and regions" and only "in this way will put into practice the principle of subsidiarity sanctioned by the Treaty that established the EU" (par. 1.1.8).

The "bricks" with which the EU builds as a territorially cohesive construction are therefore the local systems, that can become the nodes of regional networks (MEGAs), which in turn can be the nodes of the great polycentric European network. But what are these local networks? Are they existing intermediate entities already functioning as territorial actors or are they collective players that need to be constructed? And in what sense are they "territorial"?

Starting from this last question, it should be remembered that, simplifying considerably, there are two different ways of considering the "local" and territoriality,

i.e. the relations of these actors with the local area. We can distinguish between (Dematteis and Janin Rivolin, 2004):

- a passive and negative territoriality, which with control strategies and the associated regulatory system aims to regulate the access to the resources of an area and to exclude the use of the territory for other actors,
- and an active and positive territoriality, which stems instead from the territorialised and collective action of local actors which, thanks to their knowledge and ability to plan ahead, are the key players in innovation and development.

Active territoriality is what makes it possible to give an operational definition of the local system, as the conceptual model whose purpose is to analyse and describe the socio-territorial reality and potential already existing or to be constructed and, starting from these, of systems that are both social and territorial, destined to become actors of a local framework of the multi-level (regional, national and European) policies and governance. In real terms, there is nothing new here, as many European policies (for example the Urban and Leader projects) are already based on the activation of local systems. What is needed is just the better definition of these policies so as to make them more effective and enable their extension in terms of polycentric development. The networking of these territories, interacting with local actors, is therefore the starting point for the construction of European polycentrism as the chief instrument of spatial development proposed by the ESDP. Translated into the above-mentioned conceptual and operational terms, it could in our opinion improve the current national and regional policies from a perspective of European territorial cohesion. In particular, the attention for forms of active territoriality and their local, regional and national diversification should contribute to greater sophistication of community policies and multi-level governance.

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GEOFINANCE BETWEEN POLICIES, BANKING AND FOREIGN TRADE: AN ANALYSIS OF THE ITALIAN BANKING SYSTEM ACROSS BORDERS AND FIRMS INTERNALIZATION BEHAVIOR

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Abstract

Using the geographical patterns of Italian banks' international network as a case study, this paper studies the relationship between governmental economic strategies, the international strategies of banks, and firms' internationalization. After a spatial distribution analysis, this paper models the main strategic organizational processes of the Italian banking system since the late 2000s, highlighting the relationships with internationalization, trade flows and government policies. Italian banking groups are clustered according to drivers of internationalization and it describes trends in strategic behavior. The results are showing uneven patterns. In major Italian banks two main strategic organizational processes occurred: mergers & acquisition (M&A) by international groups and the M&A by clustering among Italian banks. Next to these cases, middle and small size banks operated strategies that can be depicted as: proximity expansion, finance city focus and exploratory expansion. This study also shows that trade flows and internationalization behaviors of Italian firms are only one among many the factors influencing location choices of Italian banks. On the other hand, government agencies may influence lending patterns through guaranteed credits.

Keywords: Relationship between governmental economic strategies, the international strategies of banks, and firms' internationalization.

1. Introduction

The term "Geofinance" was brought to the attention of a wider audience in a speech by the UK Deputy Governor for Prudential Regulation, who defined it as "impact of geography on the shape of banks, insurers and financial regulation" (Woods 2017), implying that a policy agenda needed to be built around the spatial restructuring of finance. Thus, even though there is no shortage of critical analyses on the geography of finance, the term geofinance tends to have a normative, policy oriented focus (Hall, 2018). We chose to use this term for a mildly provocative reason, as a matter of fact this paper critically engages the notion of policies shaping the spatial distribution of finance by arguing that there is a seldom investigated link between states' economic

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policies in a globalizing market, the spatial behavior of actors in finance, and firms' strategic decisions to explore and invest in international markets. In a nutshell, we argue that geofinance is not only about finance and geography, it is about the establishment of linking the actions of actors in the government, in the territory, as well as financial, and private firms sectors.

In particular, this paper develops its argument by presenting the early results of research on the Italian banking system, aimed at analyzing – with an interdisciplinary and an economic and finance geography perspective – the relationship between commercial banks, the state, and internationalization of firms. Its primary contribution to the literature in financial geography is precisely in identifying a silver line connecting apparently disjointed processes of public policy, banks strategies, and firms' behavior.

To date, there is only a handful of studies on the globalization of the Italian banking system, by geographers (Lucia, 1999; Pegorer, 2014; Sellar, 2015; Grandi, 2019; Grandi, Sellar and Jafri, 2019), economists, and scholars in cognate disciplines (Padoan, 2000; Ministero dello Sviluppo Economico; 2001; Oriani, 2006, Vergara et al. 2018, Abel-Koch 2018). Even fewer scholars have studied the relations between the processes of internationalization of banks and small and medium size enterprises (SMEs). Italian scholars working on local systems and industrial districts, starting with the seminal works of Bagnasco (1977) and Beccattini (1979), highlighted the role of banking in fostering innovation in response to globalization (Corò and Rullani, 1998; Quinteri, 2006; Papi et al., 2017). Back in the 1990s, Italian geographers focused their attention on international trade and firms' internationalization patterns (Celant, 1999); however, lately the focus of political and economic geography on international trade and the expansion processes of the Italian economy on foreign markets has been rather marginal and, eventually, related to financial flows and financialization processes (Lucia, 2010; Parenti and Rosati, 2016). It is only recently that Italian geographers have begun looking at banks as a factor in reshaping SMEs value chains and, more in general, the influence of banks strategic choices on regional economies (Sellar, 2015; Parenti e Grandi, 2016; Citarella, 2019; Celant 2019;).

This paper shows that there are two main reasons why the behavior of banks should be looked at more carefully when discussing the links between Italy's economic policies and firms' internationalization. First, banks are among the most important private organizations supporting industrial and commercial enterprises (including SMEs). Second, the Italian State over the years has established several public organizations aimed at supporting firms' internationalization. These are – relatively to the rest of Italy's public sector – relatively large and well-funded organizations. Some of them – the so-called Sace, Simest and Cdp (Cassa depositi e prestiti) are specifically dedicated to finance.

Our methodology consisted first in the collection of official statistical data from Italy's national statistical office (ISTAT) and banks' website analysis. Building on those data, we correlated the spatial distributions of firms and banks international activities using GIS. A second step of the research has been conducted collecting direct interviews to the major Italian organizations dealing with banking and firms' internationalization –

these included both state and private owned organizations. Interviews with the three major state-owned organizations supporting internationalization (SACE, Simest, CdP), one large lobby, two business associations and the national bank, were conducted in Rome in 2018 and 2019. Interviewees included high-level officials in divisions charged with external relations or internationalization. Public officials requested strict anonymity at the time of the interview. Thus, interviews will be cited as “public official #1,” 2, etc. to identify interviewees in state owned organizations and “manager in private organization #1,” etc. to identify those working for lobbies and associations. The authors contextualized the interviews using a geo-historical approach linking the local development theories to the history of banking, real life and ethnographic observations.

2. Banks and firms: a nation-specific pattern of internationalization?

This section discusses the pattern of internationalization of the Italian economy, building on the hypothesis that the evolution of the Italian commercial bank and the other forms of credit services have been intertwined with that of SMEs, leading to mutually influential processes of adaptation, synergies, growth, as well as conflicts and crisis. This paragraph describes the state driven institutional mechanisms underpinning both processes. In so doing, this paper configures both banking and firms’ internationalization as a partially State driven development strategy: on the one hand, banks and firms acted independently from one another and from the State; on the other hand, the Italian government influenced the opportunities available to firms by selectively backing banks’ credit lines through financial guarantees and co-financing.

Building on earlier forms of public support to export, the Italian government built an institutional structure aimed at promoting the internationalization of the Italian economy in response to the post-Cold War environment of the 1990s and the accelerated globalization and crises of the 2000s-2010s. Such structure targeted both internationalizing firms and finance. The earliest forms of support date back to the early Twentieth Century with the constitution of INE (Istituto Nazionale per le Esportazioni, National Institute for Export), which was later renamed ICE (Istituto per il Commercio Estero, i.e. Institute for Foreign Trade or Italian Trade Commission), a public agency supporting Italian firms attempting to access foreign markets. The institute initially targeted non-European areas where the stronger French and British colonial powers had a system of tariffs and preferential trade agreements limiting Italian exports. In the 1970s, a new phase of global instability led the Italian government to add a second public agency – SACE – to provide credit insurance to exports, because the Cold War, decolonization and nationalization processes were threatening Italian investments.

The end of the Cold War, economic reforms in the Central Eastern Europe (CEE), and mounting pressure from low cost producers since the early 1990s challenged both

firms and institutions supporting them. Firms experience strong price competition, while at the same time reforms in CEE opened up investment opportunities for offshoring aimed at cost containment. As a result, nationally contained value chains rapidly extended abroad: chiefly to Central Eastern Europe and North Africa in the 1990s; later, especially after the crisis of 2008, firms further expanded with a different kind of internationalization, aimed at market penetration in the Americas and Asia (Chiarvesio et al. 2006, Dunford 2006, Sellar et al. 2017). With a parallel process, banks also began acquisitions, especially in CEE (Sellar 2018, Vergara Caffarelli et al. 2018). In this new environment, converging pressures transformed state support to export, leading to a new institutional structure: first, entrepreneurs lamented the ineffectual Italian-speaking financial and informational services available abroad; second, entrepreneurial public servants sought resources to start new public-private partnerships to meet those needs; and third, during the prolonged recession following the global financial crisis of 2008, the Italian government prioritized exports as an anti-crisis measure (ibid.).

The mounting demands for state support to internationalization resulted in both new laws establishing state agencies and public private partnerships, and administrative restructuring of existing organizations. Early legislation was directly influenced by the post-Cold War environment, specifically targeting firms that chose to invest in Central and Eastern Europe. Law 100/1990 established SIMEST, a state agency providing financial services to internationalization, and Law 19/1991 established Finest, a second agency providing financial services, but with a more focused scope: it served firms headquartered in the northeastern regions close to the former Iron Curtain. Moreover, Finest financing was specific to projects in CEE and the former Soviet Union (FSU). The same law established Informest, a public-private partnership initially conceived as a knowledge-based support structure for Finest: firms would acquire information about opportunities in CEE from Informest, and then apply for funding from Finest. Law 212/1992 expanded both agencies and established grant programs, financed by the Italian government and managed by both the Ministry of Foreign Affairs and the Ministry of Foreign Commerce to aid with economic development in CEE.

In parallel, neoliberal reforms of economic development and the backlash of the economic crisis of the early 1990s, lead to a structural reform of the development agency for the Southern Italy set after the Marshall Plan. A new multi-agency system called Sviluppo Italia was created (now Invitalia). In this process the Italian *Istituto per la Promozione Industriale* (Institute for Industrial Promotion), IPI, (born from the reorganization of the, *Istituto per l'assistenza e lo sviluppo del Mezzogiorno*, (Institute for the assistance and the development of the South), IAS,M was funded during the Ciampi Presidency to support SMEs policies. The institute had a public-private governing body composed of what the government at that time considered to be the three drivers for development: the state (i.e. Ministry of Industry), the largest lobbies (i.e. the Italian main entrepreneurs' associations namely *Confindustria*, *Confapi*, *Confartigianato*, CNA) and the banking system (i.e. the Italian Banking Association, ABI).

Throughout the 1990s entrepreneurs, academics and policy makers began identifying finance as system-wide weakness in the support to internationalization. On the one

hand, the predominantly small and medium sized Italian firms had scarce endogenous resources; on the other hand, banks also had an insufficient network to support firms abroad, especially after the privatization of the Italian banking system undergone at the end of the 1980s and in the 1990s. Among academics, Lucia (1999) reported that the insufficient size of Italian credit institutions and restrictive institutional policies had led to a serious international presence deficit of the Italian banking system. A policy-oriented study commissioned by the Italian Banking Association (ABI) showed that in the early 2000s the adequacy of the financial services offered by Italian banks to support the process of internationalization of businesses showed the tendency of Italian banks to concentrate foreign business more on the provision of currency than on the retail market, to behave in a conservative position regarding country risk, and to operate with difficulties in credit segments such as buyer credit and forfaiting (Padoan, 2000).

The Padoan (2000) study included policy recommendations that, thanks to the support of ABI, were implemented by the government in the form of administrative practices already by the end of the year 2000. These included the strengthening of financial support instruments for SMEs by improving the Ministry of International Trade budgetary lines and a stronger role of SACE, and SIMEST through an agreement with the state-owned investment bank Cassa Depositi e Prestiti (CDP). The latter took the form of an agreement between ABI and CDP called “Export Banca” supporting buyers’ credit. Revamped practices included a strengthening of economic diplomacy through regular activities and missions to target countries; the definition of a specific initiatives on country risk; increasing the level of collaboration between Italian banks and multilateral development institutions such as EU programs (COSME in particular), the European Investment Bank and other international banking systems; the reform of ICE and a worldwide ‘Made in Italy’ national brand campaign.

The pattern of reforms accelerated in response to the Global Financial Crisis. At the outset of the crisis in 2008 the Italian government merged the *Ministero per il Commercio Internazionale* (Ministry of International Trade) with the *Ministero delle Attività Produttive* (Ministry of Productive Activities). This reform established a single unit, in charge of both industrial policies and international activities, the *Ministero per lo Sviluppo Economico* (Ministry of Economic Development). Within the Italian state structure, such organizational changes are relatively infrequent: since the establishment of the Republic after World War II the then Ministry of Industry and Commerce was restructured six times, acquiring the name of Ministry of Productive Activities in 1999 after the merger with the Ministry of Communications.

Such reforms were part of a new law aimed at cutting administrative costs by merging ministries. Thus, the reform of 2008 can be interpreted as both a step towards building a more efficient and less costly bureaucracy and as a strategic choice to build an organization in charge of both industrial policies and policies supporting firms’ internationalization. Therefore, the government created the structural precondition for a development strategy encompassing the domestic and international spheres. Within its borders, the new ministry pushed for more territorial marketing, introducing for the first time reforms to facilitate inward FDI. Beyond its borders, it adopted export promotion as an explicit economic development and anti-crisis strategy. In so doing,

it charged consulates and other public agencies with more intense promotional activities for the ‘Made in Italy’ brand. Later, in 2011 ICE was closed and re-opened with a much nimbler structure focused on promoting the ‘Made in Italy’ brand abroad.

The overall goal of these reforms was to increase the number of firms that regularly export. In this perspective, from the interviews with SIMEST, emerged that banks, considered firms, were granted support in form of equity investment for their internationalization process in the 1990s, especially Intesa San Paolo and Unicredit. A further set of institutional architectural reforms opened in 2016 when SIMEST and SACE became part of the CDP group with the aim at creating a “single contact point to firms in the field of the financial support to internationalization processes” (interview with public official #1, 2018). Moreover, CDP itself gained a further function by law dedicated to the reform of the international cooperation and of the Italian official development aid (Law 125/2014). In particular, CDP became a development bank managing the development funds aimed to foreign direct investment of Italian firms in the least developing countries with a special financial risk, targeting the challenge of the for-profit public-private mechanism in the field of finance for development in the spirit of the strategy “from millions to trillions” following Addis Ababa Action Agenda of the UN (UN, 2015; Grandi, 2018).

Overall, these reforms took place without significant opposition because, on the one hand, the long tradition of supporting exports somewhat legitimized them; second, the traditional left parties and its political successors have had a long-standing tradition supporting SMEs as tools to promote rising living standards for the working class. Such political support extended to the attempts to encourage export and internationalization. However, several instances of conflict were reported, especially between public and private forms of support to internationalization, and between internationalizing banks and firms (Sellar et al., 2017; Sellar, 2015). Such synergy between the private sector and government policies supporting internationalization includes the financial sector, thanks to the tight relations between public agencies such as Cdp and SIMEST and the banking sector. First of all, SIMEST provided some of the capital that allowed one of the largest Italian banks to internationalize; second, public financing works as guarantee allowing private banks to extend credit to resource scarce SMEs (Abel Koch, 2018).

State-finance partnerships are in part due to intrinsic weakness of the financial sector. Unlike in the Anglo American economies, where financial services are strong and highly clustered (Pazitka and Wojcik 2019), in Italy financial services tend to have fewer resources, smaller lending capabilities, higher level of risk aversion, and a lack of an established venture capital sector. In these conditions, the government stepped in to provide publicly-backed guarantees, aimed at, on the one hand, increasing the overall amount of lending to the industrial and commercial sector, and, on the other hand, directing lending to support internationalization. In a nutshell, the Italian government sees support of internationalization as a key economic policy. The policy took the form of specific forms of support dedicated to both firms and the financial sector. Thus, conceptually the internationalization of firms and banks are connected by the hub of state-owned organization and resources. On the other hand, banks and

firms retain their own independence and strategic goals, resulting in diverse geographies of internationalization.

The outcomes of these policies are statistically visible, i.e. by 2016 about 100.000 firms were subsidized by public finances services of more than 10.000 million euros, including those provided by SACE's, SIMEST's and CdP's new financial commitments (ICE, 2016, p. 55). In addition, official data shows that exports both in volume and value has been growing from 2009 (Osservatorio Economico, 2016; 2019; ISTAT, 2017) and the propensity to export, as the percentage of export of goods and services over gross domestic product (GDP) is rising for all types of enterprises, including SMEs (ICE, 2016). The spatial distribution of exports in value (figure 1) shows clearly the concentration of Italian firms behavior, i.e. acting in a pattern that the Italian Ministry of Foreign affairs describes as “*a cerchi concentrici*” (concentric circles), i.e. with higher intensity in “closer” area (intended both in term of distance and/or cultural and political affinity) and then lowering the intensity. Partially an exception are the BRIC countries and Australia: Brazil, Russia, India, and China. Moreover, the data on Italian foreign directs investments shows that the geographical pattern are following a similar principles, but in term of flows the trend are fluctuating more significantly over the years (Osservatorio Economico, 2019).

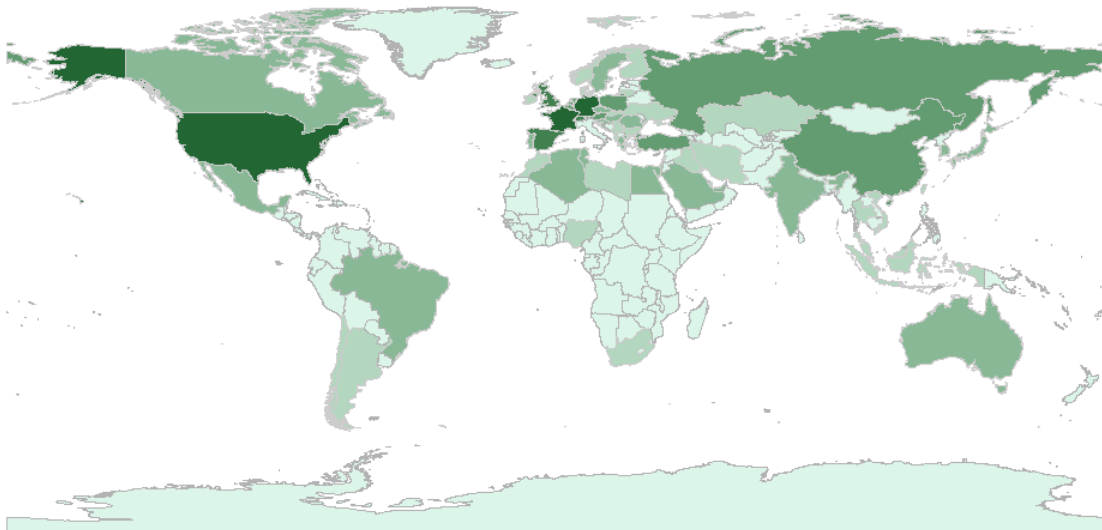


Figure 1: Italian export by value in euro (by Country), year 2015

Source of Data: Ministero dello Sviluppo Economico, 2017; Shape file by Esri, 2002
elaborated by S. Grandi

Finally, both banks and firms have been affected by the consequences of global geopolitical and geo-economic struggles, including in situations in which the Italian State was not directly involved: “Italian banks were mostly affected by sanctions that are intrinsically designed to affect in the first-place financial flows. For instance, sanctions on Iran, Russia, Cuba had significant consequences on the Italian banking sector” in negative terms “when US sanctions began to lessen to Cuba, this opened up

opportunities for Italian companies to invest. Then, when Trump tightened sanctions again, investments were lost” (interview with a manager of a private organization #1, 2019).

3. Banks’ international services: loans, consulting and public institutions’ support

The previous section has argued that the Italian State has attempted to manage the internationalization of the Italian economy by establishing laws and publicly funded organizations dedicated to provide financial guarantees to internationalization projects, targeting specific geographical areas. These government strategies affected firms (as recipients of credits) as well as banks: on the one hand, government guarantees facilitated the loan process; on the other hand, banks are also enterprises that could apply for funds for their own internationalization. This section analyzes more closely banks’ international activities. In so doing, it portrays international banking as a complex blend of activities ranging from consulting firms about international market, to providing loans to Italian firms in partnership with foreign banks, to significant mergers and acquisitions of foreign banks.

Empirical evidence based on the interviews illustrates that “Italy does not have strong roots in internationalization of all its economic sectors (including banking), especially if we compare with France, the UK or Germany, because these were much stronger colonial powers. In the golden years of the 1970s and 1980s, banks could afford to maintain a network of international branches, but these were never profitable. The Italian Banking system kept those because until 1992 the banking sector was state owned and performance pressure was less strong. When banks were privatized, they could not afford these losses anymore, therefore from the 1990s to the early 2000s the network shrank considerably. In the late 1990s the model of internationalization began to change” (interview with a manager of a private organization #1, 2019).

In a nutshell, the closure of branches was soon followed by a new wave of international activities, due to increased demands for loans by internationalizing firms and to the progressive loosening of many regulatory and currency constraints implemented by a variety of countries in that period. Another driver was the development of mobility and the increase of data about products, firms, financial and people, providing the possibility to provide innovative services based on the intelligent analysis of this information.

In this framework of globalization and finance transition, the range of banking products available to companies with an international reach is getting wider; thus, it is useful to create some categories building on organizational studies, strategic management and geography, similarly to the approach of Knight and Wójcik (2017). These categories correlate to strategic decisions and depth on the level of international exposure. First of all, banking services for international trade and internationalization can be classified in two groups: those relating to business consulting and those relating to financial needs. Secondly, it is relevant to differentiate according to the channel of communication: off-line services or on-line services. As for business consulting, in

order to launch a series of international market penetration strategies, firms – especially SMEs – require information resources on products, competition, national laws, business culture tips, trade fairs and contracts that make up the environment in which they are going to develop the new ventures or expand their activities in a given country. Internationalized banks might have a privileged position on several of these points both for the access to a large set of data (big data), specialized databases and real life experience. Therefore, the level of customization can be another categorization of bank-to-customer services. In particular, these can be identified as:

- *quasi-commodity services* (i.e. international bank transfer, exchange rates, etc.),
- *banking financial services for foreign markets* (i.e. country/sectoral information, letter of credits, export credit loans, payment guarantees, export insurances, bills of exchange, promissory notes, etc.) to be managed to meet the customers' needs, flows and currency risks derived from the contractual commitments assumed, and
- *specialized and customized advanced services* (i.e. international partner searches, public funding support services, strategic consultancy, etc.).

Italian banks entered the market of business services since the 1990s, because consulting offered a higher profit margin than loans (Interview with public official #3, 2018). In doing so, they entered a competitive market occupied by specialized consultancy companies (export service firms, strategy firms, etc.) or publicly supported bodies (Italian Trade Commission, SACE, SIMEST, bilateral chambers of commerce, export consortia, internationalization support desks such as SPRINT, etc.). The position of banks is a blend of co-operation and competition with other service providers. Over the years, Italian commercial and retail banks became an intermediary between national, European and international institutions (i.e. SACE, SIMEST, CDP, the European Investment Bank, the World Bank, and other international development banks, etc.).

The government policies discussed in the earlier section of this paper facilitated the co-operation between banks and Italy's state owned organizations. First, interviewees pointed out that banks benefit from the services of SACE, a public agency providing insurance to internationalizing firms (interview with public official #2, 2018). Second, banks participate in the development of government policies affecting firms' internationalization through the business association. It is a highly formalized mechanism in which the banking association participate in the 'bilateral commissions' that Italy's Ministry of Economic Development and Ministry of Foreign Affairs establish to manage bilateral relations. Another interviewee described the operations of the bilateral commissions as follows: *we have a bilateral commission [with a variety of countries, including]: Italy-Vietnam, Italy-China. These meet once every six months or once a year depending on the importance of the relationship. ...if banks don't have physical presence, the business association discussed activities that can be done long distance (such as letters of credits and other forms of correspondence). In countries where Italian banks have branch offices, or subsidiaries, it informs the governments about any problem they may have* (interview manager in private organization #1, 2019).

A further way in which banks participate in policy making occurs through the banking association (ABI) membership in *Cabina di Regia* [Steering Committee, literally “Control Room”], the organization jointly lead by the ministries of economic development (MISE) and foreign affairs (MAECI) with the goal of coordinating Italy’s internationalization strategies. The same interviewee stated that Control room *is charged with implementing] a national strategy, based on reports by Confindustria, a private lobby, the largest Italian business association, and then implemented by the various state agencies*. In addition to participating in bilateral commissions and in Control Room, ABI also works on contracts with SACE and SIMEST (risk insurance, bonds, supplier credits, etc.). They are state owned, and have monopoly power in their field, so banks need a unified voice through us to make sure that the conditions in these contracts meet banks’ needs. Lastly, ABI is also in charge of the banking sector in international trade missions by inviting banks’ representatives and arranging their meetings with local partners (interview manager in private organization #1, 2019). In short, the international activity of Italian banks consists chiefly in providing consulting, as well as loans, for international projects. They do so mixing co-operation and competition with other service providers. Co-operation is largely the outcome of synergistic activities between the business associations representing the banking sector, state owned organizations, and the Italian government. The following section discusses the geographic distribution of those activities.

4. The spatial pattern of banks’ international services

Earlier works on the internationalization of Italian banks by Lucia (1999) and Sellar (2015) argued that banks followed an internationalization pattern similar, but not coincident with, Italian forms. In particular, Sellar argued that banks initiated internationalization in response to demands of assistance from their corporate clients. However, soon after the initial international steps, banks reached out to a much broader international clientele, following their own commercial strategies, independent from those of firms (Sellar, 2015). Overall, the organizational architectures and the localization behaviors of Italian banks can be still easily described, recalling classical economic geography approach of the strategy and structure for international multilocation expansion (Dicken and Lloyd, 1972; Conti, 1996). According to this approach, strategies of international expansion traditionally lead to the creation of public relation offices, branches, subsidiaries banks, mutual and operative agreements, licensing, joint ventures (JV), merging and acquisition (M&A) operations, according to bank’s market penetration strategies and maturity phases (Figure 2).

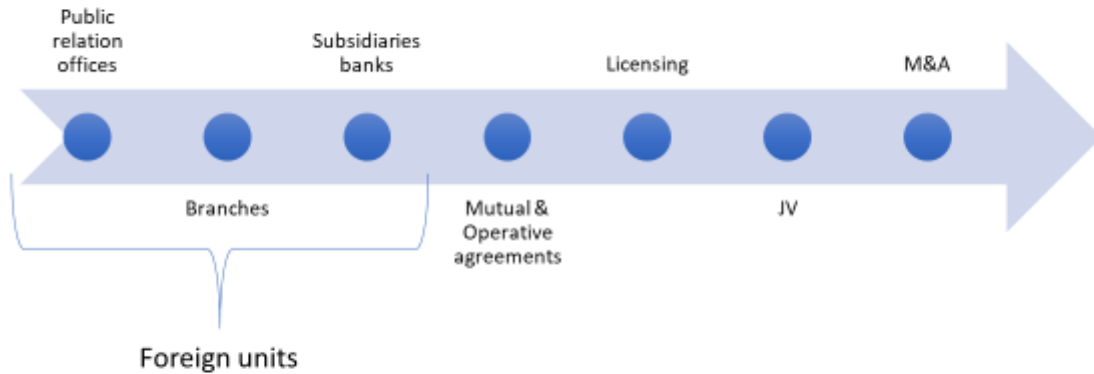


Figure 2: Strategies and structures for international expansion strategies of banks

Source: Author elaboration

These classic economic geographical approaches suggest that banking expansion occur through a progression from simple networking to foreign direct investment, often integrating the chosen mode of entries. Generally, if the pressure for a global integration of business is low and the willingness to keep the control is high, a corporate tends to focus only on using the existing core competences and infrastructure (i.e. their offices in Italy and their online portals) to explore opportunities in international markets that will be managed remotely, through online banking and agreements with local banks. If the pressure to respond to local market is higher with a need of more customized and rapid services, banks will consider opening a foreign branch, usually an office with a limited number of employees. Finally, when the intention is to go global while at the same time maintaining a tight control of operations from headquarters for focus and standardization, banks strategies may include widespread mergers and acquisitions with foreign banking groups that can reach the status of “transnational” banks. Currently, two major Italian banking groups (Unicredit and Intesa San Paolo) have reached the latter stage (interview with a manager in a private organization #1, 2019).

In this perspective, Italian banks can be divided in two main groups according to corporate strategy behavior:

- (a) *Home based*: those performing only traditional foreign operations and services using domestic existing structures, and
- (b) *Internationalized banks*: those expanding their business in foreign markets actively.

In terms of numbers, according to the analysis ABI data on Italian banks’ international network (ABI, 2017b) only 18 Italian banks groups is comprised in type (b), counting a total of 357 foreign units in 2015 (Figure 3). Compared to those reported by Lucia (1999, p. 131), i.e. 11 banks group counting 274 units, referred to year 1996, the increase is significant in 20 years. However, further analysis of ABI data, updated at the year 2018m showed a reduction to 340 units and some changes in country coverage especially in Asia.

Year	1996	2015	2018
Number of bank groups	11	18	18
Names	Istituto Bancario San Paolo, Banca Popolare di Novara, Banca Commerciale Italiana, Credito Italiano, Cariplo, Nuovo Banco Ambrosiano Veneto, Banca Nazionale del Lavoro, Banco di Napoli, Banca di Roma, Monte dei Paschi di Siena	BNL-BNP Parisbas, Veneto Banca, Credito Agricole/Cariparma, Unicredit Group, Intesa San Paolo, Banca Popolare di Sondrio, Banca MPS, UBIbanca, Banco Popolare, Banca Popolare di Vicenza, Mediobanca, BPER, Banca Ifis, Banca Carige, BCC, Gruppo Mediolanum, CREDEM UNIPOL	BNL-BNP Parisbas, Veneto Banca, Credito Agricole/Cariparma, Unicredit Group, Intesa San Paolo, Banca Popolare di Sondrio, Banca MPS, UBIbanca, Banco Popolare, Banca Popolare di Vicenza, Mediobanca, BPER, Banca Ifis, Banca Carige, BCC, Gruppo Mediolanum, CREDEM UNIPOL
Number of foreign unit	274 foreign units	357 foreign units	340 foreign units

Figure 3: Italian internationalized bank groups (years 1996, 2015, and 2018)

Source: Author elaboration on ABI data 2018, 2017 and Lucia (1999).

The geographical distribution (Figure 4) both in terms of countries and city shows a pattern, as expected, coherent with Italian foreign and international trade policy strategy, market dimensions and trade data where the concentric cycle plus BRICs (Brazil, Russia, India and China) seem guiding the location patterns.

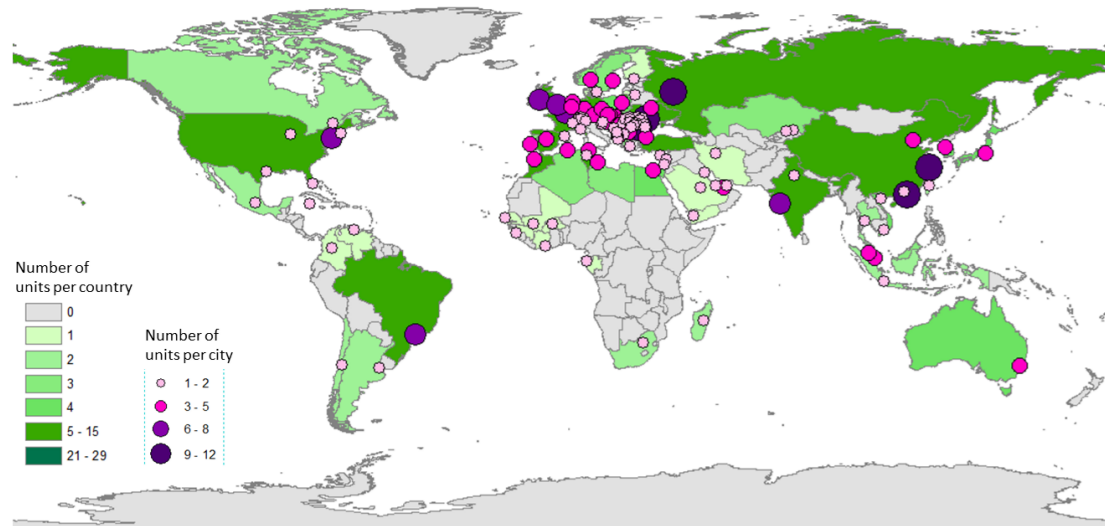


Figure 4: Distribution of the ‘units’ in foreign of Italian banks groups (by country and by city) – 2015 data

Source: S. Grandi elaboration on ABI data (2017b), shp: Esri.

Moreover, when analyzing the bank groups’ behaviors related to internationalization, two main strategic organizational processes of the Italian banking system occurred in the late decades: the merging & acquisition (M&A) by international groups such as BNL acquired by the Parisbas group in 2006 or Unicredit merging with the Austrian HVB in 2007 and the M&A by clustering among Italian banks such is the case for smaller territorial banks into Iccrea – The banking group of the cooperative local banks (BCC). However, other phenomena have been observed, thus, it has considered useful to perform a cluster analysis based on the ABI data. In particular, the clustering criteria have been selected according to the following elements related to bank internationalization processes:

- type and number of ‘units’ established;
- current ownership of the banking group (Italian or transnational);
- distance of the area of expansion (proximity or world-wide),
- type of cities (financial hub, business city, minor city).

The analysis leads to the creation of five clusters, namely “Transnational M&A internationalization”, “Internally supported Expansion”, “Proximity Expansion”, “Finance city focus” and “Exploratory Expansion”, as reported in the following table 1 and figure 5. These describe the trend of strategic behavior of Italian banking group. In particular, data analysis shows a diversified approach. In the first case, M&A processes of Italian banks into transnational groups such as BNP Paribas (BNL) and Credit Agricole (Cariparma) lead to a significant increase of ‘units’ and of the world-wider geographical span. Indeed, data in number of units is overestimating the Italian initial reach, as now it includes BNP Paribas and Credit Agricole previous international network, but that turns in a leapfrog in term of international banking network closely related potentially with the Italian firms. In the second case, still M&A has been important strategic tool used in cases of the internally supported expansion.

In this case Italian major banks actively acquired cross-border banks. This is the case for Unicredit, mainly in Eastern Europe, a place that was considered an opportunity area, with higher growth potential and an absence of strong North American competition (Sellar, 2015) and following Italian foreign policy in the '90s as well as benefitting of some kind of support by SIMEST, as previously reported according to interviews collected.

The third cluster includes an interesting subset composed of local or regional banks that approached a cross-border expansion in geographical proximity areas with more or less successful results as growth strategy. This is the case of Banca Popolare di Sondrio that valued the position of the Valtellina area, where Sondrio is the provincial capital, and the intertwined financial and frontier workforce relationships with Switzerland. Veneto Banca, instead, expanded in the Eastern Europe in the same geoeconomic logic of Informest and Finest, but this operation led to an over financial exposition explaining the bank crisis of the year 2016-2018 and the consequent significant reduction in foreign units in 2019.

The last two clusters are composed of residual strategies where active internationalization of the bank is minor and exploratory or merely linked to very few representation offices in NY-LON or other highly ranked financial centers, or other solutions. This does not mean that the banks do not dedicated international services, but rather it represents a conservative strategic behavior in valuing mainly special partnership agreements with correspondent banks. This is the case, for instance, of BPER, the BCCs, Mediolanum Group, CREDEM and Unipol.

	N. of banks groups	N. of foreign 'units'	Names of the bank groups
b.1. Transnational M&A internationalization	2	123	BNP Parisbas – BNL; Credit Agricole – Cariparma
b.2. Internally supported Expansion	5	120	Unicredit, Gruppo Intesa San Paolo, Banca MPS, UBIBanca, Mediobanca
b.3. Proximity Expansion	3	88	Veneto Banca, Banca Popolare di Sondrio, Banca IFIS
b.4. Finance city focus	4	22	Banca Carige, BCC, Gruppo Mediolanum, CREDEM, Unipol
b.5. Exploratory Expansion	2	4	Banco Popolare, Banca Popolare di Vicenza, BPER

Table 1: Cluster of bank internationalization

Source: Author's elaboration on ABI data, 2018

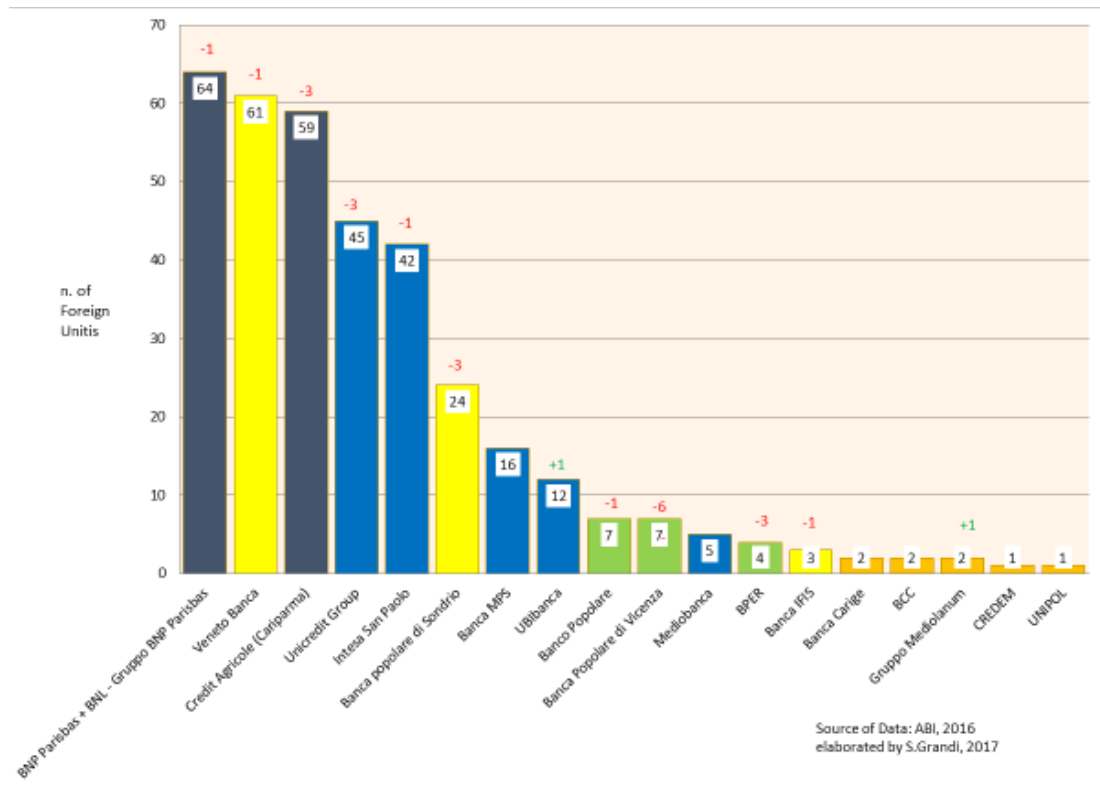


Figure 5: Distribution of foreign ‘units’ for each bank groups, cluster and variation years (2015-2018)

Source: elaboration on ABI data 2016; 2018

5. Firms’ and bank relationships

The commitment of the Italian State to an overall strategy promoting internationalization, which affects both banks and firms, would suggest that internationalizing banks and firms tend to co-locate. However, the limited qualitative study by Sellar, involving two banking groups in Central and Eastern Europe and a sample of around 50 firms, suggested there is a weak relationship between banks and firms internationalization strategies (2015). He argued that, historically in the 1990s banks earliest internationalization projects were driven by following client firms. However, the two diverged almost immediately, because, on the one hand, banks expanded their customer base, and, on the other hand, firms largely chose arm-length relations based on prices, and thus did not work exclusively with Italian banks.

To verify Sellar’s preliminary findings, we compiled a list of the top 20 countries in banking investments, including foreign ‘units’ of Italian banks, elaborating data from

ABI database (ABI, 2017b). Then, we compiled a list of the top 20 countries for presence of Italian firms. As a proxy, we used data on values of export in Euros compiled by the Institute for Foreign Commerce (ICE, 2016, p. 55). Figure 6 compares the two lists, showing that roughly 50% of the entries are in both lists. Some of them correspond with the priorities of the Italian government (China, USA). Others are relevant for proximity expansion (Switzerland and Eastern Europe Countries) probably more interesting for cross-border financial flows, SMEs trade, internationalization and eventually FDIs as delocalization.

Countries	Banks Foreign Units	Ranking position according units	Ranking position according top export destination in value
Romania	29	1	14
Switzerland	24	2	not in top 20
Moldovia	21	3	not in top 20
China	15	4	9
USA	12	5	3
France	12	6	2
Hong Kong	10	7	16
Croatia	10	8	not in top 20
Russia	10	9	13
Albania	9	10	not in top 20
Germany	9	11	1
India	8	12	not in top 20
Luxembourg	8	13	not in top 20
Brazil	7	14	not in top 20
UAE	7	15	15
Tunisia	6	16	not in top 20
Irland	6	17	not in top 20
UK	6	18	4
Spain	6	19	5
Morocco	5	20	not in top 20
Singapore	5	20	not in top 20
Turkey	5	20	10
Ukraine	5	20	not in top 20
Hungary	5	20	not in top 20

Table 2: Geographical distribution of foreign countries (2015-2018) and relations with top export destinations in value

Source: Author's elaboration on ABI data 2016; 2018 and ISTAT, 2018

The following interview excerpt captures the ambiguous relations between firms' and banks internationalization: *“There is a trend towards internationalization of both banks and firms. In some cases, such as former Yugoslavia, firms went first and banks followed. In others, the situation is not so clear. ..., business services help banks to*

build a relationship with the client, which is important, because Italian firms can easily change bank, even for small differences in rates” (interview with public official #1, 2019).

This result displays that internationalization of firms is only one of the factors influencing location choices of Italian banks; others are related to autonomous sectoral growth, diversification strategies and the willingness to co-locate into international highest international financial centers or emerging ones. Such multiplicity of factors shows, first, that retail banking is not limited to servicing the internationalization of Italian firms. Rather, it is open to all sorts of domestic and foreign clients. Second, it also shows that retail banking is not the only priority for banking groups; instead, financial operations are as much a powerful driver of investments as the servicing of firms.

6. Conclusions

This paper aimed at further exploring the policy agenda implicit in the notion of ‘geofinance’ by looking at the interactions between government policies, banks’ internationalization, and firms’ foreign investments. In so doing, it highlighted the interactions between two hitherto separate fields of inquiry in human geography – geofinance, and in particular the internationalization of commercial banks, and firms’ internationalization. Using Italy’s banks and firms as case studies, the paper argued that there is a weak, but significant, link between the two processes that is largely due to the effort of the Italian government to promote a systemic internationalization of the Italian economy. Governmental initiatives include a) funding state-owned organizations that provide financial guarantees, credit and insurance to internationalization projects. These financial instruments aim at increasing banks confidence to provide loans to internationalizing firms. Governmental initiatives also include b) the inclusion of representatives of banks and businesses in the government body in charge of setting the national strategy for internationalization. In so doing, banks and business associations work alongside diplomacy to negotiate foreign markets access to Italian firms and products.

The weakness in the relationship between the two processes is largely due to the independence of individual firms and commercial banks. On the one hand, firms choose their own internationalization strategies. Government-backed guarantees may encourage them to loan from Italian banks, but firms tend to adopt arm’s length relationships with their providers of financial and consulting services, thus choosing their providers largely based on prices, quality, and availability of services. On the other hand, internationalizing banks have an incentive to broaden their clientele beyond Italian firms into loans to a wider array of firms, as well as financial operations.

Besides exploring the nature of banks-firms-government relations in shaping internationalization, this paper analyzed the various internationalization strategies of banks. At the most basic level, banks may choose to support their clients’ internationalization from the home office, working online or through agreements with foreign banks. On the other hand, especially when there is pressure from their clients, banks may choose to open branches abroad, or even acquire foreign banks. Finally, banks may decide to enter the world of financial services, entering the market of

investment banking in major financial centers. These different choices lead to different levels of financial commitment abroad, and to a diverse geography of foreign banking investments, as described in figure 5 and table 1.

Finally, the specific government policies and banks-firms relations outlined in this paper are heavily context-dependent, relying on the organizational structure of the Italian State, the weakness of investment capital that opened up a space for the government to leverage firms' and banks behavior through financial guarantees, and on the tradition of arm length relation between banks and firms. Such context-specificity suggests, first, that national origin is an underexplored factor influencing financial geographies as well as firms' internationalization. Second, it also suggests that the geostrategic choices of states may be more powerful, indirect, and not immediately detectable factors in shaping financial geographies.

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