



Università
Ca' Foscari
Venezia

Corso di Laurea Magistrale
in Relazioni Internazionali Comparete

Tesi di Laurea

Free ports and Special Economic Zones: analysis of
the evolutive process from the Early Modern Age to
the contemporary period

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Anno Accademico

2021 / 2022

Ad Alice, la persona che più di chiunque altra mi è stata accanto nella conclusione del mio percorso di studi. Solo grazie alla pazienza nell'ascoltare e nell'aiutare in maniera incondizionata chi si ha vicino, si è in grado di capire fino in fondo il valore dell'amore.

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Introduction

From the title of this research, it can be understood that, throughout the next pages, there will be the analysis of two aspects that have marked indelibly two different historical periods, i.e., the Early Modern Age and the contemporary period. The two phenomenon that will be at the core of this analysis are the free port institution and the Special Economic Zone. First of all, as will be underlined deeply throughout the reasonings that will be provided, they have both characterised their historical period because thanks to their establishment and then, to their consequent evolution, they both have been able to modify the structure of their host city, or even their host country.

In order to be more specific, as will be reported in the first pages of the first chapter, it is important to note how, for instance the free port concept, did not come out in the Early Modern Age but it has more ancient roots. In fact, historians have been able to prove how the first documents that witness the presence of the free port date back to almost 2000 years ago thanks to the Chinese and the Phoenicians. It is curious to note that as far as China is concerned, it has been a fundamental actor for both the usage of the free port and both for the invention of the Special Economic Zones. In addition, during the course of its evolution, the free port has gone through periods in which there has been the intention to spread it all over the world and periods in which specific political parties have had the intention to abolish its usage because it was considered a danger for the survival of peculiar ideals or, even, of nations. An example about this last consideration will be the one of the Revolutionary France especially during the period in which the emperor Napoleon Bonaparte was in charge. In fact, according to his vision, all the free ports that were present in France must be abolished because they did not follow the principles of equality promulgated by the ideals of the Revolution.

Moreover, as will be underlined in the next pages, in this introductive part of the research it is important to understand how both the economic special zones have been present all over the world in different manner and with different goals in mind. Just to provide two examples: on the one hand, Livorno, which has been considered one of the most important cases in terms of free port, had as its most important goal the one of enhancing the amount of merchants and wares that were circulating in the city whereas, on the other hand, the Great Britain, had decided to use this specific instrument in the Straits Settlements both to contrast the Continental Blockade imposed by the already cited French Emperor and both to offer an alternative to the expensive and violent conquest which during the Seven Years' War ruined the British economy even if the British had emerged as the victorious nation. So, in this specific case, it will be

highlighted how the free port institution can be considered as another weapon of empire and conquest also for avoiding a possible bloodshed.

Of course, the two economic institutions cannot be considered one the direct evolution of the other also because from the end of the first one and the beginning of the usage of the second one there has been a temporal distance of almost two centuries. In this sense, it would be curious to find a possible point of conjunction between the two and the possible solution provided in order to solve this problem, will be identified in the city of Trieste, which has seen its geographical, political and economic development in the decades of transition between the Early Modern Age and the contemporary period. In fact, Trieste will be studied from various points of view since it has been considered by the scholars of this specific subject as the perfect example which best summarizes the passages from the fact of being considered an almost unknown and unused port to the contemporary consideration of being a port suitable to the most important innovation in terms of the movements of the wares, i.e., the containerization.

After having described and underlined all the particularities and nuances of the free ports, it will be the turn of their contemporary ancestors, i.e., the Special Economic Zones. As written before, the origins of this peculiar economic institution have to be found in the China of the 1970s when the President Deng Xiaoping decided to promulgate the open-door policy with the purpose of enhancing its mother country's Gross Domestic Product (GDP). The features of this contemporary area will be underlined in a particular section but, since the main goal of this research is and understand the reason why it is possible to compare the free ports and the Special Economic Zones, it can be surely noted that they both have similar attitudes towards the concept of being open to the foreigners. In fact, at the basis of the concept of the free port there is the fact that the merchants coming from all the nations were free to trade their wares inside the territory without paying any sort of duty. On the other hand, the Special Economic Zones put at the basis of their existence the fact of being open to the foreign direct investments (FDIs) with the final goal of being considered economic miracles in terms of GDP.

In order to conclude, this small introductive part, it is important to underline how the entire research will be structured: so, the first chapter will focus on a general description of the free port and on the attempt of providing a proper definition of this peculiar phenomenon. In the second chapter, there will be the analysis of how the general definition of the free port have been translated in the city of Livorno, which has been considered by the scholars of the subject one of the most important instances for this institution. In addition, two paragraphs will be

dedicated to highlight how, since it was clear that in Livorno the utilisation of the free port was a success, there has been the attempt to emulate it all over Italy and Europe, i.e., in Genoa, Venice, Ancona and Marseille. The third chapter will be considered as a part of transition since there will be the explanation of the path from the free ports towards the Special Economic Zones. In this specific part of the research, particular attention will be paid to the political decisions taken by the French Emperor, Napoleon Bonaparte, with its idea of a Continental Blockade, which has been used to contrast Great Britain and to the consequent answer of the British for avoiding the French success. Moreover, in this third chapter there will be two sections dedicated to analyse how the free port spread also in the Iberian world and in Latin America. On this concern, the cities of reference will be Cadiz and Veracruz, which is, nowadays, one of the most important cities in Mexico. As written before, the last part of this chapter of transition will be used for the description of the port city of Trieste and its evolution throughout the nineteenth and twentieth century. To conclude the research, the last chapter will have as its protagonist the Special Economic Zone. The main goal of this chapter is to understand the reasons why China, in the 1970s, decided to adopt this type of economic zone and what are the main features connected to it. Moreover, there will be a section focussed on the specific analysis of the differences and the similarities between the free ports and the Special Economic Zones with a particular attention to understand if the former is still nowadays a core element for the current economic situation.

1. A general overview on free ports

The free port (in Italian, “*port franco*”) has been defined as a place which is located at the borders of the land and the sea, as a site where the sovereignty of the host country has been suspended and where the power and the control of it, are repeatedly questioned under the needs of the commerce.¹ There, central phenomenon for the early modern age like the territorialization of the power, the nationalization of the language and of the culture are completely reverted. In the early modern age, the main feature of the free ports is to be considered places for the transit of the goods and the merchants; however, they are also important for their essence to be political and institutional laboratories because of their necessity of being continuously modified for the implementation of the commerce.

Beyond all these notions, it is also important to try to give a proper definition of what was considered a free port in the Early Modern Age. The most widespread definition comes from a juridic test of the 1669: the royal edict through which King Louis XIV declared Marseilles a free port. In the French definition, the city of Marseilles has been defined as frank and free (in French, *franc et libre*). These two words, that are useful to summarize and define the nature of the new port of Marseilles, were also present in many points of the *Costituzione livornina* of the 1593, which has been considered the starting point for the birth of the free port concept. Within the *Costituzione* there are all the freedoms that give the possibility to attach to a port the essence of being frank: for instance, there is the reference to the concession of not to pay the customs duties and one that invites the people to get involved in the trade. In any case, there is an important difference between the two documents. In fact, on the one hand, the Tuscan text was intended for merchants from all over the world, to whom it was decided to give significant concessions. The principal characteristic of the *Costituzione* was to give freedom of transit not only to the people (in this case, the merchants) but also to the transit of goods in the port of Livorno in order to give the possibility to everyone to make commerce there. On the other hand, the French edict puts at the centre of its statute the port: in this sense, the port of Marseilles became *franc et liber* both for the merchants and both for their merchandise. So, the most important point of this text is the fact that the port has been considered as the fundamental institution that was able to give all the necessary freedom to the merchants that would have liked to enjoy the benefit of trading with those rules.

¹ Delogu, G., “Informazione e comunicazione in età moderna: immaginare, definire, comunicare il porto franco”, *Rivista storica italiana*, (2019), pp. 468-491.

It is remarkable to clarify that the concepts of frank and free are not synonyms. In this sense, the meaning of the term *franc* was useful for indicating a particular type of freedom, i.e., the freedom of not paying the customs duties. It is also true to add that this specific type of freedom has been defined by the scholars as a negative freedom because it describes a space of action where people were free not only to respect a series of obligations but also, they were defined free to undertake a series of specific actions. All these characteristics contributed to identify the early modern free port as a place to experiment some economic, political and institutional possibilities. In addition, the scholars have analysed another aspect that could be linked to the notion of being frank. This aspect comes from the analysis of the *Costituzione livornina*, and consists in the active freedom. This second type of freedom outlines the possibility for the merchants to be considered free to “leave, come back and negotiate” and this particular feature made the port able to become a place for merchandising, for trading and exchanging the goods. Of course, a free port, which wants to work in a proper manner, needs a series of rules and practices aimed not only for the protection but for the economic development of the whole free port city.²

As stated in the lines above, the adjective free will be analysed in this paragraph. An important character in this discourse is Jacques Savary de Bruslons. He was a French erudite and inspector general of the manufactures for the King at the Paris customs in the eighteenth century.³ He is known mainly for the writing of its “*Dictionnaire universel de commerce: d’histoire naturelle, & des arts & métiers*” (published in 1723, after his death) in which he tried to synthesize all the commercial and economic notion of his epoch.⁴ For the purpose of his work, he analysed the edict of King Louis XIV and affirmed that the principal characteristics, which diversify a free port from any other type of port, were the famous two liberties: the first one is to be free in the sense that merchants from all over the world have the possibility to enter in the port whereas the second one, consists in the possibility of the freedom of circulation for any kind of goods and, most importantly, the freedom for the merchants to enter and leave the port without paying any customs duties.⁵ Initially, the *Dictionnaire* had the mere function of defining in a concise and practical manner the notions linked with the topic of commerce. Only thanks to the needs of Savary, there has been a change in the usage of the book in the sense that it became an instrument through which the central French power could control and communicate the

² *Idem*, p. 472.

³ C. M. Cipolla, “Tre storie extra vaganti”, *Il Mulino*, (1994), pp. 75-107.

⁴ J. Savary, “*Dictionnaire universel de commerce: d’histoire naturelle, & des arts & métiers*”, (1726).

⁵ G. Delogu, “Informazione e comunicazione...”, p. 473.

information. So, with this aim in mind, the book has been transformed in an ambitious project of the French administration for ordinating all the commercial notions of the nation.⁶ Even if the work of Savary has been defined as patriotic, the nature of the notions within the *Dictionnaire* were perfectly suitable in other cultural contexts. This is the precise moment when the scholars and the economists of the world started to think globally. On this concern, in the *Dictionnaire du citoyen* written by Honoré Lacombe de Prezel, a French jurist, there was the statement that in a global world (especially with Asia, America and Africa), the old continent, i.e., Europe, and above all France had to reflect on the importance of science and on the progress in terms of trade. In addition to this initial reasoning, there is the issue of the construction of international alliances around the idea of the free port. In the book entitled *Encyclopédie méthodique*, not only there is the reference of free ports that are outside the European context like the one of Manila in the Philippines but also the authors tried to investigate the political meaning at the international level of the institution of a free port. Within the work, there is a precise reference to the Treaty of Amity and Commerce signed on 6 February 1778 between France and the thirteen American colonies. By citing this specific treaty, the idea of the authors was to show their idea about the concept of free port: in fact, in order to define the port, it was necessary to look at the phenomenon in a global level. From this point of view, it comes out that there is a difference between the already explained vision of Savary for the reason that these free ports could not be described anymore in a neutral manner.⁷ So, it became fundamental to treat the concept of the free ports not as islands inside their host country but as entities that are able to communicate with one another and there is necessity of highlighting the importance of the political negotiations between the peripheral actor like officials and merchants and the central power. The main problem in this sense has been the attempt of being as much neutral as possible for providing a definition even if the free port, due to its nature, is a concept which has changed a lot and quickly also for economic interests that were gravitating around it.⁸ To conclude and to sum up this long paragraph on the book written by Savary, it is reported that the principal aim of the *Dictionnaire* was a patriotic one in the sense that at the basis there was one simple idea: the commerce was useful for the development of the entire country.⁹ In order to justify this statement, in the preface of his book, Savary highlighted how the commerce has

⁶ *Idem*, p. 474.

⁷ *Idem*, p. 485.

⁸ *Idem*, p. 490.

⁹ R. Patalano, "Il Dictionnaire universel de commerce dei Savary e la fondazione dell'autonomia del discorso economico (1723-1769)", *Storia del pensiero economico*, (2001), pp. 131-163.

been important for the entire history of the human kind by bringing under the lights even the Carthaginians.

1.1 Free ports: a worldwide phenomenon

According to some scholars, the first signals of the presence of the free ports can be traced back to China (almost 2,000 years ago) or even to the Phoenicians. However, thanks to the Greeks the usage of the free port reached a level of development that was possibly comparable to the one of the Early Modern Age. Within Piraeus, a plot of ground was set aside from the rest of the harbour by a stone wall and was placed under jurisdiction of officials responsible for Customs collection.¹⁰ Of course, even the Romans used the free port: according to the myth, a port with those features was established on the Aegean Island of Delos after the Third Macedonian War (171-168 BC), with political control of the islands placed in the hands of Athens.¹¹ The aim of creating such an institution was the following one: create a duty-free storehouse from which to supply Roman armies in that section of the Mediterranean and stimulate commerce with Greece, Syria and Egypt.

The centuries immediately following the defeat and the division of the Roman Empire seemed to have marked a reversal of the free port to its ancient form of the Free City.¹² In Europe, the concept came back only in the sixteenth century: in Italy, the port of Livorno received the exemption from Customs duty (in Italian, “*dazi*”) in 1591, the one of Civitavecchia in 1630, that of Messina in 1695 and the one of Trieste in 1719 thanks to the licence of Charles VI. In some cases, like the one of Livorno and Messina, the immunity was extended to the whole town. Even in the other European nations, such as France, Spain, Germany, Denmark, Russia, Romania, Netherlands and Belgium, there has been the spread of the institution of the free port. In France, for example, free ports existed in Bayonne, Dunkerque and Marseilles since the seventeenth century but they were suppressed during the French Revolution in 1789 because all immunities were considered unequal privileges which were clashing with the revolutionary principles.¹³ The example of Germany is even more particular than the French one. The most relevant case is the one of the Free Port of Hamburg. It was an ancient Free Town (in German, “*Freihafenstadt*”) which remained completely independent from the Customs point of view until 1878. During that year, Hamburg agreed to join the German Customs Union. Initially, it wanted to stay out of the Union in order not to lose its great autonomy in the commercial

¹⁰ F. Trampus, “Free ports of the world”, *E. U. T.*, (1999), p. 41.

¹¹ R. Thoman, “Free ports and foreign-trade zones”, *Cambridge University Press* (1956), pp. 11-20.

¹² *Idem*, p. 42.

¹³ *Idem*, pp. 42-43.

relations but the problem was that by acting in that way, it contrasted the achieved national unity and the protectionist policy of the Reich, which caused great detriment to Hamburg enterprises by, for example, obstructing the provision of raw materials. The expedient that Hamburg found to keep its immunity was of creating an enclosed area within the Free town, where the barriers were supposed to be under strict surveillance. After a series of inconveniences, this area, or the *Zollverein Niederlage* as the German called it, was suppressed and Hamburg decided to join the German Customs Union on condition that a large area of the port and the town remained outside the Customs barrier. So, Hamburg free port officially opened in 1881 and enjoyed essentially unrestricted freedom of import, export, transit, warehousing, ship's provision, manipulating, sorting and manufacturing.¹⁴ Thanks to all these specific features, the city developed so quickly that helped also Germany to become a rival of England.¹⁵ As far as the United States is concerned, the free port was borrowed from Europe in order to facilitate the import and re-export commerce by reducing to a legal minimum the adverse effects of the existing tariff laws. In 1846, a general Customs bonded warehouse system was established: it was stated that goods could be stored in approved warehouses without payment of duties if the merchandise was re-exported.¹⁶

The case of the United Kingdom is peculiar for the development of the reasoning since there was no trace of free ports in the country in the past, even if London and Liverpool created huge docks with bonded warehouses where goods could be stored without paying duties. So, the UK decided not to employ the free port institution at home but a series of Free Ports Acts passed by the Parliament between 1766 and 1822 in order to establish free ports in key colonies of the West Indies like Singapore, Hong Kong, Gibraltar, Malacca, Macao and Djibouti. The first of this series of acts passed by the Parliament was the Free Port Act of 1766. According to the scholars, it has been considered an important reform in British political economy during the so-called imperial crisis between the Seven Years' War (1756-1763) and the American Revolution (1775-1783).¹⁷ The act opened six British ports in the West Indies to foreign merchants trading in a highly number of goods subject to various duties. According to the scholars, the aim of this free port system was to ruin the rival Dutch trade economically and shackle Spanish and French colonists to Britain's mercantile, manufacturing and slaving economies. This act has been seen

¹⁴ R. Haas, "Régime international des zones franches dans les ports maritimes", *Recueil des cours de l'académie de droit international de la Haye*, (1928), pp. 371-428, p. 393.

¹⁵ *Idem*, pp. 43-44.

¹⁶ *Idem*, p. 46.

¹⁷ R. Grant Kleiser, "An empire of Free Ports: British Commercial Imperialism in the 1766 Free Port Act", *Journal of British Studies* (2021), pp. 334-361, p. 334.

as a key moment in the evolution of the British free trade that would become prevalent in the nineteenth century and beyond.

The point of departure for the stipulation of this act dates back on 1 August 1763, when the newly appointed commander of the British Caribbean Island of Dominica, Lieutenant-Colonel Campbell Dalrymple, betrayed explicitly British commercial laws by opening the port of Roseau (Dominica) to foreign commercial vessels. The issue in this case was that he had no permission from the Parliament or the Board of Trade to institute that policy. Several French ships from Guadeloupe embraced his decree and traded with British merchants until Royal Naval vessels seized multiple cargoes and closed this attempt of free port in January 1764.¹⁸ In addition, in order to demonstrate that he had the best interests of the British Empire at heart he wrote a letter to the British prime minister, Lord Bute. According to this letter, the aim of the Lieutenant-Colonel was to prove that not only could a British free port destroy the commercial success of the rivals in the region but also it could serve as an alternative way to physically conquer other foreign colonies. Moreover, he argued that the British merchants could sell printed linens, cotton, naval stores, sailcloth, salt fish, horses, rice and lumber to French colonists at rates cheaper than those offered by the French suppliers. Even if the initial plan of Dalrymple was suppressed, his thesis stroked a nerve in the following British policy makers. For this reason, in spring 1766 the new Parliament under the Marquess of Rockingham passed the first Free Port Act. According to this legislation, colonial merchants could exchange regulated goods in six British colonial ports: four in Jamaica and two in Dominica.¹⁹ Two were the aims linked with this act: on the one hand, there was the intention to increase the English revenue, domestic manufacturing exports, English imports of colonial products (such as tobacco and sugar) and more in general the English mercantile activity while, on the other hand, there was the willingness to enhance English shipping to provide a nursery of seamen that could be called in wartime.²⁰ Beyond all the cited features, it is also important to understand the context around the Free Port Act. It should be noted that the Act arose within a context of an early modern rise in free ports and free trade, i.e., encouraged commerce between foreigners. Not only the Lieutenant-Colonel Dalrymple but also many other British policy makers envied the Dutch free ports of St. Eustatius and Curaçao, which during the Seven Years' War had diverted commerce from British ports and supplied the enemy French. Consequently, the British were trying to

¹⁸ *Ibidem*.

¹⁹ F. Armytage, "The free port system in the British West Indies: a study in commercial policy, 1766-1822", *Royal Empire Society*, (1953), pp. 36-40.

²⁰ *Idem*, p. 335.

follow and adapt their policy to the other European free port models including the Italian, the French and the Spanish ones. Of course, the specific scope of acting in that way was of ruining the ability of their rivals, in this case the Dutch, to conduct commerce with British enemies in the West Indies and making foreigners, in this case Spanish and French colonists, dependent on British domestic manufactures that were considered to be cheaper.²¹

As written few lines above, the Free Port Act was stipulated in the middle of the Seven Years' War and the American Revolution. It is important to underline how, in 1763, Britain was facing a profound moment of opportunity and anxiety. The Treaty of Paris, which ended the war between United Kingdom and France, stipulated that Britain gained the greatest territorial empire the world has never seen. In fact, British obtained the jurisdiction both over regions like French Canada, Spanish Florida, Grenada and Bengal and both over peoples like Muslims, Hindus, Catholics, various Native American communities and some enslaved African people. Together with the ambition and euphoria that came with the victory, there was the raise of some issues and questions: how should Britain manage these spaces and secure them militarily? Should the Parliament (rather than the crown) adopt a greater role in ruling the empire? How should Britain govern its vastly extended empire commercially?²² In order to respond to these issues, in the aftermath of a devastating and transformative war, British politicians were starting to see the future of the empire as one that demanded the state's attention to transform the porous fabric of British imperial sovereignty into something more cohesive, controlled and certainly uniform to further extend Britain's wealth and power over its rivals.²³ With that premises in mind, the new British prime minister, George Grenville, deeply investigated colonial reports in order to understand the reason for the lack of enforcement of the Navigation Acts during the war. It is important to underline that the aim of the Navigation Acts, which are some legislative amendments published from 1651, was to limit the presence of foreign ships in the British ports. Among the most important findings from the work of the Prime Minister there has been the calculation of the illicit trade between British American colonies and other European empires. According to the data provided by the scholars, this issue denied Britain almost £500,000 per year in trade.²⁴ In order to solve this problem the Parliament decided to pass the Sugar Act and the Hovering Act (both in 1764) which made any foreign vessel loitering off the coasts of the British colonies liable to seizure of the crown's battle ships or customs officers. So, under

²¹ *Idem*, p. 337.

²² *Idem*, pp. 344-345.

²³ P. Griffin, "The townshend moment: the making of empire and revolution in the Eighteenth century", *Yale University Press*, (2017), pp. 73-77.

²⁴ *Ibidem*.

various points of view, the idea and the stipulation of the Free Ports Act was the perfect solution to give sense to the long-standing and immediate geopolitical advantages and priorities in the 1760s. As written before, after the Seven Years' War Great Britain could claim almost all of eastern North America and so have access to flour, livestock, lumber and other supplies that foreign Caribbean sugar islands desperately needed to survive. In few words, British slavers were dominating Atlantic water whereas British manufacturers were beginning to produce higher quality and relatively cheap cotton and wooden textiles in elevated abundance in order also to force a search for foreign markets to sell their industrial surplus.²⁵ In order to be more specific, the stipulation the Free Ports Act had four main targets. First, their idea was to draw trade away from Dutch free ports with the aim of ruining their economic success, destroying the wealth of a rival power and inhibiting the Dutch from supplying British enemies such as the French. Second, after having destroyed the Dutch free ports and having opened the British ones, British North Americans would be encouraged to trade within the British system rather than illicitly in foreign ports. The issue with this specific target is that the Free Ports Act failed to privilege the interests of British North American merchants, granting them only the inadequate concession of a reduced tax of foreign molasses. Third, British free ports were supposed to encourage Spanish bullion ships to enter British harbours in order to restore the lucrative Spanish trade. The last target consisted in the fact that British free ports were supposed to draw French consumers into British markets, supplying them with slaves and manufactures while taking away French sugar and molasses. According to the scholars, the last two targets were seen as means for incorporating Spanish and French Caribbean settlers into the British commercial empire. The flood of British imports would make these foreigners loyal customers of British manufactured goods and slaves, economically dependent upon Britain and so they would possibly become British imperial subjects in all but name.²⁶ There is a notion that can summarize and emphasize the concept: *imperium via emporium* (empire by the market). Free ports were framed as cheap and bloodless options to ruin Britain's rivals and reclaim what it had lost in the 1763 peace negotiations, with domestic mercantile and manufacturing sectors serving as the foot soldiers and prime beneficiaries of the commercial imperialism. After a series of issues and debates around the effects of the Act, on 15 May 1766 was officially introduced to the House of Commons and after a few small amendments, on 27 May it received the approval. In order to conclude this long paragraph on Great Britain, it is important to summarize why it is a memorable example. In contrast to the other European nations that used

²⁵ D. Eltis, "The rise of African slavery in the Americas", *Cambridge University Press*, (2000), pp 116-31.

²⁶ *Idem*, p. 348.

the free ports in the mother country, as explained in the paragraph, Great Britain decided to use this economic institution to rule in a better and more profitable way its empire. British politicians believed that the state must overgrow its opponents in wealth and power through increased commerce, finance, industry and technology which would feed into its military dominance. So, due to the increasing cost of war, profiting from commerce became essential to bankroll future conflicts. It results that the Free Port Act has to be intended as a key early moment in a long history of debates on how an empire should be constituted and ruled, anticipating concepts linked with the free trade. So, the logic results straightforward: the Free Port Act was intended to extend Britain's empire, imperial riches and strengths through supplies, textiles and enslaved Africans rather than war, cannons and soldiers. According to this logic, free ports offered an alternative to expensive and violent conquest (which during the Seven Years' War ruined the British economy even if Great Britain had emerged as the victorious nation). For this reason, instead of naval squadrons and Royal Army officers, merchant fleets and customs officials were used to reincorporate French and Spanish Caribbean colonists from Martinique, Guadeloupe and Havana into the British commercial empire. So, in this case scholars have argued that free trade could serve as another weapon of empire and conquest.²⁷

Since this paragraph of the research is dealing with the historical development of the free port, it is also important to cite how the political trend of most European states changed during the nineteenth and twentieth century. It is relevant to note that the trend was that of abolishing all the existing privileges: in modern legislation the tendency led to the suppression, apart from a few exceptions of the free ports (but also of the free towns) while free trade zones and free warehouses were still admitted. For this reason, in the years following the unification in Italy the free port of Ancona was abolished in 1864, the one of Venice in 1874, that of Civitavecchia in 1875 and the free port of Messina in 1879. On the other hand, at the end of the First World War the attitude towards the free ports changed when the economists completely understood the enormous economic advantages brought by free unhindered trade. According to the scholars, free ports were no longer disciplined only by national legislation but also by international treaties which guaranteed the immunity to ports of great interests for the international community. The free port turned out to be the most convenient solution to the problem of the countries without access to the sea and of those subjected to disputes or changes of sovereignty. Moreover, it was advantageous for free ports to be maintained in the colonies

²⁷ *Idem*, p. 361.

especially if they played an important role in certain outlying areas: it is the case of the ports at the foci of major oceanic routes like Hong Kong, Singapore and Colon, which fulfil a need for the international re-export commerce, and of the ports that were granting land-locked nations access to the sea like Trieste, Thessaloniki and Beirut.²⁸ Even the Italians started to think that the restoration of free ports would have stimulated international transit trade as well as the creation of new warehouses and factories in order to promote the function of the port as emporium and storehouse next to the traditional role of place of transit. For these reasons, on 22 December 1927 the Royal Decree Law No. 2395 was enacted and it was turned into Law No. 3115 on 2 December 1928. The law authorised the issue, within thirty years, of decrees granting a total or partial immunity to fourteen Italian ports: Ancona, Bari, Brindisi, Cagliari, Catania, Fiume, Genoa, Livorno, Messina, Naples, Palermo, Savona, Trieste and Venice.²⁹ According to the law, all commercial operations like loading, unloading, transshipment, storage, negotiation, manufacture and processing of goods could be carried out free from customs requirements within the free port, except for a few limitations.³⁰ The issue is that for technical and political reasons the Royal Decree Law was disregarded: according to the scholars, on the one hand, it was feared that granting customs immunities to such a large number of ports would have brought enormous economic advantages to the free ports and their hinterland while on the other hand, it would have been useless or even detrimental to the other ports carrying out coastal trade, as it would have created limitations or diversions of traffic. The orientation of the modern legislation is the tendency to prefer the free zones to the free ports in order to limit the customs immunity to certain areas of the port and not to the entirety. In the very latest years, i.e., from the 1960s on, there has been a spread of free ports and free trade zones all over the world: it is reported that in the 1960s there were a handful of them, in the 1980s over 300 and almost 600 nowadays. As far as the areas of the world that are covered by the spread of this phenomenon, figures represent that the United States, Europe and Latin America lead in numbers even though the small number of far eastern free ports and free trade zones lead by far in the volume of activities.³¹

²⁸ F. Trampus, "Free ports of...", pp. 50-51.

²⁹ V. Polleri, "Porti e punti franchi", *Novissimo Digesto Italiano*, (1966), p. 299.

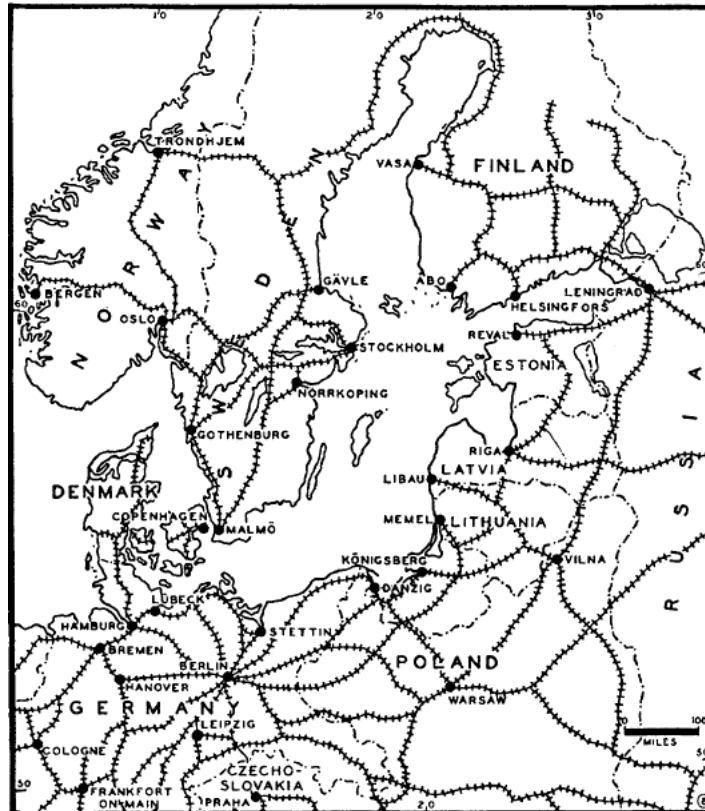
³⁰ *Ibidem*.

³¹ *Idem*, p. 52.

1.2 Specific features of the free port: location, structure and economic importance

As explained in the introduction of this research, the free port is an enclosed area, which is exempt from the customs laws that affect the surrounding territory. In most of the cases, its area is isolated and without resident population. Its facilities are useful for discharging and loading, for supplying fuel and ships' stores, for storing goods and for reshipping them by land or water. Inside this area, the goods may be stored, assorted, repacked, manufactured and later re-exported without payment of duties and without the intervention of customs officials. Of course, if the goods are intended for consumers in the country in which the free port is located, they are subjected to the prevailing customs duties. In addition, it is also important to remember that the free port institution has to respect all the laws pertaining to police, public health, vessel inspection, postal service, labour conditions and immigration. In few words, it has to respect everything except the customs.³² So, according to the scholars, the free port is essentially an institution by means of which man has endeavoured to remove from a port of excellent geographical location for the pursuance of foreign trade certain obstacles placed upon it by high tariffs and awkward customs regulations. Historically, the free ports have not only neutralized the adverse conditions coming from political considerations but also by offering excellent facilities and services to consignment and transit trade, they have also aided very materially in making these ports more important emporia for international trade. In order to obtain the maximum result, certainly the free port must lie adjacent to a hinterland comprising nations that are sufficiently advanced so as to make an extensive foreign trade essential to their economic life. It is also important to note that the more the free ports are linked with independent political units the more success they can obtain. In fact, in the following map there is an example of how the free ports in northern Europe are linked together and with the hinterland: any one of the free ports indicated on the map can serve ten or more different countries.

³² S. A. Anderson, "Location factor in the choice of free port sites", *Economic Geography*, Vol. 10, No. 2 (1934), pp. 147-159, p.147.



As far as the structural features of the free ports is concerned, it is relevant to note that with regard to the treatment of the customs the seaport can be organised by two different systems: in the first case, it can be organized as a customs port with bonded warehouses whereas in the second case, it can be organized as a proper free port.³³ With regards of the first case of study, i.e., the customs port with bonded warehouses, it is reported that when foreign trade merchandise is stored in the bonded warehouse, it is kept under control and locked by the customs authority and, of course, any warehouse handling can only be affected under customs supervision. In the case of private bonded warehouses, security have to be given to the customs authorities, and the warehousing of goods is permitted only for a restricted period.³⁴ In few words, the speedy and smooth dispatch of ships can be delayed by the customs formalities and permanent customs control, which cannot be fully prevented even if the customs administration is well organised. On the contrary, in the free ports transport operations cannot be delayed because there are no customs regulations. In fact, goods or the merchandise that arrive in the port can be unloaded immediately after the arrival of the ship, can be transported without customs control within the free port and, finally, can be stored for an unlimited time in the warehousing facilities. Another important aspect of the free ports, is that they can be defined

³³ C. Heideloff, "Port management textbook containerization", *Institute of shipping economies and logistics* (1985), pp. 246-247.

³⁴ F. Trampus, "Free ports of...", p.53.

differently from country to country in respect to their specific economic activities. For this reason, scholars have identified four basic features. First, as written in few lines above, they are considered to be a geographically closed port region without resident population. The region has to be associated with handling and warehousing facilities and its frontiers are controlled by customs authorities. Second, free ports, as for customs treatment, are separated from the customs area of the state to which they belong by sovereign rights. For this reason, they are legally considered to be outside the customs territory in the sense that the free ports are geographically delineated from the rest of the economy and exempted from certain laws and regulations applied to the domestic area. In addition, in most of the cases, free ports are totally or only partially exempted from income taxes, property taxes, value added, and also other taxes. In most free ports, fiscal incentives are offered to investors and even commercial activity, banking and recruiting are ruled less rigorously. Third, within the free port, goods imported from abroad can be unloaded, stored and transported in exemption of domestic tariffs, duties or regulations until they actually leave the free port. In the case that the final destination is a foreign country, i.e., different from the country in which the free port is located, it is permitted to the goods or the merchandise to leave the port without having to pay the customs duties which they would have incurred at any point. On the other hand, if the destination of the products is the host country, they are taxed at the moment of the leaving from the free port as if they had just arrived from abroad. It is straightforward to note that the regulations of the customs jurisdiction are only applied if commodities pass the customs barrier and enter the customs area, while there is not the appliance of any customs treatment for the transit trade. Another advantage linked with this third basic feature of the free port is that there is the possibility for the importers to exhibit their merchandise inside the area. The last basic feature of the free port is that almost the majority of the ports offer the chance of manipulating the goods to a certain extent; this means that there is the possibility of grading, repacking, cleaning, blending and functions that can be similar to the one just cited, which usually are consented in addition to the warehousing. In accordance to this, it is reported that some free ports have developed industrial activities, which are focussed on labour intensive manufacture of goods requiring inputs from a variety of distant locations.³⁵

From all the aspects that are provided throughout the previous paragraphs, it comes out that the free ports are complex institutions that have to be regulated by the host country. So, it is not enough to enact laws like the “Free Port legislation” or to simply set “Free Port areas”. The

³⁵ E. G. Frankel, “The concept of free ports and their contribution”, (1985), *Hansa* p. 637.

effective establishment and the beginning of the operations of a free port require a long-term commitment to the concept, adherence to the policies and, last but not least, acceptance of the concept domestically. With this reasoning in mind, some lines to the institutional aspects of the port have to be reserved. In most of the cases, free ports arrangements are medium or long-term commitments and this may include legal, jurisdictional and financial undertaking by the host government such as tax-free status, exemption from duty, legal status, duty controls, financing arrangements and land transfer. In addition, the tenants of a free port may undertake a certain level of investment as well as a minimum level of employment and throughput or value added over the whole time of the contract. For this reason, it is also important to note the numerous port zones have decided to develop or incorporate free port zones in order to attract labour and transport-intensive industrial activities primarily oriented to the export market.

Another fundamental aspect that will be treated in this part of the research is the economic importance of the free ports. The most important goals for establishing a free port are to increase free or unhindered trade, to promote investments and technology transfer and lastly to enhance commercial and industrial activities. In any case, economic advantages of this type can only be fully exploited in ports that provide sufficient infrastructural conditions and favourable traffic relations with sales areas and supply markets, of course together with an advantageous transport-geographic location. According to the scholars and in more specific words, the success of a free port area is influenced by its accessibility to all necessary inputs (which can be in the form of transportation and communications infrastructure, labour and services) and its competitive position relative to other zones in terms of price and quality of the services provided.³⁶ So, it comes out that the main advantage of the free port area is that it permits the free import of various materials and components for the assemblance and manufacture with the purpose of a subsequent export without duties and taxes. Examples of economic benefits to the host country are the following ones: increase in *entrepot* and transshipment trade; increase in export competitiveness and increase the generation of employment.³⁷ Obviously, the economic benefits to host countries can vary with the type of activities that are conducted within the free port, but it is common to achieve a value added of 50% to 80%, of which about 70% is retained by the host country. The economic advantage for the shipping industry resulting from a reduction of transportation cost by shorter lay-times due to transport operations without administrative interference is only one important aspect. In fact, foreign trade orient firms, in

³⁶ *Idem*, p. 57.

³⁷ Spinager, "Free trade zones and free ports: overview, role and impact", (1985), *Hansa*, p. 650.

particular importers and exporters, but also transit traffic and those firms engaged in processing or refining of goods profit from the absence of customs regulations. These advantages regard three areas: foreign trade, transit trade and export industries in the free port.³⁸ As far as foreign trade is concerned, for a period of time goods can be stored without payment of customs and import duties. Importers and foreign exporters can dispose freely of the stocks because the owner has free access to the stored goods. Moreover, these goods can be processed in conformity with the market with the aim of improving their appearance and commercial quality. By acting in this way, the importer is free to determine his own level of stocks and can, at the same time, exert regulative influence on the supply and price level in the inland market. It is evident to note that free ports result to be important distributive centres for the international trade. This institution is considered to be suitable for major world ports which act as central handling places for specific goods like tobacco, cotton and coffee (i.e., the colonial goods), where the commodities are imported from the countries of origin, sold and partly re-exported to the different countries of destination. Warehousing in the free port is duty-free because customs duties are not to be paid before the time of delivery into the customs area and for this reason, the capital that is available can be invested for other purposes in the meantime. This involves financial advantages for importers, especially the weak ones, because they may sell their products already before the customs duties become due. As far as the transit trade is concerned, similarly to import traffic, the advantages of the free ports for transit trade arise through the possibility of temporary storage in port. In addition, the transit dealer can tranship goods from ship to ship or to other means of transport without any restrictions. As far as the export industries in the free port is concerned, it is reported that not all the free port regulations permit the manufacturing and processing of imported raw materials and primary products. Where the establishment of export industries in the Free port area is allowed, the factories rely especially on materials and equipment that are imported without duties. In most of the cases, if companies are located inside a free port area, their long-term sales are expected to rise.

Another feature of the free ports is that they are characterised by two components: the first one, is the dynamic element whereas the second one is the static-material element. As far as the dynamic element is represented by the international function of free ports, i.e., free international maritime trade and free movement of goods. On the other hand, the static-material element consists of all the properties, buildings, warehouses, naval dockyards that are situated within the free port area and are useful for the free port activities. Of course, all the infrastructures

³⁸ *Idem*, p. 59.

situated inside a free port are restrained in the sense that they are subjected to the international function aimed at the development of the international maritime trade within the free port. One interesting thing linked to this reasoning, is that it is fascinating to determine the nature of these infrastructures that are necessary to the existence of the free port. It is reported that there is a correlation between the establishment of the free port and the properties that actually exists within the free port area. In other words, the original nature and function of such goods is modified by the institution act of the free port and this modification represents their new legal nature.³⁹

The last characteristic of the free port system that will be treated in this paragraph is the autonomy. Autonomy is considered to be a characteristic of all derivative system, while the original and independent systems (in this case the state) are sovereign. In the case of the free port and for example also for the concept of the modern state, sovereignty involves three fundamental powers: the legislative power, the executive power and the jurisdictional power.⁴⁰ However, in the specific case of the free ports, it is reported that they are ruled by a particular objective law which is completely autonomous, except for its origin which can consist of an agreement, an international treaty and international customs.⁴¹ Moreover, in international territories like the free ports, the title is not typical, in the sense that it is not provided for by a complex set of rules as an abstract case bringing determinate effects. Each international territory receives from the institutional act (which can be an international agreement or the law of the host country) its own configuration and statute; in the specific case of the free ports, the source of discipline, which regulates the existence of them, is the international custom crystallized in the statutes. So, for all these reasons that have been just reported, the free ports can be considered international territories whose discipline is given by a derivative system characterised by an absolute autonomy. In this case, limitations and controls on international trade through the free ports should not be those of the territorial state, but those required by the international custom, crystallised in the free port acts or statutes. It follows that the exercise of a function of the legislative, executive, jurisdictional powers by the territorial state can occur only without prejudice of the international function of the free port. Detrimental to such function are, for example, all state acts introducing duties or discriminatory measures for determinate ships or vessels. The autonomy of the free port is also prejudiced by all the controls on the place of origin, destination, quantity and quality of goods in transit through the free port

³⁹ *Idem*, p. 282.

⁴⁰ F. A. Querci, "Limiti di giurisdizione nel porto franco di Trieste", *Trasporti*, (1997).

⁴¹ *Idem*, p. 288.

or processed inside the infrastructures of it. Obviously, these controls are legitimate only if made at the final destination of the goods: in this sense, it means that the state where the free port is situated can carry out this type of controls exclusively if the goods transiting the free port are to be imported into the customs territory of that state. To conclude this part, once the free port is created, the system is marked by a normative and executive irreversibility which comes to an end only with the extinction or revocation of the institutional act. So, the free ports are characterised by a peculiar organisation, by a complex of autonomous rules and by all international economic operators who carry out free port activities. It results that this dogmatic approach to this subject has examined deeply the juridical nature of the free port, their international function and lastly the static nature of the premises existing within free port areas.

1.3 How the free ports can be deregulated?

The economic advantages of the free ports are obtained mainly through selective deregulation by lowering the level of protection in the host country. In practice, such deregulation is designed to lower the cost of protection and foreign trade and increase the welfare gains through the expansion of trade. In most of the cases, the free port deregulation is designed to intensify trade, employment, investment and manufacturing. In other words, some of the free port deregulation is meant to counteract diversion to foreign locations, whereas these and other deregulatory measures can cause diversion from domestic locations or activities, especially in developing countries, where scarce sources of investment may not be available for the domestic manufacturing industry. As far the highly industrialised countries are concerned, free ports were fundamentally created to further the already existing foreign trade flows and according to the scholars they were used as an instrument capable of helping to revive those market forces, which have become intertwined in bureaucracy and legislation.⁴² On the other hand, the economic impact of the free port is slightly different in less developed countries, where their principal aim of being created is to stimulate trade and export industries, in order to attract foreign investment. So, in few words, it results that the economic contribution of free ports in less developed countries is mainly directed to generate employment, train the domestic labour, and improve the foreign exchange earnings. Of course, the implementation of the area stimulates the economic development not only in the immediate surrounding of the port but also in the domestic economy. In any case, such positive economic effects will only occur in the free ports that comply with certain basic requirements in terms of transport and trade. One of the principal requirements in this field results to be the location at major world shipping

⁴² *Idem*, p. 63.

routes, or near principal resource and consumption centres. To this regard, it comes out that the most successful free ports are located in urban agglomerations where port facilities are available and the various demands linked with the trade can be easily fulfilled. To be clearer, ports that are situated at the periphery of the world can neither expect a dramatic increase of their trade volume as a consequence of additional foreign trade traffic nor a regional strengthening. Within the area of the port, the presence of infrastructures necessary for the fulfilment of the trade are fundamental: this can include the construction of roads, the development and construction of warehousing facilities and infrastructures useful for the supply of water. Moreover, there is the necessity of enhancing the quantity of facilities for the ship and cargo traffic, having a sufficient labour force for port handling and providing warehousing and production requirements. It is also important to reorganize the customs in regard to the changes required by the free port concept. Obviously, there are some problems and risks that can arise with the implementation of the free ports in less developed countries. For instance, one main problem that comes out by confronting the developing is that unemployment cannot be solved completely because free ports generate local employment only. In addition to this, export industries can absorb only qualified workers from other sector which are under development. To conclude this paragraph, it is reported that the free ports can have and play an important role in strengthening the economy of developing countries but the problem is that the positive effects are not always achieved. In this sense, a comprehensive factor analysis is necessary in order to examine at an early stage whether the basic requirements for setting up the free ports do exist or whether these requirements can only be provided through high capital costs, which can possibly affect the well-being of the nation economy.⁴³

Beyond the sources for the deregulation of the free ports, there is obviously sources for its regulation. The primary source of regulation is customary, i.e., the ancient general principle of the freedom of maritime trade which was associated to the name of some populations who were indissolubly devoted to maritime navigation: the Chaldees, the Egyptians and the Phoenician. In order to be more specific, the Chaldees and the Egyptians sailed down the Tigris, the Euphrates and the Nile whereas the vessels of the Phoenician used to leave from Sidon and Tyre heading for Cyprus, Crete, Sardinia, Marseilles and Cadiz.⁴⁴ Modern legislation often refer to a non-written maritime law: it nothing but the principle of inviolability of free international maritime trade, whose demonstration absorbs the entire second part of the “*Mare Liberum*”,

⁴³ *Idem*, p. 67.

⁴⁴ *Idem*, pp. 264-265.

written by the Dutch jurist Hugo Grotius. This work has been considered as the conceiver of the freedom of the seas. In his masterpiece, Grotius decided to defend the right of the Hollanders of entering into trade agreements with the East Indies against the Hispanic-Portuguese territorial claims. He believed that according to the *ius gentium*, freedom of navigation was an inalienable prerogative of all human beings, rigorously connected with the freedom of the maritime trade. With this logic in mind, the Dutch jurist condemned the Portuguese for trying to subject the East Indies seas to their sovereignty and, therefore, exclude foreigner vessels from maritime trade.⁴⁵ In few words, since the principle of inviolability of free international maritime trade is represented by the free movement of goods, it is straightforward to note that the core of the Free port system in his entirety is represented by the freedom of transit, the free movement of goods (and the subsequent prohibition of criticizing their quantity, quality, destination and place of origin), the prohibition of discriminatory measures and of imposing customs duties, the internationality of the free port territory and lastly, its complete authority. For all these reasons, it results that international custom is the most important source of the international law, being it scarcely organised in institutional forms and dominated by the principle of parity and decentralisation. According to the scholars, in international law there are no sources of general rules so that such rules are formed outside proper proceedings and they only manifest themselves in the facts.⁴⁶

⁴⁵ *Idem*, p. 266.

⁴⁶ *Idem*, p. 267.

2. The free port of Livorno: a dream for Early Modern Europe

In order to introduce the history of the free port of Livorno, it is important to start from a date. In 1656, the government of Tuscany decided to mint a rare gold coin (*tollero*), with a man's portrait on one side and the image of a city on the other. The man in question was Ferdinando II de' Medici (1610-1670), grand duke of Tuscany and scion of the fabled Medici family. The Medici family have been considered one of the most important families in the history of humankind since they have been international bankers and patrons of arts who became the hereditary rulers of Florence, while producing two popes and two queens of France. According to the historians of those times, Tuscany was renowned for its luxury crafts and had one of the most important scientific communities in Europe. It is reported that even Galileo Galilei expressed an opinion around the city of Livorno ruled by Ferdinando by stating that "happy dominion there is no one who is troubled by any of the hardships that afflict the rest [of the world] these days".⁴⁷ The importance of the cited coin, which weighed 3.48 grams and was made of 23.5 carat gold, lies on its motto, i.e., *diversis gentibus una*. The motto recalls the foundation myth of Livorno as a cosmopolitan paradise, open not only to commerce, but to any person who wanted to settle in the port. The city used to be the house of different communities like the Jews, English, Dutch, French, Armenians and Greeks. Specifically, the coin had a practical purpose in mind: it was destined for export to the Ottoman Empire. It is reported that the coin is full of symbolism also for the image of the city portrayed on one side of the coin: in fact, it represented a maritime view of the town, with its lighthouse, fortifications and ship-filled harbour (all the features that made Livorno to be considered as the Medici state's greatest prize and the most innovative port in Italy). In this sense, it is remarkable to note that only a hundred years earlier, there would have been little to see but a swampy fortress. In addition, Corey Tazzara had collected in his book the witness of a French traveller in which he has declared that: "Livorno is entirely a new city. It is situated on a flat terrain and surrounded by beautiful fortifications fronted with brick. Its roads are quite large, all arranged in straight parallel lines. Its buildings are generally equal in height and almost all painted on the outside."⁴⁸

Thanks to incentives for the storage and transit of merchandise, Livorno became the principal entrepot of long-distance trade connecting north-western Europe, Italy and the Levant. It is reported that no other port in the central Mediterranean was more connected to the rise of the

⁴⁷ C. Tazzara, "The free port of Livorno and the transformation of the Mediterranean world, 1574-1790", (2017), *Oxford University Press*, p. 1.

⁴⁸ E. Cochrane, "Florence in the forgotten centuries 1527-1800", (2013), *The University of Chicago Press*, pp. 191-194.

Atlantic world than Livorno and certainly, it was a partner rather than a subordinate, thanks to the wealth and the development of the Italian hinterland. Livorno, in this sense, represented the emergence of something radically new and of course, something that, lately, has been considered to be one of the most contested and central aspects of the modern history. In fact, Livorno was considered to be the earliest and most successful instance of a free port in Europe. As written in the previous chapter, the free ports were identified as places where wares could be imported, exchanged, or exported without paying customs duties or sites where merchants of any nation or religion could trade on equal terms. According to Tazzara, they are considered to be the linear ancestors of the modern Special Economic Zone, although their commercial function was rather different in the seventeenth and eighteenth century.⁴⁹ For the scholars of this subject, Livorno provided evidence of the link between liberty on the one hand and trade, navigation and riches on the other. In addition, Ferdinando's coin marked a set of transitions in early modern Europe such as the passage from feudalism and capitalism, and from an international marketplace strictly controlled by public authorities to one given a wide range of autonomy. It is reported that Livorno also benefited from peculiar institutional arrangements also because the city had no guilds, no nobility and a weak ecclesiastical and municipal establishment.⁵⁰ In any case, Livorno was intimately related to the Italian hinterland in two ways. First, Livorno served both as a port of entry for food provisions and industrial raw materials for much of north-central Italy and both as a hub for the export of Italian manufactured goods. Second, the Tuscan city provided the chief model for nearby port cities as they crafted their own policies. In this sense, Livorno stood at the epicentre of the reorganization of maritime trade and as a field of emulation rather than as a single economy or polity: by the mid-eighteenth century, all major free ports in Italy were effectively free ports of some kind.

More in general, free ports consolidated the role of Italian intermediation between the Levant and north-western Europe until the advent of the steamship in the nineteenth century and they helped Italian economies to participate in the expansion of European commerce while facilitating the import of raw materials and provisions on the best possible terms. However, as competitive trading institutions they constituted a breach in the ambitions of other European powers. In fact, some merchants relied more on Italian ports to elude French and English efforts to construct commercial monopolies in the Mediterranean. The issue was that nobody was able to control the international trade in the central Mediterranean not only because the state

⁴⁹ C. Tazzara, "The free port of Livorno...", p. 3.

⁵⁰ *Ibidem*.

weakness but also, and especially, because the competition imposed severe constraints on the exercise of commercial power. For this reason, Italy's moment of free trade was not directed by the homogenizing hand of empire imposed by stronger states upon weaker ones. On the contrary, it was the product of an environment in which states sought to preserve their traffic while drawing rival commerce to their own ports.

According to the scholars, the development of Livorno and its rival free ports has been a consequence of the appearance of a new kind of marketplace. As mentioned in the previous chapter, Savary in its commercial dictionary, suggested that free ports had peculiar procedures for treating merchants and goods. He wrote that the ports were free to any merchant, of whatever nation, to import and export their merchandise without paying any customs duties, as long as wares did not change ownership. This definition describes also the total franchise and exemption that merchants enjoyed from duties when importing or exporting goods into a port. This double significance highlights the role of commercial privileges in promoting two principal functions of the free port, i.e., the emporium for merchants and an entrepot for merchandise. In this specific case, emporium means open to people while entrepot means open to goods and the distinction has been seen as complementary rather than oppositional, since there was an essential correlation between commodities and merchants in early modern trade. The key achievement of the free port of Livorno has been the modification the terms of this connection because it changed the social foundations of the marketplace by redefining who was allowed into the market and by altering the rules of exchange.

2.1 The dream of the Medici dynasty

At the basis of the history of Livorno as a free port, there is another specific date. In 1591, the grand duke of Tuscany issued an invitation for merchants to settle in the city of Pisa or in the nearby port of Livorno. According to the scholars, it was addressed to Easterners, Westerners, Spanish, Portuguese, Greeks, Germans, Italians, Jews, Turks, Moors, Armenians, Persians and merchants of other states. The aim of the grand duke was to encourage these foreigners to conduct their business in Tuscany by highlighting also the pledges of security and exemptions that merchants would enjoy.⁵¹ This invitation was modified and reissued in 1593, when it became known as the Livornina and served as the foundational text of the free port. The text is considered to be the culmination of several decades of investment in the backwards port of Livorno. Before the 1591, Cosimo I turned his attention to the maritime commerce even in the

⁵¹ *Idem*, p. 20.

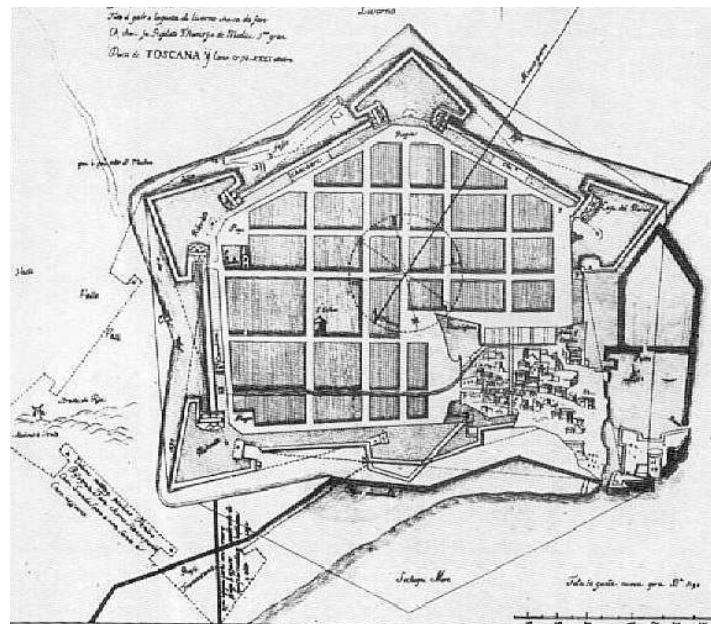
early 1560s but in any case, Livorno remained little more than a castle with few docks at the time of his death. However, it was Francesco I who developed a strategy in which the Tuscan city would play a key role in attracting Ottoman merchandise and selling Tuscan textiles. He had commissioned his finest architect in order to begin the construction of a fortified port that could accommodate around ten thousand inhabitants. The issue in this case is that the plan faltered upon his preference for state-directed development. So, Ferdinando I adapted the strategy of his brother to the evolving conditions of the Mediterranean trade. The final goal of his legislation was of populating the new port with merchants, Jews, artisans and mariners. According to professor Tazzara, the Medici regime has been considered one of the first in Europe to pursue a coherent economic policy. To support this theory, for instance, the grand dukes planted mulberry trees throughout their realm in order to support an indigenous silk industry, adopted measures for ensuring access to raw materials, reorganized customs houses and tried to strengthen direct trading ties with the Ottoman empire. Certainly, prior to all these things, they tried to persuade foreign artisans and merchants to settle in Tuscany.

As far as the laws that made Livorno's transformation possible is concerned, the first reform dates back in 1566. During that year, Cosimo I instituted a new customs regime that endured for over a century. This law created a hierarchy of officials and granted the Customs Office of Livorno its own director. According to the scholars, the reform of 1566 is both considered a consolidation of prior arrangements and both the cornerstone of the free port.⁵² Livorno began its experimentation with free trade less by manipulating tariff levels than by erecting a system of storage, transit, and commercial exemptions that left import and export duties intact. The result of these measures made Livorno a centre of the deposit and transit trade, but their immediate aim was to integrate a backwards port into the networks of Mediterranean commerce. Beyond the others, the most significant concession was the liberal gift (in Italian *beneficio libero*), which allowed merchants to store wares for up to a year in Livorno duty-free before transshipping them to another site. In this sense, goods that changed ownership only paid export taxes. The main caveat was that wares had to come and go by sea and from beyond one hundred miles, in order to exclude rivals such as Genoa. According to professor Mannini, the liberal gift was connected to a will to sacrifice fiscal logic to the economic development of the port.⁵³ As written in few lines above, only with the advent of Francesco's watch the city was replanned. In fact, in 1576 he decided to enlarge Livorno with an abundance of inhabitants.

⁵² M. Baruchello, "Livorno e il suo porto: origini, caratteristiche e vicende dei traffici livornesi", (1932), *Editrice riviste tecniche*, pp. 119-136.

⁵³ B. Mannini, "La riforma della dogana di Livorno del 1566", *Studi Livornesi*, (1992), p. 69.

Livorno was meant to be a big port-city capable of accommodating a great number of people, ships and merchandise and the grand duke entrusted the design of the city to Bernardo Buontalenti, one of Tuscany's preeminent architects of the epoch.



As shown in the image above, Buontalenti's pentagonal diagram encompassed the previous existing fortress and town while lying out a grid that could accommodate almost ten thousand people. The single large square at the centre meant that commerce would be intimately bound to the religious and civic life of Livorno. It is important to remember that before Francesco commissioned the architect to design a new city, Livorno was still a malaria-infested town of five hundred people. Francesco's decision to enlarge Livorno was part of a plan developed in the mid-1570s for extending Tuscan commerce eastward to the Levant and westward to Portugal. With this goal in mind, one of the first diplomatic moves made by Francesco after his father's death, was reversing the policy of antagonism toward the Ottoman Empire. In fact, in 1574 he sent an ambassador to Istanbul to negotiate trading concessions there, with the goal of unloading Florentine textiles on Eastern markets. Another instance concerned with the diplomatic moves made by Francesco is the one towards Portugal. In 1575, the Grand Duke of Tuscany sent Antonio Vecchietti to negotiate for the Portuguese pepper monopoly with King

Sebastião I.⁵⁴ These two examples are useful to demonstrate that the Tuscans aspired to compete with the major commercial powers of Europe for the Levantine trade and also to insert themselves in the global networks directed by the Portuguese crown. According to the scholars, the scale of Francesco's ambitions signals a new moment in the history of political economy. In fact, rulers throughout Italy embarked on projects for expanding industry, trade and agriculture. In particular, increase cloth production was a central part in the grand duke's platform by for example planting mulberry trees and cultivate silkworms on their property. Moreover, under his direction, the Medici Foundry (in Italian *Fonderia*) was established in various locations throughout Florence to produce wrought gold, glassware, porcelain, and other luxury goods. During this process of transformation, the hand of the Grand Duke Ferdinando was very clear, even in the practical sense. In fact, it is reported that he was himself involved: he was continuously controlling everything, commanding regally, ordering justly and looking after things patiently.⁵⁵ Under Ferdinando's tenure, the grand duchy reached the height of its international prestige and power. The main part of his strategy was the division of Tuscany in the sense that Livorno was meant to be the port, Pisa the market and Florence was the manufacturer. So, the three cities were supposed to serve complementary but distinct functions: in any case, Livorno was the commercial centre of the region.

According to the historians there are some factors that made possible the transformation of Livorno into the warehouse of Italy and the Mediterranean. First of all, the late-Renaissance crisis in Italian shipping created an opportunity for other seafaring nations such as the Dutch, English and French. Second, the growth of English and Dutch trade with the Indies and the development of the Atlantic economy put northerners in a position to satisfy the demand in Mediterranean lands for colonial products. And finally, Italian textiles faced stiff competition from the inexpensive cloth manufactured in the Netherlands and England. So, as market opportunities in the Ottoman empire grew for the northern nations, so too did the need for a port from which the distribution of all the products was possible. Livorno, in this sense, was the perfect solution: it was situated halfway between the Strait of Gibraltar and the Levant and, as a consequence, it was in an excellent position for northerners to organize their commerce. In addition, the Tuscans had a strong mercantile background and plenty of investment capital. Lastly, Livorno was relatively independent from both the papacy and from Spain, making it well placed to serve as a neutral zone for commerce during moments of tension or war.

⁵⁴ J. C. Boyajian, "Portuguese trade in Asia under the Habsburgs, 1580-1640", (1993), *Johns Hopkins University Press*, p. 18.

⁵⁵ C. Tazzara, "The free port of Livorno...", p. 38.

According to the scholars, the Tuscan city was one of the few Mediterranean cities that benefitted from the general crisis that was ongoing all over Europe both because during the early 1620s, it had close ties with the English and Dutch and both because it was the most successful among the ports that offered harbour and warehouse facilities.⁵⁶ However, it is fundamental to understand the importance of the regime's effort to populate their port during a period of maritime insecurity and surprising opportunities.

As written in few paragraphs above the *Livornina*, the series of documents that served as an open statement of the grand duke's desire to build a community of merchants in Livorno, has been identified as the foundation of the free port. Actually, it was published in 1591/93 but the recognition of its importance dates back only in the 1640s. In the meantime, Ferdinando I tried to deflect attention away from the *Livornina* for fear of alarming the pope and the King of Spain. In this sense, such importance was given to this document from Ferdinando that, in 1603, he also forbade his chancellery from producing copies of the text and even from letting people see it without his permission. It is reported that, in less than a decade, the *Livornina* went from being a bold declaration to a secret privilege.⁵⁷ However, during this period of secrecy, many merchants sought individual assurances known as safe-conducts *ad personam* when they arrived at Livorno. These documents protected people from prosecution for debts contracted outside of Tuscany and recapitulated the guarantees afforded by the port's general exemptions. For instance, when a merchant of Genoa learned that disaster befell a ship on which he had 20,000 scudi worth of goods, his creditors pressed him to demand repayment. So, the Genoese merchant asked for a safe-conduct to live and trade in Livorno: in this case, free from persecution, he could compose his debts and claim his insurance money in peace. The other type of privilege, i.e., the *ad personam* one, could be issued by the grand duke in order to encourage foreign entrepreneurs to settle in Livorno. It was considered to be a special kind of privilege, intended not only to assuage security concerns, but also to attenuate the risks of setting up enterprises in a foreign land. According to professor Tazzara, it is reported that an estimate of 240 "industrial migrants" from all parts of the Mediterranean world moved to Livorno, mostly of them in the early seventeenth century.⁵⁸ The last type of patent that the grand duke granted, was the one that was useful for establishing foreign consulates: during Ferdinando's reign, he granted for the Genoese, the English, the Dutch/German, the French and

⁵⁶ G. Parker, L.M. Smith, "The general crisis of the Seventeenth century", (1997), *Taylor & Francis Ltd.*

⁵⁷ L. F. Fischer, "Vivere fuori dal ghetto. Ebrei a Pisa e Livorno (secoli XVI-XVIII)", (2009), *Silvio Zamorani Editore*, pp. 44-45.

⁵⁸ C. Tazzara, "The free port of Livorno...", p. 57.

the Armenians consulate. The first four were granted in 1597 whereas the Armenian one in 1626. For Ferdinando, these consulates served more as channels of immigration and trade for a newly founded city that as commercial protectors in the traditional sense.

The counterpoint to insecurity, which has been treated in the previous paragraphs, was, of course, opportunity. The ease of recruiting foreigners in an era of a weak state authority and volatile identity, and the apparent fragility of Spanish control over the sea routes to its overseas empire, made it appear possible for a wealthy state as Tuscany to dream of mercantile glory on a global stage. Projects for breaking into the Iberian spice monopoly, establishing export industries in Tuscany and sponsoring exploratory voyages to the Indies depended on the construction of a seaport. All these aspects were considered an important reason why the Medici thought to fill their new port with merchants, mariners, and artisans. In addition, the grand duke was a voracious consumer of news about the Spanish, Portuguese, and Dutch empires, furnished by agents abroad or garnered from regime friends in Livorno. He was also looking about the real possibilities of trading and conquering in the Indies. In this specific case, the problem was that information about opportunities remained uncertain in the first decades of the seventeenth century. Not only was it difficult to predict the profits and the cost of a venture, but it was not so clear what business forms were best suited to exploiting the, even imaginary possibilities in the Indies. Since most information was too general and too varied to be useful in planning specific voyages, experienced seamen were as important as information useful for the projects and the Medici found it easy in the early seventeenth century to engage Dutch and English seamen who had spent time overseas.⁵⁹ An example of how the Medici regime sought to participate in the Atlantic economy dates back to an exploratory voyage to South America. This ship called *Santa Lucia Buonaventura* and a small tartan departed from Livorno in September 1608, bound for the West Indies. Captain Robert Thornton led the voyage while his brother Giles piloted the smaller vessel. At some point the two ships got separated. The first one explored the Guiana, the Orinoco, and the Amazon and brought back to Florence one native, who learned Italian and served as a court page. This voyage, even with some problems, brought together a panoply of interests into one venture: exploring unknown lands, gathering curiosities, discovering precious metals and, of course, celebrating the magnificence of the Medici court. In any case and at the most basic level, the expedition was an effort to check the possibility of direct commerce with America to the merchants of Livorno.

⁵⁹ K. N. Chaudhuri, "The English East India company: the study of an early joint-stock company 1600-1640", (1999), *Routledge*, pp. 38-55.

2.2 The reform of 1676

As written in the previous paragraphs, in a context of insecurity that was present in Europe, Tuscany aspired to maintain the balance of power in Italy and neutrality abroad. Of course, these geopolitical changes had decisive consequences for Livorno. On the one hand, strategically, Livorno's neutrality secured the Tuscan coast against wartime depredations and guaranteed access to grain and raw materials. On the other hand, financially, as a neutral place it could attract and tax the commerce of belligerents. On this concern, an international agreement in 1718 formalized the situation at the European level: even during wartime, the shipping of every nation was welcome in Livorno.⁶⁰ So, having solved this problem, the grand duke Ferdinando II, decided to reorient infrastructure investment in Livorno towards the deposit and transit trade. In fact, he authorized the construction of new grain silos and another quarantine facility, i.e., the lazaretto of San Jacopo.

However, in 1676, the grand duke eliminated taxes on imports and exports while imposing an elevated stallage tax, which consisted in the fee paid to store goods in Livorno. Merchants paid the stallage only once and thereafter could store, trade, or re-export their wares without further bureaucratic oversight. In this sense, Livorno became the place of enormous parcels where merchants carefully incorporated several packages into a single oversized bundle. In addition, the reform of 1676, marked a critical juncture in Tuscan political economy. Grand Duke Cosimo III ruled during an epoch of unprecedented commercial competition. Even if Livorno was well-positioned in Mediterranean trade, was not immune from this pressure. Stallage receipts from the free port declined by about eight percent during the period 1666-1675 in comparison with the previous decade, signalling an infirmity in Livorno's role as international entrepot. In 1669, when the neighbouring port of Marseilles was itself made a free port, the crisis became undeniable. So, Cosimo III sought to reinforce its entrepot while improving the economic condition of the grand duchy. According to professor Tazzara, at the basis of the reform of 1676 there was the idea of simplify things and it took its place alongside the Livornina as one of the sacred scriptures of the free port. On the one hand, the older legislation articulated the principle of foreign hospitality whereas on the other hand, the new one proclaimed new rules for the treatment of goods. So, the suppression of ordinary taxes spelled the end of particular incentives for the deposit and transit of merchandise. On this concern, taxes were now levied at the moment in which goods arrived in the port.⁶¹ The key innovation of this reform was, then, the

⁶⁰ M. Baruchello, "Livorno e il suo porto...", pp. 320-42.

⁶¹ C. Tazzara, "The free port of Livorno...", p. 139.

elimination of ordinary taxes. Henceforth, merchandise imported into Livorno paid only a one-time stallage tax assessed on the number of parcels rather than by weight or value. The new stallage fee was far higher than the old one, but on the whole, it is likely that overall rates declined slightly for most commodities. Goods could be stored indefinitely, traded, or exported without paying further taxes. Previously, during the regime of the liberal gift, duties on goods depended on provenance, length of storage, and changes in ownership. Now, once they declare the wares to the Customs Office and pay the stallage, merchants are free from all verifications and formalities. On this concern, the law made all of Livorno a free trade zone, though the text did not specifically mention the term free port. From the point of view of foreign trade, the sole taxes were the commercial services, i.e., the maintenance of warehouse and port facilities. The new tariff resulted to be an important success. Customs receipts increased by almost a third in the following decade, and long-distance shipping increased by almost two-thirds. In order to be more precise, two great periods during the Medici era can be distinguished: the first one, i.e., a steady growth in revenue that began in 1590 and plateaued in the 1640s and the second spurt of growth in the wake of the reform of 1676, which plateaued in the 1710s. On this concern, each of these epochs had distinct customs regimes. The early phase was considered to be free trade entwined with dogged efforts of bureaucratic supervision. During this period, the movement, sale, and warehousing of goods required a welter of documentation but there was ample opportunity for merchants and officials to cheat amidst the complexity of these arrangements. On the other hand, the new dispensation of 1676 reduced transaction costs as well as fraud. This simpler system encouraged merchants to ship their goods through Livorno rather than its competitors. In this sense, the Customs Office had an easier time collecting taxes and merchants had fewer incentives to evade the system. So, the new law created a mutually beneficial situation: it was cheaper for merchants and more lucrative for the grand duke. In addition, tax collection continued to depend to some extent on the good relationship between merchants and officials. For example, within a few months of the reform several English merchants complained about the irregular levying of anchorage taxes. In order to conclude this paragraph and to sum up its main contents, it is reported that the latter half of the seventeenth century inaugurated an age of conscious experimentation in economic policy. The reform of 1676 was one aspect of this creative moment. With this decree, the Medici regime eliminated import and export duties in Livorno and imposed a public tariff based on the commercial services rendered by the port, i.e., docking and storage facilities. As written before, its principle was simplification that was useful in offering three virtues: efficiency, equity and, from the point of view of central authorities, control. This pursuit of bureaucratic simplicity exemplified

by the tariff of 1676 was relatively common under the Ancien Régime, despite its reputation for byzantine institutional solutions. In any case, few efforts were as successful as in Livorno, where the grand duke enjoyed an exceptional degree of freedom of action. Administrative simplicity had significant consequences for the commercial development of Livorno. In fact, the reform of 1676 lowered the transaction costs associated with the deposit, transit, and exchange of merchandise in the free port. Transaction costs are one of the costs of trade, along with taxes and transport expenses; so, lower transactions costs are linked and associated with larger and more efficient markets. The new tariff gave the free port a differential advantage in attracting long-distance commerce over its rivals, where transaction costs as well as customs duties remained higher. So, the new tariff did leave in place taxes for the storage of wares and the anchorage of ships. Certainly, trade in commodities can never be entirely free in the sense of frictionless: material goods require transport infrastructure and warehouse facilities. That is considered to be the reason why most of the economists believe that it is legitimate to defray such expenses via taxation for commercial services, not unlike charging to use a toll road. To conclude this long paragraph, according to professor Tazzara, the invention of commercial services was an unexpected legacy of Livorno's incentives for the deposit and transit of merchandise.⁶² Moreover, the tariff of 1676 represents a milestone in the disassembling of the marketplace, i.e., in rendering the market as autonomous as possible from social supervision. Price formation in the early free port was conditioned by procedures for regulating the exchange, transit, and taxation of the merchandise. By minimizing bureaucratic oversight over exchange, the new tariff constructed the marketplace as a kind of black box of redistribution: the state undertook to establish and police the infrastructure of trade, but it withdrew from monitoring transactions themselves. Henceforth, market forces started to determine the price of commodities for sale in Livorno and its free port was considered to be a weapon of the weak, a gambit for marginal countries to participate in global trade while reaping collateral benefits such as revenue from commercial services or neutrality in international disputes.

2.3 The advent of the General Tax Farm

Enlightenment arrived in Livorno to defend the free port against external threats—first the farm, later the government in Florence. This is the introduction of a paragraph made by professor Tazzara of his book about the free port of Livorno. During that period, Livorno underwent an institutional change especially after when the crown passed to Francis Stephen of Habsburg-Lorraine. The new grand duke, and Holy Roman Emperor from 1745, ruled Tuscany from

⁶² *Idem*, pp. 163-164.

Vienna via a regency council. In order to simplify his administration, Francis Stephen farmed out the grand duchy to a French-led company called the General Tax Farm in 1741. The General Tax Farm collected almost all taxes in the state for twenty-seven years. So, not only did the farm transform local administrative norms in Livorno, substantially reducing official interventions in economic life, but it also helped the redefinition of the free port's relationship with the grand duchy. The introduction of this new tax-collection regime broke this compact and spelled the end of the particularism that animated the city's commerce. In any case, it is also true to add that during that period there has been a commercial crisis that was undergoing in Livorno. Two were the main causes: the market development and the spread of free ports throughout the central Mediterranean.

During the Medici period, local officials showered merchants with a host of formal and informal favours without notifying the central government. The advent of a new dynasty, the General Tax Farm, and after the Enlightenment thinking precipitated substantial changes in administrative arrangements. The General Tax Farm evaluated the requests for special dispensations that used to fall under the director's purview. The methods included in the General Tax Farm served the purpose that Vienna had envisioned for it: make a more efficient administration without questioning the fiscal and the political institutions of the state. In the Tuscan port, the farm succeeded not by re-educating its personnel in the principles of good government, but because the Governor's Office itself adopted a more rationalistic style of governance to preserve the city's liberties. With the disappearance of the customs director, the governor was now responsible for protecting the commercial freedoms of the port. His defence of the city's privileges entailed a creative reinterpretation of traditional practices broadly in line with the Enlightenment norms of governance. So, bureaucratic conflict happened to be the midwife between the old style of free trade and the new one. According to professor Tazzara, the new regime preferred to treat all merchants alike and dispensed favour less through individual supplications, than by framing general rules.⁶³ The General Tax Farm conceded few exceptions to the tariff of 1676. Likewise, officials limited the need for special licensing whenever possible. However, nothing had characterized the relationship between the Customs office and the merchants better than widespread complicity in fraud. Medici officials favoured to facilitate tax collection, promote commerce, and increase their own pay. On the other hand, the General Tax Farm, jealous of its short-term profits, took a more stringent approach: in reality, not always successful. For instance, ship captains in the 1750s routinely traded in

⁶³ *Idem*, p. 214.

contraband tobacco and liquor off the docks, within plain sight of the city's officials. The crusade against fraud that the General Tax Farm prosecuted with such joy was actually a fight against the poorer classes whom merchants employed to carry contraband into Tuscany. Merchants, who once accounted for most requests among surviving supplications, now scarcely enjoyed a plurality. In this sense, now there are more artisans, mariners and more laborers. In addition, it is reported that the General Tax Farm was relatively successful in fighting smuggling, though less so in Livorno than elsewhere in Tuscany. The free port remained a place where contraband entered the hinterland as long as it was profitable to subvert import restrictions. It comes out that the supplications are an index of the rigor that the farm brought to the Customs Office: there have been fewer exemptions and licenses but more aggressive pursuit of fraud. These practices fostered a new attitude among officials in Livorno that outlasted the existence of the farm. Actually, this did not occur because the farm trained officials in the secrets of rational administration, or because it cleared away a century and a half of procedural thickets so that Livorno's bureaucrats could implement the law more effectively.⁶⁴ The establishment of the General Tax not only created a more implacable style of regulation in Livorno, but it also added a new voice to the policy process. In fact, in the past, individuals made requests through the customs director or governor, who forwarded a supplication to a secretary and for this reason, the General Tax Farm posed a severe challenge to the old bureaucratic circuit, wherein things were arranged in Livorno with little effort of the secretary. Officials did a lot to clarify the so-called the system of Livorno during the years of rigor brought on by the General Tax Farm. This first complaints about illicit traffic in tobacco and liquor in the harbour go back to 1746, when it was decided that known violators of the law would be apprehended as soon as they touched land, but not on their vessels. Officials literally parleyed with criminals such as ship captains without designing to lay hands on them. The governor and his jurists argued throughout the 1750s that, despite the ineffectiveness of the current procedures, inspections would have been so obnoxious to the merchant community as to deal a mortal blow to Livorno's commerce. Nevertheless, the spectacle of open disobedience of the law continued to rankle the regency. In 1762, it asked a series of questions about whether the nature of the free port permitted the inspection of vessels. So, it comes out the new terms for speaking about Livorno were its system, constitution, maxims, or principles.

However, during the Enlightened reform, due to the economic strategy adopted, the position of the free port of Livorno changed. Initially, as written in the previous paragraphs, the major role

⁶⁴ *Idem*, p. 216.

of the Tuscan city was to sell woollens and silks to the Levant but once the domestic economy deposed export industry as the central pole in Tuscan thought, Livorno no longer appeared to be the key channel for economic growth. In this sense, the fantasies of navigation and the exploration of the eastern markets were gone. The new goal was to produce low-quality textiles for domestic consumption and to export the agricultural produce of Tuscany and so internal trade barriers have been eliminated by Peter Leopold, who has been the grand duke of Tuscan from 1765 to 1790. According to professor Tazzara, Peter Leopold's reforms were oriented toward rationalizing Tuscan institutions.⁶⁵ The grand duke believed that ministers should set policies while, thanks to a more simplified administration at the local level, subjects were free to pursue their own interests within a more rational structure of incentives. It results that due to his reforms, the numbers of offices that were involved in the bureaucracy fell by thirty percent: many magistracies were suppressed, those that survived were reorganized and restricted in their spheres of competence and inserted into a better-defined hierarchy of offices.⁶⁶ Among the many reforms enacted by Leopold's ministers, the most significant included the general economic survey conducted in 1766, the dismantling of the guild system (completed in 1780), the progressive liberalization of the grain trade from 1766-78 and the creation of the customs union in 1781. According to some scholars, all these reforms can be seen as an effort of dismantling the paternalistic state of the Medici by clearly separating jurisdiction from administration. On the other hand, the reforms gave Peter Leopold a reputation as one of Europe's most enlightened rulers. In addition, he drafted a secret constitution what would give Tuscany a general assembly and tried to transform the grand duchy into a limited monarchy but this project found an opposition from Vienna and many of his own ministers.

The reforms of Leopold did succeed in constructing the perfect system of Livorno and they were far from hurting the interests of foreign merchants. His regime eliminated many of the city's local monopolies, such as the tax farms that managed bread, meat and fishing, and created a free environment for the retail trade. He reduced many of the export taxes on Tuscan goods such as ceramics, glass, olive oil, leather and marble. According to his thought, commerce must be left free and unrestricted, as Livorno was in essence a port of deposit and transit. It could profit Tuscany only as an outlet for local goods and for the revenue generated by its commercial services. It is also important to mention that the merchant community was as vibrant as ever. In fact, during his reign there were about two hundred merchants and one hundred and fifty

⁶⁵ *Idem*, p. 226.

⁶⁶ R. B. Litchfield, "Emergence of a bureaucracy: the Florentine patricians, 1530-1790", (2008), *Princeton University Press*, pp. 313-329.

commercial houses in Livorno at any one time: thirty of the houses were Tuscan, fifty were Jewish, and the rest were foreign, the most numerous of whom were the English, but there were included also Dutch, Armenians, Greeks, French and other Italians. Moreover, there were another two hundred and fifty brokers, some of whom secretly acted as merchants and a large community of cashiers, accountants, and business apprentices.

2.4 Genoa, Venice, Ancona and Marseille: the rivals of Livorno

For the purpose of this research, in this part of the chapter, it is important to underline the importance of the free port of Livorno on the streaming of the institution. With this goal in mind, the first example that comes out is the Genoese one. It is reported that Genoese officials followed the rise of Livorno with a mixture of envy and apprehension. Their *Casa di San Giorgio*, which has been considered as the Genoese most important institution, had the duty to supervise the revenue collection and to administrate the public debt and from 1655, they started to receive a stream of reports detailing the workings of Livorno's free port and outlining projects to fix Genoa's own system of tax-exempt warehouses. In a famous memorandum of 1655, the author had analysed the effectiveness of Livorno's Customs Office as an institution, the ease of transacting and transshipping wares in the free port, and the commercial connections of its foreign merchants.

Beyond the Genoese example, Livorno's influence was felt most strongly on the Italian scene, which was a region of intense maritime competition and a lush profusion of free ports. The spread of free ports has often been lamented as both cause and consequence of northern Italy's economic decline. Without doubts, most free ports were responses not only to opportunities in the commercial landscape, but also to a competitive situation in which ports had little option but to follow suit when a nearby rival lowered duties or welcomed foreigners. But the network of free ports did not merely serve the interests of hegemonies such as England, France, and the Dutch Republic. It benefited Italy, too, by fostering commercial integration and generating revenue from commercial services. Above all, it kept Italy connected to the currents of international trade during a profound phase of economic restructuring. It is obvious to note that Livorno played a privileged role in early modern discussions about free ports. According to the historians, the city was "born of commerce" and was famous for its regime of toleration, flourishing foreign communities, pervasive liberties and, after 1676, as explained in the previous paragraph, procedural simplicity.⁶⁷ Officials of other Italian governments studied in

⁶⁷ G. D. Peri, "Il negoziante", (1707), vol. 3, p. 141.

detail the port of Livorno as they sought to implement their own policies. So, through its port of Livorno, Tuscany was a source of creativity for all Europe.

With all this details in mind, historians tried to identify the phases of the geographic diffusion of the free port and they have been able to identify four of them. The first one, called the Tyrrhenian period, saw the success of the institution in Livorno and the following attempt made by Genoa and other neighbouring localities to imitate the Tuscan success and to implement their own free port policies. The period began in 1590 and lasted until 1650. There followed an expansionary phase, from 1650 to 1740, when free ports appeared throughout Western Europe and especially in the Italian peninsula: Trieste, Ancona, Messina, Marseilles, Nice, Tangiers, Dunkirk and Hamburg. Thereafter, free ports gradually fell out of fashion in Europe, but by the mid-eighteenth-century colonial powers were creating an incredible number of them in the Caribbean Sea, including in Martinique, Guadeloupe, Tobago, Jamaica, and Saint-Domingue. In the last phase of the expansion of the phenomenon, they spread to East Asia and North America. So, to sum up these lines, free ports were first an Italian, then a Western European, later an Atlantic, and ultimately a global phenomenon.⁶⁸ Like every process of emulation, the spread of the free port involved experimentation, hesitation and, of course, the various attempts around the world differed widely in legislative intent and institutional structure.

As written at the beginning of this section, Genoa was one of the principal competitors of Livorno. The other were Venice, Ancona and Marseille. Genoa and Venice were the capital cities of sovereign states and heirs of a glorious maritime past. On the other hand, Ancona and Marseille were both provincial ports, although the Papacy had more freedom of action in the former than the French king had in the latter. All the cited four ports grew more tolerant of foreign merchants in their midst, and all except Marseille also relaxed customs restrictions. According to professor Tazzara, it is possible that Livorno's rivals would have implemented a more liberal customs regime even in the absence of pressure from the Tuscan port.⁶⁹ The old city-states of the Middle Ages had flourished amid navigation laws and customs restrictions. The larger commercial environment of the seventeenth and eighteenth centuries made for more intense maritime competition in the Mediterranean, especially in regions dense with coastline and fragmented in political authority.⁷⁰

⁶⁸ R. J. McCalla, "The geographical spread of free zones associated with ports", (1990), *Geoforum*, p. 14.

⁶⁹ C. Tazzara, "The free port of Livorno...", p. 235.

⁷⁰ P. de Divitiis, "Porti italiani nel seicento e traffici mediterranei", (1996), *La popolazione italiana nel Seicento*, pp. 357-385.

According to the historians, Genoa tinkered incessantly with the free port policy. Temporary measures for fighting bad harvests in the early 1590s were rolled into a limited free port in 1595, which offered safe-conduct for anyone who brought ships laden with grain. In 1609, a regulation opened Genoa up to ships bearing merchandise from beyond Liguria to the west or the Tiber to the south, with the aim of excluding Livorno. Goods could be trans-boarded from one ship to another and only paid one percent of their value on re-export. Over the course of the seventeenth century, several other laws made it easier to move foreign goods through the port, and navigation restrictions against trade with Livorno were eliminated in 1670. However, the process culminated in 1708 with an effort at full liberalization on the Livorno model: when tax receipts dropped preciously, Genoa returned to a somewhat more restrictive pattern. Genoese experimentation with the free port was bedevilled by competing policy goals. The aristocratic republic sought to make Genoa a crossroads of Mediterranean commerce, a centre of industry, a well-provisioned capital city, and a headquarters for a renewed merchant marine.⁷¹ In addition, it is reported that Genoa was more resistant to foreign merchants even if some foreign communities did expand. For instance, the Netherlandish community got its own consul, and there were perhaps four Dutch commercial houses in Genoa by the 1620s and 1630s.

If Genoa's path toward the free port was marked by frequent, obsessively detailed legislation, by contrast, Venice adopted an ad hoc approach because it was difficult to secure legislative consensus for radical departures in tax policy. Successive regulations contained the outright lowering of duties, often for specific goods, and a relaxation of the navigation laws that had been a linchpin of the Venetian system since the Middle Ages. For example, during the sixteenth century duties on silk goods were gradually lightened because of concerns about maintaining the city's industrial position. In 1626, the Venetians lowered import duties on goods arriving from the *Ponente*, i.e., through the commerce with the Dutch and the English. In 1646, the Senate granted equality to all Christians in Venice to participate in the Levant trade. The declaration of becoming a free port in 1662 suppressed entry duties for goods arriving by sea. Another free port declaration, this time extending to exports as well as imports, was issued in 1736. In reality, these were just legislative milestones: customs duties on a whole panel of goods declined throughout the sixteenth and the seventeenth centuries. By acting in that way, Venice manipulated tariff levels rather than warehousing and transit incentives, as Livorno or Genoa, but the final outcome has been considered to be similar. The competition to attract

⁷¹ C. Costantini, "La repubblica di Genova", (1988), *UTET Università*, pp. 323-334.

commerce to the wealthy, fragmented, harbour-rich Italian peninsula led to lower duties and milder navigation laws. During the Middle Ages and most of the Renaissance, foreign merchants occupied a marginal or controlled position in the leading mercantile cities of northern Italy. In this sense, this control is best exemplified by the *fondaco*: a building used for housing foreign merchants and their wares, but also for monitoring them. The loss of the carrying trade and Venice's transformation from an international emporium to a regional port created a new scope for foreign merchants to operate within the city itself. Throughout the first half of the seventeenth century, some thirty Dutch merchants were active in Venice at any one time together with the English and the Germans. In short, foreign merchants found Venice a more hospitable marketplace after 1550 or so, although the legal regime that regulated their presence was ad hoc and at times incoherent.

As far as the papacy's port of Ancona is concerned, it was one of the *Serenissima's* fiercest enemies during the eighteenth century. Ancona had already experienced a golden age during the sixteenth century, but it petered out during the end of it due to maritime insecurity, Jews persecution and competition of Venice and Livorno. The city's commerce declined, but the memory of its glory remained. On this concern, the awakening of papal political economy in the 1720s created an opportunity for local merchants in Ancona to advocate for a free port.⁷² Historians have divided about the measures adopted in the city: on the one hand, opponents argued that Ancona scarcely ever compete with Livorno, which owed its success to geopolitics rather than to policy whereas, on the other hand, proponents drew upon historical analysis and mercantile calculations to demonstrate that Livorno's privileges were in fact the key to its commerce. In any case, the latter proposed the most convincing opinion and so, the papacy endowed Ancona with the essential attributes of a free port: open entry for captains or merchants of any nation and the customs-free sale, storage, or re-export of their wares. Moreover, stallage duties were eliminated in favour of an anchorage tax that varied by tonnage and provenance.⁷³ Ancona had been famous during the sixteenth century for its Ottoman connections. Although its population of Jews had dwindled during the seventeenth century, a number of them still resided there in 1710 to carry on relations with the ports of the Eastern Mediterranean. The community of foreigners grew more diverse after the edict of 1732 made it a free port. The most important new arrivals were the English, who saw Ancona as a good alternative if Livorno became clogged with difficulties after the demise of the Medici dynasty.

⁷² A. Caracciolo, "Il dibattito sui porti franchi nel Settecento. Genesi della franchigia di Ancona", (1963), *Rivista storica Italiana*, p. 540.

⁷³ P. Earle, "The commercial development of Ancona 1479-1551", (1969), *The economic history review*, p. 42.

In theory, merchants who settled in the city with their families benefited from a ten-year exemption from property taxes and other incentives. On the contrary, in practice locals used their access to public officials to dominate the city's traffic: for instance, Anconitans, found it easier than foreigners to obtain licenses for exporting agricultural produce. The foreigners who settled there tended themselves to be big operators but Ancona never developed the deep pool of medium-scale foreign merchants that Livorno and Venice had.

As far as the port of Marseille is concerned, it appears at first blush to have been a case apart. Unlike its Italian cousins, it hosted an active trade in which French ships transported merchandise on behalf of French merchants. Its free port, promulgated by Colbert in 1669, was also more restrictive. According to the historians, this disguised navigation act discouraged foreign shipping and was aimed to enhance growth in Marseille at the expense of neighbouring ports, principally Genoa and Livorno.⁷⁴ A prohibitive duty of twenty percent was levied on goods coming from the Levant on non-French ships, or even on French ships hailing from ports in Italy or Spain. Despite these restrictions, trade with Livorno remained an important segment. Accordingly, in 1688 the tax exemptions were extended to ships that embarked goods in the Ottoman Empire and nonetheless stopped in Italy to unload part of their cargo. Thus adjusted, the twenty-percent duty was effective at excluding foreign shipping, judging by the modest amount of revenue generated by that tax-except during periods of war, when the Marseillais relied on neutral shipping. Still, the 1669 edict affirmed Marseille's status as a free port in number of senses. Foreign merchants were welcome to settle and do business in the port. In practice, the municipality discriminated against Mediterranean competitors such as Jews, Armenians, and Italians. Of course, this did not mean the city lacked its cosmopolitan aspect: in fact, it was reported that: "The quay of the port...is continually covered with all manner of figures of all nations and both sexes, Europeans, Greeks, Armenians, Blacks, Levantines".⁷⁵ These were considered to be temporary visitors, found near the docks rather than in the new city where the *gens de condition* resided. Marseille was more welcoming to northern European merchants, who did not compete with its monopoly with the Levant, as well as to other French merchants and Protestants-though not to French Protestants, after the Edict of Nantes was revoked in 1685. So, Marseille resembled the Venetian emporium of the Middle Ages, trading directly with the East while permitting northerners to settle in the midst. There was something of the free port in Marseille's treatment of goods after 1669, too. Wares carried about French

⁷⁴ L. Dermigny, "Escalaes, échelles et ports francs", (1974), *Presses universitaires de France*, p. 556.

⁷⁵ C. de Brosses, "Lettres familières écrites d'Italie", (1869), pp. 30-31.

ships coming from the Levant enjoyed low, simplified customs duties. In his edict, Colbert abolished many of the old medieval taxes. And while his dream of eliminating trade taxes was a failure, because of the fact that the central government imposed several new duties during the eighteenth century, their mode of exaction became more equitable throughout the period. In addition, the municipality fought hard to keep the welter of tax farms outside the city walls. According to the historians, Marseille had been considered a sort of exclave from France whose status periodically aggravated relations with Versailles when reformers sought to impose more unified policies on the kingdom.⁷⁶ In any case, local regulations were by no means simple: one official remarked in 1765 that foreign merchants found themselves lost in a labyrinth from which they could not escape without having to pay some kind of duty. Of course, this has been considered a bit of an exaggeration. Despite substantial differences in customs regime, Marseille inhabited the same competitive environment as Livorno and Genoa, and it employed some of the same methods to attract commerce.

After having introduced the main competitors of the free port of Livorno, it is important to note that in the early seventeenth century the Tuscan city had dramatic customs lead over other ports. For instance, in 1628 it costed between thirty and forty pieces of eight for the English to ship a bale of silk to Vicenza through Venice, but only ten pieces to ship the same bale overland via Livorno. Such a commanding lead in tariff rates did not last, at least not for maritime traffic because as far as the overland transit dues were concerned, they were more variable. In this sense, total tax assessments in the principal ports of northern Italy were roughly the same by early eighteenth century (between five and ten percent for most goods).

However, the consolidation of the system of free ports in Europe was part of the creation of a new kind of marketplace. Even though not every port was equally hospitable, access to the market depended less than ever before on the social qualities of an individual or group. In addition, the reduction in tariff levels and the simplification of tariff rules implied a decline in the social oversight of the marketplace. Livorno was considered to be at the epicentre of these changes, but it was part of a broader disembedding of market structures throughout the central Mediterranean, with important consequences for commercial organization. So, in this world on the one hand armed commerce offered few advantages and had little success whereas on the other hand, traditional trading networks remained more competitive than bureaucratic companies in the Italian sphere. The disembedding of the marketplace should not be confused

⁷⁶ C. Tazzara, "The free port of Livorno...", p.239.

with the de-socialization of trade itself. The spread of free ports did not promote impersonal exchange, i.e., agency relations across cultural and social barriers. On the contrary, the relaxation of state control over trade had the effect of strengthening ethno-religious networks, whether in the familial diasporic form represented by the Sephardim, or the more hierarchical form represented by English factor relationships. The proliferation of free ports made possible the entanglement of these separate networks: for instance, in markets like Livorno, it was easy for Jewish merchants and English merchants to conduct spot transactions with one another. From the point of view of the merchants, the convergence of disparate networks was a major advantage in using a free port, multiplying the number of potential transactions far beyond the limits of one's own ethno-religious group. In short, hospitality toward goods and people not only lowered trade costs but it also increased a port's connectedness to the outside world.

2.5 The emulation of the free port institution

As reported in the title of this section, emulation was an important part in the spread of the free ports. For instance, King Charles II of England declared Tangiers a free port in 1662. However, the city proved to be too expensive to defend relative to its commercial prospects, and Tangiers was abandoned in 1684. The problem of this city has been the lack of a defined constitution laying out its privileges like Livorno and Marseille. According to the historians, the free port of Tangiers was a trap and a snare to people, rather than an encouragement and protection.⁷⁷ The true problem in this case was of creating ground-level institutions that could be identified as compatible with a state's larger fiscal system. So, it is reported that Livorno's success owed in part to the international commercial context and in part to local political structures. Thanks to its position in the Tyrrhenian and the relative neutrality of Tuscany, it was well suited to benefit from the rise of the Atlantic economies. Moreover, it also took advantage from its status of being an extraterritorial enclave with a distinct administrative apparatus. In contrast, in Ancona and Marseille the presence of ancient institutions limited royal intervention; on the other hand, Genoa and Venice were capital cities whose rulers had to manage subject territory, control regional exchange and tax local consumption.

Of course, geopolitics is only a part of the entire discourse around those cities. In fact, an important role has been played by the local institutions which mediated liberty in the marketplace. As far as the case of Livorno is concerned, there were at least three arrangements that made the Tuscan city an effective free port: the nature of its Customs Office as an

⁷⁷ H. Sheeres, "A discourse touching Tanger in a letter to a person of quality", (1710), *Early English books*, pp. 46-47.

organization, the method of levying taxes and, lastly, the geographical extent of the free port. These resulted to be useful factors for reducing the transactions costs inherent in navigating the local market or in taxing commerce. However, according to the historians, all these measures have been difficult to emulate.⁷⁸ To be more precise, Livorno's Customs Office was a unified and autonomous body, and apart from the contentious period of the General Tax Farm, it was not farmed out to contractors. The Customs offices elsewhere were stricter, more fragmented, and more entangled in extra-commercial considerations. The taxes in Genoa, Venice, and Marseille were usually farmed, and farmers had more powerful incentives to insist on the letter of the law than bureaucrats. For instance, in Genoa the Casa di San Giorgio sold the revenue streams associated with the free port as five-year tax farms to private consortia. Another example is the one of Venice: four different taxes were assessed by different bodies managing foreign trade, and additional organizations were responsible for taxing local consumption.

A second big difference between the free ports is the way of exaction. The Tuscan port has always been taxed by parcel rather than value of goods. In fact, as noted by Filippo Sasseti in 1577, this made assessments easy, particularly for the officials that were disinclined to make inspections of merchants' goods. Another point to remember is the fact that, in 1676, Grand Duke Cosimo III eliminated import and export duties in Livorno while charging only for stallage and anchorage. Substantially, this measure was useful to simplify the customs regime. In contrast, Genoa, Venice and Marseille used a system based on *ad valorem* taxation, which, involved according to the historians time-consuming and error-prone appraisals of merchandise.⁷⁹ This also made it less profitable for the merchants to prepare the largest possible parcels, as happened, for instance, in Livorno. Even more important is the fact that older ports did not use the simple stallage/anchorage tax model. They continued to charge import and export duties with the reduction of the rates depending on the provenance or destination of a good.

The third consideration that can be made, regards the geographical size of the free port. As written previously, the free port of Livorno was considered the whole city. Goods were free to move, and merchants were free to do business, within the borders of the town with minimal supervision by the officials. So, merchants were able to store their merchandise in private warehouses, which they could access without having to consult with customs officials. In order

⁷⁸ C. Tazzara, "The free port of Livorno...", pp. 240-241.

⁷⁹ G. Giaccherio, "Origini e sviluppi del porto franco genovese: 11 Agosto 1590-9 Ottobre 1778", (1972), *Sagep*, pp. 155-159.

to prove this sentence, there is a comment made by an anonymous Genoese commentator who declared that in Livorno there were few ministers in the customs house and the merchants did not store any wares there: every merchant kept them along with their keys in their own houses or warehouses. Historians have spoken about the emulation for this aspect because Ancona and Marseille extended their free ports to the entire city, even though Marseille had to fight strenuously to maintain the royal tax farms beyond the city walls. In contrast, as far as Genoa is concerned, the free port described a set of bonded warehouses cordoned off from the rest of the city. This warehouse zone was only open during business hours and remained under the supervision of a local authority, who regulated access and monitored the guards. The same was for Venice because the free port pertained to the warehouses associated with the customs office rather than with the city as a whole. In other words, Venice and Genoa were not free ports, they *had* free ports. On this concern, Lewes Roberts believed that a port's commerce depended less on its geographic situation than on the "libertie and freedome of the place and traders thereinto". Moreover, he criticized Venice and Genoa for failing to imitate Livorno's example by declaring, "would their greedy covetousnesse permit them, and suffer merchants to bring their goods thither upon small charges"⁸⁰. It is important to note that officials in the other free port cities were well conscious of Livorno's advantages but despite the discussions and much legislation, they also knew that their institutions were difficult to change. For example, Venice and Genoa were large capital cities whose consumption taxes constituted a significant portion of public revenue. In these realities, state finances depended on the rigorous separation between international commerce and the local retail trade. So consequently, it was unthinkable to extend the free port to the entire city or to orient its commerce exclusively toward the deposit and transit trade.

According to the historians the achievements of Florentine capitalism continued to pay dividends also in the eighteenth century, giving the port of Livorno advantages that rivals could not match even by imitating its policies. In this sense, the most important factors shaping the ultimate success of a free port were infrastructural equipment, network externalities, access to capital and the productivity of the hinterland. That is the reason why the main rivals during the history of Livorno as a free port were Marseille and Genoa rather than Nice and Civitavecchia. In a place like north-central Italy the hinterland itself not a stable reality and so competition over maritime traffic also entailed the capture of a larger part of the hinterland trade, since land and sea were interconnected. This is the reason why the convergence of tariff levels promoted

⁸⁰ L. Roberts, "The merchants mappe of commerce", (1677), pp. 72-73.

economic integration among port cities and perhaps to the hinterland as well. Of course, the competition among the ports did not stop with maritime tariffs. As duties by converged, regimes became increasingly solicitous of reducing overland transit duties. By the early eighteenth century, Italian states sought to improve the roads radiating from their ports, especially those that led into Lombardy and the German lands beyond. For instance, as the market became more competitive, cities like Milan enjoyed options in procuring raw materials: Genoa and Venice were Milan's principal suppliers during the Middle Ages, to which Livorno was added in the late sixteenth century. Of course, every port was specialized in the marketization of their regional goods: in fact, the port of Ancona has been indicated as the best solution for the movement of grain.

In order to sum up the reasoning entailed in this section the spread of the free port recalls earlier patterns of institutional emulation in Italy. The adoption of this system contained a similar process of imitation, nourished not only by shared circumstances, but also by incessant communication: structural similarities and connectedness each had its part to play. In this sense, Italian officials were observers of their neighbours' institutions, of which they were kept informed by consuls, merchants, travellers, and immigrants. If, then, they did not implement identical free ports, it was because, as explained before, local context conditioned their choices. So, existing institutions and traditions, larger fiscal regimes, and other exigences of governance meant that few Italian ports were capable of copying Livorno's policies.

3. The path of the free ports towards the Special Economic Zones

In the first chapter of this research, i.e., in the section entitled “Free ports: a worldwide phenomenon”, there has been the analysis of the free port system and how it has been used in modern Europe. Throughout the reasoning, the English, the German and the French examples of system of free ports have been analysed and the first thing that came out from the observation of the cited case studies is the fact that the free port institution has been used very differently and with different goals in mind. One of the most studied is the English example, which, according to the historians, has been defined as an attempt for ruining the rival Dutch trade economically and shackle Spanish and French colonists to British’s mercantile, manufacturing and slaving economies. Moreover, the concept of *imperium via emporium* has been attached by the scholars of the phenomenon in order to summarize what was considered one fundamental aim that push United Kingdom to utilize the free port. The establishment of free ports in key colonies of the West Indies like Singapore, Hong Kong, Gibraltar, Malacca, Macao and Djibouti has been defined as the most important alternative to the expensive and violent conflict and the fact that has to be kept in mind is that even if Great Britain won the Seven Years War, its economy has been ruined by its military spending.

It is important to remember that this research has as its focal point the comparison between the Early Modern free ports, with Livorno that has been considered the most relevant case of study and the Special Economic Zones of the contemporary history that will be analysed in details in the following chapter. As explained in the introduction of this research, the former can be considered as the point of departure of the latter because in some way they can be identified one the evolution of the other. In this sense, Livorno has been considered by the scholars of this topic as the first example of a free port in modern history whereas the city of Shenzhen and the province of Guangdong are considered the most relevant examples of Special Economic Zones in the contemporary China. However, as a consequence of this statement, an historical period is almost absent from the previous chapters: the eighteenth century and the nineteenth one. During this period the free port made its appearance in both sides of the Atlantic and became a pervasive political, economic and intellectual aspect for concepts like reform and independence.

As written in the previous chapter, the first and most relevant example of a free port has been the one of Livorno. From the Tuscan model, the free port spread throughout the Mediterranean with various experiments and, certainly, with different levels of success before also reaching the Caribbean and the Atlantic coasts of France and the North Sea. During the eighteenth century, they became the subject of an intellectual debate in order also to provide a general and

abstract definition of the phenomenon and to evaluate their impact in the economy of a nation. Two different visions have emerged from this first analysis: on the one hand, as far as the Anglo-Saxon context is concerned, free ports, despite being used only in the colonies, had been considered by Adam Smith to be a useful step towards the establishment of a regime of free trade, whereas, on the other hand, in French and Italian context the free port has been criticized as detrimental to the development of domestic manufacturing. It is also important to note how free ports have been criticized also during the French Revolution: since they were representing a sense of privilege, and so the opposite of the principles of uniformity and equality that were at the basis of the revolutionary thoughts, free ports have been abolished in 1789 all over France. In addition, the French case influenced Italy during the Napoleonic period and among the Italian ports there was the sensation of being threatened by the moves of Bonaparte. Historians have reported that the intentions of the French emperor were to reject any request coming from the merchant class, which, obviously, wanted the restoration of tax exemptions (the case of Marseille is emblematic). However, following the failure of the Amiens peace treaty, and after establishing the Continental Blockade, Napoleon began to design a system of limited free ports based on the Genoese example, which consisted in the fact that the exemptions were not granted to the entire city but only to some areas of the port. The aim of such a project was to connect the Mediterranean to the Atlantic and with this purpose in mind, the first city that has been declared a free port was the city of Venice in 1806. The issue with this vision is that it never completely realised, but it made possible a new attention to the free port seen both as the engine of economic and financial growth and both as an instrument of international relations especially thanks to the contribution given by intellectuals like Simonde de Sismondi and Melchiorre Gioia.

3.1 The plan of Napoleon Bonaparte: the Continental Blockade

As written before, the debates and experiments on free ports developed into the eighteenth and nineteenth century especially in the Iberian world placing both Spain and its former American colonies in a debate, which will be analysed deeply in the next pages, in which the Mediterranean world was still the main actor. During this period, the influence of the Napoleonic experience was strong in all the attempts that have been made in the Mediterranean but also in the policy making of the Latin American republics and the projects imagined by the French emperor inspired a genuine revival of the institution of the free port. In this sense, the view of the Napoleonic age had accentuated the economic features of free ports, preferring free zones limited to port areas rather than ones extended over the whole city. As a result of this

way of thinking, there is the *ancien régime* notion of free ports that identified those areas as places of civil liberty and religious tolerance. So, free ports began to be conceived as international centres of commerce and finance characterised by an efficient administration that made it possible not only to maximise profits but also to engage in trade in total safety, keeping even the threat of epidemics under control. In few words, the Napoleonic period has been an important filter for understanding the renewal of the nineteenth and twentieth century functions and characteristics of free ports and their successive survival in the form of Special Economic Zones that will be investigated in details in the following chapter of this research.⁸¹

In any case, as written in the previous pages of this research, this was a peculiar moment in Modern Europe: it is important to remember that during the first years of the 1810s, Napoleon had invited the cities of Madrid, Florence and Naples to close their ports with the aim of blocking the English trade. The French emperor decided to proceed with this closure after the failure of the peace of Amiens (1802) when it was clear that there was no possibility of pursuing a politics of mediation with England.⁸² According to Napoleon's view, the 1806 Continental Blockade had to be considered as a measure with the aim of extending the duties applied in the revolutionary France to all Europe. The historians reported that this could be considered, from the institutional, political and economic point of view, the first measure for establishing a European continental system under the control of Napoleon.⁸³ However, as far as the moves made by the French emperor is concerned, there is another choice that have to be remember. During his reign, Napoleon have always refused to restore in the city of Marseille the free port institution. In this sense, the city had lost the status of being a free port in 1794 and it never came back even if there have been made many petitions by the elites that wanted back that status.⁸⁴ The particularity in this story is the fact that in 1806, the French emperor decided to establish, in the Island of San Giorgio (Venice), an institution similar to the free port and, in the meanwhile, decided to maintain the free ports of Ancona and Genoa. So, the choices made by Napoleon seemed at the eyes of the historians far from the ideologic positions of the revolutionary France.⁸⁵

However, as it can be understood from what has been written so far, the focus of this part of the research is on the choices made by Napoleon. According to his way of thinking, in 1815, after

⁸¹ *Idem*, p. 21.

⁸² L. M. Migliorini, "Napoleone", (2001), *Salerno editrice*, p. 225.

⁸³ *Idem*, pp. 252-254.

⁸⁴ A. Iodice, "L'istituzione del porto franco in un Mediterraneo senza frontiere", (2016), *Politics: Rivista di studi politici*, pp. 19-33.

⁸⁵ G. Delogu, "Informazione e comunicazione...", p. 997.

having refused for the last time the requests made in Marseille, he affirmed that the model that has to be adopted was the one of an *entrepôt*, i.e., only a specific area of the city was interested by the phenomenon. Of course, the choices made by the French Emperor were part of a bigger plan whose aim was to try to control economically and politically the seas on a global scale. Certainly, after having received news about this decision, on the one hand, Great Britain decided to occupy Sicily and Cape of Good Hope, whereas on the other hand, Russia decided to occupy the Bay of Kator.⁸⁶ In order to build a system that could work in a proper manner the statistics related to the geography of all the nations resulted to be fundamental. So, the job made in 1806 by Charles-Francois Beautemps-Beaupré in the geographic recognition of the costs and the ports has gained a lot of importance for the Napoleonic system. In addition, all these data have been identified as useful instruments in the global challenge against England.⁸⁷ One year later, with the publication of a Code in 1807, the model of the pure free port like the one in Marseille was eliminated while, as written before, there has been the preference for models like the *entrepôt* of Genoa. This second type of ports was thought to create a link all around the Mediterranean Sea, but particular attention was paid also the Caribbean. The new type of ports thought by the French emperor had two principal aims in mind: the first one consisted in the idea of restoring the commerce of the Adriatic Sea whereas the second one, and probably the most important one, consisted in the desire of a commercial and political equilibrium with a projection towards the Atlantic.⁸⁸ According to what were the thoughts by Napoleon, all these laws and decisions have to result in an uniform territory, united with the same laws and institutions, with free seas under the French rule. The issue in this situation is to understand the destiny of the free port of Livorno. At the beginning of the Napoleonic period, the Tuscan city, which until 1808 have enjoyed a sort of neutrality under the reign of Maria Luisa of Spain, had grown economically thanks to the creation of the *entrepôts* in all Europe. In reality, it was probably the city that suffered the most from the naval blockade imposed by the French emperor.⁸⁹

To conclude this section, it is important to underline that the Napoleonic dream of a system of linked ports did not became true because of the failure of the blockade, the continuous situation of conflict against England and lastly there has been the fall of the emperor in 1815. However, even if there have been all these events linked with the concept of free ports and *entrepôts*, the

⁸⁶ *Idem*, p. 998.

⁸⁷ N. Starbuck, "Baudin, Napoleon and the exploration of Australia", (2013), *Routledge*, p. 77.

⁸⁸ G. Delogu, "Informazione e comunicazione", p. 999.

⁸⁹ J. P. Filippini, "Il porto di Livorno e la Toscana (1676-1814)", (1998), *Edizioni scientifiche italiane*, pp. 171-175.

economist Gioia, in the fifth volume of his *Nuovo Prospetto*, underlined their positive role not only for the development of the international trade but also for the influx of foreign capital that generated an increase in the amount of work and in the revitalisation of the internal market. In addition, since the free ports were national institution, they were also useful for the control of a possible epidemy. So, according to him, they were considered to be the best solution for developing both the free international trade and both the national economies.

3.2 The answer of Great Britain to the Continental Blockade

As reported in the previous section of this chapter, the advent of the French Revolution and the emergence of Napoleon Bonaparte changed the political scenario of Europe. The Continental Blockade imagined by the French Emperor had in mind the specific aim to ruin the English economy and to stop the shipment of their goods towards all the European ports. In order to ruin the plans made by France, Great Britain had decided, especially after the Industrial Revolution, to look towards the East, the West Indies and other parts of the world.⁹⁰ Of course the British interest towards the East, especially the Straits Settlements, was already began in the eighteenth century in order to enhance their influence over the area and to improve their trade relations with China. The East India Company was in charge of trading with China and its aim was to ship luxury goods such as tea, silk and porcelain. So, to achieve its goal in the best way, Britain had the need to look of a port around the Malay Archipelago for facilitating the docking, repair and provision of its ships and to wait for the suitable monsoon wind to bring them to China or back to India.⁹¹ The issue in this situation was that the trade route through both the Straits of Malacca and both the Straits of Sunda was occupied by the Dutch. It is straightforward to note that the requirement for a port in the Straits of Malacca or in the nearby, had several aims in mind: on the one hand, there was the need to protect the trade route to China whereas on the other hand, the port had also to play the role of being the transshipment centre for the goods coming from the Malay Archipelago directed towards China and the military base useful to fight Dutch and French influence. The last reason that pushed England to search for a port was the fact that there was the need to balance the trade with China which was not in favour of England. In fact, China did not want to exchange their goods with woollen which was Great Britain's main export item but they were more willing to accept silver bullion and the products coming from the Straits, i.e., tin and pepper.

⁹⁰ S. S. Raja, "Policy of free trade and free ports in the Straits Settlements in the late eighteenth and early nineteenth century", (2000), *Journal Sejarah*, pp. 119-140, p. 119.

⁹¹ P. P. Courtenay, "A geography of trade and development in Malaya", (1972), *Bell*, pp. 63-64.

The above cited need to balance the trade resulted to be the prime factor for the usage by England of the free trade and the free port strategies. The meaning of the two strategies have been highlighted several times throughout this research and so it is important to understand in this specific case the factors that have pushed the British to adopt the strategies in the Straits settlements. Six factors can be identified and they can be divided into local (or internal) and external factors. The local factors are: the experience of the Malay Archipelago in the trade with the outside world, the importance of the already cited tin and the role of the so defined “country traders”. On the other hand, the external factors are the end of the old colonial system in Manila and the influence of the West Indies free ports.

Starting from the local factors, the first one that has been listed regards the experience of the Malay Archipelago in the trade with the outside world. So, during the process of finding a settlement in those islands, the British took into consideration their experience because they already had trade links with the outside world before the modern age. It is reported that before the arrival of the Europeans, the Spice Islands formed a well-structured regional trade network.⁹² There were numerous important ports that functioned as free ports and trade without restrictions and beginning from the fourteenth century, five trade zones emerged in the Straits Settlements: the Bay of Bengal, the Straits of Malacca, the east coast of the Malay Peninsula and the sea of Southern Vietnam, the Sulu sea and the channel of Java. All the cited zones have been useful also for the Europeans because they did not create new trade routes and the ports that were located inside these zones like Malacca, experienced a rapid progress in trade. The positive feature linked to a port like the Malacca one, was that the freedom in trade enabled the ports to attract traders from East and West and functioned as a political, economic and social centre. So, thanks to the existence of an already well-established trading network in the Malay Archipelago and together with the elements of the free trade and the free port, the British resulted to be encouraged to develop Free Ports in the Archipelago in the late eighteenth and early nineteenth century. In fact, the emergence of Penang and Singapore as free ports was a consequence of the factors cited above.

As far as the importance of the Malay Archipelago tin is concerned, it is reported that in order to gather the goods of the Malay Archipelago, the British started to pioneer a liberal free trade policy in order to attract local traders from these ports to their own ports. As explained before, the products of the Archipelago, especially tin, had the aim to balance the trade with China.⁹³

⁹² J. Villiers, “The southeast Asian port and polity, rise and demise”, (1990), *Singapore University Press*, p. 83.

⁹³ J. Crawford, “History of the Indian archipelago”, (1820), *Cambridge University Press*, pp. 347-432.

This statement has been confirmed by a country trader, i.e., James Scott, who affirmed how the fourth-fifths of the tin exported in 1799 went to China.⁹⁴ Moreover, the need to gather tin became even more important when the Dutch tried to sign monopoly treaties with the Malay rulers. So, the occupation of Penang has been fundamental for helping to balance the trade with China otherwise there would have been a total Dutch hegemony in the area. It is important to highlight that the rapid growth of trade in tin and in other products of the Malay Archipelago became more significant at the end of the eighteenth and early nineteenth centuries and with the practice of Free Trade, the British managed to bind all the Malay states under their authority. Another push to the need to collect all these products came from the end of the East India company's monopoly with India in 1813. In this specific case, private traders started to extend their trade and, thanks to this, there has been the foundation of Singapore in 1819 which became the regional meeting place of private traders for collecting the products of Malay Archipelago for further transshipment to China. To sum up, the policy of free trade and the development of free ports in the Malay Archipelago attracted local traders with the local products for the port of Penang and Singapore. It also managed to gather products, like tin, with the final aim of balancing the trade with China. In fact, from the total amount of it which was exported from Cornwall to Canton, almost half originated from British colonies.⁹⁵

As listed before, the development of free trade and the free ports was influenced by the country traders. As written in the first chapter of this research, England was involved in the Seven Years War (1756-1763) and its trade, during that period, was performed by country traders.⁹⁶ These group of people had the important role in promoting trade relations with the Malay States and the policy of the East India Company of that time was to have trade agreements with the local rulers in order to establish trading posts at the main routes and to avoid the occupation of territories and political responsibility.⁹⁷ Famous characters in this story have been James Scott, Francis Light and Thomas Forrest, who successfully implemented the political objective of the British government. In fact, it is reported that they managed to have cordial relationships with the Malay rulers also because only through such relationships the supply of the products, like the tin that have been mentioned before, was assured. Historians have noticed that, from the

⁹⁴ K. G. Tregonning, "The British in Malaya, the first forty years 1786-1826", (1965), *Association for Asian Studies*, p. 39.

⁹⁵ H. R. C. Wright, "East India economic problems of the age of Cornwallis and Raffles", (1961), *Cambridge University Press*, p. 334.

⁹⁶ D. K. Bassett, "British country trader and sea captain in south east Asia in the seventeenth and eighteenth century", (1961), *Cambridge University Press*, pp. 9-14.

⁹⁷ V. T. Harlow, "The founding of the second British empire, 1763-1793", (1964), *Longmans*, p.74.

middle of the 1760s, there has been an increase in the activity of the country traders: in the first half, not more than 10 English private traders stopped at Malacca every year whereas after 1769, the number increased to 26.⁹⁸ Of course, among the factors that contributed to this increase, there have been the implementation of the trade between the East India Company with China. In any case, one of the first important port was the one at Riau, which became the centre for the Bugis traders to gather trade from all the ports of the Malay Archipelago. In this city, the products that were traded, were collected by the country traders to be exchanged in China. Other important port cities on this matter have been Selangor and Terengganu. So, to sum up what explained in this little paragraph, it cannot be denied that the country traders played a vital role in the Malay Archipelago between the seventeenth and nineteenth centuries. In fact, through cordial relations cultivated with local rulers, they have been able to secure supplies from the islands for the benefit of the Chinese trade and made it easier for the implementation of the free trade and free port policies in the Straits Settlements at the end of eighteenth and early nineteenth centuries. For all these reasons, the emergence of Penang and then Singapore as free ports met the need of country traders who wanted to attract local traders and to fight the Dutch monopoly.

The first external factor that have to be explained for the emergence of the free port system in the Malay Archipelago is the end of the old colonial system in Manila. Its ability to become a successful port was the result of its trade with China and the Malay Archipelago. For example, a famous type of trade has been the Galleon one, which consisted in the fact that spices and silk from the Malay Archipelago and China, were sent to Mexico in exchange of silver from the mines of Peru. The issue, in this case, was that this type of trade profited only Spanish officials and so, to overcome this situation, there has been the emergence of the Royal Philippine Company on 1785. During this year, there has also been the opening of Manila to foreign traders and this fact interested a lot Great Britain. English traders saw this opening as the chance to upgrade the potential trade with Asia and as trading activity between India and Manila grew, the British sought to find a strategic settlement in the Malay Archipelago and in the Straits Settlements to balance trade with China. Of course, the opening of Manila started the process that brought in 1826 to the end of old Galleon system. However, the importance is not only geographical because it has been considered as the end of a whole philosophy of colonial trade and administration introduced with the emergence of nation states in Europe.⁹⁹ In addition,

⁹⁸ S. S. Raja, "Policy of free trade...", p. 125.

⁹⁹ W. E. Cheong, "The decline of Manila as the Spanish entrepot in the far east, 1785-1826: its impact on the pattern of south east Asian trade", (1971), *Routledge*, p. 151.

historians have reported that, one of the characters cited above, i.e., Francis Light, decided to occupy Penang and then to develop it as a free port under the influence of what was happening in Manila.

The remaining external factor that influenced the establishment of the free port in the Straits Settlements have been the development of the same institutions in the West Indies. In this area, there have been the presence of free ports only after the beginning of the Free Port Act (which has been already explained in the first chapter of this research). Through this policy, small ships from neighbouring states were allowed to trade in various British West-Indies ports with the priority of exporting their respective items. It is straightforward to note that the free ports had the features of the mercantilist system but the decision to allow foreign ship at ports of the British empire was a new development which could only have occurred under the Free Port Act. Such a change was necessary because English colonies were situated near territories which were under the authority of Spain, the Netherlands and France and, so, were exposed to threats. In addition, it is reported that during the first fifty years of the introduction of the Free Port Act, the trade of the West Indies increased and became so prosperous to push Thomas Irving, inspector general of North America, to suggest to the Board of Trade the idea of opening even more free ports.¹⁰⁰

In order to conclude this long section on the measures adopted by Great Britain to overcome the Continental Blockade imposed by Napoleon, it has been explained how through the policy of free trade and free ports adopted in the Malay Archipelago, the British succeeded in integrating the Malay Archipelago into its industrial economy which was developing rapidly and so it can be said that the usage of the policy of free trade and free ports gave British unique opportunities to develop trade without territorial possession in the late eighteenth and early nineteenth century. It is also important to note that these moves profited also the trade with China, which, also thanks to this type of trade, started to improve its role and its potential status in the world economy. However, this is another story that will be explained better in the next pages.

¹⁰⁰ V. Harlow and F. Madden, "British colonial developments 1774-1834", (1953), *Oxford Clarendon Press*, pp. 321-324.

3.3 Veracruz and its journey to become a free port

As written in the first lines of this third chapter, the focal point is to understand how the free port has spread in the Iberian world during the nineteenth century. Even as far as the following case study is concerned, the starting point of this section is a specific date. In 1818, in Veracruz, which is nowadays one of the most important cities in Mexico, a debate on the utility of the free ports and, more in general, on free trade took place. According to the opponents to the project of creating a free port in the Mexican city, it has been seen as a process of contagion that had spread from the European countries into Mexico and the Spanish empire. It is important to remember that the case of Veracruz was part of a bigger project: in fact, same demands and debates came out in Havana and Cadiz. It is also reported that petitions for and against a free port started to appear from the 1810s in Cadiz and, in the Spanish empire, reflections about this topic had been circulating since the 1790s.¹⁰¹ On this sense, during the 1810s the debate had been pushed by Spanish American newspapers: for instance, the *El Peruano* one, which was printed in Lima, was quoted very often in the discussion that took place in Veracruz. So, starting from that decade, the question of free ports extended to geographical areas that had not yet been affected by the phenomenon, i.e., the already cited Iberian world but also the Black Sea.

However, in order to write about the specific case of Veracruz it is important to underline briefly some historical background. After the fall of the French emperor, Napoleon Bonaparte and the return to the throne of the legitimate Spanish sovereign, Ferdinand VII, the requests of Veracruz for greater autonomy did not stop. Indeed, the hostilities between the royalists and independents continued for almost a decade until the complete liberation of the continent, a part from Cuba. According to the historians, the conquest of Spain by Napoleon, its Continental Blockade and the contested reign of his brother Joseph had weakened Iberian ports while leaving the South American ones free to trade with England and the United States. Of course, these discourses about innovations in the economic reflection and attempts of reforms were not new to Spanish America, also because the topic of the liberalisation of the continent's trade and ports continued through the last fifteen years of the eighteenth century. The projects of Hispanic-American merchants and officials had been added to the so-called "free trade laws" promulgated in 1765, 1774, 1778 and 1789. From these laws, it came out that through the connection between Cadiz and Seville, Spain was able to control the Atlantic trade, except for the issue of the rise in smuggling.

¹⁰¹ G. Delogu, "It is like a contagion: the Spanish Atlantic debate on free ports of the eighteenth and nineteenth century", (in print), *Global Intellectual History*, pp. 1-21, p. 3.

According to Graciela Márquez, between the 1778 and 1796, colonial trade in Latin America had enjoyed what has been defined a “golden age”.¹⁰² In fact, it is reported that exports have tripled with a contemporary increase in the imports, causing even a surplus crisis with a fall of the prices and losses for internal merchants, especially in Mexico. In order to better understand the statement that not all the ports have gained the same results and success, it is important, in this specific example, to underline that while New Spain was submerged by the crisis, the merchant class in Buenos Aires had been able to extract huge profits from this situation. So, also from this reasoning and as written in the previous chapter, it comes out that even by the end of the colonial era there were different needs within the same territory to which it was impossible to deal with a unique policy or law. At the beginning the context was very peculiar and the debates were heated. On this concern, a witness from an anonymous functionary was collected in 1805 in which it was reported that, on the one hand, the reports compiled by the *consulados* were able to provide valuable information whereas, on the other hand, there was no systematic gathering of data to permit such information to be collected in the right way and then exploited in order to create plans for the development of the Spanish American ports. So, it was impossible to propose real solutions while ignoring the exact amount of external trade.¹⁰³ However, in 1811, Juan López Cancelada, who has been an author for the *Gaceta de México*, decided to give a partial answer to the lack of data in the American colonies, and in particular in New Spain. He published a text in which he provided details about the population of New Spain, about the purchasing power of the various social classes in respect of foreign goods and on manufacturing. Moreover, in his text, he underlined the economic potential of Veracruz and, conscious of the crisis during the 1790s, Cancelada believed that granting free trade to foreigners would have a catastrophic effect. This text was influenced by the ideas of Antonio Genovesi, who wrote *Lezioni di commercio* in 1765. According to him, there were doubts about the usefulness of indiscriminate free trade and of institutions like free ports, which he considered damaging to the development of agriculture and manufacturing.¹⁰⁴ In any case, the debate in the city of Veracruz remained lively. In fact, in the newly emerging international equilibrium, the Mexican city saw the quantity of its trade reduced because the traditional global transoceanic route that linked Acapulco to Veracruz through Mexico City by land was being

¹⁰² G. Márquez, “Commercial monopolies and external trade”, (2008), *The Cambridge economic history of Latin America*, pp. 409-414.

¹⁰³ E. Florescano and F. Castillo, “Controversia sobre la libertad de comercio en Nueva España, 1776-1818”, (1975), *Instituto Mexicano de Comercio Exterior*, pp. 77-78.

¹⁰⁴ A. Genovesi, “Delle lezioni di commercio o sia d’economia civile da leggersi nella cattedra Interiana”, *Appresso i fratelli Simone*, (1765), pp. 570-571.

replaced by the one controlled by the British that joined Jamaica to San Blas through Panama.¹⁰⁵ In 1817, José María Quirós, who was the secretary of the *consulado* of Veracruz, stated that he was in favour of the free trade in the Americas by proposing both that foreigners should have access to Veracruz and both that the merchants of the Mexican city had the possibility to establish direct connections with foreigners. In few words, he wanted to establish a free port like the one of Livorno. A more hidden aim that he had in mind was the fight against smuggling, which as written before, was still an important issue. So, according to his vision, the fact of liberalising trade had various goals in mind: the first one was to confront smuggling; the second was an attempt to benefit both the mother country and the American territories and lastly, the creation of the free port was considered a political measure in order to pacify New Granada by helping its agriculture and commerce.

From the analysis made until this point of the chapter, it comes out that the debate in the *consulado* was very heated but it was constrained to its borders. However, in 1817 there has been the turning point of all the story: at the end of the year, 229 traders from Veracruz sent to the viceroy of New Spain, an official request to establish a free port. The demand had an enormous impact on Spanish America also because the argument brought by the traders consisted in the opening the port to trade with foreigners in order to contrast a series of age-old problems that had been aggravated by the Napoleonic wars.¹⁰⁶ The issue was that Spain could not provide the colonies, which were under its dominion, the products they needed and in the meanwhile the same colonies were unable to produce the goods that were necessary for their internal market. So, it is reported that the reasons why the Iberian world lack of self-sufficiency was not only the result of a general decline but also of the belligerent situation in America and the European conflicts that were undergoing in that period. According to them, the only way to revive the economy and end smuggling was the creation of free ports, of course starting from Veracruz. In order to obtain the liberalisation of the port, the merchants presented their demand mainly as an economic measure: in this sense, they did not have the intention to use this instrument for political reasons nor as a prelude to a possible independence. As expressed before, it was thought as a medicine to the problems born with the so defined ‘bloody revolution in France’ and by the ‘tyrant’ French emperor, i.e., Napoleon. In reality, also a patriotic reason could be found in this request: the merchants wanted to demonstrate their loyalty to the Spanish crown and to contribute to the defence of it. Of course, the whole text was built and thought as

¹⁰⁵ M. A. Bonialian, “La América española: entre el pacífico y el atlántico: globalización mercantil y economía política, 1580-1840”, (2019), *El Colegio de México*, ch.3.

¹⁰⁶ G. Delogu, “It is like a contagion...”, p. 9.

a well-calibrated and moderate argument in which every reference that could conduct to a possible rebellion was avoided.¹⁰⁷ However, according to Pérez Y Comoto, the document presented by the 229 merchants could have a strong political effect in the Iberic-American world of 1817. In order to answer in the more rapid and direct way to the publication of this text, the response of the officials was published in Mexico City. The main aim of this answer was to prevent the spread of the dangerous ideas advocated by the Veracruz traders, and it reached Cadiz and Seville in a short time. According to the officials, the plan consisted in the opening of the port of Veracruz in a way that it could essentially be considered as a free port. This answer was built as a text which contradict point by point the arguments in favour of free trade. As far as the economic level is concerned, the response denied the fact that the previous wars had caused an increase in the imports and, as a consequence, a decline in the foreign trade. However, there has been the recognition by the author that the smuggling was considered as a plague that must be extinguished. The solution thought by the officials was not to liberalise the ports and, consequently, to facilitate the entrance of foreign traders, but rather the idea was to control the movements in a more rigid manner. In order to bring proves for their reasoning, the officials decided to put under the attention of the merchants the controversy that comes out from the free trade discourses published in *El Peruano*, a newspaper published in Lima with reformist thoughts which circulated all over Spanish America. To sum up what was inside the newspaper, in order to safeguard the interests of the mother country, the usefulness of the liberalisation of the ports was denied, by also underlining how Buenos Aires and Panama have been negative examples of places where the usage of the free port ‘had been detrimental to the state’ and ended up damaging not only ‘commerce’ but also ‘agricultural and industry’.¹⁰⁸ Another important part in the text was taken by a Swiss thinker, who has been cited several times in the text. The quoted author was Jéan Frédéric Herrenschwand, who in 1786 had published a work of political economics, in which he described the possible risks of establishing free ports. According to him, the free ports could be used only as a temporary and extremely limited measure, otherwise their effect would do nothing more than damage the country.¹⁰⁹ What the members of the *consulados* in Veracruz tried to state was that the creation of a free port, which concealed political designs under the veil of the economy, could infect not only all of New Spain but also the other side of the Atlantic because the ideas contained in the text of Pérez Y Comoto spread so widely and rapidly to become themselves like a real contagion. So,

¹⁰⁷ F. P. Y. Comoto, “Representación que en favor del libre comercio”, (1818), p. 8.

¹⁰⁸ G. Delogu, “It is like a contagion...”, p. 11.

¹⁰⁹ J. F. Herrenschwand, “De l’économie politique moderne”, (1794), p. 94.

this section is useful to understand how the sources used in the 1817-1818 controversy of Veracruz showed that the question of free ports as institutions could either favour free exchange and economic growth or damage national interests spread throughout the entire world, and, in some way, all these debates were not isolated, but linked to one another. In fact, it is reported that while in Lima, Havana, Mexico City, Veracruz and Buenos Aires there were discussions about the usefulness of the free port in the changing and delicate political landscape of the wars of independence, similar debates were undergoing in Cadiz, Lisbon, Odessa, Marseille, Venice and Naples, with mutual references and the use, within the various local discussions, of foreign examples for both negative and positive purposes.

3.4 Heated debates around the free port institution. The case of Cadiz

Since the previous section of this chapter is focussed on the debate that has involved the establishment of the free port system in Veracruz, now it is the turn to understand what happened on the other side of the Atlantic, i.e., in Cadiz. In 1717, the Spanish city had become the port of the trading monopoly between Spain and its American colonies after the difficulties experienced by the ships of oceangoing fleets to reach the port of Seville, even if the latter remained one of the most important administrative centres. Cadiz was involved firstly into the wars against revolutionary France and secondly into Spain's involvement in the Napoleonic wars. It is straightforward to note that these two issues already cited contributed to damage its maritime traffic: in fact, Cadiz resulted to found itself cut off from trade with South American ports. Furthermore, this situation had aggravated when, at the beginning of the nineteenth century, the Spanish city was hit by a terrible epidemic wave of yellow fever.

After the acknowledgment that the American independence movements did not finish with the opposition of the French and the creation of governing bodies loyal to Ferdinand in Spanish territory, in Cadiz there has been the beginning of the reflection by merchant bourgeoisie on the future possibilities of their port. As for every debate that has ever existed, there have been various points of view. At the beginning of this story, the position of the merchants that considered the best solution the re-establishment of the trading monopoly between Cadiz and the Americas was the most relevant one, even if there were many supporters for the liberalisation of the Atlantic trade. In this sense, the merchants in favour of free trade called for a complete reorganization of the relations between the motherland and its territories beyond the Atlantic: according to them, the monopoly system was not only negative from the economic point of view but it also damaged the right of people to economic freedom, with the result of

aggravating the relations between Spaniards and Creole elites and so providing argument to those who were in favour of the independence.¹¹⁰

The first official demand for Cadiz to be transformed into a free port appeared already by 1810s. The Regency Council had settled in Cadiz and proposed duty-free dispositions for specific goods like metal products, wool, silk and cotton textiles in order to fight against smuggling. The *consulado* and the Deputation of Commerce were part of the decision-making process and they both gave a positive opinion to this transformation for as long as transatlantic trade remained the monopoly of Spanish merchants. Another important date for this debate is the 1812, when a member of the Deputation of Commerce, i.e., Dámaso Joaquín de San Pelayo, defined the free port as a mean for fighting the contraband trade. His plan had both an economical and a political point perspective because he aimed at the creation of various free ports in Spain, namely on the Atlantic and Mediterranean coasts and he wanted also to preserve trade with the American colonies in order to favour the English allies in the war against Napoleon.¹¹¹ A year later, the Deputation informed the *consulado* that the outcome of the consultation carried out with the merchant class regarding possible solutions to the decline of trade with the Americas had offered as a response the establishment of free ports, starting with the already cited example of Cadiz. Beyond this example, other cities have been quoted during this debate like Venice, Marseille, Livorno, Genoa, Ancona and Trieste in order to demonstrate the numerous benefits that a state could enjoy from the usage of the free port. Even if during the debates he has never been directly cited, the merchants brought in front of the *consulado* the arguments treated by Simonde de Sismondi in *De la richesse commerciale*. According to his vision, historically free ports played a positive role in enhancing international traffic due to the influx of foreign capital, due to the increase in work and also thanks to the revitalisation of the internal market. Another important point in favour of the free port was the fact that they made it easier to control goods and people and, as a consequence, to fight infectious diseases that became a very important issue after the cited above yellow fever epidemic. So, the free port appeared to be the best solution both to revive Cadiz and its trade and both to preserve a link between the two shores of the Atlantic in the Iberian world. In addition, the position of Cadiz was particular because it was considered the main Atlantic port in Spain and the seat of loyalist political reflections on the subject of economic freedom in a very broad way: first, in the pages of the daily *El tribune del pueblo español* and then, in more comprehensive works such as those

¹¹⁰ T. Chaves, “La creación del puerto franco de Cádiz”, (2002), *Universidad de Cadiz*, pp. 6-7.

¹¹¹ G. Delogu, “It is like a contagion...”, p. 14.

written by the famous economists like Álvaro Flórez Estrada and by Román Martínez de Montános.¹¹² The return of Ferdinand to the throne did not result in the pacification of America and, at the same time, the idea that the establishment of a free port could attract international traffic back to the Iberian peninsula asserted itself more forcefully among the merchant class in Cadiz. Moreover, according to the merchant part of the population, the free port could also be used to forge a new link with the colonies that were becoming independent republics. So, it was thought to be an economic link to replace the old political dependency.

Another turning point of this story has been the presentation of an official petition to the sovereign in order to grant a franchise to the port. This presentation has been made by the Cabildo of Cadiz, with the support of the *consulado*, in March 1815. Only a few months later, this request has been renewed by the consulate, with the proposal to make Barcelona and La Coruña free ports. In order to support the discourses around the benefit of establishing a free port, in 1821, an anonymous author published a discourse, to which a member of the *consulado*, i.e., Clemente Fernández Elías, made a polemical response. According to the anonymous author, the free port was the only possible solution to smuggling, while according to the member of the *consulado* the usage of that peculiar institution would only damage internal manufacturing. In any case the issue was considered to be political more than economical because according to Rafael Ferry y Ferry, a merchant of Cadiz, the essence of the free port was identified in a set of “laws protecting religious and political tolerance” without which it appeared impossible to imagine genuine freedom, and specifically economic freedom.¹¹³ So, to conclude this paragraph, as written before, it is always important to remember that around this issue there are both witnesses in favour of the establishment of the institution and both witnesses contrary to the free port.

In any case, the ephemeral moment for the free port of Cadiz happened between 1829 and 1832 when the repression of the constitutional experience and the definitive loss of the American colonies with the exception of Cuba caused Ferdinand VII to choose a policy of strict closure that prohibited trade with the new republics until 1828. Even if the king made this decision, Cadiz remained the centre of intense political and economic debates. According to the members of the *consulado*, trade was the last resource available with which not only it was possible to build a strong connection with America but also to counteract the growing presence of Gibraltar and Lisbon, whose ports had been liberalised, in the Atlantic commerce. To be clearer, Gibraltar

¹¹² *Idem*, p. 15.

¹¹³ *Idem*, p.16.

was an English colony, which had taken the place of Cadiz in the direct traffic with the former colonies and, moreover, had become the distribution point in Spain of the American goods. At the eyes of the merchants in Cadiz, the example just provided, had been considered one of the most valid motives for establishing the free port. However, the most important turning point to this long story around the free port of Cadiz happened on 21 February 1828, when after a royal decree the mercantile relations between the Latin American republics and Spain had re-opened and the question of the free port of Cadiz was examined once again. It has been reported that the free ports were presented as the through which there was the possibility of regaining mercantile relations with the Americas. Moreover, Cadiz, thanks to the establishment of the port, would quickly become the warehouse of the trade of both worlds. A sort of renaissance was predicted for the city of Cadiz: the free port would enhance the influx of capital, the circulation and movement and life for all classes, the growth of the population and, of course, the massive arrival of coffee, sugar and other articles that would be redistributed throughout Europe. According to the vision of the merchants, all these features could be sum up in one simple sentence: misery itself would disappear from the city. However, as reported few lines before, in the repressive climate of the *Decade Ominosa*, those who put the petition forward had to pay careful attention not to be identified as subversives. So, they underlined that the free port would in no way lead to the independence of Cadiz, where “the same authorities, the same government, the same laws, the same religion, the same absolute dominion of the King, the same obedience and submission to your sovereign precepts would continue to be in force”.¹¹⁴ So, as written before, on 21 February, Cadiz was made a free port by royal decree: permission was given for “the ships of all the nations friendly with Spain to enter, exit and trade freely with goods of any kind without having to pay any entry or exit duties, other than those for health checks”¹¹⁵ Another important date for this story is the 14th March 1829 when there has been the publication by Minister Ballesteros of the *Regolamento de Puerto franco*, in which it was specified how the freedom of the port should be interpreted only in the economic sense. On the other hand, the control on the circulation of ideas remained strict: in fact, it was reported that no book, document or other prohibited form can be introduced in Cadiz. The same was for images that can offend the religion, sound morals and sovereignty.¹¹⁶ Even with the presence of these limitations, the establishment of the free port was celebrated with great enthusiasm also in the occasion of the sovereign’s wedding to Maria Cristina of the Two Sicilies. Thanks to this

¹¹⁴ *Idem*, p. 17.

¹¹⁵ *Idem*, p. 18.

¹¹⁶ Consulado, “Regolamento de Puerto Franco”, 14 March 1829, art. 28.

occasion, speeches and poems were made for Cadiz. In reality, by granting the freedom to its port, the sovereign, after more than twenty years of debate, had in mind to use this specific institution for helping Spain to renew the ties that for over three hundred years of religion, blood, friendship, customs and language have linked the Spaniards of both hemispheres.¹¹⁷

To conclude this long section about the free port of Cadiz, it has been reported that the port was born as a desperate attempt not to lose a privileged relationship with Latin America. However, after a few months its establishment, the merchant class of Cadiz began to formulate projects that looked to other markets and did not coincide with the economic and political vision of the Madrid court. In this sense, having the status of a free port could open up a lot of possibilities, including routes to other recently established free ports, such as that of Odessa: after the Treaty of Adrianople (1829), which had opened the port of the Bosphorus to all nations, Cadiz could become the Spanish entry point for products from Russia and, at the same time, the hub from where American products could be redistributed towards the Black Sea. As written before, the ephemeral moments for the free port of Cadiz happened between 1829 and 1832: on the one hand, in 1829 there has been the establishment of the free port institution whereas on the other hand, in 1832 the free port of Cadiz ceased to exist, after having been suppressed for political reasons because it has been described as a place for dangerous ideas rather than a potentially successful economic experiment. Of course, the debate on free trade and free ports in the city remained vibrant, with frequent interventions for and against in dailies like *El Globo* and *El Nacional* in the 1830s and 1840s.¹¹⁸

3.5 The role of Trieste towards the twentieth century

In any case after having explained how the concept of the free ports has spread all over the world, for the purpose of this research it is fundamental to get back to Italy. In fact, there is a city that can be used in order to understand better how, during the nineteenth century and then in the twentieth century, the concept of the port has evolved. The city of reference is Trieste, which has been central in the studies of various scholars of the subject. On this concern, one of the most famous port scholars has been Adalberto Vallega, who in 1993 tried to delineate the evolution of the port. For the purposes of his studies, he used two different temporal scales. On the one hand, there is the short-term scale approach, which refers to the most recent decades of the twentieth century. According to Vallega, this type of approach is useful for focussing above all upon present impulses, but not upon the role of cultural values and established social

¹¹⁷ Yanguas Y Soria, "Oración gratulatoria", (1828), *Universidad de Cadiz*, 7 and 14.

¹¹⁸ G. Delogu, "It is like a contagion...", p. 19.

attitudes.¹¹⁹ On the other hand, the author has used a long-term approach, in which history-based models can be useful, especially those that have as their starting point the first industrial revolution. For the purpose of his research, this type of diachronic model, based on history, has been considered useful because it analyses both the spatial process at work in the expansion and retreat of the urban waterfront, and the parallel economic and social process arising from the evolution of port-city relationships. According to his studies, during the evolution of the port various stages can be identified: the primitive city-port can be related to the mercantile stage; the expanding city-port to the paleo-industrial stage; the modern industrial city-port to the expansion phase of the neo-industrial economy; the retreat from the waterfront to the crisis of the neo-industrial and embryonic phase of the post-industrial stage and lastly, the redevelopment of the waterfront to the take-off phase of the post-industrial stage.¹²⁰

As written few lines above, for the purpose of his studies, Vallega decided to put at the centre of his analysis the port city of Trieste and its evolution, which best summarizes the features of all the stages cited before. So, as underlined before the first stage that has to be analysed is the one of the primitive city-port. The period of reference is the ancient medieval period until the 1850s, during which, according to the model thought by Vallega, there has been the implication of a high degree of functional interdependence and an intimate spatial association. During this specific stage, between the sixteenth and eighteenth century, the international division of labour developed quickly due to the new trading routes opened up by the explorers and navigators. On this concern, the first Italian cities that developed these features have been Venice, Genoa and Naples, which, according to the description made by the scholars, became more and more rich and their landscape was characterized by docks, harbours, non-residential and residential settlements in which sailors and workers used to live in the worst economic and hygienic conditions.¹²¹ However, in the meanwhile, a new type of waterfront was taking shape, and acquiring importance both strategically and physically thank to the worldwide rise of an active bourgeoisie.

After having outlined the general features of this primitive stage about the evolution of the ports, it is important to underline how the city of Trieste reflects these characteristics. So, until the beginning of the eighteenth century, it is reported that Trieste had only modest port trade

¹¹⁹ A. Vallega, "Waterfront redevelopment: a central objective for coastal management", (1993), *Cities on water*, pp. 24-31.

¹²⁰ C. Minca, "Urban waterfront evolution: the case of Trieste", (1995), *Geography Vol. 80 No. 3, Geographical Association*, pp. 225-234, p. 226.

¹²¹ A. Vallega, "The changing waterfront in coastal area management", (1992), *Angeli*.

with a few Italian regions, i.e., Puglia and Romagna. Moreover, there was no trading and ship-owning class also because for the Venice domination over the Northern Adriatic area. It is also important to remember that, during that period, Trieste was the only southern city-port of the Austrian empire and this strategic geographic position would have played a crucial role for its evolution. The point of departure for its development was associated with the mercantilist policy launched by Karl VI at the beginning of the eighteenth century. In fact, in order to compete with Venice, in 1719 it was granted a special duties and tariff system and given free trade and shipping status in the Adriatic Sea, with the goal in mind of becoming the principal outlet for the expansionist trading policy of the Austrian empire in the Mediterranean. In the decades after the decision took by Karl VI, the city built new port infrastructures and soon became to be considered as an emporium. During this initial stage, most of the functions of the port were sea-oriented and, after few years, even the architecture of the city began to be influenced so much by these new functions that, at the beginning of the nineteenth century, the city was full of workshops, warehouses and mills.¹²² Until the end of the nineteenth century, Trieste continued to have its role of bustling emporium, where a sophisticated traded transit network was established. In fact, thanks to its duty-free status, the city was able to acquire the role of being the centre for the handling and transit of goods to and from foreign countries, and, in addition, made it an attractive residence for a community of local and foreign middlemen. So, at the end of this initial stage, the waterfront landscape has been considered both the symbolic focal point of the new vocation of the city and both the spatial epicentre of the unification between urban and port functions.

The second stage for the evolution of a port is the one regarding the expansion of the city-port. This phase, which according to Vallega, began in the 1860s and lasted until the 1910s, is result of technological advances like the railway and the usage of the steamship. Features of this specific phase are the rapid industrial growth and the political and commercial expansion overseas that brought radical changes in the morphology of port areas thanks to the development of linear quays and break-bulk industries.¹²³ So, two are the most visible differences between the previous phase: the first one is that from this period on, certain ports began to acquire the gateway function of serving inland areas whereas, the second one is that, for the first time, the waterfront landscape became an industrial one full of warehouses, factories and workshops. This functional and spatial dualism of the waterfront had reflected the new distinction between

¹²² G. Roletto, "Trieste e i suoi problemi", (1952), *Borsatti editore*.

¹²³ C. Minca, "Urban waterfront evolution...", p. 227.

urban and port functions and so, according to Hoyle, an important scholar of this subject, the waterfront became the departure point from which European economic and social organisational patterns were exported worldwide.¹²⁴ As far as Trieste is concerned, it is reported that during this second phase it experienced crucial development as a city-port. After the decision made by the Austrian government, in 1863 there has been the creation of a modern port in order to satisfy better the growing demand in maritime trade both in quantitative and both in qualitative terms. Firstly, Trieste started to acquire an unprecedented traffic tonnage and secondly, the rapid expansion of the usage of the steamships made necessary a corresponding technological and spatial improvement in its port facilities. However, in the meanwhile, its role as an emporium went into decline and new transit functions began to substitute for the traditional commercial vocation of the port of Trieste, bringing the need for more spatially concentrated port facilities. So, in order to counteract to this change, there has been a modification of the waterfront: by 1883, the eastern side of the bay of Trieste was turned into a specialised and enclosed dock, with the construction of several new piers as well as a system of breakwaters to protect all the new infrastructures. Moreover, from 1891 duty-free status was limited only to the eastern dock, which has been called Punto Franco Nuovo and several duty-free zones were created. So, the new regulations simply formalised the physical and functional separation of the city from its port and, consequently, the waterfront and the urban landscape were transformed: several large warehouses were converted to other uses like the residential one and from this moment on, there has been a geographical separation, sometimes even marked with barriers, between the duty-free zones and the cultural, social and political life of the city. During the following two decades, there has been a further extension of the New Port motivated by the continuous need for more space and more modern facilities. In addition, it is important to note that, by the end of this stage, there has been the construction of the railway line, which was the only physical barrier between the city core and the sea.

The third phase of the evolutive process, i.e., the modern industrial city-port, has been defined as the expanding stage of the neo-industrial period. In this specific case, the period of reference starts from 1918 until the 1950s. During those years, the separation between the city and the port was accomplished as a result of the littoral development of oil refineries, large space-consuming factories and container terminals. Moreover, the separation between the areas of the city has been explained by the cargo unitisation and the concentration of industrial processes.

¹²⁴ B. S. Hoyle, "Development dynamics at the port-city interface. International dimensions of dockland redevelopment", (1988), *Belhaven*, pp. 3-19.

As far Trieste is concerned, it has been reported that the city developed new infrastructures with the purpose of bringing the port into line with rapid changes in the nature of international maritime traffic. However, it is during this period that an historical event changed the port's economy.¹²⁵ The turning point has been the end of the Austrian Empire after the First World War and the consequent entry of Trieste in the Italian territory. From a geopolitical and maritime point of view, this has been considered a crucial modification in the Adriatic port's political and economic perspective. In fact, before the port was considered the Mediterranean gateway of a Central European Empire whereas after the end of the same empire Trieste was dramatically reduced to a peripheral role within the Italian port system. However, even if the competition with the other Italian ports affected its performance, the city still decided to continue its process of modernisation. In fact, almost thirty years later, i.e., at the end of the Second World War, the port morphology retained its unique tripolarity constituted by the central dock (even called Porto Doganale) where the operations were very limited due to the modest water depth and the absence of industrial facilities and by the two lateral docks (namely Punto Franco Vecchio and Punto Nuovo) where all the industrial operations were focussed. Even the nature helped to keep the port competitive: in fact, there has been the presence of the large bay with all the series of breakwaters and the infrequent fog. To be more specific, the process of development of the first half of the century consisted in two major phases: during the first one, which was already commenced under the Austrian rule, was completed by the Italian administration with the gradual expansion along the eastern side of the bay and the conversion of the entire Bay of Muggia to port functions; the second major phase was completed immediately after the end of the Second World War, with the final aim of re-building and modernising the port infrastructures. So, the Porto Franco Nuovo resulted to be the focus of major development projects in order to continue a process of functional specialisation with a progressive integration of the industrial and the port activities. In few words, the port was expanding in peripheral areas while the waterfront was losing its sea-oriented activities and so the retreat from the waterfront was becoming apparent.

So, as already written, the following phase in the evolutive process of the port has been called the retreat from the waterfront. According to the scholars of this subject, this phase lasted from the 1960s to the 1980s and the main features of this period have been a general trend to locate new port terminals and manufacturing areas far away from the old port areas and to move

¹²⁵ C. Minca, "Urban waterfront evolution", p. 229.

general cargo and industrial facilities from the old zones of the port to the new ones.¹²⁶ From the macro-economic point of view, this specific period corresponds to the crisis of the neo-industrial stage and to the appearance of the first signs of the following stage, i.e., the post-industrial one. So, to be more specific, the increasing functional specialisation favoured the positioning of the terminals in extra-urban areas with the consequent abandonment of the urban waterfront. By looking at Trieste, after the crisis due to the closure of the Suez Canal in the 1960s, there have been various attempts to modernise the infrastructures of the port in order to strengthen its position in the Italian port system. In addition, there has been the opening of a coffee terminal which soon became the most important in Europe and, from 1967, the oil traffic became the port's most important in terms of volume after the opening of a new oil terminal linked with the international pipeline located in Ingolstadt (Germany). Another innovation of the port has been the construction, in 1972, of a new high-tech container terminal: it is reported that all these new operational infrastructures were vital for the port, since the former facilities were no longer adequate for the growing demand in the container sector. In the meanwhile, as written before and as explained by the name of this phase, the retreat from the waterfront became more and more evident, as implied by the physical separation of the piers. So, in the mid-1990s, the Bay of the port of Trieste was characterised by three principal elements: the first one is the presence of the eastern dock (Punto Franco Nuovo), which is the modern specialised industrial port, partially developed along an extra-urban waterfront; the second element is the western dock (Punto Franco Vecchio), which consists in the section of the urban waterfront with the presence of the typical industrial archaeological landscape; the last element is the central dock, which is a well-preserved historical waterfront and the only part of the city-port in which the projects of the waterfront redevelopment have been already completed. In practice, this last part consisted in the area that has been re-conquered by the city and it has also become the tourist area of the urban landscape.

In order to conclude this section dedicated to the evolution of Trieste, it is important to understand that all the investments that have been made to develop the Italian port had very specific reasons, associated with the unique structure of the city's economy. First, after the end of the Second World War, it is reported that Trieste received substantial government aid for its industrial development both because of its peripheral location in the Italian context and both as a form of compensation for the decade of political uncertainty that followed the end of the conflict. On the other hand, since the 1970s in Trieste, a major low-range-goods bazaar for

¹²⁶ A. Vallega, (1993), "The changing waterfront...".

Eastern European customers has flourished and as a consequence of this fact, Trieste did not develop a dynamic class of private investors, and did not perceive the need for any tourist policy. However, it was during the 1980s that there has been a growing attention to the city tourist potential but the issue in this case has been, and is still nowadays, to decide in what sector to invest because there has always been pro-industrial port party resistance. So, the case of the port of Trieste has been useful to investigate and analyse how the port has evolved during the nineteenth and twentieth century in order to respond to the various needs that are also important nowadays for the establishment of particular economic areas like the Special Economic Zones, which will be the main topic of the next, and last, chapter of this research.

4. From the Early Modern free ports towards the contemporary SEZs

As understood from the previous chapters, the focus of this research is the comparison between the free ports of the Early Modern history and the Special Economic Zones (SEZ) of the contemporary history. During the analysis provided, there has been the citation of various cities that during their history have experienced the usage of the free port. The most significant examples that have been quoted regards the case of Livorno, identified as the instance that best explain what was intended with this institution. Of course, during the course of the Early Modern history, other cities all around the European context like Trieste, Ancona, Venice and Marseille have experienced the usage of the free port. Moreover, it is also important to remember that the process of establishing a free port was not so easy: the cases of Cadiz and Veracruz, in this sense, with all the debates that have generated after the manifestation of the intention to become a free port, best summarize what could happen during the path towards the transformation. One of the most important turning points during the history of the free port has been the French Revolution and the advent of Napoleon. During that period, there has been the intention to abolish the usage of the free ports all around Europe since, during the French Revolution, in the equality principles the concept of the free port could not have space. In addition, in order to contrast the English hegemony, the French Emperor tried to establish a continental blockade all around the Mediterranean Sea. However, as explained in the previous chapter, it lasted until the 1814 when its failure became official.

In any case, historians have declared that the contemporary Special Economic Zones can be considered as a sort of evolution of the early modern free ports since they both have specific rules and specific ways to act. So, in order to understand properly the features that permit this comparison, it is important to fix some points about the development of the special economic zones.

As for every chapter of this research, the following paragraph concerning the Special Economic Zones begins with a specific date. In this case, the date is the 1978 and represents the moment in which the President of the People's Republic of China, Deng Xiaoping, started to embrace the so-called "open-door" policy. During his mandate, he was able to transform the Chinese economic system by promoting the transition from a planned economy to an economy more open to the market. Moreover, it is important to underline that during the period in which Deng was in charge of being the President of China, there has been the beginning of the Special Economic Zones' era. The aim that President Deng had in mind while he was thinking about those zones was to transform China in one of the most powerful countries in the world from the

economic point of view. These areas have specific features that will be highlighted in the following pages of this chapter and their creation has been useful in order to answer to two specific economic strategies that in the 1980s have gained importance beyond the economists. To be more specific the strategies were the Import Substitution Industrialisation (ISI) and the Export-Oriented Industrialisation (EOI). Of course, it is implicit that in order to adopt one of the two strategies the hand of the government was necessary.

As far as the Import Substitution Industrialisation is concerned, it consisted in the kind of economic strategy that had as the core element the importance of shifting from the exports of the raw materials to the internal industrial footing. This type of economic strategy has been used in the less developed countries because, for example in the Latin American countries, the intervention of the government was more accepted in order to counterbalance the happening of many market failures. From the name of the strategy, it is straightforward to note that the main interest of this type of economy is on the fact that the imported finished goods are substituted by the internal domestic production. According to the economists, this way of acting in the economy was needed in order to improve the balance of payments of the country in which it was adopted. It can be easily confused with a protectionist policy because it essentially worked by imposing tariffs on imports and during the period in which the government decided to take these economic measures, the prices of the goods became higher. It is important to underline that the aim of such a manoeuvre is to discourage the acquisition by the people of goods coming from another country and as explained few lines above it can be considered as a way to promote a structural change for the industrial activities of a specific country. According to the economists, at the beginning of its usage this type of strategy could result not efficient and, in addition, it has been considered as a temporary kind of manoeuvre for providing some protection to the domestic companies (or to the local economies) so they can have some time to learn how to use in the best way their production services. Of course, as every kind of strategy or economic move, it has some risks and negative consequences: for instance, protecting specific companies or sectors could lead to a so defined rent seeking behaviour, which consist in the continuous investment in this protectionist policy with the consequence that it would become very difficult to exit from this strategy.

The other side of the coin is the Export-Oriented Industrialisation (EOI). First of all, it is fundamental to underline that it is not the opposite strategy of the import substitution industrialisation whereas on the other hand it has been considered almost a parallel or an alternative economic policy. The first and principal aim of this second strategy is to promote

the manufacturing export sectors especially those that are specialized in the finished goods and services through a reduction of export duties and through the concession of incentives or subsidies on the taxes in the sense that the government provides a percentage of the price of the exported goods. Of course, as far as the explanation of the two economic strategies a lot of mathematic discourses should be done in order to better understand the specific features of them. However, for the purpose of this research, this is not necessary because a general overview is enough in order to jump into the next section and start the analysis on the Chinese Special Economic Zones.

4.1 Special Economic Zones: Chinese mixed strategy

Among the economists that have studied the two strategies there have been various discussions about the utility of what has been explained in the previous section. In fact, the issues were to understand if one strategy was better than the other one or to look at the political economic forces that were responsible for the choice of that specific policy. After decades of studies, the scholars came at the conclusion that the best solution that can be used by the nations was a mixed strategy and the perfect example for the adoption of this new type of policy has been the case of China with the Special Economic Zones. This peculiar economic area, which as written before, emerged at the end of the 1970s after the beginning of the open-door policy thought by Deng Xiaoping, is useful not only for understanding the direct connection between the export-oriented industrialisation and the import substitution industrialisation but also for investigating the industrial strategy adopted by China.

Together with the emerging countries of the East, like for example India, in recent times China has gained importance in the global economy since it has one of the biggest gross domestic product (GDP) growth of the world. Inside its boundaries, it is experiencing extreme changes in terms also of the organization of the landscape: in fact, since the 1970s, there have been the emergence of the so-called megacities, which are those cities that have more than ten million residents. Even if, in these cities there are a lot of problems like for example the industrial pollution, they have also been considered as places with a lot of challenges and a lot of opportunities. However, according to the economists and the scholars of China, the story of its recent development can be considered as a sort of phase of transition for an economic policy oriented to the market and to the industrial development. As explained before, the new economic strategy began with the decision of the President Xiaoping and the “open” adjective has been attached to this kind of policy because it was considered able to accept gradual economic changes and not an overnight solution to the existing problems. At the basis of the

open-door policy there is concept of inequality, which in few words consisted in judging and differentiating the people on the basis of their earnings. According to a speech made in 1978 by President Deng Xiaoping, the idea was to create and accept inequalities, in order to allow someone to gain more initially and become examples for the other people.¹²⁷ Moreover, he has defined the Special Economic Zone as a medium for introducing technology, management and knowledge.¹²⁸

The first gradual opening on this concern happened one year after the speech made by President Xiaoping. In fact, with a specific law promulgated on 1979, there has been the opening of China to both foreign trade and both to the foreign direct investments (FDIs). To be more specific, through the opening to FDIs, the Chinese government allowed the creation of joint ventures with twenty-five percent of foreign capital and Chinese management. Moreover, from this moment on, there has been the creation of the Special Economic Zones: initially, the first four of them, were located in the southern part of the country and three of which in the same province. According to the scholars of this subject, they can be identified as bounded areas within a country in which the rules and the laws are different in comparison with the rest of the nation in order to deal with the taxes and the administrative procedures in a particular way. These special areas have the specific aim to attract the foreign direct investments coming from the countries outside the Chinese borders and so the domestic companies would become competitive at the international level for the production of specific goods. Of course, all the Special Economic Zones that are present and active nowadays have different features and so, it is important to know that even if they are all specialized in the production of various products, the definition, provided above, is quite similar for each of them. However, one important concept that diversified the Special Economic Zones that are present in China with the ones of the rest of the world is their geographic position. As written before, the four initial areas have been opened in southern part of the country: in order to be more specific, they have been established near Hong Kong. There are two reasons why President Xiaoping had decided to open the zones in this geographic position: the first one consisted in the fact that Hong Kong was a central commercial point and so a potential source of foreign direct investments whereas the second reason was because these areas were located in one of the less industrialised regions of the country, which was also far from Beijing. The fact of being so far from Beijing was

¹²⁷ D. Xiaoping, "Speech at the opening session of the Chinese Communist Party Central Work Conference", (1978).

¹²⁸ S. J. Kamath, "Foreign direct investment in a centrally planned developing economy: the Chinese case", (1990), p.109.

fundamental for the type of approach adopted there: in fact, one of the core elements that can be attached to the concept of the Special Economic Zones is the experimental approach. To be clearer, the experimental approach has been fundamental because firstly, it was considered a risk to create and accept inequalities in order to allow someone to gain more initially and secondly, there was the risk of investing in rural areas without knowing if it would achieve the desired results. Another risk that has to be considered is the political and social one because there was the possibility that these Special Economic Zones would create instability beyond the citizens. The last risk that has to be considered for completely understand the experimental approach behind the concept of the Special Economic Zones is the fact that through the usage of this institution, China managed to combine and support the transition from the two policies explained above, i.e., the import substitution industrialisation and the export-oriented industrialisation. In few words, it was taught to experiment the usage of the Special Economic Zones in small and specific areas and then, if successful, enlarge the process to other parts of the country.

Beyond the concepts of risk, experiment and instability that are hidden inside the usage of the Special Economic Zones, of course, there are also aims and goals that are connected to them. Two are the most important aims that have been attached to this type of institution: the first one consists in considering it as a medium for introducing technology, new management and knowledge inside a territory considered less industrialised than the rest of the country whereas the second one consists in the deep study of the capitalism in order to test different types of policies, in the increase in the number of the exports, in the increasing competition between the regions and in the foreign exchange of knowledge through the usage also of the foreign direct investments. In order to understand completely the importance and the development of these areas, it is fundamental to cite the first Chinese city that has been transformed in a Special Economic Zone: Shenzhen.¹²⁹ This city is located in the province of Guangdong, in the southern part of the country and it is considered the Chinese capital city in the ICT (Information and Communication Technology) production sector since almost the seventy percent of the total production of the area regards electronics and computer technologies. For this reason, it has also been attached the fact of being considered the Chinese Silicon Valley. The story of this city recalls exactly the definition that has been provided about the zones in fact, it is near Hong Kong and thanks to this proximity there has been the possibility of a quick development in

¹²⁹ E. Barbieri, C. Pollio and F. Prota, “The impacts of spatially targeted programmes: evidence from Guangdong”, *Regional studies*, (2020), 415-428.

technological terms and also, before the decision of transforming it in a Special Economic Zone, it was a small city of almost thirty thousand people. So, from the 1980, year in which President Xiaoping decided to start the project, the small town has developed and enlarge so much that nowadays, only forty years after the beginning of the project, it is a mega city with almost thirteen million residents. Of course, there are still problems connected with this type of city, such as the pollution and the chaos generated by daily traffic but this will not be discussed in these pages since this section is focussed in the description of the positive features of such an experimental but successful project. Just to give an example of the last statement, by analysing the positive aspects of these areas, economists have discovered that, thanks to the enormous quantity of technologic goods produced, only the gross domestic product of the province of Guangdong is comparable with the one of Australia, Russia, Spain and South Korea. However, as negative aspects there is the example of the Electronic Waste City, in which the poor people live in a very bad condition. This brings to the fact that in these specific areas there are no economic opportunities, pollution and no innovation which is translated in poor investments for the development of the production sectors. As written before, it is important to underline that the Special Economic Zones have been used all over the world with different aims and different degree of success because there has been always the issue of the experimental approach linked to this type of project. Moreover, it is fundamental to note that they have been identified as part of a more complex set of industrial policy. In this specific instance, SEZ are part of the five-year plan set of strategies, in which the investments have been divided in sectors considered as pillars and sectors considered as emerging ones. Of course, since their importance in terms of production and gross domestic product growth, the Special Economic Zones have been identified beyond the pillar sectors.

4.2 The secret of the contemporary period

The starting point of this new section of the chapter is the fact that Special Economic Zones have been considered one of the dirty secrets of modernity and after standing near the brink of extinction at the end of World War II, when there has been the presence of just thirty of them, they have proliferated by reaching the amount of around 3500 in 2006.¹³⁰ The reasons of such a growth have to be found in the transformation of the global economy during and after the decolonization, which has redefined the nature of international trade. On the one hand, some of them are famous for their economic miracles like the Chinese province of Guangdong whereas

¹³⁰ C. Tazzara, "Capitalism and the Special Economic Zone, 1590-2014", *New perspectives on the history of political economy*, (2018), p.75.

on the other hand, there are some cities famous for their low labour and environmental standards like the Electronic Waste City cited before. However, what is central in this specific section of the research is understanding what are the links and the differences between the concept of the contemporary Special Economic Zone and the early modern free port.

Starting from the definition, during the course of the pages of this research the Special Economic Zones have been defined as any enclave carved out of the national territory and endowed with its own administrative and economic policies. It is straightforward to note how the free ports can be considered their linear ancestors also for the similarities in the definition. To be clearer, in the first pages of this research, the free port has been defined as a place which is located at the borders of the land and the sea and as a site where the sovereignty of the host country has been suspended and where the power and the control of it, are repeatedly questioned under the needs of the commerce. So, despite a marked diversity of forms, most free ports were basically commercial, useful for the deposit, transit or the sale of the merchandise. On the other hand, the contemporary zones can be considered as an industrial town with cheap labour.¹³¹ One of the first differences that comes out is basically the fact that the Special Economic Zones are built upon the concepts of the bureaucratic state with its capacity to redraw boundaries and the modern capitalism, with its research for cheap labour and consumer-oriented manufacturing. In any case, in the next lines there will be a deeply analysis of both concepts in order to understand better the links and the differences.

During the Early Modern Age, as explained in the first chapter of this research, in Italy there has been a commercial competition between Livorno and Genoa with the purpose of being considered the most important port in the Mediterranean Sea. It is also important to note, that the concept of free port has been so important during that period that, by 1740, all major and most minor ports of Italy were free ports.¹³² Of course, also other states used this institution with different purposes in mind: the most significant example is the English one when, in 1787, they have decided to use the free ports as an instrument which was able to give all the advantages of the foreign colonies without being exposed to the expense of establishing or protecting them.¹³³ So, free ports became a kind of discount imperialism that receded during the European landgrabs of the nineteenth century but reappeared in the wake of decolonization. In any case, it is possible to assimilate early modern and contemporary economic zones as two

¹³¹ B. Minoletti, "I porti franchi", (1939), Einaudi.

¹³² M. Baruchello, "Livorno e il suo porto...", (1932).

¹³³ F. Armytage, "The free port system...", (1953), p. 58.

different phases in the evolutive process of the global economy. In this sense, the free port can be considered as a response to the loss of foreign markets and the decline of the native Italian shipping: so, according to the historians, they were the best way for the states to stay connected to the global markets. The issue in this case has been the fact that what began as a defence for the commerce ended in tragedy, as these zones have facilitated the foreign penetration of Italian markets. Moreover, it is important to remember that in lowering port tariffs and welcoming foreigners, the free ports established in Italy multiplied the presence of entrepôts throughout the peninsula, which increased in a significant way Italy's access to international maritime commerce and promoted its integration into Atlantic markets.¹³⁴ However, the most profound implication of the usage of the free port has been the dismantling of the old monopoly systems of the Middle Ages. It is important to note that from the eleventh century on, the port cities in Italy were vicious competitors with one another and they sought to impose trade monopolies on their own territories and on their trading partners. Just to give two examples, on the one hand, Venice was both controlling the exchange within the Adriatic while ensuring its presence in the Eastern Mediterranean whereas, on the other hand, Genoa sought with less success to do the same in the Tyrrhenian, but was able to subordinate all other ports in Liguria to its needs.¹³⁵

As reported in the previous pages of this research, starting from the sixteenth century, the international commerce and the industrial markets have faced an enormous phase of transition. Moreover, from this moment on there has been a loss in competitiveness in the face of superior maritime superpowers. For instance, the growth of the Dutch maritime empire succeeded in doing what the Portuguese never managed to do: put the overland route of Europe out of business. Just to continue the story of the previous example, Venice suffered a lot after having lost its position as lord of the spices. More broadly speaking, textile producers in north-western Europe outcompeted Italian woollens in the Levant through the sale of cheaper imitations and since the production of wool was a core export industry throughout Italy, the loss of the Eastern markets had a profound effect on external trading relations.¹³⁶ However, what looked as a decline to Genoa and Venice, created an opportunity for other ports like for example Livorno, Ancona and Trieste. So, it is possible to affirm that in the aggregate, the Italian economy neither declined nor grew in the seventeenth century: to be more specific, as expressed before, there has been a shift of power from capital city elites to new entities. For instance, on the one hand,

¹³⁴ G. Giacchero, "Storia economica del settecento genovese", *Apuania*, (1951), pp. 54-72.

¹³⁵ F. C. Lane, "Venice: a maritime republic", *The Johns Hopkins University Press*, (1973), pp. 22-117.

¹³⁶ R. T. Rapp, "The unmaking of the Mediterranean trade hegemony: international trade rivalry and commercial revolution", *Journal of economic history* 35, (1975), pp. 499-525.

there has been the shift from Venice to other Adriatic cities like Ancona and Trieste whereas, on the other hand, the shift of power from Florence to Livorno.¹³⁷ Of course, an indication useful for better understanding these transformations may be found in the demographic changes experienced by the Italian cities during the early modern period.

By focussing on the topic of the Special Economic Zones, one initial consideration has to be done: despite the importance of changing patterns of global commerce, which helped the collapse of Italian trading monopolies, Italian free ports have to be considered as part of a regional dynamic rather than a global one. On the other hand, the global economic system is useful for understanding in the best way the Special Economic Zones of the contemporary period. The geographic element remains important but the establishment of a global marketplace in labour, commodities and consumer goods, with a cheaper long-distance transit, has made the competitions around the regional customs less important.¹³⁸ To be more specific, the early modern system of free ports linked with fragmented political landscape and dense maritime networks like the ones of Italy, the North Sea region and the Caribbean, differs markedly from that of the contemporary free zones. According to the historians, this has to be considered as one of the most important consequences and features of the decolonized world and these new zones have been identified as an alternative to the import-substitution policies that was common among the developing countries in the 1960s and 1970s.¹³⁹

By citing, a famous article on the free zones in Honduras there is the chance to note the changes that can occur even in a small country after having approached this type of policies. The article began as follow: “How did a small, unremarkable central American country with a turbulent political past manage to become a leading exporter of clothing and apparel to the United States of America, and, in doing so, create in excess of 100,000 new jobs?”.¹⁴⁰ According to the scholars of this specific area, the journey of Honduras began after the establishment of free zones in 1976 but the most significant turning point happened in 1998, when its Congress declared the entire national territory a free zone area and allowed private *Zonas Industriales de Procesamiento* to be established anywhere within state boundaries. The most important feature of these areas is that they do not have to pay all federal, city and commercial taxes in order also to enable rapid and simplified customs procedures. This striking abdication of national

¹³⁷ P. Lanaro, “At the centre of the old world: trade and manufacturing in Venice and on the Venetian mainland 1400-1800”, (2006), *Centre for reformation and renaissance studies*.

¹³⁸ C. Tazzara, “Capitalism and the Special Economic Zones...”, p. 83.

¹³⁹ G. T. Crane, “The political economy of China’s Special Economic Zones”, (1990), *Routledge*.

¹⁴⁰ T. Farole, “Special Economic Zones: progress, emerging challenges and future directions”, (2011), *International trade department*, p.47.

sovereignty, together with massive infrastructural investments by the state, has worked pretty well: in fact, it is reported that in 2007, the country has enjoyed 219.6 million dollars in foreign direct investment, mostly by Canada or the United States of America, especially in the textile sector and oriented towards the North American market.¹⁴¹

In order to have an outline of other studies that have been done around the topic of the Special Economic Zones, one of the most complete explorations of this contemporary institution has been that of Jean-Pierre Singa Boyenge, compiled for the International Labour Office in 2007. According to his studies, the majority of these areas could be considered as export processing zones in the textile or electronic sectors and they are all concentrated in relatively poor countries, with the exception of the United States of America, which has hundreds of bounded warehouse zones. Moreover, he has affirmed that these areas have often hundreds of thousands of workers: for instance, on the one hand there are almost six million workers in Indonesia whereas, on the other hand, in China, the data affirm a total amount of forty million workers. It is also reported that there is a big proportion of female workers but the issue is that this cannot be considered as a victory for feminism because in many cases, the female figures are concentrated in the lowest paid and hardest working sectors such as textiles, electronics assembly, packaging and food processing.¹⁴² According to the database, in general, these areas are crucial to their host countries' export economies, even though many of them remain outside of the state's control.¹⁴³ So, all over the world, there could be zones accounted for 64% of total exports, but also there are areas accounted for almost all the exports of the host country and according to the studies made by the scholars, the Special Economic Zones can be defined as pockets of low-tech industry absolutely central to manufacturing and export, but often removed from a state's ordinary fiscal and administrative apparatus. In this sense, the similarity with the early modern free ports is straightforward.

Another important point that comes out from the studies of Boyenge is that the most common investors in special zones are those coming from western Europe, the United States of America and China. That is because since the contemporary history, the USA and Europe have been dominating the market for zone exports. However, while it is true to affirm that in recent decades the West has exported its industries and their externalities to the developing world, it is far less known that the majority of this industry takes place in the Special Economic Zones.

¹⁴¹ C. Tazzara, "Capitalism and the Special Economic Zones", p. 84.

¹⁴² J. P. S. Boyenge, "International Labour Office database on export processing zones", (2007).

¹⁴³ *Idem*, p. 86.

Consequently, it is possible to affirm that the spatialization is another fundamental element of the contemporary capitalism, which has been possible also thanks to the cheap transportation and communications. In order to be more specific regarding the female topic cited before, it is important to highlight that the West do not tolerate within its borders the exploitation of huge numbers of female workers. In any case, the spread of the contemporary Special Economic Zones is useful for understanding another dimension of the contemporary capitalism which is the capacity to exploit the weaknesses of the state for creating enclaves exempt from the prevailing rules and laws of the host country. According to the scholars of the subject, this has been defined as the process of “administrative relimitation” which consists in defining in a different manner the political economy of privilege. To be more precise, actually the term relimitation is borrowed from law, where it has been defined as the reassignment of property rights subject to a special disposition.¹⁴⁴ More broadly speaking, the notion indicates a redefinition of prevailing norms and so, administrative relimitation has been considered as the strategic retreat of the bureaucracy in the service of economic growth or, to be more specific, of business interests.¹⁴⁵

Another point in common between the concept of the free ports and the Special Economic Zones is linked with the concept of freedom. The latter can be observed as an instance of rent-seeking in the name of freedom: as explained in the previous pages of this chapter, the zones of the contemporary period allow firms (and the countries that host these companies) to compete for commodities and labour in a global context. Thanks to relaxed labour, environmental, and fiscal policies, the firms have advantages also over other businesses that are located within the same state’s regular administrative space and this results in the fact that ordinary firms have a lot of difficulties in competing with their lean, tax-free cousins in the free zones. Certainly, the contemporary (but also the early modern) free zones, concentrate capital investments and employment opportunities within their borders.¹⁴⁶ So, it comes out that the creation of job opportunities in the Special Economic Zones, and the consequent unemployment outside their borders, is not the result of market forces, but of deliberate choices of state policy reminiscent of the age of mercantilism. In order to paraphrase what has been stated few words before, free zones only promote general liberalization if a host state continually adds free zones or alters its own political economy. In this specific case there has been the obligation of using “if” because

¹⁴⁴ *Idem*, p. 87.

¹⁴⁵ J. C. Scott, “The art of not being governed: an anarchist history of upland southeast Asia”, (2010), *Yale University Press*.

¹⁴⁶ D. Harvey, “A brief history of neoliberalism”, (2005), *Oxford University Press*, pp. 130-133.

it implies further political and bureaucratic interventions that should not be taken for granted. In any case, in case of instances of state weakness (like in Honduras) or deliberate policymaking, free zones have widespread and multiplied. In the case of weak states, the so-defined contagious spread of the liberalism of the Special Economic Zones may result in the sacrifice of the state sovereignty. On the other hand, as far as the strong states is concerned, free zones may be the focus for the spread of free markets.

In such a situation the case of China, which has been explored at the beginning of this chapter, come back as the main focus. In order to sum up the process that has been useful for promoting the gradual liberalization of China it is important to remember and highlight once again that the entire experiment began in 1978 when President Deng Xiaoping decided for the relimitation of a few coastal areas. Then, the process has been enlarged to the entire coastal region in 1988, and, lastly, it spread in the inland part of the country in the following decades. Nowadays, there is the presence of over 300 Special Economic Zones that can be found throughout the entire country and they promote foreign direct investments while pioneering capitalist property rights and labour contracts. The first issue that comes out from this statement is that the dynamism of the sectors located in the special zones increase the economic inequalities not only between the zones and the regular part of the country but also between the coastal areas, where the presence of the zones is more dense and inland areas. In order to maintain the competitiveness, a lot of China's state-owned enterprises have obtained the permission to shed workers and otherwise liberalize.¹⁴⁷ In addition, there have been other reforms with the aim of liberalizing ordinary administrative space, like for instance the lowering of general tariffs and the privatization of the agricultural economy. The result of all these reforms has been an incredible growth in the gross domestic product (GDP) thanks to the presence of low-wage export industries. It is reported that in 2006, only the five initial Special Economic Zones accounted for the 9% of the foreign investment and 22% of exports. However, the other side of the coin is that the workers in these areas on the one hand have experienced higher wages but, on the other hand, they experienced brutal working conditions, insecure employment tenure, intensified managerial control and, lastly the collapse of collective bargaining rights.¹⁴⁸ Scholars have been seduced so much by the Chinese success that they have elevated its policies into a model. According to their way of thinking, liberalization in the Special Economic Zones stimulates pressure to liberalize a state's ordinary administrative space: so, it comes out that in turn a more competitive

¹⁴⁷ C. Tazzara, "Capitalism and the Special Economic Zones...", p. 88.

¹⁴⁸ D. Z. Zeng, "Building engines for growth and competitiveness in China: experience with Special Economic Zones and industrial clusters", (2010), *World Bank*.

host state exerts further reciprocal pressure on the economies present in those areas in order to remain more competitive. The process is meant to encourage technological progress and a gradual ascent up the value-added chain, so that developing countries are not forever manufacturing low-wage but labour-intensive goods. However, as reported before even if there has been the massive growth in the gross domestic product, the Special Economic Zones have some issues to face. In fact, it is reported that although high-tech industry has begun to flourish in some cities, problems of transitioning from a low-wage to a high-wage economy, with improving the social well-being of workers inside and outside zones, remain to be solved. A bad legacy of the contemporary special areas is the enormous deracination of rural workers, many of whom are forced to remain unregistered in their new cities and, consequently, ineligible for certain social benefits. According to some observers of this specific phenomenon, there is the possibility to use Pollyannaish language to describe the relationship between the workers and the Special Economic Zones by defining the latter as an important solution to the employment problems in the whole Chinese country.¹⁴⁹ In any case, misery is, of course, still widespread.

Despite what has been stated in previous paragraph, China cannot be considered as a model to emulate. According to the scholars, it possesses an exceptionally strong state, which is capable of imposing free zone regulations at will and, when it is necessary, revoking privileges over the objections of local interests. Moreover, it can reimpose unpalatable regulations upon the business community and ultimately, the strength of the Chinese state owes not only to its political and cultural traditions but also to its enormous economies of scale, which make possible enormous infrastructure projects. All these factors joined together have made it possible for China to multiply considerably free zones and endow them with the latest infrastructure: achievements that only few other states worldwide can accomplish. So, China's instance could be considered unusual as well since it is an almost totally closed economy with no private property and minimal inequality among the labour force. At the end of story, the only actors that have been acting against the Special Economic Zones were the state-owned enterprises but the reported strength of the Chinese state, as well as the gradual sequencing by which liberalization occurred, made it possible to circumvent their opposition.

In such an environment full of special zones like the one that the world is experiencing nowadays, there is a continuous economic competition between countries like for example

¹⁴⁹ Y. Yuan, "China's first Special Economic Zone: the case of Shenzhen", *Building engines for growth*, (2010), pp. 55-85.

China vis-à-vis Vietnam or Bangladesh for attracting investments from foreign countries. This means that the groups or the specific zones of a country can be considered under perpetual threat from the outside and their only recourse is to find other ways to liberalize and to distinguish themselves from the host state and from competitors. So, for states that have to safeguard the well-being of their workers and the natural environment, they must be able to fetter local business interests. However, since the establishment of these Special Economic Zones occurs especially in poor states, their choice to “open” their barriers to this type of institution lies in the hunger of international capital for cheap labour, the knowledge that capital would seek places where regulations are minimal and, on the other hand, property protections maximal, and, finally, in the desire of becoming a very prosperous country in terms of gross domestic product growth.¹⁵⁰

From the reasoning provided above, it comes out that the survival of the city as an administrative category makes urban rivalries possible, and together with them, the proliferation of distinct policy environments. The issue in this situation is that whereas in the Renaissance, the city and its privileges were explicit categories of economic analysis, the economists for their theories take the firm and the state as its primary actors. As a consequence, there is the fact that all cities are potentially Special Economic Zones for the simple thing that they possess their own government, their own elite, their own fiscal rules and their own commercial infrastructures.¹⁵¹ Even as cities in the western world have lavished tax breaks and infrastructure on corporations, regimes in the developing world have rushed to create export processing zones and other industrial infrastructures.

By getting back to the early modern free ports, their rulers had discovered that it was difficult to make local merchants come to their location. For instance, in Livorno, which has been recognized as the most important example of early modern free port, officials complained that the merchants enjoyed the freedom to import and export whatever they want and on whatever terms they chose. In fact, during the long eighteenth century, the government in Tuscany proved to be incapable of imposing key policies on the refractory merchant class of Livorno. In 1765, the governor of Livorno explained how the character and nature of the commerce of the city have not been susceptible to systems or rules. According to his report, the city could have been considered entirely foreign, since it had to deal with transit and with the will of the foreigners. So, it is straightforward to note how the only projects and systems that could affect the

¹⁵⁰ C. Tazzara, “Capitalism and the Special Economic Zones”, p. 91.

¹⁵¹ G. Sycomx, “On the causes of the greatness of cities”, (2012), *University of Toronto Press*.

commerce of the Tuscan city, were the ones that could increase its favours and conveniences, and which could leave merchants a full liberty to direct their businesses.¹⁵² It also important to note that all these processes and all these liberties that have been permitted to the merchants to enjoy fully the experience of the free port, have also brought another consequence. It has been affirmed by the scholars of this subject that the merchants in their commercial experience were on cosy terms with local officials and were consulted with opulent deference whenever the government was going to contemplate a change in policy. So, to sum up the reasoning affirmed few words below, foreign merchants enjoyed a dominant voice in the determination of local policy such as from technical matters of customs collection to the general welfare of the port and its relations with Tuscany. Moreover, the grand duke of that glorious period has admitted that it was only an illusion to try to administer the city in any other way.¹⁵³

In any case, despite the various and obvious differences between the free ports of the early modern period and their contemporary descendants, i.e., the Special Economic Zones, both the free areas have been able to create a class of businessmen whose interests constitute the so-called *raison d'être* of the zone. For instance, in China municipalities have often delegated the decision-making process and even the legislation to a special committee sympathetic to business.¹⁵⁴ So, it comes out that firms are encouraged to organize to protect their collective interests and free ports exist only to promote economic growth. This fact has legitimized strategies focussed on economic prosperity and delegitimized alternative goals such as the well-being of individual workers, the preservation of cultural heritage, the expansion of participatory democracy or the preservation of sovereignty.

4.3 Is the free port still a core element in the current economic situation?

As can be noticed from the structure of the entire research, the most important actor is the free port concept. So, in order to conclude this last chapter, it could be interesting to understand if the phenomenon is still present nowadays. After all the reasonings that have been done throughout the previous pages, it can be stated that the free port is something that have existed for centuries. However, since the last decades, the free ports have seen a growing importance as transportation, logistics and trade platforms with their number and locations expanding.¹⁵⁵ As explained above, the usage of such an institution is not limited to specific geographical areas or levels of development: in fact, they have been considered widespread forms of

¹⁵² C. Tazzara, "Capitalism and the Special Economic Zones...", p. 92.

¹⁵³ P. L. d'A. Lorena, "Relazioni sul governo della Toscana", (1974), pp. 60-71.

¹⁵⁴ D. Z. Zeng, "Building engines for...", pp. 10, 17, 37, 80-81, 116.

¹⁵⁵ F. Bost, "Are economic free zones good for development", (2011), *OECD West African challenges*, pp. 4-20.

transnationalism. Moreover, it is important to highlight how the development of free ports has been an example of how inland logistics shapes maritime transport through the growth of the international trade and the strategies of freight forwarders to handle, distribute and process cargo that has an international origin or destination.¹⁵⁶

According to the scholars of this specific subject, from the second half of the twentieth century, the concept has evolved as international trade became increasingly liberalized. What was identified before as a free port diverged into several concepts of free zones: the free trade zones (FTZ), the foreign trade zones (FoTZ), the export processing zones (EPZ) and the already explained Special Economic Zones (SEZ). In 2008, the World Bank provided one of the first attempts to define every type of free zones that have emerged in the recent years. For instance, on the one hand, the free trade zones are considered to be enclosed duty-free areas for the purpose of providing warehousing and distribution facilities, especially for the re-exports whereas on the other hand, the export processing zones offers incentives for manufacturing and related activities with a particular focus on exports.¹⁵⁷ From this differentiation, it is straightforward to note that, nowadays, free ports are developed adjacent to a wide range of transport nodes, including sea ports and airports and their relevance is underlined by the increasing number of countries that are developing them and by the amount of foreign direct investments invested in these zones all over the world.

In any case, since there could be several nuances attached to the free port concept, it becomes crucial to avoid confusion on what it really is. Nowadays, free ports are different from free trade zones, Special Economic Zones and export processing zones, because they are intended to be logistic oriented free zones. In 2014, a useful definition has been provided by some scholars who stated that a free port is an international logistic interface that is free from border frictions and designed to bring more value in the global supply chains of its operators. From this definition, it is possible to note that the free port is not anymore simply the port, but the logistics facility often next to a sea port but also next to or within an airport, a river port or a dry port.¹⁵⁸ The contemporary era has been characterized by the globalization, through the exchange of goods, capital, information and, in addition, the movement of large groups of people worldwide. What has been just stated, can be seen also in the evolution of the free ports: in fact, while

¹⁵⁶ J. P. Rodrigue and T. Notteboom, "The terminalization of supply chains: reassessing the role of terminals in port/hinterland logistical relationships", (2009), *Maritime policy and management*, pp. 165-183.

¹⁵⁷ A. Lavissière and J-P. Rodrigue, "Free ports: towards a network of trade gateways", (2017), *Journal of shipping and trade*, pp. 2-17, p. 2.

¹⁵⁸ A. Lavissière, L. Fedi and A. Cheaitou, "A modern concept of free ports in the 21st century: a definition towards a supply chain added value", (2014), *Supply chain forum: an international journal*, pp. 22-28.

before the 1920s, only developed countries had free zone regulations, nowadays, free zones, with all the possible attached nuances have expanded to include the entire world. It is important to remember how, in the previous sections of this chapter, the focus has been on the free zones in the poor areas of the poorest countries. In fact, prior to 1920, the location of free trade zones was predominately in six developed countries, with almost less than twenty zones. On the other hand, by 2010, there have been over 1735 free zones situated in 133 countries, 356 of which were free ports.¹⁵⁹ In addition, the range of service expanded in order to include distribution, manufacturing and commercial real estate. So, from an historical point of view there is a parallel evolution between the globalization of trade, the development of customs entities and free ports and they can be considered as an integration tool to global trade for East and Southeast Asian export-oriented economies.

However, the most important evolution for the development of the ports has been the usage of the container. The so-called container ports have been able to create a new logistic value which has permitted to enhance the transiting flows of the goods and, as a direct consequence, to classify the free ports as the world's most important gateways. Just to provide an example of the current situation in Europe, as shown in the image provided below, nowadays the Mediterranean basin and Northern Europe underline the concentration of a large number of free ports that are classified as gateways or hubs useful for the movement of the goods worldwide. Of course, always as far as Europe is concerned, not all the countries have the free port: in fact, Albania, Belgium, France, Norway and Sweden do not have free ports. As reported before, as far as concerning France, the reason for this lack is political since historically considered free zones as commercial privileges.¹⁶⁰ Thus, it comes out that when free ports are not present, it is either because there is limited need for them because of the existing trade structure or because there are existing mechanisms. So, the usage of the free port has experienced in the twentieth century both a functional and a geographical diffusion. In any case, since the end of the Second World War, the locational concept of free port has expanded from its maritime port setting to include river free ports like for example Manaus in Brazil, lake ports like for instance in Chicago in the United States of America and inland ports like the Zona Franca Florida Sur in Uruguay.

¹⁵⁹ A. Lavissière, "Les ports franchises en Méditerranée et l'exception Marseillaise", (2014), *Annales de l'institut Méditerranéen des transports maritimes CMCI*.

¹⁶⁰ T. Schwob and P. Lorot, "Les zones franchises dans le monde", *La documentation française* (1987).



As far as the United States of America is concerned, the process began early in the twentieth century with the establishment of the Foreign Trade Zones (FTZs) after the Smoot-Hawley Tariff Act of 1930 and the acceleration after the end of World War II. It is reported that in the 1950s, FTZs were allowed to have manufacturing activities but the success of this specific zone was mitigated by the protected status of the American industries that were under customs barriers with a large enough domestic market. However, after the trade liberalization happened in the 1970s, foreign firms were enabled to a greater access to the American market. So, American manufacturers started to look for new ways to take advantages of the cost offered by the international markets and it came out that the foreign trade zones were a useful tool both for a rapid growth and both for all the main maritime, air and land ports of entry. Just to provide some numbers that witnesses the explosion of the phenomenon: it is reported that there were around 50 foreign trade zones in 1979, around 100 in 1984, more than 200 in 1993 and more than 230 in 2015.¹⁶¹

As reported in the previous sections of this chapter, free ports have also been a development tool for Asian economies. Rather than simply opening to the globalization, free zone programs have also enabled countries to open to free market reforms in a controlled manner by deciding upon its locations and conditions. Scholars have underlined that China partially and selectively opened its economy to capitalism through the usage of the free zones; in the specific case of China, the Special Economic Zones became islands where the capitalism could be experimented

¹⁶¹ A. Lavissière and J-P. Rodrigue, (2017), “Free ports: towards a network...”, p. 7.

and, initially, these zones were initially separate from the domestic economy.¹⁶² As explained above, the case of Shenzhen is the most important one: from its opening in 1980, it has become one of the world's most extensive manufacturing complex and, in recent times, a cluster of high tech innovation.

So, from the reasoning provided until now, it is possible to identify some major factors that are able to justify the wide range of existing free ports. According to the scholars of the subject, the first factor that emerges from the studies is customs extraterritoriality. It has been considered as a juridical factor that make possible the link between the structure of the free port and its environment. However, this factor alone is not enough to explain the evolution of modern free ports and their wide variety. Another major factor that has contributed to the evolution of this institution is the globalization of trade: the features of the globalization has been explained few lines above. In addition, the adaptation of free ports to wider ranges of services in order to cope with the evolution of supply chains has been considered another fundamental factor. In any case, the combination of all the factors is useful to understand the stages in the evolution of the free ports as well as their transition from one stage to another. So, the factors can be summarized into three specific categories: the jurisdictional environment considered as an external factor, the functional aspect considered as an internal factor and, lastly, the orientation of trade flows identified as the factor that links the other two.

As far as the external factor is concerned, it involves the political and administrative context of the free ports: they exist because there are frictions to international trade created by boundaries between different regulatory regimes and as such free ports provide a form of extraterritoriality as well as logistical services that are useful to mitigate the predicted frictions.¹⁶³ It is reported that, today, few free ports remain at the level of a city state, but, of course, there are some famous exceptions such as Singapore, Hong Kong, Malta and Dubai. Most importantly, there are other free ports that are connected to a network of free zones in the sense that there is a specialization of the free port functions within the free port itself with the usage of satellite facilities. Just to give an instance of what has just been affirmed, in the United States of America, free zones are technically and physically networked since it is possible to move goods from one zone to another without having problems with custom duties.¹⁶⁴

¹⁶² F. Bost, (2011), "Are economic free zones...", pp. 4-20.

¹⁶³ A. Lavissière, (2014), "Les ports franches en...".

¹⁶⁴ A. Lavissière and J-P. Rodrigue, (2017), "Free ports: towards a network...", p. 10.

As far as the internal factor is concerned, it is correlated with the specific functions of the free port and the services that it is able to provide. At the beginning of their story, free ports were only a transloading infrastructure but with the course of history, they kept adding services of increasing complexity such as manufacturing and supply chain services and offshore banking facilities. In addition, as reported before, nowadays the free ports have specialized also in logistics in order to be even more efficient. So, from this reasoning, it comes out that the free port focusses on its core competencies while it becomes also part of a local network of specialized free zones: from this perspective, there can be the identification of three stages in the evolution and complexification of this internal factor, i.e., storage, transformation and logistics and supply chain services.

As far as the linking factor is concerned, trade flows underline the nature and the evolution of the trade supported by the free port. As explained in the first chapter of this research, during the Middle Ages the free cities were considered to be the core element of a regional trade system because transportation was only allowing trade over short distances, while long distance trade was marginal at best. On the other hand, during the mercantilism era, the scale and scope of trade routes expanded and many ports that were active during that period developed as colonial outposts.¹⁶⁵ In this sense, while the trade routes were longer and more extensive, the free port remained mostly a point of transshipment between areas where goods were produced and colonial consumption markets. Thanks to the globalization, there has been a profound change in the organization of the production and, therefore, the orientation of trade flows.¹⁶⁶ So, it comes out that the spatial division of production and the growing reliance on logistics transformed the function of many free ports from single transloading points along sequential trade flows towards nodes within global value chains and the functions of the free ports evolved from simple storage and transshipment to complex logistics services, including in several free ports a specialization with distinct free areas such as logistics free zone, manufacturing free zone and services free zone.¹⁶⁷ Just to close the discourse about the factors, they have been useful to understand the course of the evolution of the free port during the contemporary period and they have been used by the scholars with the goal in mind of developing eighteen possible free ports models in which always more complexity has been added.

¹⁶⁵ F. Bost, "Atlas mondial des zones franches", *La documentation française*, (2010).

¹⁶⁶ J. P. Rodrigue, "The geography of transport systems", (2017), *Routledge*.

¹⁶⁷ A. Lavissière, T. Mandjak and L. Fedi, "The key role of infrastructure in backshoring operations: the case of free zones", (2016), *Supply chain forum: an international journal*, pp. 143-155.

Since this part of the research is focussed on the analysis of the contemporary situation, it could be interesting to have a brief look to the very present days. Just to provide an instance, after the Brexit and, especially after the Covid-19 pandemic crisis, the free ports have started to be considered the solution for the problems that are occurring nowadays. To support this statement, this peculiar institution will play a crucial role in the post Covid-19 recovery with three main goals in mind. The first one is to establish free ports as national hubs for the international trade and investment with a particular focus to make trade processes more efficient by maximising the development in terms of production and by acquiring expertise for the supply chains present inside the special areas. The second goal is to create places with the ideal conditions in terms of growth in the innovation by focussing on the investments in the research and development of both the public and the private sector. The hidden aim inside what has been just affirmed is to create new markets for the products and services coming from the United Kingdom and to drive productivity improvements, to bring jobs and investments into the free ports. The last objective is to promote the regeneration of the economy through the utilisation of high-skilled jobs in the places linked to the free ports, for ensuring economic growth and regeneration for the communities that need it most. It is straightforward to underline that the strategic part in this situation will play a crucial role and, for this specific reason, the cooperation between all the actors involved will be fundamental. To be more specific, in 2021, the United Kingdom government announced the establishment of eight new free ports with the hope that these areas will act as national hubs for global trade and investment in Great Britain, promote regeneration and job creation. Other measures linked with the opening of these free ports were announced by the Queen including the exemption from customs duties for goods imported into the institution and the possibility to have access to a regeneration and infrastructure fund of almost £175 million. To support the establishment of the free ports, many economic studies have found that the main advantage linked with them is that they encourage imports by lowering duty and paperwork costs and the manufacturing businesses can benefit from cheaper imported goods.¹⁶⁸ In order to conclude this brief parenthesis related to the Great Britain, it reported that even the former prime minister Boris Johnson had thought to restore the free port institution in order to avoid tariffs in case of a no-deal Brexit. According to the data, the establishment of them could generate, in terms of income, an adding of £9 billion a year to the English economy.

In order to end this chapter, according to the scholars, free ports are based on a form of exceptionalism which has existed since the Antiquity. They have seen their role and function

¹⁶⁸ J. Mills-Sheehy and J. Kane, "Trade: free ports and free zones", (2021), *Institute for government*

evolve to follow political, economic and technological developments, particularly as they relate to international trade routes. After all these changes, some free ports disappeared while others gained and lost their importance due to the ebb and flows of global trade.¹⁶⁹ Globalization has underlined the enduring fundamental niche that free ports play as international trade gateways, with most countries having a regulatory environment enabling free ports, with some actively promoting them. The examples of Shenzhen and Dubai underline how the usage of the free port has been an effective tool of transnationalism. Of course, as written many times above, the free port status does not guarantee economic development since there have been numerous free ports that provided limited economic and trade impetus. It is reported that the insertion of free ports remains a key factor for the success, but, in any case, the effective success has to be observed only afterwards. However, in order to answer to the question present in the title of this section, yes, the free port, even after centuries, can be considered a core element in the current economic situation.

¹⁶⁹ A. Lavissière and J. P. Rodrigue, (2017), “Free ports: towards a network...”, p. 14.

Conclusion

After all the reasonings that have been provided during the pages of this research, it is important to summarize what has been demonstrated. Since the title of the work is “Free ports and Special Economic Zones: analysis of the evolutive process from the Early Modern Age to the contemporary period” what has been fundamental to demonstrate is how the two economic institutions can be considered one the contemporary evolution of the other. Obviously, the solution of the central issue of this research has been found only in the last chapter when the differences and similarities between the two special areas has been explored. What came out from the analysis is the fact that, for sure, they use the concept of being open as the core element for their initial establishment and their consequent development. This statement can be justified by looking simply at the definitions that have been provided: in fact, the free port has been defined as a site where the merchants from all over the world could come and trade their wares without paying any duties. On the other hand, as far as the Special Economic Zones is concerned, the definition provided refers to the fact that these peculiar areas have the specific aim to attract the foreign direct investments (FDIs) coming from outside the Chinese borders. It is straightforward to note that despite the differences in the actors involved the final scope is pretty the same: the intention, in fact, was to enhance the amount of gold or, in contemporary terms, of Gross Domestic Product which circulates in the areas involved.

During the journey that have covered in a more specific manner almost three centuries even if, as reported in the first pages, the first signs of the presence of the free port date back to almost 2000 years ago, it has been deeply underlined the importance of two specific Italian cities: Livorno and Trieste. On the one hand, Livorno has been considered by the historians one of the most important examples of a port city that have perfectly embraced the concept and definition provided by Savary. On the other hand, the city of Trieste has been useful to fully understand how, during the years, a port can evolve in order not to be excluded from the trade routes and to follow the course of the modernity by, for instance, adopting all the necessary measures to handle the most important innovation in the movement of the wares, i.e., the container.

However, there are other two concepts that have been provided during the course of the research: the first one consisted in the fact that not all the free ports and, consequently, not all the Special Economic Zones have been established with the same goal in mind whereas the second one consists in the fact that the free ports are still present nowadays. As far as the first point is concerned, it has been explained how the general aim thought for the development of the free port has been the one of enhancing the number of merchants and wares present in this special institution but, for some specific situation, the, in some cases, hidden aim for

establishing it, was pretty different. In order to justify this sentence, the most significant example provided has been the one of Great Britain. To be clearer, the intention of the British was to construct the free port institution with both for contrasting the policy ideated by the French emperor, Napoleon Bonaparte and both for colonizing a place without the use of the violence. So, in few words, the idea was not only to avoid a loss in terms of people but also to colonize the place without ruining the economy. As far as the second point is concerned, i.e., the one which refers to the presence of the ports also in the contemporary period, it has been important to understand if this peculiar institution is still a core element for the current economic situation, also with a brief parenthesis related to the Great Britain and its attempt to restore the free port institution. The answer provided to this question has been an affirmative one because, above all, they have been fundamental to relate the various international routes and they have been important actors involved in the globalization. Certainly, nowadays, they are completely different to the definition of the free ports developed in the Early Modern Age but it has been important to understand that, even after 2000 years since their first appearance in the history of the humankind, they are still a core element for the current global economy.

Abstract

La tesi magistrale intitolata “Free ports and Special Economic Zones: analysis of the evolutive process from the Early Modern Age to the contemporary period” ha come scopo l’analisi di un’istituzione che ha contraddistinto, per lo più l’età moderna, ponendola poi a confronto con un’altra istituzione identificata nelle Zone Economiche Speciali, le quali sono risultate, a posteriori, utili per l’evoluzione di paesi che fino alla fine del XX secolo erano poco sviluppati sotto ogni punto di vista. Nello specifico il concetto di porto franco è stato fondamentale per lo sviluppo di alcune città italiane durante l’età moderna: in questo senso gli esempi di Livorno e Trieste, descritti all’interno di alcuni paragrafi all’interno dell’elaborato, sono stati fondamentali per comprendere al meglio come, grazie all’utilizzo di questa istituzione, il Mar Mediterraneo fosse considerato il punto focale per il commercio nell’Europa dell’età moderna. D’altra parte, il concetto di Zona Economica Speciale, come scritto poc’anzi, è stato fondamentale per lo sviluppo di paesi poco sviluppati localizzati per lo più ad oriente. In questo caso, l’istituzione dell’età contemporanea ha visto il suo massimo splendore a Guangdong, attualmente identificata come la provincia cinese con la più alta crescita in termini di prodotto interno lordo.

La ricerca, per riuscire a raggiungere lo scopo prefissato, si è basata sull’analisi di libri, articoli di riviste e di studi pubblicati in riferimento agli argomenti trattati risalenti a partire dal XVII secolo segno che ci sono stati molti dibattiti attorno alle istituzioni analizzate. Inoltre, analizzando le opere citate, si può notare come ci siano delle fonti che risalgono ai nostri giorni e questo deve considerarsi un’ulteriore prova del fatto che, pur essendo passati duemila anni dalla prima apparizione dei porti franchi, essi risultano essere ancora utili nell’affrontare le difficoltà che si possono incontrare in una condizione economica precaria come quella attuale. In questo senso, nel quarto capitolo il piccolo riferimento all’odierna crisi economica legata alla pandemia del Covid-19 è stato utile al fine di spiegare come l’istituzione del porto franco possa essere utile per superare una delle più ostiche crisi economiche della storia tramite investimenti mirati all’innovazione e allo sviluppo sostenibile.

All’interno dell’elaborato, sono stati citati e, a volte analizzati con più attenzione, molti personaggi storici, i quali hanno indirizzato, tramite le loro idee e le loro scelte, il susseguirsi degli eventi che hanno portato ad elevare l’istituzione del porto franco allo status che le è stato riconosciuto dalla maggioranza degli storici. Per specificare meglio quanto appena affermato una figura, le cui scelte hanno condizionato determinati comportamenti da parte di paesi esteri,

è stata particolarmente rilevante in questo senso: l'imperatore francese Napoleone Bonaparte. Con la sua scelta di imporre un blocco continentale alla Gran Bretagna subito dopo l'emanazione del Decreto di Berlino del 21 novembre 1806, Napoleone, infatti, decise di non consentire l'attracco in qualsiasi porto dei paesi soggetti al dominio francese a qualsiasi nave che battesse bandiera inglese. Di fatto, questo blocco toglieva quindi la possibilità alla Gran Bretagna di poter portare le sue rotte commerciali nel Mar Mediterraneo e colpiva, di conseguenza, l'intera economia inglese. Ovviamente la nazione inglese non rimase a guardare e per ovviare al problema che perdurò fino al 1814, anno in cui il governo francese decise di porre fine al blocco continentale, decise di allargare le sue intenzioni commerciali verso i paesi orientali quali la Cina e l'India. Un'ulteriore curiosità legata alla Gran Bretagna, analizzata all'interno dell'elaborato, è stato il concetto legato alle varie possibilità di utilizzare un'istituzione speciale come lo è stata quella del porto franco. Infatti, è stata osservata nel dettaglio l'esperienza inglese che ha portato all'utilizzo di questa istituzione particolare come forma di colonizzazione. È doveroso sottolineare come le circostanze in questo caso abbiano giocato una parte importante perché la decisione è stata presa solo dopo aver analizzato i costi e i benefici di tale operazione. In tal senso inoltre, le operazioni inglesi legate all'utilizzo di tale istituzione sono state fondamentali come nuova e diversa forma di colonizzazione nel periodo immediatamente successivo alla guerra dei sette anni, iniziata nel 1756 e conclusa nel 1763. La guerra in questione ha visto come attori protagonisti le principali potenze europee dell'epoca e come vincitore lo schieramento guidato dalla Gran Bretagna. Il problema, che ha poi dato il via alla questione dell'utilizzo dei porti franchi come alternativa alla conquista militare delle colonie, è stato il fatto che, nel caso in cui si fosse optato per una classica conquista, ci sarebbe stato un ulteriore dispendio non solo in termini di esercito ma anche in termini prettamente legati ad un'economia già messa a dura prova dalla recente esperienza bellica.

Un'altra curiosità che si può notare durante la lettura dell'elaborato è il fatto che la Cina sia stata presente in ogni epoca storica trattata. Già dall'inizio, infatti, è stato sottolineato come le prime testimonianze legate al porto franco siano risalite circa 2000 anni fa proprio in Cina. Successivamente, come ribadito nella precedente testimonianza, la Cina è stata il paese oggetto delle politiche commerciali della Gran Bretagna subito dopo la decisione dell'imperatore Napoleone Bonaparte imporre il blocco continentale. Infine, all'interno dell'ultimo capitolo riguardante le Zone Economiche Speciali in età contemporanea, è stata trattata come il paese nel quale queste particolari zone hanno cominciato a svilupparsi. A tal proposito, la descrizione di questa istituzione è stata utile per comprendere fino in fondo le i punti in comune e le

disuguaglianze tra le due istituzioni analizzate. Nel caso specifico dell'istituzione contemporanea, essa ha avuto come data di riferimento il 1978, anno in cui si è tenuto un discorso del Presidente della Repubblica popolare cinese Deng Xiaoping. Lo scopo di tale discorso è stato quello di dare il via al programma definito di "riforma ed apertura" il quale segnò in maniera indelebile l'inizio di una nuova epoca per la Cina di allora. Con questo programma venne di fatto lanciato tutto quello che riguardava l'istituzione delle Zone Economiche Speciali, le quali, come ben sottolineato all'interno del quarto capitolo di questo elaborato, sono risultate il giusto compromesso tra due politiche economiche allora presenti: l'industrializzazione per sostituzione delle importazioni (ISI) e l'industrializzazione basata sulla promozione delle esportazioni di beni manufatti (EOI). Inoltre tramite l'utilizzo di queste particolari zone, è stata data la possibilità a due concetti di entrare a far parte delle politiche economiche internazionali: il primo è la disuguaglianza economica mentre il secondo è la sperimentazione. Per quanto riguarda la disuguaglianza economica, essa è stata promossa direttamente dal Presidente cinese Xiaoping all'interno del suo celebre discorso del 1978 in quanto secondo la sua idea, all'interno della società di un paese, era necessario accettare la disparità nella distribuzione del patrimonio economico e del reddito tra gli individui. Lo scopo di avere questa differenza in termini economici tra membri dello stesso paese era quello di fare in modo che, nella fase iniziale del programma di "riforma ed apertura", ci fossero attori in grado di guadagnare più di altri in modo da generare più sforzo, e quindi più guadagno, tra questi ultimi nel tentativo di raggiungere i più ricchi. D'altra parte, per quanto riguarda il concetto di sperimentazione legato all'istituzione delle Zone Economiche Speciali, esso si riferisce al fatto che, vista l'importanza e la delicatezza di tale progetto, queste particolari istituzioni venivano prima sperimentate in piccole aree periferiche per poi, in caso di successo, essere realizzate in aree più grandi e più centrali del paese. Per dare seguito a quanto appena affermato, l'esempio più lampante, analizzato all'interno dell'elaborato, è stato quello della città di Shenzhen. Essa si colloca geograficamente all'interno della provincia di Guangdong, nella parte meridionale della nazione ed è considerata oggi la capitale cinese nella produzione di tutto ciò che riguarda le tecnologie per la comunicazione e l'informazione (ICT) visto che il settanta per cento di ciò che viene prodotto nella città riguarda l'elettronica. L'esempio della città di Shenzhen, definita anche la Silicon Valley orientale, ricalca perfettamente tutti i tratti distintivi delle Zone Economiche Speciali che sono stati analizzati nel dettaglio nel quarto capitolo. In tal senso, la zona prescelta si trova nelle vicinanze di Hong Kong così da poter sfruttare tutto il traffico commerciale che passa attraverso quello che ad oggi è considerato uno dei centri finanziari più importanti del mondo anche grazie allo sviluppo di un'economia basata

sul libero mercato legata prettamente al settore terziario. Per di più, ricordando che le Zone Economiche Speciali hanno un carattere sperimentale, prima della sua trasformazione la città di Shenzhen era una realtà molto piccolo di natura rurale con circa trenta mila abitanti. Una volta abbracciato totalmente questo pensiero legato all'utilizzo di questa particolare istituzione, nell'arco di trent'anni la città si è modificata in modo così tanto repentino da arrivare ad essere la terza città per importanza in termini di economia e la quarta in termini di numero di abitanti. Oggi infatti la città di Shenzhen conta quasi tredici milioni di abitanti.

Tutti le analisi effettuate nell'arco dell'elaborato sono state utili per raggiungere lo scopo prefissato nella parte introduttiva: comprendere, nel miglior modo possibile, perché i porti franchi e le Zone Economiche Speciali possano essere considerate le ultime l'evoluzione della prima istituzione riuscendo ad identificare le similitudini e le differenze tra le due. Per riuscire ad analizzare al meglio tutti i vari momenti storici affrontati, l'elaborato è stato suddiviso in quattro capitoli. Il primo capitolo, intitolato "A general overview on free ports", è stato dedicato al tentativo di arrivare ad avere una definizione chiara ed univoca del concetto di porto franco. Nel secondo capitolo, intitolato "The free port of Livorno: a dream for Early Modern Europe", il tema principale è stata la descrizione di come Livorno, una delle città europee più importanti durante l'età moderna, abbia sfruttato l'istituzione del porto franco per soddisfare i propri interessi commerciali. Il terzo capitolo, intitolato "The path towards the Special Economic Zones", è stato dedicato all'analisi degli sviluppi del porto franco nel XIX secolo. Nello specifico di particolare rilevanza sono stati i dibattiti avvenuti a Cadice e a Veracruz mentre Trieste, presa come città spartiacque tra l'età moderna e l'età contemporanea, è stata fondamentale per approfondire come un città-porto possa evolversi in base alle necessità e agli obiettivi che vuole raggiungere. Infine, nel quarto e ultimo capitolo, intitolato "From the Early Modern free ports towards the contemporary SEZs", l'istituzione contemporanea delle Zone Economiche Speciali è stata oggetto di studio con lo scopo di comprendere i punti in comune e i punti discordanti con il porto franco fino ad arrivare ad investigare come l'istituzione protagonista dell'età moderna sia importante, tutt'oggi, in determinate situazioni come può essere quella riguardante il Regno Unito.

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