

## ***Italy, the Belt and Road program, and China***

### ***My weekly column***

Italy's moves to sign a deal with China and get involved in its Belt and Road Initiative (BRI) are highly significant as Italy is the first of the European Union's founding countries to join this program. By way of reminder, the Belt and Road Initiative aims to develop stronger trade between China and various other regions of the world. Italy is the 12<sup>th</sup> European Union country to get involved in this program. Meanwhile Greece, Hungary and Poland are not opposed to it, and rail transport between Chengdu and Lodz has increased considerably over the past five years due to trade between the two countries. However, Sweden is fairly opposed to the Chinese program, while France and Germany are reacting cautiously – probably as they see potential business and trade opportunities, but also the restrictions involved in the program as it is primarily dictated by China.

The value of the Italy-China agreement is not yet huge and does not reflect a firm commitment between the two countries, but it has already caused some strife in the Italian government between Di Maio who went all out to promote the agreement, and Salvini who wanted none of it.

China sets great store by this international drive and the country's role in the global balance, and when Xi Jinping set up the BRI in 2012 just after he took over as President, he put this world view center-stage again. His aim then as now is to root China's fresh phase of growth within a broader context and link it back to the country's development more than 2,000 years ago when the growth of the Silk Road network shaped Asia, sprawling out as far as Europe. During his recent visit to Europe, Xi Jinping was keen to remind listeners of the very long-standing relationship between Rome and the Han dynasty, which ruled from 206 BC to 220 AD, and he also referred back to the rich 13<sup>th</sup> century Venetian merchant Marco Polo's trip to China. He took great pains to mark the country's historical ties with Italy, but also China's long-standing influence and role across the globe.

China's incursion into Europe via the BRI obviously raises questions on the relationship between the two regions: targeting one of the EU founder countries marks a new milestone, especially as Italy has already been on the receiving end of quite a bit of China's investment in the region. The UK has traditionally been China's favorite focus for investment since 2000, with a total of €59.9bn up to 2018 according to Merics, but Italy ranks third with €15.3bn, just behind Germany's €22.1bn, while France is fourth with €14.3bn.

However, Italy's political choice raises a number of questions.

Is this decision a way to divide Europe amidst a global backdrop where doubt already prevails over European harmony? Several countries no longer want to comply with EU rules as strictly as they did before: Italy is a case in point, but we could also mention Poland, Romania and a few others. Considering European wariness of China, could this be a way for it to drive a wedge between the countries of Europe? This is a valid question as by promoting an easing of European-led restrictions, perhaps China could gain some more leeway to implement its worldwide growth strategy while also shoring up its international position...

Well may we wonder then whether Italy's move is also a way for Southern Europe to put pressure on Northern Europe and the European Commission, as the region could use the relationship with China to gain leverage – particularly Italy, as tension with Brussels has soared since the coalition government took over.

China has already invested in the port of Athens (Piraeus), the port of Sines in Portugal, the port of Valencia in Spain, and has taken a foothold in the industrial port of Venice (Mestre-Marghera). The country – alone or sometimes via Hong Kong – now owns or manages 10% of European ports, while there are also bids to manage even more. This is a hefty figure and these moves could fuel imbalances and pressure between European states in a less harmonious Europe.

So all this begs the question whether China's behavior as it seeks to extend its influence is a reflection that Europe is relegated to second place. The old continent harbors strong purchasing power, but it is divided despite the European institutions and does not seem to have a role to play in the tech battle between China and the

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US. So is this a way for China to disrupt Europe's supposed unity with the US and move forward in the technological war, which will ultimately lead to China's technological domination in Europe as it asserts its worldwide position? We recently saw threats from the White House – particularly to Germany – as it sought to stop the use of Huawei equipment when renewing mobile phone infrastructure.

Lastly, the key point in the Italy-China agreement is the port of Trieste, an industrial free zone that is set to be China's bridge into Italy. Trieste boasts major advantages that Piraeus does not have, and these explain much of why Chinese investments in the port of Athens ended in failure. Firstly, the port of Trieste is already part of a broader industrial framework: secondly, there is a much more extensive rail network than in Greece, which makes Munich closer via this route than if getting there from Hamburg, in terms of both time and distance. In other words, Trieste is close to southern Germany, northern Italy and south-east France, and the route from Shanghai to Trieste is almost 10 days shorter than the route to ports in the north of Europe. This is very important and could put Trieste in a position to rival with Rotterdam or Hamburg, and this factor could play a crucial role in shaping the new European landscape.

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