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## ITALY TAKES CHINA'S NEW SILK ROAD TO THE HEART OF EUROPE

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In recent weeks relations with China have dominated the political agenda in Italy.

During Xi Jinping's visit to Rome the Italian government will sign a Memorandum of Understanding (MoU) about its participation in China's ambitious One Belt, One Road, also known as the Belt and Road Initiative (BRI), which aims to create an intercontinental infrastructure connecting Asia with Africa, the Middle East, Latin America and Europe.

Jean-Claude Juncker greets Li Keqiang, premier of the People's Republic of China. A new EU-China summit is planned for April (Photo: European Commission)

This makes Italy the first major, developed economy to join the Chinese development project.

Consequently, Washington has put a lot of pressure on Rome not to sign, primarily citing security issues related to digital infrastructure.

According to Lucio Carracciolo, director of the geopolitical magazine Limes, Italy has thus, "without even noticing", ended up "in the ring where the US and China are competing for the World Heavyweight Championship".

This has created tensions within the Italian government, made up of the anti-establishment Five Star Movement (M5S) and the far-right League.

Interior minister Matteo Salvini has seized the occasion to promote the League as the American administration's most reliable partner in Italian politics and last week called a press conference to warn against the risk of a Chinese colonisation of Italy.

M5S, on the other hand, views the MoU as a way of gaining the necessary financial clout in confrontations within the EU to be able to carry out its plans for welfare reforms.

"This memorandum is the result of a combination of a nationalist government, political arrogance and economic weakness," Nathalie Tocci, special advisor to EU's High Representative for Foreign Affairs and director of Istituto Affari Internazionali in Rome, told EUobserver.

"Symbolically, Italy pokes its allies - in the EU and US - in the eyes in order to put Italian interests first. But if you look at the facts it is the result of an extreme economic weakness. It is no coincidence that China puts its bets on Italy, which they clearly consider to be the weakest link among the big countries in the EU."

## **Growth and power**

Negotiation about BRI began under the previous Italian government, but the outcome has now sparked confusion and discussion about Italy's place in the world: still alongside the traditional ally across the Atlantic, or should it become an important bridge between East and West along the new Silk Road?

"This would not have happened with a different government," Nathalie Tocci said.

"Other European countries have managed to attract Chinese investments, but without handing over the political keys to the country."

Ahead of the signing, prime minister Giuseppe Conte attended hearings in both chambers of parliament and the joint intelligence committee.

"This is no international agreement, it does not create any legal obligations," Conte said, and tried to reassure that the MoU would only "define target, principles and ways of cooperating in the context of BRI."

Italy has Europe's biggest Chinese community.

Around 300,000 Chinese live in the country, many of whom are concentrated in industrial cities such as Prato near Florence or in metropolitan 'Chinatowns'.

A remarkably high number of Chinese emigrants have opened their own businesses in Italy, and Chinese investments have bought power on the boards of big Italian companies.

Since 2000 Italy has attracted  in Chinese investments - far behind the level of Chinese investment in the UK and Germany, but ahead of France and the rest of Europe.

In any case, China's presence in Italy is sufficiently consistent to provoke xenophobic knee-jerk reactions about 'neighbourhood bars being taken over by Asians', which Salvini thrives on, but also to nurture hope of salvation from permanent recession.

Former Italian prime minister and head of the European Commission Romano Prodi illustrates Beijing's economic power by pointing out that China's growth last year was equivalent to the entire GDP of Russia: "It is like saying that China grows a Russia a year," Prodi said in an interview in the political review *Il Mulino*.

He adds that Chinese scientists now publish more in international academic journals than Americans do. "China has launched a global challenge, which spans from space science to molecular biology," said Prodi.

"At this point one has to ask the question: Is it conceivable that such a strong country, with such an important international influence, should give up on the temptation to sooner or later also use power politics? It is hard to answer, but the question is important."

## **Cold war mentality**

However, Italy still lives under American protection, with 15,000 US-troops deployed at navy and air bases across the country.

This should have induced Rome not to step up cooperation with China without American acceptance, argues Lucio Carraciolo. "We have every right, or rather the obligation, to attract investments in order to infuse fresh blood into our stagnating economy," he said.

"In particular, linking Genova and Trieste with the new Silk Roads and with the planned infrastructural project in Europe is an obvious priority. But not all money is alike.

"If we, for instance, tie ourselves to the main competitor (China) of our landlord (USA), then we must first agree with Washington over all the red lines which cannot be crossed," he added.

Italy seems to have been less cautious about the US' red lines than the 13 other EU member states which have already joined the BRI.

These include Hungary, Greece, Poland and Portugal.

But Italy also has a lot more to offer with its strategically important ports in the Mediterranean.

So far, commercial ports in Genoa and Palermo on the Tyrrhenian and Trieste and Ravenna on the Adriatic have lined up to develop partnerships with Chinese state companies.

Trieste, close to the borders of Croatia, Slovenia and Austria, is set to become an important hub for the transport of goods in modern version of the Silk Road, which Marco Polo opened between nearby Venice and China some 700 years ago.

This will connect the BRI with the most important railway and road axes, which run from the Adriatic to the Baltic.

And it adds considerable prestige to Xi Jinping's big project, domestically and abroad: "Economically it is hard to tell if the memorandum will really have any impact," Tocci said.

"It is legally non-binding, and the investments in it would probably have come anyway. So the point is really political. It is a big political/symbolic victory for China, for nothing in return practically.

"This is what you get when you exchange multilateralism with bilateral agreements. You end up in an asymmetrical situation, where the biggest player holds a knife up its sleeve," she said.

## **Vanity project**

"Italy's participation is of huge significance to China at a time of (an) increasing cold war mentality among the US and its western allies," said Ding Chun, director of the Centre for European Studies at Fudan University, to South China Morning Post.

Ding Chun also point to Italy's sovereign debt, which is only second to Greece's in terms of debt-to-GDP-ratio, but with by far the largest nominal value in the EU.

The idea that China could gain further influence in Italy and a golden share on the future of the euro by buying up big chunks of Italian debt has set both Washington and Brussels on the alert.

The American credit rating agencies might begin downgrading Italy's ratings even further, warns Carracciolo.

As much as issues about Huawei and cyber security, it is this financial vulnerability that worries Italy's traditional partners.

They point to the fact that the BRI has already meet criticism for creating debt traps and political subjugation to Beijing, in particular in countries like Djibouti, Malaysia and Pakistan.

The US-ambassador in Rome last week met with Italy's foreign minister, Enzo Moavero Milanesi, to expose the American concerns about China's investment strategy.

And Donald Trump's National Security spokesperson, Garrett Marquis, warned Italy not to "lend legitimacy to China's infrastructure vanity project".

This has led to a series of changes in the last drafts of the MoU with the introduction a so-called 'golden power', which consists of limits to and more control over Chinese investments in strategic Italian infrastructure, in particular telecommunications.

According to Giancarlo Giorgetti, the First Undersecretary to the Council of Ministers, who is generally considered the League's institutional face and recently visited Washington, these measures have done away with any cause for concern, "for us as and our allies".

## **EU summit**

Meanwhile in Brussels EU leaders discussed China at their summit on Friday: "Chinese markets are not sufficiently open to EU products," EU commission president Jean-Claude Juncker told the press.

"China is able to take part in public procurement in Europe, it would be good if EU could take part in China too. This is not a minor thing."

A recently published strategic outlook on relations between EU and China says that "China is simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance."