



PERSPECTIVES

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With Italy on Board, China's BRI Gets a Major Boost

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EXECUTIVE SUMMARY: China's grand Belt and Road Initiative, which is intended to connect the Asia-Pacific with the European market, had a major boost in March when Italy – the first of the G7 states – effectively signed onto the project. This event illustrates how difficult it is becoming for European countries to resist Chinese investment at a time of economic troubles in the EU.

On March 23, in Rome, a ceremony was held at which Italian PM Giuseppe Conte and Chinese president Xi Jinping signed a non-binding memorandum of understanding (MOU). The MOU will most likely lead to Italy's participation in China's Belt and Road Initiative (BRI).

To date, about a dozen EU countries, including Greece, Hungary, Poland, Bulgaria, Croatia, the Czech Republic, Slovenia, Portugal, and Slovakia, have signed formal agreements with Beijing on the BRI. Rome's signature is particularly important, however, as Italy is the first of the G7 countries to join the Chinese project, which seeks cross-continental connectivity and integration between China and Europe. None of the other EU countries that have signed on to the BRI rival Italy's economic weight or political significance within the EU.

Many in the West believe that, unlike Russian Eurasianism, Chinese Eurasianism will eventually challenge what we may provisionally call Atlanticism: a situation in which the US has built a security umbrella across the entire Eurasian landmass to prevent the emergence of a unified Eurasia.

For weeks before its decision, Rome was cautioned by its European partners that China, by getting control of critical technologies and infrastructure, could

pose an economic and political threat to the EU. But Rome pressed ahead with its support for the scheme, playing down these reservations.

All together, Chinese investors signed 29 separate deals amounting to \$2.8 billion worth of projects. The most important, arguably, are investments in port infrastructure in Trieste, Genoa, and Palermo, which could give Chinese goods faster access to Europe. This follows on from what China reached in Europe in previous years when it expanded its presence in Greek ports.

A major reason why Rome joined the BRI is that Italy has been experiencing economic troubles of late. The country slipped into recession at the end of 2018, and its national debt levels are among the highest in the Eurozone. Italy's populist government came to power in June 2018 with high-spending plans but had to scale them back after a stand-off with the EU.

Rome is hoping that the deals with China will bring about increased exports to the Asian giant that can help correct its trade imbalances and give a boost to Italian businesses and the economy.

Another motivating factor for Italy is that the EU does not yet have a unified strategy towards China and the BRI. France and Germany have more Chinese investments than Italy, which has provoked fears in Rome that the country could miss out on good economic opportunities.

Getting Italy on board is a success for China and its economic interests in the Mediterranean basin, but also comes at a time when Beijing has seen Europe and the Americans come out more and more against Chinese moves. Washington is engaged in a global campaign to warn countries against using Chinese G5 wireless devices for security reasons. Some have agreed, others have not.

On a more serious note, the EU has voiced concerns that Chinese construction projects use unfair business practices. Europe is worried that most Chinese companies are backed politically by the central government in Beijing. There have also been cases where foreign firms were asked or even forced to give up trade secrets if they want to do business with China.

Just days before the China-Italy deals, the EU announced it is preparing its own strategy to counter Beijing's improper economic activities in the bloc.

Some analysts believe China's success with Italy will be short-lived and will not have a geopolitical impact. However, the agreements signed in Rome show that the BRI is gaining popularity in the West. The China-Italy precedent fits into a nascent Chinese Eurasianism that will allow Beijing to gain new foreign policy

tools to use against its potential competitors. China's pivot to the West goes primarily through Central Asia, Russia, and potentially the South Caucasus.

The ambivalent reaction to Italy's approach to China's economic moves reflects the EU's lack of preparation. Europe simply does not have a strategy to deal with China, which – though it does not pose a military threat – is nevertheless strong enough to influence the EU economically. The EU's foremost ally, the US, is the only power that can enhance the bloc's anti-China stance.

It is thus likely that in the coming months we will see an intensive US political campaign urging its European allies to be less receptive to Chinese economic overtures. At present, however, the US is struggling to prevent China from increasing its influence in the region. It will have to dedicate more of its economic and military resources if it wants to counter the Chinese.

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