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The New Silk Road and the Impact on the Italian Production System

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The present work analyzes the asymmetric relationship between China and Italy with a specific focus on the impact of the Belt and Road Initiative (BRI) on the Italian production system. With this analysis, it comes to light the importance of China as a partner both for the industrial system and for the Italian production system. The analysis of investments flows and trade to and from China in Italy evidence the potential benefits that the development of logistic infrastructure along the BRI, with specific reference to railway and maritime networks, could bring to Europe and Italy, as well as the quality of logistics infrastructure, comparing them also to others European Countries, using the performance index, such as Logistic Performance Index (LPI). In fact, it is evident that reducing transport costs and strengthening the infrastructure systems in several countries that are part of the BRI could gain benefits. However, the issue is to understand and examine if, in an asymmetric structural economic and political situation, the result would be win-win, or instead the advantages would be redistributed unequally.

Keywords: Belt and Road, China, Europe, infrastructure, international economic system

Introduction

China has made a huge economic and social progress in the last 40 years becoming the first manufacturing power and the first worldwide exporter of goods. The Chinese development model presents therefore serious asymmetries, comparing to the models of others countries, especially those advanced. Consequently, serious distortions will come about on the international market. The increasing power and the influence of China put into light, in this way, important and unavoidable issues for the countries and societies around the world, as well as for Europe and specifically for Italy. The “Belt and Road Initiative (BRI)” or the “Made in China Plan 2025[1]” have been taken into consideration at international level. Also, the matter of trade and infrastructural hubs and the issue of the ports are the focus of a political and economic heated debate.

The analysis presented in this work aims to show the asymmetric relationship between China and Italy, providing empirical facts and economic and commercial data. Therefore, in Italy, there is a lack of qualitative

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[1] The strategic plan “Made in China 2025” is a planning document adopted in 2015 by the Chinese government to transform China from a “world factory” to a leader in high value-added products. Among other agreements it is worth mentioning: Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).

and quantitative analysis on the actual characteristics of this planning ability, and on the actual chances that also Italy can be part of it with an economic return. Therefore, this refers to put into practice an updated and complete research about the consequences of BRI that take into consideration the unbalanced relationship between Italy and China and to the possible positive and negative implications on the production, economic, and infrastructural system and that also can suggest some ideas to the decision-makers regarding a sustainable commercial and economic policy that can be effective and efficient both for Italy and Europe.

This article develops as follows: The Section 2 consists in a careful examination about the state of the art and the developments of the Belt and Road Initiative. The Section 3 provides the analytical framework of the trade flows and the bilateral foreign direct investment (FDI) between Italy and China, while the Section 4 tries to examine the potential benefits that the development of infrastructure would have in the future with particular reference to rail and maritime networks. Section 5 summarizes the strengths and weaknesses, the criticalities and the opportunities of this kind of relation, trying to synthesize the implication on the Italian economic and entrepreneurial system.

The New Silk Road Project

The strategic initiative launched by Xi Jinping in 2013, known as the New Silk Road or Belt and Road Initiative (BRI), is taking shape. The BRI is a strategic international project that China undertook in order to stimulate economic development in large area that covers sub-region in Asia, Europe, and Africa. Although there has not been any official announcement on which countries would be covered by BRI yet, some official sources indicate the involvement of at least 63 countries, among which 18 European countries[2].

One of the key goals of the BRI is to loosen the bottlenecks for cross border trade, in particular, through the development of transport infrastructure, reducing in this way the transport costs and stimulating the trade between China and the other participating countries. The same effect should be provided for the other extremity of the road (European cointries), because a cheaper transport could favorite the trade of European countries with other countries—transit countries—of the Belt and Road (B & R), as well as with China.

However, in addition to the general asymmetric approach of Chinese authorities, both in their foreign and cooperative policy, as well as specifically in the Belt and Road Initiative, a structural asymmetry between Italy and China can be identified since time. The international competitive dynamics have consolidated this gap that is difficult to recuperate unless we reconsider a new international relationship between European Union and China. In fact, it is clear that the reduction of the transport costs and the strengthening of infrastructural systems should bring benefit to the majority of the BRI countries. The issue is to understand and examine if, in an asymmetric structural economic and political situation, the result would be win-win, or instead the advantages would be redistributed unequally.

Up to now, BRI seems fluent in its definition, but it is not transparent in its implementation and flexible in its measures necessary to its implementation. The Chinese initiative appears as a strategic project that, in spite of its limited initial denomination, aims to more ambitious scopes. It is regarding a development platform that China has directed to all world, including investments, trade, credits, systems, and standards not based on West model (Washington consensus), but on the East one (Beijing consensus).

China wants to impose a different approach to the international economic system, through incentives and

[2] Particularly relevant for Europe is that the Silk Road arrives where the European Union (EU) begins. More importantly, this huge bloc between the EU and China represent the 64 percent of the world's population and the 30 percent of global GDP.

promises of profit, with the aim to promote a new international economic order, by leveraging on a different doctrine of development and of economic relations among nations based on the Chinese model. Regarding the segment China-Europe, the main objective of BRI is to create a large integrated Eurasian economic space, expanding existing connections with the European Union.

Mainly, it is regarding an infrastructural investment plan that aims to develop the connectivity and the collaboration between China and at least other 63 countries localized in an area that represents one third of world GDP, which includes at least the 70 percent of the population and owns over 75 percent of the global energy reserves (see Figure 1). On the other hand, instead, marine director will allow Chinese goods to reach the Mediterranean through Suez, extending up to East African coasts and the Maghreb and the rest of Asia through South China Sea. In addition to the two roads, Chinese government in January 2018 announced the intention to create a polar silk road that should be developed along three routes through Arctic: one passage to the northeast, one to the Arctic Ocean, and the last one to the northwest.

Figure 1. The Belt and Road Initiative (Source: Escobar, 2018).

In terms of the economy, Beijing looks at the neighboring markets to export industrial overproduction and technologies (concrete and steel, but also high-speed railway), promote made in China, acquire know-how and expertise, and diversify energy sources.

The main coordination of BRI is entrusted to the National Development and Reform Commission, the main agency for economic planning in the country, while the financing of interventions is entrusted to a variety of financial sources in the context of financial framework of public-private partnership, foremost among all the Asian Infrastructure Investment Bank (AIIB) and the Chinese Silk Road Fund (SRF). Since the beginning of the activity (January 2016), 13 countries have benefited from the capital given by the bank, for a total of 31 projects with a total value of more than 26 billion dollars (of which 6.2 are directly financed by the body). The Silk Road Fund (SRF) controlled by the central bank of China (People's Bank of China [PBOC]) is equipped of a total capital of 40 billions of dollars and it was established at the end of 2014 with the aim to finance projects (not only infrastructural) located in the countries that take part to the New Silk Road Initiative. The telecommunications sector, which, although is still relatively marginal (3% of all projects), plays an increasingly important role. During 2018, the Pak-China Optical Fibre Cable, a 2,950 km long optical fiber network between China and Pakistan was completed, which will significantly speed up the exchange of data and information between the two countries.

The interest of China to build telecommunications infrastructure was already clear in Africa, where 70% of 4G networks was created by the Chinese giant Huawei. The investments in telecommunications within the overall project of BRI will be earmarked to increase, also considering the Chinese technological leadership regarding 5G, where Huawei and Zhongxing Telecommunications Equipment (ZTE) have at the moment the most competitive solutions at international level. In this sector, China had a particularly rapid development also because of generous public subsidies and a market protected by the foreign competition (see Figure 2).

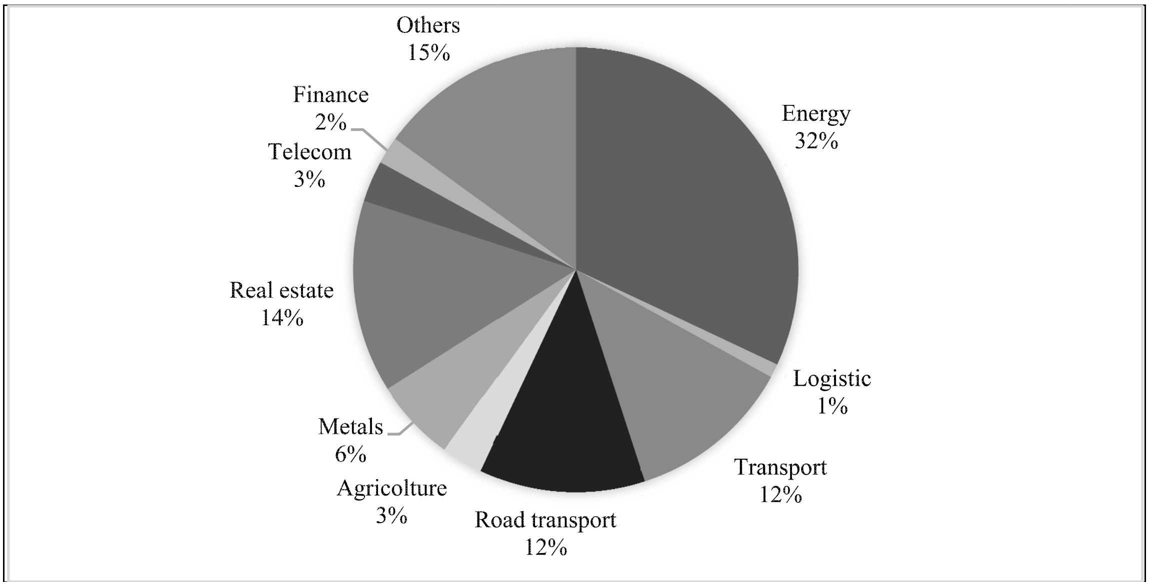

Figure 2. BRI projects per sector (Source: ISPI elaboration on American Enterprise Institute [AE] China Global Investment Tracker data).

There are, of course, many European concerns and not just for the consequences of the BRI. Some countries believe that China wants to put goods in the European markets at a price below to the cost of production, and this would put the manufacturing sector in Europe, for instance, in great difficulty.

Moreover, European policy-makers are afraid of the fact that the Chinese initiative is not transparent and that the non-transparent finance transactions can threaten the competition of European companies. Chinese firms sign contracts which do not comply with the regulations with regards to the public procurement. This put into light the matter of reciprocity: While Chinese firms find a privilege environment in Europe, it is improbable that a European firm could obtain a contract to build infrastructural project in China. Moreover, regarding obtaining public procurement as regards to BRI, Chinese authorities request the prerequisite that the Chinese production must have a minimum percentage of components locally produced, and this put foreign companies in a disadvantaged situation. Therefore, either the entire supply chain is produced in China or there is a risk to lose a large slice of the market[3].

[3] European Union Chamber of Commerce in China—The Road Less Travelled European involvement in China's Belt and Road Initiative (2020).

In the last instance, BRI analyses the sustainability of debts and the funding granted by financial institutions for the implementation of projects. The BRI funding for projects can, in some cases, increase alarmingly the indebtedness of receiving countries. A recent study of Istituto per gli Studi di Politica Internazionale (ISPI) (Amighini & Sciorati, 2019) identifies the BRI partners who have been most indebted to China in three groups. The first group is composed by those countries that already had a high foreign debt on GDP and which, receiving substantial funding from Beijing, have further aggravated their debt position. These countries are now risking of running into a debt crisis. The second group of countries has, instead, a low foreign debt ratio on GDP, but has contracted an important debt with China (e.g., Afghanistan and Cambodia), thus risking becoming dependent on Beijing from a financial point of view. Eventually, the third group of countries has a high foreign debt ratio on GDP but few Chinese funding (e.g., Egypt). The debt crisis that these countries are risking is therefore not only attributable to the Chinese loans received, but to the preexisting conditions of the foreign debt ratio on GDP. This issue is now at the heart of an important debate regarding BRI on the opportunity to get into debt for the sustainability of investments.

The European Commission has shown a particular attention to the objectives of the BRI but without placing emphasis on the potential and possible developments, leaving the initiative to individual states. In this regard, each member state has moved independently, weakening the concrete possibility of a fairer dimension in the China-EU trade relations at European level. The reasons for a structured presence of the European Union would be many, such as economic and political. This absence is to be considered harmful from a long-term perspective both in terms of competitiveness and in terms of power in negotiations.

Italy-China Economic and Trade Relations

China represents for Italy an important trade partner. However, the relationships are characterized by two imbalances: One is concerning the import/export flows, and the other refers to the investment flows. The overall trade in goods with China (currently is the 5º trading partners for Italy) represents approximately 5% of the total trade volume at international level, for a total value that in 2018 exceeded 50 billion euros for the first time and with a strong trade deficit of around 10/12 billion euros. In addition, we must consider the strong Chinese competitiveness on third markets, in the past in labor-intensive productions, today also in the high end of the value chain, which in the last 20 years has overwhelmed the made in Italy in many markets. In the EU-China trade, Italy is at the fifth position (after Germany, Netherlands, United Kingdom, and France), the fourth as an importer country with 30-34 billion (after Netherlands, Germany, and United Kingdom) and an exporter with about 18-20 billion (after Germany, United Kingdom, and France). If one adds Chinese goods arriving via Hong Kong (the main transit port for Chinese goods in Asia, while the Dutch one in Europe), the Italian deficit (which the distracted official statistics do not even register) rises by several billion.

Nowadays, 4/5 of Italian exports to China are still represented by capital goods, while the three F (fashion, food, and furniture) do not cover more than 15 percent of the total. In particular, what should be a physiological access to the Chinese market by foreign (and Italian) companies and products finds in China tariff (based on the agreements signed in the World Trade Organization [WTO]) and non-tariff obstacles, the latter sometimes insurmountable for small businesses grappling with the insidious Chinese bureaucracy[4].

[4] Please note, for example, the entry into force of countervailing duties on imports of European products (October, 2019) and the trade war between the US and China.

In terms of investments, Italian investments in China are around 15/16 billion euros (the data are necessarily inaccurate, as the capital may come from third countries or off-shore), all green-field and which have created in the last 30 years hundreds of thousands of jobs. Some Italian companies will still have a residual advantage in moving production to China, but overall, the phenomenon is in strong decline, due to the increase of the cost of labor and services, a taxation that is no longer an incentive, and a greater attention to the protection of the environment and the growing interest towards other emerging countries as well as in the light of the industrial desertification underway in Italy.

Regarding direct Chinese investments in Italy—which should be around 15-16 billion euros—they have, instead, focused on technology and market outlets, through acquisitions of existing companies, without creating new jobs, with some exceptions (Huawei in Segrate, the design center for cars in Turin and other minor ones), and are concentrated in Lombardy, Emilia Romagna, Lazio, Piedmont, Veneto, and Liguria, on tech, manufacturing, and energy sectors.

Chinese investments are attributable to the following types:

- shareholdings in listed companies (around 2%): Eni, Enel, Prysmian, Fca, Telecom, Generali, Saipem, Intesa San Paolo, Unicredit, Monte deipaschi di Siena, Mediobanca, and Atlantia/Autostrade (the latter at 5%).
- green-field investments, such as Huawei in Segrate and the design center for Auto in Turin;
- investments for the purpose of acquiring technology or developing production: Pirelli, Cifa, Ferretti, Parmeestelisa, Krizia, Benelli, Salov, LFoundry, 35% of RetiSnam/Terna of CDP (by State Grid of China), Haier 100% of Candy, Baosteel 75% of Emarc of Turin, Geodata, Blue Engineering, Shanghai Electric 40% of Ansaldo Energia, and other minor companies;
- Then there are those on the Italian public debt, the amount of which some estimate around 20 billion euros. These are investments of a speculative nature, which are also welcome, of course, but precarious by definition, as they can disappear in no time;
- some football teams.

However, at the end of 2018, 340 Chinese groups were present in Italy, through at least one investee company, of which 246 Chinese and 94 headquartered in Hong Kong. The reference is to the ultimate investor; therefore, in the not infrequent case of shareholdings held by Chinese groups through Hong Kong companies, the investment is attributed to the Chinese parent company. There are in all 641 Italian companies owned by these groups and their employment is close to 33,000 units, while the total turnover of the Italian related undertakings is approximately 22 billion euros.

In order to contextualize the importance of Chinese shareholding companies on the total of foreign shareholding ones, we can affirm that, according to “Italia Multinazionale 2019” report, at the end of 2017, Chinese shareholding companies represented the three percent of all Italian foreign shareholding companies, while their incidence with reference to the number of employees of the shareholding companies was equal to two percent; the incidence of equity investments attributed to Hong Kong was instead equal to 0.8 percent and 0.9 percent, respectively.

By focusing attention on the equity investments of Chinese companies only, it can be seen that in the majority of cases the Chinese investor controls the Italian shareholding company in the same measure to what happens for the multinationals of advanced countries.

There are 452 Chinese-controlled companies, or nearly 90 percent of the total. From a sectoral point of view, the activities of Italian companies with Chinese shareholding appear to be diversified; they are divided almost equally between the various sectors. The largest number of investee companies (128) is registered in the manufacturing sector, which represents more than two thirds of the total number of employees: It follows at a great distance the services sector, with just over 3,000 employees in 113 investee companies; there are therefore 94 commercial enterprises with less than 3,000 employees, while the remaining sectors (primary sector, construction and utilities) have just over 500 employees.

In the manufacturing sector, the largest number of Chinese companies is represented by the sector of mechanical machinery and equipment, followed by the rubber and plastic products sector and the computer, electronic and optical products sector.

With regard to the method of entry, it is noted that about half of the Chinese invested enterprises recorded have been the subject of green-field investments: In other words, these are companies created from scratch by the Chinese investor, possibly in partnership with Italian shareholders. In the other cases, the Chinese investment, instead, took place through the acquisition of preexisting activities. Green-field investments are clearly prevalent in the case of commercial activities or services, while in the case of manufacturing activities, the entry of Chinese companies into the Italian market takes place more and more often through the acquisition of preexisting activities (sometimes indirectly, through the acquisition of a group abroad with production activity in Italy), once again in analogy with the behavior of the other multinationals present in Italy.

Infrastructure Development

The new investments in railway and port infrastructure will certainly influence trade and relations between Asia and Europe, reducing transport costs and increasing trade volumes. However, the impact of these investments will not be homogeneous and will have a different effect on imports and exports. The development of the railway, for example, could favor some countries, while others could be more affected by the development of port infrastructure.

With regards to the impact on imports and exports, we must focus on three main elements: the effect on volumes, the effect on the composition of trade, and the logistical effect. The volume effect indicates that the development of trade relations will affect the volume of trade between each country/region with Asia and with China in particular. The new connections and infrastructure, of course, will generate more trade. The composition effect means that there will be types of goods that could be shipped by rail rather than by sea at a lower cost while others, not being able to, will continue by sea with the change in the mix of exports influenced by the different types of Bank for International Settlements (BIS) investments and cost benefits. The logistical effect indicates that the new infrastructure built, such as railways and ports will increase the competitiveness and attractiveness of the area in which they are built.

The new connections will generate more trade and will have an impact on the volume of trade of each European country compared to Asia. Logistics hubs will change the competitive advantage of the area in which they are located (see the case of Piraeus in Athens). The effects of the new connections should also be analyzed in relation to the specific composition of trade flows[5]. The development of the railways, therefore, could have a greater impact on these sectors and on the countries whose export mixture is particularly affected by these products.

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[5] Half of European countries import from China by rail, for example, computers and printers, TVs, electronic products and materials, while a third of their exports to China are automotive components.

However, due to the relative novelty of the BRI and the timing of infrastructure development, the scientific literature analyzing the economic impact of the BRI is still at the beginning. A simulation by Garcia and Xu (2017, p. 92) using a gravity model reveals, as regards trade flows between BRI countries, that “a 10 percent reduction in rail, air and sea costs will increase trade of two percent, 5.5 percent and 1.1 percent respectively”. Li, Bolton, and Westphal (2016), instead, analyzed the impact on bilateral trade of new railway lines between China and Europe. The authors believe that European exports to China will not be profoundly affected by railway connections (there is a positive and significant effect only for food and animals), while the positive effects on imports from China are much more evident, especially for manufactured goods, machinery and means of transport.

The development of new railway connections between China and Europe began a few years before the official announcement of the BRI in 2013. The first line which operated on a regular basis, it started it service in 2011 and connects Chongqing and Duisburg. Today, dozens of services connect China and Europe in 12-20 days. Apart from the Yiwu-Madrid Service, almost all rail services arrive in northern Europe or Russia. According to an analysis published by Schenker (2016), these routes allow companies to save between 25 and 30 days compared to maritime transport and they represent an unprecedented advantage for those countries and regions that do not have access to port facilities.

Moreover, the policy of the central government of China that supports the development in western provinces is pushing an increasing number of companies to move their production sites from coastal to inland provinces to take advantage of lower production costs and enjoy better access to BRI rail links in Europe. In fact, rail transport between China and Europe is a new segment in the logistics services sector that tends to position itself between sea transport and air freight. China has simply promoted the railway connections showing little interest in economic sustainability but within the context of much broader objectives than cost-benefit assessments[6].

Railway transport is a niche mode of transport, it is not a substitute but complementary to the existing ones. Furthermore, despite high costs and limited volumes, the development of railways will not benefit all countries but those that have exports of high value-added products towards China by creating greater economies of scale and achieving lasting improvements in their logistics.

Germany and Italy, two strong European countries in the manufacturing sector, represent continental and Southern Europe respectively and they are emblematic in understanding the different dynamics and advantages. In 2015, Germany imported railway goods with a value of €1.85 billion from China (2.6 percent of total imports) and it exported goods with a value of €4 billion (5.2 percent of exports). Italy imported goods with a value of 32.5 million euros by rail and it exported goods with a value of 15.3 million euros. For both, these are negligible percentages. In terms of volume effect, however, as Germany exports more to China than Italy, this offers to Berlin a more significant development potential in terms of exploiting the economies of scale created by the development of new rail links.

If we analyze how the trade is composed, the values of the car sector, respectively, are represented by 32 percent of German and 12 percent of Italian exports to China, showing how railways will benefit Germany above all.

[6] Today, the costs of rail transport between Europe and Asia are two to three times higher than maritime costs. Higher volumes, new routes and logistic services as well as the planned investments will certainly contribute to reducing rail transport costs, but all this will not translate into a real challenge in terms of the convenience of maritime routes.

The BRI will have its main European rail hubs in Germany and Poland and this will increase the competitive advantage of industries located close to them.

Considering the case of the car industry again, if today the proximity of Italy to the Suez Canal provides to a component manufacturer located in Italy an overall advantage of about five days over the German competitors, the development of the railways could provide to Germany a day ahead on Italian producers, shifting the original advantage towards the railways.

Therefore, the overall impact of railway development may be more evident in northern and eastern Europe. This is confirmed by railway trade data that show that Germany, Poland, and the Czech Republic represent the 80 percent of the total European railway trade with China (EU, 2016).

According to the data provided by Studi e Ricerche per il Mezzogiorno (Studies and Research for the South of Italy, SRM, 2019), in the last few years, there has been a transformation of global maritime traffic. This transformation, supported by the growth of the Chinese market, seems to have a virtuous impact on the commercial and logistic dynamics in the Mediterranean.

In 2001, the Mediterranean ports managed to attract only 34 percent of the goods, while the remainder went through the Suez Canal and "fled" through Gibraltar mainly absorbed by northern European ports, such as Rotterdam and Hamburg. Today, however, the reports have reversed with 56 percent of traffic goods remaining in Mediterranean ports. This new centrality of the Mediterranean has intensified because of the parallel impact of three competing factors: the expansion of the Suez Canal in August 2015 which doubled the daily capacity of goods transit, reducing waiting times at the entrance; the emerging "naval gigantism" or the strategic use by major companies of large ships (between 13,000 and 22,000 TEU) which can only be accommodated by the Suez Canal; and the acceleration of global alliances made by shipping companies that strengthen their economies of scale, as in the case of the Ocean Alliance (composed of the China Ocean Shipping Company [COSCO], the French CMA CGM, Evergreen of Taiwan and OOCL of Hong Kong), which controls 35 percent of trade on the Europe-Far East routes and 40 percent of trans-Pacific routes. These three phenomena (Suez enlargement, naval gigantism, and global alliances) are progressively strengthening the competitive advantage of southern Europe.

The largest company of Chinese state expeditions, COSCO, is investing heavily in port infrastructure. In Egypt, COSCO acquired 20 percent of a joint venture that controls the Suez Canal Container Terminal, strategically located at the northern entrance of the Suez Canal, and, in Turkey, it acquired 65 percent of the third largest port terminal located in Ambarli at the crossroads of the Asia-Europe trade routes. Among the most significant investment of COSCO, there is the port of Piraeus, where the Chinese company has invested five billion Euros for the acquisition of 67 percent of the port authority and for the expansion of its terminals (the first time that a Chinese company holds a majority of a port authority in the EU).

As a result of these Chinese investments, Piraeus has experienced rapid growth, with an increase from two percent of total traffic in the Mediterranean in 2008 to 30 percent in 2018 with a total capacity of over six million TEU per year (Intesa San Paolo, 2016,2017).

Furthermore, the port of Piraeus is not simply increasing in size, but also changing its nature. If we add to the investments in the port, the connection from Athens to Budapest via a high-speed train, the port will be transformed from a transshipment station to the main gateway of China to Central and Eastern Europe.

According to the agreement signed in November 2015 between China and Hungary, the completion of the Budapest-Belgrade line, the first segment of this railway, will be financed by the Export-Import Bank of China with a 20-year loan covering 85 percent of the total of 1.8 billion dollars needed for the construction of the railway built by China Railway International Corporation. The agreement, however, is under investigation by the European Commission, having Hungary potentially violating public procurement regulations and choosing a Chinese entity without a regular public tender procedure (Suokas, 2018).

The expansion of Piraeus as a main shipping hub of COSCO will allow the port to attract and use up greater volumes not only from other Mediterranean ports, but also from northern European ports, increasing competition in this sector.

With the full development of the port and its rail network, the more dynamic shipping companies will probably prefer to use this area as a distribution network not only for the Balkans and eastern Europe but also for western Europe. Greece could, therefore, be transformed into a logistics hub for several key companies[7].

The growing centrality of the Mediterranean represents a great opportunity for Italy as a natural platform to distribute goods produced in Asia and concentrate European products to be shipped globally.

The development of new rail links, however, will not benefit Italy as much as other continental countries, not only due to its geographical nature which does not allow Italy to take full advantage of the growing continental connectivity with China, but also because of the weakness of its national railway infrastructure: If we consider rail freight transport expressed in tonne-kilometers, the Italian volumes are one third compared to Germany and two thirds compared to France (European Commission, 2016). A more urgent challenge for the Italian economy is, however, the port of Piraeus. In recent years, Italian ports, due to Piraeus and other fast-growing ports, have lost the competition for the control of the Mediterranean trade, as in the case of the port of GioiaTauro, the largest Italian port, whose trade is increased from 3,467,772 TEU in 2008 to 2,546,805 TEU in 2015 (Port Authority of GioiaTauro and Contship Group). Piraeus also threatens the ports of the North Adriatic, which could be overwhelmed by the Greek hub as the southern gateway to Europe. In 2010, the four ports on the high Adriatic Sea (Venice, Trieste, Koper, and Rijeka) formed the North Adriatic Ports Association (NAPA), a cooperation agreement to coordinate port activities and to compete with the ports of northern Europe. Today, NAPA, a multiport gateway, moves 2.1 million TEU which is still less than the total volume processed by Piraeus. Although NAPA does not appear to face much competition from Piraeus today, with the development and completion of the rail network with Budapest, the situation could change dramatically. Furthermore, the ports of Venice and Trieste are developing new strategies to compete effectively in the long term. Venice has an ambitious project to build a new offshore port able to manage mega ships of 18,000 TEU and, more recently, a Sino-Italian consortium has won the competitive bidding (four million euros) for its final design[8].

The port of Trieste is investing in new piers and in a new railway structure to serve northern Italy and the rest of Europe. The rail link will be able to handle two million TEU, the total capacity of the ports when the new pier will be completed.

At least theoretically, all containers arriving in Trieste can be transported across Europe by railway. Therefore, Venice and Trieste, together with Fiume and Capodistria, could become a real alternative to the Port

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[7] In 2013, Hewlett Packard transferred much of its European distribution activities to Greece, in agreement with COSCO and TrainOSE, the Greek national railway operators (in 2016, TrainOSE was privatized, today it is owned by the State Railways, the railway operator Italian national team). Huawei, ZTE, Samsung, and other companies are also implementing similar strategies.

[8] The members of the consortium are China Communication Constructions Company Group (CCCG), 3Ti Progetti Italia and E-Ambiente.

of Piraeus. However, many obstacles emerged in the course of the planning. The main concern regarding the implementation of this project was about, in fact, the environmental impact. Since the NAPA initiative involves the docking of huge cargo ships, they can cause environmental damage to a city like Venice. These concerns have led the Venice Port Authority, in agreement with the Ministry of Infrastructure and Transport, to considerably resize the initiative. The Italian action was therefore generally ineffective: Italy was unable to identify a port-hub to propose to Chinese investors. Nonetheless, Italy continues to play a strategic role within the BRI, since it is located at the meeting point between the "Economic Silk Belt" and the "Maritime Silk Road".

Conclusion

Taking into consideration the relations between EU and China, it is clear how the two sides, despite finding themselves in an increasingly close economic embrace, nevertheless remain distant and occasionally antagonistic with respect to concerns about security or some legal-regulatory aspects. China develops asymmetrical relations with partner countries by maintaining external cooperation and investment relationships but opening up with difficulty to investments in key sectors and infrastructures internally, also taking into consideration that it now has a negotiating force with considerable financial resources and remarkable organizational skills. In practice, this is an asymmetrical, unbalanced cooperation, which also affects future developments in terms of international relations and economic, industrial and technological cooperation and which finds its maximum expression in the new Belt and Road Initiative.

This analysis allows us to understand the relationship between China and Italy in a more complete and updated manner, confirming its asymmetry and its persistence over time with consequences on future developments on the Italian production and economic system. This asymmetry is peculiar for three fundamental factors and two specific dynamics. The former are composed by the presence—both in the Chinese economy and in the Italian one—of a strong manufacturing sector, a strong dependence on exports and a widespread concentration, at least until a few years ago, on productions with a relatively modest technological content.

The dynamics that have developed on these fundamental factors can be defined as asymmetrical competition and asynchrony of opportunities. In this context, the creation and development of the BRI will be able to strengthen this asymmetry or represent an opportunity for re-balancing where political and economic actors will be able to adopt farsighted and functional choices for the Italian production system.

However, the horizon of bilateral trade relations is intended to evolve, because recently China is aiming at a new development model, investing in innovation, quality and technology, suggesting a progressive decline in complementary with the productions of industrialized countries, and foreseeing a gradual transition of the Chinese economy towards a structure more sustained by domestic demand.

Beyond any specially-made financial interventions, it is precisely from the liberation of the enormous potential consumption of the Chinese that the most structural contribution of China can come in order to overcome this asymmetric relationship that involves not only Italy but the EU in general.

In the logic of the asynchrony of opportunities that characterized trade relations between Italy and China, the success of the transformation of the Chinese economic and welfare system opens up a completely new window of opportunity. According to projections by the Confindustria Study Center, private consumption in China could grow over the next five years from 36% of GDP recorded in 2010, to 50% at the end of the decade. The result would be an exponential increase in consumption by the wealthiest segment of Chinese society, which would rise from 981 billion dollars in 2010 (2.6 percent of total world consumption) to 5.575 billion in 2020 (over 10 percent of the world total).

Ultimately, the criticalities are multiple and constantly evolving: some attributable to shortcomings and limitations on the Italian side, others to regulations or practices on the Chinese side, and still others to external factors and third parties compared to China and Italy. If we add to these conditions of general asymmetry in relations between Italy and China the critical issues in the development and evolution of the BRI as well as the limits of the infrastructural system and the quality of Italian logistics services, we realize how risky the Italy-China relationship is in terms of perspective.

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