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# Is Italy approaching the end of its adventure with China and the Belt and Road Initiative?



Italy has many reasons to exit the arrangement on the participation in the Belt and Road project with China, far more than to remain in it until the end of the year when it expires.

There have been frequent unofficial announcements from the government in Rome that Italy is close to deciding not to renew the five-year agreement with China, and thus exit a project that has strategic importance for Beijing. Signed in March 2019, the MoU between Italy and China is valid for five years and is renewed automatically unless one of the parties decides to leave. Italy could do it by the end of this year if the announcements that there is already a political readiness for it come true. Italy is the only major Western economy and the only G7 member, which has, so far, entered the Belt and Road Initiative. It did so in 2019, during the populist government of Prime Minister Giuseppe Conte, which consisted of the Five-star movement and the far-right League, to the unpleasant surprise of its partners in the West.

## The weak effect of participation in the BRI

This decision was perceived as a violation of the joint approach of the Western allies towards China in economic, political, and security relations. The Italian-Chinese agreement has been practically "frozen" since 2021, with the arrival of the government of Prime Minister Mario Draghi, whose policy relied heavily on traditional partnerships in the West. During its short tenure, all significant deals with China were evaluated. In just nine months of 2021, the government blocked as many as three major Chinese takeovers of Italian companies, using powers from anti-takeover legislation to reject unsolicited bids in industries of strategic importance. During the first two years, the Italian-Chinese agreement on cooperation within the BRI did not bring particularly tangible results or an expression of interest in new businesses, or something that the two economies had agreed on before the conclusion of the agreement on cooperation within the framework of the BRI was realised. Italy did not benefit from this

arrangement, but China certainly did. Having one of Europe's most developed economies and a member of the G7 in the BRI, the initiative that is a trademark and first-class political legacy of Xi Jinping's rule was similar to a crown jewel.

## Covid, Taiwan, and Ukraine - reasons to leave

Even if more than four years ago, there might have been reasons for an economy like Italy to strengthen ties with China, bearing in mind that a populist and Eurosceptic government was in power at the time, today, there are no reasons for Italy to remain in this arrangement. The harm from not terminating the agreement with Beijing would outweigh the benefits if there were any in the past years. Italy and its traditional partners have had a bitter experience with China and its behaviour during the Covid-19 pandemic. Italy, as one of the biggest victims of the pandemic, has many reasons to be angry at China's uncooperativeness on the global level regarding data sharing and cooperation in fighting the infection. In recent years, China has dramatically intensified its security threats in the Pacific, that is, towards Taiwan, which is an equally important Italian economic partner. Taiwan has recently confirmed plans to invest USD 400 million in the Italian semiconductor industry, using its specificities and advantages within the EU for this type of production. The possible Italian withdrawal from the agreement with China has also been supported by the great disagreement over Russian aggression against Ukraine, where the West views China as the main global pillar of support for Moscow.

## Extinguishing China's hope for divisions in the West

Prime Minister Giorgia Meloni was a strong advocate of Italy's exit from the arrangement with China during the campaign she won. She referred to it as a "big mistake". "Since

becoming PM, she's chosen to present herself as aligned with the U.S. on the Chinese front. Yet she's under pressure from her coalition partners, Matteo Salvini and Silvio Berlusconi, whose respective constituencies are softer on China being interested in closer economic ties through the BRI," said Alberto Alemanno from H.E.C business school. Her government's policy turned out to be strongly oriented towards traditional alliances, within the EU, NATO, and the US, primarily through great support for Ukraine and its defence against Russian aggression. In this regard, Italy's exit from the agreement with China on cooperation within the BRI would be a consistent step by Giorgia Meloni's government, fulfilling its pre-election promises and, most importantly, a significant proof of Italy's commitment to its traditional allies. This would be particularly important at a time when Beijing is trying to weaken ties within the Western bloc and encourage European partners to lead a more independent policy towards China compared to the policy led by the US. Beijing succeeded in this to a great extent regarding France. This has been demonstrated during Emmanuel Macron's recent visit to Beijing. Italy's exit from the BRI would bring balance in Europe, a step that does not give Beijing much hope of dividing its Western partners in their relations with China.