



Ca' Foscari
University
of Venice

Master's Degree programme

in Languages, Economics and
Institutions of Asia and North
Africa

**Language and Management to
China**

Final Thesis

一带一路:
**“*vademecum*” for
Italian companies**

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Academic Year

2016 / 2017

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ABSTRACT

“Over the past 20 years and more, the relations between China and Eurasian countries have developed rapidly and the ancient Silk Road has gained fresh vitality. In a new way, it is taking the mutually beneficial cooperation between China and Eurasian countries to a new height.

A near neighbor is better than a distant relative. China and Eurasian countries are friendly neighbors connected by common mountains and rivers. China highly values its friendship and cooperation with Eurasian countries and takes them as a foreign policy priority.

At present, China's relations with Eurasian countries face a golden opportunity of development. We hope to work with these countries to strengthen trust, friendship and cooperation, and promote common development and prosperity so as to bring benefits to our people.

- We need to pass on our friendship from generation to generation and always be good neighbors living in harmony. [...]

- We need to firmly support and trust each other and be sincere and good friends. [...]

- We need to vigorously enhance practical cooperation and be good partners of win-win cooperation. [...]

- We need to expand regional cooperation with a more open mind and broader vision and achieve new glories together. [...]

*[...] To forge closer economic ties, deepen cooperation and expand development space in the Eurasian region, we should take an innovative approach and **jointly build an "economic belt along the Silk Road"**. This will be a great undertaking, benefitting the people of all countries along the route. To turn this into a reality, we may start with work in individual areas and link them up over time to cover the whole region.*

First, we need to step up policy communication. [...]

Second, we need to improve road connectivity. [...]

Third, we need to promote unimpeded trade. [...]

Fourth, we need to enhance monetary circulation. [...]

Fifth, we need to increase understanding between our people. [...] “

“Promote Friendship Between Our People and Work Together to Build a Bright Future” is the name with which the Xi Jinping’s speech will go down in history, and probably with this name will be represented the turning point of the future economic, social and political development in the Eurasian continent.

It was September 7th 2013 when the President of the People's Republic of China, at Nazarbayev University of Astana (Kazakhstan), spoke these words and officially informed the World about his idea of building a "Silk Road Economic Belt" with Eurasian countries.

The OBOR (One Belt One Road) initiative is an immensely ambitious development campaign through which China wants to boost trade and stimulate economic growth across the Eurasian continent. It hopes to do so by building massive amounts of infrastructures connecting it to countries around the globe. By some estimates, China plans to pump \$150bn into such projects each year.

Given that the plan itself does not include the establishment of new rules governing the trading order between Europe and Asia, the OBOR project is now arguably the most important component of China's economic diplomacy and its international trade and investment relations. It will have, indeed, not only a huge impact on other Countries' infrastructural development, but will also enhance their commercial, political and diplomatic relations with China.

The large amount of opportunities promoted by OBOR towards European countries, especially Italy, represents the main subject of this thesis. They will be identified, collected and analyzed in order to create a useful manual for those operators willing to and interested in understand them, or possibly capitalize on them.

Although the initiative mostly finances investments in Asia, two important parts of this investment program could positively affect the Italian economy and companies: the new railway networks connecting China to Europe and the strengthening of Mediterranean ports.

The real challenge for Italy is played on the seas: a joint-project among the 5 major northern Adriatic ports already exists, and is co-financed by the Italian government and the Silk Road Found. The Italian ports involved in the project are Venice, Trieste and Ravenna together with the port facilities of Koper (Slovenia) and Rijeka (Croatia); they will attract the huge Chinese cargo ships that reach the Mediterranean through the Suez Canal. The estimated cost of the project is around € 2.2 billion, of which € 350 million already allocated by the Italian government, and will lead Italy, together with the ports of the Adriatic Sea, to be a key connection point for China, surpassing Antwerp, Rotterdam and Piraeus.

In addition to the logistics and port sectors, Italian companies will have the great opportunity to increase their trade with China. Higher the flow of Chinese commercial ships in the Mediterranean Sea, higher the trade flow between China and Italy.

For a country like Italy, beneficiary of globalization but strongly exposed to international competition, such a commercial opening to China represents an additional chance of development, both for the economy and society. Besides entrepreneurship and commercial strategy, an adequate knowledge of the OBOR project, as well as the Chinese strategic mission and vision is required in order to take advantage of it.

Through the study of this thesis, the operators will be able to obtain the fundamental tools for a successful journey along the New Silk Road.

摘要

“二十多年来，随着中国同欧亚国家关系快速发展，古老的丝绸之路日益焕发出新的生机活力，以新的形式把中国同欧亚国家的互利合作不断推向新的历史高度。

远亲不如近邻。中国同中亚国家是山水相连的友好邻邦。中国高度重视发展同中亚各国的友好合作关系，将其视为外交优先方向。

当前，中国同中亚国家关系发展面临难得机遇。我们希望同中亚国家一道，不断增进互信、巩固友好、加强合作，促进共同发展繁荣，为各国人民谋福祉。

我们要坚持世代友好，做和谐和睦的好邻居。 [...]

我们要坚定相互支持，做真诚互信的好朋友。 [...]

我们要大力加强务实合作，做互利共赢的好伙伴。 [...]

我们要以更宽的胸襟、更广的视野拓展区域合作，共创新的辉煌。 [...]

为了使我们欧亚各国经济联系更加紧密、相互合作更加深入、发展空间更加广阔，我们可以用创新的合作模式，共同建设“丝绸之路经济带”。这是一项造福沿途各国人民的大事业。我们可从以下几个方面先做起来，以点带面，从线到片，逐步形成区域大合作。

第一，加强政策沟通。 [...]

第二，加强道路联通。 [...]

第三，加强贸易畅通。 [...]

第四，加强货币流通。 [...]

第五，加强民心相通。 [...]”

“弘扬人民友谊共创美好未来”是载入史册的中华人民共和国主席习近平演讲名字。它可能代表欧亚大陆的未来经济，社会和政治发展的转折点。

2013年9月7日，在哈萨克斯坦阿斯塔纳纳扎尔巴耶夫大学，通过上述的话语习近平向全世界正式通报了他的构想，也就是说与欧亚国家建立“丝绸之路经济带”。

“一带一路”（OBOR）项目是一个雄心勃勃的发展计划。通过这个项目，中国希望促进它跟欧亚大陆已经有的贸易流动而刺激经济增长。它希望通过建立大量连接全球各国的基础设施来实现这一目标。据估计，中国计划每年向这些项目投入1500亿美元。

鉴于该项目本身不包括制定欧洲和亚洲之间贸易秩序的新规则，“一带一路”项目现在可以说是中国经济外交及其国际贸易和投资关系中最重要的重要组成部分。它不仅对其他国家的基础设施建设产生了巨大的影响，而且也将加强欧亚各国与中国的商业，政治和外交关系。

“一带一路”向欧洲国家,特别是意大利,推广的大量机遇就是这篇论文的主要研究课题。它们将被识别,收集和分析,以便为有兴趣了解并利用它们的经营者创建了一本有用的手册。

尽管该项目主要为亚洲投资提供资金,但这一投资计划的两个重要组成部分事实上可能会对意大利经济和公司产生积极影响:连接中国和欧洲的新铁路网络以及地中海港口的加强。

意大利面临的真正挑战是在海上进行的:亚得里亚海五大港口之间的联合项目已经存在。它是由意大利政府和“丝路基金”联合出资的。参与该项目的意大利港口有威尼斯,的里雅斯特和拉文纳以及科佩尔(斯洛文尼亚)和里耶卡(克罗地亚)的港口设施;它们将吸引通过苏伊士运河到达地中海的庞大中国货船。这个价值 22 亿欧元的项目,其中意大利政府已经分配的 3.5 亿欧元,将导致意大利和亚得里亚海港口成为与中国最重要的连接点,超过了安特卫普,鹿特丹和比雷埃夫斯。

除了物流和港口行业以外,意大利公司将有很大的机会来增加与中国的贸易。中国商船在地中海的数量越多,中意贸易往来越高。

对于像意大利这样的国家来说,全球化的受益者,同时又强烈地面对国际竞争,这样一个向中国的商业开放,无论对经济和社会来说都代表一个新的发展机遇。除了用进取性和商业战略以外,还需要充分地了解“一带一路”项目的结构以及中国的战略使命和愿景,才能充分地利用它。

通过这篇论文的研究,经营商将能够获得基本工具,从而会顺利地完成在新丝绸之路上箱做的旅程了。

CHAPTER I

ITALY AND CHINA: THE IMPACT OF THE ANCIENT SILK ROAD ON BILATERAL RELATIONS

1. ITALY AND CHINA: THE HISTORY OF COMMERCIAL RELATIONS

The relations between the European people and the Chinese people are ancient in date. It can be said that the pioneer of contacts between Europe and China was Italy. Since 166 b.C. Emperor Marcus Aurelius Antoninus¹ sent a delegation to China, to strengthen the commercial relations that had existed for centuries between the two main centers of the civilizations of the time.² Although this fact is relevant to realize how the ancient Romans were already aware of the existence of Chinese reality, it is certainly not a political or diplomatic initiative, so much so that the "embassy" in question was probably only constituted by merchants, coming from somewhere in the Mediterranean basin, who pretended to be imperial messengers to do better business.³ However, it is not wrong to say that it was Italy, or rather the Italic populations, that had first and foremost, among other Europeans, direct contacts with the Middle Kingdom; because they first established commercial relations with the Chinese.

Between the two worlds there was a flourishing and prosperous indirect trade, mediated by the people of Parties: Rome imported iron, skins, spices, in particular cinnamon and rhubarb, but above all textiles, above all silk, from the Far East. In the opposite direction passed glass, sought after all over Asia, wool and linen fabrics.⁴

However, from an overall analysis of the commercial exchanges between Rome and the East, it appears that the balance of payments, carried out in gold and silver rods and coins, was charged to the liabilities for the former and to assets for the second, so much so that already two thousand years

¹ Full Name *Imperatore Marco Aurelio Antonino Augusto*, emperor in charge from 161 to 180 a.C.

² See: M. F. PINI, *Italia e Cina. 60 anni tra passato e futuro*, Roma, 2011, pp. 20-21.

³ See: G. BERTUCCIOLI, F. MASINI, *Italia e Cina*, Roma-Bari, 1996, p. 5.

⁴ See: F. MAZZEI, *Relazione introduttiva*, in *Italia – Cina un incontro di lunga durata. Rapporti storico – politici, geoeconomici, culturali*, L. VIGANONI (edited by), ROMA, 2008, p. 31; A. TAMBURELLO, *La Cina a Napoli e nel meridione d'Italia*, NAPOLI, 1998.

ago complaints arose about the invasion of Chinese goods.⁵ As witnessed by Pliny the Elder in his *Naturalis Historia*, in fact, the *Seri* (the Chinese of that time) took millions of sesterces from the Roman Empire because of the competition of the 'silky robes', which arrived there through the ancient 'Silk Road' 丝绸之路.⁶

The more silk came to Rome, the greater was the exodus of capital to Asia, and this led in the first place to the birth of a new class of the rich, the silk merchants, most of them non-Romans, and secondly that several men of great influence concerned about the flight of capital. To limit losses, as reported by Tacitus in the *Annals*, in the year 16 b.C. the Roman senate forbade men to wear silk robes, but the social evolution of Rome neglected such prohibitions and already the Emperor Caligula, in office since the year 37, did not comply with the prohibition.⁷ Like this was the silk for Rome, a very fashionable material, which came from far away, so much sought after, whose trade became more and more flourishing, and whose supplying gave prestige to the Empire.

But what was silk for China? It was a very cheap material, available in far greater quantities than the domestic needs and whose production secret was jealously guarded. It did not take so long to become a very important good of exchange, but it would be a mistake to consider it as a mere commodity or a mere export item. In fact, it was a real means of payment, a real international currency. Already under the Han dynasty it was used for the payment of tributes due by the nomads of the Xiongnu Empire 匈奴. With the expansion of China in East Turkestan (Xinjiang), silk was also used to pay officials' salaries. In the whole East Asia, it soon became a form of money, which tended to remain in circulation in those places where it was accepted for bargains.⁸ Furthermore, it was highly sought-after and trendy, and therefore not subject to inflation, and given its perishable nature, it could not be hoarded for years and years, like gold or other metals, nor derive interest from it as it is for our currency. Thanks to this use it acquired its extraordinary importance, and for long time remained China's monopoly, until the 4th century.⁹

As already mentioned, commercial relations between the peoples of the Mediterranean area and those of India and China exists from thousand years, made possible by the terrestrial trade routes that

⁵ *ibidem*

⁶ The German terms *Seidenstraße* and *Seidenstraßen* ("the Silk Road(s)") were coined by Ferdinand von Richthofen, who made seven expeditions to China from 1868 to 1872.

⁷ See: H. UHLIG, *La via della seta*, Bergish Gladbach, 1986, pp. 75 and followings.

⁸ See: N. DI COSMO, *Alle frontiere dell'impero: nomadi e mercanti dagli Han ai Tang*, in *Il Celeste Impero. Dall'Esercito di Terracotta alla Via della Seta*, S. RASTELLI e M. SCARPARI (edited by), Milano, 2008, p. 34.

⁹ See: H. UHLIG, *last quoted text*, pp. 42 and followings

crossed Asia and they connected the ends, the ancient Silk Road. Many of us use this concept to talk about the commercial relations between the Middle Kingdom and the West for over a millennium, often without having a clear idea of what it really was. Maybe it is a single road linking the Far East with the Far West? Are they a series of roads?

In-depth studies of historians, geologists and geographers have established with certainty that there is not so much a silk road as a complex road network between East and West but also between North and South: a sort of macrosystem of coordinates for multiple connections between cities, states, peoples, that served the peaceful trades but also, often, the worst violence.¹⁰

After a period of two centuries, in which the silk roads were under Islamic control and trade was reduced to a minimum, Mongol's conquest in the 13th century and the *Mongolian pax* made possible a century of direct contacts and unprecedented exchanges between the Chinese empire and late medieval Europe. Since the opening of the maritime routes, the relations between China and the West entered a new phase, characterized by the establishment of diplomatic relations, encouraged by Mongolian sovereigns who wished to favor the allocation of foreigners.¹¹ A real vogue was born: the first European missionaries and explorers, who left on the orders of emperors, princes or great merchants, walked along the silk roads. It is no coincidence that it was in this period (12th-13th centuries) that many conquests of Chinese civilization penetrated the West, such as gunpowder, paper money, printing, porcelain and various medical and artistic innovations.¹²

And it is in this period that the figure of Marco Polo (1257-1324) is grafted, perhaps the most famous and quoted¹³ Italian in China, and certainly one of the greatest explorers of all time. Without too much attention to the thousand adventures and vicissitudes of the journey, the importance of the adventure of the Polo's lies, firstly, in the fact that for the first time Italians had ventured so far and were welcomed to the court of a powerful Emperor, for whom they worked and to whom they stimulated interest in the Latin world; secondly, in the fact that Marco, with the collaboration of a scholar of Pisa named Rustichello, from this trip composed the book that made his name immortal, and that so much

¹⁰ See: H. UHLIG, *last quoted text*, pp. 8 and followings

¹¹ See: MAZZEI, *last quoted text*, p. 39

¹² *Ibidem*, p. 40.

¹³ Meaningful example: during a meeting between Chinese and Italian entrepreneurs, held in Rome by the Chinese Ministry for Foreign Trade and the Italian Ministry of Industrial Production Activities, with a joke the Chinese premier Wen Jiabao urged those present on both sides to "follow with more courage the footprints of Marco Polo". See "Follow Marco Polo's footprints, says Wen", at www.chinadaily.com.cn/eng/doc/2004-05/08.

knowledge and wealth, whether cultural or material, gave his readers. The Million¹⁴ is indeed considered a "real geographical encyclopedia, which brings together in a volume all the essential knowledge that was available at the end of the fourteenth century" about Asia¹⁵, its cities and its people. It has been surely source of valuable information for generations of travelers, merchants, explorers who imitated him in the years to come. But as to the historical value, various studies reveal that much information described in it are just the result of rumors and exaggerations of street vendors, messengers and sailors met by Marco along his path.¹⁶

The Million, like many other later texts, has been for years source of reference for small and large traders, who identified in it the routes that could make them rich, but also for geographers, who traced these routes on real geographical maps, gentlemen and politicians of the time, who sent exploratory expeditions in search of economic and political interests to be enjoyed, and still missionaries, who, especially in the late sixteenth and seventeenth century, came to China to teach the Catholic Religion, and looking for faithful people to convert. Absolute protagonists among the latter were the members of the 'Society of Jesus', better known as Jesuits, the first Western religious who tried to approach China, when the country was no longer dominated by the Mongol dynasty and had passed to an attitude of substantial closure towards foreigners.

Many religious, but also merchants and simple explorers, at that time knocked on the door of the Celestial Empire, but no one opened them, and they always ended up waiting for a welcome sign along the coasts for months. The Jesuits, then, adopted a strategy of approach, designed by the Italian Alessandro Valignano¹⁷ (1539-1606), which was based on respect for their great culture accompanied by a thorough study of their language¹⁸, so that they could enter the country with the favors of the court to profess Christianity and to convert. The first to succeed in this project was Father Matteo Ricci from Macerata (1552-1610), Italian, who began his mission in China in 1582, presenting himself as a "Chinese among the Chinese", and behaving with a prudence and a respect that differed from the superb attitudes of the Western foreigner who came knocking on the door of the dragon in the eyes of the Chinese people. Through the study of the Chinese language and culture, he soon

¹⁴ Initially titled *Memories of a journey by Marco Polo*. See: I. M. MOLINARI, *last quoted text*, p. 7.

¹⁵ See: *Il libro delle meraviglie ed altri racconti e testi sull'Oriente*, Parigi, 1410. Website: <http://expositions.bnf.fr/livres/polo/flipbookBnf.swf> (12/01/2018)

¹⁶ See: I. M. MOLINARI, *last quoted text*, p.9.

¹⁷ Concerning the figure of Alessandro Valignano, see: V. VOLPI, *Il visitatore. Un testimone oculare nel misterioso Giappone nel XVI secolo*, Casale Monferrato, 2004.

¹⁸ See: M. F. PINI, *last quoted text*, p. 22.

became known for his great scholarship and high scientific knowledge, so much so that he succeeded in converting eminent members of the officials-writers' élite, and gathering around him a circle of disciples and admirers like never a Westerner could have boasted before in that country. He taught the Chinese all about Christianity and its rituals, building churches and residences for Western pilgrims in different cities of China. He then shared with the Chinese the knowledge he had in mathematics, geography¹⁹, science in Europe, and showed them various objects no one had ever seen or heard before in China.²⁰

It is difficult today to get an idea of the resonance in China of the knowledge inculcated there by Ricci. He succeeded alone in bringing down prejudices, against himself in the first place, and against foreigners in general, in a country closed and full of preconceptions about the stranger; he was even able to transmit feelings of esteem and admiration for his homeland, Italy, no longer a land of "barbarians", but a highly civilized country, even more than China itself, with a worthy culture and strong institutions. Likewise, through his writings²¹, he made China known to Europe, describing its name, antiquity, geographic position, fertility and beauty, its cities and mountains, its language and its literature, his government, the emperor and the mandarins, his population and his religion²². Thanks to his scientific and religious work, through his books and his message, with his tireless efforts and his sacrifices, he made Italy, Europe and the World well-known and admired in China, and China in the whole world. He died in Beijing 28 years after entering China, and is still buried in Shal's garden in Beijing.

¹⁹ Nel 1608 created for the Ming Emperor Wan Li a chinese version of the globemap. see P. D'ELIA, *Le missioni cattoliche in Cina*, in *Le missioni cattoliche e la cultura dell'Oriente*, various authors, Roma, 1943, p.39.

²⁰ Venice prism, that Chinese called "priceless precious stone", watches, western-style painting, globemaps. See: P. D'ELIA, *last quoted text*, p. 36 and followings.

²¹ In his life, in addition to translating from the Italian many fundamental treatises for Western science as the first six books of the Elements of Euclid and the Epictetus Manual, he composed in Chinese numerous works of mathematics, astronomy and religion, among which we remember: Essay on friendship (1595), Essay on the 4 elements (1599-1600), Complete geographic map of the mountains and seas (1600), Treaty of the constellations (1601), Complete geographical map of all the countries of the world (1602), True meaning of the doctrine of the Lord of Heaven (1603), Strange examples of Western writing (1605), Elements of geometry (1607), Of the entrance of the company of Jesse and Christianity in China (1609). Website: <http://padrematteoricci.it/Engine/RAServePG.php/P/253210010409/T/2031621697>. (10/01/2018)

²² It is probably the first, large treaty on sinology, See: P. D'ELIA, *last quoted text.*, p. 45.

2. THE ANCIENT SILK ROAD

As we have said before, the Silk Road consisted of several routes. It extended westwards from the ancient commercial centers of China, the overland, intercontinental Silk Road then divided into northern and southern routes bypassing the Taklamakan Desert and Lop Nur.



Figure 1.1 - The Ancient Silk Road²³

The northern route started at Chang'an (now called Xi'an 西安), the ancient capital of China that was replaced by Luoyang 洛阳 during the Later Han dynasty 后汉朝. The route was defined around the 1st century b.C. when Han Wudi 汉武帝 put an end to harassment by nomadic tribes.

The northern route travelled northwest through the Chinese province of Gansu from Shaanxi Province 陕西省 and split into three further routes, two of them following the mountain ranges to the north and south of the Taklamakan Desert to rejoin at Kashgar, and the other going north of the Tian Shan mountains through Turpan, Talgar, and Almaty (in what is now southeast Kazakhstan). The routes split again west of Kashgar, with a southern branch heading down the Alai Valley towards Termez (in modern Uzbekistan) and Balkh (Afghanistan), while the other travelled through Kokand

²³ See: https://www.ancient.eu/Silk_Road/ (05/01/2018)

in the Fergana Valley (in present-day eastern Uzbekistan) and then west across the Karakum Desert. Both routes joined the main southern route before reaching ancient Merv, Turkmenistan. Another branch of the northern route turned northwest past the Aral Sea and north of the Caspian Sea, then and on to the Black Sea.

A route for caravans, the northern Silk Road brought to China many goods such as "dates, saffron powder and pistachio nuts from Persia; frankincense, aloes and myrrh from Somalia; sandalwood from India; glass bottles from Egypt, and other expensive and desirable goods from other parts of the world".²⁴ In exchange, the caravans sent back bolts of silk brocade, lacquer-ware, and porcelain.

The southern route or Karakoram route was mainly a single route running from China through the Karakoram mountains. It persists in modern times as the international paved road connecting Pakistan and China as the Karakoram Highway, then set off westwards, but with southward spurs as to enable the ongoing of the journey by sea from various points. Crossing the high mountains, it passed through northern Pakistan, over the Hindu Kush mountains, and into Afghanistan, rejoining the northern route near Merv, Turkmenistan. From Merv, it followed a nearly straight line west through mountainous northern Iran, Mesopotamia, and the northern tip of the Syrian Desert to the Levant, where Mediterranean trading ships plied regular routes to Italy, while land routes went either north through Anatolia or south to North Africa. Another branch road travelled from Herat through Susa to Charax Spasinu at the head of the Persian Gulf and across to Petra and on to Alexandria and other eastern Mediterranean ports from where ships carried the cargoes to Rome.²⁵

The southwestern route is believed to be the Ganges/Brahmaputra Delta, which has been the subject of international interest for over two millennia. Strabo, the 1st-century Roman writer, mentions the deltaic lands: "Regarding merchants who now sail from Egypt...as far as the Ganges, they are only private citizens..." His comments are interesting as Roman beads and other materials are being found at Wari-Bateshwar ruins, the ancient city with roots from much earlier, before the Bronze Age, presently being slowly excavated beside the Old Brahmaputra in Bangladesh. Ptolemy's map of the Ganges Delta, a remarkably accurate effort, showed that his informants knew all about the course of the Brahmaputra River, crossing through the Himalayas then bending westward to its source in Tibet.²⁶ It is doubtless that this delta was a major international trading center, almost certainly from

²⁴ See: ULRIC KILLION, *A Modern Chinese Journey to the West: Economic Globalisation and Dualism*, (Nova Science Publishers: 2006), p.66

²⁵ *ibidem*

²⁶ See: YANG BIN, (2008). *Between Winds and Clouds: The Making of Yunnan*. New York: Columbia University Press

much earlier than the Common Era. Gemstones and other merchandise from Thailand and Java were traded in the delta and through it. Chinese archaeological writer Bin Yang and some earlier writers and archaeologists, such as Janice Stargardt, strongly suggest this route of international trade as Sichuan-Yunnan-Burma-Bangladesh route. According to Bin Yang, especially from the 12th century the route was used to ship bullion from Yunnan (gold and silver are among the minerals in which Yunnan is rich), through northern Burma, into modern Bangladesh, making use of the ancient routes, known as the 'Ledo' route. The emerging evidence of the ancient cities of Bangladesh, in particular Wari-Bateshwar ruins, Mahasthangarh, Bhitagarh, Bikrampur, Egarasindhur, and Sonargaon, are believed to be the international trade centers in this route.²⁷

Maritime Silk Road or Maritime Silk Route 海上丝绸之路 refer to the maritime section of historic Silk Road that connects China to Southeast Asia, Indonesian archipelago, Indian subcontinent, Arabian peninsula, all the way to Egypt and finally Europe.²⁸ The trade route encompassed numbers of bodies of waters; including South China Sea, Strait of Malacca, Indian Ocean, Gulf of Bengal, Arabian Sea, Persian Gulf and the Red Sea. The maritime route overlaps with historic Southeast Asian maritime trade, Spice trade, Indian Ocean trade and after 8th century, the Arabian naval trade network. The network also extends eastward to East China Sea and Yellow Sea to connect China with Korean Peninsula and Japanese archipelago.

As we have seen before, many different kinds of merchandise travelled along the Silk Road, and the name comes from the popularity of one of this with the west especially with Rome, the Chinese silk. However, whilst the silk trade was one of the earliest catalysts for the trade routes across Central Asia, it was only one of a wide range of products that was traded between east and west, and which included textiles, spices, grain, vegetables and fruit, animal hides, tools, wood work, metal work, religious objects, art work, precious stones and much more. Indeed, the Silk Roads became more popular and increasingly well-travelled over the course of the Middle Ages, and were still in use in the 19th century, a testimony not only to their usefulness but also to their flexibility and adaptability to the changing demands of society. Another notable detail is that merchants had a wide choice of different routes crossing a variety of regions of Eastern Europe, the Middle East, Central Asia and the Far East, as well as the maritime routes, which transported goods from China and South East Asia through the Indian Ocean to Africa, India and the Near East.

²⁷ http://www.fmprc.gov.cn/mfa_eng/ (09/01/2018)

²⁸ <https://www.southeastasianarchaeology.com/tag/maritime-silk-route/> (09/01/2018)

These routes developed over time and according to shifting geopolitical contexts throughout history. For example, merchants from the Roman Empire would try to avoid crossing the territory of the Parthians, Rome's enemies, and therefore took routes to the north, across the Caucasus region and over the Caspian Sea. Similarly, extensive trade took place over the network of rivers that crossed the Central Asian steppes in the early Middle Ages.²⁹

Maritime trade was another extremely important branch of this global trade network. Mostly used for the transportation of spices, the maritime trade routes permitted the supplying of markets across the world with cinnamon, pepper, ginger, cloves and nutmeg from the Moluccas islands in Indonesia (known as the Spice Islands), as well as a wide range of other goods. For this reason, it is also being known as the Spice Roads.³⁰ Textiles, woodwork, precious stones, metalwork, incense, timber, and saffron were all traded by the merchants travelling these routes, which stretched over 15,000 kilometers, from the west coast of Japan, past the Chinese coast, through South East Asia, and past India to reach the Middle East and so to the Mediterranean.

The history of these maritime routes can be traced back thousands of years, to links between the Arabian Peninsula, Mesopotamia and the Indus Valley Civilization. The early Middle Ages saw an expansion of this network, as sailors from the Arabian Peninsula forged new trading routes across the Arabian Sea and into the Indian Ocean. Indeed, maritime trading links were established between Arabia and China from as early as the 8th century b.C. Technological advances in the science of navigation, in astronomy, and also in the techniques of ship building combined to make long-distance sea travel increasingly practical. Lively coastal cities grew up around the most frequently visited ports along these routes, such as Zanzibar, Alexandria, Muscat, and Goa, and these cities became wealthy centers for the exchange of goods, ideas, languages and beliefs, with large markets and continually changing populations of merchants and sailors.

In the late 15th century, the Portuguese explorer, Vasco da Gama, navigated round the Cape of Good Hope, thereby connecting European sailors with these South East Asian maritime routes for the first time and initiating direct trade with European merchants. By the 16th and 17th centuries, these routes and their lucrative trade had become subject of fierce rivalries between the Portuguese, Dutch, and British. The conquest of ports along the maritime routes brought both wealth and security, as they effectively governed the passage of maritime trade and also allowed ruling powers to claim

²⁹ <https://en.unesco.org/silkroad/about-silk-road> (09/01/2018)

³⁰ *ibidem*

monopolies on these exotic and highly sought-after goods, as well as gathering the substantial taxes levied on merchant vessels.

The map above illustrates the great variety of routes that were available to merchants bearing a wide range of goods and travelling from different parts of the world, by both land and sea. Most often, individual merchant caravans would cover specific sections of the routes, pausing to rest and replenish supplies, or stopping altogether and selling on their cargos at points throughout the length of the roads, leading to the growth of lively trading cities and ports. The Silk Roads were dynamic and porous; goods were traded with local populations throughout, and local products were added into merchants' cargos. This process enriched not only the merchants' material wealth and the variety of their cargos, but also allowed for exchanges of culture, language and ideas to take place along the Silk Roads.

Perhaps the most lasting legacy of the Silk Roads has been their role in bringing cultures and peoples in contact with each other, and facilitating exchange between them. On a practical level, merchants had to learn the languages and customs of the countries they travelled through, in order to negotiate successfully. This aspect was very important centuries ago, but remains crucial in modern times too. Cultural interaction is a vital aspect of material exchange. Knowledge about science, arts and literature, as well as crafts and technologies were shared across the Silk Roads, and in this way, languages, religions and cultures developed and influenced each other. The most famous technical advances to have been propagated worldwide by the Silk Roads was the technique of making paper, as well as the development of printing press technology. Similarly, travelers learned all the secrets of irrigation systems from the Central Asian populations.

As trade routes developed and became more lucrative, across Central Asia were created the so-called caravanserais, whose construction became as necessary from the 10th century onwards to improve the exchanges, and continued until as late as the 19th century. The result was a network of caravanserais that stretched from China to the Indian subcontinent, Iran, the Caucasus, Turkey, and as far as North Africa, Russia and Eastern Europe, many of which still stand today.

In conclusion, today many historic buildings and monuments still stand along the ancient Silk Road, marking the passage of many generations of travelers and merchants through caravanserais, ports and cities. However, the long-standing and ongoing legacy of this remarkable network is reflected in the many distinct but interconnected cultures, languages, customs and religions that have developed over millennia along these routes. The passage of merchants and travelers of many different nationalities resulted not only in commercial exchange but in a continuous and widespread process of cultural

interaction. As such, from their early, exploratory origins, the Silk Roads developed to become a driving force in the formation of diverse societies across Eurasia and far beyond.

3. THE EVOLUTION OF BILATERAL RELATIONS OVER THE CENTURIES

As mentioned earlier, with the fall of the Mongols and the rise of the Ming first and then the Qing, China gradually closed the doors to the world, at least until the mid-nineteenth century, moving in contrast with Europe that simultaneously increased its aggressive and colonialist drive towards the other continents.

This attitude was not only due to the presumption and pride of which China was 'sick', but also to various conflicts of interest and diplomatic incidents with other countries. With Russia, for example, there were trade disagreements, and there was a war, ended in 1689 with the Treaty of Nerchinsk. That was a very important treaty historically, because it defined the rights and duties that the member of the two States have in the other, and because it is the first treaty stipulated by the Chinese emperor with another State in conditions of equal sovereignty.

Further ahead, an anti-white sentiment develops and takes over, exacerbated by the unpleasant 'incidents' of Manila³¹, in 1603, and of Batavia³², in 1740. Because of it the Emperor issued an edict that prevented trade with foreigners for all ports, except Canton and Amoy³³. However, despite these edicts, England succeeded in obtaining the rights to penetrate and trade in the Chinese territory from the end of the 18th century, and the right to live under the protection of the laws and the respective national magistrates.

During the first part of this period, Italy was not unified yet and could not properly compete with other European States. It was only with the constitution of the Italian Kingdom³⁴ that the country also claimed his treaty with China, and easily obtained it in 1866³⁵ thanks to a clause which reserved the same treatment for both Italy and the other countries³⁶. Lately in 1899, an Italian contingent occupied a port in the Sanmen Bay, on the coast of the Zhejiang province in the south of Shanghai, near an area of English influence, whose support Italians trusted in as to establish themselves on the territory in case of resistance.

³¹ Massacre of about 20,000 people of Chinese ethnicity by the Spanish colonizers in the Philippines, in order to block the ambition to control the territory.

³² Massacre of at least 10,000 ethnic Chinese people by Dutch troops in the area of present-day Indonesia.

³³ See: U. BASSI, last quoted text, p. 12

³⁴ March 17th, 1861

³⁵ For the mission it was appointed Vittorio Arminjon (1930-1897)

³⁶ see M. F. PINI, last quoted text, p.24

At that time the imperial government was convinced more than ever in the past to resist claims from foreigners, and the unwise move of Italian diplomacy to launch an ultimatum then withdrawn, combined with the lack of English support, contributed to the rejection of a claim by the Chinese government to a western country for the first time, as well as the dismissal of Italian Foreign Minister Felice Napoleone Canevaro. It was the first and only time that a senior Italian official lost his seat because of a question related to China³⁷. Fortunately for Italian interests, the summer after the Boxer uprising broke out, a "superstitious and ignorant movement resulting from socio-economic difficulties of the time" (MF Pini), which aimed to occupy the diplomatic delegations in Beijing and banish foreigners from country.

In order to protect the ambassadors and the interests of the territory, an international body of expedition was created, and after a victorious campaign China was forced to ratify a new treaty, the so-called 'Boxer Protocol'. Italy paid 70 million francs for military expenditures, 2 million for damages to persons and property³⁸, as well as a perpetual lease in Tianjin, a seaport just south of Beijing³⁹.

As a result of this treaty, China had to pay the European States a gold indemnity equal to about twice the amount of the annual income of the Chinese state at the time. These economic sanctions represented an almost unbearable burden for the Empire, which sought to revive, through its modernist and reformist drive, the fate of the country at the end of its life. In addition, the creation of new ministries, Foreign Affairs, Trade, Education and the Interior, replacing the six "classic" ministries⁴⁰ of the traditional imperial system⁴¹, should be pointed out in terms of the institutional set-up.

The reform of the state became incisive with the foundation of a Constitution, written in 1908 and inspired to the Japanese model, giving to the Emperor large powers, and also considering his person sacred and inviolable (articles 1 and 2)⁴².

³⁷ See: M. F. PINI, last quoted text, p.25

³⁸ P. CORRADINI, *Italia e Cina: dalle prime relazioni consolari al trattato di pace del 1947*, in "Mondo cinese", 76, 1991, p.23

³⁹ See: M. F. PINI, last quoted text., pp.25-26

⁴⁰ Finance, War, Public, Work, Personal, Penalties and Ceremony

⁴¹ See: G. SAMARANI, *Introduzione: il secolo repubblicano*, in *La Cina del 900. Dalla fine dell'Impero a oggi*, Torino, 2004, p. XVI and followings.

⁴² See: G. SAMARANI, last quoted text., p.XXII

However, the following revolutions gave no space for renewed monarchical institutions, and the anti-Qing revolution took off on October 10 1911 at Wuchang. On January 1st, 1912, Sun Yat-Sen was elected President of the Republic of China, but was early replaced by Yuan Shikai, who gained such a strong power to be the only person able to complete the Republican system. A few days later, on 12 February 1912, the very young Emperor Pu Yi was forced to abdicate, and the thousand-year-old imperial history of China ran out.

The rise to power of Yuan Shikai was partially beneficial for Italian interests: while in Beijing indeed, Carlo Sforza⁴³ had strengthened profitable relations with the future President of China, who facilitated the settlement of Italian experts in valuable positions at the Bank of China and the Ministry of war⁴⁴. Moreover, during the crisis between 1915-16, when Yuan Shikai unsuccessfully tried to restore the imperial order, Italy preserved a cautious approach, also considering the influence of UK, who fully approved the project of an imperial restoration given the compliance to the existing treaties among Powers. The death of the Chinese leader in 1916 obstructed forever that political plan and all the diplomatic hesitation.

In 1917 China took part to the first World War and Italy, together with all other Powers, decided to delay for five years the payment of Boxer indemnity. Regardless the war, during this period Italy was actively determined to establish favourable connections with China. For instance, there was the meaningful establishment and development of the Italian Concession in Tianjin: plenty of squares, gardens and buildings enriched with specific Italian characteristics, and institutionally well organized under the control of the general consul and supervised by a Council mainly composed by Italians.

In the post-war period, further progresses were made in the field of economic and commercial relations. They included the growth of exportation towards China and the development of financial institutions as well as the Far-east Commercial and Industrial Bank. Moreover, a mixed Commission Sino-Italian was created to manage the amount related to the Boxer indemnity (as the postponement of the payment was over) in order to finance projects.

However, it is thanks to the rise of fascism that the relations between Italy and China recorded a notable acceleration, so much so that the period from the foundation of the fascist regime in 1922 to the Italian adhesion to the "Anti-Comintern Pact" (Italy, Germany and Japan) in 1937, it is defined as

⁴³ Former Minister of Foreign Affairs, in 1908 he was secretary of legation in Beijing, and from 1911 minister with credentials (charge equivalent to that of ambassador).

⁴⁴ See: G. SAMARANI, last quoted text, p.62

the "golden period" of the relations between the two countries. The relations between fascist Italy and nationalist China were formalized at the end of 1928 with the signing of a treaty with which the former recognized the Chinese tariff autonomy and permitted the abrogation of the rights of extraterritoriality, subordinating however the concrete application of these commitments to the launch of similar initiatives by the signatory countries of the Washington Treaty⁴⁵.

The previous events, although initially not very significant, were mostly the result of the work of a well-known Italian diplomat and politician, former Foreign Minister Galeazzo Ciano, who had held almost all the important positions in diplomacy abroad in China. It is certainly thanks to its commitment that the fascist Italy considerably developed the bilateral relations with China in all fields, from the political one, by supporting the "Manchurian crisis" and the beginning of mutual visits, to the military one, through the ratification of an agreement for the supply of fighters and bombers, as well as of officers able to train Chinese pilots⁴⁶. Relationships were further strengthened in the mid-thirties, when, exactly in 1935, Italy was the first country to raise the level of its diplomatic representation in China, elevating the legacy it had in Nanjing to the degree of embassy. It was a formal gesture, in truth inconsistent, but it pleased the Chinese, who did the same.

Circumstances changed rapidly starting from 1935, when Italy launched itself into the Abyssinian countryside. China looked with great concern at this military action, and criticized it severely through a strong and firm invite the Society of Nations to sanction the Italian government for the invasion of Ethiopia, in the founded fear that it could be legitimated, then, the occupation of Manchuria by Japan, which took place in 1931 and the time of discussion in the highest circles of world diplomacy. Not casually the latter, together with Germany and unlike the other powers, accepted the Italian presence in Addis Ababa, and in 1937 started a war of aggression in China that would last until the end of the Second World War, with the unconditional surrender of Japan following the terrible facts of Hiroshima and Nagasaki. In consideration of these geo-political circumstances, Italy began to approach to the German Nazism and to Japanese imperialism and joined the "Anti-Comintern Pact" in 1937, with which it actually recognized the existence of Manzhouguo⁴⁷ 滿州国 and, consequently,

⁴⁵ See: G. SAMARANI, last quoted text, p.118

⁴⁶ See: M. F. PINI, last quoted text., p.31

⁴⁷ Puppet state created in 1932 by the Japanese Empire with the collaboration of veterans of the Qing dynasty 清, suppressed in 1911, in the region now known as Manchuria. From 1945 to today it is an integral part of the People's Republic of China.

broke off relations with Nanjing⁴⁸, definitively frustrating the great efforts made in the previous years to strengthen the friendship and collaboration, now deeply compromised⁴⁹.

Thus, a period of about fifteen years has ended, marked by important progress in bilateral relations between the two countries, in a vast range of areas never experienced before, from the political to the military, from the financial to the legal, and in which the Italy has been able to defend its interests properly and appear well in the eyes of the Chinese friend, showing in all areas of science advanced knowledge. A period in which the exports of Italian products to China, especially in the early thirties, before then the Japanese aggression, arrived at a remarkable value, almost equal to the French one, but still far from the German and English ones; moreover, a period in which even at the private level there were important developments, as the constant growth of the Italian community in China and individual cases of success and initiative in the most varied sectors. But, not even to say, after the Second World War Italy had to start from zero⁵⁰.

Italy, as we know, took part in the war alongside Germany and Japan, in accordance with the Tripartite Pact of 27 September 1940 (also known as the "Rome-Berlin-Tokyo Axis"), with which it constituted the Axis Powers who opposed the Allies, among whom since 1941 figured the nationalist China, committed to the Asian front against Japan. Without going too deep into the details of the war, as regards the new scenarios in the relations between Italy and China, two important considerations must be made: first of all, in the period 1931-1946 China had to face both with the Japanese aggression and the internal struggles between nationalists and communists, meanwhile it was working hard for the reconsideration of the international marginality in which it had fallen in; secondly, as is evident, it stood on the side opposite to Italy and together with the USSR, England and the United States, which, following the conflict, found themselves in a certainly privileged link. Moreover, as the Allies won the war, China was also on the side of those who could grant sanctions against the losing States, the same ones who in the recent past had oppressed it in a semi-colonial regime. And so, when the Allied Powers imposed a punitive treaty on Italy, China could not miss the opportunity to show that it was, at least theoretically, among the greats and to dictate conditions.

Thus, Italy lost all the special rights it had in China and in the Tianjin concession, but did not lost all the assets owned by private citizens and the State in the territory. The state properties of Beijing,

⁴⁸ Capital of the Republic of China and, more generally, of nationalist China from 1912 to 1949.

⁴⁹ see G. SAMARANI, last quoted text, p.119

⁵⁰ See: M. F. PINI, last quoted text., pp.55-56

Tianjin, Shanghai and Hankow⁵¹ were therefore recognized in Italy's possession, with the exception of some military stations⁵². To underline the fact that, according to what the retiring diplomat Qiu Jinyi said in August 2007 to the former Italian Foreign Ministry official Mario Filippo Pini, Italy was the only state among those defeated to pay reparations to China. Germany, divided and occupied by the victorious Powers, did not pay, while Japan was torn by the horror of Hiroshima and Nagasaki, and reduced to hunger, was spared a further stab, by the initiative of Chiang Kaishek.

Considering these events, which summarily contain the most important facts of the period in relation to the two countries we are interested in, a fact springs to mind: the complete reversal of relations. In 1901 it was Italy, together with the other powers, that imposed sanctions on China for the Boxer affair. Contrary to before, now it is China, along with other powers, to impose reparations to Italy for having lost the Second World War.

After a first war, another one started for China: the one with itself. The Japanese army withdrew from the Chinese territory, and the "united front"⁵³ formed by nationalists and Chinese communists in the name of a holy alliance to resist the enemy, had no more reason to exist, and so the hostilities of the past resumed. The nationalists, who were superior in armaments, in a first phase of the offensive obtained various successes, even succeeding in conquering the "red capital" Yan'an in March 1947. The communists at that point divided into two fronts and soon reorganized themselves to launch a series of counteroffensives to which the nationalists did not oppose effectively; in a short time, the People's Liberation Army (Epl) placed the entire North-East of China under its control.

In January 1949 he entered Beijing, in April in Nanjing, in May in Shanghai and Wuhan, in August in Xi'an, between October and November in Canton and Chongqing. On October 1, 1949, in Beijing, from the top of the Heavenly Peace Gate⁵⁴, Mao Zedong proclaimed the People's Republic of China.

The same evening, officials of the new government knocked on the doors of all the foreign consulates present in Beijing with a message in which Mao Zedong himself declared that the government of the People's Republic, born a few hours earlier, was the only legitimate representative of the Chinese people and was ready to establish relations with all countries on the basis of principles

⁵¹ Great river port on the Yangze 揚子, now known as Wuhan 武汉.

⁵² See: M. F. PINI, last quoted text., pp. 61-62

⁵³ Two were the so-called united fronts between nationalists and communists: the "first united front" (1924-1927), proposed and obtained without difficulty, was proposed and obtained by Sun Yat-sen with the aim of unifying the country and freeing it from the hegemony of the "warlords"; the "Second United Front" (1937-1945) was proposed and created by Chiang Kai-shek to counter Japan's offensive in the context of the Sino-Japanese war. See: G. SAMARANI, last quoted text, pp. 70 and followings.

⁵⁴ Tian'anmen 天安門

of equality and mutual benefit. A *conditio sine qua non* for establishing relations with the communist China was to stop all contact with the nationalists of Taiwan. The first to move were the British, driven by the need to defend their interests in Hong Kong; it was joined by Norway, Denmark, Finland, Sweden and Switzerland. Italy, although at a certain moment was about to do the same, thanks to the commitment of the Minister Sforza, it was strongly conditioned by the US position, which continued to have relations with Chiang Kaishek and the Republic of China in Taiwan.

Because of the events of the Cold War and, in particular, the Korean War, the situation remained unchanged for about twenty years; after the clash between American and Communist troops in North Korea, no US ally would have been able to recognize the Communist government in Beijing without antagonize the US itself. Thus, Italy in that period only had relations with the government of Taipei, but unlike other European countries it never sent a delegation to reside on the island; on the other hand, it permitted the stay of some low-ranking officials in the state-owned properties of Beijing, Tianjin, Shanghai and Hankow, unless it calls them back in 1952 during the Korean War⁵⁵. At a later stage, on the one hand, the Italian government tried to loosen Washington's interference on the issue of Chinese recognition, on the other the Chinese looked for new political and commercial partners in European countries to pull it out from a situation of international marginality.

In 1964 the Moro government, notoriously open to the left, held out a hand to the Chinese Communists, by concealing this orientation to the Americans under veiled declarations. In November of that year, in Rome, he reached an agreement with the Beijing government according to which semi-diplomatic offices were opened in the two capitals for the promotion of trade. The results were noteworthy, as the following year the exchange rate reached, for Italy, 75 billion lire, 40 billion exports and 35 billion imports⁵⁶, reporting a worthy improvement compared to previous years. The year after, due to the Cultural Revolution, no further progress was made, indeed exports fell slightly by 2 billion. For the two governments, however, the opening of the commercial offices was the first step towards an official opening of relations. After twenty-one months of negotiations, they were finally established on 6 November 1970, according to a formula in which Italy, among other things,

⁵⁵ See: M. F. PINI, last quoted text, p.73

⁵⁶ As, Ame, Roc (Taiwan), fen lei hao 305.21-0002, p.221-662

undertook to support the demands of the PRC in the UN and to "take note"⁵⁷ of the position of the Beijing government on the Taiwan issue⁵⁸.

A period of international fame began for the Chinese Giant, where the People's Republic of China was recognized as the "only legitimate representative of China to the United Nations"⁵⁹ and, therefore, joined Security Council replacing the Taiwanese government (October 25, 1971), and where there was the thaw of the relations between the government of popular China and that of the United States, whose first effect was precisely the renunciation of the United States to its right of veto in the resolution of October 25. For the final breaking between the latter and Taiwan, however, we must wait until '78, a turning point for Chinese politics, not only for the formalization of diplomatic relations between Beijing and Washington, but also for the launch of the "four modernizations"⁶⁰ 四个现代化 by Deng Xiaoping⁶¹. Again, in this period 1970-78 the number of countries that established relations with the PRC doubled, exceeding one hundred; among these, in 1975, the European Community, with which were established formal relations in that year, and three years later was signed the first commercial agreement. In very few years, as we have seen, the China represented by the Beijing government has climbed till the forefront of the international scene, placing itself as a leader of the developing countries and the Third World, and as an intermediate pole, together with the European Community, in a multipolar world leaded by the US and Urss.

In Italy, the initiative aimed at recognizing the PRC was led by Pietro Nenni, Minister of Foreign Affairs of Italy from '68 to '69, and great expert of Chinese issues since the time of his role as Secretary of the Italian Socialist Party⁶² (PSI). In January 1969 he declared in Parliament that the time was ripe for the big step, and in February of the following year the two countries appointed their respective ambassadors. Shortly after, in 1971, the mission of the Minister of Foreign Trade Mario Zagari set off, accompanied by a delegation of 76 other people including industrialists, operators,

⁵⁷ In the text of the agreement, this expression was more appropriate and, above all, more conservative than the one initially proposed by the Chinese government, which wanted the Italian government to accept the fact that Taiwan was an integral part of China.

⁵⁸ See: M. F. PINI, last quoted text., p.119.

⁵⁹ United Nations General Assembly Session 26 Resolution 2758. Restoration of the legitimate rights of the People's Republic of China in the United Nations A / RES / 2758 (XXVI) p. 1. 25 October 1971.

⁶⁰ Agriculture, science and technology, industry and national defence.

⁶¹ See: G. SAMARANI, last quoted text, pp. 293 and followings.

⁶² Just as secretary of the PSI, in 1955, he became the first major politician to land in China at the invitation of Zhou Enlai. On the occasion of the visit, he was received by Mao Zedong himself, who described in his diaries as a simple man, with a peasant humility. see M. F. Pini, last quoted text, pp.86-87

bankers and many journalists, traveling between Beijing, Shanghai and Canton. On that occasion, was reached an agreement on trade and payments⁶³, formalized a few months later with the visit of Zagari's homologue, Minister Bai Xiangguo, who visited industrial plants and seven ports in Italy. But even if this bold and lightning move by the Italian government gave a notable shock to bilateral trade relations, our trade with China after Zagari did not increase significantly⁶⁴. We only brought our exports from 38 billion lire to 44.84⁶⁵, and concluded an agreement for the supply of a power plant for 125,000 kilowatts⁶⁶, but no major project on the horizon, also because they have to pass even years before foreign investments and mixed companies had free access to China.

During the seventies, there were few improvements, very limited by complex political issues⁶⁷ in Italy, but also by the contorted events in the Chinese political and social scene, marked by the end of the Cultural Revolution and the Maoist experience in 1976, the 'arrest of the Gang of Four'⁶⁸ and the consolidation in power of Hua Guofeng first, and then Deng Xiaoping. Under the latter's government, China began the period of major reforming introduced by the "four modernization" program, as well as the consolidation of relations with the USA, which was later ratified in 1981 by the Chinese accession to the World Bank and the International Monetary Fund (IMF).

Under Deng Xiaoping, in the period 1982-1989, Italy succeeded in signing cooperation agreements for 576 million dollars in aid credits (subsidized loans granted by Italy to projects of Italian companies in China, such as the construction of factories) and 95 million dollars⁶⁹ for gifts (a 'tribute' to specific goods, supplied by Italian companies, useful for the progress of the People's Republic, as machinery for hospital use).

⁶³The agreement was three years. It provided for joint committee meetings each year alternately in their respective capitals and contained indicative lists of goods of mutual interest. Italy took the commitment to grant import licenses to Chinese goods according to our legislation.

⁶⁴ *Ibidem* pp. 143-144

⁶⁵ See: F. CARBONETTI, *Interscambio italo-cinese: esperienze e prospettive*, in "Mondo cinese", 1, 1973, p. 103.

⁶⁶ See: *Testi e documenti sulla politica estera dell'Italia*, Ministero degli Affari esteri (Mae), 1972, p.39.

⁶⁷ It is already enough to consider that from 1970 to 1979 PRC managed to communicate with 8 different Italian government.

⁶⁸ They were accused of preparing a coup, Jiang Qing (widow of Mao and his fourth and last wife), Zhang Chunqiao, Yao Wenyuan and Wang Hongwen. Later, Kang Sheng and Xie Fuzhi were also accused of belonging to the gang, but were not tried because they died before 1976.

⁶⁹ See: R. PAVOLINI, *Modalità tecniche e prospettive nell'interscambio tra Cina e Italia*, in "Mondo Cinese", 58, 1987, p.36.

In 1985 we were the country with the fastest leap forward in trade with China to double the value of sales compared to the previous year⁷⁰, but the situation, as often happens when we talk about Italy, quickly changed when it became clear the evidence that it was not able to invest capital as other European competitors. In 1989, the well-known Tian'anmen case broke out, first condemned internationally by almost all states to the UN with punitive sanctions⁷¹, then recognized by them as a painful but just and necessary choice. Among the first Europeans to re-establish good relations with the People's Republic after the events of Tian'anmen there was Italy in 1992, which with its gesture favored a similar conclusion with the whole European Community; and regarding this the Chinese government had thanked us for years.

With the following opening of China to the world through the change of its economic strategy according to a model of capitalism associated with socialism⁷², foreign direct investments were encouraged on the territory, especially in the "special economic zones", and the first large global enterprises began to arrive from America and Europe, including Kentucky fried chicken (KFC), Avon, Fedex, Carrefour. The risks faced by these company in China have been paid; they invested investing billions of dollars with little guarantee of success and even today still continue to benefit from the intuition of the far-sighted leaders of the past, who first settled in the Chinese market. Italy, weak in the field of large industries and scarcely competitive in terms of financial resources, began to lose ground towards its European partners. In 1999 the total exchange of trade with China amounted to 6,835 Ecu⁷³, in spite of the 9,136 French, 19,727 Germans, 12,006 English. Even development cooperation, which had produced exceptional results in the early past, was considerably reduced thanks to the Italian misadventures of Tangentopoli⁷⁴: it was limited to health projects, the study of a census in the campaigns carried out with the help from the National Institute of Statistics (ISTAT), the Food and Agriculture Organization (FAO) and our Universities, and to some cultural initiatives.

⁷⁰ See: *Testi e documenti sulla politica estera dell'Italia*, Ministero degli Affari esteri (Mae), 1986, p. 175.

⁷¹ The ban on the official visits, credit aids and weapons sale.

⁷² The so-called "socialist market economy" theorized and promoted by Deng Xiaoping. "Planning and market forces do not represent the essential difference that exists between socialism and capitalism. Planned economy is not the definition of socialism, because there is planning even in capitalism; the market economy is also implemented in socialism. Planning and market forces are both tools for controlling economic activity ". J. Gittings, *The Changing Face of China*, Oxford, 2005.

⁷³ European Currency Unit, "European unit of account", the non-material scriptural currency, introduced by the European Council in 1978, remained in force until 1 January 1999.

⁷⁴ See: M. F. PINI, last quoted text, p. 212.

Starting from the new millennium, the commercial and political relation between China and the rest of the World registered an important boost mainly due to the entering of China in the WTO (2001) and, generally, in the globalized market. In this new context, it would be useful to introduce the industrial and economical features of the “new China”, compare it with the Italian one and analyze the commercial relation between the two countries in the first stage of the new millennium.

China concentrates its economic activity in traditional sectors, where intensive work is exploited intensively, but registers some progress also in more advanced sectors, by making good use of its large resources of cheap labor and its attractiveness to foreign investors in order to produce highly competitive goods destined, to a large extent and increasingly, to be exported. Italy is among the first industrialized countries in the world, but has a special model of specialization, different from that of other advanced countries: it is indeed specialized in traditional sectors and has built its fortune on them, creating the charming idea of the so-called *made in Italy*.

Nowadays a country like China undermines this model: the analysis carried out shows that in many cases the two countries export products belonging to the same sectors. China focuses on cost advantages, managing to sell at very low prices, while Italy is able to obtain various qualitative advantages, perceived by consumers, which has allowed it to position itself on different market segments and to 'save itself' in some measure from the Chinese competition. The question that arises is whether this situation will last over time, ensuring a peaceful future, or if China will manage to bridge the qualitative gap with Italian goods, thus putting the competitiveness of our economic system in serious crisis. The future of our business in China will be so unless, as we hope, there will be a reaction that will bring to the identification of an Italian strategy able to seize the great opportunities that China's commercial integration offers, which could offset losses from increased competition on international markets.

Within the European Union, Italy, despite having a certain delay and lack of focus on exploiting the opportunities offered by the China phenomenon, plays a potentially strategic and attractive role thanks to the favorable geographical position and the strong impact on a global scale of the brands related to the concept of *made in Italy*.

Since the establishment of diplomatic relations between China and Italy, the results of bilateral trade economic cooperation have been fruitful. In fact, the volume of bilateral trade has always maintained rapid growth; since in 1970, at the time of establishing relationships, it amounted to 120 million US dollars, forty years later it was seen increased by 375 times, reaching a total value of 45 billion in

2010. In recent years, due to the economic crisis, total trade has dropped slightly, reaching around US \$ 39 billion in 2014.⁷⁵

According to the latest data from the Italian Trade Agency, Italian exports to China in 2017 amounted to 11,1 billion euros, a figure higher than 22% compared to the previous year. More than a fourth of this figure concerns the export of machinery and electronic equipment destined for the Chinese company production sectors; in second place among the most exported goods in China from Italy are means of transport, i.e. cars, trailers, semi-trailers, scooters, bicycles, etc., which cover a turnover of over 1,6 billion euros; followed by chemical and pharmaceutical products, which Italy exports for about 1,2 billion euros, as well as leather goods (not clothing). The latter sector, the most representative sector in the world of *Made in Italy*, even before the agri-food sector, recorded export revenues worth around € 5 billion. Notable export revenues come from electronics and optics products, such as electro-medical devices, measuring devices, clocks, etc. metallurgy products; metal products, excluding machinery and equipment; rubber articles; furniture; food products.

Italy, on the other hand, imports from China for a total value of 24,5 billion euros, a figure 5.2% higher than 2016, which means for Italy -13,4 billion euros in the trade balance with China. The importation of electronic products, such as computers or electro-medical devices, is the most costly for the Italian State, 3,45 billion euros, followed by electrical equipment and production machinery, which instead cost respectively 2.9 and 2.8 billion. The import of articles of clothing reaches slightly lower figures, 2,3 billion, while much lower figures, albeit high, concern textile, metallurgical, agri-food, etc. products.⁷⁶

It is possible to consult histograms and tables in the *Appendix*.

⁷⁵ Data provided by ITA – Italian Trade Agency. See: www.ice.gov.it

⁷⁶ See: <http://actea.ice.it/tavolepaesi.aspx?IdPaese=720&IdTavola=1>

CHAPTER II

一带一路: THE MODERN SILK ROAD

1. INTRODUCTION TO THE OBOR INITIATIVE

Since 2013, many controversial ideas were spread out concerning the real scope of the project; for this reason, it is important here to base our evaluations on the truth.

In a very concrete and technical means, we can argue that the OBOR initiative - or Belt and Road ("B&R") or Belt and Road Initiative ("BRI") - is the China's development strategic vision aiming at the economic integration of Eurasian continent, together with the growth of China's Western Provinces, largely through infrastructural and transportation projects connecting countries, economies and people.



Figure 2.1 - The New Silk Road map⁷⁷

⁷⁷ See: <http://www.futuredirections.org.au/publication/chinas-one-belt-one-road-policy-can-history-repeat/> (03/02/2018)

The Silk Road Economic Belt and 21st Century Maritime Silk Road, better known by its popular shorthand terms of One Belt, One Road (OBOR) and the Belt-Road initiative, has become one of the most discussed topics about China's evolving role in the global economy today. What is the One Belt One Road initiative?

This simple question is producing many controversies among experts because no one is totally sure about the answer; as said by Christopher Balding, professor of economics at Peking University, "It means everything and it means nothing at the same time"⁷⁸. It looks evident that the initiative is confusingly named, since the "Belt" refers to physical roads and overland transport, while the "Road" actually refers to maritime routes.

The Belt covers three main sets of connections: seeking to link China to Russia and the Baltic European countries through Central Asia and Russia, it goes through Central Asia and connects China with the Middle East, the Persian Gulf and the Mediterranean countries, establishing seamless transport links between China and Southeast Asia, South Asia and the Indian Ocean. The Road has been described as the "21st Century Maritime Silk Road", which would develop the links of Chinese coastal ports to Europe through the South China Sea and Indian Ocean, and to the countries of the South Pacific Ocean through the South China Sea.

The core idea of the initiative is to revive ancient land-trade routes in the framework of the "Silk Road Economic Belt project" (SREB) supported by the "21st Century Maritime Silk Road" (21MSR) as proposed by Xi Jinping in Autumn 2013 first in Kazakhstan with regard to the SREB, and later in Indonesia with regard to the 21MSR. In addition, the OBOR/SREB includes regional platforms of multilateral co-operation, particularly the 16+1 Group (G16+1) gathering China and Central and Eastern European countries (CEEs), established in April 2012 in Warsaw, over a year ahead of the announcement of the OBOR⁷⁹.

The "One Belt One Road" implementation began in 2015 and the opportunities for overseas businesses in China and along the routes are now becoming apparent as it continues to evolve sector by sector and province by province – a process which is expected to last for several decades. The OBOR initiative is managed by a small group under the chairmanship of Vice-Premier Zhang Gaoli⁸⁰.

⁷⁸ See: <http://edition.cnn.com/2017/05/11/asia/china-one-belt-one-road-explainer/index.html> (20/12/2017)

⁷⁹ See: www.transnational-dispute-management.com, Volume 14, Issue #03, pag.1 (19/12/2017)

⁸⁰ Zhang Gaoli (born in November 1946) is the current first-ranked Vice Premier of the People's Republic of China. He served as a member of the Politburo Standing Committee, China's highest ruling council, between

In the Chinese government, the National Development and Reform Commission (NDRC), Ministry of Foreign Affairs and Ministry of Commerce have been tasked to deliver OBOR, with the NDRC playing a coordinating role. The official blueprint is for a circular route “connecting the vibrant East Asia economic circle at one end and the developed European economic circle at the other, and encompassing countries with huge potential for economic development”⁸¹.

It has been described by the Chinese government as the third round of China’s opening up after the development of Special Economic Zones and China’s accession to the World Trade Organization⁸².

President Xi Jinping has said that OBOR “should be jointly built through consultation to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the routes. It is not closed but open and inclusive; it is not a solo by China but a chorus of all countries along the routes.”⁸³

Officially, explicit objectives of OBOR include:

- Prosperity for underdeveloped parts of China, particularly in the west of the country.
- Increased connectivity and economic development along both routes through the movement of goods, services, information and people and the exchange of culture.
- Greater integration between China and its neighbors.
- Energy security through diversification of import sources.

However, the project would implicitly mean for China:

- An outlet for domestic overcapacity and overseas investment;

Considering that China has overcapacity in several sectors, owing to the economic drive and building boom of recent decades, OBOR is seen as a viable outlet for excess production capacity. Furthermore, China has accumulated a large amount of foreign exchange reserves and capital and OBOR presents channels for outward investment and the diversification of foreign exchange reserves.

2012 and 2017. Prior to his ascendancy to the pinnacle of political power in China, Zhang served as the Communist Party Secretary of Tianjin between 2007 and 2012, and the Party Secretary in the economic powerhouse of Shandong province between 2002 and 2007.

⁸¹ See: *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, released by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce. Full text: http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

⁸² The State Council Information of the People’s Republic of China. See: <http://www.scio.gov.cn/index.htm>

⁸³ President Xi Jinping at the Boao Forum for Asia, March 2015.

- New markets for Chinese products and services;

Diversifying export markets, especially in developing countries, will extend the lifecycle of Chinese products and will lay the ground domestically for the upgrading of traditional industries and the development of emerging industries.

In the following page, almost every information the World knows so far about the OBOR initiative will be provided, starting from the very first word said by Xi Jinping concerning it, until the chronicle of these-months-occurring multilateral meetings.

1.1 THE LAUNCH OF THE PROJECT

It was September 7, 2013 when the President of People's Republic of China Xi Jinping made the speech titled "Promote People-to-People Friendship and Create a Better Future" at Nazarbayev University of Astana (Kazakhstan), and officially informed the World about his vision: building a "Silk Road Economic Belt" within Eurasian countries.

This fundamental and exhaustive speech will go down in history as the turning point of the future economic, social and political development in China and Eurasia.

As it represents the milestone of the OBOR project and, actually, of this research, it looks necessary to be fully proposed below:

"Your Excellency President Nazarbayev,

President of Nazarbayev University,

Dear Faculty Members and Students,

Ladies and Gentlemen,

Dear Friends,

Good morning. I have come to Kazakhstan, China's great neighbor, on a state visit at the invitation of President Nazarbayev. It is my great pleasure today to come to Nazarbayev University and meet with all of you.

Let me begin by conveying the sincere greetings and best wishes of the Chinese people to the friendly people of Kazakhstan, the faculty members and students of this university and all the friends present today.

[...]

Ladies and Gentlemen,

Dear Friends,

Over 2,100 years ago during China's Han Dynasty, a Chinese envoy Zhang Qian was sent to Central Asia twice with a mission of peace and friendship. His journeys opened the door to friendly contacts between China and Central Asian countries as well as the Silk Road linking east and west, Asia and Europe.

Shaanxi, my home province, is right at the starting point of the ancient Silk Road. Today, as I stand here and look back at that episode of history, I could almost hear the camel bells echoing in the mountains and see the wisp of smoke rising from the desert. It has brought me close to the place I am visiting.

[...]

Throughout the millennia, the people of various countries along the ancient Silk Road have jointly written a chapter of friendship that has been passed on to this very day. The over 2,000-year history of exchanges demonstrates that on the basis of solidarity, mutual trust, equality, inclusiveness, mutual learning and win-win cooperation, countries of different races, beliefs and cultural backgrounds are fully capable of sharing peace and development. This is the valuable inspiration we have drawn from the ancient Silk Road.

Ladies and Gentlemen,

Dear Friends,

Over the past 20 years and more, the relations between China and Eurasian countries have developed rapidly and the ancient Silk Road has gained fresh vitality. In a new way, it is taking the mutually beneficial cooperation between China and Eurasian countries to a new height.

A near neighbor is better than a distant relative. China and Central Asian countries are friendly neighbors connected by common mountains and rivers. China highly values its friendship and cooperation with these countries and takes them as a foreign policy priority.

At present, China's relations with Central Asian countries face a golden opportunity of development. We hope to work with these countries to strengthen trust, friendship and cooperation, and promote common development and prosperity so as to bring benefits to our people.

We need to pass on our friendship from generation to generation and always be good neighbors living in harmony. China is committed to the path of peaceful development and the independent foreign policy of peace. We respect the development paths and domestic and foreign policies chosen independently by the people of every country. We will in no circumstances interfere in the internal affairs of Central Asian countries. We do not seek to dominate regional affairs or establish any sphere of influence. We stand ready to enhance communication and coordination with Russia and all Central Asian countries to strive to build a region of harmony,

We need to firmly support and trust each other and be sincere and good friends. To render each other firm support on major issues concerning core interests such as sovereignty, territorial integrity, security and stability is the essence and an important part of China's strategic partnership with Central Asian countries. We will deepen trust and cooperation with Central Asian countries bilaterally and within the Shanghai Cooperation Organization (SCO) to combat the "three forces" of terrorism, separatism and extremism as well as drug trafficking and transnational organized crime to create a favorable environment for the economic development and the well-being of the people in this region.

We need to vigorously enhance practical cooperation and be good partners of win-win cooperation. Both China and Central Asian countries are at a crucial stage of development with unprecedented opportunities and challenges. We have all set medium- to long-term development goals based on our national conditions. Our strategic goals are the same, which is to ensure sustained and stable economic development, build a prosperous and strong nation and achieve national revitalization. Therefore, we need to enhance practical cooperation across the board, turn our good political relations, geographical proximity and economic complementarity into drivers of practical cooperation and sustained growth, and build a community of shared interests and mutual benefit.

We need to expand regional cooperation with a more open mind and broader vision and achieve new glories together. The world is going through faster economic integration and regional cooperation is booming. The Eurasian region has quite a few regional cooperation organizations. The members and observers of the Eurasian Economic Community (EAEC) and the SCO are from Eurasia, South Asia and West Asia. By intensifying cooperation between the SCO and the EAEC, we will create even more space for development.

Ladies and Gentlemen,

Dear Friends,

To forge closer economic ties, deepen cooperation and expand development space in the Eurasian region, we should take an innovative approach and jointly build an "economic belt along the Silk Road". This will be a great undertaking benefitting the people of all countries along the route. To turn this into a reality, we may start with work in individual areas and link them up over time to cover the whole region.

First, we need to step up policy communication. Countries should have full discussions on development strategies and policy response, work out plans and measures for advancing regional cooperation through consultation in the spirit of seeking common ground while reserving differences, and give the policy and legal "green light" to regional economic integration.

Second, we need to improve road connectivity. The SCO is working on an agreement on transportation facilitation. If signed and implemented at an early date, it will open up a major transportation route connecting the Pacific and the Baltic Sea. Building on that, we will actively discuss the best way to improve cross-border transportation infrastructure and work toward a transportation network connecting East Asia, West Asia and South Asia to facilitate economic development and travel in the region.

Third, we need to promote unimpeded trade. The proposed "economic belt along the Silk Road" is inhabited by close to 3 billion people and represents the biggest market in the world with unparalleled potential. The potential for trade and investment cooperation between the relevant countries is enormous. We should discuss a proper arrangement for trade and investment facilitation, remove trade barriers, reduce trade and investment cost, increase the speed and quality of regional economic flows and achieve win-win progress in the region.

Fourth, we need to enhance monetary circulation. China and Russia have already had sound cooperation on settling trade in local currencies, and have gained gratifying results and rich experience. There is no reason not to share this good practice with others in the region. If our region can realize local currency convertibility and settlement under current and capital accounts, it will significantly lower circulation cost, increase our ability to fend off financial risks and make our region more competitive economically in the world.

Fifth, we need to increase understanding between our people. Amity between the people holds the key to good relations between states. To have productive cooperation in the above-mentioned areas, we need the support of our people. We should encourage more friendly exchanges between our people to enhance mutual understanding and traditional friendship and build strong public support and a solid social foundation for regional cooperation.

Dear Faculty Members and Students,

[...]

To facilitate youth exchanges within the SCO framework, China will, in the coming ten years, provide 30,000 government scholarships to SCO member states and invite 10,000 teachers and students from Confucius Institutes in these countries to China for study tours. I hope you will seize these opportunities to come to China for study and exchange.

I also wish to invite 200 faculty members and students from Nazarbayev University to go to China next year and attend summer camp activities.

Ladies and Gentlemen,

Dear Friends,

Young people are the mainstay of friendship between our people. The common interest and ideal they hold for life all bring them together in true friendship. Here let me share with you two touching stories involving Chinese and Kazakh people.

[...]

Ladies and Gentlemen,

Dear Friends,

China and Kazakhstan are friendly neighbors as close as lips and teeth. Our 1,700-kilometer long common border, two millennia of interactions and extensive common interests not only bind us closely together, but also promise a broad prospect for bilateral ties and mutually beneficial cooperation. Let us join hands to carry on our traditional friendship and build a bright future together.

*Thank you*⁸⁴.

This idea of creating a highly interconnected South Asia through the creation of infrastructures echoes back to the first Chinese-led initiative aimed at connecting China massive industrial capacity to its western region and consequently to its south-western neighboring countries.

Starting from 1978 indeed, China has made great efforts in establishing land-based economic corridors that could connect the country with its neighbors. China and Pakistan, for instance, launched the first infrastructure project in the region with the idea to develop a highway through the Karakoram mountain range with the aim to promote “trade and people to people contact and the implicit propose of enhancing both countries’ political and logistical control over the frontiers to deal with external and internal security threats”⁸⁵. In 1978, the Sino-Pakistani Highway projected was successfully realized, representing the first step towards the idea of creating strongly integrated Asia. In 2011, after 23 years of its creation, China and Pakistan planned to turn the Karakoram highway into the center of a new China-Pakistan economic corridor that could connect China’s most western province, Xinjiang, to the Chinese-constructed port in Gwadar, Pakistan, allowing access to the Indian Ocean (KKH).

Besides the ambitious project KKH in Pakistan, finally delayed due to a severe landslide in 2010, China has proposed many other infrastructure developments in Myanmar, Bangladesh, Nepal, and across the Tibet Autonomous region. Starting from Myanmar, China’s need to promote growth in its western provinces led to the development of transportation infrastructures, connecting the wealthy eastern part to the lagging western part and its neighboring country. In particular, this domestic strategy has produced substantial developments in China’s Yunnan province, connecting Myanmar ports to the south of China.

Moreover, the first major railway construction connecting China to the Tibetan city of Lhasa was completed in 2006, laying the foundation for further transportation connections to Nepal, Bhutan, and North-eastern India. The full of realization of these Chinese-led initiatives would allow China to

⁸⁴ See: http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1078088.shtml Chinese version: http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/dnzt_674981/qtzt/ydyl_675049/zyxw_675051/t1074151.shtml

⁸⁵ See: ZIAD HAIDER, “*Sino-Pakistan Relations and Xinjiang’s Uighurs: Politics, Trade, and Islam along the Karakoram Highway*”, *Asian Survey* 45, no. 4 (2005), p. 522.

further promote growth in its western provinces and to establish strategic gateways to the Middle East, Africa, and Europe. Since the first infrastructure developments in Pakistan, China has sought to improve economic connectivity in South Asia through the establishment of new infrastructures.

Despite the large amount of Chinese-led initiative proposed in the region, China lacked a unified policy designed to connect Chinese gateways to the World, at least till the conception of the One Belt One Road which has filled this lack of policy by putting all the past and new infrastructures under a single strategy. However, for the time being, the OBOR is still at the very initial phase of realization and its success essentially depends on the formation of efficient institutional and regulatory environment along OBOR's trade routes.

Six specific “international co-operation economic corridors” have been identified to start with.

The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa

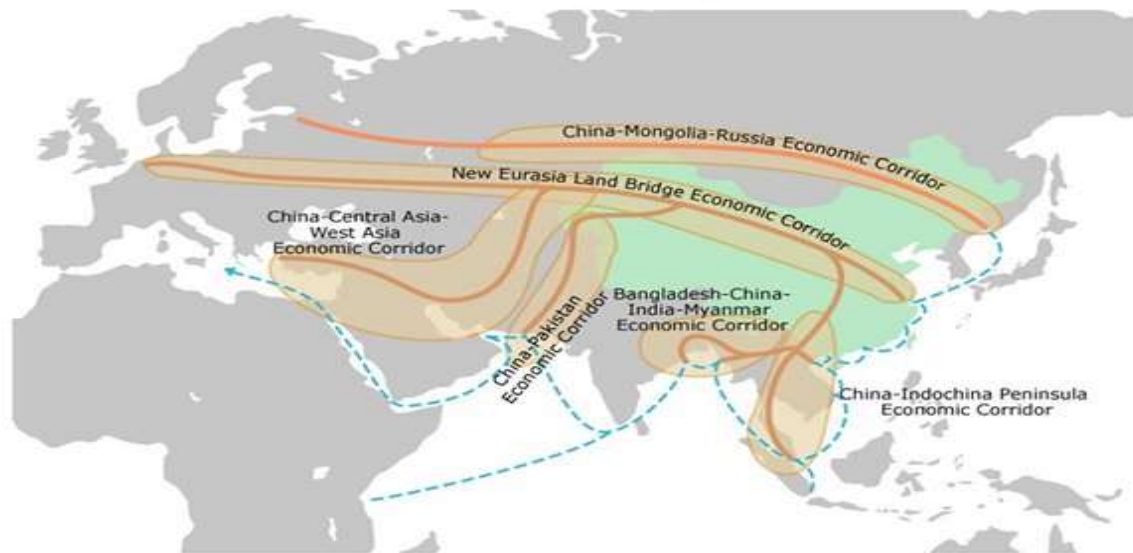


Figure 2.2 - The Belt and Road's Six Economic Corridors⁸⁶

The “New Eurasia Land Bridge”, also known as the Second Eurasia Land Bridge, is an international railway line running from Lianyungang in China’s Jiangsu province through Alashankou in Xinjiang to Rotterdam in Holland. The China section of the line stretches through eastern, central and western China. After exiting Chinese territory, the new land bridge passes through Kazakhstan, Russia, Belarus and Poland, reaching a number of coastal ports in Europe. Capitalizing on the New Eurasia Land Bridge, China has opened an international freight rail route linking Chongqing to Duisburg

⁸⁶ See: <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative/obor/en/1/1X000000/1X0A36B7.htm>

(Germany); a direct freight train running between Wuhan and Mělník and Pardubice (Czech Republic); a freight rail route from Chengdu to Lodz (Poland); and a freight rail route from Zhengzhou to Hamburg (Germany). All these new rail routes offer rail-to-rail freight transport, as well as the convenience of “one declaration, one inspection, one cargo release” for any cargo transported.⁸⁷

The China-Mongolia-Russia Economic Corridor. In September 2014, during an official meeting at the Shanghai Co-operation Organization (SCO) Dushanbe Summit, the three heads of State agreed to bring together the building of China’s Silk Road Economic Belt, the renovation of Russia’s Eurasia Land Bridge and the proposed development of Mongolia’s Steppe Road. This commitment will strengthen rail and highway connectivity and construction, advance customs clearance and transport facilitation, promote cross-national co-operation in transportation, and help establish the China-Russia-Mongolia Economic Corridor.

The China-Central Asia-West Asia Economic Corridor runs from Xinjiang in China and exits the country via Alashankou to join the railway networks of Central Asia and West Asia before reaching the Mediterranean coast and the Arabian Peninsula. The corridor mainly covers five countries in Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan) as well as Iran and Turkey in West Asia. At the third China-Central Asia Co-operation Forum, held in Shandong in June 2015, a commitment to “jointly building the Silk Road Economic Belt” was incorporated into a joint declaration signed by China and the five Central Asian countries.

China-Indochina Peninsula Economic Corridor. During a meeting held in Bangkok in December 2014, Chinese Premier Li Keqiang put forward three suggestions with regard to deepening the relations between China and the five countries in the Indochina Peninsula. The suggestions included:

- (1) to jointly planning and building an extensive transportation network, as well as number of industrial co-operation projects;
- (2) creating a new mode of co-operation for fundraising; and
- (3) promoting sustainable and coordinated socio-economic development. Currently, the countries along the Greater Mekong River are engaged in building nine cross-national highways, connecting east and west and linking north to south.

A number of these construction projects have already been completed. Guangxi, for example, has

⁸⁷ *ibidem*

already finished work on an expressway leading to the Friendship Gate and the port of Dongxing at the China-Vietnam border. The province has also opened an international rail line, running from Nanning to Hanoi, as well as introducing air routes to several major Southeast Asian cities.

China-Pakistan Economic Corridor. The two governments have mapped out a provisional long-term plan for building highways, railways, oil and natural gas pipelines and optic fiber networks stretching from Kashgar to Gwadar Port. According to a joint declaration issued by China and Pakistan in Islamabad in April 2015, the two countries will proactively advance key co-operation projects

Bangladesh-China-India-Myanmar Economic Corridor. Official representatives from the four countries conducted in-depth discussions with regard to the development prospects, priority areas of co-operation and co-operation mechanisms for the economic corridor. They also reached extensive consensus on co-operation in such areas as transportation infrastructure, investment and commercial circulation, and people-to-people connectivity. The four parties signed meeting minutes and agreed the Bangladesh-China-India-Myanmar Economic Corridor joint study program, establishing a mechanism for promoting co-operation among the four governments.⁸⁸

All these economic corridors are jointly implemented for common goals: policy co-ordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.

The Belt and Road Initiative upholds the principles of jointly developing the program through consultation with all interested parties.

Existing bilateral and multilateral co-operation mechanisms will be utilized to promote the integration of the development strategies of the countries along the route.

Steps will be taken to advance the signing of co-operation memorandums of understanding or co-operation plans for the establishment of a number of bilateral co-operation demonstration projects.

⁸⁸ *ibidem*

1.2 A HUGE CHALLENGE FOR THE WORLD

Chinese spending abroad for OBOR is expected to reach \$100bn per year for the coming decade and funding mainly comes from Chinese banks, state-owned enterprises (SOEs) and Chinese local governments. Among the outcomes of this big plan, that has the potential to be global in its reach but local in its impact, countries will gain national objectives embedded in the Sustainable Development Goals through the rehabilitation of six new land corridors and the improvement of maritime connectivity. In particular, this step forward in investment support and trade promotion across domestic and international borders could bring unprecedented opportunities for those countries' economies and enhance prosperity among local population.

The Official Action Plan for the Belt and Road	
<p>On 28 March 2015, during the Boao Forum for Asia, China's National Development and Reform Commission, in conjunction with China's Foreign Ministry and Commerce Ministry, issued an action plan for the Belt and Road, titled the <i>Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road</i>.</p>	<p>regional economic cooperation architecture that benefits all."</p>
<p>Basic Goals</p> <p>The official document lays out the basic goals of the Belt and Road Initiative: "It is aimed at promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced</p>	<p>Geographic Coverage</p> <p>According to the action plan, the Belt will have three routes and the Road will have two routes:</p> <p>The Silk Road Economic Belt:</p> <ul style="list-style-type: none">• China—Central Asia—Russia—Europe (the Baltic)• China—Central Asia—West Asia—Persian Gulf—Mediterranean Sea• China—Southeast Asia—South Asia— Indian Ocean <p>The 21st Century Maritime Silk Road:</p> <ul style="list-style-type: none">• Coastal China—South China Sea—Indian Ocean—Europe• Coastal China—South China Sea—South Pacific

Figure 2.3 - OBOR official action plan⁸⁹

Both the New Silk Economic Belt and the 21st Maritime Silk Road indeed, have the potential to change drastically the relations of powers into the international scenario, but can also have a fundamental role in the development of the economies of many countries currently facing strong difficulties in providing decent life conditions to their citizens. It will serve as a great source of regional integration, political stability and economic empowerment.

⁸⁹ See: https://www.fbicgroup.com/sites/default/files/B%26R_Initiative_65_Countries_and_Beyond.pdf

Simply considering these positive aspects of the plan, it is easily understandable that it represents an opportunity to reduce the differences of wellness and industrial development that currently exist among the Asian continent's countries, in particular between those countries located in Central Asia, and the coastal states of the South-East Asia⁹⁰. Moreover, not only States but also private companies are, obviously, interested in the advantages they could get from their participation to OBOR.

Especially infrastructure companies, building materials producers and construction machinery companies are going to receive the biggest benefits from it: linking up unconnected road sections and removing transport bottlenecks, the connectivity in all the region will be considerably improved with a consequent facilitation of trade and any sort of exchange.

From the above analysis, it seems that One Belt, One Road initiative is a multilateral economic regime based on the ideal of shared prosperity and a grand vision for achieving a breakthrough in global commerce through revolutionary advances in communications and energy infrastructure. However, the hidden purposes behind global geopolitical dominance and OBOR being a “silk glove” for China's “iron fist” cannot be ruled out, given an array of disturbing developments like accusations of lack of transparency, intentions revealed by the leaked Chinese plan for CPEC, China's strong-arm tactics in South China Sea and popular opposition to OBOR projects in several countries like India.

China stresses an economic win-win cooperation based on mutual benefit and equality, as the initiative itself is based on China's framework of peaceful development from the middle 1990s, which emphasizes shared prosperity. But, in effect, an economic win-win situation might have an impact of inequality in the political domain, upsetting the current world order.

⁹⁰ See: WANG, Y. (2015), *China's “New Silk Road”*: A Case Study in EU-China Relations, Amighini, A. and Berkofsky, A. (eds.), *Xi's Policy Gambles: The Bumpy Road Ahead*. ISPI Report.

2. OBOR: AN ECONOMIC OUTLOOK

As we can see in the Figure 2.4, China's One Belt, One Road project is not short on ambition. Its boosters tout its massive economic promise and claim it could benefit the entire world and lift millions out of poverty.

Key Numbers of Belt & Road Initiative

65 Countries	Connects 65 countries and estimated 4.4 billion people
30% of GDP	Accounted for over 63% of world population and 30% of GDP
3 Round	The 3rd round of China's opening up after development of Special Economic Zones and accession to WTO
40+ countries	Over 40+ countries and international organizations have signed cooperation agreements with China
5 key areas	The 5 key areas of cooperation are: policy coordination, facilities connectivity, trade, financial integration and people-to-people ties
6 Economic Corridors	Set-up 6 economic cooperation corridors: China Pakistan, New Eurasia Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia, China Indochina Peninsula, Bangladesh-China-India-Myanmar
US\$ 953 Billion	China's trade value with B&R countries reached US\$953 billion in 2016, 25.7% of China's total trade
8,158 Contracts	8,158 contracts were signed by Chinese enterprise in 61 countries in 2016

Figure 2.4 - Key numbers of OBOR⁹¹

But no one can say for sure what exactly the plan encompasses, and detractors warn it could be an expensive boondoggle at best or a massive expansion of Chinese imperial power at worst.

Anyway, China will use OBOR as a way to ship its own domestic overproduction offshore and to open new markets for Chinese goods, shoring up the country's economy against any potential slowdown in demand from Europe or the US, said Jin-Yong Cai, former head of the International Finance Corporation.⁹²

Observers frequently liken Belt-Road to the Marshall Plan (formally titled the European Recovery Programme), an unprecedentedly large aid package given by the US government to Western

⁹¹ See: https://www.fbicgroup.com/sites/default/files/B%26R_Initiative_65_Countries_and_Beyond.pdf

⁹² See: <http://edition.cnn.com/2017/05/11/asia/china-one-belt-one-road-explainer/index.html> (03/01/2018)

European countries for reconstruction after the second world war.⁹³ Although similar in their shared goals for boosting economic growth and trade through infrastructure development, OBOR and the Marshall Plan differ in critical ways. The principal difference is China's Belt-Road is not based on aid or even foreign direct investment, but on loan financing. This underscores the importance, for creditors and debtors alike, to carefully factor in pertaining risks with OBOR projects. More than is the case for typical government aid packages, within the Belt-Road initiative, the typical *caveat emptor*⁹⁴ very much applies.

The scale of the project and the achievement of these goals require anyway huge investments, that will have a dramatic impact on many aspects of the involved countries' economies.

Region	Country	Land area (sq.km thousand, 2014)	Population (million, 2014)	GDP (current US\$ billion, 2014)	Household consumption (current US\$ billion, 2013)
East Asia	China	9,388.2	1,364.3	10,354.8	3,424.7
	Mongolia	1,553.6	2.9	12.0	7.0
Southeast Asia	Brunei	5.3	0.4	17.1	3.6
	Cambodia	176.5	15.3	16.8	12.0
	Indonesia	1,811.6	254.5	888.5	521.6
	Laos	230.8	6.7	12.0	7.3
	Malaysia	328.6	29.9	338.1	167.5
	Myanmar	653.1	53.4	64.3	N/A
	Philippines	298.2	99.1	284.8	199.4
	Singapore	0.7	5.5	307.9	110.8
	Timor-Leste	14.9	1.2	1.4	1.1
	Thailand	510.9	67.7	404.8	218.7
	Vietnam	310.1	90.7	186.2	112.1
South Asia	Afghanistan	652.9	31.6	20.0	16.4
	Bangladesh	130.2	159.1	172.9	109.3
	Bhutan	38.1	0.8	2.0	1.1
	India	2,973.2	1,295.3	2,048.5	1,111.3
	Maldives	0.3	0.4	3.1	N/A

⁹³ See: VARIOUS AUTHORS, "One Belt One Road": an economic road map, Beijing, 2015, p. 5

⁹⁴ *Caveat emptor* is Latin for "Let the buyer beware" (from *caveat*, "may he beware", a subjunctive form of *cavēre*, "to beware" + *emptor*, "buyer"). Generally, *caveat emptor* is the contract law principle that controls the sale of real property after the date of closing, but may also apply to sales of other goods. The phrase *caveat emptor* and its use as a disclaimer of warranties arise from the fact that buyers typically have less information about the good or service they are purchasing, while the seller has more information. The quality of this situation is known as 'information asymmetry'. Defects in the good or service may be hidden from the buyer, and only known to the seller. See: https://en.wikipedia.org/wiki/Caveat_emptor

	Nepal	143.4	28.2	19.8	15.1
	Pakistan	770.9	185.0	243.6	186.7
	Sri Lanka	62.7	20.6	78.8	N/A
Central Asia	Kazakhstan	2,699.7	17.3	217.9	117.5
	Kyrgyzstan	191.8	5.8	7.4	7.1
	Tajikistan	140.0	8.3	9.2	9.5
	Turkmenistan	469.9	5.3	47.9	N/A
	Uzbekistan	425.4	30.8	62.6	21.6
Middle East and North Africa	Bahrain	0.8	1.4	33.9	13.3
	Egypt	995.5	89.6	286.5	219.9
	Iran	1,628.6	78.1	425.3	254.7
	Iraq	434.3	34.8	223.5	N/A
	Israel	21.6	8.2	305.7	162.4
	Jordan	88.8	6.6	35.8	27.5
	Kuwait	17.8	3.8	163.6	43.8
	Lebanon	10.2	4.5	45.7	37.5
	Oman	309.5	4.2	81.8	23.7
	Palestine	6.0	4.3	12.7	11.1
	Qatar	11.6	2.2	210.1	28.0
	Saudi Arabia	2,149.7	30.9	746.2	223.7
	Syria	183.6	22.2	N/A	N/A
	United Arab Emirates	83.6	9.1	399.5	176.0
	Yemen	528.0	26.2	N/A	N/A
Europe	Albania	27.4	2.9	13.2	10.0
	Armenia	28.5	3.0	11.6	9.7
	Azerbaijan	82.7	9.5	75.2	30.8
	Belarus	202.9	9.5	76.1	36.3
	Bosnia and Herzegovina	51.2	3.8	18.3	15.3
	Bulgaria	108.6	7.2	56.7	34.8
	Czech	77.2	10.5	205.3	103.7
	Croatia	56.0	4.2	57.1	34.9
	Estonia	42.4	1.3	26.5	12.9
	Georgia	69.5	4.5	16.5	11.5
	Hungary	90.5	9.9	138.3	70.3
	Latvia	62.2	2.0	31.3	18.6
	Lithuania	62.7	2.9	48.4	29.2
	Macedonia	25.2	2.1	11.3	7.7
	Moldova	32.9	3.6	8.0	7.4
	Montenegro	13.5	0.6	4.6	3.6
	Poland	306.2	38.0	545.0	319.1
	Romania	230.0	19.9	199.0	118.7
	Russia	16,376.9	143.8	1,860.6	1,097.4
	Serbia	87.5	7.1	43.9	34.3

Slovakia	48.1	5.4	100.2	55.5
Slovenia	20.1	2.1	49.5	26.2
Turkey	769.6	75.9	798.4	582.9
Ukraine	579.3	45.4	131.8	130.6
B&R countries total	49,901.2	4,521.4	23,319.9	10,404.0
Share of B&R countries in				
world total	38.5%	62.3%	30.0%	24.0%

Figure 2.5 - Countries along the Belt & Road⁹⁵

China's financial commitments to the project seem huge: some multilateral and bilateral pledges may overlap, but it is still likely we are looking at up to \$300 billion in infrastructure financing from China in the coming years⁹⁶ – not counting the leveraging effect on private investors and lenders, and the impact of peer competition.

2.1 THE NEW FINANCIAL INSTITUTIONS INVOLVED IN THE PROJECT

To fund its new policy, the Chinese Government is supporting and creating new organizations - the Asia Infrastructure and Investment Bank AIIB (\$100 billion but could go higher), and New Silk Road Fund (\$40 billion).

China has also helped create the New Development Bank⁹⁷ or the BRICS Bank (\$ 50 billion- eventually increase to \$100 billion) and the Contingent Reserve Arrangement (\$100 billion). The NDB is not directly linked to the OBOR strategy but will fund infrastructure related projects across the world and work closely with the AIIB. It has also proposed the creation of a Shanghai Cooperation

⁹⁵ World Bank database. The countries are grouped based on World Bank's classification by region. See: <https://data.worldbank.org/> (03/02/2018)

⁹⁶ Note that this figure does not include the \$890 billion of public investment recently announced by China Development Bank, one of China's policy banks. See: He Yini, " China to invest \$900b in Belt and Road Initiative", China Daily, 28 May 2015. See: http://usa.chinadaily.com.cn/business/201505/28/content_20845687.html (04/01/2018)

⁹⁷ The NDB is not directly linked to the OBOR policy. The NDB is a multilateral development bank operated by the BRICS states (Brazil, Russia, India, China and South Africa) as an alternative to the existing US-dominated World Bank and International Monetary Fund. The bank is set up to foster greater financial and development cooperation among the five emerging markets. Together, the four original BRIC countries comprise in 2014 more than 3 billion people or 41.4 percent of the world's population, cover more than a quarter of the world's land area over three continents, and account for more than 25 percent of global GDP.

Development Bank⁹⁸. These new institutions and funding mechanisms are partly a response to the slow reform at the IFI's, and partly also a channel for China to utilize its vast reserves.

To kick-start the ambitious "One Belt, One Road" project the People's Bank of China has also recapitalized the China Development Bank (CDB), the China Exim Bank, and the Agricultural Development Bank of China (ADBC) with US \$62 billion.

China's "One Belt One Road" policy focuses on connectivity in many dimensions. It includes trade, infrastructure and telecommunications connectivity called the – “Information Silk Road”⁹⁹. China hopes to sign 60 free trade agreements with countries along the new Silk Road. Of these China currently has 12 free trade agreements in place. But the policy goes much broader in also talking about people to people connectivity, cultural exchange and learning from each other's development experience. It also talks about peaceful development as a way of assuaging any fears that China is emerging as a global hegemon or that wants to oppose others.

2.1.1 ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

The Asian Infrastructure Investment Bank (AIIB) is an international financial institution aiming to provide and develop infrastructure projects in the Asian continent, through the promotion of the economic-social development of the region. With a capitalization of 100 billion dollars, a large part of which received from China, it will fund basic infrastructure projects such as power plants, road and rail networks, and will commit to ensuring access to cold water and health services throughout the region. It could be considered the financial arm of the Belt and Road initiative.

The AIIB was launched by China in 2013 but co-founded with 56 other countries from Europe, Oceania, Africa and South America. The Bank's.

Region	Country	Form of participation/ cooperation	Remark
	Austria	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Belgium	Deepening bilateral cooperation with China	http://www.scio.gov.cn/ztk/wh/slx/y/31208/

⁹⁸ The decision of establishment of Shanghai Cooperation Organization (SCO) Development Fund was made at the meeting of Council of Heads of SCO Member States on June 17, 2004 in Tashkent (the Tashkent declaration). Representatives of NBRK are a part of the Expert Working Group on establishment SCO Development Fund.

⁹⁹ See: http://english.gov.cn/news/international_exchanges/2016/09/20/content_281475446482788.htm (29/12/2017)

Europe		under B&R	Document/1442633/1442633.htm
	Cyprus	Expressed interest in deepening cooperation with China under B&R	http://www.scio.gov.cn/ztk/wh/slxxy/31200/Document/1459905/1459905.htm
	Denmark	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Finland	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	France	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Germany	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Greece	Expressed interest in deepening cooperation with China under B&R	http://www.chinadaily.com.cn/silkroad/2015-07/13/content_21269856.htm
	Iceland	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Italy	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Luxembourg	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Netherlands	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Norway	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Portugal	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Spain	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Sweden	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
	Switzerland	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/
United Kingdom	AIIB signatory	http://www.aiib.org/html/aboutus/introduction/Membership/	

Figure 2.6 - List of European Countries that have Participated/Shown Interest in the Belt and Road Initiative¹⁰⁰

According to many observers, it is opposed to the International Monetary Fund, the World Bank and the Asian Development Bank, which would be under the control of capital and strategic choices of developed countries such as the Japan and United States of America.

In fact, at the head of the first-mentioned institution sits a European and at the head of the second an American, while in the Asian Development Bank, whose headquarter is in Manila, Japan's influence is strong. Beijing has tried, so far in vain, to change these balances¹⁰¹. In 2013 it was decided to create a bank of this type, with a strong Chinese vision and leadership.

On October 24, 2014 the new institution was formally established, with a ceremony in Beijing

¹⁰⁰ See: https://www.fbicgroup.com/sites/default/files/B%26R_Initiative_65_Countries_and_Beyond.pdf (05/02/2018)

¹⁰¹ See: <http://www.ilsole24ore.com/art/finanza-e-mercati/2015-03-17/1-italia-entra-banca-sviluppo-sponsorizzata-cina--124835.shtml?uuid=ABFD5VAD&fromSearch> (27/12/2017)

attended by China, India, Thailand, Malaysia, Singapore, the Philippines, Pakistan, Bangladesh, Brunei, Cambodia, Kazakhstan, Kuwait, Laos, Myanmar, Mongolia, Nepal, Oman, Qatar, Sri Lanka, Uzbekistan e Vietnam¹⁰².

The Italian government, together with France and Germany, has formalized the intention to become a founding member of the AIIB in 2015. To make official the decision was a statement by the Ministry of Economy and Finance (MEF), in which we read that "the AIIB, as a new investment bank that will work with the existing multilateral banks of development and investment, can play a major role in the creation of a modern infrastructural system in Asia ", and that" France, Germany and Italy, are working in close contact with European and international partners, and intend to work with the founding members of the AIIB to build an institution that follow the best principles and best practices on corporate governance and policies of safeguarding, debt sustainability and procurement"¹⁰³.

This initiative by the Italian government can represent a turning point in relations with China, and certainly marks the beginning of a path that will bring the two States to collaborate in a concrete and effective way to the development not only of the Asian regions, recipients of the financial commitments of the AIIB, but also to that of the respective economies. In this sense, the involvement of Italian ports and infrastructures in the Belt and Road initiative will represent a huge opportunity for the entire Italian economy.

Despite the fact that over 20 non- Asian countries, including key European countries - became its members, with China's dominant share and its headquarters in Beijing, with a Chinese President, the AIIB is really China's vehicle to challenge the dominance of the Western financial establishment. It will represent a powerful and largely-represented tool for carrying out the visionary commitment of the Chinese government of reaching the goals proposed by the Belt and Road Initiative.

However, as said by Laurel Ostfield, the head of communications for the AIIB, "That's one of the things that we're often asked: if a project comes to you and it's One Belt, One Road are you going to invest in it?' Well, we could, but just because it's One Belt, One Road doesn't mean we will. There is obviously a connection but we are a separate entity," she continued. "So, the OBOR is an initiative put forward by the Chinese government to promote connectivity in Asia; AIIB, our mandate is to use infrastructure to improve economic development in the region. There are naturally going to be

¹⁰²See: http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1204639.shtml (27/12/2017)

¹⁰³ See: http://www.mef.gov.it/ufficio-stampa/comunicati/2015/comunicato_0061.html (27/12/2017)

overlaps with the investments that we make, but they are still separate entities.”¹⁰⁴

2.1.2 THE SILK ROAD FUND (SRF)

China also established the so-called Silk Road Fund, a state-owned investment fund of the Chinese government to explicitly support the wide number of project along the Belt and the Road. The Chinese government pledged US\$40 billion for the creation of the investment fund established on December 29, 2014.¹⁰⁵

As a medium to long-term development and investment fund, the Fund follows a philosophy of openness, inclusiveness and mutual benefit. The Fund is always in contact with many government agencies, enterprises, financial institutions at home and abroad, and actively explores cooperation with international organizations.

Following a philosophy of openness, inclusiveness and mutual benefit, the Fund mainly provides investment and financing support for trade and economic cooperation and connectivity under the framework of the Silk Road Economic Belt and the 21st-Century Maritime Silk Road Initiative.

In collaboration with domestic and international enterprises and financial institutions, the Fund is designed to promote common development and prosperity of China and other countries and regions involved in the Belt and Road Initiative.

Since it was established, the Fund’s management has visited many countries and regions and received visits of important delegations. This has helped relevant countries and regions to have a better understanding of the Belt and Road Initiative and the Fund and has broadened areas for cooperation.¹⁰⁶

It is comparable to institutions such as the World Bank’s International Finance Corporation in mission and scale, but it is financed by a small number of investors rather than by public funds. The private equity venture-type structure of the fund should help avoid riskier politically-driven deals that are not always in the best economic interests. The structure will hopefully depoliticize the fund,

¹⁰⁴ See: <https://www.forbes.com/sites/wadeshepard/2017/07/15/the-real-role-of-the-aiib-in-chinas-new-silk-road/#437f49157472> (27/12/2017)

¹⁰⁵ See: http://news.xinhuanet.com/english/2015-04/21/c_134170737.htm (29/12/2017)

¹⁰⁶ See: <http://www.silkroadfund.com.cn/enweb/23775/23780/index.html> (29/12/2017)

allowing its managers to seek lower-risk investments.

China's Silk Road Fund announced its first project for investment in the Belt and Road initiative during Chinese President Xi Jinping's state visit to Pakistan, marking a milestone of the all-weather strategic partnership of cooperation between the two countries.

The investment into the US\$1.65 billion Karot hydropower project in Pakistan, along with other hydropower projects in the region, will help the South Asian country upgrade power supply and improve its economic performance. The project is a priority within the broader China-Pakistan Economic Corridor (CPEC) initiative, a flagship program of China's Belt and Road initiative, as seen before. The CPEC is a planned network of roads, railways and energy projects linking southwest Pakistan's deep-water Gwadar Port with northwest China's Xinjiang Uygur Autonomous Region.

With the CPEC at the center, China and Pakistan could achieve a win-win result and common development, and bring benefit to their people. From China's point of view, it would shorten the route for its energy imports. For Pakistan, a "1+4" cooperation structure with the CPEC at the center and the Gwadar Port, transport infrastructure, energy and industrial cooperation being the four key areas, will boom the country's economy and improve people's livelihood.

Owing to the corridor's geographical position where the Belt and Road meet, the CPEC is expected to combine South Asia, Central Asia, Middle East and China together, and benefit directly about 3 billion people in the region. Based on this, it could function as a bridge in advancing the Belt and Road initiative after being well developed and successfully operated. The CPEC project has risks as the infrastructure passes through areas with huge disputes.

The Silk Road Fund is also looking to invest in companies that will boost transportation globally. It recently signed an equity investment agreement with ChemChina to hold a 25% stake in CNRC International Holding (HK) Limited ("CNRC HK"). CNRC HK was established to acquire, through its affiliates, the Pirelli ordinary shares owned by Camfin and thereafter to launch the Mandatory Tender Offer for Pirelli ordinary shares and the Voluntary Tender Offer for Pirelli savings shares.

The signing of the agreements indicates that ChemChina, Silk Road Fund, Pirelli¹⁰⁷ management and other partners will join forces in the long term industrial investment in Pirelli as they are all committed to working together to build a market leader in the global tire industry.

¹⁰⁷ See: <http://www.ilsole24ore.com/art/finanza-e-mercati/2015-06-06/il-fondo-cinese-entra-partita-pirelli-081453.shtml?uuid=ABrwkhtD>

2.2. THE AMOUNT OF INVESTMENTS IN THE EURASIAN CONTINENT

The reason why OBOR is nowadays a so talked-about topic in the geopolitical sphere of studies lies in the huge impact it could potentially have on 4.4billions people, 65 countries of the world, and the 30% of the entire GDP.

All the aspect of the human society in those countries will be interested by this initiative: politics, economy, trade, diplomacy, culture.

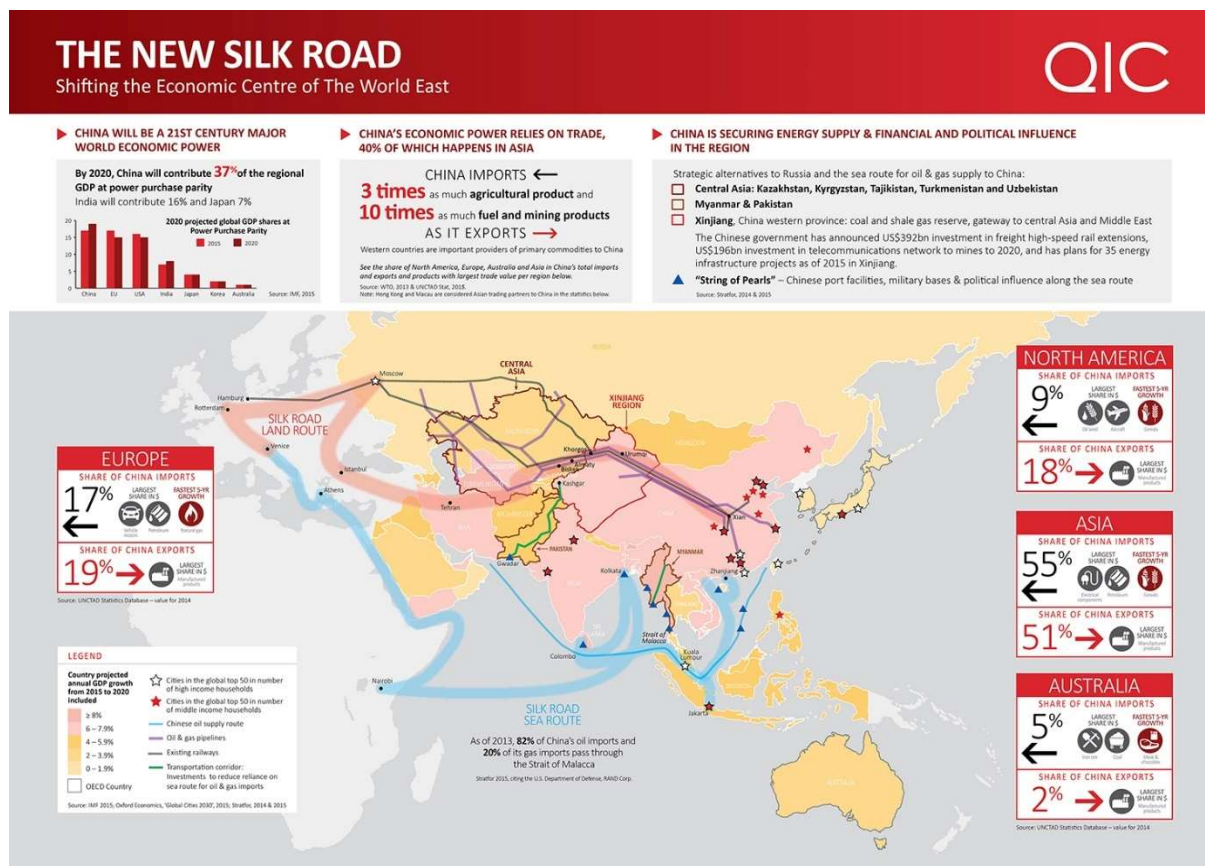


Figure 2.6 - The economic outlook¹⁰⁸

Many projects named OBOR are already coming in efforts, especially in Eastern Asia. Core projects include a \$54bn land route from China's Xinjiang region to a deep-water port in Pakistan, Gwadar. It will spend \$1.1bn on creating a "port city" in Sri Lanka's Colombo, across from Gwadar. A planned 3,000km (1,900 mile) high-speed rail line from south-west China to Singapore will cost even more.¹⁰⁹

¹⁰⁸ See: <http://qic.com/knowledge-centre/the-new-silk-road-20160301>

¹⁰⁹ See: <https://www.ft.com/content/0714074a-0334-11e7-aa5b-6bb07f5c8e12> (03/01/2018)

Investments in infrastructure are mainly located in Africa and Asia. Ethiopia has received three loans worth more than \$380bn from the Chinese government and the Export-Import Bank of China for the development of infrastructure in the country (two road construction projects and upgrading the electric grid system). In December 2016, China has also partnered with Gabon to develop a 111-km highway project in the capital Libreville. The country seeks to further develop the relationship in infrastructure, minerals and technology. The development of ICT infrastructure is also present in Zimbabwe, where the government seeks Chinese funding and technology (partnership with Huawei Technologies notably).

Asian countries see the OBOR initiative positively. The Philippines is planning to borrow \$3.4bn from China. At least three infrastructure projects have been agreed between China and the Philippines, especially for the irrigation, water supply and railway projects. The country has an ageing infrastructure and aims at developing its economy with a target growth rate of 8% and is willing to foster its relationships with China.

Vietnam seeks infrastructure investments coming from the AIIB, with a total investment across of circa \$50bn. Indeed, the country encounters traffic congestion, waste treatment and urban transport infrastructure issues.

Thailand is also willing to develop infrastructure projects, especially the railway activity. In the Arab Peninsula, the United Arab Emirates (UAE, Dubai notably) wants to diversify its energy mix by developing a massive “clean coal” project worth \$2bn. This project is backed by funding coming from Chinese banks and government (\$1.4bn); the construction is expected to be built by Chinese workers and to be completed in 2023.

OBOR could create a centralized trade around Eurasia. Chinese companies are not only active in the Southern Asia (one of the fastest growing regions) with the construction of the high-speed rail linking Jakarta to Bandung (project cost: \$5.1bn), but also in the Central Asia region, with a wide range of countries: China-Kazakhstan oil pipeline, Turkmenistan-China gas pipeline, China-Kyrgyzstan rail work. Nevertheless, Chinese investments in infrastructure remain challenging in the Caucasus, even if the governments (Azerbaijan, Georgia) recognized the importance of the Silk Road Economic Belt. Indeed, Chinese SOEs bid smaller and medium-sized projects, compared to projects in Russia, Kazakhstan and Uzbekistan, due to China’s government policy.

Nevertheless, Chinese investments are also located in other parts of the world. OBOR is also entering the America, in a tender for the development of Panama Canal, and in Arctic region, with

and investment from the Silk Road Fund (9.9% stake) in the Yamal LNG project¹¹⁰, which is a crucial project in terms of transportation, infrastructure and resource development in the Eurasian Arctic. China and Russia are expected to further cooperation in the Arctic projects.

Europe itself is also setting up a €315 billion infrastructure investment plan that is contingent on market financing. On 28 March, an “action plan” was jointly released by three agencies: Ministry of Foreign Affairs, the National Development and Reform Commission, and the Ministry of Commerce. This plan sets out a vision in which Chinese-led infrastructure construction, reduced tariffs, and simplified customs administration would allow trade to flow seamlessly between China and Europe by both rail and cargo ship.¹¹¹

The action plan takes in every conceivable goal, from improving distributed supply chains to developing trade in services to increasing food security for the countries that participate in the project. In short, it is a statement of ambitions, which likely encompasses the priorities and pet projects of many dozens of bureaucratic actors.

2.3 CHINA EXPECTATIONS

It is possible to summarize in several points which were the main factors driving the initiative and leading the Chinese government to the implementation of such a monumental plan.

Firstly, the economic factor. The government needs to return back to measures that provide an outlet for the surplus installed capacity in China’s industrial sectors, principally affecting SOEs. In this respect, Chinese SOEs would be required to participate in at least those projects financed by the China Development Bank (CDB) and the Export-Import Bank of China (EXIM Bank), through works and supply contracts.

Secondly, the financial factor. Beijing’s intention continues to be that of promoting international usage of the yuan, which is still a little-used currency, even though it is backed by the second largest economy in the world. The magnitude and scope of OBOR should increase the international use of

¹¹⁰ Yamal LNG is a liquefied natural gas plant that reached initial operational capacity in 2017 and is located in Sabetta at the north-east corner of the Yamal Peninsula, Russia. The project is expected to cost US\$27 billion.

¹¹¹ For the English version of the Action plan, see: “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road”, National Development and Reform Commission, 28 March 2015. See: http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

the Chinese currency in the financed projects, leading it to compete with the dollar as the currency used in certain emerging countries¹¹².

Thirdly, the commercial factor. The proliferation of new infrastructure and logistics corridors should bring about a reduction in operating costs of foreign trade transactions, which should in turn increase the volume of such transactions. Until now, imports of oil and commodities from the Middle East arrived via the China Seas, but the land corridors through Pakistan will make journeys 90% shorter for commercial transactions. According to Chinese government estimates, by 2025 China's trade with the countries included in the initiative will amount to USD 2.5 trillion⁴⁸. Beijing has also stated that the initiative will serve to drive trade agreements, reduce customs duties and simplify administrative procedures for foreign trade transactions.

Fourthly, the geostrategic factor. The Beijing government aims to extend its regional power and diplomatic mechanism under the OBOR initiative, increasing its footing in a number of countries, particularly the former Soviet republics and Eastern Europe thus far, as well as various Muslim countries. Notably, in 2015 Beijing approved its first anti-terrorism law, enabling China to deploy troops outside home territory in the event of a national security threat.

Fifth is the energy factor. The Asian nation is the primary consumer of energy in the world, and the main net importer. Its needs have ballooned by 500% since the liberalisation process began in 1980, and security of energy supply is a pivotal factor for Beijing.

¹¹² See: <http://www.ft.com/intl/cms/s/2/6f105c2a-7f02-11e5-98fb-5a6d4728f74e> (04/01/2018)

3. THE EVOLUTION OF THE PROJECT, FROM 2013 TO TODAY

Here below it is proposed the path made from the OBOR initiative since its announcement on September 7th 2013, till the recently held “Belt and Road Forum for International Cooperation” of Beijing.

During the years 2013 and 2014, the Chinese government has been very committed in explaining and creating the real, concrete structure of the project towards bilateral and multilateral meetings, which brought to some important results as the creation of the Memorandum of Understanding¹¹³ on Establishing AIIB, the building of the commercial terminal in the Port of Lianyungang¹¹⁴, in East China’s Jiangsu Province, and the setting up of the Silk Road Fund.

2015 has been for China the year of the identification of future partners in the project. At the end of the year, 56 countries joined the AIIB, and few months later the Chinese government issued his first official action plan on OBOR.

The research for partners and the definition of the project has continued during 2016 and 2017. After many bilateral and multilateral meetings, as the Business 20 (B20) and the Belt and Road Forum for International Cooperation (BARF), the Chinese government received the support on the project by more than 130 countries and 70 international organization. Starting from the BARF meeting, the OBOR initiative has entered into the operative phase.

Main events:

September 2013 -- The Silk Road Economic Belt concept was introduced by Chinese President Xi Jinping during his visit to Kazakhstan. In a speech delivered at Nazarbayev University, Xi suggested

¹¹³ See: http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201705/t20170514_2600067.htm

¹¹⁴ The Lianyungang terminal, which is located at the Jiangsu Province in East China, is Kazakhstan’s first exit to the Pacific Ocean. The Lianyungang joint terminal is aimed to increase the export and import, as well as transit potential of Kazakhstan by railways, providing the shortest way to the Asia-Pacific region and South East Asia. The project contributes to the development of trade relations in the region and creates the possibility of transit from these countries to Central Asia, the Gulf States, Russia, the Caucasus region and Europe through the territory of Kazakhstan. About 60% of Kazakhstan’s trade with East and South-East Asia countries along the OBOR is carried out through the port of Lianyungang, through the new Eurasian continental bridge. Lianyungang is a key hub for Kazakhstan’s trade with the East. Chinese “Lianyungang Port” Group and “Kazakhstan Temir Zholy EXPRESS” LLC jointly participated in the construction of the logistics cooperation project, where Kazakhstan shares 49% and China – 51%. In total, US \$ 99.4 billion were invested in the project. See: <http://eurasian-research.org/en/research/comments/economy/lianyungang-logistics-terminal-new-trade-opportunities-kazakhstan-and?page=0%2C1>

that China and Central Asia cooperate to build a Silk Road Economic Belt. It was the first time the Chinese leadership mentioned the strategic vision.

October 2013 -- President Xi proposed building a close-knit China-ASEAN community and offered guidance on constructing a 21st Century Maritime Silk Road to promote maritime cooperation. In his speech at the Indonesian parliament, Xi also proposed establishing the Asian Infrastructure Investment Bank (AIIB) to finance infrastructure construction and promote regional interconnectivity and economic integration.

November 2013 -- The Third Plenary Session of the 18th Central Committee of the Communist Party of China called for accelerating infrastructure links among neighboring countries and facilitating the Belt and Road initiative.

December 2013 -- Xi urged strategic planning of the Belt and Road initiative to promote connectedness of infrastructure and build a community of common interests at the annual Central Economic Work Conference.

February 2014 -- Xi and his Russian counterpart, Vladimir Putin, reached a consensus on construction of the Belt and Road, as well as its connection with Russia's Euro-Asia Railways.

March 2014 -- Premier Li Keqiang called for accelerating Belt and Road construction in the government work report. The report also called for balanced development of the Bangladesh-China-India-Myanmar Economic Corridor and the China-Pakistan Economic Corridor.

May 2014 -- The first phase of a logistics terminal jointly built by China and Kazakhstan went into operation in the port of Lianyungang in east China's Jiangsu Province. The terminal, with a total investment of 606 million yuan (98 million U.S. dollars), is considered a platform for goods from central Asian countries to reach overseas markets.

October 2014 -- Twenty-One Asian countries willing to join the AIIB as founding members signed the Memorandum of Understanding on Establishing AIIB. As agreed, Beijing will be the host city for AIIB's headquarters. The AIIB is expected to be formally established by the end of 2015.

November 2014 -- President Xi announced that China will contribute 40 billion U.S. dollars to set up the Silk Road Fund. During the Beijing APEC meetings, Xi Jinping announced that the fund will

be used to provide investment and financing support for infrastructure, resources, industrial cooperation, financial cooperation and other projects in countries along the Belt and Road.

December 2014 -- The Central Economic Work Conference sketched out priorities for the coming year, which include the implementation of Belt and Road initiative. Earlier in the month, Thailand approved a draft memorandum of understanding between Thailand and China on railway cooperation.

January 2015 -- The number of AIIB founding members, many of which are important countries along the Silk Road routes, rose to 26 after New Zealand, Maldives, Saudi Arabia and Tajikistan officially joined.

Feb. 1, 2015 -- At a special meeting attended by senior leader Zhang Gaoli, China sketched out priorities for the Belt and Road initiative, highlighting transportation infrastructure, easier investment and trade, financial cooperation and cultural exchange.

March 5, 2015 -- Premier Li, in his government work report, again highlighted the initiative, saying China will move more quickly to strengthen infrastructure with its neighbors, simplify customs clearance procedures and build international logistics gateways.

March 8, 2015 -- Chinese Foreign Minister Wang Yi dismissed comparisons of the initiative to the U.S.-sponsored Marshall Plan. The initiative is "the product of inclusive cooperation, not a tool of geopolitics, and must not be viewed with an outdated Cold War mentality," Wang said, adding that China's diplomacy in 2015 will focus on making progress on the Belt and Road initiative.

March 28, 2015 -- The National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce jointly released an action plan on the principles, framework, and cooperation priorities and mechanisms in the Belt and Road Initiative after President Xi Jinping highlighted the strategy the same day while addressing the opening ceremony of the 2015 annual conference of the Boao Forum for Asia (BFA) in the coastal town of China's southernmost island province of Hainan.

May 2015 -- China and Russia agree in Moscow to integrate the former's Silk Road Economic Belt with the latter's vision of a trade and infrastructure network across Eurasia.

January 2016 -- China and Saudi Arabia, Egypt, Iran agree to expand cooperation in the Belt and Road Initiative. The Asian Infrastructure Investment Bank (AIIB), a China-initiated multilateral bank, starts operation.

June 2016 -- China agrees with Serbia, Poland and Uzbekistan to enhance Belt and Road cooperation during Xi's visits to the three countries.

Oct. 14, 2016 President Xi Jinping said the Belt and Road Initiative provides new opportunities for win-win cooperation between China and Bangladesh in his signed article carried by a Bangladeshi newspaper.

Sep. 3, 2016 President Xi Jinping said during the Business 20 (B20) summit that the Belt and Road Initiative is to share China's development opportunities with countries along the route and achieve common prosperity.

Aug. 17, 2016 President Xi Jinping attended a symposium on the Belt and Road Initiative, calling for the steady advance of the initiative to benefit people along the routes.

July 17, 2016 The 11th Asia-Europe Meeting (ASEM) concluded in Ulaanbaatar, Mongolia. Connectivity, pragmatic cooperation and "China Plan" were the highlights.

May 14-15, 2017 The Belt and Road Forum for International Cooperation, or BARF was held in Beijing, and drew 29 foreign heads of state and government and representatives from more than 130 countries and 70 international organizations.

3.1. «FORUM BELT AND ROAD FOR INTERNATIONAL COOPERATION»

The two-day summit held on May 14-15, 2017 in Beijing was attended by 30 world leaders (including Chinese President Xi Jinping, who delivered both the opening and closing remarks) and official government representatives from at least 30 more countries.

It represents the most important meeting held by the Chinese Government regarding OBOR so far.

The purpose of the forum is described by Wang Xiaotao, deputy head of the National Development and Reform Commission, in an interview with Xinhua as building "a more open and efficient international cooperation platform; a closer, stronger partnership network; and to push for a more just, reasonable and balanced international governance system."¹¹⁵

The BRF served as China's highest profile diplomatic event of the year, culminating in the 30 world leaders in attendance signing on to a joint communique that championed globalization and free trade."

¹¹⁵See: http://europe.chinadaily.com.cn/china/2017-04/18/content_28982925.htm (5/01/2018)

We reaffirm our shared commitment to build open economy, ensure free and inclusive trade, oppose all forms of protectionism including in the framework of the Belt and Road Initiative,” the communique read in part.¹¹⁶

In his keynote address at the BRF’s opening ceremony, Xi Jinping likewise highlighted the achievements of the initiative so far in a series of bilateral examples. In the three-plus years since rolling out the concept, China has successfully “deepened policy connectivity” with a number of other states and groupings, Xi said.

One of the major announcements from the BRF was Xi’s pledge to further boost funding for the project. In his keynote, Xi promised China will funnel an additional RMB 100 billion (\$14.5 billion) into the Silk Road Fund, while the China Development Bank and Export-Import Bank will set up new lending schemes of 250 billion (\$36.2 billion) and RMB 130 billion (\$18.8 billion), respectively, for Belt and Road projects. In addition, China will provide RMB 60 billion (\$8.7 billion) for humanitarian efforts focused on food, housing, health care, and poverty alleviation.¹¹⁷

Lastly, Xi announced that a second Belt and Road Forum will be hosted in 2019.

¹¹⁶ The full text of the Joint communique of leaders’ roundtable of Belt and Road forum is available at: http://news.xinhuanet.com/english/2017-05/15/c_136286378.htm (05/01/2018)

¹¹⁷ See: <https://thediplomat.com/2017/05/what-did-china-accomplish-at-the-belt-and-road-forum/> (05/01/2018)

CHAPTER III

一帶一路:

“*VADEMECUM*” FOR ITALIAN COMPANIES

1. OPPORTUNITIES FOR EUROPEAN ECONOMIES

Although not always on the best of terms, Europe and China have nonetheless long enjoyed stable political, diplomatic and economic relations, combined with exchanges of considerable intensity and quality. Since the last financial crisis, the presence of Chinese companies in Europe has become more noticeable and cooperation between China and Europe has significantly increased in all fields. With the recent global political and social crisis, highlighted by the Brexit and the rise of Trump administration, it becomes even more crucial for Europe and China to work together to safeguard the future of globalization and maintain a technological and economic edge in the changes to come.

The cooperation on OBOR between China and the EU started during the European visit of President Xi Jinping in March 2014, when the EU was officially included in the initiative. As assured by Chinese government, the OBOR initiative will ensure long-term benefits and national development for all the Eurasian countries involved in the initiative, and is complementary to existent national and European plans to develop infrastructure and boost connectivity in Europe and beyond. However, China’s inclusive approach does not mean that it regards all EU member states as equally important for OBOR. OBOR-related projects will be almost inexistent in the Western and Northern EU, while they will be quickly developed in Central Europe under the CEE 16+1¹¹⁸ mechanism, in Italy and Greece regarding investments in the ports, and in Germany for the Chongqing-Duisburg railway.

The European Union obviously looks with great interest at this initiative, seen as a concrete opportunity to finally restore the growth in Europe. However, since the European mechanism consist

¹¹⁸ The 16+1 format is an initiative by the People’s Republic of China aimed at intensifying and expanding cooperation with 11 EU Member States and 5 Balkan countries in the fields of investments, transport, finance, science, education, and culture. In the framework of the initiative, China has defined three potential priority areas for economic cooperation: infrastructure, high technologies, and green technologies. See: <http://www.china-ceec.org/eng/>

in a set of rigid rules concerning foreign investments, this will surely represent an obstacle to the fluid process of OBOR and provide an important topic to be discussed about, considering the discordance of the European and Chinese approach. For instance, in China the model of infrastructure financing generally involves state guarantees and requires direct contract offers to Chinese companies without an open tender. This is against the EU's rules on state aid and public procurement, but this is the practice Chinese companies are most familiar with because in recent years it has been central in Chinese technological catching up¹¹⁹. Therefore, a serious reflection and a strong negotiation will be necessary for a successful accomplishment of the project in Europe, since the EU's approach with OBOR is based on the prerequisite of acting in accordance with EU frameworks and priorities.

If we analyse the OBOR project with Chinese eyes, it looks evident that Europe represents a very small part of the initiative, because projects are mostly concentrated in Western China and Central Asia. Europe only represents the back end of the route, and really few projects will be launched in the European territories under OBOR. However, since the initiative has the ambition to connect the entire Eurasian continent, its impact on the European economy will be noteworthy. The existing communication networks in Europe, in fact, will be developed and linked with the networks under construction in Central Asia, so to create a direct connection between Europe and China that permit easier, faster and safer commercial exchanges.

In detail, the OBOR initiative envisages the improvement of three logistic networks in Europe: railways, ports and airports. Railways represent the fastest (15-20 days against the 40 by sea) and safer means of transportation, even if not very suitable for perishable goods like food. In Poland, Germany, the Netherlands, France, Italy and Spain direct railways have been already opened to link these countries with China, like the routes Duisburg-Chongqing and Mortara-Chengdu¹²⁰. Thanks to this, the exchange of goods between Europe and China will benefit of a notable boost, and other opportunities regard the privatization processes taking place in the public transport sector in some Southern European countries, that also offers acquisition and investment chances to Chinese firms and capitalization chances to European companies.

¹¹⁹ J. RUET, *Des Capitalismes Non Alignés : Les Pays Émergents, ou La Nouvelle Relation Industrielle*, Raisons d'Agir, Paris, October 2016, p. 22. See : <http://www.melchior.fr/lecture/des-capitalismes-non-alignes-les-pays-emergents-ou-la-nouvelle-relation-industrielle-du>

¹²⁰ See: <http://www.ilsole24ore.com/art/impresa-e-territori/2017-11-28/parte-mortara-primotreno-merci-diretto-italia-cina-144326.shtml?uuid=AEEn1QcJD>



Figure 4.1 - Duisburg-Chongqing railway¹²¹

Concerning sea transportation, many opportunities of development involves the European ports. The most considered by the Chinese government as strategic are the ports of Pireus and the Italian ports of Trieste and Genova. The world leader COSCO and other Chinese port companies are planning to invest notable capitals in European seaports (in Belgium, the Netherlands, Croatia, Slovenia, Italy, Portugal, Spain, Latvia and Lithuania).¹²² Investments opportunities also regard European airports, that will attract more and more Chinese tourist, businessman and above all goods. The plane represents, in fact, the more effective and quickest means of transportation for perishable and urgent goods.

In conclusion, the OBOR initiative include Europe in a minimal part, but will have a huge impact on the European economies. It will facilitate the exchange of goods among the countries passed by the route, and enhance the effectiveness of European infrastructure networks. Among the EU countries, the most directly concerned by OBOR probably is Germany as five German-Chinese railway projects (Leipzig-Shenyang, Duisburg-Chongqing, Hamburg- Zhengzhou, Hamburg-Harbin and Nurnberg-Chengdu) have been put in place and more OBOR-labelled railway projects are envisaged. However, every European country will benefit from the initiative and countries like

¹²¹ See: https://www.bibliotecapleyades.net/sociopolitica/sociopol_globalization_eu10.htm

¹²² See: <https://www.forbes.com/sites/wadeshepard/2017/03/12/8-new-silk-road-companies-that-you-can-invest-in/#169aaf894db9>

Balkans, Greece and Italy could even become central actors in the approach of the Chinese market to the European one, and vice versa.

2. OPPORTUNITIES FOR ITALIAN COMPANIES

As observed in the previous analysis, Italy can play a primary role on the development of the OBOR project in the European continent. Its strategic position, in the centre of Mediterranean sea, near to the Suez Canal and very connected with the strongest European countries, permit Italy to be considered by Chinese government as one of the most suitable destination for their investments on infrastructure, especially ports.

Given the natural Italian propensity towards the logistics-port sector consisting of a cluster of 160,000 companies with an estimated value of about € 220 billion¹²³, the Italian companies involved in shipbuilding and the port Authority can play an important role. A first attempt to enter the OBOR project is being done through the *North Adriatic Port Association* (NAPA)¹²⁴, that includes the ports of Venice, Ravenna, Trieste, Capodistria (Slovenia) and Rijeka (Croatia). The association started working on a project off the coast of Venice to create a multi-modal offshore platform with the ability to receive ships with high loads coming from Suez¹²⁵. The project, costing € 2.2 billion, partly financed by public funds (€ 350 million allocated by the Italian government), will allow to move between 1.8 and 3 million TEU¹²⁶ each year (to give an idea, today the total number of Italian ports moves 6 million TEUs a year)¹²⁷. Once completed, the initiative will consist of a network of ports in the northern Adriatic Sea that is able to service the mega-ships coming from China and that will cut down shipping time to the markets in Central, Eastern and Northern Europe. The journey from Shanghai to the northern Adriatic Sea, in fact, is around 8,600 miles, compared to 11,000 miles from Shanghai to Hamburg, a route that requires eight more days of navigation.

Another lever to exploit is that of AIIB, the multilateral bank wanted by the Chinese government to support the projects included in the OBOR plan, "bypassing" international financial institutions

¹²³ See: A. AMIGHINI, *China's Belt and Road: a Game Changer?*, Ed. Epokè – ISPI, 2017, p. 97-99.

¹²⁴ The five NAPA seaports are located at the northern tip of Adriatic Sea and provide the cheapest naval route from the Far East via Suez to Europe with a distance that is about 2,000 Nm shorter than other North-European ports. Due to huge variety of logistic services and the extensive traffic network, NAPA forms a perfect multimodal gateway to the key European markets. The near-by fifth Pan-European transport corridor provides a quick-link to 500 million European consumers. Large commercial and industrial hubs like Vienna, Munich and Milan are just few hours' drive away. See: <http://www.portsofnapa.com/about-napa>

¹²⁵ In 2015, the new Suez Canal was inaugurated. Thanks to the expansion, it allows a doubling of the number of ships in daily transit, the simultaneous crossing of ships in both directions and the passage of large ships.

¹²⁶ TEU: "Twenty-foot equivalent unit", unit of measurement used in container transport. 1 TEU measures the volume of a container 20 feet long and is equal to about 40 total cubic meters.

¹²⁷ ETNC report 2016. See: http://www.iai.it/sites/default/files/2016_etnc_report.pdf

such as the IMF and the World Bank. The characteristic of AIIB is that it is ready to evaluate and finance projects (at rates that, however, are not as facilitated as those granted by other multilateral institutions), especially in the infrastructure sector, which are proposed by the member countries; loans to non-member countries will be hardly granted. A more pro-active approach is therefore necessary to access a pool of important loans and exploit the privileged position that Italy has today: the bank has a share capital of USD 100 billion and Italy is the 12th member country with a relatively high share of 2.58%.

Putting apart the macro-vision of the project, focusing our attention on the opportunities that OBOR will bring to Italian companies, it looks evident that, in the first stage, the most of it will regard Big Companies of the logistic and infrastructure sector (Finmeccanica, Fincantieri, Pirelli, Ansaldo, Salini Impregilo, etc.). After the implementation of the various on-going project in Italy, a very wide range of opportunities will be opened in favour of the large ecosystem of Italian Small and Medium Enterprises.

2.1 FOR MNES

The Italian business community, particularly some big companies, looks with great interests at the initiative and is at the forefront of promoting OBOR projects in Italy. Some of them have already started collaboration with China on OBOR-labelled projects. For instance, the state-owned *China National Chemical Corporation*, or ChemChina, China's largest chemical company with a turnover of about €40 billion, bought Italy's premium tyre maker Pirelli for US\$ 7.7 billion in 2015 and the deal was funded in part by the Silk Road Fund, which took a 25 per cent stake in the ChemChina unit established to buy Pirelli's shares. Many other companies, during a series of meetings and Business Forum organized by Italian and Chinese institution both in China and Italy, signed formal agreements with Chinese companies and institutions for future collaboration in global projects under the OBOR mark.

Italian MNEs face with and benefit of the biggest challenges and opportunities the OBOR initiative will bring to Italy, thanks to their proved experience and globally-recognized skills. Chinese companies also appreciate Italian technologies in construction and consider the centenary experience of our industry as a great value. For this reason, in recent years many Chinese entrepreneurs decided to invest in Italian companies and, backwards, many Italian companies started

collaborations and fusions with Chinese ones. Fortunately, Italy is still seen as a highly industrialized and technologically-advanced country.

However, the biggest opportunities for Italian MNEs are not sited in Italy. As observed in the previous section, the number of projects planned in Italy, and Europe, is very limited, compared with the whole-scale of projects include in OBOR, so for big companies is not worthwhile to focus their attention and interests on single projects in single countries. They have the great opportunity to collaborate with Chinese, and international, companies to carry out projects in the whole Eurasian Continent, as well as in other parts of the world like Africa, MENA region and South America. The technology on construction Italian big companies developed in many years of activities is the key factor to exploit for establishing collaboration with Chinese companies in worldwide projects and benefitting from the whole opportunity range included in OBOR.

2.1 FOR SMES

In the long run, once completed the essential infrastructural project in the European continent, a very wide range of opportunities will face Italian Small and Medium Enterprises. Actually, the realization of (almost) direct networks serves to connect them to Chinese companies and establish easier, more convenient and constant exchange of goods not only with China, but also with the many Eurasian countries crossed by *New Silk Road*, like Byelorussia, Russia, Kazakhstan, Uzbekistan, Turkmenistan, Kirghizstan, Pakistan, but also South East Asian countries like Thailand, Vietnam, Indonesia, Singapore.

It is very easy to imagine how profitable could be to set up a freight train, fill it with *made in Italy* goods, and send it to the far East, along a 10.800 Km-long route that cross several countries and ends its run in China, the biggest market in the World for the Italian manufacturing industry. Besides, the implementation of the so-called 21st-century Maritime Silk Road will bring the same, perhaps more, positive effects on the growth of Italian SMEs interexchange with China. Two are the most important aspect to considerate: the huge capability of the Chinese Cargo that will navigate the Adriatic Sea and its increasing number. Bigger Cargo means higher volume of goods exported; the more Chinese Cargo in our seas, the more intensity in interexchange. It is in this sense the OBOR initiative represent the biggest opportunity for Italian SMEs in the new era of Globalization, introduced by China in support of its global commercial strategy.

China probably will bring the higher benefits from the realization of all the projects included in the OBOR initiative. It represents, in fact, the most important component of China's economic diplomacy and its international trade and investment relations in the long run, whose accomplishment will not only enhance their commercial and political relations with the rest of the world, but also permit the development of the poorest and slightly advanced provinces of its own territory, located in the Western region, near the Kazakh highlands.

The development of China's Western provinces represents a great opportunity also for Italian SMEs. It will permit, indeed, the rising of the middle class in the most remote region of China, as well as the flourishing of its economy, bringing an important boost to their propensity on importing foreign, high values goods.

Another worthy field of collaboration that could offer important prospects to Italian SMEs is represented by the e-commerce. Since 2013, China is the world's first e-commerce market and the forecasts for 2020, according to the latest report by the Italy-Cina Foundation, estimate annual increases of 20%. "Today there are more than 700 million Internet users in China, more than the half of population," remembers the secretary of the Italian-Chinese Chamber of Commerce, Marco Bettin, and among them about 400 million buy online, for "a total turnover of around 600 billion of euros"¹²⁸. Many other agreements are in process among Italian institutions, SMEs and Chinese e-commerce platforms, especially *Alibaba*¹²⁹ 阿里巴巴 and *Jingdong*¹³⁰ 京东.

¹²⁸ See: <https://www.wired.it/economia/business/2016/06/27/jdcom-cina-italia/>

¹²⁹ Alibaba Group is a Chinese multinational e-commerce, retail, Internet, AI and technology conglomerate founded in 1999 by Jack Ma that provides consumer-to-consumer, business-to-consumer and business-to-business sales services via web portals, as well as electronic payment services, shopping search engines and data-centric cloud computing services. It is one of the top 10 most valuable and biggest companies in the world with a market cap stood at US\$527 billion. See: www.alibabagroup.com

¹³⁰ Jingdong is a Chinese e-commerce company in 1998 in Beijing by Liu Qiangdong. It is one of the two largest B2C online retailers in China by transaction volume and revenue, a member of the Fortune Global 500 and a major competitor to Alibaba-run Tmall. As of September 2017, the platform has 266.3 million active users. See: <https://global.jd.com/>

Company / Ticker	Alibaba Group Holding / BABA	JD.com / JD
Recent Price	\$180.53	\$38.51
YTD Gain	106%	51%
Market Value	\$457 bil.	\$55 bil.
Founder	Ma Yun (Jack Ma)	Liu Qiangdong (Richard Liu)
2017E Gross Merchandise Vol.	\$708 bil., up 30%*	\$141 bil., up 47%*
2017E Revenue	\$35.8 bil., up 56%*	\$55.1 bil., up 46%*
2017E Net Income	\$8.9 bil., up 41%*	\$666 mil. vs. loss*

E=Estimate *Year-over-year change BABA estimates for fiscal year ending March 2018 Source: FactSet

Figure 5.1 - Alibaba vs Jingdong

Recently, the latter has made scouting of Italian companies to be launched on its platform. Wine, fashion, but not only: the site, 169 million members, 3.8 million orders every day, is also hunting for cosmetics, food, furniture and products for children. "We are looking for high-level companies, to be included in the top categories - explains Louis Li, Deputy Director General of Jd Worldwide -. The Chinese are very attentive to food safety and to products for children ". This is why the Chinese platform, but listed on the American Nasdaq, met every year hundreds of companies of *Made in Italy* to select the best ones to embark on Jd.com.

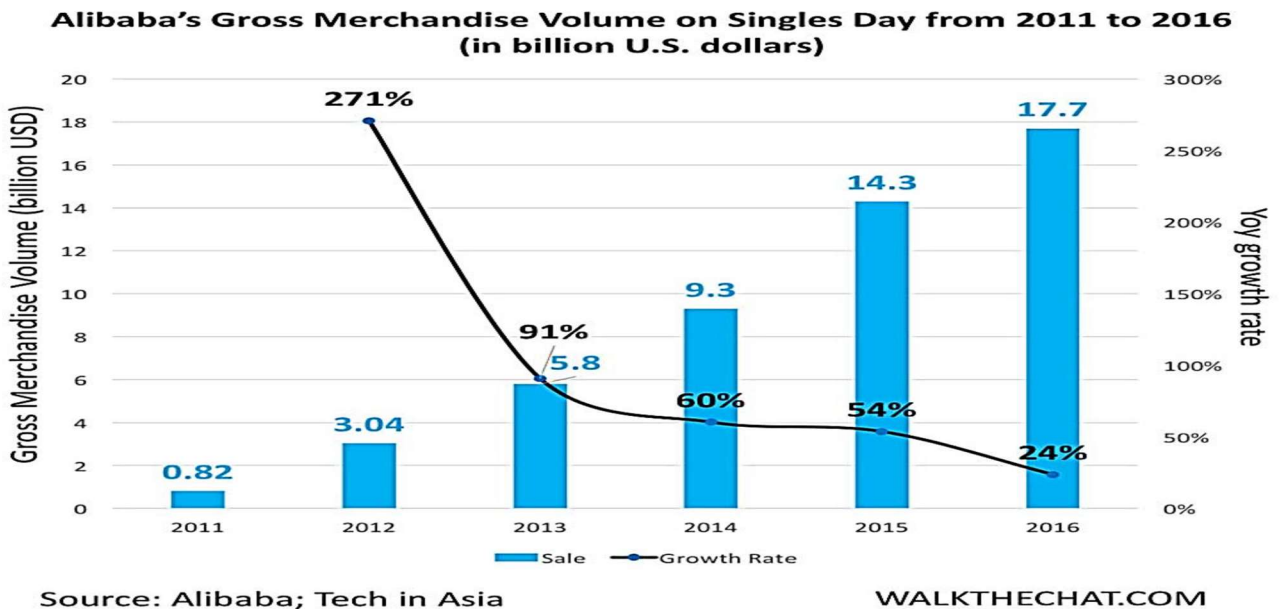


Figure 2.2 - Alibaba growth rate

It is very difficult to estimate in numbers the value of the opportunities consequent to the fully accomplishment of the OBOR initiative. However, it is easy to understand that it would be quite important. The initiative represents an unprecedented chance for Italian SMEs to notably increase their commercial relation with China and with Eurasian countries; a chance that must not to be missed, considering that we today live in a globalized world and be global, and be effective in commercial operations, is the only way for ensuring the domestic growth and the survival in the global markets.

Italian institutions are very committed in building important bases for those Italian SMEs that have, and will have, established partnerships with Chinese companies in the framework of OBOR. Very meaningful in this sense is the MoU agreement signed by *Cassa Depositi e Prestiti* with *China Development Bank* that “aims to provide capital (€100 million) to support companies in their internationalization processes towards China, in order to foster their growth and competitiveness in global markets”¹³¹.

Opportunities are coming, the future is coming. The Italian companies must get ready to face with the challenges and opportunities OBOR offers to them. In the following sections, there will be offered sparks and strategies that will help commercial operators, especially in SMEs, in facing the above-mentioned challenges and opportunities.

¹³¹ See: http://www.rainews.it/dl/rainews/articoli/Un-fondo-da-100-milioni-per-le-piccole-e-medie-imprese-Gentiloni-Tra-Italia-e-Cina-amicizia-millenaria-81eb2b8a-d3ea-4efd-9b9b-97cfd93a9224.html?refresh_ce

3. THE ROAD ALREADY COVERED

As it appears evident from the daily chronicle, the Italian Government is very interested and fully involved in the mega-project of OBOR. Since 2013, the interest of Eurasian countries towards the initiative has constantly growth and has been confirmed by the recurrent bilateral and multilateral meetings, in which Italy have had a sit and from which there has been reached important agreements on the future implementation of the OBOR initiative. According to the information provided by the Italian Ministry of Foreign affairs and International Cooperation (MAECI), Italy has signed with China more than 30 agreements (MoUs) concerning the promotion and participation of Italian institutions, banks and companies within the project.

Here below, the main steps of this approaching path of Italy towards the China-led global initiative are presented to offer a clear framing of the road already covered by Italian institutions and a first base on which to work for imposing the role of Italy, and Italian companies, as a reliable, effective partner.

3.1 ITALY-CHINA BUSINESS FORUM

The Italy-China Business Forum was officially established by the Governments of the Italian Republic and the People's Republic of China according to the Memorandum of Understanding signed in Beijing on 14 January 2014 by the Italian Minister of Economic Development and the Chinese Minister of Commerce. It represents a permanent framework of interaction between Italian and Chinese entrepreneurs with the scope of promoting the development of bilateral relations in support of mutual economic interests, in particular in trade, investment, science, technology and tourism.

The Executive Board is made up of representatives of the main companies and major trade associations committed in Italy and China. The Italian Technical Secretariat is entrusted to the structures of the ITA - Italian Trade Agency and Confindustria, which cooperate with the Ministries of Economic Development and Foreign Affairs. The Board of Directors of the ICBF meets on an annual basis, and in conjunction with meetings between Heads of Government or Ministers of the two Governments, or on the occasion of other important bilateral events. The first session of the Italy-China Business Forum was held on the occasion of the visit of the Italian Prime Minister in Beijing on 11 June 2014, and saw, among others, the participation of the Chinese Prime Minister.

The second session was held on the occasion of Li Keqiang's visit to Rome on October 14, 2014. The third session was held on May 5, 2016 at Villa Madama, in Rome, in the presence of the two Foreign Ministers, Paolo Gentiloni and Wang Yi. The fourth session took place on 22 February 2017 in Beijing on the occasion of the State visit of the President of the Republic, Sergio Mattarella. Furthermore, in 2017 the Business Forum organized the Italy-China Financial Forum, with the aim of promoting a dialogue between the financial communities, aimed at developing new financial and economic partnerships and the China Italy Sme Investment and Trade Forum, dedicated to SMEs.¹³²

As regarding the fourth session, very relevant has been the focus reserved to the OBOR initiative. The operative program, in fact, has started with a preliminary session reserved to those Italian companies already operative in China or willing to enhance their presence on the market, in which to share strategies and concrete opportunities of collaboration with Chinese companies, mainly in target sectors of the Business Forum: agribusiness, aviation, aerospace, environmental, energy and health. The next day, February 22th, has been completely afforded to the China's strategic initiative OBOR and the role Italian companies could have during its development stage.

Other important topics addressed during the Italy-China Business Forum has been "*Industria 4.0*"¹³³ and "Made in China 2025"¹³⁴, two important strategies aiming at the domestic industrialization of both countries.

Very encouraging the outcome given by the Italian delegation; "a new chapter opens in our already intense relationships" and not only in the economic field but also in the cultural one, said President Mattarella in his speech at the Italian-Chinese Cultural Forum and at the Italy-China Business

¹³² See: <https://www.milanofinanza.it/news/italia-cina-conferenza-belt-and-road-i-strumento-di-dialogo-per-sviluppo-201711301552001223> (05/02/2018)

¹³³ On September 21st, 2016, The Italian Premier Matteo Renzi and the Ministry of Economic Development Carlo Calenda presented the government plan for the Industry 4.0, contained in the 2017 Budget Law, definitively approved by the Senate on December 7, 2016. The plan aims to attract private investments in 2017 for additional 10 billion Euros, 11.3 billion of private spending in research, development and innovation with a focus on Industry 4.0 technologies, plus 2.6 billion Euros for early stage private investments. The provision proposes a mix of tax incentives, support for venture capital, the spread of ultra-broadband, training from schools to universities with the ultimate aim of favour and encouraging companies to adapt and fully adhere to the fourth industrial revolution. See: http://www.sviluppoeconomico.gov.it/images/stories/documenti/guida_industria_40.pdf

¹³⁴ "Made in China 2025" is an initiative to comprehensively upgrade Chinese industry. The initiative draws direct inspiration from Germany's "Industry 4.0" plan, which was first discussed in 2011 and later adopted in 2013. The heart of the "Industry 4.0" idea is intelligent manufacturing, i.e., applying the tools of information technology to production. See: http://english.gov.cn/state_council/ministries/2017/10/12/content_281475904600274.htm

Forum. The head of state assured that Italy intends to "develop a genuine wide-ranging collaboration". In this context, Italy intends to "contribute to the construction of the New Silk Road", to which the Italian Government is very interested. Mattarella also hoped that China "will continue a policy of progressive economic opening and will increasingly facilitate the access of foreign operators to the Chinese market". Finally, according to the president, Italy can offer expertise in fields of great interest for China, "such as food security, health, environmental technologies, sustainable urbanization, logistics, transport".

President Mattarella also noted with satisfaction "the significant growth of Chinese flows to Italy, a growth that bears witness to an inversion of the trend compared to the recent past, where the share of Italian investments in China was largely prevalent". An inversion of the trend that the Head of state interprets as "the positive result of an increased appreciation by Chinese investors". Basically, an appreciation of the growth opportunities "offered by the Italian system and the trust they have placed in the reforms promoted by Italy to attract more and more foreign investments". This is why, President Mattarella guarantees, Chinese companies "find and will find in Italy a safe destination and an encouraging climate".

During Italy-China Business Forum of February 2017 has been signed many cooperation agreements, both in institutional and commercial field. The more important:

- Memorandum of Understanding (MoU) between *Cassa depositi e prestiti equity, Ansaldo Energia* and *Shanghai Electric* for the production of H series turbines to be sold under Italian license also on third markets.
- MoU between *Fincantieri* and *China shipbuilding State corporation* - with which it already has a joint venture. An agreement that makes legally binding the promises made last September in Tianjin for the construction of the first ships (order for two more ships option for four).
- MoU between the president of the *ASI - Agenzia Spaziale Italiana*, Roberto Battiston, and the director general of *China Manned Space Agency (CMSA)*, Wang Zhaoyao, for scientific collaboration, the study of long-term astronaut missions, biomedicine and physiology.
- MoU between the Italian Customs and Monopolies Agency and the General Administration of Customs of China to speed up the customs clearance and arrival and control procedures in and

from China in the most active ports on the east coast, Tianjin for the Beijing area , Ningbo for its proximity to Shanghai.¹³⁵

3.2 SINO-ITALIAN CO-INVESTMENT FUND

On the occasion the Italian government's visit to Beijing, *Cassa depositi e prestiti*¹³⁶ (Cdp) Chief Executive Officer Fabio Gallia and *China Development Bank Capital*¹³⁷ (CdbC) Chairman Hu Huaibang agreed to together create a new €100 million instrument that will invest in the capital of Italian and Chinese small and medium-sized companies.

Italian Premier Paolo Gentiloni, Chinese leader Xi Jinping, and CDB President Zheng Zhijie also attended the signing ceremony. In coming months, members of the Italian and Chinese financial institutions will work make memorandum of understanding operative.

The new fund is the first of its kind to support Italian business growth in China and Chinese enterprise expansion in Italy. On December 10th, Cdp and CdbC subscribed a € 50 million each agreement as sponsor advisor of the fund, which will be managed by third parties and whose maximum capacity is set at € 150 million. About 20% of the vehicle's resources may also be oriented to European companies that have a demonstrable link with the Italian or Chinese economy. The investment strategy aims at segments that match the potential of *Made in Italy* and the priorities set by the *XIII Five-Year Plan*¹³⁸ (2016-2020) in Beijing: retail, high value-added manufacturing,

¹³⁵ See: <http://www.ilsole24ore.com/art/commenti-e-idee/2017-02-21/italia-cina-tempo-buoni-accordi-210320.shtml?uuid=AEv4Wea>

¹³⁶ *Cassa Depositati e Prestiti SpA* (Cdp SpA) is an Italian investment bank founded in 1850; it was constituted in its current form as a joint-stock company on 12 December 2003. 83% of the share capital is owned by the Italian Ministry of Economy and Finance, the 16% is held by various banking foundations, while the remaining 1% in treasury shares. CDP is today the third largest Italian bank according to the value of the total assets owned by the group (around 410 billion euros in 2016), after the banks UniCredit and Intesa Sanpaolo. See: <https://www.cdp.it/>

¹³⁷ *China Development Bank Capital Corporation Ltd* (國開金融有限責任公司) (CdbC) is a wholly-owned subsidiary of China Development Bank Corporation (Cdb) and it is a key entity within the Cdb mandated to explore and implement overseas investment opportunities and to consolidate and manage the Cdb's existing investments in overseas assets. CdbC intends to use CdbII as an overseas investment platform. See: <http://www.cdb.com.cn/English/>

¹³⁸ The 13th five-year plan for economic and social development of the People's Republic of China. See: <http://en.ndrc.gov.cn/newsrelease/201612/P020161207645765233498.pdf>

machinery, biotechnology, the medical and healthcare sectors, telecommunications and renewable energy.¹³⁹

"The agreement with China Development Bank opens a new chapter in Italian-Chinese relations, laying the foundations for long-term strategic collaboration," explained Gallia. "For the first time in Italy, in fact, we are working on the realization of an instrument of equal participation by important financial institutions of the two countries that will enable the Italian and Chinese SMEs to value high development prospects through direct investment in venture capital, thus providing a concrete support to the national production system and its growth abroad"¹⁴⁰.

¹³⁹ See: http://www.aifi.it/private_capital_today/132919-sino-italian-investment-fund-cdp-e-china-development

¹⁴⁰ See: http://www.repubblica.it/economia/finanza/2017/05/16/news/cdp_cina_impresc-165577772/

4. THE WAY TO GO

Considering that the initiative is in the very first stage, and has been conceived as a long-term-realization project, very long is the way to be covered henceforth by Italian institutions and companies, and very important effort must be made for ensuring an active, profitable and durable collaboration with Chinese companies in both jointly-managed-projects and bilateral trade fields. As mentioned below in the section 4.2, the managing operations in the approach of the Chinese market cannot be performed, or should not, without the support of the network of Italian institutions based in China, who are strongly committed in the promotion of *Made in Italy* in the Middle Country (中国).

4.1 EXPLOIT THE COMMERCIAL OPENNESS

From the Italian SMEs' point of view, the most profitable opportunity to catch is the commercial openness of China and the whole Eurasian Continent. Even if are not yet available numerical data on the impact of OBOR in this sense, the openness of Asian countries and China towards the European Continent is a fact, and the Italian ecosystem of SMEs has the great chance to establish stable and fruitful relations with the Chinese counterparts. In the following sections are offered some critical issues of the Chinese market, in order to give operators the awareness on its unique features and propose strategies for a more profitable approach.

4.1.1 HOW TO APPROACH THE PROJECT

Managing the entering in a new foreign market is the challenge that every internationalized company faces with at least once in its life-cycle. A particular attention is required when trying the entering in the Chinese market for the first time, considering its characteristics and the related difficulties, but also its potentiality.

China has been experiencing stable and significant growth for years. Since the joining at WTO (December 2001), China has indeed jumped from the eighth to the second place among the world's economies (in terms of purchasing power it is already first) and could overpass the United States within 15 years (in the same period the combined GDP of the BRICs will have overpassed that of the G7). In commercial terms, this means that the Chinese one is nowadays the most yearned and profitable market for international companies, with a constantly high demand for foreign goods and

the biggest rate of growth opportunities, compared with other markets. The OBOR initiative is strengthening its competitive position, and will give an important boost to bilateral relations and trade thanks to the renewed communication networks that will facilitate exchanges.

The Chinese market is not accessible to every Italian company. Considering its scale, its regulations, its evolution in the recent years and its internal competition, it is required for foreign firms to equip themselves with solid bases, both in terms of structure and knowledge, and avoid to act with improvisation, if the real goal is to successfully and stably positioning into the market rather than selling something in China.

The first and maybe the most important step in the process of internationalization towards China is the studying phase. For a matter of cultural, geographical and regulatory distance, whoever has interest in dealing with China is “forced” to deeply study and understand its culture, mindset and all the cross-cultural¹⁴¹ aspects, whose knowledge permit to relate with them in the best possible terms.

知彼知己，百戰不殆；不知彼而知己，一勝一負；不知彼，不知己，每戰必殆

"If you know the enemy and know yourself, you will not be imperilled in a hundred battles:

if you know yourself but not the enemy, you will win one and lose one:

if you do not know the enemy nor yourself, you will succumb in every battle."¹⁴²

It is possible to adapt the Sun Zi's quote to our discussion in the following terms:

“If you know your company and China, you will succeed in the Chinese market;

if you know your company but not China, you will have few chance to succeed;

If you do not know China nor your company, you will have no chance to succeed.”

According to this statement, very important is the knowledge of itself. Before trying to get international, the company manager and operators should have clear in mind the answers to the following questions: Who I am (company)? Where I go? It may seem trivial but the above questions, and related answers, represent a crucial starting point for internationalization, and require a deep internal analysis.

The following step is represented by the “How” question. Once acquired the awareness of who you are, where you go, and deeply studied the main features of Chinese market and all the cross-

¹⁴¹ The cross-cultural approach is the approach that consider social behaviors, business and buying behaviors.

¹⁴² SUN ZI, *Sunzi Bingfa*, 孫子兵法, (*The Art of War*), VI-V Century, First Thus Edition, p. 19.

cultural aspects, it will be possible to elaborate strategies for setting your company upon the market. Crucial in this sense, especially for SMEs, is approaching the market with support of the wide network of Italian institution established in China, as the Italian Trade Agency and the China-Italy Chamber of Commerce. Their main scope is to promote in China the excellences of Made in Italy and support Italian companies in China, or those companies having the specific intention to make business in China, through the offering of many services like country and market information, market analysis, research of partners, inquiries on partners, problem-solving assistance. Furthermore, it is possible to contact them for getting detailed and updated information concerning the evolution of the OBOR initiative and the identification of interesting projects included in the OBOR framework. The support of Italian institution may be seen as not so crucial and effective, but this is a mistake. In recent months, the central government located more resources in favour of institutions supporting the internationalization process in China, and a new organizational model has been set-up to guarantee a constant and more effective support for Italian companies.

Since it would not be so easy to get confidence with the cross-cultural aspects of China and relate with Italian or Chinese operators who are deeply immersed in the Chinese context on equal terms, it looks absolutely necessary to hire skilled human resources, confident with the Chinese culture, market and business, especially in commercial departments like marketing and sales. They could have a crucially positive role in the following tasks:

- manage the relationship with the Chinese counterpart;
- adapt the company's mindset to the Chinese one;
- understand and propose the right way to deal with the market;
- add value to the company business proposal.

Basing on these preconditions, acquired the necessary knowledges, resources and international attitude, it will be possible to elaborate a reliable strategy and work for stable positioning in the market.

4.1.2 THE IMPORTANCE OF A STRATEGY

The Chinese market is not among the simplest one in terms of ease of doing business¹⁴³, because of its political situation, the different regulations, language and behaviors. Any company interested

¹⁴³ 78th position among 190 countries. "Ease of Doing Business Index". See: <http://www.doingbusiness.org/rankings>

in dealing and making business with China should absolutely make shorts and cautious steps in the process of approaching the Chinese market and must possess the necessary flexibility and ability to overcome the many obstacles could find on its path. In fact, even many companies who succeed in entering the Chinese market have to face with dramatic challenges that could put their presence in the market at risk, like the increasing costs, the changing regulations, the strong competition and the evolving business environment. The main obstacles Italian companies have found, and still can find, in China are essentially three:

- the self-referring criteria
- Non-cross-cultural attitude;
- Limited Size;
- Limited resources.

Italian companies do not have the inclination to risk their capital in daring adventures on foreign markets, maybe they actually do not have the means to do so. Rather, they tend to be very prudent and hesitant in the operations towards a foreign country, in order to avoid as many risks as possible. This is a positive attitude, but should be followed by a deep preventive study on the market that could transform the hesitant approach to a prudent, but fruitful one. Unfortunately, in most cases, this does not happen, and the consequence is that many Italian companies do not believe so much in internationalization, do not invest sufficient capital and just randomly sell products in foreign markets.

The most common and dangerous mistake companies make during the internationalization process towards and the assessment phase in China is not to prepare a well-defined, complete and studied strategy, or not to prepare it at all, leaving themselves in a daring, risky adventure. Concerning Italian companies, in Beijing everyone still remembers the flop of Piazza Italia¹⁴⁴. The shopping center opened in the luxurious district of Chaoyang 朝阳区 in September 2008 aimed to be our agri-food showcase, the first stage of an expansion in Shanghai, Hangzhou and Tianjin. At the end of October, even Silvio Berlusconi came to Shanghai and blessed it. Unfortunately, in just 14 months it has become one of the biggest crashes of Made in Italy. In the consortium there were some of the most important Italian brands: Crai, Cavit vini, the Grana Padano consortium, San Daniele Service,

¹⁴⁴ For more details, see: <https://www.corriereasia.com/notizie/piazza-italia-quando-leccellenza-italiana-fallisce-cina>

Conserve Italia and Frantoi Artigiani, gathered under the acronym TAC (Trading Agro Crai). The idea was correct: to make system and push Italian agri-food sector.

However, since its opening, Piazza Italia has been a desert, and starting from July 2009 it stops paying rents, salaries and suppliers. The final balance was dramatic: Tac loses €6 million and makes debts for €4.5¹⁴⁵. A mix of crazy expenses, wrong location, self-reference and underestimation of the Chinese market. In short terms, a disastrous strategy. On the hot days of the crash, “China Daily” summed up: «The ugly Italian figure: they sell supermarket goods, even if excellent, at boutique prices ...».

Piazza Italia is certainly the biggest flop but it is not the only case of companies or chains in the agri-food sector that have had to close their activities. In recent times it has happened to Caffè Parma, Gusto Menta, L'Isola, Oro. The reasons were identical: wrong target of customers and locations, senseless business plans, weak logistics. The Lavazza and Illy mini-corners are saved but they are, in fact, very small in number.

Concerning wine, the situation for Italian products is not better. Despite Italy is the champions of the world, in China consumers do not notice it at all. Our export to China increases every year just because we start from almost zero. In 2016, 29 million liters Italian wine were imported in China for a total value of 101 million. In practice, only the 5% of the wine bottles that end up on Chinese tables are Italian.

Rank	Country	2014	2015	2016	% Share			% Change
					2014	2015	2016	- 16/15
	World	1.516.472	2040.049	2366.730	100,00	100,00	100,00	16,01
1	France	660.609	903.273	998.731	430,56	44,28	42,20	10,57
2	Australia	256.010	453.838	571.796	16,88	22,25	24,16	25,99
3	Chile	166.677	233.621	268.140	10,99	11,45	11,33	14,78
4	Spain	110.665	129.800	159.345	7,30	6,36	6,73	22,76
5	Italy	104.284	100.646	132.911	6,88	4,93	5,62	32,06

Fonte: China Customs

Figure 4.1 - Wine trade with China¹⁴⁶

¹⁴⁵ See: <http://www.lastampa.it/2011/09/26/esteri/divisi-e-senza-strategiaecco-perche-l-italia-fa-flop-fxf9tBdkVyKy1sHw9MDewJ/pagina.html>

¹⁴⁶ Guida Export Vino 2017 – See: <http://mefite.ice.it/settori/documenti/GuidaExportVino2017.pdf>

This condition is evident in China. At the Beijing wine fair, the French pavilion is three times bigger than the Italian one, and on supermarkets' shelves it is possible to find Zonin, Prosecco Valdo, Villa Antinori, Gaia, but their space is small compared to Chileans and Australians wines, and bottles on average cost more.

The French wines landed in China twenty years ago with Sopexa, the agri-food public promotion company, and they constantly have invested large resources on marketing and advertising, while the distribution has been made through their large distribution channels, Carrefour and Auchan. The result is that today for Chinese consumers the word wine coincides with the word France, even if our wines like Chianti or Sangiovese are better, but they cost too much.

So, compared to Germans, French and Americans, in China, precisely in a strategic segment such as agri-food, the basic weakness of Made in Italy emerges: the inability to industrialize and distribute our excellence. So, we invented pizza, but the global chain is Pizza Hut; we are the best ice cream makers, but the colossus is Häagen-Dazs; we are the king of coffee, but Starbucks makes it commercial.

Considering the whole analysis described above, it is essential for Italian companies to deeply analyze all the specific features of the Chinese market, all the obstacles they may possibly find, all the mistakes made by other companies, as well as all the opportunities to catch and not to miss, through a well-thought strategy.

4.1.3 LONG-TERMS-STRATEGY IS THE WAY

Given that the company has totally acquired the necessary notions and resources, described in the section 4.1.1, to guide the business decisions towards the Chinese market, it can finally come the right time for the management to put into practice the intentions and organize them in a well-defined strategy, or business plan. Here below are proposed the main, general rules to consider when elaborating a strategy for a new business in China. These rules should be considered as a “must have” for both the MSNs willing to cooperate with Chinese companies in global projects like OBOR and for SMEs that will have trade with China.

Make a fine presentation, of your company and business. Prepare and renew every year a Company Profile, that realistically represents your company and your products. Focus particular attention of the accurate and adequate description of the following aspects:

- The company and its management;

- Storytelling;
- Brand;
- Product;
- *Made in Italy*
- Innovation.

The Company Profile should be translated in Chinese language as to permit an easier presentation of the company and give the idea to be strongly committed and motivated to deal with China. Besides, concerning presentation it is supposed that nobody wants to be perceived as a naïve: register your trademark and patents! Regarding those MNEs willing to have an active role in OBOR-labelled projects, the most important values to present are their brand power, their experience and skills, together with a considerable degree of innovation.

Verify your partner. As it will now be obvious, it is not easy to deal with and understand the Chinese thoroughly. It is even more difficult to find information about them, to understand in what context they work, how they work, and in general to verify their reliability and seriousness. In recent years, occurred many cases of fraud involving various faithful companies, both Italian and foreign. It is good norm to verify the financial activities and business behavior of the counterpart and absolutely avoid collaboration with a not totally reliable partner, in this sense¹⁴⁷.

After this step, it is necessary define all the aspects and limits of the future collaboration, in a proactive manner and win-win prospective. Considering the difficulty of this step, it is easy to find problems and conflict over the huge number of decisions to be reached in order to close an agreement and officially became partners in business. Do not give up on difficulties!

Elaborate a Long-term strategy. For a number of political reasons that also reflects on the Chinese economy and the Chinese mindset, the Chinese think and work on a large scale and in the long term. It is unconceivable to think to set up an occasional, without perspective collaboration with them, simply because they will not look with interest to your proposal and will reject your reputation as a small fish. Concerning OBOR, the Italian MNEs will never be financed projects by AIIB and the Silk Road Fund if they do not present a comprehensive, reliable and long-term strategy. The Chinese are willing to listen only to valuable proposals, which go beyond the exchange of goods (or service) and money, because they correctly think that almost all the products (and services) that an Italian

¹⁴⁷ The offices of ITA-Italian Trade Agency in China provide the service of partners analysis.

company can offer them can be eventually find elsewhere (this statement is not valid for a very small number of products).

This feature could even represent an advantage for Italian companies, which produce excellence, work very well, are very appreciated in the world, but they sin too often of lack of organization and short-term vision. This trend must change; with China, must be fixed in mind, it is necessary to think and work on a large scale and in the long term

Segment the market. For SMEs, a great obstacle is represented by their small size, in a big market like China. Without a clear and focused strategy, how can a small company enter and survive in a big market? But the real question is: the big market is a really big market or a sum of small markets? The Chinese one has to be seen of the second type, and the only way to overcome this obstacle is just to reduce as much as possible, in a first stage, the market and find a segment. It is really crucial to find a segment; the alternative is to feel lost and very probably fail.

China must be divided in many parts; there are different parts according to the income. The most developed part is the east China, the east coast and the less developed is the west. All the European companies are in the east part of the China (from Shenzhen, to Beijing), but the Chinese government is pushing the entering of new companies just in the west. In this sense, in the OBOR initiative represents the most important development policy in favor of that region.

Adequate communication to the Chinese behavior. First of all, Chinese people prefer the direct communication. They are not use to send or read emails, rather prefer to communicate through social networks or telephone, or even better face-to-face, so it is essential for the foreign counterpart to adequate his attitude to the Chinese one. Among big companies, the communication could be facilitated by the brokerage of governmental institutions that could guarantee their reliability and strength. For this reason, in the context of OBOR, the Italian government together with Italian MNEs constantly plans meetings and visits in China.

As regarding the aspects on which Italian SMEs should focus on to have a successful communication with the Chinese partner, very important is the translation of all the business materials in Chinese language. However, even more important is the communication with the Chinese consumers, so the knowledge of the most used communication decks in China. In this sense, the market leaders are the Chinese social networks, among all WeChat 微信, Qzone 微信, RenRen 微信, Kaixin 开心, Sina Weibo 新浪微博. Only through the professional knowledge and use of these tools it will be possible for your company to promote your products to and spread the values

of your brand among the Chinese consumers. Equip your company with human resources skilled on social networks!

Another huge opportunity of promotion is represented by the e-commerce, and the showcases they offer to every company, whether Chinese or Italian or Brazilian, on the major portals, like Alibaba and JingDong. They represent the present and the future of the B2C and B2B trade in China, so it is not possible to discard them when planning to come in China. Italian companies could also benefit of the agreements between Italian financial institutions and the Chinese colossus of e-commerce, that are exposed in the next chapter.

Strengthen your presence in China. As previously said, Chinese people prefer direct communication, so it is particularly important to let the Chinese partner, and consumer, to feel your presence in China. As a first step, it is strongly suggested to open a representative office of your company in China. It will help your company to be well-considered by your partner and better-known by consumers, but also to facilitate the strategic operations in the market, better analyze the consumers' behavior and adapt your strategy to their features. A further positive approach, that will help your company to strengthen its presence in China, is the participation to trade fairs in China. They will give your company the opportunity to show its product, but also the brand and the values, the skills and the innovation, and will generate a new, interesting list of new contacts to get in touch with and possibly start a collaboration. Before getting your company international in China, you must go in China, many times a year, and show the Chinese businessman you are strongly convinced of the choice and convince them they have the opportunity to cooperate with you.

4.2 SERVICES PROVIDED BY ITALIAN INSTITUTIONS SUPPORTING THE PROJECT

4.2.1 ITA – ITALIAN TRADE AGENCY

ITA - Italian Trade Agency (www.ice.gov.it) is the Governmental agency that supports the business development of Italian companies abroad and promotes the attraction of foreign investment in Italy.

The Agency has a motivated and modern organization, and a widespread network of overseas offices. It provides information, assistance, consulting, promotion and training to Italian small and medium-sized businesses. The most important goal of the Agency is to assert the excellence of Made

in Italy all over the world, by using the most modern multi-channel promotion and communication tools.

In the new context created by OBOR, ITA offers a wide range of supports, from basic information to concrete activities, for those operators willing to create favourable conditions for their companies, in order to meet the opportunities offered by the OBOR initiative.

In China the institution is present with 4 offices: Beijing, Shanghai, Guangzhou, Hong Kong. It is very suggested to refer to this government institution before moving the first steps in a new market.

BEIJING:

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4.2.2 ITALY-CHINA FOUNDATION

The Italy-China Foundation (*Fondazione Italia Cina*, <http://www.italychina.org/it/la-fondazione/home/>) was founded by Cesare Romiti on 11 November 2003. The main scope is to improve the image and manner of Italy's presence in China and to achieve a different strategic and commercial positioning.

As founding members of the foundation figure Ministries, Regions, Confindustria and the major companies and Italian financial groups. Considering the importance of the membership base, the Foundation aims to represent the Italian business sector with regard to China and to leverage its representative position to support the Italian entrepreneurship interests against Italian and Chinese institutions.

The enhancement of the Italian presence in China is supported by the promotion of events and educational, cultural, economic and scientific, in order to present Italy as "Country System".

Probably the greatest merit, since the early years of its foundation, was to open a dialogue between Italy and China from an economic, cultural and scientific point of view, representing and enhancing the Italian business sector, which is supported in institutional and commercial relations with Chinese counterparts. In order to consolidate this role, six years ago the Foundation's Permanent Training School was opened, which provides Chinese language courses to Italian students and professionals and Italian courses to Chinese students thanks to the Marco Polo-Turandot program, but also works in close contact with the world of schools and business, thanks to its corporate training courses that prepare the world of business to better interact with their Asian counterparts. Just last year, the School opened its first offices in China, in Chongqing, Mianyang and Chengdu. Today the Foundation is one of the main actors in Italy active in consolidating and developing, from a cross-cultural point of view, relationship between Italy and China.

For all the operator interested in OBOR initiative and, in general, in making business with China, it looks crucial to inform about the cross-cultural aspects that influence the communication and comprehension with the Chinese interlocutor, as well as to furnish of the necessary tools for better relate with the Chinese counterpart. In this context, the Foundation represent a decisive resource.

It is very suggested to refer to them for the following scopes:

- facilitate the flow of people, ideas, capital, goods and services between Italy and China
- improve Italy's presence in China and with Chinese institutions
- achieve a better strategic and commercial positioning
- promote the Made in Italy

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4.2.3 ITALY-CHINA CHAMBER OF COMMERCE

The China-Italy Chamber of Commerce (CICC, <http://www.cameraitacina.com>) is the only association of Italian entrepreneurs recognized by both the Italian Government (Ministry of Economic Development, MiSE) and People's Republic of China (Ministry of Civil Affairs, MoCA) that aims to boost the internationalization and settlement of Italian business and to promote the Made in Italy in the PRC.

The CICC Members (545 in 2017) represent the Italian business community such as public-invested and multinational corporations, small and medium-sized enterprises (both manufacturing and commercial), service companies etc.

Established in 1991, CICC has now offices in Beijing, Chongqing, Guangzhou, Shanghai and Suzhou.

To companies settled in China and those with on-going business within the Chinese market, the CICC offers informative, training and business networking opportunities. Besides, the CICC qualifies itself as a voicing platform for them to share topics of common interest. To companies interested in strengthening their business in China, the CICC offers consultancy, assistance and marketing services.

The established network together with the institutional endorsement provided the CICC with the opportunities to organize several activities boosting private businesses, b2b, institutional and business missions, participation to fairs both in China and in Italy, networking events, gala dinners, awarding ceremonies, culinary events, concerts, career days, etc.

It is very suggested to refer to CICC for the following scopes:

- deeply understand the Chinese market, considering the CICC rooted relationship with the business community and the local institutions;
- open dialogue and interaction with companies, being CICC itself a network of professionals;
- acquire efficacy and efficiency, a must-have for companies facing the intense competition of the Chinese market.

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Other offices (Chongqing, Guangzhou, Shanghai, Suzhou):

<http://www.cameraitacina.com/en/content/contact-us>

4.2.4 SIMEST

SIMEST (www.simest.it) is a subsidiary company of the Cassa depositi e prestiti Group which since 1991 support the growth of Italian companies through the internationalization of their business. It is 76% owned by SACE and is led by the most important Italian banks and business associations.

This institution supports the company throughout the whole expansion-abroad cycle, from the first opening assessment to a new market, to the expansion through direct investments. SIMEST finances

Italian companies with facilitated loans for internationalization, export credit support and equity participation. It also operates with the EU funds. Together with SACE, SIMEST is part of the Export and Internationalization Pole of the CDP Group, a single point of contact for companies that includes all the tools to compete and grow internationally. Being a partner of the world's leading financial institutions, the strategic and economic support provided by SIMEST represent a reliable and concrete tool for the whole Italian Business environment.

Focusing our attention on OBOR, it is important to underline that Italian companies, especially SMEs, should better cooperate with Chinese counterparts for enlarging their contractual power and catching the opportunities provided by OBOR. For this purpose, the support of SIMEST will be useful for financing investments abroad such Joint ventures, mergers and acquisitions.

SIMEST operates through a temporary and minority shareholding in the equity of the foreign or Italian company. Its participation may be envisaged during the establishment phase (greenfield initiatives), share capital increase or in the case of third party acquisitions (M & A transactions) and may reach 49% of the investee company's capital. Further support from SIMEST can be obtained through low-interest loans for SMEs that want to promote development plans on international markets.

It is strongly suggested to refer to SIMEST for the financing of project in China.

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