

"Italy's proposed endorsement of the BRI highlights the dilemmas within the EU."

Italy's plan to endorse the Belt and Road Initiative, the first such move by a G7 member, will boost China's global ambitions. In turn, this highlights the difficulties facing the EU and the U.S. in formulating a concerted response to counter China's growing might. On its inception in 2013, the BRI envisaged linking about 65 countries along a modern Silk Road, the transformation of China into a high-income economy and the renminbi's elevation into a global currency.

Today, it has expanded to over 80 countries, mostly least developed and developing economies, as Beijing seeks to bolster its Made in China 2025 industrial policy. The lure of the BRI is attributed largely to the informal nature of the deals Beijing negotiates with partner-states, with attractive loan terms and sans political strings.

Their opaque nature has spurred criticism that recipients risk being pushed into a debt trap. But the glitches facing some of the BRI infrastructure projects have merely led to calls for renegotiation rather than their roll-back. The BRI has moved forward, along with Beijing's other venture, the Asian Infrastructure Investment Bank. Many Central and Eastern European countries, EU members and aspirants alike, are part of the "16+1" group, which includes China, collaborating in infrastructure ventures.

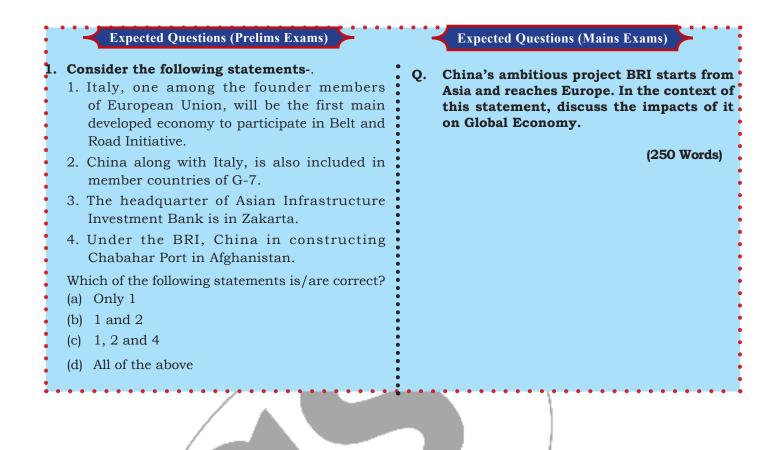
However, Italy, an EU founder-member, will be the first major developed economy to participate in the BRI. Rome's ruling eurosceptic and anti-establishment coalition has been enthusiastic in signing on. Its timing is seen to have something to do with the difficulties the government has faced in balancing its growth targets with the EU's stringent fiscal norms.

These tensions surfaced in recent negotiations with Brussels that led to a revised Italian budget. Italy is counting on its BRI endorsement to boost investment in it, given recent reductions in Chinese outflows into the EU. Rome is expected to sign an MoU to participate in the mammoth endeavour during a visit this month of President Xi Jinping.

Italy's move comes at a moment of increasing concern in European capitals, especially Paris and Berlin, to counter Chinese mergers and acquisitions of European firms to protect the bloc's strategic economic sectors. The Trump administration has, in keeping with its America First policy, invoked national security provisions rarely deployed in international trade and targeted Beijing with punitive import tariffs, ostensibly to protect domestic industries.

China's phenomenal economic expansion since joining the WTO in 2001 has almost altered the global landscape. But attempts to block Chinese businesses may prove short-sighted. Instead, Western democracies should strive to live up to their repeated pledges, since the 2007-08 global financial crisis, to eschew protectionism and promote rules-based open and free global competition.





Note: Answer of Prelims Expected Question given on 8 Mar. is 1(c)

