ITALY AND CHINA: MUCH ADO ABOUT AN MOU

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Executive Summary

1. The Italy-China Belt and Road Initiative (BRI) MoU (memorandum of understanding) is premised on continuity with earlier Italian governments' overtures towards Beijing, and on Rome's economic calculations in the trade and investment bilateral agendas. Specifically, Italy aimed to boost exports and attract investments, while Rome's leadership hoped to capitalise on the MoU in the short term.

2. The significance of the BRI MoU and of Italy's China engagement more broadly is less than meets the eye. Scraping the surface of the populist Italian government's Eurosceptic posturing, the engagement has hardly been at the detriment of the EU's China agenda and is in line with the more critical EU China Strategy of March 2019 published by the European Commission.

3. The Italy-China BRI MoU played up the optics of Xi Jinping's March 2019 state visit to Italy, but was high on political symbolism and short on substance. Italian diplomats negotiated for months to couch the MoU's language along multilateral, especially EU, frameworks. This insistence on multilateralism makes the Italy-China MoU unique among *all* bilateral BRI agreements.

4. The US government's pushback against the China challenge was to contain what the Trump administration understood as an "existential threat" and a revisionist power engaged in neo-colonial "debt-trap diplomacy" through the BRI. This translated in belated pressure on Italy's overtures to China, with a focus on telecommunications and port infrastructures.

5. The COVID-19 pandemic frustrated the Italian government, especially its Five-Star Movement leadership, which was trying to reap the fruits of the BRI MoU and to prop up its dwindling political fortunes by presiding over a series of bilateral events in 2020: the Italy-China Year of Culture and Tourism and the 50th Anniversary of Italy-China diplomatic relations.

6. China’s “wolf warrior” diplomacy made headlines, especially its own conspiracy theories on the virus origins and its own self-serving narratives. While that diplomacy was a huge success at home − and possibly among overseas Chinese communities – it was a flop among foreign audiences. Italy’s overseas Chinese community – Europe’s largest – was likely an important target audience.

7. The COVID-19 crisis brought along a cooling of diplomatic relations between Italy and China. China’s responsibilities in the COVID-19 crisis, the Hong Kong security legislation and the growing politicisation of China matters – both domestically and internationally – informed this cooling down.

8. US-China relations rapidly deteriorated in 2020 and US pressure mounted with stricter export controls, trade embargoes of high-tech and sanctions on Chinese economic actors. Italian policymakers and business actors would now side-line some of the Chinese investment in light of US pressure *and* the fear of costly secondary sanctions and sub-optimal Chinese products that lack advanced US technology.

ITALY AND CHINA: MUCH ADO ABOUT AN MOU

Giulio PUGLIESE*

Playing with Chinese Fire?

1.1 The Italian government's formal participation in China's Belt and Road Initiative (BRI) through a framework Memorandum of Understanding (MoU) signed during a landmark three-day state visit by President Xi Jinping in March 2019 has triggered a heated public debate on whether Italy-China relations are becoming friendlier, while most Western countries are becoming warier of China. There was also the question of why Italy has become the first G-7 country and founding EU member state to endorse Xi's controversial connectivity project and the implications of such a move.

1.2 A combination of factors skewed answers to these questions towards partial, simplistic, if not outright conspiratorial takes. Firstly, the sheer incompetence, poor communication and populist goals of the Eurosceptic Five Star Movement (5SM)-Northern League (NL)[1] coalition government have led analysts to hastily qualify Italy's China overtures as a significant departure from previous governments' foreign policy line. According to these analysts, Italy broke ranks with leading EU countries on foreign investment screening mechanisms and essentially endorsed China's so-called "debt trap" diplomacy.[2] Others have jumped the shark to claim

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1 The Northern League party was rechristened as Lega (League) in December 2019.

2 Scarpari, Maurizio, "Timeo danaos et dona ferentes. Timori e speranze sulla Via della Seta" (I Fear Greeks Bearing Gifts. Fears and Hopes along the Silk Road), *Inchiesta*, 16 March 2019; Poggetti, Lucrezia, "Italy's BRI Blunder", *Project Syndicate*, 21 March 2019, https://www.project-syndicate.org/commentary/italy-endorsement-of-china-bri-big-mistake-by-lucrezia-poggetti-2019-03; and De Maio, Giovanna "Playing with Fire: Italy, China and Europe", The Brookings Institution, May 2020, https://www.brookings.edu/wp-content/uploads/2020/05/FP_20200519_playing_with_fire.pdf. All links in footnotes were accessed on 15 September 2020.

that Xi's "useful idiots" had turned Italy into China's Trojan horse in the West by propping up China's sphere of influence in the Mediterranean Sea and its authoritarian model of governance.[3]

1.3 Secondly – and in connection to the aforementioned − China matters have been politicised like never before in post-Cold War Italy, as in elsewhere. China's more tangible clout, distorted market practices and authoritarian involution have garnered public attention, but the Trump administration's swift reorientation of the US foreign policy machine to contain China's ascent has also gone through domestic *and* international efforts aimed at shining a light on the "Chinese Communist Party's (CCP) malign activities".[4] Italy's BRI MoU was caught in the crossfire of US-China tensions to the extent that the US National Security Council (NSC) publicly condemned the Italian government for lending legitimacy to China's vanity infrastructure project, while Japanese diplomats are now concerned that China may be able to exercise a veto power within the G-7.[5]

1.4 In fact, in Spring 2019, a very high-ranking and authoritative EU bureaucrat testified his satisfaction with Italy's BRI MoU and the language used, as reflected in nuanced analyses;[6] not only did a majority of EU member states sign BRI MoUs, the Italy-China MoU was unique among *all* bilateral BRI agreements because it was couched within a multilateral and constructive framework and, not by chance, this language took Italian diplomats *months* of extenuating efforts at the negotiation table.

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3 Oddly enough, voices in the edited volume by Galietti Francesco in this footnote have been given ample credence in influential political quarters in Italy and abroad. Galietti, Francesco (eds) *Contagio Rosso: Perché l'Italia è diventata il cavallo di Troia della Cina in Occidente* (Red Contagion: Why has Italy become China's Trojan Horse in the West?), Roma: Giubilei Regnani, 2020.

4 Pugliese, Giulio "COVID-19 and the Reification of the US-China 'Cold War'", in Jeff Kingston-edited special issue "COVID-19 in Asia", *Asia-Pacific Journal*. Volume 18, Issue 15, Number 3, (2020) Article ID 5436.

5 Pugliese, Giulio 'A Global Rorschach Test: Responding to the Belt and Road Initiative', *Defence Strategic Communications,* Vol. 7 (2), NATO Excellence Centre Riga, December 2019, pp. 113-32.

6 Conversation with high-ranking EU bureaucrat, 16 April 2019; Odgaard, Liselotte, "Europe's Place in Sino-U.S. Competition", in Ashley Tellis, Allison Szalwinski and Michael Wills (eds), *Strategic Asia 2020: U.S.-China Competition for Global Influence*, Seattle and Washington DC: The National Bureau of Asian Research, 2020, pp. 269-70; and Nelli Feroci, Ferdinando,"Xi a Roma: Italia-Cina, dubbi, rischi e opportunità" (Xi in Rome: Italy-China, doubts, risks and opportunities), *Affari Internazionali*, 14 March 2019, https://www.affarinternazionali.it/2019/03/italia-cina-visita-xi/.

1.5 Italy's state apparatus, which is active and well compared to other liberal democracies, strove to frame the terms of Italy-China cooperation within EU initiatives and EU standards – including those in the more critical EU China Strategy of March 2019 published by the European Commission.[7] In fact, Italy's position is consistent with the Japanese government's rhetorical pledges of cooperation with the BRI under several international standards, to the extent that Rome also backed Japan's Free and Open Indo-Pacific vision shortly after Xi's state visit.[8]

1.6 However, the government of the United States − engaged in a tariff offensive to wrangle a comprehensive trade and investment deal − resented even the political symbolism behind the MoU, as well as specific Italy-China cooperation agenda items, such as a potential green light to Chinese 5G technology even though this position was not unlike that of most other EU member states back then.

1.7 Growing fatigue among the Italian public and decision-makers alike towards China's self-serving "wolf warrior" diplomacy, crackdown in Hong Kong and regional assertiveness suggest that 2020 – a year that marks the 50th anniversary of bilateral relations – will instead be remembered as a turning point towards cooler bilateral relations.

Economic and Political Calculations behind Italy's China Overtures

2.1 The 5SM-NL populist government headed by Prime Minister Giuseppe Conte assumed office in June 2018 out of a diffuse discontent with Italy's political and economic status quo. Discontent with the European Union and Italy's pro-EU establishment on issues ranging from migration to the currency union was the glue that held the coalition together. Following the 2007-2008 global financial crisis, EU-sanctioned austerity measures compounded Italy's secular stagnation. The inability of mainstream political parties to refute the permanent austerity measures embedded in the European Fiscal Compact hinted at a well-rooted democratic deficit, as

7 *EU-China: A Strategic Outlook*, 12 March 2019, https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf, p. 5.

8 Ministry of Foreign Affairs of Japan, *Japan-Italy Summit Meeting*, 24 April 2020, https://www.mofa.go.jp/erp/we/it/page4e_001014.html.

authoritatively argued by Joseph Stiglitz and Yanis Varoufakis,[9] and as aptly symbolised by the technocratic Mario Monti cabinet's descent from the European troika heavens to enact harsh budgetary cuts and painful structural reforms. This bitter pill was swallowed against Keynesian common sense because it was prescribed cyclically during a recession.

2.2 In the face of these grievances and of the electorate's growing pains against mainstream parties, the newly formed government engaged in populist games of chicken with the EU and major European players on migration and, especially, its annual budget deficit. Thus, 5SM-NL members of parliament and cabinet members raised their rhetoric against the EU, France and Germany, and fantasised "taking back control" by triangulating Italian foreign policy with extra-EU great powers, Donald Trump's America, Xi Jinping's China and Vladimir Putin's Russia. With like-minded sovereigntists friends like these, who needs enemies?

2.3 The populist government thus needed to assuage financial markets during its standoff with the EU over the Italian budget's deficit. This was particularly pressing because the government feared an end to the European Central Bank's quantitative easing programme – paused in part between December 2018 and September 2019 – which requird it to sell government bonds to institutional and private financial actors. As a result, Rome courted public and private investors in China (and the United States).

2.4 The August 2018 mission to Beijing and Shanghai by the new Minister of the Economy and Finance Giovanni Tria was aimed at reassuring, and incentivising, Chinese investors and central bankers on Italy's financial solidity.[10] A liberal political economist with a long-held passion for Chinese affairs, Tria had already fostered close links with China as professor of political economy and dean of the Faculty of Economics in the University of Rome Tor Vergata, including exchange

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9 Stiglitz, Joseph E, *The Euro: How the Common Currency Threatens the Future of Europe*, New York: W W Norton, 2016; and Varoufakis, Yanis. *Adults in the Room: My Battle with Europe's Deep Establishment*, London: Bodley Head, 2017.

10 Carrer, Stefano, "Tria a Pechino, l'agenda cinese del ministro tra istituzioni e finanza" (Tria in Beijing, the Minister's Chinese Agenda Between Financial and Institutional Actors), *Il Sole 24Ore,* 29 August 2018.

programmes with the Central Party School of the Chinese Communist Party. Tor Vergata's president claimed that Tria achieved an "Intra-Academic Silk Road".[11] Tria thus looked favourably upon symbolic overtures to China, considering his personal background and financial mission.

2.5 More generally, the populist government sought diplomatic latitude with Beijing for political and economic gains. Assisted by Undersecretary Michele Geraci, a former adjunct professor of finance and economics in several universities in the Shanghai and Zhejiang area, and a man close to NL leader Matteo Salvini, the Minister of Economic Development, Deputy Prime Minister and 5SM leader Luigi Di Maio gave his political blessing to sign the BRI MoU.[12] A convinced free trade- and EU-sceptic nationalist, Geraci's eccentric policy proposals echoed the NL and 5SM's policy agenda as Geraci believed (Salvini's) flat tax and (Di Maio's) universal basic income fiscal policy proposals were *both* possible. To align with his political masters' populist foreign policy agenda, he controversially depicted China and the China model as a mythical panacea for Italy's socio-economic challenges.[13]

2.6 Writings dating back from just a few months earlier show that Geraci was a clear-eyed realist when it came to China's economic challenge, especially through China's partnership with Central and Eastern European countries via the 16+1 (now 17+1) format: he would label Chinese investments in Hungary as a Trojan horse for Chinese overcapacity in Europe.[14] Geraci's own self-aggrandisement as *the* person behind the MoU − a gross exaggeration – had conversely produced facile and sensationalistic depictions of him as Italy's Manchurian candidate that highjacked the decision-making machine.[15]

[11] Merlo, Francesco, "Uno e Tria -- Vi racconto la prudente vita spericolata del ministro dell'economia" (One and Tria – The Minister of Economy's Prudent Reckless Life), *La Repubblica*, 18 September 2018.

[12] Spalletta, Alessandra, "Chi è Michele Geraci, l'economista proposto da Salvini come premier" (Who is Michele Geraci? The Economist whom Salvini Wanted as Premier), *AGI*, 14 May 2018.

[13] Geraci, Michele, "La Cina e il governo del cambiamento" (China and the Government of Change), *Il Blog di Beppe Grillo*, 11 June 2018; and various authors, "The Chinese Panacea? A Response to the Undersecretary of Economic Development of the New Italian Government", *Chinoiresie*, 5 July 2020.

[14] Geraci, Michele, "Budapest: the Trojan horse for Chinese overproduction", http://michelegeraci.com/en/2018/04/21/budapest-trojan-horse-chinese-overproduction/, 21 April 2018.

[15] See for instance: Pompili, Giulia, "Chi Mise la Cina al governo" (The Guy behind China's Place in the Government), *Il Foglio*, 7 March 2019.

2.7 Foreign China watchers went as far as to suggest, without proof, that a small cohort of Italian decision-makers were either "offered illicit financial inducements from the PRC side" to seal the BRI MoU, or working for the CCP's United Front Work Department.[16] In fact, the populist government's calculations were much more straight-forward: showcase a new foreign policy "deal" to the Italian public and reap some of its benefits as early as 2020. More importantly, the government's convoluted conduct of public affairs was premised on the solid foundations built by the state apparatus *and* previous governments. Mounting Western scepticism around China's rise, together with poor quality information and analyses on the nature of Rome's China overtures, turned Italy's BRI MoU into a global Rorschach test that was more reflective of the beholder's biases.

2.8 The Italian government was acting on cool-headed calculations based on cost-benefit analysis that proved far-fetched, on hindsight. The populist leadership wanted to showcase an "Italy First" diplomatic line that sprinted towards a BRI MoU ahead of other G-7 and Western European countries[17] and to prove that it enjoyed a degree of strategic latitude while the Franco-German entente eyed China's distorted market practices with a more critical eye.[18]

2.9 Moreover, since the BRI was enshrined in the CCP Charter, with Xi's reputation at stake, it was deemed too big to fail and amenable to ameliorations – given an international pushback and domestic criticism. The second edition of the BRI Forum for International Cooperation in 2019 suggested that Beijing was indeed scaling down and, at least rhetorically, improving the BRI's nebulous financing practice and legal standards. However, Italian decision-makers underestimated the extent of the

16 See, for instance, public statements by Philippe Le Corre, a research fellow based in the United States, and scholars John Pomfret and Aaron Friedberg: https://twitter.com/PhLeCorre/status/1108248714529763328?s=20; https://twitter.com/AaronFriedberg/status/1105458127808405504 and https://twitter.com/JEPomfret/status/1105549743504023553?s=20.

17 Casarini, Nicola "Rome-Beijing: Changing the Game: Italy's Embrace of China's Connectivity Project, Implications for the EU and the US", *IAI Working Paper*, March 2019.

18 Federal Ministry for Economic Affairs and Energy and French Ministry for the Economy and Finance, *A Franco-German Manifesto for a European industrial policy fit for the 21st Century*, 19 February 2019, https://www.gouvernement.fr/sites/default/files/locale/piece-jointe/2019/02/1043_-_a_franco-german_manifesto_for_a_european_industrial_policy_fit_for_the_21st_century.pdf; and European Commission and HR/VP contribution to the European Council, *EU-China: A Strategic Outlook*, 12 March 2019, https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf.

growing US-China rift, worrying instead of a US-China trade deal in the making that would penalise Italy and the EU's access to the Chinese market.

2.10 Finally, Italian policymakers reasoned that there was little to lose. By negotiating a highly symbolic BRI MoU – one that was painfully negotiated with a constructive language that framed the terms of Italy-China BRI relations within multilateral frameworks – Italy could salvage the BRI and Xi's waning shine through a pompous state visit and present itself, regardless of the reality, as China's intermediary in an unfriendlier Western bloc. Noise and symbolism aside, Italy's support for EU initiatives on formulating a foreign screening investment mechanism and industrial policies did *not* change in substance, not unlike the "much ado about nothing" EU-Italy standoff over its budget law. In short, the Italy-China BRI MoU was, at international and domestic-levels (and for both countries), populism through and through.

2.11 With a symbolic state visit and MoU in hand, the populist leadership aimed to gain better access to the Chinese market, improve its exports there and secure Chinese investments in its ailing economy. Short-term economic, hence political, calculations informed Di Maio's political blessing to the MoU: the Ministry of Economic Development was responsible for Italian exports and the accessory deals worth €2.5 billion were considered easy eye-catchers for the Italian public.

2.12 More subtly, the Italian government laid the groundwork for 2020, the 50th anniversary of bilateral relations and the year to propel the relationship into a new dynamism through the Italy-China Year of Culture and Tourism. Through a flurry of activities, a more confident engagement with Chinese online platforms and a little help from the Chinese propaganda departments, Chinese consumers would have favoured Italian goods and services – notably tourism – in 2020.

2.13 The policy was by design entangled with Di Maio's political fortunes, but Di Maio was essentially taking the credit for a policy built over the years by his predecessors and over the watchful eye of Italy's diplomatic and state apparatus. Under the second Conte cabinet, Di Maio became minister of foreign affairs and international cooperation, and conferred executive authority over international commerce away from the Ministry of Economic Development. The aim was to engage China more confidently and boost exports through the close involvement of the diplomatic apparatus, an institutional reform that was a long time in the making; and these expectations were shared widely, including a former ambassador to the United States.[19]

2.14 This push was not merely a by-product of a naïve 5SM leadership that was interested in expanding Italian exports on the basis of symbolic displays of goodwill. Previous Italian governments, led by the Euro-Atlantic Democratic Party, had engaged China's BRI based on economic calculations and the state apparatus was appreciative of its potential opportunities in the mid-2010s, especially with regards to investments in ports' facilities.[20]

2.15 Contrary to common misperceptions, Chinese investments in Italian infrastructure services and strategic industries are lagging: the People's Bank of China has a two per cent stake in Italy's three largest banks and Enel (energy), Eni (oil and gas) and Telecom (telecommunications) are all openly traded companies. China has a five per cent stake in Autostrade per l'Italia, a joint-stock company that manages motorways under public concessionary, and under the government led by Matteo Renzi, acquired a 35% non-controlling stake in CdP Reti, a public shareholding company that owns a 30% stake in Snam and Terna, Italy's gas and power grid companies.[21]

2.16 Regarding ports, the Italian state retains full ownership (unlike, for instance, Greece's Port of Piraeus) and has allowed minority investments by China's COSCO (together with Qingdao port, while the Dutch APM retains a majority stake) in the development of a container terminal in Vado Ligure, Genoa. This is not unlike COSCO's major investments in port terminals in Belgium (Antwerp and

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[19] Castellaneta, Giovanni (aka Gianni), "Le priorità che deve avere la diplomazia italiana. Spunti" (Priorities for Italian Diplomacy. Some Thoughts), *Il Foglio*, 15 September 2019, https://www.ilfoglio.it/home/2019/09/15/news/le-priorita-che-deve-avere-la-diplomazia-italiana-spunti-273418/.

[20] Interview with Italian diplomat in charge of Asia-Pacific affairs, 5 January 2016. See also the contributions in Bressan, Matteo and Domitilla Savignoni, *Le Nuove Vie della Seta e il ruolo dell'Italia* (the New Silk Roads and Italy's Role), Rome: Pacini Editore, 2018.

[21] Cavalieri, Renzo, "La Belt and Road Initiative e gli investimenti cinesi" (The Belt and Road Initiative and Chinese Investments), *Mondo Cinese*, N. 165-166, 2019, pp. 89-108.

Zeebrugge), Holland (Rotterdam), Spain (Bilbao-Valencia), France (Marseilles) and elsewhere.[22]

2.17 There is strong intra-European competition. Given that 90% of the expanding Europe-China trade is by sea, key decision-makers, such as the former ambassador to Beijing and current chief of cabinet of the Ministry of Foreign Affairs, understood the merits of intercepting as big as possible a piece of that pie.[23] Northern Italy would have provided an excellent gateway: efficient and well-integrated railroad links would have connected rich European markets and industrial areas with China's. To that effect the head of the Trieste Port Authority looked favourably to interlinking the harbour with Austria and southern Germany, as well as central and eastern European economies.[24] Moreover, the parallel expansion and development of logistic hubs in both Italian *and* Chinese port facilities – an overlooked aspect − would have granted reciprocal preferential access to the respective markets.[25] It would have also contributed to Italy's manufacturing powerhouse, Europe's second largest, which would have benefitted from positive spill-over effects, similar to the industrial areas developed along Northern European ports.

2.18 Thus, *by 2016*, the Italian government started lobbying China and the EU for the development of Genoa and Trieste harbours' transport logistics within the framework of the EU-China Connectivity Platform, an initiative premised on synergies between the Juncker Plan and the BRI.[26] Of note is the fact that the

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22 Ibid.

23 Sequi, Ettore, "La Belt and Road Initiative e le opportunità per l'Italia" (The Belt and Road Initiative and Opportunities for Italy), in Bressan, Matteo and Domitilla Savignoni, *op.cit.* pp. 30-6.

24 D'Agostino, Zeno, "Trieste, nodo della Via della Seta nel mare Adriatico orientale" (Trieste as a Silk Road Node in the East Adriatic Sea), in Bressan, Matteo and Domitilla Savignoni, *op.cit.* pp. 73-87.

25 See, for instance, the deal signed in November 2019 by the Trieste Port Authority and China Communications Construction Company (CCCC) for the development of logistic hubs in Shanghai, Shenzhen and Ningbo: "Porti: intesa Trieste con CCCC per aree industriali in Cina" (Ports: Agreement between Trieste and CCCC to develop industrial zones), *Ansa*, 7 November 2019, https://www.ansa.it/mare/notizie/portielogistica/news/2019/11/05/porti-intesa-trieste-con-cccc-per-aree-industriali-cina_d5bcb74d-b262-43ac-bc92-42c5dbccee94.html.

26 See European Commission, *List of projects to be considered in the framework of the EU-China Connectivity platform*, July 2018, https://ec.europa.eu/transport/sites/transport/files/2018-07-13-european-transport-infrastructure-projects.pdf.

landmark EU's China Strategic Outlook of March 2019 *does* include the Connectivity Platform as an opportunity to promote sustainable transport corridors within the framework of the EU's Strategy on Connecting Europe and Asia, both of which are expressly enshrined in the opening paragraphs of the Italy-China BRI MoU.[27] The aforementioned suggests that the Italy-China BRI MoU was no leap into the unknown and hardly qualified as anti-EU.

2.19 In the past 15 years, China expanded by 841% its total trade volume with the Mediterranean basin and by more than 10-fold its total trade with the Middle East and North Africa region. The 2015 expansion of the Suez Canal has made the Mediterranean trade route ever more attractive for Eurasian maritime commerce, arguably even more so than eventual Artic routes and trade links between the US East Coast and Chinese East Coast: in fact, Eurasian maritime trade has already surpassed the Transatlantic one and it is destined to grow further.[28]

2.20 Finally, authoritative voices reasoned that Chinese capital could be of benefit to Italy's industrial base, mostly made up of small and medium-sized enterprises (SMEs), provided that a level playing field regulates bilateral economic interactions.[29] Between 2018 and 2020 Chinese investments registered a positive trend as a result, most recently with the US$1 billion investment in Italy-based joint-ventures for the production of high-end electric vehicles.[30]

2.21 Moreover, preliminary evidence suggests that the Italian government has moved with distinctive caution and realism in its engagement with China: earlier China

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27 *EU-China: A Strategic Outlook*, 12 March 2019, https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf, p. 5; and Government of Italy, *Memorandum of Understanding between the Government of the Italian Republic and the Government of the People's Republic of China on Cooperation Within the Framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative*, March 2019, http://www.governo.it/sites/governo.it/files/Memorandum_Italia-Cina_EN.pdf.

28 Fasulo, Filippo, "La Belt and Road Initiative: implicazioni geopolitiche per l'Italia" (The Belt and Road Initiative: Geopolitical Implications for Italy), *Mondo Cinese*, N. 165-166, 2019, pp. 63-74.

29 Cavalieri, Renzo, *op.cit*, 2019.

30 Fasulo, Filippo, *XI Rapporto CESIF*, Milano: Fondazione Italia-Cina, 2020, pp.146-7; and "FAW-Silk EV, jv investe 1 miliardo di euro in Emilia Romagna", *Ansa*, 13 May 2020, https://www.ansa.it/canale_motori/notizie/industria/2020/05/13/faw-silk-ev-jv-investe-1-miliardo-di-euro-in-emilia-romagna379a941d-7569-46a3-bd67-cc734d882c71.html.

overtures under the Renzi (2014-16) and Gentiloni (2016-18) governments were accompanied by a push for greater trade and investment reciprocity with China, a movement akin to that adopted by the Conte I and II governments, and the tightening of Italy's own and intra-EU screws on foreign investments. For instance, Prime Minister Gentiloni was the only G-7 head of government to attend the first BRI Forum in 2017 and Italy was one of the most vocal proponents of an EU foreign investment screening mechanism back then.

2.22 Eurosceptic noise and some tactical posturing aside, the 5SM-NL government did not exactly change that equation: relative sanguinity towards the Franco-German push for bolder industrial policies – minus some anti-competitive elements that would penalise Italy's SMEs in the face of big oligopolies – suggests that realism is alive and well in Machiavelli's country, and continuously so in the past six years.

2.23 Notably however, there has been a countertrend in Chinese investments in Italy: the trade deficit had actually widened in 2019. Italy imports about €31 billion from and exports roughly €13 billion to China. However, whether Rome's bet of spurring exports in 2020 – through the tourist and cultural sectors − would have paid off is still unknown. The COVID-19 pandemic originating in China looms over the 2020 Italy-China Year of Culture and Tourism, which will likely be postponed to better days. The pandemic is dragging down tourism and its satellite economic activities, which account for about 15% of Italian gross domestic product.

US Pressure and Its Impact on Italy-China Relations: the 5G Dossier

3.1 The US government's pushback against the China challenge gradually took a more coherent shape in 2019 when it tapped into trade and technological and communication levers of power to more confidently corner what the Trump administration understood as an "existential threat" and a revisionist power engaged in neo-colonial "debt-trap diplomacy" through the BRI. That same pressure was also employed in full force to arm-twist China into accepting a trade and investment agreement aimed at its distorted market practice. Spring 2019 testified to the momentous stages of those negotiations for an ambitious grand bargain that eventually never saw the light of the day, though it would be later patched-up into a

Phase 1 deal that is unlikely to survive the deterioration of US-China relations during 2020.[31]

3.2 In this particular context, US pressure rapidly etched up and caught Italian decision-makers by surprise: private moral suasions would give way to public pressure – through first-page interviews in Italian news media and tweets by the US National Security Council. The NL dissociated itself from the BRI MoU for fear of US reprimands and was ready to ditch it to please Italy's Transatlantic ally, no matter its symbolic and constructive incarnation. At one stage, the government was ready to postpone its signature to a later time, but China threatened to cancel Xi's state visit altogether.

3.3 Yet, the development of logistic hubs and the facilitation of manufacturing exports would have mainly benefitted Italy's industrial base, largely concentrated in the North, a NL electoral basin. Conversely, the 5SM's electorate is rooted in Central and Southern Italy. For instance, the governor of the rich Friuli-Venezia Giulia region where Trieste is located is a NL politician who has consistently welcomed the development of the port that once was the Habsburg Empire's access to the open seas.

3.4 Specifically, China was only the ninth destination for Italian exports in 2019, but the regions that benefitted from those exports were Lombardy, Emilia-Romagna, Veneto, Piedmont and Tuscany, all northern regions which altogether accounted for 80% of the €12.9 billion worth of Italian exports to China in 2019.[32] Lombardy − where the NL was established in 1989 by confederating the different autonomist regional movements from Northern Italy − alone accounts for €4.33 billion of exports, about 33% of the total.

3.5 Italy first angered Washington DC and eventually frustrated China with its timidity in reaching out following the MoU: some of the proposed cooperation items have

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31 Davis, Bob and Wei, Lingling, *Superpower Showdown: How the Battle Between Trump and Xi Threatens a New Cold War*, New York: Harper Collins, 2020, pp. 13-36.

32 Fasulo, Filippo, *op.cit*, pp. 126-7.

seemingly fallen flat and space cooperation items that had been agreed in 2017 were scrapped in 2018 under American pressure.[33]

3.6 The thorniest dossier in Italy-China cooperation was the potential green light to Huawei technology in Italy's 5G network. Huawei was already a dominant presence in Italy's 4G network: in fact, Huawei and ZTE components covered 54% of Italy's 4G infrastructure. Huawei presented the most alluring option to become the leading provider of 5G components, price *and* quality-wise. In fact, thanks to state-of-the art Research and Development, economies of scale, as well as Chinese state subsidies and dumping practices, Huawei was the natural option for Italy's telecommunication operators; they would build on existing 4G networks to get to non-standalone 5G and amortise investments. Finally, the company is widely understood to be technologically well-ahead of its closest competitors, the European Nokia and Ericsson.[34]

3.7 Yet, the US government came to understand Chinese technology through thick security lenses, embarking on a global pressure campaign against its inclusion in strategic sectors, such as telecommunications. Huawei undeniably posed a security risk, but the Italian government decided against an outright ban of the company – a costly solution that would imply ripping off and replacing pre-existing Huawei equipment, and losing its own advantage in the 5G race. Instead, Rome preliminarily opted for a risk management solution that resembled the British, German and Spanish positions, to name a few.

3.8 The economic calculus is straightforward. Since 5G technology will be the backbone of the fourth industrial revolution the first countries to rollout 5G networks may foresee positive spill-over effects on their country's overall competitiveness. Aside from widely cited security considerations, the US government's embargoes and pressure campaigns were aimed at preventing the Chinese company from acquiring a global dominant position in telecom equipment,

33 Pompili, Giulia, "Australiani e svedesi fanno fuori la Cina dallo spazio. E l'Italia?" (Australia and Sweden do without China on space items. What about Italy?), *Il Foglio*, 23 September 2020, p. 3.

34 Conversations with high-ranking official from AgCom – Italy's regulator authority for, especially, electronic communication industries − 2019-2020.

and acting out of broader considerations concerning its own economic competitiveness (American companies were well behind on 5G technology), not unlike countries such as France (mostly reliant on Nokia – formerly Alcatel – and Ericsson components for its own 4G and 5G networks), Japan (NEC), South Korea (Samsung) and the like. In short, security *and* economic factors were at play, and economic ones fed into excessive securitisation.

3.9 In light of these considerations, the Italian government adopted a wait-and-see approach to manage the security risks associated with Chinese 5G technology while reaping its economic benefits. In a rare interview, the current head of Italy's security services, Gennaro Vecchione, made it abundantly clear that there is no necessity to sacrifice open competition for excessive national security considerations.[35]

3.10 NL actors have been particularly active in updating and strengthening government authority to prohibit or impose conditions on transactions, especially foreign investments, in strategic industries. Then Secretary of the Council of Ministers Giancarlo Giorgetti, one of the most powerful critics of the Italy-China MoU, worked towards bolstering Italy's "Golden Power" law to include provisions on the acquisition of 5G technology and services by non-EU vendors.[36] This initiative was to assuage US anxieties and follow a global trend that was already well-established in Italy under the previous two governments. Tougher rules to screen acquisitions, even for non-controlling stakes, by foreign firms have been rolled out in Israel, Japan and elsewhere in Europe during the past few years.

3.11 The decree-law pushed by Giorgetti was however not converted into law, but the second Conte cabinet made full use of its prerogatives in September 2019, before its expiry. The new government passed a new decree-law (converted into law) in the Autumn of 2019 tailored entirely to strengthening its cybersecurity-related powers

[35] Dompé, Ivan, "5G? «La normativa italiana è opportunamente aggiornata»" (5G? «Our normative system is appropriately up to date»), *Il Sole 24 Ore,* 28 February 2020.

[36] "Frenata sulla Cina, Giorgetti a lavoro per rafforzare il golden power" (Cooling Down Enthusiasms on China, Giorgetti works towards strengthening golden power), *La Stampa*, 14 March 2019, https://www.lastampa.it/politica/2019/03/14/news/frenata-sulla-cina-giorgetti-al-lavoro-per-rafforzare-il-golden-power-1.33687755.

through the establishment of a National Cybersecurity Perimeter and ancillary bodies.[37]

3.12 In 2020, as the Trump administration doubled-down on Huawei, through improbable RICO (Racketeer Influenced and Corrupt Organisations) charges normally reserved for criminal organisations, and embargoes of US and US technology-rich semiconductors, Italy further defined the regulatory apparatus aimed at telecommunication operators. While raising the hurdles for Huawei, the Italian government had left the door ajar for potential openings at the international political level: awaiting a decision in Germany and, potentially, in the United States past the November 2020 presidential elections.

3.13 In sum, Italy's BRI MoU and China engagement were the result of a variety of economic considerations: a political agreement, however symbolic, could spur Italian exports and Chinese investments, allow for the participation of Italian companies in BRI projects in third countries, and redirect a good portion of Eurasian trade through Italian ports rather than Northern European ones. International competitive economic elements are often at the expense of national security considerations in foreign expert analyses on Italy's symbolic MoU and its flirtation with Huawei's 5G option. These competitive economic elements are vital for understanding Italy's clear-eyed overtures to China, which had been built up well before the M5S-NL government.

The COVID-19 Pandemic as a Turning Point?

4.1 Before catching Italy by surprise, the COVID-19 pandemic considerably worried its overseas Chinese community. According to 2019 official statistics, 318,003 Chinese citizens were regularly registered as Italian residents, constituting Italy's third

37 Giarda, Raffaele and Liotta, Jacopo, "The National cyber security perimeter - Italy's approach to protecting its key communications infrastructure and services", *Baker McKenzie*, 20 December 2019, https://www.lexology.com/library/detail.aspx?g=169c334b-3e21-40c6-84e2-7105df4cc57c; Maggiore, Massimo and Andrea D'Addazio, "National Cybersecurity Perimeter and 5G Mobile Networks: the Italian Government Takes a Primary Role", 6 December 2019, https://www.mmlex.it/magazine/national-cybersecurity-perimeter-and-5g-mobile-networks-italian-government-takes-primary-role.

largest community of extra-EU citizens.[38] Unlike other expat communities, their activities revolve around family-owned SMEs to the extent that 52,953 Chinese residents (i.e. one in six) figure as entrepreneurs. Although there has been a steady uptick in the number of dependent workers from 2007, independent activities are still dominant.

4.2 Industry-wise, 61.7% of the Chinese community is devoted to retail and small restaurant businesses, while 26% are in manufacturing, mostly textile/fast fashion industries.[39] The community is prosperous and very vital. Since minors make up 25% of the total number of Chinese residents in Italy, it is poised to become Italy's largest extra-EU foreign community. On the other hand, the community has traditionally been closed-off and concentrated in Chinese quarters, not least because socio-economic advancement depends on intra-ethnic links. Chinese Han self-identification is particularly well-rooted, especially among the older generation, whereas those who have been brought up in Italy and speak the language fluently identify themselves as *Italian born Chinese*. Moreover, the economic fortunes of the motherland and the CCP's nationalistic identity politics aimed at overseas Chinese further bolster Chinese identity.[40]

4.3 Importantly, while France and the UK have the largest number of people of Chinese ancestry, Italy hosts Europe's largest Chinese diaspora hailing from the People's Republic of China. Former colonial powers, such as the UK, France, Holland and Portugal, witnessed a large influx of ethnic Chinese migrants based elsewhere in Asia (e.g. French Indochina, the East and Western Indies, Malaysia, Singapore, Hong Kong and Macau), especially during or after the decolonisation process.[41]

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38 Ministero del Lavoro e delle Politiche Sociali, *La Comunità cinese in Italia – Rapporto annuale sulla presenza di migranti* (The Chinese Community in Italy, 2019 – Annual Report on Migrants' Presence), Published in 2020, https://www.lavoro.gov.it/documenti-e-norme/studi-e-statistiche/Documents/Rapporti%20annuali%20sulle%20comunit%C3%A0%20migranti%20in%20Italia%20-%20anno%202019/Cina-rapporto-2019.pdf.

39 Ibid.

40 Qiu, Yuanping, "Overseas Chinese and the Chinese Dream", *Qiushi* (English Edition), Vol. 6, No. 4, 1 July 2014, http://english.qstheory.cn/2014-11/15/c_1113079613.htm.

41 Brigadoi Cologna, Daniele, "Un secolo di immigrazione cinese in Italia" (One Century of Chinese Migration in Italy), *Mondo Cinese*, N. 163 (ebook edition), 2018, pp. 14-26.

4.4 Italy, instead, witnessed the most important immigration flow from mainland China to Europe: small communities of Chinese traders had already settled in the country by the late 1920s and those ancestral links would constitute a powerful pull factor for generations to come.[42] From the mid-1990s, family reunifications would turn into an engine of migration. According to the latest available European data, around a quarter of Chinese citizens legally residing in Europe are based in Italy, the country with the highest number of Chinese residents in both absolute and relative terms.[43]

4.5 Thanks to family reunifications-driven immigration, at least 80% of Chinese residents in Italy hail from Wenzhou and southern Zhejiang.[44] The Chinese community is concentrated in Northern Italy (55.9%), with a little more than 20% in Lombardy, an additional 20% in Tuscany, and a bit more than 10% in Veneto.[45] City-wise, Milan has the highest concentration of Chinese residents (roughly 30,000),[46] but only a small component works in the fashion industry. The majority of Chinese residents in the textile industry are concentrated in Tuscany where the focus is on *fast fashion*.

4.6 Long memories of the Sinophobia unleashed by the 2002-04 SARS epidemic, which led to the closure of many Chinese restaurants (and their subsequent conversion into Japanese and other ethnic cuisines),[47] and worrying news from Hubei *and* Zhejiang provinces about the new SARS-CoV-2 had led Italy's Chinese community to self-enforce strict preventative measures ahead of the Italian government. Aside from fear of discrimination by locals, distrust likely ran high among Chinese residents. After all, 180,000 people from Wenzhou either do business or study in Wuhan, and

42 Ibid.

43 Ibid; Ceccagno, Antonella "Autenticita', nazionalismo metodologico e made in Italy", *Mondo Cinese,* N. 163, 2018, pp. 33-42.

44 Brigadoi Cologna, Daniele, *op. cit.* 2018.

45 Ministero del Lavoro e delle Politiche Sociali, *op. cit.*, pp.12-13.

46 Brigadoi Cologna, Daniele, "Aspetti sociali e linguistico-culturali dell'esperienza sinoitaliana in Lombardia" (Social and Cultural-Linguistic Aspects of the Sinoitalian Experience in Lombardy), in Bocale P, Brigadoi Cologna D and Panzeri L, *Quaderni del Cerm n. 1 - Le nuove minoranze in Lombardia* (CERM Notebooks N.1 – The New Minorities in Lombardy), Pavia, Ledizioni, 2020, pp. 47-56.

47 Brigadoi Cologna, Daniele, "I cinesi d'Italia alla prova del COVID-19", *Orizzonte Cina,* 3 July 2020, https://www.twai.it/articles/cinesitaliani-i-cinesi-ditalia-alla-prova-del-covid-19/.

at least 33,000 of these moved back to Wenzhou during the Chinese New Year festivities in late January 2020.[48] By early February 2020, the COVID-19 outbreak in Wenzhou – located 700km from Wuhan – was reportedly the highest of any city outside Hubei province.[49]

4.7 Back in January 2020, the unknowns surrounding the novel coronavirus were still many (in no small part because of China's less-than-forthcoming attitude), but the risks of importing the epidemic were high. On 30 January 2020, the Italian government decided to ban all flights to and from China and, out of an excess of precaution and perhaps a touch of diplomatic courtesy, also flights to/from Taiwan.[50] Health Minister Roberto Speranza lobbied for the ban – the most stringent in Europe – but this was a half-baked countermeasure; visitors could always go around it by buying indirect flights.

4.8 Preliminary evidence suggests that the overseas Chinese community has been very disciplined to the extent that many opted for an early closure of businesses (if not self-imposed lockdowns) and no major outbreaks had been reported among Italy's overseas Chinese community during the first COVID-19 wave. Nor had early outbreaks been traced back (yet) to contact with Chinese residents, but this remains a possibility considering the role of asymptomatic COVID-19 cases behind human transmission. At any rate, other regions with a heavy concentration of Chinese residents – such as Tuscany – have not been as badly hit by the COVID-19 wave as elsewhere in Northern Italy, especially Lombardy.[51]

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48 Ma, Zhenhuan, "Three Wenzhou coronavirus patients cured, discharged", *China Daily*, 29 January 2020, https://www.chinadaily.com.cn/a/202001/29/WS5e3151b0a310128217273994.html.

49 Fifield, Anna, "Hundreds of miles from Hubei, additional 30 million Chinese are in coronavirus lockdown", *The Washington Post*, 8 February 2020.

50 Berberi, Leonard, "Coronavirus, lo stop ai voli Italia-Cina dura tre mesi", *Corriere della Sera*, 2 February 2020, https://www.corriere.it/cronache/20_febbraio_01/coronavirus-stop-voli-italia-cina-dura-tre-mesi-86f40106-4501-11ea-9d28-c32ca6f6093f.shtml.

51 "Coronavirus, zero contagi nella comunità cinese di Prato, il sindaco: «Hanno dato il buon esempio»" (Coronavirus, no contagions in the Chinese community of Prato – The Mayor: 'They constitute a virtuous example'), *Il Messaggero*, 20 April 2020, https://www.ilmessaggero.it/italia/coronavirus_comunita_cinese_prato_zero_contagi-5181877.html.

4.9 The COVID-19 pandemic frustrated especially Foreign Minister Di Maio who was trying to reap the fruits of the BRI MoU and to prop up his dwindling political popularity by presiding over a series of bilateral events in 2020: the Italy-China Year of Culture and Tourism, and the 50th Anniversary of diplomatic relations. By March 2020, the COVID-19 tsunami had wrought havoc on Lombardy's health-care system – among Europe's finest – with an insufficient number of ventilators needed to cope with the high number of patients with severe symptoms. As medical supplies were confiscated and embargoed by fellow EU member states, the government scrambled for medical goods and medical assistance globally, including China. It was in this context that the Ministry of Foreign Affairs and the Prime Minister's Office acted, earning medical assistance from China early on during the COVID-19 crisis.[52] Government officials such as Di Maio played up the assistance received from the PRC even though most of China's supplies of medical masks, ventilators and the like were paid for; pandering to China's "mask diplomacy" was the small price to pay for priority orders of finite resources that were sought after globally.[53] Of particular note is the underlying competition to secure medical supplies and medical assistance during the deadliest of crises since World War II.

4.10 Earlier European blunders, China's early response and the US government's belated response led to an initial appreciation of China and at the expense of the United States and the EU.[54] Yet, Italy was living in extraordinary times and under stern nationwide lockdown constraint. The Italian government dominated the news during the crisis, but once the dust settled, more attention was given to Chinese responsibilities and disinformation campaigns in Italy.[55] Furthermore, China's

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52 The best accounts, by far, on Italy-China relations during the COVID-19 crisis are written by Francesca Ghiretti and Lorenzo Mariani. See, for instance Ghiretti, Francesca and Lorenzo Mariani, "Italy: Cooperation, competition and local politics amid Covid-19", in John Seaman (ed.), *Covid-19 in Europe-China Relations A country-level analysis*. ETNC Special Report, Paris, French Institute of International Relations (Ifri), 29 April 2020, pp. 35-39.

53 Ghiretti, Francesca, "China, Italy and COVID-19: Benevolent Support or Strategic Surge?", *IAI Commentaries*, Issue 20 (14), 26 March 2020, https://www.iai.it/sites/default/files/iaicom2014.pdf.

54 Bechis, Francesco, "Se gli italiani preferiscono la Cina agli Usa (e alla Ue)" [Italians Prefer China to the US (and the EU)], Formiche, 21 April 2020, https://formiche.net/2020/04/italiani-preferiscono-cina-usa-ue/.

55 Small, Andrew, "The meaning of systemic rivalry: Europe and China beyond the pandemic", *ECFR Policy Brief*, 13 May 2020, https://www.ecfr.eu/publications/summary/the_meaning_of_systemic_rivalry_europe_and_china_beyond_the_pandemic.

handling of the COVID-19 crisis and its aftermath was also politicised and caricaturised, at home and abroad, for political gains. By mixing real, implausible and flat-out conspiratorial explanations[56] the US government doubled-down on China's heavy responsibilities in the mismanagement of the COVID-19 initial outbreak to publicise the CCP's faults among domestic, global and Chinese public opinion.[57]

4.11 On the opposite side, China enlarged the spectrum of its communication activities as government institutions, officials and state-sanctioned media have beefed up their presence in the Western social media sphere, with Italy in the forefront. Preliminary evidence suggests that China has recently rallied to generate a pro-PRC amplification network, through automatically generated accounts and sock puppets, for mostly its domestic rather than external audiences. Since expat and overseas Chinese communities are an important pressure group on regime stability, Chinese public diplomacy in Italy was arguably targeting them, above all.

4.12 In fact, China's "wolf warrior" diplomacy made headlines everywhere, especially its own conspiracy theories on the virus origins and its own self-serving narratives, from successful crisis management to acting as the world's saviour. While that aggressive public diplomacy was a huge success at home − and possibly among overseas Chinese communities – it was a flop among foreign audiences. In the process, Italian public opinion and decision-makers grew tired of China's self-centred behaviour.[58] Italy's Chinese communities were caught in the middle and tried to assuage mounting Sinophobia for all things Chinese. Especially for those working in the restaurant and café industries, preliminary and anecdotal evidence suggests that locally based associations – whether religious (especially Christian evangelical) or professional – distributed personal protective gear to care givers, law enforcement forces, neighbours and passers-by.[59]

[56] Sneider, Daniel, "Behind The Escalating Blame China Campaign", *Tokyo Business Today*, 25 May 2020, https://toyokeizai.net/articles/-/352479.

[57] Pugliese, Giulio, *op.cit*. 2020.

[58] Krastev, Ivan and Mark Leonard, "Europe's pandemic politics: How the virus has changed the public's worldview", *ECFR Policy Brief,* 24 June 2020, https://www.ecfr.eu/publications/summary/europes_pandemic_politics_how_the_virus_has_changed_the_publics_worldview.

[59] Brigadoi Cologna, Daniele, *op.cit,* 3 July 2020.

4.13 Finally, as China-US relations in 2020 progressed into an endless race to the bottom across the military, economic, political, ideological and propaganda domains, Italy and key EU member states were keenly aware of the risk of self-fulfilling prophecies. For instance, EU states were uninterested in a "China bashing" G7 Plus Summit, nor were they interested in a US-led "coalition of the willing" investigation of the novel coronavirus.[60] Still, EU-China and EU-US relations are not equidistant.

4.14 On the economic front, Italy and weightier European players are conscious of their heavy reliance on China for medical products and pushed to (partly) readjust their economies' supply chains and for a comprehensive investment agreement − in name and in substance − while allowing the newly installed European Commission to levy anti-dumping instruments with China in mind.

4.15 On the values front, China's National Security Laws on Hong Kong demonstrated Beijing's unwillingness to heed warnings against doubling-down on dissent and against the letter of international agreements. In addition, the politicisation of the China issue in Italy, and in pretty much everywhere in the West, has led to pressure campaigns aimed at condemning Beijing's repression in Hong Kong, Xinjiang and Tibet for instance through the local chapter of the Inter-Parliamentary Alliance on China. These frustrations had been brewing since 2019 and aggravated by Beijing's self-induced Streisand Effect. These factors – stronger pressure from the United States and domestic groups, China's own heavy-handed behaviour and continued inability to follow through on long-held promises, such as the EU-China Comprehensive Agreement on Investments – would lead to a cooling down of Italy-China relations in 2020. At any rate, the Italian government has sided with all Hong Kong statements coming out of the G7 and the EU; Foreign Minister Di Maio has also spoken out on the need to preserve Hong Kong's autonomy, including during a bilateral summit with Wang Yi.

4.16 Notably, these developments have led to the M5S leadership's willingness to more confidently play with the EU team in the face of successful negotiations for an EU

[60] Pugliese, Giulio, "The EU Amid US-China Confrontation During the Novel Coronavirus Crisis: An Analysis Focused on the China Challenge and the US-China Information War" (in Japanese), Tōa, Vol. 8 (August): 18-27.

recovery fund following the COVID19 crisis. Access to the generous Next Generation EU recovery instrument will necessarily go through structural reforms to make Italy and fellow EU member states more competitive and resilient. Italy's digitalisation agenda will be financed by these funds and will necessarily move in lockstep with other EU member states within the parameters of the EU's 5G Toolbox to pursue greater technological autonomy. In the process, the Trieste port authority would attract investments aimed at the completion of a major logistic hub from Germany's Hamburger Hafen und Logistik rather than the Chinese state-owned enterprise, CCCC. Aside from US pressure, fear of costly secondary sanctions and crippling US export controls targeted at Chinese companies informed the calculus, not unlike the gradual side-lining of Huawei.

4.17 The Conte 1 and Conte 2 governments qualify as a Bildungsroman for the M5S' leadership team, including Di Maio; they have learnt the ropes of political compromise away from facile slogans and anti-EU populist pandering. Noise aside, the Italian state apparatus from the bureaucrats all the way to the president of the Republic have acted as the ultimate guarantors of a China policy that is essentially tame, in continuity with earlier governments, and in line with Italy's traditional alliances. The Italy-China BRI MoU was one such case. What has changed is, the US pushback and the general atmosphere around Xi Jinping's China.

4.18 Evidently, a clear-eyed China policy line that carefully takes into account national security considerations and the quest for an economic level playing – not unlike major European partners – need not preclude a degree of engagement with Beijing, especially amidst a pandemic and hard-hitting economic downturn. Italy's foreign policy testifies to that nuance.