

Italy in Belt and Road Initiative

Why in news?

Italy is negotiating a preliminary deal to become a part of China's Belt and Road Initiative (BRI).

What is the rationale?

- Italy is facing difficulties 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.
- So Italy is counting on its BRI endorsement to boost investments, given recent reductions in Chinese outflows into the EU.

What is China's BRI plan?

- On its inception in 2013, the BRI envisaged linking about 65 countries along a modern Silk Road.
- China aimed at transformation into a high-income economy and the renminbi's elevation into a global currency.
- As of now, the BRI is expanded to over 80 countries, mostly least developed and developing economies.
- This is attributed largely to the informal nature of the deals that China negotiates with partner-states.
- It comes with attractive loan terms, without much political commitments.
- With all this, Beijing ultimately seeks to bolster its Made in China 2025 industrial policy.



What is the implication of Italy's move?

- The opaque nature of BRI deals has raised concerns that recipients would be pushed into a debt trap.
- Italy, an EU founder-member, will be the first major developed economy to participate in the BRI.
- Its proposed endorsement of the BRI highlights the dilemmas within the EU.
- The engagement is likely to 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.
- Moreover, it comes at a moment of increasing concern in European capitals, especially Paris and Berlin.
- The compulsion to counter Chinese mergers and acquisitions of European firms to protect EU's strategic economic sectors is increasingly felt now.

What lies ahead?

- China's phenomenal economic expansion since joining the WTO in 2001 has almost altered the global landscape.
- So attempts to block Chinese businesses by promoting protectionism may prove short-sighted.
- Instead, Western democracies should increasingly work towards their commitments on a rules-based open and free global competition.

Source: The Hindu

