



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?

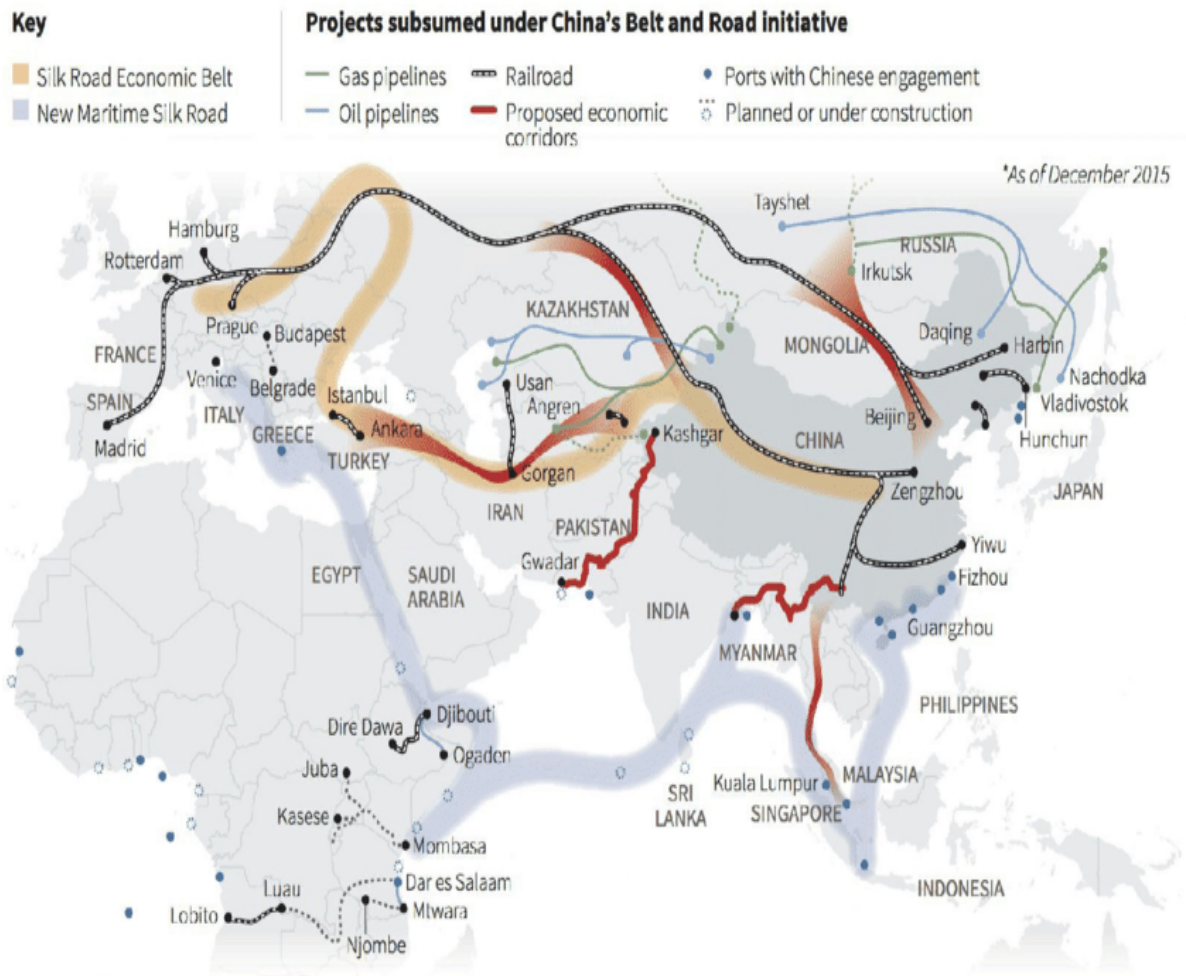
- Italy is facing difficulties in balancing its growth targets with the EU's stringent fiscal norms.
- These tensions surfaced in recent negotiations with Brussels that led to a revised Italian budget.
- So Italy is counting on its BRI endorsement to boost investments, given recent reductions in Chinese 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.

Reviving the Silk Road

Announced by Chinese President Xi Jinping in 2013, the Silk Road initiative, also known as China's Belt and Road initiative, aims to invest in infrastructure projects including railways and power grids in central, west and southern Asia, as well as Africa and Europe.



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



IAS PARLIAMENT

Information is a Blessing

A Shankar IAS Academy Initiative