

# China's European Moment Has Arrived

The simplicities of the postwar order have just begun to pass into history, writes Patrick Lawrence.

By **Patrick Lawrence**

*Special to Consortium News*



**I**t would be difficult to overstate the importance of Xi Jinping's visits to Rome, Paris and Monaco last week. In bringing his much-remarked Belt and Road Initiative to the center of Europe, the Chinese president has faced the Continent with the most fundamental question it will have to resolve in coming decades: Where does it stand as a trans-Atlantic partner with the U.S. and – as of Xi's European tour – the western flank of the Eurasian landmass? The simplicities of the postwar order, to put the point another way, have just begun to pass into history.

In Rome, the populist government of Premier Giuseppe Conte brought Italy into China's ambitious plan to connect East Asia and Western Europe via a multitude of infrastructure projects stretching from Shanghai to Lisbon and beyond. The memorandum of understanding Xi and Deputy Premier Luigi Di Maio signed calls for joint development of roads, railways, bridges, airports, seaports, energy projects and telecommunications systems. Along with the MoU, Chinese investors signed 29 agreements worth \$2.8 billion.

Italy is the first Group of 7 nation to commit to China's BRI strategy and the first among the European Union's founding members. It did so two weeks after the European

Commission released “EU–China: A Strategic Outlook,” an assessment of China’s swift arrival in Europe that goes straight to the core of the Continent’s ambivalence. Here is the operative passage in the E.C. report:

“China is, simultaneously, in different policy areas, a cooperation partner with whom the E.U. has closely aligned objectives, a negotiating partner with whom the E.U. needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance.”

There is much in this document to chew upon. One is the mounting concern among EU members and senior officials in Brussels about China’s emergence as a global power. This is natural, providing it does not tip into a contemporary version of the last century’s Yellow Peril. At the same time, the Continent’s leaders are highly resistant to the confrontational posture toward China that Washington urges upon them. This is the wisest course they could possibly choose: It is a strong indicator that Europeans are at last seeking an independent voice in global affairs.

### **Looking for Unity**

They are also looking for a united EU front in the Continent’s relations with China. This was Emmanuel Macron’s point when Xi arrived in Paris. The French president made sure German Chancellor Angela Merkel and E.C. President Jean–Claude Juncker were there to greet Xi on his arrival at the Élysée Palace. The primary reason Italy sent shockwaves through Europe when it signed onto Xi’s signature project is

because it effectively broke ranks at a highly charged moment.

But unity of the kind Macron and Merkel advocate is likely to prove elusive. For one thing, Brussels can impose only so far on the sovereignty of member states. For another, no one wants to miss, in the name of an E.U. principle, the opportunities China promises to bring Europe's way. While Macron insisted on EU unity, he and Xi looked on as China signed contracts with Airbus, Électricité de France, and numerous other companies worth more than \$35 billion.

There is only one way to read this: Core Europe can argue all it wants that China is unrolling a divide-and-conquer strategy, but one looks in vain for on-the-ground resistance to China's apparent preference for bilateral agreements across the Continent. On his way home, Xi stopped in Monaco, which agreed in February to allow Huawei, China's controversial telecoms company, to develop the principality's 5G phone network.

In numerous ways, Italy was fated to demonstrate the likely shape of China's arrival in Europe. The Conte government, a coalition led by the rightist Lega and the Five-Star Movement, has been a contrarian among EU members since it came to power last year: It is highly critical of Brussels and of other member states, it opposes EU austerity policies, it is fiercely jealous of its sovereignty in the EU context, and it favors better ties with Russia.

Closer to the ground, the Italian economy is weak and inward investment is paltry. Chinese manufacturers have made short work of Italian competitors in industries such as textiles

and pharmaceuticals over the past couple of decades. A map, finally, tells us all we need to know about Italy's geographic position: Its ports, notably Trieste at the northern end of the Adriatic, are gateways to the heart of Europe's strongest markets.

As the westward destination of Xi's envisioned Belt and Road, Europe's economic and political relations with China were bound to reach a takeoff point. The accord with Italy, Xi's European tour and an [EU-China summit](#) scheduled to take place in Brussels on April 9 signal that this moment has arrived.

### **Shift in Relationship**

But it is not yet clear whether Europeans have grasped the strategic magnitude of last week's events. In effect, the Continent's leaders have started down a path that is almost certain to induce a shift in the longstanding trans-Atlantic relationship. In effect, Europe is starting – at last – to act more independently while repositioning itself between the Atlantic world and the dynamic nations of the East; China first among them by a long way.

No European leader has yet addressed this inevitable question.

Let us not overstate this case. Trans-Atlantic ties have been increasingly strained since Barack Obama's presidency. President Donald Trump's antagonisms, most notably over the Paris climate accord and the Iran nuclear agreement, have

intensified this friction. But there is still no indication that any European leader advocates a rupture in relations with Washington.

Can U.S.–European ties evolve gradually as China’s presence on the Continent grows more evident? This is the core question. Both sides will determine the outcome. The Europeans appear to be preparing for a new chapter in the trans–Atlantic story, but there is simply no telling how Washington will respond to a reduction in its long-unchallenged influence in Western European capitals.

There is one other question the West as a whole must face. The E.C.’s “strategic outlook” terms China “a systemic rival promoting alternative forms of governance.” There are two problems with this commonly sounded theme.

First, there is no evidence whatsoever that China has or ever will insist that other countries conform to its political standards in exchange for economic advantage. That may be customary practice among Western nations and at institutions such as the International Monetary Fund and the World Bank. It is not China’s.

Second, as we advance toward a condition of parity between West and non–West – an inevitable feature of our century – it will no longer be plausible to assume that the West’s parliamentary democracies set the standard by which all others can be judged. Nations have vastly varying political traditions. It is up to each to maintain or depart from them. China understands this. So should the West.

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columnist, essayist, author, and lecturer. His most recent book is “Time No Longer: Americans After the American Century” (Yale). Follow him [@thefloutist](#). His web site is [www.patricklawrence.us](#). Support his work via [www.patreon.com/thefloutist](#).

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## Italy Looks to China

The U.S. and EU may worry about Rome joining the New Silk Road, but it’s their fault, writes Andrew Spannaus.

By [Andrew Spannaus](#)  
in Milan

*Special to Consortium News*



Italy caused a political firestorm in mid-March when it announced that it would be joining China’s Belt and Road Initiative by signing a memorandum of understanding during Chinese President Xi Jinping’s visit to Rome from March 21 to 23.

As the first G-7 country to accept a formal agreement to participate in the initiative, also known as the New Silk Road, Italy found itself under instant pressure from both

the United States and its allies in Europe, all of which worried that it represented an expansion of China's economic foothold in the West.

The populist government led by the Five-Star Movement and the League was caught off guard by the rapid backlash, which began with a pointed tweet from the U.S. National Security Council on March 9.

Italy is a major global economy and a great investment destination. Endorsing BRI lends legitimacy to China's predatory approach to investment and will bring no benefits to the Italian people.

– NSC (@WHNSC) [March 9, 2019](#)

Garrett Marquis, confidant of U.S. National Security Adviser John Bolton and former Security Council spokesman, followed up with a [threat to stop intelligence-sharing](#) between the two countries.

Prior to the Chinese leader's arrival, Giancarlo Giorgetti, the secretary of the Council of Ministers, a post equivalent to chief of staff in the U.S., confirmed the signing of the memorandum to exploit new economic opportunities, but said important restrictions would be placed on cooperation with China, and that it was "ridiculous to speak of detachment from the United States."

The government also took practical measures immediately, expanding the scope of the "golden power," the government's ability to veto economic operations that it deems a threat to national security. This is aimed in particular at protecting the telecommunications sector and the development of the 5G mobile network, an area where the Trump

Administration is putting pressure on other European countries as well.

On March 25, by the time Xi Jinping had come and gone, Deputy Prime Minister Matteo Salvini said “I think the proper balance has been reached. ... Nobody should see this as a change in course, or a change in strategy internationally. Italy remains where it is.”

Nonetheless, the *China Daily* is calling it a “milestone in cooperation” and plenty of news outlets are underscoring the significance of the deal, which starts at \$2.8 billion and could expand to \$22.6 billion.

Michele Geraci, undersecretary of state at the Italian Ministry of Economic Development, who led negotiations on the deal, has insisted that despite taking into account U.S. and EU worries, Italy must make its own decisions, following an “Italy first” strategy.

But Salvini, to whom Geraci owes his position, and who is poised to have even more clout after the European elections at the end of May, has been clear that it is not the type of change in alignment the Chinese had trumpeted.

Salvini even stayed away from the state dinner with Xi; and he has vowed to use his position as interior minister to monitor national security as regards port infrastructure. The other deputy prime minister, Luigi Di Maio, who met with Bolton last Thursday in Washington, says that while Italy is simply pursuing its economic interests, it remains a key NATO ally and trade partner. This is Italy’s standard posture, which will likely be accommodated as long as the government responds to specific requests from the U.S., as



it already has, for example on 5G, the new telecommunications infrastructure.

## **Larger Partnerships**

Italy is certainly not the first country in Europe to look to China for economic growth opportunities. Its larger neighbors in the European Union (EU) actually do more business with China, and have established themselves as key partners in the BRI.

Germany exports 94 billion euros worth of goods to China, for example, while the United Kingdom and France come in at 23 billion and 21 billion, respectively. Italy's share is currently only 13 billion.

After his visit to Rome, Xi Jinping was welcomed to Paris, where he signed agreements for the purchase of tens of billions of euros of French products, from airplanes to wind power systems, despite not formally joining the BRI. And the German city of Duisburg has become a key terminal for the Chinese initiative, with the arrival of dozens of trains every week that carry goods to be distributed throughout Europe thanks to the city's central position and infrastructure connections.

Critics of these agreements point to two negative effects of Chinese expansion: cheaper products that undercut European producers, costing manufacturing jobs, and growing Chinese ownership of assets in Europe, giving the Asian giant increasing power over Western economies.

Other European countries, such as Portugal and Greece, have signed formal agreements with China regarding the New Silk

Road. Italy is different because it has a much larger economy, and is a member of the G-7. Yet it shares the need to rebound from the economic collapse suffered in recent years during the Euro crisis. These have been aggravated by the neoliberal policies imposed by the European Commission and the European Central Bank, with the assistance of the International Monetary Fund.

Between 2011 until 2014, during EU-dictated austerities, Italy's GDP declined by 7 percent, with the loss of 20 percent of the country's industrial production.

It's been a disaster from which the economy has only partially recovered. The current government is attempting to reverse the situation, with greater social spending and public investment. But lacking many allies in Europe, it's being forced to compromise with EU institutions and scale back on its plans.

So, it's no surprise that Italy would look to China to help jump-start the economy. And given that other European countries have more trade with China, it's reasonable to expect Italy to make up the gap with countries such as France and Germany, both through investment in private enterprises and the construction of public infrastructure. And the Italians are seeking more opportunities for their companies to sell products in China.

### **Larger Problem for West**

Italy's situation reflects a larger problem for the West. The neoliberal economic policies of the past 30 years have brought the outsourcing of well-paying jobs, and a reduction of the role of the state in both stimulating growth and

guaranteeing the welfare state. This has weakened the middle class and widened inequalities. As this has happened, the West has lost economic and political weight, opening the door for new powers to expand. China has been the main beneficiary, considerably increasing its economic presence in areas such as Africa and Latin America, and now aiming to play a leading role in Europe as well.

This shift worries U.S. government institutions seeking to bar China from such strategic sectors as telecommunications and to maintain close military-industrial cooperation with European allies.

The strong negative reaction from the U.S., followed by the European Commission, may have been driven by China's public relations about the deal and in part by the make-up of the Italian government.

China portrayed it as a major step, not just another agreement with one country among many in Europe. The Chinese press hailed the accord as a step forward in a "comprehensive strategic partnership," and published remarks calling it an "antidote to the rising wave of unilateralism and trade protectionism," a clear dig at the U.S.

Xi Jinping then wrote a long article published on the front page of Italy's leading daily, *Corriere della Sera*. Meanwhile, on the day of Xi's arrival, copies of the official *China Daily* were distributed free to numerous hotels around Rome.

All that contributed to the unease, and key players in the Italian institutions quickly decided they could not afford to anger the United States. The memorandum has been signed,

and Italy will try to obtain as much economic benefit as possible, attempting to make up ground compared to its European competitors. However, the document, and the government's rhetoric, have been adjusted to dampen the notion of a change in Italy's strategic positioning.

Italy has the only fully populist government in Europe: the Five-Star Movement and the League came to power after elections one year ago, determined to challenge the status quo, meaning going against EU economic orthodoxy, and also hoping to lower the tensions that have dominated relations with Russia in recent years.

The Trump administration has generally been supportive of the Italians, while other European governments have not. Thus, the desire to accelerate cooperation with China is now being tempered by the need to maintain the full support of the country's most important ally.

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