Economic Relations between Italy and China

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China is the world’s largest fast-growing middle-income country, while Italy remains the eighth economy globally, but with a gross domestic product (GDP) that has now been contracting for three of the past five years (2008, 2009, and 2012), declining over 6 percent since the start of the global financial crisis. Yet, China and Italy display some striking similarities in their economic structures. Both countries rely heavily on manufacturing, and there is an overlap between the industrial sectors in which both specialize. Manufacturing industries in Italy cluster in certain locations and consist mostly of small and medium enterprises (SMEs), much the way production chains are organized in some parts of China, especially in key provinces such as Zhejiang and Guangdong. As this chapter will argue, such similarities have profound consequences on bilateral economic relations.

Despite such similarities, or indeed because of them, Italy sees China in an ambivalent light. Not only is Sino-Italian trade competition in third markets vigorous, but Italian businesses seem to lag behind in exploiting the opportunities that the Chinese market itself offers. Institutional, cultural, and economic impediments prevent Italian businesses from succeeding in China to the degree that should be expected, considering the generally strong performance of Italy’s export (ranking seventh worldwide in 2012).

Institutional obstacles mainly consist of various forms of nontariff barriers, which remain widespread in the Chinese market, keeping it impervious to competition in several industries. Diffuse governmental support granted to domestic companies by Beijing and local authorities, a heavily regulated and mostly impenetrable financial market, and an extremely complex legal system further hamper the level playing
field sought by Italian and European officials and businesses when dealing with their Chinese counterparts. Such systemic issues resonate in enduring cross-cultural barriers, which transcend practical complications with the language, and essentially involve profound differences in the way people interact in the business environment.

Economic stumbling blocks, in turn, are mostly on the Italian side: some 94.8 percent of Italian businesses are microenterprises (with an average of 3.9 employees), whose capacity to engage complex and far-flung destinations such as China is limited. Playing a larger role in the wider economy than in any other developed country, Italian SMEs cannot fully exploit the Chinese economy as an opportunity to lower production costs and increase profits. In addition, Italy has pursued a peculiar path for an advanced economy: rather than facilitating a transition toward new types of production at the higher end of the technological and human capital spectrum, national manufacture has mostly continued to operate in traditional sectors, where egregious overlaps have long existed with China’s manufacturing specializations. This tendency can boost bilateral exchange in some respects, but it requires acute awareness of relative advantages in the long term. Table 8.1 shows the magnitude and breakneck pace of China’s growth in recent decades, and it highlights how deeply its economic structure has transformed in the process. In comparison, the Italian economy has mostly maintained its physiognomy over the same time period.

It thus comes as little surprise that Italians should be reported as seeing China primarily as a menace. According to a 2011 British Broadcasting Corporation poll conducted across 28 countries to determine public sentiment with regard to major global players, only 30 percent of Italians held a positive view of China’s role in world affairs, a consistently low percentage in recent years. Such an attitude is confirmed by the German Marshall Fund’s Transatlantic Trends report: compiled yearly with the support of Italian donors and analysts, the 2012 edition of this study shows a relative majority of polled Italian citizens seeing China as more of an economic threat than an opportunity (47 percent in 2012, down from 55 percent in 2007). A still higher proportion perceives a hiatus in terms of values: 56 percent of Italians believe that their country and China have such different values that cooperating on international problems is impossible.

Italy has rarely perceived China as a strategic partner for its business, political, and diplomatic interests. In 1991, Gianni de Michelis was the first minister of foreign affairs from a major European country to visit China since the 1989 freeze of relations, but the ensuing openings granted by a grateful Chinese leadership were not pursued, mostly