



## The Belt and Road Initiative Impact on Europe: An Italian Perspective

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### Abstract

*This paper analyzes the impact of the Belt and Road Initiative on Europe with a specific focus on Italy. We concentrate on the impact of new railways and port infrastructures on bilateral trade. Our analysis suggests that the development of new railway connections will benefit most of the Northern and Central European countries. Some industries like automotive and electronics that have a higher value to weight ratio will benefit more than others. However, due to higher costs, railway services will never reach a high percentage of total import/export flows. Investment in new port facilities, although less “new” compared with railways, may be a bigger game changer. The development of the Port of Piraeus has already increased the importance of the Mediterranean Sea as an import/export hub for China. If the other planned investments in Egypt and Algeria are completed, this phenomenon will be magnified. This presents a huge challenge for Italy. The Italian port in the high Adriatic Sea could be displaced by Piraeus capacity, especially if this port is linked through railways with the center of Europe. Italy needs to coordinate its ports together with its railway network to take advantage of Belt and Road Initiative opportunities.*

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Key words: Belt and Road, China, Europe, infrastructure, Mediterranean

JEL codes: F61, L52, L91, R58

### I. Introduction

The recent setbacks of the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) raised questions about the future of globalization and the USA's role in it. The Belt and Road Initiative (BRI), launched in 2013 by President Xi Jinping, came to be the only existing international initiative with a global horizon, and is China's alternative proposal for the future of the global system.

Born as a natural evolution of the “Western Development Strategy,” aimed at the

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development of China's western provinces, in its infancy the BRI aimed at strengthening China's connections with Central Asia and Europe through infrastructure development, first and foremost the development of railways. Less than 4 years later, the BRI acquired a much broader dimension embracing most of the countries of the Eurasian continent and all economic sectors, from trade to finance, as proven by the newly created financial institutions such as the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund.

The vastness of this project represents its originality. The BRI's main components (i.e. infrastructure and connectivity) were already present in previous initiatives such as the UN's Trans-Asian Railway in the 1960s and Hillary Clinton's New Silk Road Initiative of 2011. The BRI, however, is much more ambitious as it aims to become the biggest project of transnational industrial policy ever conceived for the Eurasian region.

The dimension reflects China's global ambitions. A Sino-centric trait has traditionally characterized China's world outlook. Today, thanks to the demise of the main hegemonic powers and the parallel growth of China's economic influence, China's traditional Sino-centrism has the opportunity to be transformed to an organic design that can bring Beijing to the center of the international system.

He Yafei, China's former vice-minister of foreign affairs, wrote that the Chinese economic and political model has proven to be much more resilient than the neoliberal systems in reducing poverty and promoting growth. According to He Yafei, the evident superiority of Chinese model favors a global retreat of neoliberalism and provides a fruitful opportunity for China to provide a new paradigm that is more inclusive and balanced for future globalization (He, 2017).

The BRI is the most visible manifestation of this new version of Chinese global ambition. As the preface of the BRI's official statute released by the Chinese Government in March 2015 states, the BRI is, in fact, a "great undertaking that will benefit people around the world" (National Development and Reform Commission et al., 2015, p. 1).

In this paper, the authors discuss the prospect of this undertaking by assessing the potential benefits that infrastructure development along the BRI, namely railways along the "Belt" and ports along the "Road," might be able to bring to Europe and, more specifically, to Italy.

Although we are still in the very preliminary stage of the BRI development (most of the infrastructure has not been built yet and for that which has been constructed, it is too early to provide any reliable data), it is possible to focus on the factors, such as costs, transport time and reliability, that influence freight transport decisions to achieve some useful insight (for a more detailed discussion, see de Jong et al., 2013).

## II. The Belt and Road Initiative's Impact on Sino–European Trade: The Role of the “Belt” and Railway Infrastructure

The BRI is a great opportunity for China both from an economic and strategic point of view. If, on the one hand, the TPP and TTIP (taken together) were excluding China and reinforcing the position of the USA, the BRI, on the other hand, gives China a pivotal role. As stated by Professor Justin Yifu Lin, “BRI will enable China to make better use of domestic and international markets and resources, thereby strengthening its capacity to remain an engine of global economic growth” (Lin, 2015).

Geographical proximity is certainly an important asset. The BRI will have, in fact, a stronger impact on China's regional partners. They will receive new infrastructure that will improve the flow of trade and attract investments that are moving out of China due to the rapid increase in its production costs.

Although Europe and the Mediterranean seem like the terminal point of the BRI, they will certainly be a key factor for the success of the project. Europe is China's largest trading partner (bilateral trade reached €515bn in 2016 [source: Eurostat EU28 data]) and this makes the investments in infrastructure along the Belt and Road, especially those in the Mediterranean, economically viable and complementary with the investments made in Asia.

The Belt and Road Initiative countries represent a large part of the world economy.<sup>2</sup> Bilateral trade between the EU28 and BRI countries represents 45 percent of extra EU trade and 24 percent of total EU trade.

The new investments in railway and port infrastructure will certainly influence trade relations between Asia and Europe by lowering transportation costs and increasing trade volumes. The impact of this infrastructure, however, will not be homogeneous and it will have a different effect on imports and exports. The development of railway, for example, might favor some countries while others will be more affected by the development of port infrastructure.

As for the impact on imports and exports we should focus on three main elements: volume effect, logistic effect and composition effect. The volume effect means that the competitiveness of new services is influenced by the trade volume that each country/region has with Asia. New connections will, of course, generate more trade. The composition effect means that there are goods that could be shipped by railway at a

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<sup>2</sup>There is no official list of countries that are part of the BRI. We considered a list of 65 countries generally considered part of the BRI. Some big countries like Japan and Korea are not included. For trade data, we used the Eurostat database. In calculating export and import data we did not consider BRI countries that are part of the EU28.

reasonable cost while others cannot be, but it also implies that countries with a different export mix will be affected in a different manner by BRI investments. The logistic effect means that new infrastructure like railways and ports will increase the competitiveness of the area where they are located.

New connections will generate more trade (the value of goods shipped by railways increased from €1.6bn in 2011 to €10.2bn in 2016 and the value almost doubled from 2015 to 2016) and have an impact on each individual European country's trade volume with Asia.<sup>3</sup> At the same time, logistics hubs will change the competitive advantage of the area where they are developed. However, the effects of new connections should also be analyzed in relation to the specific composition of trade flows. Half of European countries' imports from China by railway, for example, are computers, printers, TVs and monitors, while one-third of their exports to China are automotive components. The development of railways, for instance, will have a greater impact on these sectors and those countries whose export mix is particularly affected by those products.

However, due to the novelty of the BRI and the length of infrastructure development processes, scientific literature that analyzes the BRI's economic impact is still in its infancy. A simulation by Garcia and Xu (2016, p. 6) using a gravity model reveals that as far as trade flows between BRI countries are concerned, "a 10 percent reduction in railway, air and maritime costs increases trade by 2 percent, 5.5 percent and 1.1 percent respectively." Li et al. (2016) analyze the impact on bilateral trade of new railway routes between China and Europe. The results of their analysis have to be handled carefully because the timeframe they take into consideration is quite short and their study mainly focuses on railways whose volumes in total import/export flows between China and Europe are quite limited (0.6 percent of total trade volume in 2015 [source: Eurostat EU28 data]). The authors, however, find that European exports to China are not deeply affected by railway connections (there is a positive and significant effect only for food and animals: SITC0), while the positive effects on imports from China are much more evident, especially for manufactured goods, machinery and transport equipment (SITC 6–7).

The development of new railway connections between China and Europe started years before the official announcement of the BRI in 2013. The first line that operated on a regular basis, Yuxinou, started in 2011 and connected Chongqing and Duisburg. Today, dozens of services connect China and Europe in 12–20 days. Apart from the Yiwu–Madrid service, almost all services terminate in Northern Europe or Russia, but, through reloading and related added costs, they could eventually be accessible to

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<sup>3</sup>We do not have the same data for non-EU Mediterranean countries.

the rest of the European regions. According to an analysis published by DB Schenker (2015), these routes allow companies to save between 25 and 30 days compared with maritime transportation and represent an unprecedented benefit for those countries and regions who do not have access to port facilities. Moreover, China's central policies in support of the development of western provinces are pushing an increasing number of companies to move their production sites from coastal to internal provinces to exploit lower production costs and enjoy better access to the BRI's railway connections to Europe.

Railway routes, however, are a much more expensive option than sea shipping. Today, railway transportation costs between Europe and Asia are two to three times higher compared to maritime costs.<sup>4</sup> Greater volumes, service lines and logistics investments will certainly contribute to lower railway transport costs and this will support increases in volume. This will not translate into a real challenge for the competitiveness of maritime routes. The OECD (2011) estimates that in 2050 Europe–Asia railways routes will be able to absorb between 0.5 and 1 million TEU out of a total of 20 million containers, 2.5 to 5 percent of total shipments.

Furthermore, huge investments will be needed to reach these volumes. Track gauge in Europe and China is much smaller (1435 mm) than in the former USSR region (1520 mm) and that forces trains along the route to be unloaded and reloaded twice, pushing up transportation costs. In addition, to control costs along the China–Europe railway routes, long trains (greater than 2 km in length) should be used. Most of the European train stations, however, use platforms between 500 and 750-m long and it will not be possible for them to host those kind of trains (UN Economic and Social Council, 2012; Beck et al., 2013).

High costs and limited volumes notwithstanding, the development of railways will benefit those countries who have more exports of high-value products to China as it will allow them to create greater economies of scale and result in long-lasting improvements in their logistics.

Let us look at the case of Germany and Italy, two strong European manufacturing powers representing continental and Southern Europe, respectively.

In 2015, Germany imported €1.85bn worth of goods from China by rail (2.6 percent of total imports) and exported €4bn worth of goods (5.2 percent of total exports). Italy imported €32.5m worth of goods and exported €15.3m worth of goods by rail. Both

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<sup>4</sup>It is very difficult to source accurate data on costs and on how costs will change in the long run. First, there are investments that still have to be made to improve efficiency and railways do not operate at full capacity so costs are far from being optimized. On the other hand, these services are heavily subsidized by Chinese local authorities to keep service prices at a very low level (Farchy, 2016).

are negligible percentages. In terms of the volume effect, as Germany exports more to China than Italy does, this provides Berlin with stronger potential to exploit the economies of scale created by the development of new railway connections. If we look at the composition of trade, automotive accounts, respectively, for 32 percent of German and 12 percent of Italian exports to China, so railways will mostly benefit Germany's automotive sectors. Last but not least, German logistics will be profoundly affected. The BRI will have its main European railway hubs in Germany and Poland and this will boost the competitive advantage of industries located nearby. Let us consider again the case of the automotive industry: if today the Italian proximity to the Suez Canal provides a component producer based in Italy an overall advantage of 5 days over its German competitors, the development of railways might provide the German side 1 day of advantage over Italian producers, shifting the original 10-percent advantage of Italians on shipment to a using railways.

Therefore, the overall impact of the railway development might be more evident in Northern and Eastern Europe. This is confirmed by preliminary data that show that Germany, Poland and the Czech Republic are the source of 80 percent of the total European railway trade with China (source: Eurostat). This impact, however, should be analyzed in relation to the development of port facilities as they are closely linked.

### III. The Belt and Road Initiative's Impact on Sino–European Trade: The “Road” and China's New Port Infrastructure

As previously mentioned, the “Road,” alias the maritime route of the BRI, is going to be the most relevant component of Xi's initiative both in terms of volume (93 percent of total trade) and value (61 percent of total trade) of goods in the Sino–European trade.<sup>5</sup> This will reinforce the status of the Mediterranean as the terminal point of the fastest growing international shipping route between Europe and Far East Asia.

According to the data provided by the *Studie Ricerche per il Mezzogiorno* (SRM), in the last years we has facilitated a global transformation of maritime traffic. In 1995, the transpacific route ruled the market, controlling 53 percent of global traffic, while the Europe–Far East, which connected the European markets to the Chinese manufacturing sites through the Suez Canal and the Mediterranean, absorbed a mere 27 percent of the market. Twenty years later, in 2015, the distance between these two routes has dropped in favor of the Europe–Far East route that today controls 42 percent of global traffic vis-

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<sup>5</sup>See Prodi and Fardella, 2017, “Sino-European investment opportunities in the framework of the Belt and Road Initiative,” available from the authors upon request.

à-vis the 44 percent controlled by the transpacific route. At the same time (between 2001 and 2015), the volume of traffic that crossed the Suez Canal jumped 124 percent, with the Mediterranean controlling 10 percent of global trade.

This transformation, propelled by the epoch-making growth of the Chinese market, seems to be having a virtuous impact on commercial, infrastructure and logistical dynamics in the Mediterranean. In 2001, the Mediterranean ports managed to attract a mere 34 percent of the goods that passed through the Suez Canal. All the rest “escaped” through Gibraltar and was absorbed by Northern European ports such as Rotterdam and Hamburg. Today, however, 56 percent of the same traffic remains in the Mediterranean.

This “new centrality of the Mediterranean” is being intensified by the parallel impact of three concurrent factors: the expansion of the Suez Canal in August 2015 that doubles the daily capacity of cargo transit, reducing at the same time the waiting time at the entrance; the emerging “naval gigantism” or the strategic use by the main shipping companies of huge vessels (between 13 000 and 22 000 TEU) that can only be hosted by the Suez Canal; and the acceleration of global alliances made by shipping companies to reinforce their economies of scale, as in the case of the Ocean Alliance (composed of the China Ocean Shipping Company [COSCO], CMA CGM from France, Evergreen from Chinese Taiwan and OOCL from Chinese Hong Kong), which controls 35 percent of the Europe–Far East route trade and 40 percent of the transpacific route trade.

These three concurrent phenomena (i.e. Suez enlargement, naval gigantism and global alliances) are progressively reinforcing the competitive advantage of the Europe–Far East route, making it even more convenient than the transpacific route for the Chinese cargo directed towards the north-eastern coast of the USA. These processes provide the Mediterranean with an unprecedented “centrality” within both of China’s most important trade segments with Europe and the USA.

This development offers new opportunities to all those Mediterranean ports that can offer Chinese shippers faster access to the main European markets. This creates fierce competition that is not limited to ports but also involves global terminal operators and multimodal logistics and transport service providers (Notteboom, 2015).

China’s largest state-owned shipping company, COSCO, is investing massively in port infrastructure in the Mediterranean segment of the “Road.” In Egypt, COSCO bought 20 percent of a joint venture that controls Suez Canal Container Terminal, strategically positioned at the northern entrance of the Suez Canal, and in Turkey acquired 65 percent of the third biggest port terminal located in Ambarli at the crossroad of Asia–Europe trading routes. Ambarli is also connected to the most noteworthy of COSCO’s investments in the “Road,” the Port of Piraeus, where the Chinese company

spent €5bn on the acquisition of 67 percent of the port authority and the expansion of its terminals; this is the first time that a Chinese company has held the majority of an EU member's port authority.

Thanks to Chinese investments, Piraeus experienced rapid growth, increasing from facilitating 2 percent of total Mediterranean traffic in 2008 to 13 percent in 2015. COSCO plans to increase the port's potential of 35 percent by 2018, bringing it to a total capacity of more than 6 million TEU annually (Intesa San Paolo, 2016).

The Port of Piraeus is not simply growing in size but is also changing in nature. If China's plan to connect it to Budapest via high-speed train succeeds, the port will be transformed from a transshipment station into China's main gateway for Central and Eastern Europe. According to the agreement signed in November 2015 between China and Hungary, the completion of the Budapest–Belgrade line, the first segment of this railway, will be financed by the Export-Import Bank of China with a 20-year loan that covers 85 percent of the total US\$1.8bn needed for the construction made by China Railway International Corporation. This agreement, however, is under investigation by the European Commission, with Hungary, an EU member, potentially having violated public procurement regulations by choosing the Chinese developer without going through a public tender process (Suokas, 2017).

The case of Budapest–Belgrade railways clearly shows the contradictory nature of Chinese competitive advantage. As in the case of COSCO, Chinese shipping and construction companies, often state-owned, will have access to domestic preferential loans. At the same time, these companies will be pushed to have stronger connections with ports where Chinese companies have invested. This will lower the cost of capital and provide them with solid and somehow “guaranteed” domestic demand. So, on the one hand, these investments may benefit the local economies as in the case of Piraeus itself; on the other hand, as in the case of the Budapest–Belgrade railway, they might conflict with EU practices. According to the Foundation for Economic and Industrial Research of Greece, COSCO's investments in the Port of Piraeus may increase Greece's GDP by 0.8 percent from now until 2025 (IOBE, 2016). The expansion of Piraeus as COSCO's main shipping hub will allow the port to attract and absorb greater volumes not only from other ports in the Mediterranean but also from the ports in Northern Europe, boosting competition in this sector. With the full development of the port and its related railway network, the most dynamic shipping companies will likely prefer to use this area as a distribution network not only for the Balkans and Eastern Europe but also for North African and Western European countries. Greece might, therefore, be transformed into logistic hubs for several key companies. In 2013, Hewlett Packard moved a large part of its European distribution activities to Greece, in agreement with



COSCO and TrainOSE, the Hellenic national railway operators (in 2016 TrainOSE was privatized and is now owned by Ferrovie dello Stato, Italy's national railway operator). Huawei, ZTE, Samsung and other companies are implementing similar strategies.<sup>6</sup>

#### IV. The Belt and Road Initiative's Impact on Sino–European Trade: The Role of Italy

The development of new connections between Asia and Europe will allow Asian products to reach Europe faster and at lower costs than before and this will certainly provide Asian producers a huge advantage in relation to their European competitors. The latter will see their supply chains shifting their focus to Asia and they must react and adapt to this transformation to preserve their competitive advantage. At the same time, as mentioned above, in some specific industries, lower transportation costs could help many European actors to increase their market shares in the Asian markets.

This is likely to be the case for Italy. The increased centrality of the Mediterranean Sea is a huge opportunity for a country naturally shaped as an ideal platform to distribute goods produced in Asia and collect European products to be shipped globally.

The development of new railway connections, however, will not benefit Italy as much as other continental countries, not only because of its geographical nature that does not allow Italy to fully exploit the growing continental connectivity with China, but also because of the weakness of its domestic railway infrastructure: If we consider railway freight transport expressed in ton-kilometers, Italian volumes are one-third compared to Germany and two-thirds compared to France (European Commission, 2016).

A more pressing challenge for the Italian economy is that posed by the Port of Piraeus. In the past few years, the Italian ports, due to Piraeus and other ports increasing competition, lost Mediterranean trade, as in the case of Gioia Tauro Port, the largest Italian port, whose trade fell from 3 467 772 TEU in 2008 to 2 546 805 TEU in 2015 (sources: Gioia Tauro Port Authority and Contship Group):

Piraeus also threatens the North Adriatic ports, which could be displaced by the Greek hub as a southern gateway to Europe. The four ports on the high Adriatic Sea (Venice, Trieste, Koper and Rijeka) jointly formed in 2010 the North Adriatic Ports Association (NAPA),<sup>7</sup> a cooperation agreement to coordinate port activities and develop

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<sup>6</sup>See: [http://www.joc.com/port-news/european-ports/port-piraeus/piraeus-port-concession-could-reshape-european-supply-chains\\_20150729.html](http://www.joc.com/port-news/european-ports/port-piraeus/piraeus-port-concession-could-reshape-european-supply-chains_20150729.html).

<sup>7</sup>Ravenna Port was part of NAPA but exited in 2012.

services that could compete with Northern European ports. Today, NAPA, a multiport gateway, moves 2.1 million TEU (2015),<sup>8</sup> which is still less than the total volume processed by Piraeus.

Although NAPA does not seem to face much competition from Piraeus today, if Piraeus were to fully develop and complete its railway network with Budapest, the situation might change drastically .

The ports of Venice and Trieste are developing new strategies to compete effectively in the long run. Venice has an ambitious project to build a new offshore port able to handle mega vessels of 18 000 TEU and, most recently, a Sino–Italian consortium won the tender (€4m) for its final design.<sup>9</sup> The new facility should be able to feed all the other ports in the North Adriatic Sea, reaching a total capacity of 1 million TEU, and will include an oil terminal.

The port of Trieste is investing in new piers and in a new railway facility to serve the north of Italy and the rest of Europe.<sup>10</sup> The railway connection will be able to handle 2 million TEU, which will be the total capacity of the ports when the new pier is completed. Therefore, at least theoretically, all the containers that arrive in Trieste by ship could be moved through Europe by railway.

Venice and Trieste together with Rijeka and Koper might become a real and powerful alternative to Piraeus. There are, however, many barriers to this occurring. The offshore port in Venice has yet to be financed. Given its total cost of €2.1bn, it is highly unlikely that private investors could provide all the money needed for this project and it is not clear yet whether the Italian Government is ready to invest in the project.

Furthermore, Venice and Trieste are still competing fiercely for political reasons (although both are state-owned they belong to different regions and this creates competing political agendas at the local level). The port of Trieste is one of the few ports in the Mediterranean Sea that possesses an 18-m draft necessary to receive the 18 000/20 000 TEU ultra-large container vessels. However, it cannot be taken for granted that those large ships will find it economically convenient to enter the Adriatic Sea and deviate from the usual route of the service lines that reach the USA from Asia through the Mediterranean Sea. A joint strategy between the NAPA ports is, therefore, urgently needed not only to improve their capacity but also to develop coordinated and specialized services that will create a stronger competitive advantage in relation to

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<sup>8</sup>See: <http://www.portsofnapa.com/about-napa>.

<sup>9</sup>The consortium is formed by the China Communication Constructions Company Group (CCCC), 3Ti Progetti Italia and E-Ambiente.

<sup>10</sup>Trieste is the largest port in Italy if we consider containers (500 000 TEU), liquid and dry bulk, and general cargo.

Piraeus and Northern European ports.

Ports, however, cannot be efficient and reliable without a sound and modern railway system. The improvement of the Italian railway network is then another crucial step that should be taken for Italy to enjoy a stronger position in the development of Eurasian connectivity. Italy is, for instance, the fifth largest source of Russia's imports, but only 4 percent of these imports arrive by railway (source: Eurostat). A faster and cheaper railway connection could lower export costs and boost Italian trade.

## V. Conclusion

From Italy's perspective, the BRI still seems in more in words than in deeds. So far, the national conversation on the BRI has been limited to the academia, think tanks and the press. This is likely to change in the medium term, as China's footprint across the Italian economy continues to grow through mergers and acquisitions, equity investment and expanding trade. A more widespread understanding of the benefits of closer economic engagement with China among the Italian public would establish firmer societal foundations for the bilateral relationship, mitigating the diffuse and entrenched skepticism expressed by Italians in opinion surveys on China (Andornino, 2014). Such negative views are likely due, in particular, to the stiff competition that Italian companies have had to face from Chinese products, both made in China and in Italy by Chinese people living in Italy (Prodi, 2014).

The BRI Forum, held in Beijing in May 2017, has been widely reported on in the Italian media and this could mark the start of a more intense discussion of the BRI in Italy. Italian institutions, including the Prime Minister's Office, the Ministry of Foreign Affairs, the Ministry of Infrastructure and Transport and the Italian Embassy in China, have gone on record as considering the BRI a priority. Expectations and initial reactions are mixed: more efficient infrastructure could help increase Italian exports to China and Asia in general; however, to fully exploit these opportunities, Italy should invest heavily not only in its ports but also in the domestic railway system and highway networks (Spalletta, 2017). It is crucial to choose priorities and coordinate investments over the long term, something the Italian political class has repeatedly proven unable to do in recent decades. Furthermore, the high level of public debt (132.6 percent of GDP in 2016) limits the capacity of the country to finance the required investment. Thus, the main concern with the BRI appears to be that Italy could prove incapable of exploiting the possible advantages generated by enhanced connectivity (and the relative adjustments in Sino-European trade dynamics) due to domestic weaknesses, and risk becoming logistically ever more marginal as a consequence.

The emergence of a “new centrality of the Mediterranean” (created through the enlargement of the Suez Canal, growing naval gigantism and the consolidation of global shipping alliances with Chinese companies at their center) seems to favor the potential benefits of new port infrastructure built along the “Road.” China’s focus on Piraeus and the development of high-speed railway connections between Greece and Central–Eastern Europe might dislodge Italy from its natural position as a protagonist of the “Road” and risk isolating it from the virtuous dynamic that favors the Mediterranean as the center of global shipping lanes.

The participation of Italian Prime Minister Gentiloni in the first BRI Forum, held in Beijing in May 2017 (the only head of government of the G7 group), represented a clear sign of Italy’s intention to boost its position in the BRI matrix.

Italy’s participation in the BRI Forum, next to several other countries, boosted the international prominence of Xi’s initiative and, by so doing, reinforced his authority domestically in sight of the 19th Party Congress to be held in fall. The international success of the Forum was instrumental for Xi’s domestic campaign to consolidate power. In the days of the BRI Forum, in fact, the most heated political discussion was not on the BRI itself but on the prospect for “Xi’s thought” (*Xi Jinping sixiang*) to be officially positioned within the Party and State Constitutions.

The preeminence of the domestic dimension of the BRI Forum mirrors the internal relevance of the BRI itself. The BRI is, in fact, first and foremost a fundamental component of the strategy aimed at the realization of the “Chinese dream,” the rejuvenation of the Chinese nation through the development of a “moderately prosperous” society by 2021 (the centenary of the CCP’s foundation) and the construction of a “strong and rich” country by 2049 (the centenary of the PRC’s foundation). The realization of the “Chinese dream,” the flagship product of Xi’s own publicity campaign, and the success of the BRI within it, all depend on the results of the next Party Congress.

The second half of 2017 will then be a delicate moment for the BRI as Xi Jinping will try to capitalize on it but will avoid any initiative that might embroil him in potential conflict, tension or crisis that might expose his leadership to criticism before the Congress.

In this framework, the development of the BRI will certainly slow down and this will provide Italy with a window of opportunity to better prepare itself for the potential revitalization of the initiative in Xi Jinping’s second mandate. If that is the case, the BRI might become a turning point for Italy’s geopolitical future and transform it into the protagonist of a new Sino–Mediterranean virtuous connectivity network.

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