Istituto Affari Internazionali

The Belt and Road Initiative in Italy: The Ports of Genoa and Trieste

by Francesca Ghiretti

ABSTRACT

In March 2019, Italy signed a Memorandum of Understanding (MoU) with the People's Republic of China (PRC) in support of PRC President Xi Jinping's flagship infrastructure and connectivity project, the Belt and Road Initiative. The MoU was accompanied by a series of commercial agreements, including two between the ports of Genoa and Trieste and the state-owned enterprise China Communications Construction Company (CCCC). The European Union and the United States expressed concerns about the agreements as they feared that CCCC would eventually obtain a controlling share of the ports, not unlike that recently secured by the China Ocean Shipping Company (COSCO) with Greece's Port of Piraeus. However, existing legal constraints, an open international and national debate, and the vague nature of the agreements concerned have so far kept these fears from materialising.

China | *Italy* | *Infrastructures* | *Ports*

keywords

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Introduction

Ports and maritime infrastructures are some of the core elements of China's connectivity-boosting Belt and Road Initiative (BRI), in that they help the People's Republic to access foreign markets and gain more control of trade routes.[1] As such, BRI-related deals involving ports have been a special focus of the debate, and concerns, surrounding the Initiative.

The greater relevance of Northern European ports over those in Southern Europe has long been a fact. Rotterdam in the Netherlands, Antwerp in Belgium and Hamburg in Germany have been thriving for decades as Europe's main maritime hubs, and future access to the Arctic route has the potential to further strengthen their position. This, to a certain extent, might come at the expense of other European ports.

Yet, in recent years, Southern European ports have received growing attention. Their new attractiveness can be traced to two factors: the expansion of the Suez Canal, which has increased the volume of trade into and from the Mediterranean; and Chinese investments in maritime infrastructures in Southern Europe. The Suez Canal development was completed in 2016, the same year that China Ocean Shipping Company (COSCO) acquired 51 per cent of the Port of Piraeus in Greece.[2] The latter is the origin of most concerns regarding Chinese investments in European ports and, specifically, those located in Southern Europe. The argument

[1] Jonathan Holslag, *The Silk Road Trap. How China's Trade Ambitions Challenge Europe*, Cambridge, Polity Press, 2019, p. 97.

[2] Kerin Hope, "Greece Picks China's Cosco in Port Deal", in *Financial Times*, 20 January 2016, https://www.ft.com/content/d65aa7c4-bfb1-11e5-846f-79b0e3d20eaf.

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runs that China is strategically investing in these facilities, which are often going through difficulties or are underdeveloped, in order to control the routes of the New Maritime Silk Road – part of the broader BRI. The contention is that by doing so, China wins a strategic advantage over other countries commercially and, potentially, politically.

It should come as no surprise that when Italy and the People's Republic of China (PRC) signed a Memorandum of Understanding (MoU) in the framework of the Belt and Road Initiative in March 2019, concerns in Europe and the United States mounted.[3] The fact that two of the 28 agreements[4] under the broader MoU concerned partnerships between the Port of Genoa, under the Western Ligurian Sea Port Authority (WLSPA), and the Port of Trieste, under the Eastern Adriatic Sea Port Authority (EASPA), with China Communications Construction Company (CCCC) further cemented such worries.[5] Two years after the signing of the MoU, the time is ripe for a preliminary assessment of its consequences for Italy.

1. The Belt and Road Initiative: A risk for Italy?

The BRI is a much-publicised (and criticised) connectivity project launched by Chinese President Xi Jinping in 2013, the contents of which have always been somewhat unclear – leaving much room for interpretation, and speculation. A common reading has it that the BRI is (a) a global development plan, (b) China's plan for geostrategic and geo-economic expansion, (c) China's way to manage (for which, read dump) domestic overproduction – or a combination of all these factors.

There are four main issues of concern surrounding the BRI. First, the above-mentioned *lack of clarity* about what the Initiative aims to achieve has left room for speculation and increasing distrust in China itself. Second, most BRI projects are *conducted by Chinese enterprises and financed by Chinese banks*, with very little participation by local or international actors, which only strengthens the concern that the BRI solely plays to China's advantage. Third, it has been claimed that the PRC compels governments that are unable to repay its generous loans to cede national assets – the infamous "*debt trap*". Even if the last-named issue were a deliberate strategy, it is worth emphasising that the debt trap has been "sprung"

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[3] Italy and China, *Memorandum of Understanding Between the Government of the Italian Republic and the Government of the People's Republic of China on Cooperation within the Framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative*, 22 March 2019, http://www.governo.it/sites/governo.it/files/Memorandum_Italia-Cina_EN.pdf.

[4] In the majority of cases, included those of Genoa and Trieste, the agreements are also Memoranda of Understanding. To avoid confusion with the MoU signed by Italy and the Chinese, they will be referred to as agreements unless specified otherwise in the text.

[5] Italian Government, *Lista delle intese commerciali presentate a Villa Madama. Visita di Stato del Presidente cinese Xi Jinping (22-23 marzo 2019)*, http://www.governo.it/sites/governo.it/files/Intese_commerciali_Italia-Cina.pdf.

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only in a handful of cases – all of them in developing economies. For example, evidence shows that China has been attempting to renegotiate debts rather than ask for assets – as has been well explained in a report from the Rhodium Group.[6] Nonetheless, many still view the debt trap as a real and widely present risk. The fourth concern is that China's ultimate goal is to *control these connectivity lines and hubs* for strategic reasons – after all, the BRI is financially powered by state banks and most of the companies investing in BRI projects are state-owned enterprises (SOEs). To achieve such control, it can either adopt the above-mentioned debt trap or directly invest money – as in the case of the Port of Piraeus. Predictably, all the above-mentioned concerns were raised on the occasion of the signing of the MoU between Italy and the PRC in March 2019. The agreements with Genoa and Trieste created particular alarm as these are strategic infrastructures for Europe, connecting Italy's ports to Central and Eastern Europe. And yet such concerns have little ground in these cases.

While risks undoubtedly do exist, these can be – and have been – mitigated by several factors. First, the MoUs of the ports of Genoa and Trieste with CCCC were *broad statements of intent*. As in cases elsewhere, they had the potential to be a first step towards furthering the presence of CCCC in Italy and Europe. However, the operational elements of the agreements were limited in number and scope and, most importantly, subject to CCCC winning public tenders. This is the second element – namely, the existence of *national and EU legal frameworks* that constrain the ability of foreign companies to acquire assets in key sectors of the national economies of member states. In Italy, procurement through tender is compulsory for investments in public infrastructure such as ports. In addition, the government can wield its so-called "Golden Power" to screen and eventually block inbound foreign investments.[7] Third, Italy is *no longer undergoing a wide privatisation process* – the country is interested in attracting Chinese capital, but arguably is not in dire need of it. Fourth, the agreements involving the ports have been placed *under the public spotlight* – journalists and experts have engaged in a debate about the merits of the MoUs and the potential associated risks, and officials and politicians have felt compelled to increase the degree of scrutiny applied to these agreements. A final factor that should be mentioned is the introduction of *US sanctions against CCCC* in summer 2020, which made engagement with the company no longer economically advantageous.[8]

It should be noted that Genoa and Trieste are only two of the numerous Italian ports with which there are existing agreements and/or partnerships. Other ports of interest are Venice, Taranto, Gioia Tauro, Naples and Salerno – as well as Ravenna.

[6] Matthew Mingey and Agatha Kratz, "China's Belt and Road: Down but not Out", in *Rhodium Group Notes*, 4 January 2021, https://rhg.com/?p=6943.

[7] Italian Government website: *Golden Power*, https://www.governo.it/it/node/9296.

[8] Shannon Tiezzi, "With Latest Sanctions, US Casts a Shadow Over China's Belt and Road", in *The Diplomat*, 27 August 2020, https://thediplomat.com/2020/08/with-latest-sanctions-us-casts-a-shadow-over-chinas-belt-and-road.

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In Venice, CCCC invested in the construction of a high-bottom quay, and in 2019 the city's port signed an MoU with the COSCO-majority-owned Port of Piraeus to increase traffic volumes.[9] Furthermore, until 2020 Venice was one of the Ocean Alliance terminals, a naval alliance between China and the French shipping company CMA-CGM.[10] In Ravenna, China Merchant Group, a Chinese state-owned enterprise active in the maritime sector, has invested in developing a European hub for naval engineering.[11] The cases of the ports of Genoa and Trieste stand out, however, because these are the only two included in the broader MoU signed by Italy and the PRC in 2019.

2. The leading Chinese companies operating in the Italian port sector

Chinese firms such as COSCO and CCCC have become increasingly relevant globally, maturing into essential partners for both Northern and Southern European ports.

China Ocean Shipping Company, or COSCO, is a state-owned enterprise with its HQ in Shanghai. In 2020 the COSCO shipping fleet ranked first in the world for number of vessels, while its container fleet ranked third for capacity. Other elements of its fleet still top global rankings, making it one of the world's largest shipping companies.[12]

COSCO does more than shipping. It has what it calls a "6+1" industrial cluster layout composed of "shipping, logistics, finance, equipment manufacturing, shipping services, and social services industrial clusters" plus a focus on online business.[13]

Recently, COSCO has taken steps to get rid of its "China label" in Europe and be viewed and identified as a European enterprise by creating Diamond Line Gmbh. Headquartered in the German port of Hamburg, Diamond Line handles all intra-European business previously directly managed by COSCO.[14] According to the Manager of COSCO Lines, Italy, Turkey, and, naturally, Germany are the core countries comprising Diamond Line's business.[15] This simple rebranding of COSCO is not an isolated case; an increasing number of Chinese enterprises

9 "Memorandum of Understanding between Piraeus and Ports of Venice and Chioggia to Strengthen Cargo Flows", in *PortSEurope*, 11 February 2019, https://wp.me/pc5iPj-8Ep.

10 "Venice Dropped by Ocean Alliance", in *Port News*, 13 January 2020, https://www.portnews.it/en/?p=12651.

11 Invest in Emilia-Romagna, *CMG (China Merchants Group) Invests in Ravenna*, 20 June 2018, http://www.investinemiliaromagna.eu/en/news/2018/06/CMG.asp.

12 China COSCO Shipping website: *Group Profile*, http://en.coscoshipping.com/col/col6918/index.html.

13 Ibid.

14 "COSCO transfers intra-Europe services to Diamond Line", in *Container News*, 3 January 2020, https://container-news.com/cosco-intra-europe-services-diamond-line.

15 "Cosco to Launch a New European Line and to Strengthen Its Presence in Italy", in *Xinhua Silk Road Information Service*, 13 January 2020, https://en.imsilkroad.com/p/310464.html.

have adopted different names locally to circumvent potential issues linked to their Chinese origins.

China Communications Construction Company (CCCC), another state-owned enterprise, is one of the main contractors for BRI projects. Unlike COSCO, CCCC is not just concerned with the maritime sector. It is also a construction company specialising in infrastructure projects, with expertise spanning highways and railways; airports; energy platforms; and, last but surely not least, ports.[16] It is CCCC, not COSCO, that appears as a partner for both the ports of Genoa and Trieste in the Italy–China MoU of March 2019[17] – and one might wonder why the MoU was struck with it rather than an established maritime-operations company such as COSCO. The answer is that neither Genoa nor Trieste were looking for collaborations directly on their ports: Genoa was considering Chinese investment for the construction of a new breakwater dam, and Trieste for railway stations and rail connections.

A third state-owned enterprise with businesses in Italy is China Merchants Group (CMG), which operates in "airports, and other container and cargo terminals worldwide" – often using subsidiary companies. Unlike CCCC, headquartered in mainland China, CMG is based in Hong Kong.[18] It is operative in the Italian coastal city of Ravenna with its research centre in naval engineering,[19] and it has shown an interest in investing in a new logistic platform in Trieste.[20]

Interestingly, data from 2018 illustrate that China handled only 2.0 per cent of maritime transport from/to Italy, thus playing a relatively marginal role compared with other countries in Europe (51 per cent) and the United States (13.5 per cent). Despite this gap in numbers, however, the PRC is the third most important shipping partner for Italy after the rest of the European Union and the US. No less than 95.8 per cent of traffic between Italy and China is seaborne, with Italy importing twice as much as it exports to the People's Republic.[21]

[16] China Communications Construction Company (CCCC) website: *About Company: Introduction*, http://en.ccccltd.cn/aboutcompany/introduction.

[17] Italian Government, *Lista delle intese commerciali presentate a Villa Madama*, cit.

[18] See the website of the China Merchants Port Holding Co. Ltd: http://www.cmport.com.hk/en.

[19] Ilaria Vesentini, "A Ravenna il colosso cinese CMG. La sede nel palazzo di Gardini", in *Il Sole 24 Ore*, 19 June 2018, https://www.ilsole24ore.com/art/a-ravenna--colosso-cinese-cmg--sede--palazzo-gardini-AEXBdV8E.

[20] Nicola P. Contessi, "Italy, China's Latest Gateway to Europe", in *Reconnecting Asia*, 7 May 2019, https://reconnectingasia.csis.org/analysis/entries/italy-chinas-latest-gateway-europe.

[21] Data elaborated by research by the Western Ligurian Sea Port Authority

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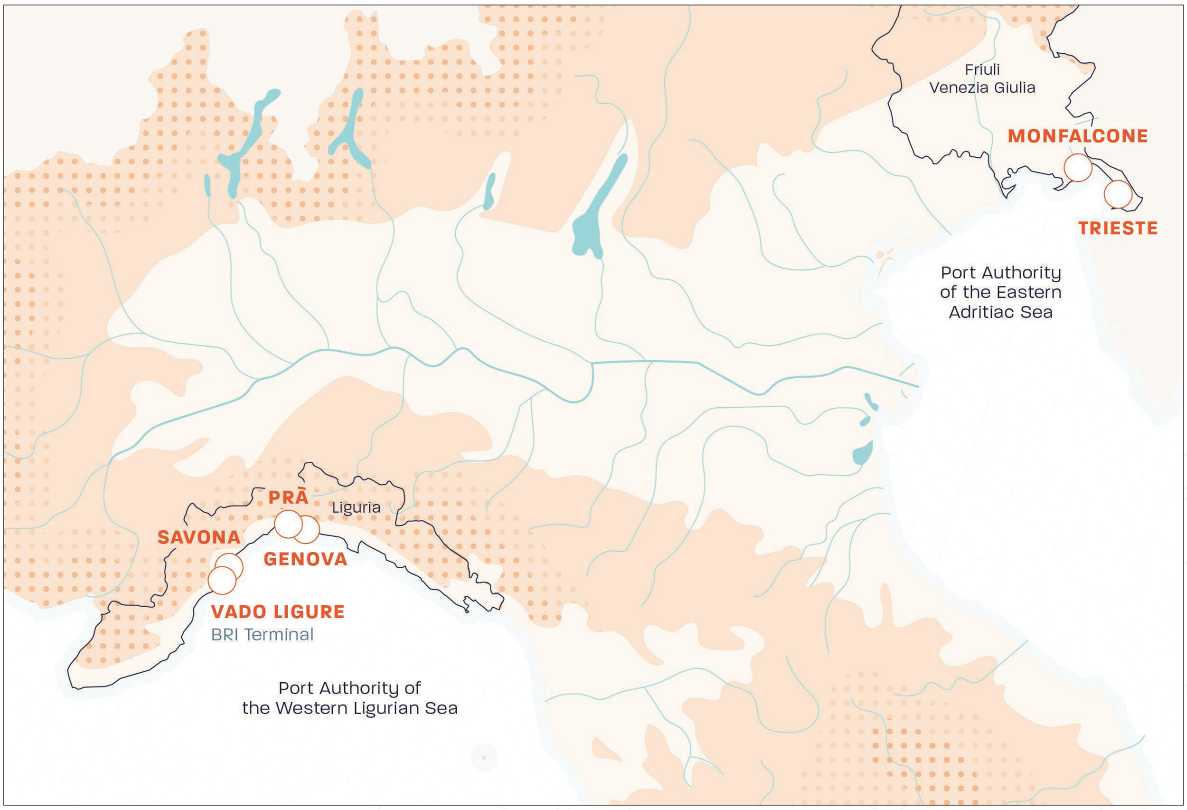
3. The ports of Genoa and Trieste

The ports of Genoa and Trieste both have long histories. The Port of Genoa – now under the Western Ligurian Sea Port Authority (WLSPA), which also includes Savona, Pra' and Vado Ligure – has operated in the Mediterranean since ancient times. The area surrounding it was already active in shipping in Roman times. During the Middle Ages, it became an important maritime stop lying at the centre of the trade routes between Europe, Africa and the East – with the Republic of Genoa, in particular, controlling a network of commercial stations that stretched as far as the Black Sea and the Indian Ocean. In modern times, the ports in the area have been a driving force supporting the development of Italian industry.[22]

Figure 1 | The Port Authority of the Western Ligurian Sea and the Port Authority of the Eastern Adriatic Sea



Source: Port Network Authority of the Eastern Adriatic Sea, https://www.porto.trieste.it/eng/port-authority/mission-eng; Ports of Genoa website: *The Western Ligurian Sea Port Authority*, https://www.portsofgenoa.com/en/about-us/port-authority.html.

The history of the Port of Trieste is also rich, although not quite as ancient. Built in the 1700s, Trieste's free port became increasingly important over the following

[22] Ports of Genoa website: *Economic Impact*, https://www.portsofgenoa.com/en/about-us/port-in-numbers/economic-impact.html.

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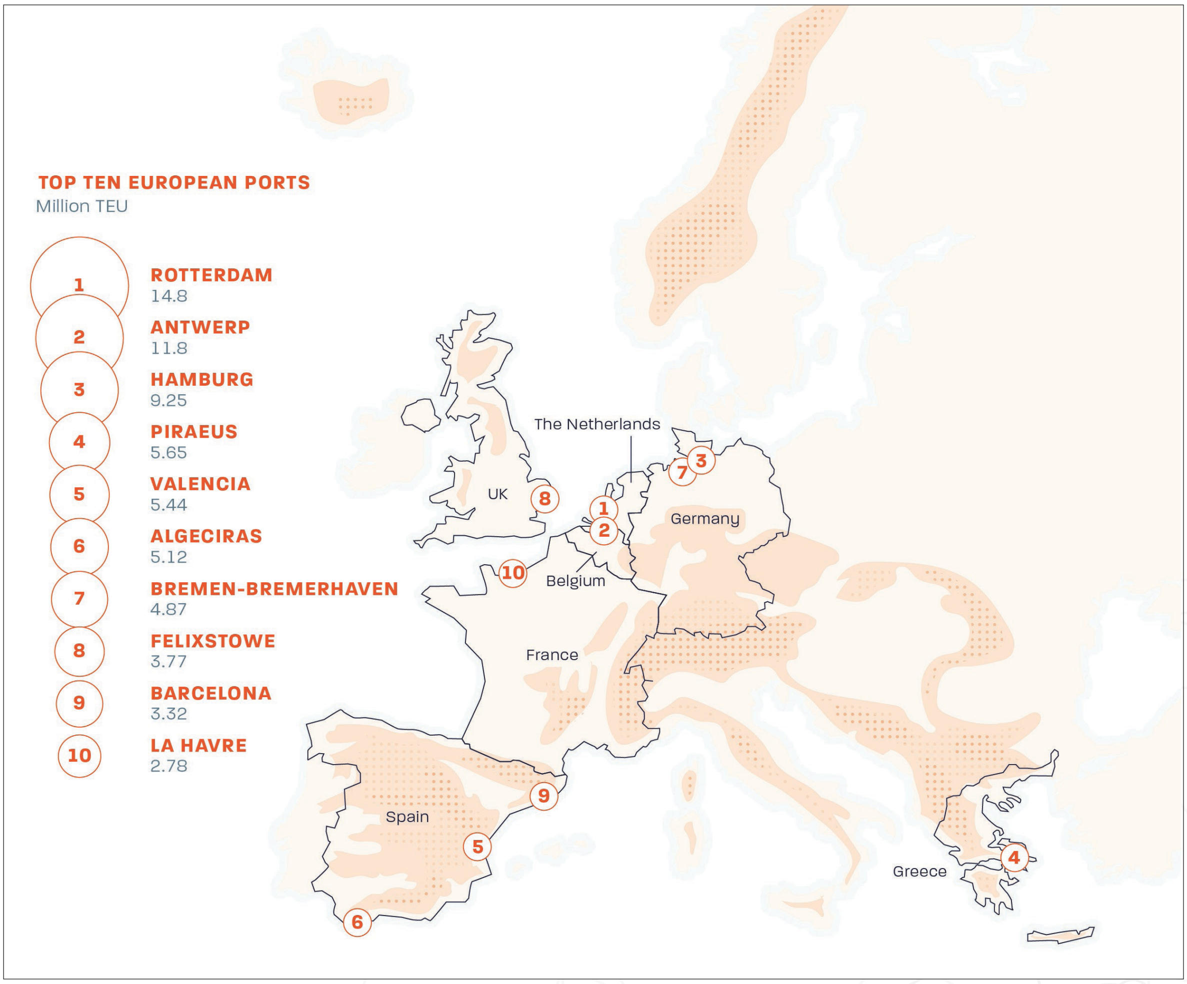
century – and never more so than when it became the beating heart of the maritime trade of the Austro-Hungarian Empire in the 19th and early 20th centuries. Following the Treaty of Paris (1947), Trieste was recognised as an international free port – a status that it has retained to this day. In 2014, the Port Authority presented a study on its free port and its advantages, noting that the city's port has 73 per cent more facilities than other Italian ports, reconfirming its role as one of Italy's most important maritime hubs.[23] Trieste was also the only Italian port to make the list of top ten EU freight ports in 2018 (it ranked ninth), but it slipped from the list in 2020.[24]

Figure 2 | Top ten European ports



Source of data: Shipa Freight, "10 Largest Ports in Europe", in *Shipa Freight Knowledge Series*, 4 January 2021, https://www.shipafreight.com/knowledge-series/largest-ports-in-europe.

[23] Trieste Port Authority, *Vantaggi operativi, commerciali commerciali e fiscali e fiscali del regime di punto franco del porto di Trieste*, marzo 2014, p. 15, http://documenti.comune.trieste.it/portovecchio/vantaggi_punto_franco.pdf.

[24] Eurostat, *Rotterdam: The Largest Freight Port in the EU*, 2 April 2020, https://europa.eu/!Cn68kh.

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Nowadays, the ports under the WLSPA serve as entry points for goods headed for France, Switzerland and Germany. Those under the EASPA channel trade to Austria and most of Eastern Europe, although they also function as gateways to Central Europe. Both are intermodal ports, which means that their maritime dimension is complemented by structures of charge and discharge connected to inland – often rail – transportation. Both ports want to further develop their networks, which is where much of the Chinese interest lies.

China's investment in Trieste is not just a matter of facility size but of geographical continuity. Trieste's proximity to the Port of Piraeus, which is majority-owned by COSCO, makes it an easy choice for Chinese companies willing to further develop their networks in Eastern Europe, considering that rail connections in these areas are suboptimal. Yet, WLSPA's collaboration with COSCO, the majority shareholder of the Port of Piraeus, is more long-standing and better developed (despite occasional hiccups) than that of CCCC with either port authority, making COSCO a more suitable partner than CCCC. Besides, both the WLSPA and EASPA face fierce competition from their neighbours. Trieste must deal with another historic port in the area – Venice – which, as mentioned earlier, has struck an agreement with the Port of Piraeus (as well as with the Port of Koper in Slovenia). The Western Ligurian Sea Port Authority operates in areas near the port of La Spezia, which is also an important hub for container ships.

4. Before March 2019

It is crucial to bear in mind that at the time of signing the MoU between Italy and China in March 2019, both Genoa and Trieste already had either ongoing or planned collaborations with Chinese counterparts.

4.1 The Western Ligurian Sea Port Authority

The Port Authority of the Western Ligurian Sea has a higher number of collaboration initiatives with Chinese counterparts that began before March 2019 than afterwards. For example, in 2012 the Port of Genoa signed a customs agreement with Tianjin and in 2017 concluded a deal with Wenzhou for a customs corridor for the fast trading of food and beverages.[25] Most notable, however, is the participation of COSCO and Qingdao Port Group, the authority of the Port of Qingdao in northeastern China, in Vado Ligure. In 2007, APM Terminals (part of the Danish giant Maersk) won a public bid for the construction of a new terminal in the Port of Vado Ligure, near Genoa and now under the WLSPA. Following the global financial crisis of 2008, however, APM was no longer able to progress such a large project on its own. Eventually, in 2016, COSCO and the Qingdao Port Group were

[25] Interview with an official from the Ports of Genoa.

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brought on board to create a new joint venture: APM Terminals Vado Ligure S.p.A., of which APM retains a majority share (50.1 per cent) and COSCO and Qingdao Port Group hold 40 per cent and 9.9 per cent, respectively.[26] APM Terminals Vado Ligure S.p.A. now has a 50-year lease from WLSPA for the port's management.[27] The terminal was inaugurated on 12 December 2019 and became operational in February 2020, although one of its most remarkable features, the 700-metre quay, was not officially opened until July 2020.[28]

Another business move of interest was the opening in 2017 of an office in Savona, to the west of Genoa, by Shanghai Zhenhua Heavy Industries Company (ZPMC). ZPMC produces ship-to-shore cranes 80 metres high that are fundamental to the loading and unloading of container ships. The company now supplies cranes to the ports of Vado Ligure and Pra', both within the WLSPA.[29]

4.2 The Eastern Adriatic Sea Port Authority

The Port Authority of the Eastern Adriatic Sea envisioned a significant upgrade of its collaboration with potential Chinese investors in the so-called "Trihub", a project launched in 2016 on the initiative of then Infrastructure and Transport Minister Graziano Delrio.[30] A coordinated effort by the Port of Trieste and Italian Railways Network (RFI), Trihub was meant to develop Trieste's Campo Marzio station, the central rail infrastructure serving the port, and turn it into a larger hub connected with the stations of Cervignano and Villa Opicina. This development project has already received a 110 million euro in investment from the Italian State Railways (FS). The completion of this part of the project is expected by 2024. Another part of the Trihub project concerns the reactivation of the Servola and Aquilinia stations; this is the part of the project in which the Chinese were to be involved.[31]

These are all targeted projects aimed at improving the rail connections of the Port of Trieste, which views such links as one of its strengths, but none of them includes investment in the shares of the port itself. The project was presented at the EU-China Connectivity Platform and received the green light from the European Commission. The European Investment Bank loaned 39 million euro to develop

[26] APM Terminals website: *Vado Ligure: History*, https://www.apmterminals.com/en/vado-ligure/about/history.

[27] Ports of Genoa website: *Vado Gateway - APM Terminals Vado Ligure S.P.A*, https://www.portsofgenoa.com/en/port-basins/basins-vl/basins-apm-vl.html.

[28] Elena Romanato, "Inaugurata la piattaforma di Vado Ligure", in *La Stampa*, 12 December 2019, https://www.lastampa.it/savona/2019/12/12/news/inaugurata-la-piattaforma-di-vado-ligure-1.38200938.

[29] Interview with an official from the Ports of Genoa.

[30] "Trieste e Genova, porti della Via Seta in Europa", in *Ansa*, 23 March 2019, https://www.ansa.it/mare/notizie/portielogistica/news/2019/03/23/ansa-focus-trieste-e-genova-porti-della-via-seta-in-europa_72615232-c379-4b4a-b256-80580fc4aeaa.html.

[31] Interview with an official from the Port Authority of the Eastern Adriatic Sea; Marco Morino, "Porto di Trieste, maxi hub ferroviario tra Europa e Far East", in *Il Sole 24 Ore*, 27 December 2019, https://www.ilsole24ore.com/art/porto-trieste-maxi-hub-ferroviario-europa-e-far-east-ACufI34.

further railway connections – to which the Connecting Europe Facility, a financial instrument supporting connectivity across and beyond the European Union, has added 6.5 million euro.[32]

Trihub is not the only potential collaboration between the Port of Trieste and a Chinese counterpart dating from before March 2019. In 2018, CMG showed an interest and opened talks to invest in the soon-to-be-completed Logistic Intermodal Platform. Worth 130 million euro, this was at the time owned by Francesco Parisi S.p.A., a shipping company, and ICOP S.p.A., a construction company. The new logistic platform is built on an area of 120,000 square metres reclaimed from the sea and connected directly to railways and motorways.[33]

5. The Memorandum of Understanding of March 2019

The MoUs of the Port of Genoa and the Port of Trieste with CCCC are included in the list of commercial agreements signed in March 2019 within the framework of the broader Sino–Italian MoU in support of the BRI. Asked about the nature of these arrangements, stakeholders contend that they were nothing more than broad and general frameworks of cooperation, an expression of intent to further develop and enhance ties with CCCC in the context of an improved trade relationship between Italy and China. Point 2 of paragraph II of the MoU between the two countries – which concerns transport, logistics and infrastructure – indeed reads as follows:

> [Italy and the People's Republic of China] share a common vision about the improvement of accessible, safe, inclusive and sustainable transport. The Parties will cooperate in the development of infrastructure connectivity, including financing, interoperability and logistics, in areas of mutual interest (such as roads, railways, bridges, civil aviation, ports, energy – including renewables and natural gas – and telecommunications).[34]

The wording does not suggest any precise objective or project; however, some more-specific ideas were being explored. The MoU then continues by directly mentioning the BRI and the potential "synergies" between the Chinese project and the development of Italy's transport system, which does not stop at ports. Notably, the explicit mention of the Trans-European Transport Network (TEN-T) and the "EU-China Connectivity Platform", two European connectivity frameworks, has a double meaning. First, it underlines how the MoU was situated under the EU umbrella, and was not a rogue Italian initiative as feared. Second, it suggests that for the Chinese, the MoU with Italy was one of a number of moves through which they intended to enjoy much greater participation in the Italian and European

[32] "Port of Trieste, 39 Million Euros from EIB to Reinforce Railway", in *AdriaPorts*, 9 December 2019, http://www.adriaports.com/it/node/892.

[33] Nicola P. Contessi, "Italy, China's Latest Gateway to Europe", cit.

[34] Italy and China, *Memorandum of Understanding*..., cit., p. 3.

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transport and infrastructure sector.

Some more "pragmatic" aspects are mentioned – such as quicker customs clearance, more significant funding for sustainable and digitalised transportation, and transparent and non-discriminatory procurement. These objectives remain vague, however. The exception is the deliberate inclusion of transparent and non-discriminatory procurement, which underlines Italy's commitment to sign off on an agreement bound to existing legal and regulatory frameworks.[35]

Besides outlining broad and general future collaborations, the MoU included little to no detail. Yet, the more specific agreements and developments that followed were undoubtedly the result of the agreement signed in March 2019. If the offer made to the WLSPA and the EASPA were very similar, they were received differently – leading to marginally different outcomes. Despite some developments, it will be shown how, to this day, what followed remains mostly inconsequential.

6. After March 2019

For clarity, this section will first look at the MoU developments with the WLSPA and then move on to the EASPA. It must be acknowledged that some of the developments might have been directly or indirectly impaired by the outbreak of the COVID-19 pandemic. Alongside this, the change of government in Italy that took place in September 2019 – when the populist coalition between the Five Star Movement and League gave way to a new coalition formed by, again, the Five Star Movement and mainstream centre-left parties (Democratic Party and Italia Viva) – is also relevant. The change of government did not necessarily amount to a drastic change of view towards China but it did signal a return to an approach fully embedded in Italy's traditional system of alliances, both European and transatlantic. This return saw its consolidation in February 2021 with a new administration led by former European Central Bank President Mario Draghi.

6.1 The Western Ligurian Sea Port Authority

After March 2019, CCCC offered the WLSPA participation in a new logistics park in China in order to sell Italian products. This offer was complemented by the option for Italian enterprises to sell their products on an online platform operated by CCCC. These initiatives, while aimed at local enterprises, were expected to be coordinated by the Port Authority. To this day, however, the WLSPA has not participated in the creation of the proposed logistics park; it appears that this venture was not a viable option for the Port Authority, which at the time did not have the financial capacity for such an investment.[36]

[35] Ibid., p. 4.

[36] Interview with an official of the Ports of Genoa.

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The WLSPA organised meetings with its local confederation of employers in order to explore their interest in selling products in China through the proposed and/or other online platforms, but the relatively small size of most Italian enterprises made the process more complicated than its Chinese counterpart expected. Even if firms were interested in using the online platform offered by CCCC, getting their products to China constituted a rather tricky endeavour. The relatively limited amount of potential exports – a reflection of the small-to-medium size of the exporting companies involved – hardly covered the cost of shipping. In other words, the size of the Italian enterprises prevents them from conducting large-scale shipping – making the Chinese offer ultimately difficult to capitalise on. The WLSPA has been exploring the possibility of gathering the products of all the enterprises willing to participate and then shipping them together, but has yet to make progress in this direction. In the meantime, similar agreements regarding the selling of Italian products on Chinese online platforms have been brought forward by other Italian actors.[37]

Another, more important reason behind CCCC's interest in the WLSPA concerns the Chinese company's potential participation in a public bid to construct a new breakwater dam, the largest project at the port of Genoa (worth about 1 billion euro). CCCC may also be interested in further expanding COSCO's and Qingdao's activities, already present in Vado Ligure, to the Port of Genoa.[38] Neither plan had gone ahead at the time of writing. CCCC participated in the public bid for the breakwater dam but ended up seventh among the candidates and was therefore excluded from the tender.[39] An MoU between the Port of Qingdao and the Port of Genoa was under discussion but is yet to be finalised. Thus, as far as we know, the MoU between the Western Ligurian Sea Port Authority and CCCC has been largely inconsequential. Progress has only been made regarding the above-mentioned new terminal at Vado Ligure – which, however, is not part of the MoU signed in March 2019 and does not involve CCCC. We can thus safely state that the MoU, thus far, has had little impact on the ports under the WLSPA and the authority's relationship with Chinese companies. Therefore, it has not led to any potential exposure of Italy to new risks.

[37] Nicola Bilotta, "China's Belt and Road Initiative in Italy: An Analysis of Financial Cooperation", in *IAI Papers*, No. 21|18 (April 2021), forthcoming.

[38] "Porto Genova, con la nuova diga foranea un'unica banchina lunga 3,2 km", in *Telenord*, 7 August 2020, https://telenord.it/porto-genova-con-la-nuova-diga-foranea-un-unica-banchina-lunga-3-2-km.

[39] Invitalia, *Lotto 1 - Centrale di Committenza per AdSP - Nuova diga foranea del porto di Genova: servizio di progettazione di fattibilità tecnica ed economica afferente all'intervento di realizzazione della nuova diga foranea*, 6 November 2019, https://gareappalti.invitalia.it/sourcing/awards/resume/id/000151-2018/idL/1.

6.2 The Eastern Adriatic Sea Port Authority

After the MoU signing in March 2019, the Port of Trieste signed a second and more specific MoU with CCCC in November 2019 in Shanghai, in the presence of Foreign Minister Luigi Di Maio.[40] This latter agreement built on the premise of spring 2019, meaning developing the collaboration between the EASPA and CCCC.[41] Its specific areas of cooperation concerned the presence of the Port Authority in China, CCCC's presence in the Italian port and collaborations in third countries.

The first collaboration plan covered opportunities for the Port of Trieste in China, and basically mirrored the offer made to Genoa: first, participation in new logistics parks in China involving Shanghai, Ningbo and Shenzhen; second, the option for Italian enterprises to sell their products on the online platform operated by CCCC. Like the offer to Genoa's ports, the proposal was made to local businesses, although the Port of Trieste's authority would coordinate trade.[42]

Unlike the case of Genoa, officials from the EASPA travelled to China to assess the areas where the logistics parks could emerge. However, the latest update from the Port Authority shows that this section of the agreement has not progressed any further. In a pattern all too often seen with Chinese companies, promises are made but nothing follows. The Port of Trieste has nonetheless launched a pilot project for local wine producers to sell their goods on the online platform offered by CCCC. There is one prerequisite, however: companies wishing to avail themselves of this facility must be large enterprises. The pilot project selected ten entities that would send samples of their products to China to have them placed on CCCC's online platform. While the latter belongs to CCCC, the whole logistic chain remains entirely in the hands of its Italian counterparts, with a special role for the Port of Trieste. The project was briefly put on hold owing to the COVID-19 outbreak, but was then restarted in May 2020.[43]

The part of the MoU on Chinese involvement in Italy included collaboration on the already-existing Trihub project for the renewal of the Servola and Aquilinia train stations (near Trieste), which were to be connected to the port and to function as intermodal stations. In this case, CCCC would build the stations and the Port Authority (together with its partner RFI) would manage them and pay rent to CCCC. However, this part of the deal, too, has seen little progress. The agreement was that

[40] "Porti: intesa Trieste con CCCC per aree industriali Cina", in *Ansa*, 5 November 2019, https://www.ansa.it/friuliveneziagiulia/notizie/2019/11/05/porti-intesa-trieste-con-cccc-per-aree-industriali-cina_5db65b54-7a4a-4605-805b-536886926eb7.html.

[41] Eastern Adriatic Sea Port Authority and CCCC, *Accordo di cooperazione fra Autorità di sistema portuale del Mare Adriatico Orientale – porti di Trieste e Monfalcone e China Communications Construction Company*, 23 March 2019, https://www.lavoceditrieste.net/wp-content/uploads/2019/03/Accordo_AdSPTM-CCCC.pdf.

[42] Interview with an exponent from the Port of Trieste.

[43] Zeno Saracino, "Porto di Trieste, riparte il progetto dell'export vini italiani in Cina", in *Trieste News*, 6 May 2020, https://www.triesteallnews.it/?p=154583.

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the public bid for the construction of the stations would be launched after CCCC presented its project to the Port Authority, which would give the Chinese company tips on how to improve it.[44] This does not imply improper conduct, as there would still be an open public bid respectful of Italian and European regulations.[45] However, to this day, CCCC is yet to present such a project – and recent developments suggest that it may have lost its chance entirely.[46] One initial sign is a negative assessment of the project's feasibility – apparently, there is not enough space to develop intermodal stations[47] – and a further signal is the blacklisting of CCCC by the US. A third development is the presence of a German enterprise investing in the port.

At the end of September 2020, the Hamburg-based Hamburger Hafen und Logistik AG (HHLA) acquired 50.01 per cent of the Logistic Intermodal Platform at the Port of Trieste. This arrangement for the construction and the subsequent lease for managing the platform to HHLA, which will last 30 years, signals a pivot by the Port of Trieste towards European partners and the probable end of the Chinese investment project envisioned in the MoU with CCCC of November 2019.[48] The platform in which HHLA invested is the same one that attracted the interest of CMG in 2018; ultimately, it received the required investment not from China but from Germany.

Hafen und Logistik's investment has come at a time when the European Union decided to commit more seriously, at least in theory, to its strategy for connecting Europe and Asia as an (unofficial) alternative to the BRI, which might complement BRI-related projects.[49] In the words of the Chairman of the Port of Trieste Authority, if the BRI is a Chinese project, the Silk Road – intended as a set of trade routes between Asia and Europe – does not belong exclusively to anyone. Therefore, a European solution can be proposed for its development.[50]

The final part of the MoU, which concerned collaborations in third countries, envisioned the partnering of CCCC and the Eastern Adriatic Sea Port Authority to build a sizeable intermodal rail terminal in the city of Košice, in Slovakia. This part of the agreement was close to finalisation in 2020, but there has been no

[44] Interview with an exponent from the Port of Trieste.

[45] Ibid.

[46] Marco Morino, "Porto di Trieste, maxi hub ferroviario tra Europa e Far East", cit.

[47] Interview with an official from the Port Authority of Eastern Adriatic Sea.

[48] Hamburger Hafen und Logistik AG (HHLA) website: *HHLA PLT Italy*, https://hhla.de/en/company/subsidiaries/hhla-plt-italy; "HHLA invests in Italy's Port of Trieste", in *Hamburg News*, 15 October 2020, https://hamburg-news.hamburg/en/node/2130.

[49] Keegan Elmer, "EU's Connectivity Plan 'More Sustainable' than Beijing's Belt and Road, European Official Says", in *South China Morning Post*, 27 April 2019, https://www.scmp.com/news/china/diplomacy/article/3007878/eus-connectivity-plan-more-sustainable-beijings-belt-and-road.

[50] "Piattaforma: D'Agostino, non rinunciamo alla Via della Seta", in *Ansa*, 30 September 2020, https://www.ansa.it/friuliveneziagiulia/notizie/2020/09/30/piattaforma-dagostino-non-rinunciamo-alla-via-della-seta_94403775-0569-44de-925e-1407d0f95e3b.html.

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confirmation since; it is likely that US sanctions on CCCC hindered that part of the collaboration as well.

Conclusions

Two general considerations may be drawn from this review of Sino–Italian plans for jointly developing Italy's port facilities. First, the MoU signed in March 2019 was an expression of intent that, while causing great upheaval because of the highly symbolic value of the BRI and the related risks of China gaining political influence abroad, has ended up falling short on deeds. Second, neither the Western Ligurian Sea Port Authority nor the Eastern Adriatic Sea Port Authority have opened up to Chinese investments before taking into account due-diligence considerations. Both have couched their intentions in solid legal frameworks and limited the Chinese presence to specific projects. Neither Port Authority had the intention (or the legal authority) to cede ownership of its port to a Chinese partner or to accept an investment that would include the acquisition of majority shares of a whole port. In fact, in the case of Genoa, not only was the Chinese involvement not in the port itself but rather in the construction of a new breakwater dam but CCCC did not eventually win the public contract for it. Both port authorities have other partners and potential investors. These have not been constrained by the arrival of the Chinese nor have they been excluded from investing in the ports (as the case of HHLA shows), which points to the two port authorities' awareness of the importance of diversification.

That being said, it is hard not to see in these cases the potential unfolding of the dynamics, which have emerged elsewhere, of a slow but progressive expansion of Chinese participation either in the ports themselves or in related facilities. For both parties involved, the MoU was meant to be the first step to improving relations with China, attracting more Chinese capital and obtaining a preferential channel for Italian enterprises to access the Chinese market. The visits and proposals made by Chinese counterparts after the signing of the MoUs signal a move in that direction. The PRC's activity in both ports had the potential to be expanded in the future. The Chinese companies involved probably hoped to make a first step and then further their presence in Italian and European transport and infrastructure networks (after all, Chinese enterprises are widely present in European ports).

If there was a Chinese plan to expand in the Italian and European transport networks, this has been constrained by a growing awareness in Italy and the EU of the need to protect critical infrastructures. Italy's and the EU's rules on public procurement and investment screening limit the possibility of Chinese enterprises investing freely in national strategic assets. The Golden Power mechanism has expanded its reach over the years, and it now covers a number of sectors in which the government can block foreign investments. Its enacting, however, is entirely dependent on governmental decision. The EU's framework on foreign direct investment (FDI) allows Brussels and member states to pool information on inbound

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FDI and eventually to share advice on such investments. Information sharing contributes to a more transparent awareness of and debate on the status of Chinese investments in the region. In the case of Italian ports, the EU's tool was not active yet[51] but the lively public debate within and outside Italy about the opportuneness of the MoU contributed to increasing scrutiny of Chinese investments in the ports of Genoa and Trieste. The debate and the attention drawn towards these two ports have most likely influenced decision-makers, who ultimately chose to take a different path – as was shown by the case of the EASPA. The timely investments by Hafen und Logistik in the Port of Trieste made it much easier for the latter to drop the option of considering the offer by CCCC, which had become fraught with risks following the US decision to blacklist the Chinese.

To sum up, the main "takeaway" from this review of the initial implementation of the Sino–Italian MoU in support of the BRI is that whereas the latter initiative undeniably had symbolic political power it has so far had few consequences for the Italian maritime-infrastructure sector. The "loss" of Trieste has not stopped the BRI from progressing in Italy. In October 2020, COSCO opened a new maritime line between the Port of Piraeus and Vado Ligure, linking two ports where the SOE plays a significant role. The construction of the new terminal at Vado Ligure has brought jobs and economic opportunities to the surrounding area without incurring new security risks. It must be stressed that ports cannot be sold in Italy but only leased, and that even then the lease can be revoked for justified commercial or security reasons. In other Italian ports, the risk is that Chinese investment may end up being the only option available. If the transport sector is deemed to be sensitive and strategic, Europeans should boost the capacity of their enterprises in order to compete in it.

Risks do arise when large investments are made in strategic infrastructure by a major – and, in so many respects, problematic – power like China. In such cases, one must decide whether to adopt a risk-management or a risk-avoidance approach. Italy opted for risk management, a choice that is widely shared among Europeans – proving that despite US and Brussels concerns vis-à-vis the MoU, in substance the agreements did not differ from others made by European ports that did not sign on to the Belt and Road Initiative.

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