

### BELT AND ROAD INITIATIVE

## Xi expected to sign deal on Italian ports

Stuart Lau

Four ports in Italy could attract Chinese investment under Beijing's "Belt and Road Initiative", despite security concerns in the European Union, according to diplomatic sources.

A deal on the ports is expected to be on the agenda when President Xi Jinping heads to Rome this week for talks with Italian Prime Minister Giuseppe Conte.

The northwestern city of Genoa, Italy's biggest seaport, said it would sign cooperation agreements with Beijing, while in the south the Sicilian port of Palermo – which Xi is expected to visit this weekend – is the focus of Rome's efforts to attract Chinese shipping operators.

Two ports in the northern Adriatic Sea, Trieste and Ravenna, might also be part of Italy's



memorandum of understanding with Xi, the sources said.

The Italian government has said that allowing Chinese state companies to manage or hold stakes in Italian ports would be key to expanding exports.

But the EU, the United States and some members of the Italian government have expressed

concern that such investment could be a "Trojan horse" for penetrating Italy's economy.

Last week, the European Commission labelled Beijing a "systemic rival" and called on EU leaders to back its proposals to limit the presence of Chinese state-owned businesses in Europe.

Conte has said his government would not ignore European frameworks and principles on commercial transparency and national security.

Yesterday, Conte said the deals he would seal with China had no implications for Italy's geopolitical position. He told parliament that a memorandum of understanding to be signed with Xi hooking Italy up to the belt and road programme "does not remotely put into doubt our Euro-Atlantic alliance".

The United States has warned

> CONTINUED ON A3

### SOUTH CHINA SEA

## Europe to step up naval presence to counter China

Wendy Wu  
wendy.wu@scmp.com

European countries will reinforce their presence in the Indo-Pacific, including increased naval operations, to counter China's assertive activities in the region, analysts and a diplomatic source have said.

The European Union was "already starting to make its mark in the Indo-Pacific", said Liselotte Odgaard, a visiting senior fellow with the Hudson Institute, a conservative think tank in Washington, at an event discussing the EU's role in the region.

She said the EU would have a general policy line such as opposition to Beijing's assertiveness in the South China Sea and support for freedom of navigation, but it could not go further into concrete policy initiatives, which "will be left to groupings of countries to do and that is also what we see increasingly".

The South China Sea is an important waterway for about US\$3 trillion of trade each year – a third of global trade. Beijing claims it has sovereignty over the waters, but is contested by its neighbours, including the Philippines, Vietnam, Malaysia and Brunei.

Beijing's island-building and military activities in the South China Sea have raised concerns for the United States and its allies. India is also wary of China's growing presence in the Indian Ocean.

The US Navy and Air Force have increased warship and aircraft patrols to ensure a "free and open" Indo-Pacific, while France has been conducting naval operations through the South China Sea since 2014.

Odgaard said some countries had sent personnel to join French vessels in recent years to support the EU's call for international rules for freedom of navigation in the waters.

"This year, for example, Denmark will send a frigate and France will send a carrier group [into the Indo-Pacific]," she said. "So there is a gradual step-up of this effort, which is by a grouping of countries that all agree that we should carry out operations in support of [freedom of navigation in] the South China Sea."

She said some EU countries should conduct military exercises with India and Japan, "so it won't be the EU but will be a sufficiently large grouping of countries that the message received will be European and not just individual countries".

Britain plans to deploy one of its aircraft carriers to the Pacific and is considering establishing new bases in the region. France is discussing holding exercises with the Japanese military.

Patrick Cronin, head of Asia-Pacific security for the Hudson Institute, also called for "[bringing] Europe into the equation" in the Indo-Pacific to push Beijing to obey the rules of free navigation in international waters.



### I see a question of preferential rules being mostly promoted by China

PATRICK CRONIN, HUDSON INSTITUTE

"I see a question of preferential rules [regarding China's territorial claims] – being mostly promoted by China but other revisionist powers as well – versus the international rule of law being one of the top challenges we face in the Indo-Pacific and globally," Cronin said.

"That's why Europe can be so helpful ... to remind everybody that we ought to be working on an international law of rules, not some special sphere of influence where rules are suddenly [applied] differently."



Beijing's island-building activity and assertiveness in the South China Sea is one of the reasons for European Union unease. Photo: Reuters

There have been growing concerns in Europe about challenges to the bloc's economy and security from Beijing, which has been accused of not playing by international rules.

In an EU document published last week, the European Commission, the union's executive, for the first time identified China as an "economic competitor" and "a systemic rival promoting alternative models of governance".

It presented 10 proposals to seek a balanced relationship with Beijing and solidify the EU's unity to counter the influence of the bloc's top trading partner.

EU leaders will discuss the proposals at a summit tomorrow – their first in many years to address China. The summit is part of a flurry of high-level meetings, with President Xi Jinping travelling to Italy and France from this week and the bloc to hold a summit with China in April.

During a security dialogue with EU members' foreign ministers in Brussels on Monday, Foreign Minister Wang Yi said China and the European Union had differences on some issues but cooperation was a mainstay for their relations.

A European diplomatic source told the Post that apart from growing discontent over a lack of reciprocity of market access between Brussels and Beijing, there was serious unease in the EU about Beijing's assertiveness in maritime strategies such as in the South China Sea.

The source said more naval operations by EU members in the South China Sea could take place.

Britain has repeatedly stated its intention to increase its activities in Asian waters and has carried out joint operations with the United States.



Trieste port is strategically important for Beijing. Photo: adriaports.com

## Xi expected to sign deal on Italian ports during visit

> CONTINUED FROM A1

Italy against signing the MOU on what it calls a Chinese "vanity project", but Conte left no doubt that the deal would go ahead.

The MOU "is fully in line with the strategy of the EU and in fact it promotes it as no other member state has done so far in its dealings with Beijing", he said.

Conte has maintained that joining the belt and road programme – Beijing's initiative to link economies into a China-centred trading network – was essential for his country.

"The collaboration with China in the field of connectivity opens up great opportunities for the Italian system [as the] historic terminal of the ancient Silk Road," Conte said earlier this month.

"Our ports – I am thinking in particular of those of Genoa and Trieste – can apply for the role of terminals in Europe for the New Silk Road," he said, referring to the belt and road.

While Beijing has not spoken officially about any agreement, the Italian government has already approved a deal between Genoa's port authority and shipping firm China Communications Construction Company (CCCC).

"We are working to establish a company in partnership with CCCC, which will help us in the procurement phases of some major works related to the port of Genoa," Paolo Emilio Signorini, president of the Port System Authority of the western Ligurian

Sea, which controls the port of Genoa, told Italian media last week.

While Genoa is a long-established port, Trieste has the most potential for China, according to Italian government sources.

Trieste is strategically important for Beijing because it would connect the Mediterranean to landlocked countries such as Austria, Hungary, the Czech Republic, Slovakia and Serbia, all of which are markets that China hopes to reach.

"Trieste has a great opportunity to become one of the most important terminals, perhaps the most important in Europe of the Silk Road," Michele Geraci, Italian undersecretary of economic development and a major advocate of Italian involvement in the belt and road, said.

Zeno D'Agostino, president of the Trieste port authority, also rejected claims in Italian media that Trieste was being "sold" to China.

"The Chinese are simply interested in container traffic because they understand that Trieste is a privileged gateway to Europe," D'Agostino said.

He added that China Merchants, a state-owned terminal manager based in Hong Kong, had been in talks to set up a joint venture for a terminal at Trieste.

But the proposal is opposed by some. The governor of Veneto, the region next to Trieste and which administers Venice, dismissed the Italian-Chinese deal as "a new form of colonisation".

Additional reporting by Reuters