



MOVIMENTO INDIPENDENZA

Department of Foreign Affairs and International Trade

ITALY, BELT & ROAD, AND BRICS

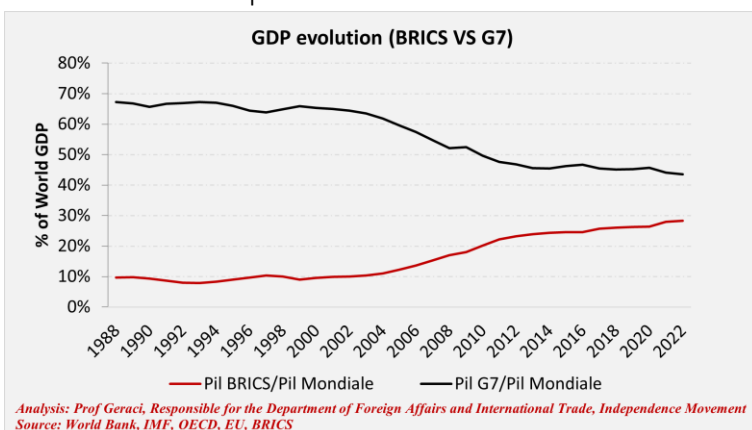
The recovery of the Italian economy in the new multipolar world

Introduction

Italy occupies a strategic position in the world geopolitical scene that offers us a unique and envied role as a bridge between Western countries and the countries of Africa, the Middle East, Asia, and Latin America—commonly referred to as the **Global South**. There are about 150 countries that are coming together around new intergovernmental organizations, such as the BRICS- Brazil, Russia, India, China, South Africa, plus Iran, Saudi Arabia, the United Arab Emirates, Egypt and Ethiopia - or economic cooperation initiatives, such as the *Belt & Road Initiative (BRI)*. They have also founded ad hoc banks to finance their investment activities: the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB). The development and growth of these organizations are the visible representation of the evolution from a unipolar world, led by the US and G7 + World Bank/International Monetary Fund satellites, to a multipolar world, which adds to the traditional objectives of stability of international finance and the eradication of poverty, also the development of infrastructures.

The BRICS/BRI represents in fact the "Global South" that is growing, both economically and demographically, more than the "Global West" (USA, EU, Japan, Korea, Oceania) and that has as a further point of aggregation **a sense of revenge against the West**, perceived, in Africa and the Far East, as those who have plundered their lands of resources and men. It is, however, a **peaceful rivalry** that is

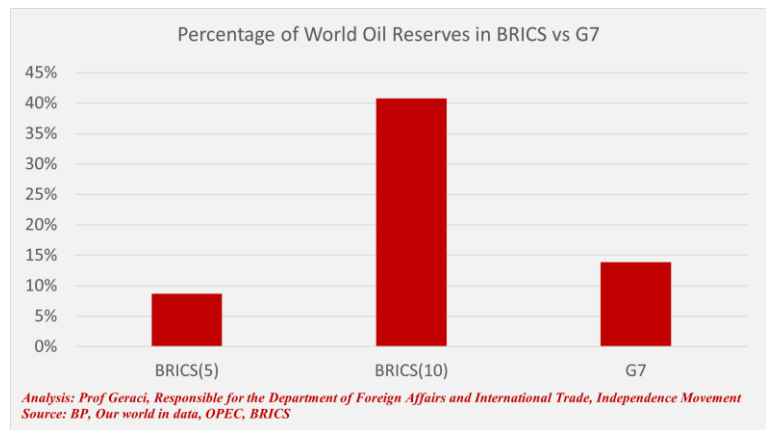
also articulated through the demand for greater autonomy with respect to Western political, economic, and financial directives. Congo today appreciates cooperating with China more than it must have done with Leopold II's of Belgium. Niger and Algeria with Russia rather than France. South Africa with China more than with Holland and England. India has also made it known that it prefers a strong trade relationship with Russia, from



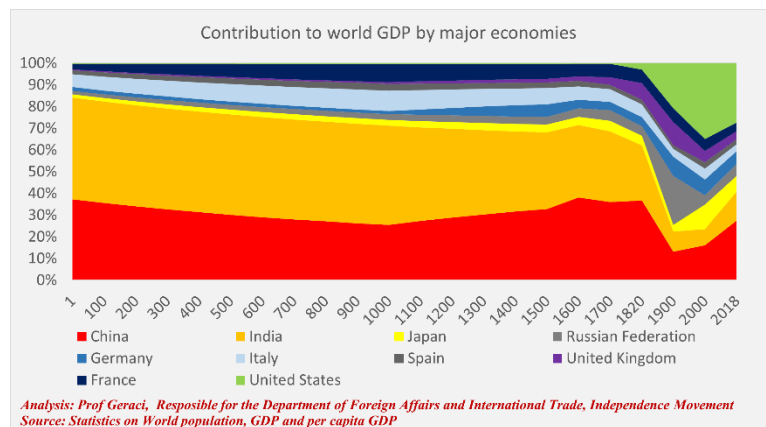
which it buys oil, without Western interference. In Southeast Asia, a few months ago, Laos inaugurated a new high-speed railway line built by China, not by France. Not everything is rosy, there are also disputes between the various countries (for example between China and India in Kashmir), but the desire on the part of the governments of the countries of the Global South to offer development to their populations dominates any friction between countries and therefore international cooperation focuses on socio-economic growth. And the figures confirm it: the aggregate GDP of the BRICS countries

has risen from 10% of world GDP in 1988 to 30% today (nominal values). That of the G7, has decreased from 70% to 42%. The demographic relationship between the West and the BRICS/BRI is even more dramatic: today the West accounts for only 15% of the world's population, a value that is trending downwards.

In addition to the internal growth dynamics of member countries, the number of countries joining the BRICS is also increasing. The five countries (China, India, Brazil, Russia, and South Africa) were joined by five others (Ethiopia, Saudi Arabia, Iran, the Emirates, and Egypt), two in Africa and three in the Middle East, among the largest oil producers. The accession of the sixth country, Argentina, was suspended after the election of the new President Milei. With their joining, the share of oil reserves held by the BRICS has risen from 7% to 43%, while that of the G7 remains fixed at 15%: a clear change of balance of power. Trade between the BRICS countries today represents 15% of the total value of global trade, a value destined to grow both due to internal dynamics and the probable accession of new countries.



We often hear that China and India are growing and occupying new positions in the ranking of world GDP. The reality is that they are not simply growing but **are returning to a historic dominant position in the world economy that has been theirs for all 2,000 years since Christ's birth until today**, except for the periods when they were colonized. Until 1500, China and India accounted for about 60% of the world's GDP (normalized by purchasing power, PPP), a value that began to fall in conjunction with colonization, first of India, in various phases, starting in 1700 by the British, and then of China from 1839, also by the British. By the 1860s, at the lowest of the relative development of India and China, their two economies combined had fallen to only 20% of the world's GDP: a sudden collapse of relative importance that coincided with the growth of England first and the United States later: colonialism the former, neocolonialism the latter. Just as the BRICS countries plan for the long term and look to the future in 10, 20, and 50 years, they also look back to the past and do not forget these two centuries of Western abuses. China describes the period from 1839 to 1949 as the "century of humiliation" while new estimates attribute to British colonialism in India in the period between 1880 and 1920 alone the cause of death- direct and indirect- of 100 million Indians, or more victims than those attributed in the twentieth century to Hitler, Stalin and Mao combined. They are countries where history is studied and where the past also counts in today's international relations.



In the challenge between the "Global South" and the "Global West", the different visions of the

development model also play an important role. While the Western model of development always ends up applying the "Zero Sum" theory, where for every country that wins there must be one that loses, the BRICS/BRI model attempts to propose a vision of "**Shared Benefits**" (*win-win*), where the growth and development of one contribute to the growth and development of the others.

To the Western colonial model of the past centuries and to the current neo-colonialism, the BRICS/BRI wants to oppose a model based on investments in infrastructure, transport, technology, agriculture, energy, human capital, raw materials, and exchanges between peoples to increase mutual knowledge. These are all part of a **holistic development framework** that aims to meet the specific needs of different countries. It is **a model with variable geometry** in which each country can choose the path to take according to its needs and its different stages of development. For example: in Ethiopia, the priority is in the modernization of agriculture and urbanization. In Việt Nam it is the development of a logistics ecosystem to support manufacturing. In Congo, they are studying how to maximize the value of large resources of raw materials (cobalt) with investments in long-lasting infrastructure that remains in the territory. In China how to develop technological innovation and human capital, having already become the country in the world with the most advanced transport infrastructure: high-speed trains and ports. In India, the priority remains the fight against poverty, income inequality, and the harmonious integration of different ethnic groups.

Underlying the BRICS/BRI philosophy is the belief that socio-economic development, mutual knowledge, respect, and, above all, the repudiation of the zero-sum model in exchange for the shared-benefit model, are all necessary to limit outbreaks of war.

This vision may seem suspicious, the result of a propagandistic construction, especially to Western analysts accustomed to the zero-sum model, but it remains an alternative view of the world with which we must live. It is therefore necessary to constantly monitor the developments and the actual implementation of this philosophy, in order to detect any dissonance with the announced intentions, but also to be ready to seize the opportunities if the facts confirm the concreteness of these intentions.

Contrary to what is claimed by many largely hetero-directed Italian "sirens", the strengthening of relations with the BRICS and the BRI should not generate any fear. The members of the BRICS (especially in the recently enlarged format) present extremely differentiated political, economic, cultural, and social realities, a real kaleidoscope, therefore, they will not be able or willing to export or impose their own alternative model to the European one.

Contrary to the forums created by the United States in a unipolar horizon, the BRICS are not a bloc or sphere of influence contracted out to a single power, as demonstrated by the enlargement to 10 countries, but a space of interaction for convergences of interests and a collective instrument of affirmation. By their essence, they constitute a typical multipolar consortium made up of bearers of differentiated demands, sometimes even opposed to one another but which aspire to cultivate autonomously, thereby eschewing the hegemonic pretensions of others. It is the revisited dream of what was expressed in 1955 at the Conference of the Non-Aligned in Bandung, which evolved over time into the Group of 77+ China (today there are 134 despite maintaining the ancient name), which today re-emerges as a new reality.

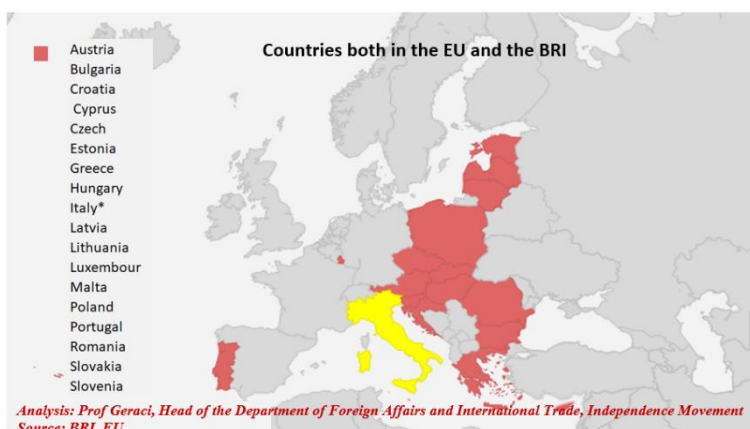
It is therefore not a question of being subjected to new influences or even less of bowing to new imperialisms, but of broadening our horizons and making the most of the opportunities that are emerging with the transition to a multipolar order of the planet.

Italy's location in the middle of the Mediterranean was exploited in the past by Romans, maritime

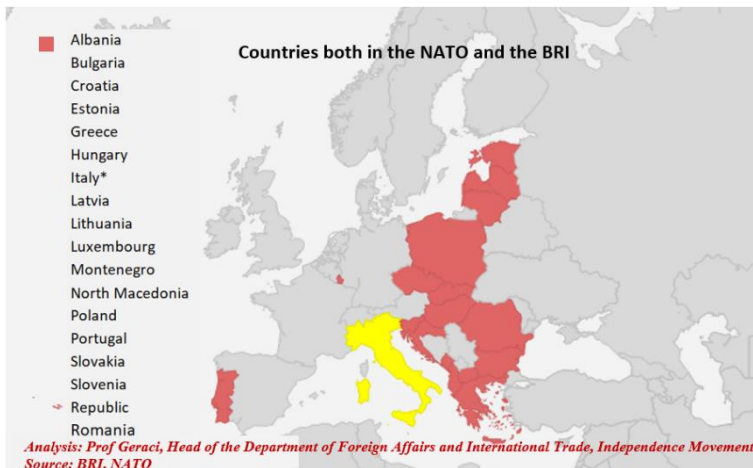
republics, traders, and explorers such as Marco Polo. A position made much more strategic today by the evolution from a closed sea, or simple route of projection of the Atlantic area towards the East, connecting the two most important macro areas of the planet: the Indo-Pacific and the Atlantic. Recently, however, the Mediterranean seems to have become only a source of problems, migrants and security challenges, rather than opportunities. Now it is essential for Italy's economic development to restore the centrality to the Mediterranean that it has had for centuries and bring it back to that role of "first landing place" to cooperate more intensively with the BRICS/BRI, without denying the consolidated relations with European and American partners, thus seeking a point of balance in this historical phase full of tensions. A difficult goal, but necessary for our national independence and for the consequent well-being of Italians

It is therefore a question of enlarging, not replacing, the group of countries in the world with which we have strong intergovernmental relations, in order to bring benefits to our companies and our citizens and to successfully ride the unstoppable evolution underway from a world-dominated by Western hegemony to a multipolar world. In order to position itself intelligently and profitably in this growing multipolarity, Italy must relaunch relations with the BRICS countries and with the countries of the Belt Road (154 countries), developing economic, financial, and cultural cooperation projects, within the framework of **positive relationships between West and East**. Italy has had and would still have the opportunity to position itself as a leader among European countries in this process, also involving European partners in possible win-win projects with the "Global South". **Therefore, relaunching, instead of abandoning, the Belt Road Memorandum (Belt & Road Initiative) with China**, a great international opportunity on infrastructure to which Italy joined in 2019 and which has undoubted advantages for our national interest, without any obligation, to regain the centrality that Italy has had for centuries in the Mediterranean and as a bridge between Europe, Asia, and Africa. In the context of the Belt Road, there is also economic cooperation in Africa, which is intertwined between the Mediterranean, the BRICS countries (Egypt, soon Algeria), and the rest of the African continent whose countries are almost all members of the Belt Road. This economic cooperation is also crucial to **curb the uncontrolled migratory phenomenon** that harms not only us but even more the countries of origin.

It would go against the interests of our country, to ignore these realities and not seize the opportunities that arise or, worse, to be dictated to the agenda by others. **Participating in the Belt Road, and forging relations with the BRICS countries is not necessarily in conflict with the West or the EU.** Only those who remain anchored in a sterile zero-sum mentality, or in the divisive concept of "either with me or against me", which is also a harbinger of the clash of civilizations, can persevere in promoting such harmful visions. Recall that there are 17 member countries of both NATO and the Belt Road, 17 member countries of both the EU and the Belt Road, and, little known, all EU countries and all NATO countries (except the US) are members of the *Asian Infrastructure Investment Bank*, one of the financial arms of the Belt & Road. Italy's participation in the Belt Road is not a



dogma, but the result of our analyses that looked at both opportunities and potential risks. There have been several cases of Chinese investments in other countries that have not produced the desired



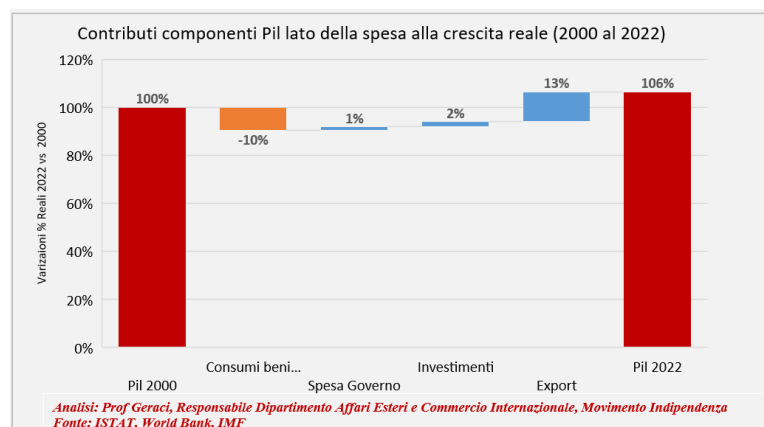
benefits and the receiving countries have found themselves in financial difficulties, such as Montenegro and Sri Lanka mired in the so-called "Debt Trap". But the causes of these financial difficulties are partly attributable to China, but also to the concomitant carelessness of local governments. These are important case studies that we are aware of and that we take into account in order to prevent similar problems from happening again. But it is fair to note that the risk that Italy, with a GDP of €2,000 billion, could fall

into such a Debt Trap – which is triggered when a foreign country's investment exceeds 15%-20% of GDP – is almost nil.

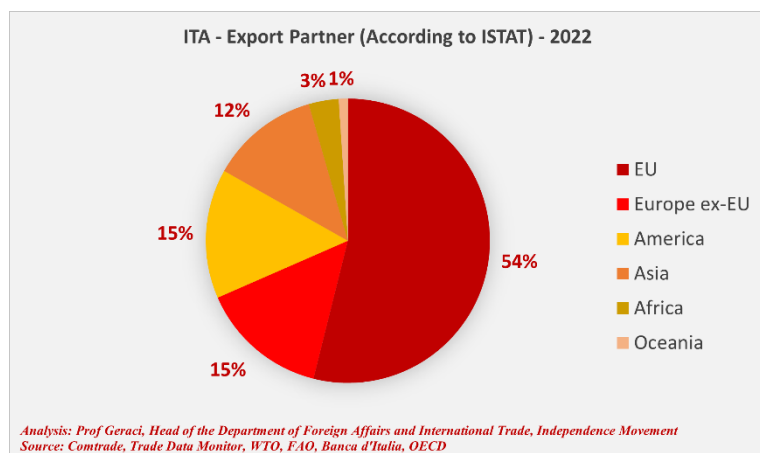
Everyone, in short, has understood that the BRICS are a reality that must be confronted, and everyone knows that the BRI is an opportunity to be seized; Each country must be able to choose to do so by the means it deems most useful. There are those who try to stop its growth with sanctions, embargoes, and military actions and those who use the diplomacy of their governments and the strength of their large companies. Italy, a country of peace, mediator, with great skills, history, culture, and human capital, as well as an important manufacturing country, including high-tech ones, which enjoys a great image abroad as a country of "good living", (commensurate with its size and its cultural heritage, the Global Marketing potential is exceptional), must leverage these assets, Strengthen its autonomy and independence and play this game as a leader by its own means.

1. The Italian economy depends on highly concentrated exports: we export a lot to Europe, but the greatest growth is outside Europe

In the last 20 years, since the introduction of the euro, the Italian economy has remained afloat (overall GDP growth +6% in real terms cumulated in 22 years) thanks to the growth of Made in Italy exports (+13% in real terms), the other components of GDP, investments, and public spending, more or less, remained unchanged and consumption even decreased by 10%. **Dependence on exports is not an ideal situation** because it exposes us to external shocks and global competition that tends to restrain incomes and social rights. **We must therefore work to reduce the incidence of exports on GDP, increasing the domestic demand component.** But this should not be done by limiting the growth of exports, which, on the contrary, must be sustained, but, on the contrary, by trying to grow domestic demand faster than GDP. This is one of the concepts underlying the rebalancing of our economy.



According to ISTAT data (which we analyze and complete with our analyses in Chapter 3), our exports are concentrated in Western countries: the European Union absorbs 54% of the total, the other non-



EU European countries 15%, and the USA 15%. Europe and the United States together therefore account for 80% of our total exports, a fundamental slice. This is why it is important to defend market shares in these countries where cultural affinities, the strong presence of our companies, but also of our emigrants are the driving force behind the Italian system. The remaining 20% represents exports to the rest of the world, mainly emerging countries in Asia and other BRICS. These are markets where our

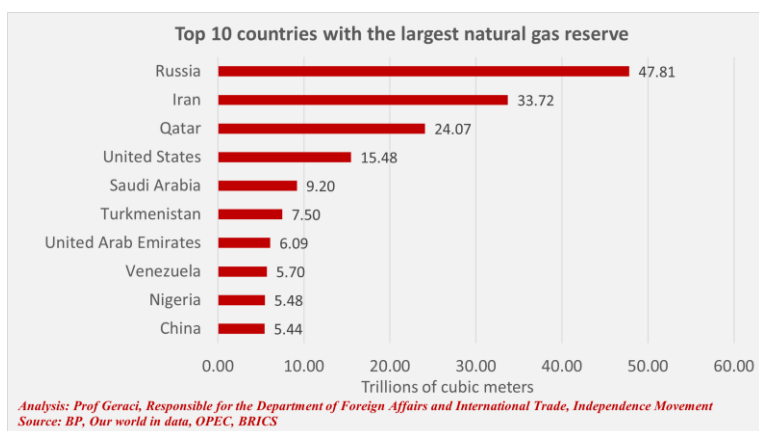
exporting companies, which are mainly SMEs, find it difficult to penetrate, due to the scarce presence of our large companies and our fellow citizens, the reduced knowledge in Italy of the economic and social dynamics of those distant and different countries, and, above all, a greater degree of state capitalism that increases the difficulties for our small businesses which, without adequate protection from the Italian government, they cannot compete on an equal footing with the French, German, Dutch, British and American giants. If European markets today represent a large slice of our exports, economic growth instead derives from non-European countries, from the BRICS/BRI. **It is, therefore, necessary to have a dual strategy: to defend market shares in Europe and the USA but to invest in growth in non-European markets, Asia, BRICS countries, and Belt Road countries.** The BRICS countries represent about 15% of global world trade, and this represents the "optimal frontier", the potential that Italy could reach if it is able to strengthen its efforts in promotion and trade policy towards the BRICS countries. To date, Italy's exports to the BRICS are only \$40 billion, equivalent to 7% of our total exports. Compared to the average of the rest of the world, we leave on the table a theoretical potential equal to 8% of our exports, equal to \$46 billion, equivalent to 2.5% of our GDP.

Added to this is the need to diversify Made in Italy customers even outside the hardcore made up of Europe and the USA: the first 5 commercial partners, according to ISTAT, represent 47% of our total exports, equal to 14% of our GDP, and the first 10 accounts for 66% of total exports, equal to 20% of GDP. It is therefore clear that any demand shock in one of these trading partners would have a negative impact on our economy, all the more so as these are interconnected economies, and this would multiply their negative effects. Diversifying our trading partners, in addition to providing new growth opportunities, would mitigate this risk, also taking into account that Europe is not exactly the region with the highest growth rates.

2. BRICS and the "Global South" possess energy, raw materials, rare earth, and technology: we must cooperate without being subject to new conditions.

The BRICS 5 held 7% of the world's oil reserves. After the accession of the 5 new partners, in particular, Iran, Saudi Arabia, and the United Arab Emirates, the BRICS PLUS now hold 43% of the world's oil reserves, surpassing those held by the G7 at 15%. To make matters worse, natural gas reserves are dominated by Russia, Iran, and Qatar. During the Russia-Ukraine crisis, the Draghi/Meloni and EU

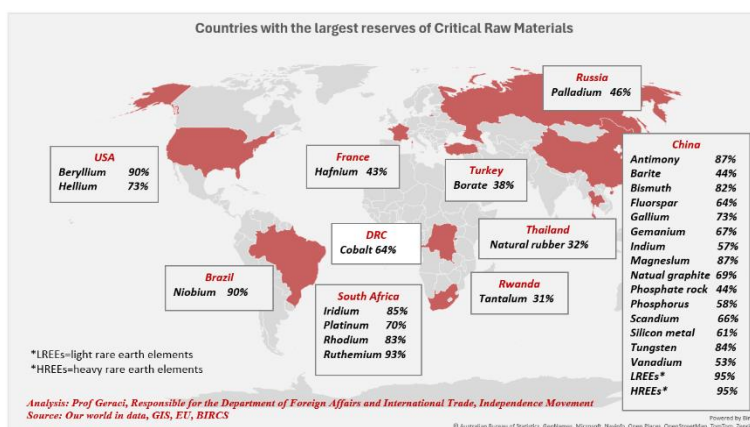
governments implemented Boomerang Sanctions that hurt EU states, highlighting how our manufacturing economies depend on abundant and cheap supplies of energy. But the BRICS countries



don't just have fossil energy sources. **With the green transition, things will get worse:** we have to rely on the "Global South" for strategic minerals and rare earth, for the construction of more solar panels, wind turbines, and batteries for electric vehicles, and, with the overtaking of Tesla by China's BYD, even for electric cars. Brazil and Russia are rich in nickel, which is used in the bearings, driveshafts, gears, and hydraulic components of wind turbines. China

holds 30%-40% of the cobalt located in the Democratic Republic of Congo which remains the world's largest supplier of the ore, which is an essential part of lithium-ion batteries used in electric vehicles. In any energy scenario, green transition or otherwise, without relations with the BRICS countries, our economy with a strong manufacturing drive would be put at risk. In the green sector, as evident from the graph, the BRICS countries (China, Russia, Brazil, and South Africa) dominate the production of CRM (Critical Raw Materials).

All these figures demonstrate the contradictions of the "decoupling" strategy promoted by the EU under the pressure of the United States. Decoupling means making European economies less dependent on imports from the BRICS/BRI countries (especially China) for raw materials and industrial products. Recently, President von der Leyen changed the narrative and replaced the word decoupling with de-risking, precisely to underline that we should defend our democracies from the constraints of "Asian autocracies". In reality, it is precisely the European Union that exposes us to this alleged blackmail with the obsession with the "green transition" that makes raw materials and products that come from China and the BRICS even more important. And it is paradoxical (and suspicious) that the European Commission is, on the one hand, the political decision-maker imposing this transition and at the same time one of the most convinced supporters of the strategy of conflict with the BRICS countries.

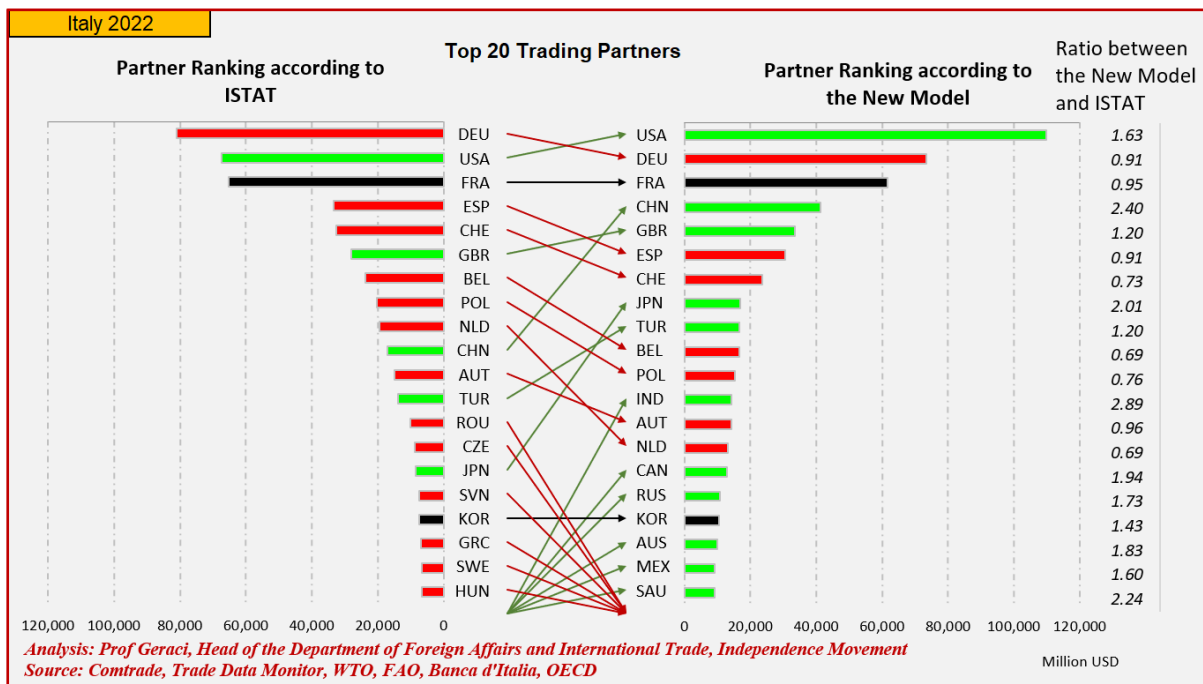


The political, economic, and commercial openness towards the BRICS countries that we propose can and must be carefully monitored on the level of transparency and reciprocity of interests. This is also why **we are calling for a re-examination of the "green transition" and certain liberal regulations** that allow global finance to make easy predatory acquisitions in our production chains: we want to defend Italy's economic independence from any international conditioning.

3. The BRICS and the "Global South" are much more important trading partners for Italy than ISTAT statistics say

The official ISTAT/ICE statistics of exports from Italy to other countries provide a partial picture of the actual bilateral trade relations between countries and do not highlight the complexity of the global value chain, to the point of providing a distorted picture of who our real trading partners are. In fact, many dynamics are not captured by the official statistical method which, in summary, registers the country of first transit of our goods as a trading partner. A container of Made in Italy that is shipped from the port of Trieste to a Japanese end customer but arrives first at the port of Rotterdam and then is transhipped on another, perhaps larger, container ship, is registered as an export from Italy to Holland, not from Italy to Japan. A luxury bag, made in Italy and bought in Paris by a Chinese tourist, is registered by ISTAT as an export from Italy to France and not from Italy to China.

Things are even more complex in the case of intermediate products that are integrated into goods in other countries and then sold in other countries, think of car components that leave us for Germany to be integrated into a German car, then shipped, and sold to a Korean customer. These errors were tolerable in the past when these various triangulations represented a minority part of total exports. But today this is no longer the case, and these "hidden" flows are no longer negligible.



It is necessary, therefore, to integrate the official statistics with further analyses and economic models that provide a complete estimate and therefore have a more accurate image of who the customers of our Made in Italy really are. In the Foreign Affairs and International Trade Department of the Independence Movement, we have done this and the results are interesting. It emerges that the EU is less important for our exports than it seems from official statistics and that many Asian countries, but also the USA, are instead far more important than we think: in other words, many alleged European "customers" of our made in Italy are only transit points or further transformation, but the real customers are in Asia and America.

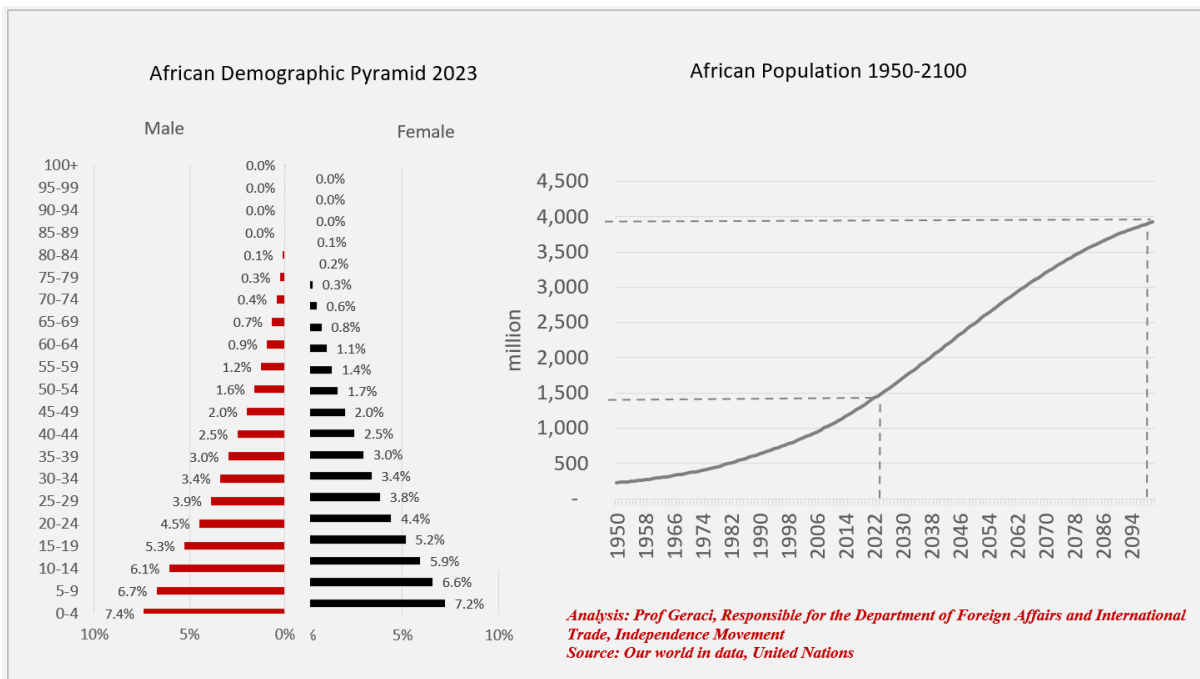
The graph above shows the ranking of our business partners according to official ISTAT statistics (left)

and the ranking we recalculated the real consumers of Made in Italy (right). The arrows in green and red indicate the change in position between the two rankings, increasing or decreasing, respectively. As expected, the "transit" countries, Switzerland, Belgium, Holland, and Austria, drop in the ranking, while the countries of final consumption, USA, China, Japan, Russia, India, Korea, Saudi Arabia, Canada, and Brazil, move up in the ranking.

China, for example, is no longer the tenth largest trading partner, as per ISTAT data, but the fourth, and the value of our exports absorbed by the Chinese is not \$17 billion as per ISTAT, but \$41 billion. The picture then changes significantly.

4. Italy's openness to the BRICS is positive for Africa's development and the reduction of migration flows

The promotion of a **"Plan for the restitution"** to Africa of what has been plundered by European colonialism – especially British and French – and by the exploitation of multinationals is an ethical duty for Europe, but also an economic opportunity to create new markets for Made in Italy products. This is the only serious and structural way to mitigate migration flows, which can only decrease if Africa embarks on a path of socio-economic development sufficient to narrow the income gap with Europe and thus reduce the incentive and need to emigrate.



Recently, Italy has had a unique opportunity to become a leading player in the Sahelian area. The decision of the Nigerien junta – which took office in June 2023 – to truncate the European missions EUCAP Sahel Niger and EUMPN Niger, and to request the departure of French troops from Operation Barkane, marked the collapse of Paris' influence and the end of the European presence in an area of utmost importance, due to the alignment of the juntas of Mali and Burkina Faso with these guidelines. At the same time, this development has seen the disintegration of the G-5 Sahel alliance, on which Brussels and Paris relied to talk in the area. But, crucially, the Nigerien junta did not ask for the removal of the Italian military mission MISIN, effectively placing Rome in the privileged position of a potential mediator between the region and the EU as well as France. On the condition that they want to have

clear ideas about an area that is crucial for Italy both for the management of migration flows and for potential economic and political reasons.

Africa has a population of 1.5 billion, an average age of 19, and a fertility rate of around 4.0. These figures lead to an estimated population of 2.5 billion in 2050 and 4 billion in 2100. There is therefore no agreement on the redistribution of migration flows among European countries that can solve the underlying problem, which is not represented by the 150,000 migrants this year, but by the millions that we must expect in the coming years, in the absence of a plan for the development of Africa and cooperation between the West, BRICS and BRI. The problem is complex, and we need a holistic approach that deals with the issue of the debt of poor countries, predatory concessions on their raw materials, and above all a development plan that is based on investments in infrastructure, transport, industrialization of agriculture, urbanization, human capital development, universities, and education. And much more.

Our development cooperation must be focused primarily on Africa and the Middle East, while our companies must be involved and supported in investments and procurement for the development of African countries. It is necessary to create institutions, banks, and companies based on the economic and planning partnership between Italy and African countries. In all this, it is essential not to miss the opportunities offered by the *Belt and Road Initiative*, where the Chinese authorities are committed, as they have signed, to involve the Italian economy in their development projects in Africa and where Italy, strong in its image and skills, represents a complementary partner of China in Africa.

China is an essential partner for Africa's socio-economic development. Like it or not. China has invested about \$400 billion and has a widespread presence in various countries with infrastructure, energy, and agriculture projects. Contrary to general knowledge, China also employs the local population, builds infrastructures that are available to be used by those countries, promotes cultural and academic exchanges, training for workers and managers, and even builds schools. China is not a philanthropist and invests in Africa because, according to their BRICS/BRI multipolar vision, it believes in the principle of shared benefits: "I invest, I build infrastructures, your economy grows so you can repay the debt, I create new markets for my exports and I manage your raw materials that I need for the development of technologies that then will also be shared with you. Different from what European colonizers did."

The more economic growth, the more social stability in Africa and in the Belt Road countries, the more business opportunities for Italy too, a greater Italian presence so as not to "leave Africa in the hands of China alone" and a substantial drop in migration flows.

5 Italy, like many other countries, is a shareholder of the AIIB but not of the BRICS Bank

The BRICS countries have two financial institutions from which they can draw funds for investments: the New Development Bank, commonly referred to as the BRICS Bank, and the Asian Infrastructure Investment Bank, AIIB. It may be little known and surprising, but **almost every country in the world (except for the United States and Japan) has acceded to China's invitation to participate as shareholders of the AIIB.** The invitation has been extended both to Asian countries, which have joined the capital as regional partners, and to countries on other continents. Britain was one of the first Western countries to join with a 3.2% share, causing the irritation of the United States. But in London, they understood that it was in Britain's interest not only to enter into the capital of one of the banks that would finance the large infrastructure projects along the Belt Road (and beyond) but also to position itself as the leader of the G7 countries to open the door to a very strong partnership with China which, although it

has expanded its shareholding to all countries in the world, It remains the reference shareholder with 30.7% of the capital. After Great Britain, Germany has also decided to join the AIIB with a 4.6% stake. After that, all the other European countries followed, including Italy, which holds 2.7% of the capital.

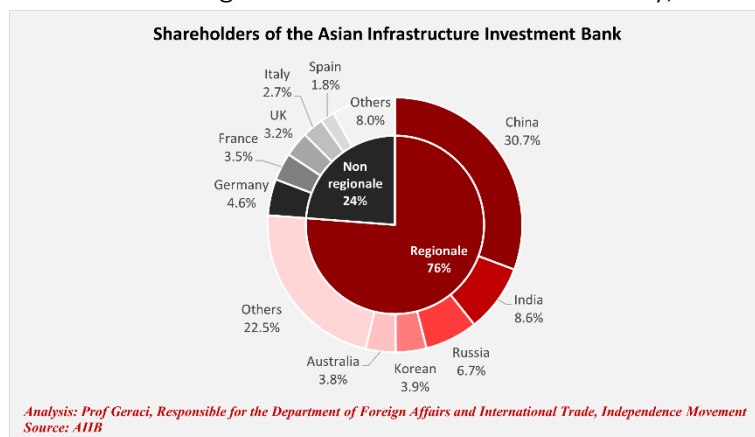
We therefore find ourselves in the paradoxical situation of having exited the Belt Road, a decision that the Meloni government has never explained, but we continue to be shareholders of the largest bank in the world that finances projects along the Belt Road. It is true that the other major European economies, shareholders such as Italy in the AIIB, are not in the Belt Road, but they - Germany, France, the UK, and the Netherlands - have large companies that



have already invested for years in the countries of the Belt Road, China in particular, and therefore do not feel, rightly, the need to sign a Memorandum. We, on the other hand, feel this need and our SMEs feel it, which would be favored by unambiguous government protection, as unfortunately, the position of the Italian government with regard to China and the rest of the BRICS/BRI countries turns out to be today.

For similar reasons, **we are looking with great interest at the possibility of entering the share capital of the BRICS Bank (New Development Bank)** to offer Italy and Italian companies a privileged position within the BRICS system. The presence of Italy in the capital of this bank will also allow us to monitor more closely the possible process of "de-dollarization" of the world economy, a phenomenon that at the moment remains only a hypothesis, because scratching the role of the dollar is not easy, nor of

great advantages even for the BRICS countries themselves with a large trade surplus. Perhaps more plausible, as a suggestion, is the possibility of a replacement of the dollar not with another currency or a basket of currencies, but with an advanced form of "barter" between the BRICS countries, possible at least for the part "in equal balance of trade": Saudi Arabia exports oil to China and China exports solar panels to Saudi Arabia for an equivalent



value. Value is still determined in dollars, but without any flow of this currency between the two countries, a flow that would be relegated only to the *net settlement* part, i.e. the trade deficit.

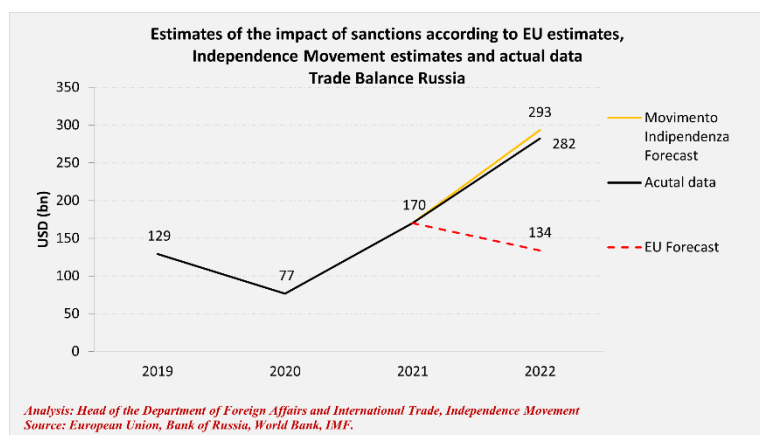
6 EU sanctions against Russia have boomeranged. They must be called into question in our interest, in the interests of Ukraine, and in the interests of the whole of Europe

In the two tragic years of war in Ukraine, the EU, with the support first of the Draghi government and then of the Meloni government, adopted 12 packages of sanctions that were supposed to have as their

objective Putin's withdrawal from Ukraine. This objective was not achieved and, therefore, the sanctions failed. The failure is due to the fact that detailed analyses of the impact of the sanctions on Russia's economy have not been carried out and, in fact, all macroeconomic forecasts have turned out to be wrong. It has been speculated that an eventual weakening of Russia's economy would be instrumental to a political weakening of Putin and therefore, to the withdrawal from Ukraine. Neither one nor the other has occurred.

President von der Leyen was counting on a collapse in Russia's GDP of -11% for 2022 but the actual figure was an irrelevant -2.1% and, above all, a collapse in exports to \$380bn was assumed, but Russia

made as much as \$628bn. Finally, the EU predicted the collapse of the trade surplus to \$134 billion, but Russia, in 2022, achieved a record surplus of \$282 billion, more than double what was predicted by the European Commission and the Draghi and Meloni governments and, instead, in line with the forecasts of the Independence Movement. And all this because, in a completely self-referential representation, the West thought that the world, on the basis of its



own input, would do without a commodity producer of the caliber of Russia.

In addition, many of the sanction packages, have not only not affecting Russia, but have hurt our economy. The threats of gas sanctions, equivalent to a supply shock, and the subsequent disruption of gas flows have driven up energy costs, thus making our manufactured products less competitive. The embargo on the export of our luxury and fashion has damaged our exports and favored Russia's GDP. From an international political point of view, the West's attitude of head-on confrontation against Russia has accelerated the formation of alliances between the countries of the Global South, even strengthening the bond between Russia and China, instead of loosening it as was intended to isolate China. Today we are witnessing a real competition between the countries of the Global South to be able to enter the BRICS club; Five have already entered in recent days and another twenty or so have expressed interest. Italy cannot remain passive in the face of both these global dynamics and the damage caused by the EU's mistakes and, also for this reason, it must find ways of peace and mediation to stop the conflict. The alternative, tragic, is to wait for Kyiv's collapse into a war of attrition that, despite all the shipments of Western weapons (which are progressively depleted), realistically cannot lead to the defeat of Russia.

7 Relationships between governments are more important when dealing with statist economies

In statist economies, the government is more able to influence consumer choices than governments in liberal economies where the market has greater relative strength. Italy's foreign policy effort should therefore be more concentrated where good relations between governments can translate into greater opportunities for trade, investment, cultural exchange, tourism, and various levels of cooperation with a view to mutual benefits. If our Prime Minister visits London and makes a toast with Sunak based on Italian wine, this will have no impact on the exports of our wines. If the same scene

were repeated in Beijing with Xi Jinping, the export of our wines would undergo a sharp surge. This is what was about to happen for tourism from China to Italy, in the aftermath of Xi Jinping's visit to the Palatine Chapel in Palermo.

This is another reason to review the Italian Government's decision to revoke the Memorandum with which we adhered to the Belt Road, a decision that risks provoking a hardening of the Chinese Government against our exports with disastrous effects for our SMEs.

8 Doing business with BRICS and the "Global South" to protect SMEs from neoliberal economic Darwinism

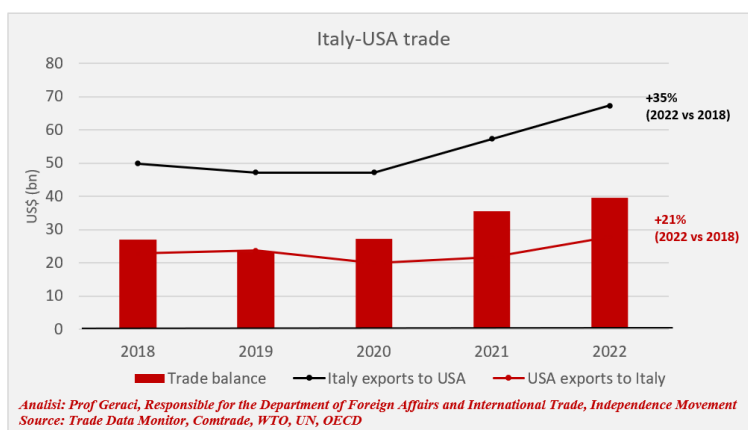
France, Germany, England, and the USA have a bunch of large companies, semi-state and private, which have managed for years to penetrate the difficult and complex BRICS/BRI markets, with China in the first place. Unfortunately, millions of Italian SMEs do not have the scale to compete on an equal footing in the BRICS markets with companies from other countries that surpass us, not in the quality of their products, but in their ability to penetrate the markets.

France manages to export six times the amount of wine as Italy because it systematically operates Airbus, Air France, Carrefour, and Sofitel. French wine travels on French planes, on the national carrier, and ends up on the shelves of French supermarkets and in French hotel chains now present widely in major Chinese cities.

The goal of the Belt Road Memorandum signed in 2019 was precisely to provide voluntary government protection to the 4 million Italian small and medium-sized enterprises that alone find great difficulties against the forces of unbridled neoliberalism that only favors large companies. These, thanks to economies of scale, are able to produce at low average costs, and therefore to improve profits and have more residual resources to invest and expand their business, in a vicious circle that will destroy Italian SMEs if the government does not intervene by renewing the agreement to provide them with that government protective shield of which Siemens, BWM and Audi don't need to conquer the big markets of the BRI countries and, especially, BRICS. Otherwise, the big will eat the small, according to the logic of neoliberal economic Darwinism.

9 Strengthening relations with the BRICS/BRI countries does not necessarily affect relations with the US.

Some analysts feared that Italy's adhesion to the Belt Road could be subject to retaliation by the United States, which is, it should be remembered, Italy's third largest trading partner according to ISTAT, but even the first according to our model and consumes as much as \$110 billion of our exports. Fears of possible retaliation, on the other hand, have been disavowed by the factual data: after the signing of the Memorandum, exports to the US not only did not decrease but increased, from \$50 billion to \$67 billion, a growth of 35% between 2018 and 2022, demonstrating



that Italy's image among US consumers is solid and cannot be influenced even by alleged pressure from the US government.

Government relations between Italy and the U.S. have also remained strong even after joining the Belt Road. In 2019, despite the fact that Italy had already signed the BRI Memorandum of Understanding, the Trump government, at the specific request of the Conte 1 government promoter of the agreement between Italy and China, even excluded from the list of European products subject to duties \$ 5 billion of exports the Made in Italy agri-food. Italy's firm and straightforward position has prevailed over any temptation to retaliate by the United States. Of course, at the time the US President was Donald Trump.

In November 2024, the presidential elections will be held in the USA. A confirmation of Biden would further increase international tensions, the US with very serious internal social problems would see in the rise of the BRIC/BRI countries a threat to its economic and military hegemony. Europe would be under further pressure from Washington to side militarily and politically with one or the other, as happened with the war in Ukraine, in Israel, on sanctions against Russia, but it would also suffer economic damage as in the case of the Nord Stream attack, strangely dismissed as a secondary phenomenon.

A Trump victory, on the other hand, would be much preferable for Italy. Trump, more practical and less ideological than the Democrats, would have a much more rational, pragmatic approach and, as happened in 2019, we could have even less difficulty in explaining our positions. The probable loosening of U.S. influence on Europe would make our work toward Italy's complete independence even easier.

On the other hand, we must be well aware that China, too, in its foreign policy activities, always and only pursues its own national interests. Its investments in Africa, as mentioned, are not made out of a philanthropic spirit, but for the economic return that it expects to obtain, albeit within the framework of the "shared benefits" model. We must therefore keep our alert high even when we deal with the BRICS/BRI countries, not fall into easy illusions, and above all know how to negotiate conditions of reciprocity, access to markets, and equal treatment for our companies, should they wish to invest or trade with the countries of the Global South. Equally high must be the level of attention when it comes to monitoring investments by China and other countries in our national strategic assets. In principle, we are happy to accept green-field investments and are much more prudent when it comes to acquisitions of our existing companies, where the risk of predatory actions is greater. But we will not fall into the trap into which almost all governments have fallen, careful only to look only from one side, forgetting to protect themselves from the other side as well, perhaps suffering the worst attacks on our industrial system by Western and in particular European partners. We will be on 360-degree alert.

Italy must build – through a difficult and courageous path – a **role as a bridge between Europe, the West, and the new multipolar world that is growing.** It cannot be our intention to tear up old and consolidated partnerships, but neither can we continue to suffer a condition of subordination in Europe and the West, nor to pass from one subjection to another.

10 Conclusions: Four Proposals on Foreign Policy and International Trade

For a healthy and lasting development of the Italian society and economy, it is essential to have excellent relations with all the countries of the world, without this necessarily implying moving from one sphere of influence to another. On the contrary, the very example of the USA and other European countries that continue to do flourishing business with the BRICS and BRI countries and even invest in China, confirms the absence of any conflict between the desire, on the one hand, to maintain cordial relations

with the West and to pursue the interests of our country and maximize its opportunities for growth, on the other hand.

It is therefore our intention to strengthen relations with the BRICS countries and return Italy to the Belt Road, which represents the largest infrastructure development initiative in the world to date, a project that presents no obligation either for the Italian government or for Italian companies, which would be against Italy's interests to abandon and thus hand over to other countries the opportunities it offers.

Since we have as our primary objective the independence and well-being of Italy, we are also very aware of the risks that our companies may encounter in doing business in the BRICS countries/BIS, economies with a strong presence of the State, with rules of access to markets that often put foreign companies at a relative disadvantage compared to the local ones, with workers' rights that are less formal than ours and with different cultures and ways of interacting. Working with the Global South is not a walk in the park. But it is precisely our awareness of these risks that requires us to give Italian companies the government protection network they need, and not take this away.

We are also aware that the world today finds itself in a very difficult, tense international political situation, full of misunderstandings with risks of both economic and military escalation. But it is precisely the perception of this increased difficulty that pushes us to interact more, and not less, with all actors, both in the West and in the Global South. Not by locking ourselves up in an enclosure imposed by the convenience of third parties, but by aiming to become proactive subjects, interpreters of national interests.

The complexity of today's international situation no longer allows us to sail by sight as in the past when the tide lifts all boats. The world as it was will no longer be, new questions cannot be answered by old ways of thinking. It is no longer allowed to make mistakes and face today's great challenges in an amateur way. In addition to ideas, we also want to work on the method and bring data and analysis back to the center of foreign and trade policy decisions from which analysis the following proposals are derived:

- 1) **Renew the Belt Road Memorandum between Italy and China and propose to the BRI country companies a new Belt Road Business Initiative.** The Meloni government's decision to exit the agreement harms our SMEs that need government protection and favours foreign companies, and our competitors. The BRI is a zero-cost opportunity, with no obligations for the Italian government or companies, it has already brought benefits to our economy even in the years of COVID and war and is instrumental in participating in development projects in Asia and Africa. To make this instrument more effective, we also propose to create a second level of cooperation in the BRI that complements the G2G (government-to-government) memoranda with B2B Memorandums, between companies. A complementary and preparatory level, not an alternative, to the formal one between the governments that we propose to renew.
- 2) **Italy to become a shareholder of the New Development Bank (BRICS Bank) as soon as the issues with Russia are resolved.** Formal entry into the BRICS is at the invitation of the countries that apply for it, such as Algeria, Indonesia, Nigeria, and 20 other emerging countries. However, the New Development Bank (informally BRICS Bank) also reserves a 20% (\$20bn) share of its share capital for

countries in developed economies that want to participate in development projects and play an active role within an increasingly influential system in the world economy. Italy, as a shareholder of the New Development Bank, would not only have privileged access to the activities and strategy of the BRICS, but would also be an active and, in part, influential participant, with 360-degree advantages. A choice of a true leader and trailblazer within the G7/EU, with benefits also for our Western partners.

- 3) **Stop the war in Ukraine with peace initiatives, and overcome sanctions against Russia, with the aim of bringing this country back to the G8. Sanctions help Russia more than they harm it.** In the past, sanctions have never worked and, as we predicted, the 12 EU packages have not only failed in their primary objective of making Russia withdraw from Ukraine but, like a boomerang, have damaged our economy and even favoured Russia itself, which has had an all-time record of exports and trade surplus. A disaster created by the EU and supported by the Draghi and Meloni governments, due to decisions made in the absence of realistic analysis. It is against the interests of Italy and the EU itself to pursue a strategy of decoupling between the EU and Russia given the geographical, cultural, and economic contiguity. To stop the conflict and save the Ukrainian population, it is necessary to build paths of peace and mediation, as is intrinsic to the history and identity of Italy, also using the Chinese side, which has every interest – political, economic, and commercial – in ending this crisis. We look beyond today's reality to be ready to rebuild a relationship with Russia that brings benefits to our economy and to rebuild Italy's image in the world as a country of peace and a mediator of conflicts. In this context, we cannot fail to aim to bring Russia back into the G8 in order to give this body a more open and balanced function and vision.
- 4) **Re-allocate the Italian Trade Agency (ICE) budget plan and foreign policy actions with a greater focus on the BRICS/BRI countries.** Official statistics underestimate the value of our exports to the countries of the South of the World, and this has created, in the past, an excessive concentration of efforts to promote Made in Italy towards EU countries. As a result, our exports to the BRICS/BRI countries have lagged behind those of Germany, France, and the United Kingdom, even taking into account the different size of our economy. This strategy is even less efficient given the fact that relations between governments have more impact on business when dealing with statist economies. We therefore need to reshape both the marketing and export promotion activities and the strategies of intergovernmental relations with greater weight towards the BRICS/BRI countries.

Rome, 18 January 2024

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