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Ressort: Wirtschaft und Finanzen

Scenarios and perspectives for italian companies in China

Rome, 23.07.2018 [ENA]

The Italia Cina Foundation presented its IX annual report concerning "Scenarios and perspectives for italian companies operating in China" on Wednesday 18 July in Rome. It's a forecast report that collects research, risk analysis and projections in the short to medium term concerning the People Republic of China.

The Italia Cina Foundation, founded in Milan in 2003, aims at promoting

an effective link and a strategy for italian firms which need to gain positions in the Chinese market. The Foundation pursues the objectives of facilitating the flow of people, ideas, capital, goods and services between Italy and China, improving Italy's presence in China and with Chinese institutions. Moreover the Foundation wants to achieve a better strategic and commercial positioning and to promote the Made in Italy.

The Foundation assists Italian operators also by providing targeted advice for a firm operating in the chinese market.

2017 was the year of the strengthening of Xi Jinping's position on the international and domestic political environment.

The 19th Congress of the Chinese Communist Party held in October endorsed his ascent in a process that was completed with the constitutional reform in March 2018. Davos's speech on globalization and the official launch of the Belt and Road Initiatives have defined Xi Jinping's new foreign projection of China. The evolution of the domestic political context has a strong impact, as it is the continuity of the lines of economic policy defined by the Chinese government. The reference background continues to be that of the so called "New Normal", namely the recognition that China is in a new phase of its economy characterized above all by a slower growth rate, and by the fact that the country is facing

an intense transition, which will create an advanced economy based in particular on consumption, services and innovation. The cornerstone of this new economic phase is that quality must therefore now replace quantity .

In order to achieve the proclaimed objectives, Xi Jinping, who in the meantime has focused on economic power, has outlined the most significant strategies and themes. His economic policy action, in fact, orbits around the concept of Supply side structural reform, which provides for an improvement of the production process through the reduction of overcapacity. Furthermore, during 2017, the Chinese President identified

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the priorities of the Chinese economic agenda, the

so-called "three battles": eliminating poverty, reducing financial risk and protecting the environment. These three themes are consistent with the New Normal model and are an indication of the continuity that the strengthening of Xi's power can give to Chinese economic policy.

Progress, on the other hand, is a consolidated feature of Chinese reforms, which are also seen in the medium and long-term as objectives set by the Chinese leadership. The Chinese Dream, a powerful national success image made famous by Xi Jinping in 2012, aims at building an absolutely modern country by 2049, the year of the centenary of the creation of the People's Republic of China.

In the meantime, in 2021 the achievement of a moderately prosperous society will be celebrated, in fact it coincides with the centenary of the founding of the Chinese Communist Party, and 2035 will be a fundamental step in view of the full modernity. Another crucial event will be in 2025, when the first stage of Made in China 2025, the plan aimed at the redevelopment of the entire Chinese industrial fabric, will end. The qualitative growth of the Chinese production commercial fabric will in the long run lead to the need to enhance Italian creative and productive excellence.

2017 was also the year of China's great global rise.

However, Chinese overexposure is not only linked to the Belt and Road Initiative, but to the intensification of a latent trade conflict with the United States that has been definitely displayed in the spring of 2018. This type of friction was foreseen by the Italia Cina Foundation, also assuming what President Trump had announced during the election campaign that led him to win the presidency. The contrast, however, cannot be framed only by reciprocal retaliations on tariffs, but rather it opens a long phase of confrontation between China and the United States on global economic leadership, which will lead to the revision of the relative weights of the major world economies.

In this context, the topic of technological primacy will play a decisive role, and it isn't a coincidence that President Trump's action has focused on the sectors involved in the Made in China 2025 plan.

It is also possible to confirm the two main dynamics for those who intend to deal with the Chinese market in 2018. On the one hand, there is the constant growth of consumption driven by urbanization, which opens up retail opportunities both in low-cost sectors and in the luxury sectors, provided that the positioning and distribution methods of access to the market are well calibrated.

2017 has seen the best performance year ever for Italian exports, it was for the first time over 20 billion dollars: + 22%, such a growth has never been so accelerated since 2010 and it has been the best result for an EU country in China. The second element is the growth of the technological level of Chinese industrial production, a state of affairs that will require skills and knowledge in the short term, and which will open

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important positions in the field of mechanical components.

Last but not least, it's important to add also a particularly relevant theme, but it will only be evident in the medium term: the Chinese motivation towards globalization through the Belt and Road Initiative. In this light it is appropriate to perceive the key themes: consumption, quality and globalization.

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