One Belt, One Road

How the “rubber” meets the “road” in Italian-Chinese economic relations

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The Economist Corporate Network

Discussion points

1. Belt-Road structure
2. Historical indicators
3. Current and future economics

Belt-Road structure, Italy's positioning

Belt-Road: historic and modern underpinnings

ecn.st/2016OBOR

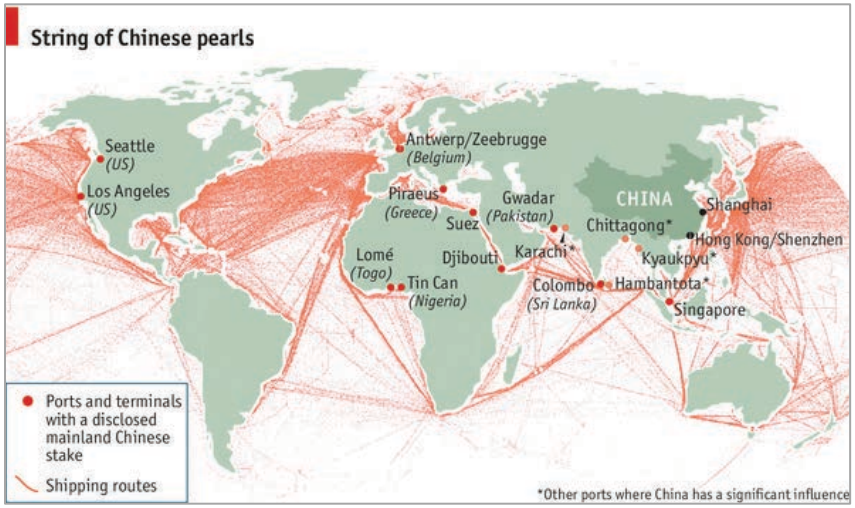
ecn.st/2016OBOR_CN

- "The Silk Road Economic Belt and 21st Century Maritime Silk Road"; **"One Belt, One Road"**
- Expands on existing **"economic corridors"**
  - Covers **62% of the world's population**
  - Belt-Road countries account for **30% of the global economy**
  - PwC estimates **required infrastructure investment at US$5trn**

Re-engaged “Maritime Road” physical capital

China reconnects to the world in physical infrastructure: port and rail

Italy bested by ancient rival, Greece, in serving as maritime gateway to Europe



Source: *The Economist*, *Financial Times*

- Today Italy’s geographic positioning is not core in Belt-Road
- Italy’s economic size is not large
- ***How can Italy’s economy and businesses maximise Belt-Road opportunities?***

Historic indicators of Silk Road economics

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Ming China, Renaissance Italy, and trade

明孝宗（弘治） Hongzhi Emperor

(1470–1505)

Maritime "Silk Road"

（1405 –1433）

Physical globalisation

Intellectual globalisation

Luca Pacioli

(1447–1517)

Leonardo da Vinci

(1452–1519)

Summa de arithmetica
(1494, Firenze)

De divina proportione
(1498, Milano)

Renaissance—Industrial Revolution

An illustration of the long-term impact of the power of ideas

Accounting and other commercially applicable innovations from the Renaissance established the technical foundations of the Industrial Revolution

Ming treasure ship vs. *Santa Maria*

British iron warship, *Nemesis* (1840)

Current and future economics

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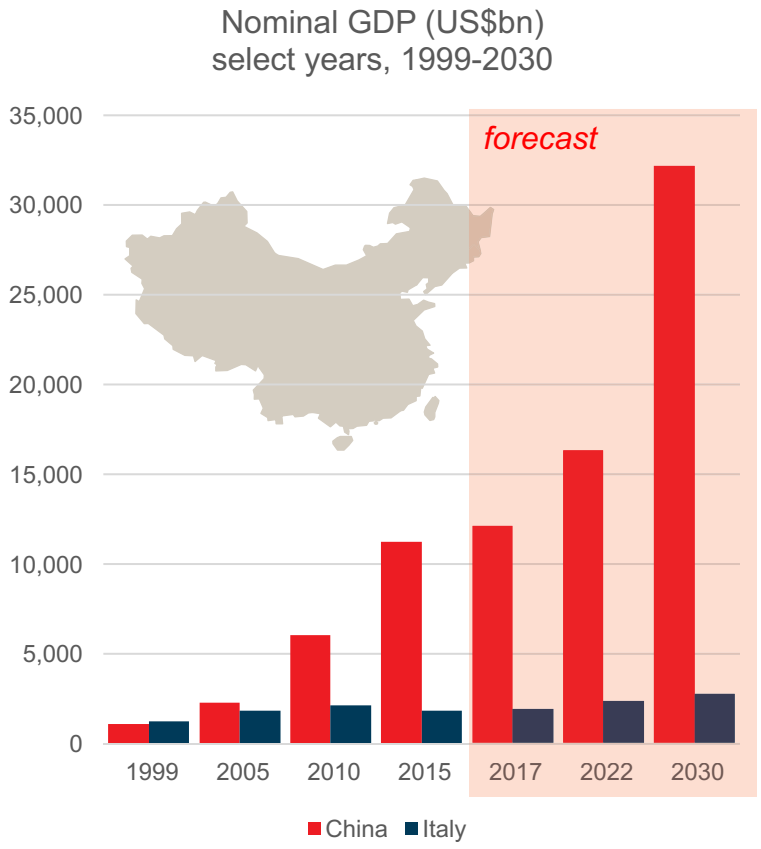
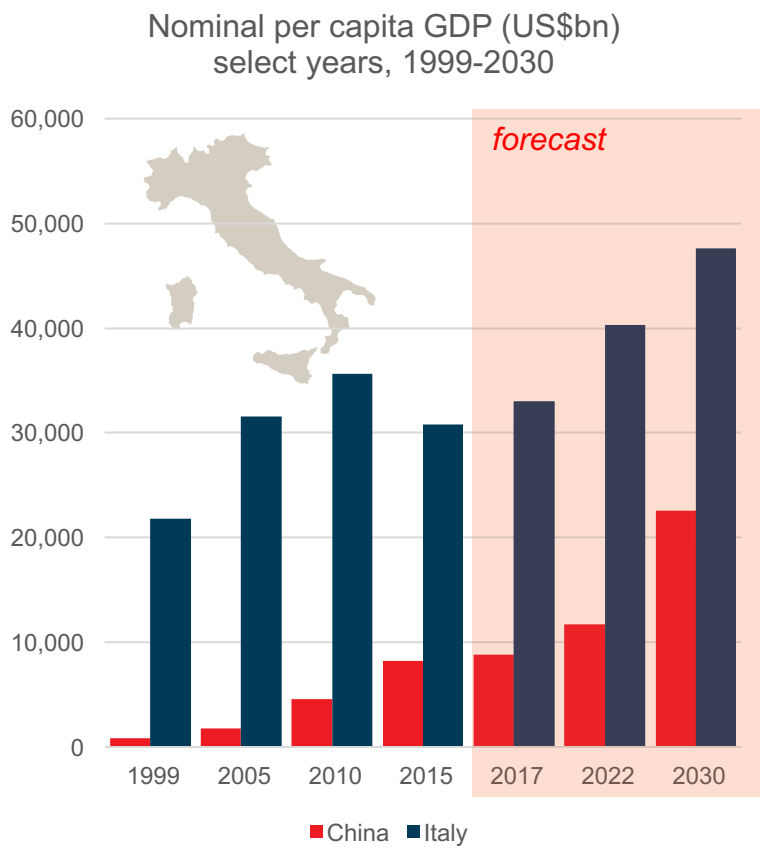
Comparative economic strengths

China has more economic mass, but Italy more individual economic power

Mutual benefits can be found in synergies between these two core dynamics





Source: The Economist Intelligence Unit.

Milano “rubber” for the “Road” via high value-add

Belt-Road symbolises China’s economic advancement and “spillover effects”

= more Chinese and Belt-Road spending power for premium products, services

Advanced engineering

Wearable luxury*

**Silk was the first global luxury product*

High-end tourism

Specialised education

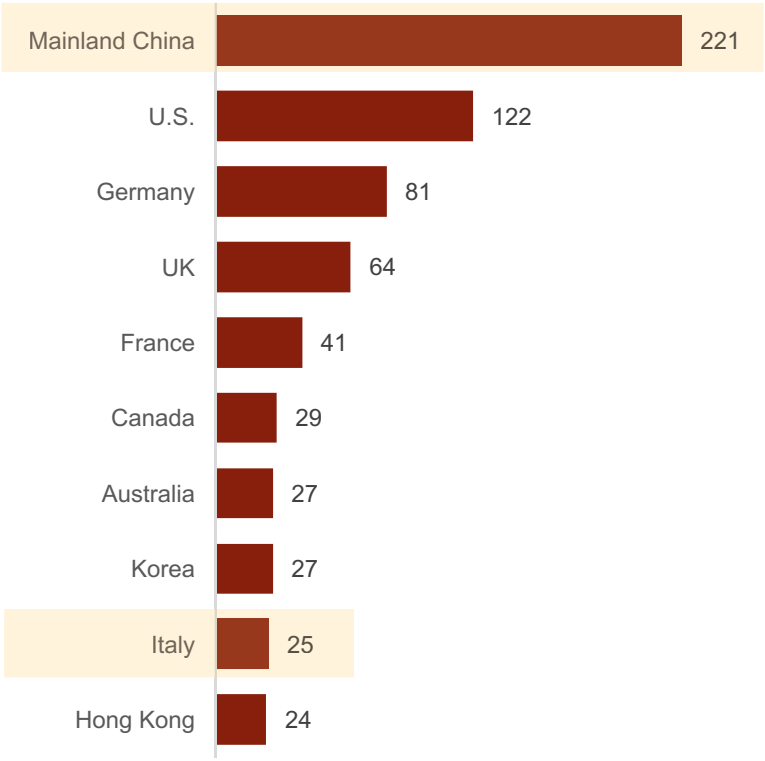
“Brand Milano” (and “Brand Italia”) are well positioned for the consumer-based economic premiumi-sation trend in China and Asia

The “New Silk Road” of tourism, tourist spending

Tourist spending an increasingly important component of global economics

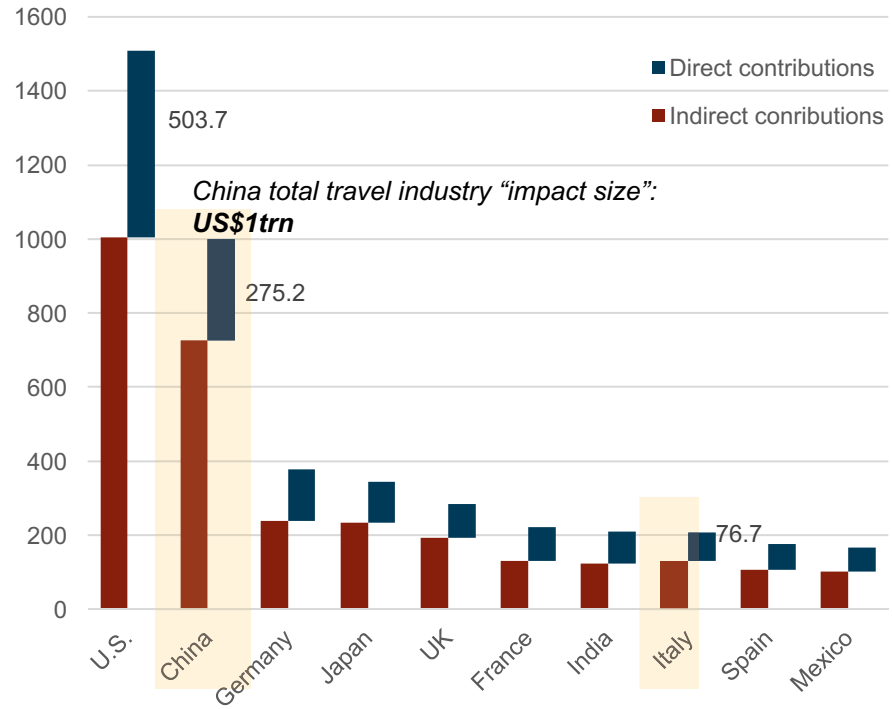
Chinese outbound tourism spending leads the world, especially in the premium space

Outbound tourist spending, 2016
(US$bn)



Source: UNWTO.

Travel industry direct and indirect contributions to global GDP, 2016
(US$bn)



Source: World Travel & Tourism Council, Oxford Economics.

A new (metaphorical) stop for Belt-Road?

Milan has great global brand power… and already its own “station”

Hong Kong SME profits from Milan’s “soft power” in a Millennial-based sharing economy

Summary

Building economic synergies

Real win-win is not just about matching strengths

Sustainable economic relationships complement strengths and weaknesses

- **Examples of Italy's strengths**
  - Superlative brand values
  - High-income economics
- **Italy's comparative weaknesses**
  - Smaller economic mass
  - Outside BRI "Land-Sea Express Route"

- **Examples of China's strengths**
  - Massive economic size
  - Desire to project economic power
- **China's comparative weaknesses**
  - Weak on global high-end brands
  - Challenged by "middle-income trap"

- Sharing brand know-how (Italy) and market access (China, Belt-Road territories)
- "New Silk Road" era trading: luxury + tourism, education

and crucial areas such as….

- *Investment supported by strategic planning (not just tactical moves)*
- *Working together on mutual challenges: eg, financial systems, ageing population, governance and transparency*

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