

Italy's Prodi Travels to China This Week

Tuesday September 12, 9:09 am

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Italy's Prodi Travels to China This Week, Political and Economic Relations on the Agenda

ROME (AP) -- Premier Romano Prodi leads a large delegation of politicians, entrepreneurs and bankers to China this week, as Rome seeks new business opportunities in the fast-growing economy and tries to improve political relations with Beijing.

Prodi hopes the Sept. 13-18 visit will represent a shift in policy from that of his predecessor, Silvio Berlusconi, who often blamed Chinese imports for Italy's weak economy and enraged Beijing months ago with a comment that Chinese communists boiled babies for fertilizer.

"We believe that China represents a challenge, and at the same time an opportunity, for both Italy and the European Union," Prodi said recently.

The premier says he plans to turn Italy into "the door to the East" with a plan that includes expanding Italy's business presence in China and attracting Chinese investment into the euro zone's third-largest economy.

At stake for Italy is having a share in China's huge economic development.

"It's the last possibility to see if we have anything to offer to China," said economist Romeo Orlandi, a leading expert on China and the vice president of the Osservatorio Asia think tank.

"We don't have raw materials to sell, or weapons, or technologies, we have no large national groups, except for a few ones, and no great capitals to invest," Orlandi said. "It all comes down to the dynamism and tradition of the small and medium enterprise."

Orlandi said China's emerging middle class could find the Italian model of smaller scale business interesting, opening a window of opportunity for Italy.

The trip is the first top-level one since the former Italian president, Carlo Azeglio Ciampi, made a visit in December 2004.

It will involve some 500 delegates, including four ministers, undersecretaries and a dozen regional representatives. Businessmen include Luca Cordero di Montezemolo, chairman of the Fiat SpA automaker -- Italy's largest private-sector employer -- and president of the country's main industrialist lobby Confindustria.

The trip will touch the southern booming city of Guangzhou -- formerly known as Canton -- the port city of Tianjin, the eastern city of Nanjing as well as Shanghai and Beijing.

Hundreds of companies will showcase their work and products at an international fair of small and medium enterprises in Guangzhou.

There are some 1,420 Italian companies operating in China, including Fiat and its auto component business Magneti Marelli, appliance maker De Longhi and scooter maker Piaggio, according to the Ministry for Foreign Trade.

China is Italy's largest source of imports after OPEC members.

Chinese imports to Italy grew 17.1 percent in July compared with a year earlier, according to data from national

statistics office Istat. Italy posted a deficit with China of euro1.07 billion (US\$1.36 billion) in July.

In recent years, traditional sectors of the Italian economy, such as textiles and shoemaking, have been badly hit by competition from China and other Asian economies.

In the whole of Europe, the shoemaking industry has lost 40,000 jobs since 2001, and the EU is trying to get approval from member states on import duties for most categories of Chinese and Vietnamese leather shoes for five years, starting this October.

Italy and some of its European partners accuse the Asian countries of subsidizing cheap exports to Europe, and want the EU to build a wall of tariffs.

"We are not and don't want to be protectionist," said Emma Bonino, minister for EU affairs and foreign trade. "It's not an act of hostility. But one must play the game by the rules."

Berlusconi, the former premier ousted by Prodi in April elections, used to point the finger at Chinese imports to help explain Italy's weak economic performances.

In March, the former conservative premier sparked a diplomatic spat when he said during the electoral campaign rally that "in Mao's China, the communists didn't eat babies, but they boiled them to fertilize the fields." Berlusconi was quoting from "The Black Book of Communism" -- an 846-page history of communism by six academics that was published in 1997.

China expressed "strong indignation" over the comments.

Prodi, whose center-left government includes Communist parties, will seek to patch things up when he holds talks with China's top officials, including President Hu Jintao and Premier Wen Jiabao, in Beijing on the last leg of the tour.

The Italian premier said he would raise the question of China's poor human rights record, but said his approach would be pragmatic. "We come from very different positions ... the convergence cannot be immediate," he said.