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Abstract

The paper is a preliminary attempt to analyze the recent effort of the Italian diplomacy to develop a coherent trade policy toward the most important emerging markets. It describes why in recent years Italy has substantially modified the way it trades policy approach, moving from a decentralized to a centralized decision-making approach, the results achieved up to now, and the lingering challenges.

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1 Introduction

The Treaty of Lisbon has deprived the member states of the European Union (EU) of some of their prerogatives to use preferential bilateral treaties to pursue their national interests. In so doing the treaty aimed at establishing a EU unified approach in international negotiations. This notwithstanding, each EU member continues to pursue domestic agendas whose goal is to become e privileged trade partner of the largest economies of the world. Within this context, the BRICs (Brazil, Russia, India, and China) occupy a strategic importance, which explains the Italian efforts to establish privileged bilateral trade strategies toward these four countries, as other major EU countries have done for some time. The problem is that Italy is well behind its EU competitors in this regard.

In 2009 alone, France trade with China surpassed the €40 billion mark. By comparison, Italy in 2010 had a bilateral trade with all the BRIC countries just below €46 billion. Moreover, Italy has a constant deficit in its trade balance with the BRICs as a whole. Italian oil and gas imports from Russia, and more generally the acquisition of raw materials, weigh heavily on the Italian trade deficit. From their part, Italian medium and small companies find it difficult to penetrate BRIC's markets due to a variety of geographical, cultural, tax, and bureaucratic issues, which add to the problem of being small players in a very competitive environment. Although Italy has made some progress since 2000, when it comes to China it represents only the 23rd and 30th partner in terms of exports and imports, respectively. Likewise, Italy ranks only 23rd among India's commercial partners. Things are a bit better with Russia, where Italian exports toward that country rank sixth, and with Brazil for which we are the third largest exporter within the EU countries.

The Italian diplomacy is, although belatedly, trying to make up for lost ground. The current Italian government is trying to create a unified decision-making process when it comes to trading with the BRICs in order to overcome the decentralized approach of previous years, which resulted in the lack of coordination, resources, and information gathering. To this end, since 2009 the Italian government has launched so called "system missions" in all BRIC countries resulting in a series of bilateral and ambitious accords. This change of approach came as a response due to the lack of coordination between different layers of central, regional, and local government initiatives in trade policy, which often created confusion rather than facilitating the attempts of Italian companies to conquer new market shares in the BRICs.

The new approach is still a work in progress but it prioritizes the planning of trade priorities, which involves the coordination of several key ministries and agencies, which tries to appease the long standing demands of medium and small sized companies. The reorganization of the Italian Ministry of Foreign Affairs, begun in 2010, is an integral part of this effort. One of the new divisions that have resulted from this internal reorganization is intimately linked to the idea of promoting Italy abroad as a total package partner. This contemplates the integration of activities dealing with economic, scientific, and cultural issues with an emphasis on "Italy as a brand name". The paper analyzes in details these issues, by exploring economic diplomacy initiatives vis-à-vis the BRICs in the past few years, including the content of the latest bilateral treaties.

2 Italy and the BRICs at a glance: political and institutional links

The Italian foreign policy since World War II has focused, in varying degrees, on four major areas of intervention: 1) the North Atlantic Treaty Organization (NATO); 2) the European Common Market first and the European Union later; 3) the Mediterranean basin; and 4) since the collapse of the Soviet Bloc, Eastern Europe. Historically, the Italian diplomacy has tried to establish bilateral trade relations whose breadth and scope varied over the decades depending on the country. It is also safe to say that, in general terms and regardless of the government in charge, during the last two decades the Italian diplomacy has pursued a strategy of boosting commercial ties most of all through a series of bilateral trade and cooperation agreements of similar nature. What complicates matters, however, is that over the decades governments have allowed the pursuit of foreign policy goals in a decentralized fashion, which has not only involved the Ministry of Foreign Affairs (MFA henceforth), but several agencies, business associations, and local governments that often have failed to communicate with one another. This has clearly put Italy at a disadvantage compared to other major industrial countries with a more focused and centralized approach. In fact, the bulk of Italian exports in the past decades has come from medium and small-sized companies that are particularly in need of government guidance and sponsorship on a number of counts, including the assistance to overcome bureaucratic, legal, and technical hurdles, developing market analyses, and competing for public contracts.

Aware of such shortcomings, and spurred by the need to rationalize its operations in the face of budget cuts, in the last two years the MFA has set in motion plans that could bring to some potentially important changes. Their aim is to streamline and refocus MFA operations by switching from the current geographical organization of its activities to one based upon themes or goals. In this new context, the MFA will pursue its tasks through four general divisions: Strategic and Political Affairs; Globalization; European Integration and Europe; and System Promotion. The latter gathers under its control several key areas like trade, science and technology, and culture. Its aim it to present Italy as "total package" partner vis-à-vis other countries. Thus, a lot of institutions and agencies that so far have pursued foreign policy-related goal more or less independently will see their existing prerogatives curtailed and be subject to a more tightly controlled master plan. Presently, the Italian Institute for Foreign Trade (ICE—*Istituto per il Commercio Estero*), through its commercial offices, is in charge of promoting business contacts and assist Italian entrepreneurs looking to export abroad. The Ministry of Economic Development (MED) supervises the ICE, establishes its goals, and decides its budget allocations. The MFA instead is in charge of its embassies and develops political and geopolitical goals and strategies. Its embassies' commercial offices are entrusted with taking care of political and cultural matters related to business operations. As mentioned above, in the last couple of years the Italian government began to change its general approach to foreign policy promotion resulting in the creation of a "situation room" (*cabina di regia*), coordinated by the MFA and the MED and involving the Prime Minister's Office, ICE, the Association of Italian Banks (ABI), and the Association of Italian Industry (Confindustria). The full involvement of the SACE, the institute for foreign trade and credit insurance and Simest, the development finance institution promoting the activities of Italian businesses in Italy and abroad, has been granted as well. This has been done in view of presenting the Italian selling pitch particularly to the BRIC countries in a more uniform way. In fact, recent Italian delegations to Brazil, India, Russia (all in 2009), and China (2010) have followed the same blueprint, by presenting a multiplicity of consistent commercial, political, and cultural proposals.

Moreover, starting from 2000, Italy has been carrying out a new strategic approach for the attraction of foreign investments. A new public agency—Invitalia—was launched, following the successful model developed, some years ago, in other countries (such as Germany, UK, France). Most of activities accomplished by Invitalia have specifically involved the BRICs, China and India above all.

These new changes in the making notwithstanding, we can safely say that to this date Italy does not show a unified approach to its foreign and commercial policy toward the BRIC countries. Rather, what we have seen so far is a nuanced, diversified system of bilateral relations. The differences in this regard rest on the bilateral relations pursued in previous decades. However, most of all, specific commercial priorities make it almost impossible to treat these nations as a unified bloc and, as a consequence, makes it difficult for Italy the adoption of a homogeneous set of policies.

Indeed often Italian commercial relations have followed different paths and strategies from those that are more political/strategic in nature. This is because, as noted earlier, policy initiatives have been entrusted upon different ministries or have been delegated to leading companies with a strong presence in foreign markets (i.e., FIAT, Finmeccanica, ENI). This in turn, has privileged bilateral rather than multilateral strategies since companies' priorities could be widely different from country to country. Therefore, the MFA current reform, while interesting on paper, may run into some significant problems of implementation due to the budgetary constraints that Italy faces today, which may not allow a quick replacement of the bilateral approach to a multilateral one. When we move to other issues (i.e., fight against tax evasion in safe havens, social and corporate responsibility of companies), Italy tends to follow the OECD strategy. Moreover, the development of a multilateral, unified strategy in these countries may clash against the priorities of many Italian companies. Therefore, it is likely that the current bilateral approach, more flexible in character, may continue in the foreseeable future with some updates.

Having briefly described the current general organization of Italian foreign economic policy, we will now turn to a close examination of the bilateral relationships between Italy and the four BRIC countries. As noted, each bilateral relationship has different features. The commonality is Italy's growing attention to the BRIC and the attempts being made at establishing preferential political conduits in support of the country's companies.

2.1 Brazil

Within the four BRIC countries Brazil constitutes a special case. In fact, whereas Italian foreign policy toward the other three countries has been shaped in recent times primarily by economic considerations, the traditional historical relations linking Rome to Brasilia make bilateral relations some how special (Table 1). This is primarily due to the large Italian immigration to Brazil between the 1880s and the late 1940s, and the presence of large Italian communities particularly in the key state of Sao Paulo, which have contributed to strong and durable cultural and economic ties for over a century. Some of largest Italian companies such as Fiat (since the 1950s), Pirelli, Generali (since 1925), Magneti Marelli, and Finmeccanica, have been operating in Brazil for decades. The Italian-Brazilian relations at multiple levels, already quite active through more than forty agreements stipulated between the 1980s and 1990s, received a further boost from 2004 onward as a result of the economic boom experienced in the South American country. In fact, after Germany, Italy has recently become Brazil's largest trading partner in Europe. This has coincided with the visits of President Luiz Inácio (Lula) Da Silva in Italy in 2008 and Prime Minister Silvio Berlusconi trip to Brazil in 2010. During both visits the two countries signed new cooperative agreements covering satellite communications, defence, medium and small business commerce, aerospace industry collaboration, health and medical services. Through the Ministry of Foreign Affairs, Italy has also promoted small, ad hoc, programs supporting poverty alleviation in the North-East of Brazil, the training of Mercosur (Southern Cone Common Market) administrative bureaucracy, administrative decentralization at the municipal and state level, and land conservation in the Amazon basin. In April 2010, Brazil and Italy signed in Washington a Plan of Action to strengthen bilateral socioeconomic ties (Table 2)[1].

[1]Some features of the Strategic Plan include clauses for future investment (in view of World Cup 2014 and Olimpic games 2016 in Brasil) and commercial promotion, and intellectual property right protection.

Table 1 – Italy and Brazil: main recent Bilateral Agreements

Brazil	Signed	Into force
Agreement to avoid double taxation and to prevent tax evasion	3.10.1978	24.04.1981
General Agreement on economic and industrial cooperation for development The Italian-Brazilian Council for economic, industrial, financial cooperation and development was created (specific roundtables: economic, industrial and financial activities; science and technology; cooperation for development)	12.02.1997	12.02.1997
Agreements of cooperation with Italian Regions: Tuscany, Umbria, The Marches, Emilia Romagna	01.07.2004	01.07.2004
Joint statement of the Italian Prime Minster and the President of Brazilian Federation Republic	11.11.2008	11.11.2008
Protocol of intent between the Italian Minister for economic development and the Brazilian Ministry for development, industry and foreign trade	11.11.2008	11.11.2008
Memorandum of understanding between the Italian Ministry for labour, health and social policies and the Brazilian health Ministry, for cooperation on health care and medical sciences	11.11.2008	11.11.2008
Protocol of intent between the Italian Ministry for Economic development and SEBRAE (Brazilian agency for SMEs)	10.11.2009	10.11.2009
Strategic partnership agreement Italy-Brazil (signed in Washington)	12.04.2010	12.04.2010
Memorandum of understandings between: the Italian Ministry for infrastructures and transport and the Brazilian Ministry for transport, for cooperation on infrastructure sector; ICE and Brazilian APEX (Agency for Exports promotion); ICE and Brazilian SENAI (National agency for industrial training); Simest (Italian agency for financial support to internationalization processes) and Banco do Brasil	29.06.2010	29.06.2010

Source: Minister of Foreign Affairs, ICE, Simest

Table 2 – Italy and Brazil: main economic agreements 2009–2010

Strategic partnership	• Strengthening infrastructure projects • Actions for development of competition policy and consumer protection • Technology transfer, especially in the areas of marine, aviation, infrastructure, energy and telecommunications, environmental care, engineering, agro-industry and mechanical • Developing cooperation between SMEs
ICE	Fundação Getulio Vargas: economic development through training and research projects; SUFRAMA (Superintendent Free Zone of Manaus): promoting economic and productive development of Italian enterprises in the industrial pole of Manaus (missions, information, training, meeting); SENAI (Servizio nazionale per la formazione industriale): joint actions to increase bilateral trade exchange and investments (meetings, missions, fairs); APEX (Agency for export promotion): joint actions to increase bilateral trade exchange and investments (meetings, missions, fairs) SACE BNDES (Banco Nacional de Desenvolvimento Econômico e Social) and Banco do Brasil: stimulate investment, industrial cooperation and bilateral trade, including through new financial mechanisms SIMEST BNDES: research opportunities for bilateral investment, with particular attention to SMEs
SACE	BNDES (Banco Nacional de Desenvolvimento Econômico e Social) and Banco do Brasil: stimulate investment, industrial cooperation and bilateral trade, including through new financial mechanisms
SIMEST	BNDES: research opportunities for bilateral investment, with particular attention to SMEs

Source: Minister of Foreign Affairs, ICE, Simest

Table 3 – Italy and India: main recent Bilateral Agreements

India	Signed	Into force
Exchange of diplomatic notes for the creation of a Joint Committee for Economic Cooperation (last section, 14.12.2009 in New Delhi). The Committee has produced several Memorandum of Understanding on IT,renewable energy, infrastructure, SMEs, food industry, fashion and design, tourism	29.03.76	29.03.76
Agreement to avoid double taxation and to prevent tax evasion (a new version is under study)	19.02.93	23.11.95
Agreement on promotion and protection of investments	23.11.95	23.11.95
Memorandum of understanding for the development of SMEs	06.01.98	06.01.98
Memorandum of understanding in the Telecommunication industry	28.10.02	09.05.03

Source: Minister of Foreign Affairs, ICE, Simest

2.2 India

Within the four BRIC countries, probably India is the one where the Italian effort of bilateral cooperation at multiple levels has been most fruitful (Table 3). This in due, mostly, to the relatively small importance that India occupied as a lucrative market for Italian entrepreneurs until the recent economic takeoff of the Asian giant. In 1976 the two countries developed a Mixed Committee of Economic Cooperation, which however remained mostly ineffective until 2006 when the Italian Ministry of Economic Development reinvigorated its role. Within this context, Italy established a series of sector-specific accords with the Indian government covering telecommunications, information technology, renewable energy, infrastructures, agro-industry, design, tourism, and fashion. In 1995, the two countries also concluded ad hoc accords with regard to the avoidance of double taxation, investment safeguards, and tax evasion. In 1998 and 2003, respectively, Italy and India also approved preliminary agreements to support small business companies and the development of telecommunication technology.

In 2005, the Italian Ministry of Education and the Indian Ministry of Science and Technology signed a memorandum creating scientific accords of scientific collaboration among universities and institutes of the two countries and providing scholarships for young Indian researchers to study in Italy. Subsequently, in February 2007, Italian-Indian relations marked a further boost thanks to the visit of Prime Minister Romano Prodi to Bangalore, Kolkata

Table 4 – Italy and India: main economic agreements 2009–2010

SIMEST	FICCI (Federation of Indian Chambers of Commerce and Industry): research opportunities for bilateral investment and support SMEs
ICE	FICCI (Federation of Indian Chambers of Commerce and Industry): agreement for incrementing trade and investments (business missions, trade fairs, training, exchange of information on intellectual property)
Invitalia	Invest India: partnership to act as points of contact for investors in the activity of scouting, information on legislation and regulation, resolution of barriers to investment, exchange of data and information, assistance to entrepreneurs

Source: Minister of Foreign Affairs, ICE, Simest

(Calcutta) and Mumbai, which paved the way for further collaboration in the cultural and business relations. Prodi's visit was reciprocated by Prime Minister Manmohan Singh, who came to Italy for the L'Aquila Summit in July 2009.

Besides the improvement of commercial ties, the two countries also explored their collaboration to foster Indian relations with the European Union and on other issues spanning from the fight against international terrorism to peace keeping and human rights issues. In the last Italian visit to India, in December 2009, the MED decided to organize a mission, in cooperation with some Italian Regions (sub-national governments), to give a practical/operative footprint to the visit (Table 4). This new approach was particularly welcomed by Italian and Indian entrepreneurs alike, considering that India's states are involved in the decision-making process in different policy areas. Within this context, the two parties made an attempt to underline the concrete needs that Italian and Indian industries have, which tend to be quite different.

Moreover, thanks to this approach, Italy has tried to overcome its typical weaknesses when going abroad and promoting trade, i.e. fragmentation of institutional prerogatives, agencies, actors and lack of decision-making coordination between national and sub-national levels. For the first time, it was a mission of the whole "national system". A particular attention was paid to critical areas such as visas and IP protection, as well as to agreements in the renewable energy sector. The formal target to be reached through the agreements signed during the visit is to increase by 4 times the commercial flows between the two countries.

2.3 Russia

Italian-Russian relations, when considering that from 1949 to 1991 the two countries belonged to rival strategic alliances (NATO vs. Warsaw Pact), have

Table 5 – Italy and the Russia: main recent Bilateral Agreements

Russia	Signed	Into force
Agreement of economic, industrial and technical cooperation	30.11.89	13.04.90
Agreement for promotion and protection of investments	09.04.96	07.07.97
Memorandum of understanding on cooperation for SME	21.05.98	21.05.98
Memorandum for the creation of industrial districts in the Russian Federation	10.2003	10.2003
Memorandum on fish products exports in Russian Federation	14.01.09	14.01.09
Protocol on cooperation in telecommunications	07.04.09	07.04.09
Memorandum of understanding on cooperation on agriculture and on food promotion	03.12.09	03.12.09
Joint statement on tourism to get to the Agreement of cooperation on tourism for 2010—2011	03.12.09	03.12.09
Protocol to amend the bilateral agreement to avoid double taxation (awaiting ratification)	07.2009	

Source: Minister of Foreign Affairs, ICE, Simest

been remarkably good. Today Italy represents the third largest commercial partner of the Russian Federation and cultural ties over the decades have multiplied, particularly after the fall of the Soviet Union in 1991. The first major breakthrough in bilateral relations came with FIAT, which in 1966 was instrumental in assisting the AutoVaz to build its models in Togliattigrad. Bilateral trade expanded steadily in the following decades turning Italy into one of Russia closest western partners both economically and diplomatically. The latter aspect has much to do with the personal relationship that former President Vladimir Putin and Prime Minister Silvio Berlusconi forged since the early 2000s. Indeed, in recent years Berlusconi has tried to position Italy as a diplomatic mediator to solve disputes or disaccords between the European Union and NATO, on the one hand, and the Russian Federation, on the other. At a commercial level, the last ten years have witnessed an increasing activism to forge new strategic commercial alliances, especially in the light of the huge need of energy source Italy has. Between 1990 and 2010 Italy and Russia have stipulated a number of important accords (Table 5). The first one, which came into effect in April of 1990, is a broad agreement regulating economic, industrial, and technical cooperation. This was followed in 1997 by an agreement aimed at promoting and protecting each country's investments. In 1998, Italy and Russia signed a cooperation memorandum fostering small and medium enterprises. In 2009 and 2010, the two countries expanded their trade links by signing protocols regulating Italian seafood exports, and bilateral cooperation in the telecommunication, agricultural, agro-business, energy, automotive, and tourism sectors. Another one is close to ratified and establishes mechanisms to avoid double taxation. The increasing magnitude of bilateral trade also led the two countries, as part of the Friendship and Cooperation Treaty signed in Moscow in 1994, to set up an Italian-Russian Council for Economic, Industrial, and Financial Cooperation (co-chaired by the Italian Minister of Foreign Affairs and the Russian Treasury Secretary). The goal of the council, which has met so far ten times, has been to fine tune and expand existing accords.

The significance and magnitude of Italian trade and investments is based upon some 300 Italian or Italian-Russian joint ventures made up in part by some of the largest Italian corporations (Eni, Enel, Finmeccanica, Fiat, Unicredit, Intesa San Paolo, Ferrero, Marcegaglia, Cremonini, Candy, and Merloni), but most of all by medium and small companies. The increasing presence and diversification of the Italian business activities has led the two countries to establish the so-called Italian Industrial Districts in key regions of the Russian Federation, which include Lipetsk, Yekaterinburg, Moscow, San Petersburg and Perm[2]. It is worth noting that such a high level of bilateral cooperation is unique, and is not present in the other three BRIC countries.

Cultural exchanges in a wide variety of topics are regulated by the Italian-Russian Cultural accord and their numbers have increased steadily over time. Since 2007, the Italian language has been inserted in the educational programs of the Russian school system. Musical, artistic, and scientific cooperation has also increased. In fact, in 2004, such outreach activities have also extended to grass root organizations with the creation of the "Italian-Russian Civil Society Dialogue Forum", which fosters conferences, roundtables, concerts, and arts shows.

Italy is also playing an important role in building important infrastructures to deliver in Europe the Russian natural gas (as in the case of the South Stream projects developed jointly by Gazprom and Eni).

In brief, it can be said, that within the BRICs, Russia occupies a very special place in the Italian foreign policy. Compared to other emerging economies, Italy has not developed a comprehensive Strategic Agreement. Specific and sectoral accords have been signed, as in the case of 2010 (Table 6).

[2]Those districts are the results also of the activities of the "Italian-Russian Task Force on small and medium enterprises (SMEs) and district areas", operating since 2003. The Task Force aims at promoting the creation of industrial districts in Russia following the Italian model. It gathers Regional Authorities, different public agencies, as well as entrepreneurs associations to encourage, more in general, cooperation among Italian and Russians SMEs. Meetings usually take place once or twice a year.

Table 6 – Italy and the Russia: main economic agreements 2009–2010

Banca UBI	Bank of Development and foreign economic activity (Vneshekonombank): SMEs development
ICE	• TPP (Chamber of Commerce and Industry of the Russian Federation): declaration of cooperation • Chamber of Commerce city of Sochi: Protocol of intent • Development for inter regional cooperation for the Winter Olympics Sochi 2014 (with Abruzzo, Lombardy, Marche, Veneto) • WTC (Moscow World Trade Centre): protocol of cooperation

Source: Minister of Foreign Affairs, ICE, Simest

2.4 China

Italian diplomatic relations with the People's Republic of China started effectively in 1970. However, eight more years would elapse before the two countries concluded the first major agreement, which initiated cultural and scientific cooperation (Table 7). In 1979, Italy and China signed in Rome the first major economic cooperation protocol and later that year then China's leader, Hua Guofeng, paid an official visit to Italy. In 1980, President Sandro Pertini reciprocated the courtesy by visiting China. By 1986, consular offices in both countries were fully established. During the same year the two countries signed a bilateral investment treaty. As diplomatic relations began to slowly to warm up, Italian prime ministers continued to visit China (Bettino Craxi in 1986 and Giulio Andreotti in 1991). In 1995, China and Italy signed a protocol fostering scientific and technical cooperation, which was expanded in 2000. During the last part of the 1990s and the early 2000s several high level Italian delegations visited China to set up the groundwork for improved commercial ventures. In 2001, the Italian government also pledged to support China's entrance in the World Trade Organization. In 2004, the two countries undersigned a series of accords and memoranda covering health care and medical, environmental protection, intellectual property rights, and custom and quarantine procedures among several others.

As economic and political ties continued to improve, in 2005 Prime Minister Berlusconi invited the Chinese Minister of Foreign affairs, Li Zhaoxing, to take part to the first meeting of the inter-governmental committee Italy-China. However, up until recently, Italy continued to lag far behind the largest European countries in terms of the breadth and scope of its commercial ties with China. This situation prompted Prime Minister Berlusconi to expedite bilateral negotiations with Beijing. In June 2010 a diplomatic and economic mission was organized with an operative approach, similar to the one of the last Indian official visit. Several public and private bodies—at the national

Table 7 – Italy and China: main recent Bilateral Agreements

China	Signed	Into force
Agreement on promotion and protection of investments	28.01.85	28.01.85
Agreement to avoid double taxation	31.10.86	31.10.86
Economic cooperation agreement	28.05.91	Decayed
Joint statement to establish an Italy-China government committee	07.05.04	17.08.04
Memorandum of understanding between the Italian Ministry for University and Research and the Chinese Ministry for science and technology	07.05.04	07.05.04
Cooperation agreement on intellectual property	08.06.04	08.06.04
Memorandum of understanding on "Italy in China 2006"	06.12.04	06.12.04
Memorandum of Understanding ICE-CCPIT (China Council for The Promotion Of International Trade) on Intellectual Property	07.12.04	07.12.04
Memorandum of understanding on cooperation for bilateral investments between InvestInItaly and the Agency for investment promotion of the Chinese Minister of Commerce	08.09.05	08.09.05
Plan of Action 2010-2013 to strengthen economic cooperation (trade and investments, cooperation in finance and financial services, cooperation among SMEs, cooperation in science and technology, innovation, intellectual property protection, environment)	07.10.10	07.10.10

Source: Minister of Foreign Affairs, ICE, Simest

and local level—were involved all together to enforce economic ties between China and Italy, trying to overcome the typical "piecemeal" Italian approach to foreign markets penetration.

This process culminated with the recent visit of China's Prime Minister Wen Jiabao in Rome in October 2010 to celebrate the fortieth year of diplomatic relations and the beginning of the year of Chinese culture in Italy. On this occasion, the two countries signed ten contracts for €2.4 billion, seven political accords, and the pledge of the Chinese authorities to grant Italy the status of "privileged partner" (Table 8). This is probably, to date, the greatest success for Italian diplomacy. It paved the way for a five-year plan aimed at doubling bilateral trade to reach €80 billion by 2015. Wen Jiabao also promised that Chinese authorities will provide Italian companies the same treatment as domestic companies, and would respect intellectual property

Table 8a – Italy and China: main economic agreements 2009–2010

Plan of Action 2010–2013	• Strengthening economic cooperation, trade and investment with a focus on high technology, energy saving, environmental protection, design and creativity, trade in services • Strengthening contacts between business communities (economic and trade cooperation forum, trade fairs, exhibitions), including streamlining the practice of issuing visas and residence permits • Infrastructure, particularly transport and logistics, acknowledged as essential for strengthening bilateral trade • Desire for greater collaboration on the face of intellectual property protection • Strengthening bilateral investment flows • Promote cooperation between SMEs (trade fairs and exhibitions, synergies in the development of industrial parks), even considering support programs in disadvantaged areas (South West China and Italy) and the continuing collaboration of the 2005 MOU on SME cooperation (and the Addendum on textiles in 2008)
Protocols on the fringes of the Plan	Italian Ministry of Innovation and Chinese Ministry of Science and Technology: cooperation in industrial innovation, creation of a center for technology transfer in support of SMEs, cooperation in the field of design
Further recent agreements	Italian Ministry of Foreign Affairs and Chinese Ministry of Science and Technology (23.11.2009): XIII Executive Programme of Scientific and Technological Cooperation, with 6 priority areas (environment and energy, agriculture and food security, prevention and monitoring of natural hazards, cultural goods, aerospace and physical medicine and traditional Chinese medicine)

Source: Minister of Foreign Affairs, ICE, Simest

Table 8b – Italy and China: main economic agreements 2009–2010

SIMEST	Boosting SIBAC company based in Shanghai, in partnership with Bank of China and Intesa San Paolo, to provide additional services to SMEs (market entry, debt, etc ...)
Invitalia	Agreement to promote bilateral investments with: China promotion investment agency; China Development Bank; Shenzen Logistics and Supply chain management association. Protocol of Intent with the DOFTEC (Department of foreign trade and economic cooperation) of the Guangdong Province. Agreement with the China Development Bank to develop conjoint action to promote Chinese investments in Italy
SACE	Strengthening agreements with Sinosure (Agency for Credit Insurance) and start projects in priority sectors (energy, aeronautics, steel)
ICE	• TBD (Trade development bureau): activities of business support initiatives for institutional coverage • CATIS (China Association for Trade in Services): development of trade services • BIBMC (Beijing International Brand Management Center) - Shanghai ChanNing Government (district of Shanghai): support the entry into the Chinese market of major brand products. The district of Channing provides a commercial area for the promotion of made in Italy products

Source: Minister of Foreign Affairs, ICE, Simest

clauses. If this promise is kept, it will open new opportunities for public work contracts, domestic financing, and preferential tax treatment. Of course, China's willingness to open its market and make important concessions rests in its interest to acquire Italian technology and knowledge through cooperation agreements and secure preferential treatment for Chinese companies that want to invest in Italy. Nonetheless, these latest developments would indicate that the new approach that the government has adopted to coordinate its foreign policy initiatives may pay off rather quickly and could bring even better results if pursued consistently over time in the years to come.

3 Trade linkages

Trade statistics since 2000 show the rising importance of the BRICs for Italy—they absorb more than 6% of exports and account for more than 12% of imports. Two BRICs stand out—China as provider of manufacturing goods and Russia as a crucial supplier of energy—while Brazil and India are less important partners, although the former is important as a destination of Italian overseas investment (Table 9).

The trade balance is structurally in the red, because Italy is devoid of primary resources and its ability to surf on the waves of the BRICs is hindered by geographical distance and the small average size of Italian firms in the international comparison. This predicament is clear in the case of China: Italy ranks no higher than 22$^{\mathrm{nd}}$ among exporters, much lower than its global trade position, while it is the 13$^{\mathrm{th}}$-largest destination of Chinese exports. Some limited progress has been made in recent years, with Italy's share in Chinese imports rising from 1.52% in 2000 to 1.68% in 2009. Even the crisis has reshaped the amount of trade deficits (Table 10), in a direction more favorable to Italy, but structural characteristics are confirmed. In particular, product composition is dominated by machinery and equipment, with fashion, furnishing and food and beverages also meeting increasing acceptance among Chinese customers. Nonetheless, the trade remains unbalanced, something that Italian firms and trade authorities blame on remaining trade and, especially, non-trade barriers in China, despite WTO adherence and resulting commitments.

While trade with Russia is equally unbalanced, the reasons are arguably different. Due to rising dependence on natural gas in the energy mix, Italy is Russia's 2$^{\mathrm{nd}}$-largest market, after the Netherlands. But Italy also ranks 6$^{\mathrm{th}}$ among suppliers, trailing China, Germany, Ukraine, United States and France, although exports were hit hard by the crisis and the ensuing imposition of additional trade measures by Russia. More than China and emerging Asia in general, Russia has grown into a crucial market for Italian luxury goods (cars, jewelry, shoes and leather goods) and in fact this is even more evident when due consideration is given to purchases of such goods by Russian customers in Italy or in other countries.

As noted, the other two BRICs play a less important role in Italian trade

Table 9 – Trade flows in goods, US$ billion

	2006	2007	2008	2009
		Brazil		
Trade volume	6,41	7,81	9,38	6,68
Italian exports	2,57	3,35	4,61	3,66
Italian imports	3,84	4,46	4,77	3,02
Trade balance	(1,27)	(1,12)	(0,15)	0,65
		Russia		
Trade volume	21,22	24,17	26,56	18,60
Italian exports	7,63	9,56	10,47	6,48
Italian imports	13,59	14,61	16,09	12,12
Trade balance	(5,97)	(5,05)	(5,62)	(5,64)
		India		
Trade volume	4,37	6,25	7,81	6,27
Italian exports	1,86	2,67	3,90	3,43
Italian imports	2,52	3,58	3,91	2,84
Trade balance	(0,66)	(0,91)	(0,01)	0,58
		China		
Trade volume	24,59	31,39	38,27	31,27
Italian exports	8,61	10,22	11,66	11,03
Italian imports	15,98	21,18	26,61	20,25
Trade balance	(7,37)	(10,96)	(14,95)	(9,22)
		BRIC		
Trade volume	56,59	69,63	82,01	62,82
Italian exports	20,66	25,80	30,64	24,60
Italian imports	35,93	43,83	51,37	38,22
Trade balance	(15,27)	(18,03)	(20,73)	(13,63)

Source: own calculation on ICE, country reports (`www.ice.it`)

patterns. Brazil is interesting because a sizeable share of bilateral trade is intra-industry and in fact intra-firm—as it will be shown in the following section, Fiat's factory in Brazil is the company's largest subsidiary worldwide and this drives a brisk trade in vehicle parts and components. As for India, Italy is only the 23rd-largest partner, although trade was on the rise at least before the global crisis.

Table 10 – Italy-BRIC trade flows in 2010, January-August (€ billion)

	Exports			Imports			Trade balance		Trade flows	
	2009	2010	Change	2009	2010	Change	2009	2010	2009	2010
	Jan-Aug	Jan-Aug	%	Jan-Aug	Jan-Aug	%	Jan-Aug	Jan-Aug	Jan-Aug	Jan-Aug
Brasil	1.651	2.473	49,7	1.661	2.086	25,5	-0.009	0.387	3.313	4.559
Russia	4.283	4.884	14,0	8.011	8.478	5,80	-3.728	-3.594	12.293	13.362
India	1.649	2.055	24,6	1.957	2.420	23,6	-308	-365	3.606	4.474
China	4.333	5.641	30,2	13.047	17.274	32,4	-8.714	-11.633	17.380	22.915
Total							-12.760	-15.205	36.591	45.310

Source: own calculation on ICE, country reports (`www.ice.it`)

4 Foreign direct investments: a lever for a better economic integration

4.1 FDI from Italy to the BRICs: an overview

We rely on different sources to analyse the scope and characteristics of Italian investments in the BRICs, including Banca d'Italia surveys for the 2005–09 period and the Politecnico—ICE data base updated to 2007[3], keeping in mind that there are various methodological limitations (Mori and Rolli, 1998; Lipsey, 2001; Federico and Minerva, 2007)[4]. The latter source is particularly useful to map BRIC-based companies controlled or acquired by Italian firms, a dimension that is even more fundamental for capturing a country's international expansion policy than investment flow figures (Cantwell and Barnard, 2008).

In general terms, the BRIC area accounts for a larger share of Italian FDI, be it in terms of number of firms, sales, or employment. In Mainland China alone, it is estimated that 2,300 have some form of presence, including representative offices. Nor it can be forgotten that the world's largest Italian-owned plant is in Brazil: Fiat in Betim. But this is not enough to fill the gap vis-à-vis the competitors. In China, it is estimated that the sales of Italian firms are just a quarter of those of French ones. Size is the perennial problem: while Italian big business is as present in the BRIC countries as that of other large OECD economies, there are many fewer large-scale Italian multinationals. For the other "pocket MNEs", drawn from the so-called Italian Mittelstand or *Quarto Capitalismo*, the BRIC are still by and large unchartered waters.

Banca d'Italia data show that China and Brazil absorbed more than 70% of investment flows to the BRICs in 2005–09, although the growth rates were higher in the cases of Russia and India (Table 11). There are some interesting differences as for sectors: communication and transport equipment are important for Brazil, services and farm and industrial equipment for India and Russia, the same plus electric materials in the Chinese case.

Reprint ICE data for 2001–07 confirm the general trends, with an increase in the number of Italian investors in the BRICs (9.7%) that is broadly in line with that of overall Italian foreign investors (+9.4%). See Table 12. Employment of Italian-controlled companies in the BRICs rose by 13%, while the turnover grew by 49%, from €22bn to more than €32bn. This increasing capital-intensity of Italian corporate operations was particularly evident in Brazil, where a 15% employment fall was matched by an increase in sales

[3]Data were extracted from the Reprint data base by Invitalia, on 10 September 2010. For information on methology and contents of this data base see: `http://www.ice.gov.it/statist_esterno/ide_nota.htm`.

[4]In addition to the issues of the completeness and timeliness of the data, of specific relevance to the BRIC case is the consideration that investments are often made by groups that hold companies abroad, sometimes in tax havens, through which the transactions are organized. In such circumstances, transactions are not considered as coming from the BRIC area in origin and are therefore not recognized in the Banca d'Italia survey.

Table 11 – Italian direct investments in the BRICs (flows, in mgl €)

Country	2005	2006	2007	2008	2009	*Total*
Brasil	213.199	190.270	177.737	238.114	139.272	*958.592*
Russia	56.173	37.986	55.409	125.852	100.128	*375.548*
India	42.080	71.865	53.246	102.370	76.531	*346.092*
China	244.260	198.981	232.414	262.038	110.861	*1.048.554*
Total	*555.712*	*499.102*	*518.806*	*728.374*	*426.792*	*2.728.786*

Source: Banca d'Italia, Servizio Rilevazioni Statistiche, Divisione Statistiche sull'Estero

Table 12 – Companies in the BRIC with Italian ownership (n. 1th January)

Country	2003	2004	2005	2006	2007	2008	2009
Brasil	637	661	657	664	667	711	732
Russia	244	255	267	305	322	351	362
India	208	220	231	249	269	285	304
China	631	678	752	841	916	981	1.030
Total BRIC	*1.720*	*1.814*	*1.907*	*2.059*	*2.174*	*2.328*	*2.428*
Total world	*18.435*	*19.054*	*19.687*	*20.208*	*20.896*	*22.207*	*22.715*

Source: Reprint, Politecnico di Milano-ICE

exceeding 30%.

Italian multinationals are relatively few, generally family-owned, smaller than their OECD competitors and prefer to invest in industrial countries and emerging markets in the near abroad (namely the Balkans, Central Europe and North Africa). Against this background, it is not surprising that the increase in Italian investment flows directed at the BRICs is not reflected in any spectacular increase in the importance of Italy as an investor in individual BRIC countries.

It is arguably only in Brazil that Italian multinationals are highly visible. Pirelli opened its first plant there in 1929, followed by Olivetti in 1959. Fiat waited longer but since it decided to build a factory in 1973 it has grown progressively—to the point that it is now the group's largest worldwide and that Fiat is the 6th-largest firm in Brazil by 2009 turnover. There are nine additional Italian companies in the top 500 *Exame* listing.

Russian data problems, and in particular the phenomenon of round-tripping[5], make it notoriously difficult to draw a clear picture of foreign investors. While Italy is not included among the top 10 source countries according to Russian

[5]This problem can explain why Cipro stands as first investor in Russia (with 81,9 mld usd of stock).

sources, Italian ones (ICE, p. 8) estimate FDI initiatives at various billions of euros. Enel, Eni, Fiat, Finmeccanica, Indesit, and Pirelli, as well as the two largest banks (Intesa Sanpaolo and Unicredit), have all made huge investments.

The situation in India is broadly similar—Italy ranks 12th among forcing investors, with a share as low as 0.74%[6]. Recently Italian position in India has improved but it still lags: Fiat-Tata and Generali-Future joint ventures, investments by Piaggio, Carraro, Lavazza, Ferrero, Ariston Thermogroup, Luxottica, STMicroelectronics, as well as new plants by important fashion groups are some examples of the growing interest and high potentials of the Indian market for Italian companies, even the small and medium ones.

The case of Italian investment in China is somewhat more complicated. The country only ranked 18th among foreign investors in 2009 and trailed all its European partners and competitors. At the same time, the number of Italian firms present in China is much higher than for the other BRICs—1,464 in March 2006 according to Romeo Orlandi and Giorgio Prodi, of which 539 were producing goods and services[7]. Energy—thanks to ENI and Enel—accounts for a great share of the total, but there is also a myriad of other firms producing labor-intensive goods.

4.2 FDI from the BRICs: a new integration vehicle

One of the most dramatic manifestations of the recent shift in the barycentre of the world economy has been the rapid emergence of multinational investors based in the BRICs and other emerging economies. In all major industrial economies, such investors have acquired major brands—such as Tetley Tea, Jaguar, Volvo and many other - and key technologies and have realized green-field investments. Italy has not been immune from these trends, although the same structural limitations that hinder the country's attractiveness in the eyes of traditional investors (Basile *et al.*, 2005) have been true also in the case of BRIC multinationals.

Different sources are useful in this respect—including the above-mentioned Banca d'Italia surveys and the Reprint ICE-Politecnico Milano data base, but also the *Financial Times* data base of green-field projects[8]. In the latter case, it is possible that deals announced did not materialize; the amount of capital invested is not always available and usually is estimated; merger and acquisitions, investments by private equity funds, and other forms of capital control are not surveyed.

[6] SIA (2010, p. 5).

[7] The Italian presence in China is undoubtedly more intense than official statistics says as many companies try not to reveal their investments in the country both to their customers (many firms in the clothing sector produce in China but still want their products to be considered as fully "made in Italy") and to their competitors considering secrecy a competitive advantage.

[8] Data used in this paper were provided by the courtesy of Invitalia on information released by FDI intelligence data base of Financial Times (`http://www.fdiintelligence.com`).

Table 13 – BRIC investments in Italy (€m)

Country	2005	2006	2007	2008	2009	*Total*
Brasil	61.223	91.688	23.214	165.690	13.743	*355.558*
Russia	4.227	18.032	82.543	69.971	967.967	*1.142.740*
India	1.526	9.019	2.467	11.252	4.796	*29.060*
China	10.489	31.912	13.013	24.688	8.963	*89.065*
Total	*77.465*	*150.651*	*121.237*	*271.601*	*995.469*	*1.616.423*

Source: own calculations on Banca d'Italia, Servizio Rilevazioni Statistiche, Divisione Statistiche sull'Estero

The reluctance of BRIC investors to come to Italy mirrors the same misgivings expressed by those of industrialized nations. The World Bank and the International Finance Corporation in their "Doing Business 2011 Making a difference for entrepreneurs" ranks Italy 80 out of 183 countries. By comparison, France and Germany are ranked 26th and 22nd respectively. The worst scores are in terms of credit access (89th), construction permits (92nd), title registration (95th), contract enforceability (157th), and taxes (128th). This would explain why Italy remains a marginal option for BRIC investors. Indeed, Italy occupies the 44th place in terms of Chinese investments according to the National Bureau of Statistics.

Banca d'Italia data show wide year-on-year fluctuations, as individual operations explain most of the flows in specific years. Russia (in energy) and Brazil (in agribusiness) account for most of the FDI flows (Table 13). It is interesting to note that the crisis has greatly curtailed activity in 2009, with the exception of an important Russian investment in Sicily.

Italy remains a very marginal destination for BRIC investors. For example, in the case of China data from the National Bureau of Statistics show that—despite a rapid increase from US$ 290,000 in 2003 to over US$ 46m in 2009, Italy is the 44th main destination with a share as low as 0.08% of total FDI outflows[9].

These considerations are confirmed by data by Reprint-ICE Politecnico Milano, on Italian companies with a BRIC ownership as well as by greenfield projects announced, as mapped by FDI data base (Table 14).

In the case of Brasil, only 10 Italian companies have a Brasilian ownership, mainly in the food industry. The most preferred mode of entry is acquisition and usually the Italian previous owner keeps a role in the acquired company. Only 2 greenfield projects were announced in 2005–2009 compared to 41 in Europe. Russian investors (mostly big players of the natural resource sector, such as Severstal, Gazprom, Renova, Lukoil) are more and more investing in Italy: 53 cases of acquisition or greenfield projects. Mechanics and green

[9] Own calculation on data provided by CeSIF-Fondazione Italia Cina on Ceic data base.

Table 14 – Greenfield and non greenfield BRIC investments in Italy

	Italian companies with a BRIC ownership (at 2009, values in mln €)				Greenfield projects announced (2005–2009), no. and value (mld US$)				
					Italy			Total Europe	
	No.	Turnover	Empl.	Main sectors	No.	Value	Main sectors	No.	Value
Brasil	10	1.650	1.827	Food	2	15	ICT, electrics, transport equipment	41	742
Russia	53	11.332	4.929	Machinery, mechanics, natural resources	5	590	Natural resources, metals, ICT	106	14.206
India	56	2.186	5.811	Textile, electronics, pharma-ceutical, IT services	7	1.967	Textile, electronics	236	8.437
China	57	2.105	3.040	Mechanics, logistic, automo-tive	17	200	ICT electronics, electricity	271	4.763

Source: own calculation on ICE-Reprint Politecnico Milano and on Financial Times FDI Intelligence energy are the emerging investments areas.

There are 56 Italian companies with an Indian ownership in the textile, electronics, pharmaceutical and IT services. Italian subsidiaries have usually commercial purposes. Acquisition is the preferred mode of entry and total control of the acquired company is reached in most cases. Only 7 greenfield projects on 236 in Europe were announced in the country, but considering their value, Italy ranks as second destination among European destination.

Lastly, Chinese investors have a control on 57 companies. All last 17 investments cases are acquisitions. Mechanics, finance, logistics and more recently green energy are the most important sector of destination. Marketing seeking purposes, as well as strategic asset seeking motivations (brands, technologies, know how) drive Chinese investment strategies in Italy.

5 The policy implications of economic interconnections

As a member of the European Union, Italy's trade policy is decided in Brussels. Nonetheless, while other European countries have tried to influence the Commission's approach vis-à-vis major trading partners, including the BRICs, Rome has basically delegated to the EU the regulation of its commercial relations. It is no coincidence that no Italian has ever held the post of Trade Commissioner—whereas there have been two French (Deniau 1958–70 and Lamy 1999–2004), two Germans (Dahrendorf 1970–73 and Haferkamp 1977–85) and no fewer than four Brits (Soames 1973–77, Brittan 1993–99, Mendelson 2004–08 and Ashton 2008–09).

The EU does not have any Free Trade Agreement with the BRIC, but is currently negotiating two with Mercosur (the South American bloc of which Brazil is by far the largest member) and India, in addition to the Partnership and Cooperation Agreement, which also contains trade and investment provisions, with Russia. Italy has not been particularly active in the negotiations—unlike in other cases such as the Economic Partnership Agreement with the Southern African Development Community (SADC), where the problem was geographical denomination, and the FTA with South Korea, where Italy requested specific amendments, especially for the auto sector, and eventually agreed to a compromise delay of six months.

Italian multinationals' operations in the BRIC are protected by four bilateral investment treaties signed between 1985 (with China) and 2002 (with Russia)[10]. Only three times in the history of International Centre for the Settlement of Investment Disputes have Italian firms taken action, and none of the BRICs have been the respondent[11]. This does not mean that there

[10] The one with Brazil was never ratified, a common practice in the South American country due to Congressional opposition to this legal instrument on constitutionality grounds.

[11] The International Center for Settlement of Investment Disputes is considered to be the leading international arbitration institution devoted to investor-State dispute settlement. So far 202 cases have been concluded and 123 are pending (as of 7 October 2010). The three

have not been some specific instances where Italian companies have encountered problems in doing business in the BRIC countries. Intellectual property protection has been a recurrent concern in China, where Ferrero won an important case in 2008 when the Supreme People's Court upheld an appellate decision that the sale of chocolates in similar packaging to that of Ferrero Rocher branded chocolates breached Chinese Anti-Unfair Competition Law. On the other hand, Fiat sued Great Wall in China as well as in Italy (seeking EU wide protection) with reference to a car model (the Peri) that too closely resembles, in Fiat's opinion, Fiat Panda. While the IP specialised courts of Turin granted an interim injunction to Fiat, by provisionally banning the Peri from the EU market, on the basis of alleged Community Registered Design (of Fiat Panda) infringement (the matter is still pending since Great Wall initiated an ordinary Court proceeding), the Shijiazhuang Intermediate People's Court dismissed patent infringement claims against Great Wall, ordering Fiat to pay court fees. Another issue concerns government procurement, in China especially but also in Russia and to a lesser degree in Brazil and India (the two are parties to the WTO Agreement). Multinationals, including Italian ones, complain that authorities discriminate against foreign vendors and these concerns have risen in the framework of the large stimulus packages launched in the aftermath of the global crisis.

Finally, in Italy BRIC investors' activism has not caused the same political preoccupations as in other OECD countries such as France and the United States (Goldstein, 2008). Obviously the very fact that acquisitions have been modest in scale and largely below the radar screen of the media explains this reaction - Italy is not necessarily very welcoming to foreign investors in sectors considered as strategic, as Spanish banks trying to enter the Italian market, for instance, discovered in 2007. Worries have mostly concerned Sovereign Wealth Funds, leading to the creation of the *Strategic Committee on Development and the protection of national interests abroad in economy*, in 2008. Reflecting the increasing complexity of the international business landscape, in October 2010 Vimpelcom stroke a deal with Egyptian tycoon Naguib Sawiris to buy Wind, Italy's second largest telecoms group. Worth US$ 6.6 billion, this is the biggest international deal by a Russian company.

Interestingly, a number of BRIC multinationals have found it problematic to do business in Italy. Videocon, an Indian company, acquired a plant in Lazio from the French company, Thomson, with an undertaking to reconvert operations with support by national and regional funds. Three years later, in 2008, Videocon withdrew all the undertakings it had made arguing that the Italians had not lived up to their promises. Brazil's JBS, the world's No. 1 beef producer, wants out of its joint venture with Italy's Cremonini because of a dispute over management of the venture.

Invitalia is trying to help and facilitate foreign investors, providing them

cases where the claimant was an Italian company have concerned disputes with Jordan, Mongolia, and Morocco.

support and information and creating a favorable business and institutional environment. Some improvements have been made in recent years, but Italy still lags behind other western countries.

6 Concluding remarks

The article has reviewed Italy's response to the new challenges posed by the emergence of the BRIC countries. Our preliminary findings show that, regardless of the government in charge, a variety of Italian governments have continued to emphasize a bilateral approach aimed at expanding trade and investment relations on an ad hoc basis. The Italian weakness in this regard has been the piecemeal nature of Italian trade relations. Governmental actors at the national (prime minister office, MFA, MED, etc.) and sub-national level (regions, provinces) and trade associations (Confindustria, chambers of commerce) have too often pursued separate and competing strategies with little effort to coordinate their activities and optimize the use of resources. This has left many small and midsized companies, which are the most in need of institutional support and guidance, often at a disadvantages vis-à-vis their competitors. As a result, trade between Italy and the BRIC group is well below its potential, particularly with India and China with whom Italy does not have a history of strong ties. At the present time, trade relations seem strongest with Russia, a traditional partner, which continues to supply Italy with oil, gas, and other raw materials in return for light manufacturing products. What is noticeable, however, is a growing interest not only of Russians, but also Chinese and Indian investors.

In recent years, in an attempt to catch up with the most important European and North American countries, Italy has launched several bilateral initiatives through reciprocal visits of government/business delegations at the highest levels in order to conclude new trade and investment accords. In doing so, following the German, French, and British examples, the Berlusconi government has tried to centralize and streamline the diplomatic/trade initiatives while attempting to sell Italy "industrial" brand that can meet a multiplicity of business needs. This new bilateral approach has also been prompted by the need to bring new foreign investments to jump start the ailing Italian economy, which has grown the least among the largest partners of the European Union during this decade.

Among the top priorities for the further expansion of Italian trade relations with the BRIC countries, we can highlight two issues.

The first one is the protection of intellectual property rights to reduce counter fitting and patent violations in sectors where Italian companies have a competitive advantage. This cuts both ways for Italian investments in the BRICs and vice versa. The importance of this matter is testified by an agreement that the Italian and Russian governments signed in June 2010 to safeguard each other's products. In the same month the Italian government has signed a similar agreement with the Chine authorities on intellectual property right protection, which updated a pre-existing accord concluded in 2005. In China, India, and Brazil the ICE has branch offices specifically created to monitor counterfitting activities and help Italian companies to start lawsuits in local courts.

A further area of intervention is the simplification of VISA requirements as well as bureaucracy for workers/professionals coming to Italy from BRIC countries whose companies are willing to invest in Italy. A lot of administrative barriers are impeding, hindering, and delaying important investments projects.

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