NEWSLETTER #2

TASK FORCE CHINA

Ministero dello Sviluppo Economico

EXECUTIVE SUMMARY

1. China's Central Bank injects funds into the market
2. China's foreign trade hit historic high in 2018
3. Large-scale tax cuts to be introduced

MACRO:
Public Finance

Date: 1/30/2019

ANALYSIS

1. China's central bank injected liquidity into money market through reverse repos. The PBOC conducted 80 billion yuan ($11.8 billion) of seven-day reverse repos at an interest of 2.55 percent and 20 billion yuan of 28-day reverse repos at 2.85 percent. The aim is to maintain reasonable and sufficient liquidity in the banking system.

2. China's foreign trade rose 9.7 percent year-on-year to a historic high of 30.51 trillion yuan (About $4.5 trillion) in 2018. Export rose 7.1 percent year-on-year to 16.42 trillion yuan while imports grew 12.9 percent to 14.09 trillion yuan, resulting in a trade surplus of 2.33 trillion yuan. China's trade with European Union, the United States and the ASEAN countries increased 7.9 percent, 5.7 percent and 11.2 percent, respectively, with a combined trade volume accounting for 41.2 percent of China's total foreign trade. Private enterprises played a bigger role, accounting for 39.7 percent of the total foreign trade, up 1.1 percentage points compared with 2017.

3. China will unveil larger-scale tax cuts and tax exemptions for micro and small enterprises (MSEs). Reducing tax burdens for MSEs has been on the agenda of the State Council throughout 2018. The tax cuts will help to lower the cost of entrepreneurship and innovation and to help businesses gain vitality, to create more jobs and to ease their financing woes. The eligibility to benefit from preferential corporate tax will be significantly expanded. Small and low-profit businesses with an annual taxable income of less than 1 million yuan and between 1 million and 3 million yuan will be eligible to have their tax calculated based on 25 percent or 50 percent of their taxable income. This is expected to reduce tax burdens of such enterprises to 5 percent and 10 percent. The scope of tax incentives applied to investment in high-tech start-ups will be expanded to give more tax breaks to venture capital firms and angel investors investing in these businesses. The tax incentives are expected to save about 200 billion yuan for small and micro businesses every year

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NEWSLETTER #2

TASK FORCE CHINA

Ministero dello Sviluppo Economico

MACRO: ***One Belt One Road***

Date: 1/30/2019

EXECUTIVE SUMMARY

1. AIIB expands its African membership
2. 2nd BRF announced to be held in March
3. Italian citrus will fly to China

ANALYSIS

1. Five new African countries joined the Asian Infrastructure Investment Bank (AIIB), founded in Beijing in October 2014. The Governing Council of the Bank approved the entry of Togo, Ghana, Algeria, Tunisia and Morocco. AIIB now has 93 members. Founded as a bank focused on building infrastructure in the Asia-Pacific region, AIIB is now looking for new opportunities to carry out projects outside of Asia, as well as expanding its investments into new areas. In 2017, the bank approved its first sovereign loan outside Asia, in an attempt to help the Egyptian government build solar power plants.

2. Xi announced that China will host the second Belt and Road Forum for International Cooperation in 2019. Over the past five years, China has remarkably improved the diplomatic relations with 30 countries along the B&R routes, including Tajikistan, Hungary, Israel, Ethiopia, Madagascar and so on. In 2017, 50 cooperation agreements under the B&R framework were signed, accounting for nearly half of the total number of diplomatic agreements signed in the past five years. Big data shows that 88 joint statements or communiqués have been signed between China and 44 countries along the B&R routes from the proposal of the initiative in 2013 to April in 2018.

3. Despite China being the world's first citrus producer (38 million tonnes), it is also a strong importer and Italy (in particular Sicily with its 1.6 million tonnes of production) will be able to increase its export of citrus to China, with the signing by the Italian Ministry of agricultural policies and his Chinese counterpart of an agreement for the air transport of Tarocco, Moro and Sanguinelle oranges to China. During the ministerial visit in China, a further agreement has been signed on the export of Italian hazelnuts and alfalfa.

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TASK FORCE CHINA

NEWSLETTER #2

Ministero dello Sviluppo Economico

MACRO:

International Relations

Date: 1/30/2019

EXECUTIVE SUMMARY

1. **POLITICS/GLOBAL GOVERNANCE**: China and Argentina strengthen their relations;
2. **SECURITY**: Xi Jinping’s strategy towards Taiwan;
3. **DOCUMENTS**: China’s New Policy Paper on the European
4. Union (published December 18, 2018)
5. **CHINA---EU**: Mapping Chinese 5G/tech installations in Europe;
6. **FRANCO--GERMAN mergers to confront China**

ANALYSIS

1. China and Argentina strengthen their relations China and Argentina recently signed a $9 billion currency swap deal after G20 summit in Buenos Aires. This swap promises to put Argentina back on the road to economic recovery after a currency crisis in early 2017, and it is just one of the 37 bilateral agreements signed between the two countries in December 2018. After Brazil, China is Argentina’s second---largest trade partner and first investor.

2. Xi Jinping’s strategy towards Taiwan On January 2, 2019 Chinese President Xi Jinping delivered a speech at a gathering to commemorate the 40th Anniversary of issuing “Message to Compatriots in Taiwan” at the Great Hall of the People in Beijing. Xi Jinping said that a Taiwan independent from mainland China is not an option, and no person or party can stop the trend toward “unification”.

3. China’s New Policy Paper on the European Union On December 18, 2018, the Chinese government published the third policy paper on the European Union. In recent years – and specifically in the light of the current trade war with the United States – China has made cooperation with the EU as one of its main priorities of its foreign policy. China remarked its intentions to welcome a united, stable and prosperous Europe, as well as its full support vis--- a---vis the European integration process. At the same time, the document stressed the importance of full commitment by the EU and its member---states to respect China's sovereignty and territorial integrity, the one China principle with concrete actions, and China's core interests.

4. Mapping Chinese 5G/tech installations in Europe On January 3, 2019 the EU unveiled its intention to toughen scrutiny of potential security risks with Chinese technology companies as concerns have grown about cyber theft and cyber espionage allegedly linked to Beijing. The European Commission wants to map Chinese electronic infrastructure in the EU, after pressure from Washington and unease in capitals such as Berlin, Paris and London. One of the targets of this mapping will be recent 5G mobile communications auctions in Europe, such as the one held in Italy in 2018. Huawei is a leading candidate to supply 5G equipment to mobile networks across Europe – including Italy – and there are growing concerns that the Chinese group could be ordered by Beijing’s intelligence services to build ‘back doors’ into their systems.

5. Franco---German mergers to confront China On January 21, 2019 the European Commission is expected to discuss a plan to merge the rail assets of France’s Alstom and Germany’s Siemens as part of efforts aimed at fostering ‘European champions’ to compete with state---backed Chinese companies. They have the full support of their respective governments which view the merger as Europe’s only way to avoid being outcompeted by Beijing---backed CRRC, the world’s largest trainmaker. Under discussion there will also the planned merger between Germany’s Wieland and Aurubis, the world’s top two suppliers of copper rolled products, also in this case in an effort to compete with China’s state---backed companies in the sector. Yet, the mergers face possible veotes from the EU’s competition commissioner, as splits mount in Brussels over how to confront the commercial challenge from China. The Alstom---Siemens merger also poses risks of loss of competition for Italian companies in areas such as signalling systems and high---speed trains.

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TASK FORCE CHINA

Ministero dello Sviluppo Economico

NEWSLETTER #2

MACRO: ***Demography & Immigration***

Date: 1/30/2019

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EXECUTIVE SUMMARY

1. We provide some information about non-EU citizens, and thus Chinese among them, who wish to live and work in Italy, and who need to obtain a long-term visa.
2. We focus on three important types of visa.
3. (i) Local Hiring and (ii) Autonomous Workers visa. (iii) Assigned workers

ANALYSIS

In this newsletter we shift from the descriptive analysis of Chinese demography to immigration opportunities for Chinese in Italy. Non-EU citizens, and Chinese among them, who wish to live and work in Italy need to obtain a long-term visa. Different kind of work visas can be obtained:

1.Local Hiring VISA: concerns the hiring of non-EU workers by Italian companies is subject to the specific quotas released annually by the Government. An exception to the quota system is for highly skilled workers (those who have a 3-year University diploma, are offered a minimum 1-year contract and a salary of not less € 25,000/year) who can obtain the "Blue Card" permit. After 18 months from issuance can be used—under certain conditions—also in other EU countries);

2.Autonomous Workers VISA: are also subject to quotas and can be granted to individuals who set up in Italy to independently work as a consultants, to practice a licensed profession (ie doctors, architects or attorneys), to set up a company by investing at least € 500,000 with the goal to create some jobs or to set up an innovative startup company or who are appointed as officers of an Italian company (provided that the company has been in business for at least 3 years and be in good standing);

3.Assigned workers ('lavoratori distaccati'): a work visa - not subject to quota limitations - can be issued when a worker is assigned to work at an Italian company for a fixed period of time (from 3 or to 5 years depending on the kind of permit) though remaining on the payroll of the foreign company (eg intra-company transfers or workers assigned pursuant to a service agreement)