Battle over US - China Tariffs May Have Fallout for Italy

Judith Harris (April 09, 2018)

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ROME -- Experts here disagree over whether the escalating trade war between the U.S. and China [2] will have an effect on Italy and its economy, and to what extent. In particular, if U.S. wine exports to China decline because of higher tariffs, Italian wine sales just may rise further, at a time when Chinese consumption is on the rise. At $86 million annually, U.S. wine sales to China are only half of Italy's, whose wine exports to China soared to $160 million in 2017, at least 29% higher than the previous year. Following wine are exports of olive oil, worth over $35 million. Italian pasta is also a favorite of Chinese dollars, with exports earning Italy $27 million.

"For Italian vinters, [China] is a strategic market," according to the nationwide Federazione Coltivatori Diretti (Coldiretti) [3], which represents 1.6 million farm owners in Italy. In an analysis based upon a report by the official statistics-gatherer Istat, Coldiretti reported that, as a market for wine, China is already fifth worldwide and first of all for acquisition of red wines. Besides wines, exports of fresh fruit may benefit, but not immediately; at present Italy exports to China only kiwi and citrus fruits. However, an agreement is being worked out for China to acquire Italian apples and pears plus dried alfalfa.

In the confrontation over tariffs, a domino effect is not excluded, however. Some here fear that President Donald Trump's [4]next move may be to attack European Union imports, with what one expert dubbed "a return to the law of the strongest, with unpredictable consequences for world trade." Italian exports to the U.S. amounted to almost $41 million in 2017 and, to China, almost $14 million. represents the larger farm producers. Going well beyond tensions between the U.S. and China, Massimiliano Giansanti [5], president of the Confederazione Generale dell'Agricultura Italiana (Confagricoltura), warns that the situation could bring about a reaction on the part of the World Trade Organization (WTO) [6], aimed at combatting an anomalous flood of products onto the European Market. "The commercial war could have a strong impact on normal international trade," says Giansanti.

"Let's not forget that, in the battle between the two giants, U.S. and China, in terms of population Italy is about as big as just two Chinese cities," Alberto Rossi, market analyst with the Italo-China Foundation, told an interviewer this week. "But it is correct to analyze the situation as regards its impact upon Europe." A risk seen here is that, with the markets in China and the U.S. frozen, a scantly controlled and shifting flood of destabilizing imports into European nations could result, harming the Europeans, "and in particular we Italians, who live off our prestigious exports," warns economist Angelo Baglioni [7]of the Catholic University of the Sacred Heart.

Already, Italy is not the sole European country selling wine to China; in 2016, Italy's $160 million in sales to China fell well behind the French, who sold an astonishing $965 million. In addition, "The battle over tariffs may weaken the economies of both the U.S. and China, with fallout effects," says Prof. Baglioni. "On markets of these dimensions, which no longer grow as much as before, it is inevitable that less is sold. The risk is real."

A further complication is the scattering of production, sometimes in several countries, of the luxury goods which are a hallmark of Italian marketing worldwide. Last Dec. 18 twenty-two of these luxury manufacturers created an association at the Milan stock market called Ptse Italia Brands. Among the Italia Brands founding fathers: Ferrari, Pirelli, Tod's, Piaggio, , De' Longhi, Brembo, Fca, and Campari. Some of these, including Geox, Merloni and Luxottica, already have some manufacturing facilities in China and elsewhere as well. Although still based in Milan, the Pirelli group [8] of tire manufacturers was actually purchased for $10,32 billion by the Chinese firm ChemChina [9], and is its most ambitious overseas acquisition, according to the Financial Times.

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