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The implications of international trade: an empirical analysis on
Made in Italy agri-food exports to China

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List of Abbreviations

AE – Authorized Exporter

AIL – Automatic Import License

AIIB – Asian Infrastructure Investment Bank

AQSIQ – General Administration of Quality Supervision, Inspection and Quarantine

ASEAN - Association of Southeast *Asian* Nations

BRC – British Retail Consortium

BRI – Belt and Road Initiative

CAC – Codex Alimentarius Commission

CAP – Common Agricultural Policy

CCPTI – China Council for the Promotion of International Trade

CFSA – Center for Food Safety Risk Assessment

CNCA – Certification and Accreditation Administration

CIQ – China Inspection and Quarantine

CMO – Common Market Organization

CoC – Chain of Custody

CSE – Certificato Sanitario Export (Export Health Certificate)

CTMO – China Patent and Trademark Office

DA – Delegated Act

DAC – Directive on Administrative Cooperation

DCCC – Direct China Chamber of Commerce

EC – European Commission

EEC – European Economic Community

EFSA – European Food Safety Authority

EU – European Union

FAO – Food and Agricultural Organization for the United Nations

FDI – Foreign Direct Investment

GACC – General Administration of Customs of China

GATT – General Agreement on Tariffs and Trade

GATS – General Treaty on Trade in Services

GB - *Guóbiāo* (国标) National standard (mandatory)

GB/T - *Guóbiāo tuījiàn* (国标推荐) National standard (recommended)

GDP – Gross Domestic Product

HACCP – Hazard Analysis and Critical Control Point

HS – Harmonized System

IA – Implementing Act

ICA – Italian Customs Agencies and Monopoly

IFS – International Food Standard

IMF – International Monetary Fund

MAD – Market Access Database

MARA – Ministry of Agriculture and Rural Affairs

MIPAAF – Ministero delle politiche agricole alimentari e forestali (Italian Ministry of Agricultural, Food and Forestry Policies)

MNF – Most Favorite Nation

MOFCOM – Ministry of Commerce

MOU – Memorandum of Understanding

NHC – National Health Commission

OECD – Organization for Economic Cooperation and Development

OIE – International Organization for Animal Health

PDO – Protected Designation of Origin

PGI – Protected Geographic Indication

PRC – People’s Republic of China

REG – Regulation

REX – Registered Exporter

SAC – Standardization Administration of China

SAD – Single Administrative Document

SAMR – State Administration for Market Regulation

SEZs – Special Economic Zones

SIAN – Sistema Informativo Agricolo Nazionale

SME – Small and Medium Enterprises

SOE – State Owned Enterprise

SPS – Sanitary and Phytosanitary Measures

TBT – Technical Barriers to Trade

TPM – Transitional Review Mechanism

TPRM – Transitional Review Policy Mechanism

TRIPS - Treaty on Commercial Aspects of Intellectual Property Rights

TSG – Traditional Specialty Guaranteed

VAT – Value Added Tax

WHO – World Health Organization

WTO – World Trade Organization

前言

“意大利制造”的标志在全世界范围内都被认为是高质量和高品质的保证，“意大利制造”为意大利产品出口到世界各地做出了杰出的贡献。许多经济学家都认为它是意大利经济的支柱，因为不管在大流行之前还是现在，意大利产品的出口量都是非常可观的，这也成为了我国在出口竞争力上的一个转折点。意大利出口的产业被称为“3Fs”，它是“意大利制造”出口主要产品的标志，其中包括了时尚行业、家具行业和食品行业；其中大部分都是中小手工企业。本论文的主要研究点是分析农业食品的产业链，其被认为是我国主要的经济产业。

在过去的 20 年里，意大利的农业食品行业，因为欧洲国家和非欧盟国家对该产业产品的需求不断增长，变得更加繁荣。正因如此，我们可以看到农业产品在出口上受到了多项条例的约束，这些规定非常严格，所有打算与外国企业进行商业交流的意大利公司都必严格须遵守这些规定。这些规定会根据不同的目的地市场而进行变化：对欧盟国家的出口受共同体法规的约束，而对非欧盟国家的出口也受基于国际（或国家）标准和要求的条例约束，甚至可能需要额外的文件。在过去的时候，每个国家会根据国家需求和社会经济框架制定不同的产品标准和技术规范，没有一个统一的标准给每个行业的出口都带来了许多困难。

在这个背景下，世界贸易组织(WTO)起到了重要的作用，因为它推动了基于科学的国际质量标准的制定，支持了贸易的协调并促进了距离遥远的市场的进出口流动。这一切导致了贸易地理结构的变化，并强调了新兴国家的重要性，这些国家现在正慢慢成为意大利出口的主要目的地。基于这些前提，本论文将主要关注“意大利制造”的农产品对非欧盟国家的出口；我将侧重分析中国市场的趋势，从而研究有助于意大利产品出口到中国的因素。中国已然成为世界上最大的食品进口商，未来也可能会保持这个地位。在加入世界贸易组织以后，中国在经历了全球经济整体化的过程后，其市场渐渐地自由化，也极大地推动了经济的发展。

中国政府在实施的几项改革中，突出了国家的开放意愿和对外国人留在中国境内的态度。这一系列改革推动了社会经济和法律框架的变化，使其与国际框架更加一致。与许多其他国家一样，这些变化带来了许多不同的效果：鼓励中国消费者采用新的生活方式，这也恰恰反映在了食品消费趋势上。购买力的增加、对食品

安全和质量的关注以及对西方味道的适应都是进口食品火爆中国市场主要的因素。因此，中国市场对外国企业的吸引力不断加强，进而促进了外资企业向中国城市地区市场的进军，尤其是喜欢购买高端产品的城市区域。在对相关情况有了进一步的认知后，我的研究目的是了解国际贸易的发展是否会对有着“意大利制造”标志的农业产品出口到中国产生影响。此外，我也想探究意大利农业食品未来在中国市场的方向和趋势。

本论文将以欧洲和中国食品出口标准的要求为出发点，在第一章节中进行论述。该章节主要的目的是为了能够更好地解释和了解出口商在申请贸易许可证所需要遵守的规定和其手续上的复杂性。第一章分为三段：第一段主要研究关于欧盟在对贸易任务所上设定的条例以及对非欧洲国家出口食品和食品的安全相关规定。考虑到中国消费者对食品来源的日益关注和对营养相关搭配的重视，特别是在发生许多起食品丑闻之后，两者都会对消费者在购买食品上产生影响。食品安全已然成为了每个政府最重视的问题之一，中国也不例外。其实有很多可以保障消费者健康的相关法律和机构，该章节将会对其进行介绍以及讨论。

第二段主要侧重于中意食品贸易关系，概述了有关两国农业食品部门之间合作的主要协议；通过这一章节，本论文希望能够描绘两国当前的外交关系以及将来两国之间的贸易发展。第三段的主要核心是意大利公司在中国市场开始出口和销售食品所必须遵守的条例以及所需要的手续。中国相关部门的要求非常严格，需要出口到中国的商家都需要提供一份相关文件以及产品清单，第三段将会把这些手续一一列出并加以解释。此外，本论文将对一些标准进行具体分析：包装、标签、添加剂的使用以及特殊产品的进口标准来避免进口食品的退运以及销毁。

在第二章节主要采用了文献分析法，主要信息来源于相关书籍、期刊和论文。从全球贸易的发展需要制定能够支持世界市场运作的国际标准的这个假设出发，本论文认为之前分析的规定必须符合世贸组织提供的规定。因此，本章节在第一段将简要介绍世贸组织的作用和中国加入该组织的过程。通过这个分析过程，可以了解到主要推动中国发展的贡献都带来了哪些影响。首先，本论文考察了中国的经济增长以及经济发展所带来的一些社会变化，比如说城市化的过程、中国中产阶级的崛起和消费习惯的变化。在第二段，该论文将进行一个关于全球贸易的结构变化的概述，主要论证新兴国家将会成为新目的地市场的重要性。意大利农业产品的出口也受到

了全球形势变化的影响，很多意大利公司开始瞄准更遥远的市场，例如中国。基于这些考虑，该论文将会从法律层面、经济角度和文化视角出发对意大利农产品在中国市场会遇到的机遇和挑战进行评估。最后，在第三段，该论文分析了国际化进程在一个日益全球化的世界中的重要性，并以意大利中小企业为例（SMEs）。

在第三章，本研究旨在提供一些关于意大利食品对中国出口量增加的数据。结果的评估将会基于两个研究问题，也会在该章节进行论证。首先，本研究评估了社会经济现象对中国消费者的消费习惯和在购买高级食品的可能性上的影响。主要的目的是证实意大利农产品需求量在中国的增加是否与中国消费者的日益增长的金融福利有关。为了验证这一观点，我以意大利出口农产品最具为代表的奶制品、意面、咖啡和葡萄酒为例进行了论证。然后，本研究将会分析中意合作对意大利农产品出口的重要性。意大利是中国在欧盟的第四大贸易伙伴，而中国是意大利在亚洲的最大贸易伙伴。近年来双方的经贸关系有了很大的发展，但是两国之间的不对称关系任然十分严重。

尽管如此，意大利对中国的农业产品的出口任然显示了增长的趋势，特别是食品工业产品和饮料产品。因此，本研究将论证中国消费者在高端食品上的消费可能性是否会因为两国签署了双边协议而有所增长。基于这个前提，我重点分析了橄榄油、新鲜水果和肉类这三类食品，因为这些食品的出口量都受到了具体合作协议的影响。因为疫情严重影响了全球贸易流动，特别是在 2020 上半年，所以本研究在进行数据分析时也将新冠病毒的发展趋势设为考虑因素。最后，刻论文将根据实证分析中出现的一些考虑因素对最终结果进行概述，从而得出我的研究结论。最后，该论文将会根据分析出来的结果进行整体概述，从而得出本论文的研究结论。

Introduction

The Made in Italy label is identified as a guarantee of quality and authenticity all over the world and it has contributed to support products' exports and prosperity in many foreign countries, including China. Many economists consider it to be the backbone of the Italian economy due to the brilliant dynamics of its exports all over the world, both before the pandemic and now, which has evidenced the competitive turning point of our country. The main sectors of Made in Italy exports are identified with the acronym "3Fs", namely Fashion, Furniture and Food, and include the major number of Italian manufacturing companies.

The main focus of this thesis lies on the analysis of the agri-food chain, which can be considered the leading economic sector of our country. In the last twenty years, the Italian agri-food industry was extremely virtuous and profitable, especially because of the increasing demand of its products both in European and non-EU countries. In this regard, it should be outlined that agri-food exported products are subject to several norms, which are strict and must be abided by all Italian companies that intend to start commercializing with a foreign country. These rules change according to the different destination market; exports to EU countries are governed by communitarian regulation, while exports to non-EU countries are subject also to norms based on international (or national) standards and requirements, which may even require additional documents. In the past, each country developed different products' standards and technical specifications which depended on the national needs and on the socio-economic framework, causing many difficulties in the commercialization of any exported product.

In this scenario, the role played by the World Trade Organization (WTO) was significant as it has promoted the formulation of international quality standards based on scientific evidence, which supported the harmonization of trade and boosted export and import flows even in more distant markets. This led to changes in the geographical structure of trade and it emphasized the new importance of emerging countries, which are now slowly becoming the main destination of Italian exports. Based on these assumptions, I have decided to focus on the Made in Italy agri-food exports to non-EU countries, in particular I will analyze the tendencies in the Chinese market, by taking into consideration the different factors that have contributed to increase export flows from Italy to the Dragon.

China has become the world's largest importer of food products and it is likely to maintain its position also in the future. After its adhesion to the World Trade Organization, the country has undergone a process of re-integration into the global economy which has led to the gradual market liberalization and to the consequent economic development. The new approach towards the opening up and the presence of foreigners in the country, highlighted by several of the reforms implemented by the Central Government, has supported both modifications in the socio-economic and in the legal framework, which became more consistent with international ones. As for many other countries, these changes have resulted in diversified consequences that have encouraged many consumers to adopt a new lifestyle, which also reflected on food consumption trends.

The increasing purchasing power, the growing attention to food safety and quality and the adaptation to Western tastes were the main drivers for the explosion of the import of food, which has gradually involved an increasing number of diversified products. Therefore, foreign companies were emboldened to enter the market and to place their products especially in urban areas, where Chinese consumers were and are more keen to purchase high-end products. By addressing this specific situation, the objective of my research is to understand how much the development of international trade and its implications had an impact on Made in Italy agri-food products exports to China. In addition, I would like to determine if there are any clues that allow us to foresee the future opportunities for the Italian agri-food branch in this country.

The thesis is divided in three chapters; in chapter one I will provide an analysis of both European Union and Chinese requirements for exporting food products. The main goal of exposing the legal framework is to better explain and understand the complexity of the procedures that exporters must accomplish to obtain trade authorizations. The chapter is divided in three paragraphs: the first one includes a brief analysis of the role of the European Union in trade together with the main norms regulating food products' exports and food safety to non-EU countries. Considering that the increasing consumers' attention towards the origin of food products and their awareness on the risks related to nutrition have an impact on purchasing choices, especially after the several food scandals that have interested the whole sector, food safety has become one of the key elements for any government. China is not an exception and there are many specific laws and institutions in charge of protecting consumers' health, which will be described and discussed in this section. In the second paragraph, I have then focused on the Sino-Italian relationship by

providing a summary of the main agreements concerning the agri-food sector cooperation; the aim is to depict the current diplomatic situation which is useful to better understand trade development between the two countries. In the third paragraph, the analysis will focus on the mandatory procedures that must be abided by companies to start exporting and commercializing food products in the Chinese market. The requirements of Chinese authorities are demanding and impose exporters to submit a list of documents and products' certifications that will be listed and explained. In addition, I will provide a specific analysis of the standards, in terms of packaging, labeling, additives' use and products' specific that must be respected to avoid bans or rejections.

The second chapter is based on the literary review, which includes books, journals and papers that I have used to develop my research. Starting from the assumption that the development of global trade required the formulation of international norms that could support the right functioning of the world's market, I have considered that the previously analyzed norms have to be consistent with the rules provided by the WTO. Therefore, the first paragraph of the chapter will briefly describe the role played by the WTO and the process followed by China to enter the Organization. This analysis has led me to consider the main implications that have contributed to the country's development; first, I have focused on the economic growth of China and then on some social consequences such as the urbanization process, the rise of the Chinese middle-class and the changes in consumption habits.

In the second paragraph, I have provided a short introduction on the structural changes of global trade, focusing on the increasing importance of emerging countries, which are becoming the new destination markets. Made in Italy agri-food exports were also influenced by the changes in the global trade scenario and many companies of our country have started to target more distant markets, such as China. Based on these considerations, I have evaluated the opportunities and the challenges for Made in Italy agri-food products in the Chinese market, according to the legal, economic and cultural framework. Finally, in the third paragraph, I have analyzed the importance of the internationalization processes in an increasingly globalized world, with a specific reference to Italian small and medium-sized enterprises (SMEs).

In chapter three, the research is intended to provide some empirical data, which will be then discussed, on the increase of exports of Italian food products to China. The results'

assessment is based on two research questions, whose validity will be verified throughout the chapter. First, I have evaluated the impact of socio-economic phenomena on Chinese consumers' consumption habits and on their accessibility to high-quality food products. The main goal is trying to learn whether the higher demand of Italian agri-food products is related to the increasing financial well-being of Chinese consumers. For the purpose of the discussion, I have considered the most representative food products, namely dairy products, pasta, coffee and wine, which have shown interesting export trends.

Then, the research moves on the importance of Sino-Italian cooperation for the Made in Italy agri-food exports. Italy is China's fourth largest trading partner in the EU and China is Italy's largest trading partner in Asia; their bilateral economic and trade relations have developed a lot lately, but the asymmetries between the two countries are still very profound. Despite this, agri-food products exports tendencies to China have shown an increase especially in food industry products and beverages. Therefore, I have evaluated the correlation between the increasing possibility of Chinese consumers to purchase high-end food and the signing of bilateral agreements between the two countries. Based on this premise, I have focused on the analysis of three main products, olive oil, fresh fruit and meat, whose export flows were influenced by specific cooperation protocols. It must be underlined that the analysis of data has also taken into consideration the Covid-19 trend, which affected trade flows especially in the first semester of 2020. Finally, the thesis will provide an overview of the final outcomes based on some considerations which emerged during the empirical analysis, drawing a conclusion to my research.

Chapter One

Procedures for the export of agri-food products

The Italian agri-food industry is certainly one of the most important sectors for the economy of our country, thanks to the quality of Italian agricultural production (and consumers' goods) which has favored exports to EU countries and to non-EU countries which today are rapidly developing markets for Made in Italy. However, while exports of Italian agri-food products within the European Union are subject to communitarian regulation, those intended to non-EU countries may require additional documentations or certifications which will be useful to avoid the ban or rejection of exported goods. In this chapter we will first focus on the role of the European Union together with the rules governing trade with non-EU countries, we will analyze the main Sino-Italian bilateral agreements and, in particular, we will examine the laws and procedures to export agri-food products to China.

1.1. European Union norms

As reported by the Article 4 of the Treaty on the Functioning of the European Union: *“The Union shall share competence with the Member States where the Treaties confer on it a competence which does not relate to the areas referred to in Articles 3 and 6. (...) Including agricultural sector”*¹, therefore member States exercise their competence providing that the EU has not disclosed its own. The European Union's agricultural policy is governed by the Common Agricultural Policy (CAP), launched in 1962 and aimed at guaranteeing concrete support to farmers. The legal basis of the CAP refers to the Treaty on the functioning of the European Union, while its activities comply with the content of four main regulations. Since we will deal specifically with exports, the norm to which we will refer is the EU Reg. 1308/2013 establishing the Common Market Organization (CMO) for agricultural products, which abrogated the previous regulations (EEC) n. 922/72, (EEC) no. 234/79, (EC) no. 1037/2001 and (EC) no. 1234/2007 of the Council. This regulation, which was ratified by the European Parliament and by the Council on the 17th of December 2013 and came into force in 2014, is divided into six parts and consists of 237 Articles. The Regulation 1308/2013 also intends to encourage cooperation between producers and inter-branch organizations that deal with the production, marketing or/and processing of

¹ European Union, Consolidated version of the treaty on the functioning of the European Union <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12012E004&from=IT>

products, with the aim of strengthening their power within the food chain. To better pursue the objectives, over the years, some changes have been necessary:

- **Regulation (EU) no. 2017/2393**, which allows recognized producers organizations in sectors where a CMO has been introduced, to carry out certain activities, including: production planning, optimization of production costs, placing on the market of members' products and the negotiation of contracts. These changes have ensured that inter-branch organizations can also act to prevent and manage risks relating to animal health, to protect plants and the environment;²
- **The Regulations (EU) no. 2017/891 and (EU) no. 2017/892** which aim at simplifying and clarifying the rules relating to producer organizations in the fruit and vegetable sector.

Finally, the Regulation 1308/2013 defines the minimum quality requirements for products and the norms for competition regarding trade in agricultural products. In this context, we find the rules relating to trade with non-EU countries. It focuses above all on the control of imports from the European Union and on supporting exports abroad.

The Common Market Organization is defined as a set of rules that aims to regulate both the internal market and trade with third countries, creating a safety network for agricultural markets, by using tools such as public intervention, especially in circumstances where products are purchased and stored by EU governments, until their disposal. Moreover, CMO provides to private operators the possibility of intervening in case of private storage of products, as well as guaranteeing the possibility of using several exceptional measures and aids to specific sectors (fruit and vegetables, and oenology), especially in the event of significant price fluctuations of the market or when other threats arise. As a matter of fact, the Common Market Organization has a reserve for crises available, which functions as an additional financial support in the event that the market is seriously compromised. Through this organization, the European Commission can decide to take extraordinary measures to contrast health emergencies or other problems that could compromise the level of consumer confidence.

² European Union, Reg. 1308/2013 available on: <https://eur-lex.europa.eu/legal-content/IT/LSU/?uri=CELEX:32013R1308> (last accessed 16/6/2021)

The Commission has the power to decide to set specific limits on the volume of imported goods, the so-called **import tariff quotas**, managed by the General Directorate for Taxation and Customs Union or by the General Directorate for Agriculture and Rural Development of the European Commission. The latter deals with the issue of import and export licenses that may be required for the trade of certain agricultural products that are subjected to the application of import duties according to the common customs tariff (like other goods).

Until 2016, the application and the issue of import, export and advance fixing licenses followed the common application procedures contained in Reg. (EC) no. 376/2008, which was repealed with the EC Reg. 1237/2016 to supplement Regulation (EU) no. 1308/2013 of the European Parliament and of the Council. The new regulation indicates the non-transferability of the licenses, the obligations deriving from them and specifies the cases in which these licenses must be requested and those in which there are no specific duties. It should be noticed that import and export licenses can also be issued by the competent authorities of the individual States. In Italy, for example, customs import and export operations with third countries of agri-food products that fall within the Common Organization of Agricultural Markets are subjected to import (**AGRIM**) or export (**AGREX**) licenses, issued by the Ministry of Foreign Affairs and International Trade³, in the event that the products fall within this list:

- Cereals;
- Rice;
- Sugar;
- Olive oil;
- Fruit and vegetables;
- Beef;
- Milk and dairy products;
- Pork meat;
- Eggs and poultry;
- Alcohol.

³ Previously this task was the responsibility of the Ministry of Economic Development.

This is done in compliance with the provisions of the EU Delegated Regulation 1237/2016 of the Commission⁴ and the Implementing Regulation 1239/2016.

The export control regime for agri-food products has undergone various changes over the years, as the legislation had to adapt to an ever-changing international trade as a result of the development of new channels that have influenced both sales and purchasing procedures. Those who intend to export their products must have a good knowledge of the market in which they want to enter, of the habits and traditions of the consumers they want to reach. Before looking for a partner and starting a commercial collaboration in a non-EU country, it is advisable to find out precisely about the regulations issued by international organization regarding the characteristics of the goods and the existence of commercial agreements stipulated between the European Union and individual States that impose bilateral customs obligations, rights and other procedures. The European Union is not only responsible for the trade policy of member countries but is committed to supporting European companies worldwide, taking part in international negotiations and trying to eliminate obstacles or barriers to accessing foreign markets. The next subsection will focus precisely on this point.

1.1.2. The role of European Union in trade

The European Union plays a fundamental role by entering into bilateral trade agreements, promoting mutual recognition agreements and cooperation in the regulatory field. It acts in the interest of the Member States, in particular with regard to trade with non-EU countries through:

- a. Bilateral agreements;
- b. Stabilization agreements;
- c. Association agreements;
- d. Cooperation agreements;
- e. Free trade agreements.

To export products from the EU, the company must be located within the EU territory and belong to the national register of companies. In Italy this business register is managed by the Chambers of Commerce; it is accessible to all entrepreneurs, public and private, single or collective, commercial or artisans, small or large, regardless of the activity carried out.

⁴ Which integrates Regulation (EU) no.1308/2013 above mentioned.

First of all, the exporter must apply to the customs administration for a registration and identification number, called **EORI**⁵, valid for the whole EU and necessary for the purpose of export customs declarations.

In the event that a company wishes to export to a country with which the European Union has a preferential trade agreement, the status of Authorized Exporter (**AE**) may be requested or, alternatively, it may be necessary to become a registered exporter (**REX**). By registered exporter we mean any economic operator who, being registered in the database of the competent authorities of the country in which he operates, has the right to draw up a certificate of origin. This certification is useful to guarantee the conformity of the product with the rules of origin of a specific commercial agreement. Products destined for non-EU countries must be accompanied by the documentation of the tax and customs legislation and by the certification of the food sector, or a certificate attesting to the characteristics of the product.

First, exporters belonging to the European Union must consult the database for access to the markets. As reported by the Italian Ministry of Economic Development, this database (Market Access Database - **MAD**) has the following objectives:

1. Provide basic information for EU exporters (e.g. Duties on imports, related taxes and documents required for imports applicable in export markets, trade statistics, studies on market access);
2. List the barriers to trade that affect EU exports by country and by sector and ensure a systematic follow-up of the obstacle identified;
3. Provide an interactive means of communication between companies and European authorities, ensuring the exchange of information online.⁶

Subsequently, exporters will have to classify their goods, giving them a customs classification code. In Italy, it is necessary to follow the procedure developed by the Customs and Monopolies Agency (**ICA**). Exporters must identify the correct section for

⁵ The EORI number of Italian companies corresponds to the VAT number preceded by the IT prefix, for a total of two letters and eleven digits. If you do not have a VAT number, the IT prefix will be followed by eleven digits of the tax code. <https://www.to.camcom.it/5-che-cos%C3%A8-il-codice-eori#:~:text=Per%20i%20soggetti%20titolari%20di,11%20caratteri%20de%20codice%20fiscale.>

⁶ Information available on: https://www.mise.gov.it/images/stories/commercio_internazionale/accesso_mercato/guida_utente_it.pdf (last accessed 15/06/2021)

the goods they intend to export and the chapter or chapters of the tariffs to refer to, they must consider the characteristics and parameters of the product and finally identify the appropriate tariff code. After having classified the goods, exporters need to check if there are and which are the restrictions on the exported product. At that point, the exporter must inquire about the tariffs applicable to the product and proceed with the payment of the duty to allow it to be sold on the export market.

It is absolutely necessary to have all the documents required for export. First of all, the **commercial invoice**, issued by the exporter and generally drawn up in the language required by the importing country. The invoice must necessarily contain: the name of the exporting company, the description, quantity, nature and price of the goods in the agreed currency. Optional elements can be added to the document such as the mode of transport, the name of the carrier in charge of the transport, the indication of the place of delivery. In addition to the invoice, the exporter is required to provide the **loading list**, issued by the seller with indicated:

- The commercial invoice number to which the bill refers;
- The sender, recipient and the city of destination;
- The number and type of packages;
- The description of the goods contained in each package;
- The presence of any details of the container in which the goods are loaded.

The competent Chamber of Commerce issues the **certificate of origin** which certifies the non-preferential origin of the goods, i.e. the country (or countries) of origin where the goods were produced or underwent the last transformation. The term origin, in this context, does not refer to the link between the quality of the product and the geographical place of origin. The provisions for the issue of this document, in the light of a sales invoice abroad, are issued by the Ministry of Economic Development. Although still considered among the main documents to be exhibited, we must specify that the REX system is progressively replacing this certificate.

The Chamber of Commerce also issues visas on export invoices, price lists or declarations for export and visas for the legalization of the legal representative's signature on documents destined for abroad. Furthermore, it is also responsible for issuing the single administrative document (**SAD**), governed by Council Regulation (EU) No. 952/2013,

laying down the Union Customs Code (UCC) and by some supplementing Regulations such as the Commission Delegated Regulation (EU) No. 2015/2446 on detailed rules concerning certain provisions of the Union Customs Code (DA)⁷, which allows the rapid passage of goods through customs, and the Commission Implementing Regulation No 2015/2447 (IA), to ensure the existence of uniform conditions for UCC's implementation and a harmonized application of procedures by all Member States. Then, the **certificate of free sale** required by non-EU countries, is a very important document which certifies the free movement of goods in the European country of origin and consequently in the European Union and that therefore, the product complies with current legislation regarding safety and health.

Other documents are issued from different sources. The **EUR1 certificate** which is issued by Customs at the request of the exporter and which certifies the Community origin of the goods, allowing them to transit at a preferential tariff regime. **The shipping document**, i.e. the sea, air, road and rail waybills, which certifies the actual presence of a transport contract between the sender and the carrier, as well as proving that the carrier has taken charge of the goods. The **insurance certificate** showing the conditions and clauses of the insurance contract stipulated on the transported goods.

These documents are valid for all exported goods; however for the food sector three specific documents are required: the **health certificate**, the **certificate of analysis and the phytosanitary certificate**. The first can be requested directly by the importing State and it provides for assessments based on international indications such as those of the World Organization of Animal Health (OIE), the SPS of the WTO, or health regulations within the country. In Italy, for example, it is the ASL that, through the Food Hygiene and Nutrition Service (SIAN), issues the health certificate for the export (CSE) of food to non-EU countries. The Italian Ministry of Health provides a series of Health certificate templates⁸, divided by product (live animals and products of animal origin, food and feed) to be filled compulsorily to guarantee the healthiness of the goods to the authorities of the importing country.

⁷The Community Customs Code describes the operational details under the customs law. They are found in the Customs Code of the Union (UCC) which regulates customs operations and indicates the general principles on which the aforementioned law is based

⁸ Available on the website of the Ministry of Health:
https://www.salute.gov.it/portale/temi/p2_6.jsp?id=1626&area=veterinariaInternazionale&menu=espo

The second certificate is issued by customs after carrying out the chemical analysis on a product sample. The test can be performed at the time of exit of the goods from the borders of the EU, or by the laboratories of the country of destination of the product. The **phytosanitary certificate**, on the other hand, concerns the export of fruit and vegetables to non-EU countries and is issued by the Phytosanitary Inspectors of the Phytosanitary Consortium of the region where the company is based. The goods are carefully analyzed in order to prevent and therefore avoid the spread of diseases that can cause damage to the importing country. The form must indicate the details of the exporter and consignee, the mean of transport, the place of entry into the recipient country, the number and nature of the packages to be shipped, the day scheduled for shipment, the name of the product (the Latin botanical name in the case of plants or seeds), the country of origin of the product, all indications regarding brands and lots.⁹

In addition, some non-EU countries require the activation of the so-called **Ministerial Lists of qualification for the export of food**, checks to be performed in case of export of animal products. The control covers the entire production chain, from raw materials to the last stage of product processing and transformation. The verification procedures are defined by the veterinary or health authorities of the importing country, together with the veterinary or health authorities of the EU. In Italy, the establishments must obtain the approval from the Ministry of Health and are subsequently included in the qualification lists. China is one of the countries that require the activation of these procedures, however the factories authorized to export are directly managed by the Chinese authorities and not by the Italian ones.

Each exporter therefore has to submit to the customs of the importing country all the documentation required to allow the entry and marketing of the goods. However, it should be noted that the rules governing exchanges vary according to the type of product marketed, for this reason it is necessary to check the specific market rules, especially for those sectors that require particular attention and are subject to specific regulations and documentation, such as:

- a. Wine and other alcoholic beverages;
- b. Meat and meat products;

⁹ This information is available on: <https://www.mglobale.it/dogane/tutte-le-news/esportazione-prodotti-agroalimentari-certificati-liste-ufficiali.kl>

- c. Milk and dairy products;
- d. Other foods of animal origin (for example honey);
- e. Plant origin products.

Particular importance is given to the quality of the product and to its organoleptic characteristics, in relation to the ever increasing attention paid to consumer protection and the healthiness of the product. The issue of food safety constitutes a fundamental point within the regulation for the export of food: before exporting agri-food products, the manufacturing company has to undergo preliminary checks of the requirements and has to demonstrate that it has complied with the related rules to prove the conformity of marketed products.

1.1.3. Safety of agri-food products

For a proper circulation of agri-food products it is necessary to pay particular attention to diseases affecting animals and plants and to the hygienic and sanitary conditions of the product. The competent national and international authorities work to prevent the spread of diseases of animal or plant origin from one state to another. For this to be possible, absolute transparency is required in the sharing of information regarding the presence and spread of diseases in areas or regions of the exporting State. Transparency and preventative measures have now become key concepts in the field of food safety, especially if they are aimed at protecting consumer health and animal life.

The increasing awareness and attention of consumers, who are able to obtain any type of information regarding production processes, are a stimulus to maintain high quality standards of food products. The well-known scandals linked to the spread of avian flu, swine flu, the case of blue mozzarella and so on, had a significant impact on eating habits and consumer attitudes. For this reason, the competent authorities have gradually adopted preventive measures with the aim of verifying the healthiness of the product, introducing the obligation of traceability systems and placing limits on the use of some pesticides or feed. Community legislation works to protect consumer health and uses a sustainable approach that ensures product compliance.

Safety must concern the agri-food chain as a whole, according to the dictates contained in the **White Paper** on food safety presented by the European Commission in 2000. This is a community measure that outlines the simplification and implementation of the policy

dedicated to food safety following the liberalization of trade and the birth of the World Trade Organization (**WTO**). The White Paper is based on the “from farm to fork” principle, including all operators in the supply chain and it highlights in particular the traceability, precaution, assessment and management of risk with consequent improvement of the alarm systems related to it. The book aims to create a coordinated legal framework and an autonomous European Food Authority that can deal with the development of independent scientific opinions on all aspects of food safety, to which all Member States can refer.

The elements of this Paper were then transformed into a legislative standard, establishing the general principles and requirements of food law; the European Food Safety Authority (**EFSA**)¹⁰ and the inspection procedures for food safety, i.e. say Regulation 178/2002 of the European Parliament and of the Council, which ensures a horizontal regulatory basis.¹¹ According to this regulation, producers are responsible for the traceability of their products and must respond in the event that the food product on the market proves harmful to final consumers. The concept of traceability is defined in Article 3 as: *“the possibility of reconstructing and following the path of a food, a feed, an animal intended for food production (...) through all stages of production, transformation and distribution”*.¹² A distinction should be made between mandatory provisions and voluntary provisions. A mandatory traceability rule, as in the case of Reg. 178/2002, requires the adoption of a standard quality system, while a voluntary traceability rule is a reference criterion for implementing a management system or product standards.

Traceability is a fundamental element of the Hazard Analysis and Critical Control Point (**HACCP**) system, which guarantees food safety and prevents contamination by carefully analyzing all stages of production to highlight critical points and prevent the rise of food risks for consumers. Reg. 178/2002, based on this control system, establishes that the risk

¹⁰ EFSA is the independent European agency funded by the EU budget, which operates independently from the European Commission, the European Parliament and the Member States. Most of EFSA's studies are undertaken in response to requests for scientific advice from the European Commission, the European Parliament and EU Member States. It is characterized by a Scientific Committee composed of highly qualified scientists and experts in risk assessment, appointed through open selection. Available on: <https://www.efsa.europa.eu/it/aboutefsa>

¹¹ When we talk about horizontal rules, we refer to those laws that regulate products in general, to ensure correct information for the final consumer. On the contrary, vertical rules concern each supply chain in particular.

¹² European Union, Reg. 178/2002, available on: <https://www.trovanorme.salute.gov.it/norme/renderNormsanPdf?anno=0&codLeg=33493&parte=1%20&serie=null>

analysis procedure is divided into very specific phases: evaluation, management and communication to the public in compliance with the principles of transparency.¹³

Therefore, all companies operating in the agri-food sector, whether they are producers, processors, distributors or distributors in the area of the European Union are obliged to adopt this type of precaution-based approach. This principle is codified by Article 7 of Regulation no. 178/2002 according to which in the presence of assumed risks, it is possible, but not obligatory, to act accordingly. Certainly, it must be adopted whenever situations of scientific uncertainty on risk possibility arise, the extent of which has not yet been determined, so it is appropriate to authorize special measures or prohibitions in order to protect human health. The risk assessment must be complete and scientifically proven; therefore, it is not possible to apply this principle based on unfounded hypotheses. For this, it is essential to carry out periodic checks, analyze new data collected and new knowledge about them using scientifically proven methods. Furthermore, the precautionary principle is useful for establishing whether the measures adopted in the risk management phase, in order to deal only with supposed critical issues, should be maintained or not.

In relation to the contents of this regulation, EU member States must adopt the same criteria regarding the hygiene of agri-food production, therefore health checks must comply with standards applicable throughout the European Community. All of these acts are called the **hygiene package**, a series of fundamental regulations also with regards to exports. The first is the EC Regulation 852/2004¹⁴, applied to all stages of production, processing and distribution, including exports, of food of animal origin. Food products intended for non-private consumption must comply with hygiene rules, also established by the provisions issued by the territorial regions of competence.¹⁵ Therefore, companies are responsible for controlling products they intend to release on the market and have the task of drafting and implementing their own self-control manual. This manual must report:

¹³ Information available on: <https://core.ac.uk/download/pdf/79616998.pdf> (last accessed 23/06/2021)

¹⁴ EC Regulation 852/2004 of the European Parliament and of the Council on the hygiene of foodstuffs, 29 April 2004. Subsequent amendments and corrections to Regulation (EC) no. 852/2004 have been incorporated into the original text.

¹⁵ Bersani Laura, *L'esportazione degli alimenti nei Paesi extra-UE: Verifiche, conformità merceologica e requisiti*, p.6

- The declaration of the owner, or the administrator, or an external consultant to certify that the company is implementing the self-control system according to the HACCP method;
- The assignment of roles and responsibilities;
- The description of the products and raw materials used in the production process;
- The legislation applied;
- The verification procedures;
- HACCP training of the staff;

In addition, we find the certifications carried out by third parties based on voluntary international standards, such as ISO 22000,¹⁶ and other technical standards relating to food safety that are used by the large-scale retail chains (GDO) to qualify their suppliers of branded products, such as the British Retail Consortium (**BRC**) and the International Food Standard (**IFS**), which represent internationally recognized certifications for the management of the safety of agri-food products.

As regards the export of agri-food products, the aforementioned Regulation 852/2004 requires to act in a coordinated and integrated way to ensure food safety even in the export phase. At this stage, food and beverages must comply with the provisions in force in the importing country as well as Community and international standards. According to what is stated in Article no. 6:

“Food business operators collaborate with competent authorities in accordance with other applicable Community legislation or, failing that, in accordance with national legislation. Each food business operator shall notify the appropriate competent authority, in the manner prescribed by it, of each establishment placed under its control which carries out any of the stages of production, processing and distribution of food for the purposes of registration of that establishment. (...) The Member State which requires the approval of certain establishments located on its territory under national law, as required,

¹⁶ The ISO 22000 standard, in Italy UNI EN ISO 22000 Food safety management systems - Requirements for any organization in the food supply chain, is a standard applied on a voluntary basis by food sector operators. It was published with the aim of harmonizing pre-existing (national and international) standards on food safety and risk analysis and control of critical points (HACCP).

shall notify the Commission and the other Member States of the relevant national provisions. ¹⁷

Alternatively, it is necessary to check whether there are and what are the agreements made between the European Union and the State with which a company wants to trade. The other regulations to which the control bodies must comply to export from Italy are: Regulation (EC) 854/2004 dedicated to the official control of food of animal origin and to Regulation 882/2004 (Both repealed and replaced by Regulation (EU) 2017/625 of the European Parliament and of the Council) on official controls in the areas of REG 178/2002. For agri-food products, compliance with the rules on hygiene and safety is essential in accordance with the provisions of Regulation EC/853/2004 which establishes specific hygiene rules for food of animal origin. The Regulation EC/183/2005 provides the requirements for feed hygiene and subsequent amendments and the Regulation EC/852/2004 specifies the general hygiene requirements for food products. Many companies in the EU are interested in the content of these regulations because they place on the market a high variety of food products that often require very complex and diversified production procedures.

Considering that the food sector is very delicate, the authorities in charge thought of harmonizing the regulation as much as possible in order to make control practices more efficient and to guarantee certain reciprocity between the countries involved in commercial exchanges. The European Commission, therefore, decided to establish general guidelines, useful to all operators in the agri-food chain, to clarify the application of production procedures according to the HACCP system, taking inspiration from the Codex Alimentarius.

In 1963, the Codex Alimentarius Commission, coordinated by **FAO**¹⁸ and the World Health Organization (**WHO**)¹⁹ was established and has approved the homonymous code, an important source for all producers who intend to dedicate themselves to trade, as it

¹⁷ European Union, Reg. 852/2004, Available on: <https://eur-lex.europa.eu/legal-content/IT/TXT/PDF/?uri=CELEX:32004R0852&from=EN> (last accessed 16/6/2021)

¹⁸ The Food and Agriculture Organization of the United Nations, FAO is a specialized institution of the United Nations with the aim of increasing nutrition levels, increasing agricultural productivity, improving the lives of rural populations and contributing to global economic growth.

¹⁹ World Health Organization (WHO) is a specialized UN institution for health, founded in 1946 with headquarters in Geneva, Switzerland. The main objective of the organization is to favor the achievement by all populations of the highest possible level of health, defined in the same constitution as a condition of complete physical, mental and social well-being, and not only as the absence of disease or infirmity.

provides information on the goods of the sector, and defines the guidelines in the field of hygiene, safety, quality and the fairness of trade in agri-food products. The Codex Alimentarius includes: *“standards for major foods, whether processed, semi-processed or natural for distribution to the consumer. (...) rules on food additives, pesticide residues and veterinary drugs, contaminants, product labeling and presentation, methods of analysis and sampling, import/export inspections and certifications.”*²⁰

Participation in Codex activities is guaranteed by a series of coordination meetings which aim to outline the guidelines for conduct. Italy also participates in this type of activity, since the National Committee for the Codex Alimentarius was established in 1966 with Ministerial Decree 1523 of 13th October, 1966. The European Union only sanctioned its participation in 2003 with a decision of the European Council and today it is a particularly active member.

The Codex Alimentarius presents a list of standards for foods which specifies the composition requirements of the product, the additives that can be used, the limits of contaminated substances, the rules for marketing and finally the methods of analysis and sampling of the product. For this reason it is of great importance for exporters and importers since they can consult the standards of products of interest and individual States can decide, on a voluntary basis, to adopt these standards for individual foods, also to develop national legislation. We can therefore say that the code is not a real law, but a set of rules aimed at establishing reference parameters based on absolute scientific validity.

The European Union also cooperates with the WTO, to which several countries including Italy and China adhere and which has an important role in defining health measures. The WTO, established in 1995, is currently the only body that has to do with the rules of trade between nations. It is an organization based on agreements negotiated and signed by most of the world's trading nations and ratified in their respective parliaments. Its main objective is to ensure more regular, predictable and free trade.

The WTO has signed two agreements to justify the presence of customs barriers which have led to regulatory harmonization in the area of food safety. The first is the agreement on sanitary and phytosanitary measures (**SPS** - Sanitary and Phytosanitary Measures),

²⁰ Codex Alimentarius available on: <http://www.fao.org/fao-who-codexalimentarius/about-codex/en/#c453333>

useful for guaranteeing the marketing of food and beverages and preventing a State from introducing technical barriers for protectionist purposes. SPS allow countries to set their own standards, but have a major impact on international trade. In fact, as reported by the WTO itself, the regulations relating to food safety must in any case be based on scientific data.²¹ Therefore, the SPS have first of all the objective of safeguarding the life of people and animals, as well as preserving plants from the risks deriving from additives, contaminants, toxins and pathogenic organisms present in food products. In this way, it is possible to protect a State from damage resulting from the entry, settlement and spread of parasites or plant diseases.

The second agreement concerns Technical Barriers to Trade Agreement (**TBT**), which seeks to avoid obstacles deriving from regulations, standards or other procedures. The agreement introduces the concept of equal treatment²², meaning that products imported from a WTO member country must receive the same treatment as domestic products. Therefore, the TBT seeks to ensure shared rules, with the aim of making trade easier, but it recognizes the right of each country to adopt the most appropriate standards, in particular with regards to the protection of human, animal or plant health and life, environmental protection or to safeguard the interests of consumers. The goal is to harmonize the regulations on the trade of agri-food products, to define in a simple way the minimum requirements of food products in order to make them uniform and to classify them according to their intrinsic characteristics.

Another useful tool to ensure the quality and healthiness of agri-food products is the application of designations of origin (**PDO, PGI**). The EU Geographical Indication system gives a series of product certifications recognized in all EU territories and, thanks to the international agreements of the World Trade Organization (WTO), even in the rest of the world. Italy is currently the country with the largest number of agri-food products with these denominations. We speak of Protected Designation of Origin (**PDO**) in the event that a product originating in a country (and/or region) has qualities and characteristics that are essentially, or exclusively, due to the geographical environment of production. PDO products have a total link with the territory, in fact the production, transformation and processing of the product must take place in the delimited area. In this case, both natural factors (such as the climate) and human factors (production techniques handed down over

²¹ Information available on: https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm4_e.htm

²² TBT, Art. 2, par. 1

time and craftsmanship) take on certain relevance. The PDO trademark extends the protection of the product to the whole European territory. On the contrary, Protected Geographical Indication (PGI) products have characteristics that depend on the geographical area and, unlike PDO products, it is sufficient that only one of the stages of production, transformation, processing takes place in the defined geographical area.

The legislation concerning the protection of the quality of origin of these agri-food products was contained in the EEC Regulation n.2081/1992 which makes it possible to apply the PDO and PGI denominations. However, following some disputes regarding the possibility of non-EU countries to obtain the same recognition as EU countries, the legislation was replaced by Reg. No. 692/2003. This legislation provided that in the event that a country wished to apply for the registration of a geographical denomination of the same name with respect to another already registered by the EU, or by a third country, the denomination must comply with the regulation and must not cause confusion. Therefore:

“A homonymous name meeting the requirements of this Regulation shall be registered with due regard for local and traditional usage and the actual risk of confusion, in particular: - a homonymous name which misleads the public into believing that products come from another territory shall not be registered even if the name is accurate as far as its wording is concerned for the actual territory, region or place of origin of the agricultural products or foodstuffs in question; - the use of a registered homonymous name shall be subject to there being a clear distinction in practice between the homonym registered subsequently and the name already on the register, having regard to the need to treat the producers concerned in an equitable manner and not to mislead consumers.”²³

The Reg. N. 692/2003 was replaced by Reg. No. 510/2006, which modified the registration procedures to make them simpler, and it was then replaced by Regulation no. 1151/2012 on the PDO and PGI quality schemes. Since these are high quality products, the risk is that PDO and PGI are reproduced both in form and appearance and sold at a lower price, with consequent serious losses for certified producers. These problems are also evident in China, where often Italian food products and more generally speaking products of the European countries, are not protected as they should. For this reason, in July 2020 an agreement was

²³ Art.6. of the Regulation is available on: <https://eur-lex.europa.eu/legal-content/IT/TXT/?uri=CELEX%3A32003R0692>

reached between the European Union and China for the mutual recognition of 100 PDO and PGI products. This agreement is of enormous importance for our country since 26 products of these 100 are all Made in Italy.²⁴ The European Council has authorized the signing of the agreement, which sees Italy among the most interested countries. The agreement, which entered into force in February 2021, provides that within four years, the list of products included in the contract will be extended to another 175 products.

However, there have been some obstacles imposed by China in contrast to this agreement. The Chinese authorities believe that the main Italian Protection associations must have a legal representative to carry out promotional activities in the country. This request is based on an amendment made on a 2017 law, according to which our Protection associations²⁵ would fall within the activities of foreign non-profit organizations. The main risk is that these associations have to bear high costs for the promotion, but also that they are not able to protect the Italian Geographical Indications, thus causing serious damage to the visibility of Made in Italy products. In March 2021, as reported by some Italian newspapers²⁶, the European Commission was looking for a solution with the Chinese authorities, but at the moment there is no other news on the matter.

Although China and the European Union are two of the largest traders globally, no commercial agreements have yet been signed and individual member countries that intend to establish trade relationships with the Dragon can do so through single bilateral agreements. Companies that decide to export their agri-food products to China must follow a specific procedure and possess all the required documentation.

²⁴ Aceto balsamico di Modena IGP; Asiago DOP; Asti DOP; Barbaresco DOP; Bardolino superiore DOP, Barolo DOP, Brachetto d'Acqui DOP, Bresaola della Valtellina IGP, Brunello di Montalcino DOP, Chianti DOP, Conegliano-Valdobbiadene Prosecco DOP, Dolcetto d'Alba DOP, Franciacorta DOP, Gorgonzola DOP, Grana Padano DOP, Grappa IG, Montepulciano d'Abruzzo DOP, Mozzarella di Bufala Campana DOP, Parmigiano Reggiano DOP, Pecorino Romano DOP, Prosciutto di Parma DOP, Prosciutto di San Daniele DOP, Soave DOP, Taleggio DOP, Toscana IGP, Vino Nobile di Montepulciano DOP.

²⁵ Information available on: https://www.europarl.europa.eu/doceo/document/E-9-2021-001473_EN.html

²⁶ Among these, there is the article written by "Il Sole24ore", available on: <https://www.ilssole24ore.com/art/stretta-cinese-dop-e-igp-consorzi-pronti-boicottaggio-iniziativa-promozione-ADHW3wQB> (last accessed 20/06/2021)

1.1.4. The main Chinese institutions

In recent years, the Chinese government has focused its attention on food safety. This came in response to a series of serious food fraud incidents that resulted in a loss of consumers' confidence. The Chinese government has therefore decided to implement the regulations by appointing several government authorities for protecting food safety. Among these we include:

1. The State Administration for Market regulation (**SAMR**), in charge of the coordination of the Chinese food safety system on a global level, of the development of the main laws, policies and regulations regarding food safety, of the inspection in the internal market and of the registration of special foods.²⁷
2. The National Health Commission (**NHC**), which deals with risk assessment for food safety. This commission cooperates with the SAMR and other departments for the implementation of a food risk monitoring plan.
3. The General Administration of Customs of China (**GACC**) mainly deals with public security, the protection of national borders, the inspection of incoming and outgoing goods, including food and agricultural goods, as well as the collection of duties for the import and export. The GACC manages import and export policies and it is also responsible for registering foreign establishments that produce certain food and agricultural products for exports to China.²⁸ The registration of these establishments is therefore directly managed by the Chinese authorities²⁹.
4. The Ministry of Agriculture and Rural Affairs (**MARA**) is in charge of regulating the safety and quality of edible agricultural products of national production and it is responsible for the prevention and control of animal and plant diseases, as well as the main regulatory body of agricultural biotechnology.
5. Ministry of Commerce (**MOFCOM**), which has as its main function that of regulating catering services and the distribution of alcoholic products. It is also in charge of handling all matters relating to the WTO. It is, therefore, the Chinese national notification authority responsible for sending information to the sanitary

²⁷ EUSME, "Exporting goods, services and technology to the Chinese market: Update 2020", Report2020, Beijing available on: www.eusmecentre.org.cn.

²⁸ FAS Beijing Staff "Food and Agricultural Import Regulations and Standards Country Report", p.6

²⁹ Previously this task was carried out by the Certification and Accreditation Administration (CNCA)

and phytosanitary committees (SPS) and technical barriers to trade (TBT) of the WTO.³⁰

6. **The Ministry of Public Security** is responsible for the criminal investigation regarding the failure to comply with the rules on food and drugs.

The Chinese authorities described above are part of the legal framework relating to food safety regulated mainly by the Food Safety Law (*Zhōnghuá rénmin gònghéguó shípǐn ānquán fǎ*, 中华人民共和国食品安全法), by the Agricultural Product Quality and Safety Law (*Zhōngguó nóngchǎnpǐn zhí liàng ānquán zhuàngkuàng*, 中华人民共和国农产品质量安全法), the Consumer Rights Protection Law (*Zhōnghuá rénmin gònghéguó xiāofèi zhě quányì bǎohù fǎ*, 中华人民共和国消费者权益保护法) and the Law on the Inspection of Import and Export Commodities (*Zhōngguó jìn chūkǒu shāngpǐn jiǎnyàn biāozhì guǎnlǐ bànfǎ*, 中国进出口商品检验标志管理办法).

The Food Safety Law of the People's Republic of China (**PRC**), which dates back to 2009, consisted of 154 Articles divided into 10 chapters and had the function of integrating national food safety regulations, imposing stricter controls by the authorities in charge. However, in April 2015 the Standing Committee of the Chinese National People's Assembly revised this law and made a number of changes, implemented in October of the same year. Since 2015, safety regulations no longer concern only the finished product, but the entire production process. Among the main implementations, it is worth noting the one regarding the role of food producers and traders, on which all the responsibilities fall in the event that accidents should occur due to poor product management. In fact, Art. 4 states:

“Food producers and distributors shall be liable for the safety of food they produced or distributed. Food producers and distributors shall produce and distribute food in accordance with relevant laws, regulations, and food safety standards. They shall ensure food safety, be creditable and self-disciplined, and be accountable to society and the public. They shall be subject to social supervision and they shall take their social responsibilities.”³¹

³⁰ FAS Beijing Staff “*Food and Agricultural Import Regulations and Standards Country Report*”, p.7

³¹ Food Safety Law, Art. no.4, available on: <https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Amended%2>

The other reviews concern the implementation of new strict measures regarding the control of products such as functional foods, foods for children and for specific medical uses. The Food Safety Law, in fact, establishes that the recipes used for the production of these food categories are registered; a provision which is not only valid for domestic, but also for international producers who intend to export their product to China. Finally, the reforms impose stricter punitive measures, which can also have a criminal function.

In our analysis it is necessary to take into consideration the Agricultural Product Quality and Safety Law promulgated in 2006, concerning the quality and safety control of both agricultural food products and products used for crops, such as pesticides and fertilizers. In 2019, the MARA has prepared a draft, to be presented to the WTO, which included some changes to the 2006 text regarding:

- The changes made in the legislative context;³²
- The revision of some articles that have proved to be inconsistent with other regulations;
- Further checks in case of the use of pesticides, establishing a traceability system for these agricultural input categories;
- The development of a qualification and certification system for edible agricultural products as well as a system that verifies the quality of the aforementioned food products.

The Consumer Rights Protection Law, valid since 1994, is extremely important. The main objective of this norm is to protect the interests of consumers, guaranteeing their safety when they decide to buy certain products. In 2013, an amendment was approved and it officially entered into force the following year, providing for a series of changes. In particular, useful language has been added to address issues relating to online purchases, product recalls from the market and consumer compensation for non-standard food purchases. It is therefore clear that the law deals with consumer protection not only in the phase prior to the purchase, but also in the subsequent one, also specifying what the fines are if the producers violate relevant provisions.

[0Food% 20Safety% 20Law% 20of% 20China_ Beijing_ China% 20-% 20Peoples% 20Republic% 20of_ 5-18-2015.pdf](#)

³² In particular, this was due to the 2018 reform which affected the entire government apparatus.

In the context of international trade, there is the Law on the Inspection of Import and Export Commodities, which was promulgated in 1989 and was applicable to imported and exported products contained in the Catalog of Import and Export Goods, which are subjected to inspection. The law provides clear indications on inspection procedures, product customs clearance and on the documents required for both import and export. As with other laws, it was first amended in 2002 and in 2013 and, following the government reorganization, it was further revised in April and in December 2018, in particular concerning the role of the GACC.

Finally, we must name the Law on Entry and Exit Animal and Plant Quarantine. Entered into force in 1992, which regulates the quarantine and inspection of:

- Animals, plants and related products that enter, leave or transit in China;
- Containers, packaging materials and bedding that contain or transport animals, plants and related products;
- Means of transport which carry sick animals/plants or which come from infected areas.³³

In addition to the rules described above, additional safeguard policies are also in force. These include the Special Rules of the Council of State on Strengthening the Supervision and Management of the Safety of Food and Other Products, adopted in 2007 as an Order of the Council of State no. 503. The main purpose of the aforementioned ordinance is that set out in Article no.1:

"In order to strengthen the supervision and management of the safety of food and other products, further define the responsibilities of the producers and operators, the supervision and management authorities and the local people's government, strengthen the coordination and assistance among the supervision and management authorities ("Regulatory authorities"), and protect the human health and life safety, these Rules have been made."³⁴

Therefore, the intention is to clarify what are the responsibilities of producers and traders and what are the ones belonging to the authorities in charge of regulation.

³³ FAS Beijing Staff "Food and Agricultural Import Regulations and Standards Country Report", p.9

³⁴ The Article is available on: <http://www.lawinfochina.com/Display.aspx?lib=law&Cgid=95632>

In addition, the Administrative Measures for the Safety of Imported and Exported Foods (Decree 144) developed by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (**AQSIQ**), now under SAMR, were significant. The AQSIQ was a ministerial administrative body directly under the State Council of the People's Republic of China which was responsible for the national quality, the metrology, the inspection and sanitary quarantine³⁵ of goods, including incoming-outgoing animals and plants, for import-export food safety, for the certification and the accreditation, the standardization and the application of administrative law.³⁶ These measures regulated the inspection of imported and exported food products to verify product compliance, as well as the registration requirements of foreign food producers, and, most importantly, to deal with the risk alert mechanism.

However, it must be underlined that the 2018 revision of the legislation applicable to the importation of food products into China has led to the promulgation of the Regulation n.248 - "New version of Registration and Management Rules of Overseas Manufacturers of Imported Food" and the Regulation n.249 - "New version of Administrative Rules on Imported Food Safety". Both these norms will come into force from January 1, 2022, abolishing the current legislation. Specifically, the Regulation no. 248 regulates the registration procedure of foreign producers who intend to trade with China with the local Chinese authority; while the Regulation no. 249, introduces some new provisions concerning food safety including labeling or inspections directly conducted in the country of origin of the products.

The Regulation no. 248 introduces three main changes. First of all, it aims to broaden the categories of imported products that must be registered with Chinese customs. The procedure will not only cover meat, fish products, dairy products (including milk powder) and bird nests, because the new regulation provides that all producers who intend to export their products to China are obliged to register them at customs, regardless of the food category of reference. The second change concerns the use of different registration methods according to the category of exported product, as shown in Table no.1:

³⁵ The rules regarding the quarantine procedure were published in 2017. These include: acceptance of declarations for inspection and quarantine, verification of necessary documents, on-site and laboratory inspections and quarantine reports, isolation of animals and plants, the overall assessment, the issuance of certificates and release forms and archiving.

³⁶ "What is AQSIQ", available on: <https://www.aqsiq.net/what-is-aqsiq.htm>

Table no. 1

Product Category	Registration procedure
<ul style="list-style-type: none">➤ Meat, seafood, dairy products, bird nests, honey and honey products, egg and egg products, edible fats and oils, stuffed pasta, food grains, grain and malt milling products , fresh and dehydrated vegetables, dried beans, seasonings, nuts and seeds, dried fruit, unroasted coffee beans and cocoa beans, special purpose diet foods, health products.	<ul style="list-style-type: none">➤ Recommended by local authorities
<ul style="list-style-type: none">➤ Categories not mentioned	<ul style="list-style-type: none">➤ Registration on behalf of the operator or agent in charge

Finally, changes were made to the documentation required for export. In the event that the registration takes place by competent authorities, the required documents are the following:

- a. Recommendation letter from the local authority;
- b. List of producers and related application forms;
- c. Documents for manufacturer's identification such as the business license issued by the local authority;
- d. Manufacturer's declaration regarding compliance with the requirements of this standard;
- e. Local authority report on the assessment of the concerned producer;
- f. Documents on the protection, hygiene and food safety system (plant plan, laboratory, cold storage) if required by the GACC.

In the event that registration takes place directly on behalf of the operator or agent in charge, the required documents are:

- a. Registration request form;
- b. Documents for the identification of the manufacturer including the business license issued by the local authority;

- c. Manufacturer's declaration regarding compliance with the requirements of this standard.³⁷

Therefore, according to the Food Safety Law, all imported food products must comply with Chinese food safety standards. However, in the event that a product does not correspond to any national standard, the exporter must refer to Article 93 of the Food Safety Law and Article 47 of the Implementing Regulations of the Food Safety Law, according to which the exporter, or whoever it is, must submit to the National Health Commission all regional, national or international standards applicable to the product. Subsequently, the NHC will verify these standards and assess whether they comply with the minimum Chinese food safety requirements, and will eventually decide whether to temporarily apply the standards in China, as stated in Article no.93:

“In the case of importing food for which national food safety standards are not available, overseas exporters, overseas producing enterprises, or their entrusted importers shall submit their implemented national (regional) standards or international standards to the health administration under the State Council. The health administration under the State Council shall review relevant standards and decide whether to temporarily apply such standards if they comply with the requirements for food safety. Likewise, they shall formulate corresponding national food safety standards in a timely manner. (...)”³⁸

According to the provisions of the NHC, the main body in charge for the technical assessments of products that do not correspond to Chinese food safety standards is the Center for Food Safety Risk Assessment Center (CFSA, *Guójiā shípǐn ānquán fēngxiǎn pínggū zhōngxīn*, 国家食品安全风险评估中心), to which exporters and producers must apply for the revision of the food product. Regarding the issue of food safety, China has also prepared a series of norms that regulate the use of substances, such as additives and pesticides in food products; these are mostly mandatory national standards that products must comply with.

³⁷ Chemical Inspection and Regulation Service Limited, available on: <http://www.cirs-reach.com/news-and-articles/All-Overseas-Food-Manufacturers-shall-Register-the-Factory-at-GACC-before-Entering-China-Market-since-2022.html> (last accessed 22/6/2021)

³⁸ Art. no.93 available on: https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Amended%20Food%20Safety%20Law%20of%20China_Beijing_China%20-%20Peoples%20Republic%20of_5-18-2015.pdf (last accessed 20/06/2021)

1.2. Sino-Italian bilateral agreements

In 2020, Italy and China celebrated the fiftieth anniversary of the beginning of their diplomatic and trade relations. The Dragon represents a very interesting market for our country, not only for its dense population but also because Chinese consumers' interest in Made in Italy and in Italian culture is getting stronger.

As regards the agri-food sector, already in 2004, these two countries signed the Memorandum relating to animal quarantine and food safety between the Italian Ministry of Health and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. The goal was to strengthen cooperation between Italy and China in particular under the aforementioned Agreement on the Application of the Sanitary and Phytosanitary Regulations of the World Trade Organization (WTO/SPS Agreement). According to what emerges from the Memorandum, the parties are committed to having a transparent dialogue and to transmit to the other all necessary information regarding laws, regulations, rules, procedures and technical information that has to do with the inspection and quarantine of animals, but also with related products and food safety.

Moreover, the agreement establishes that there must be an exchange of information on international organizations linked to the SPS such as the World Organization for Animal Health (OIE) and the Codex Alimentarius Commission (CAC), and an exchange of positions and opinions on related issues. Italy and China also undertake to guarantee to the other party all information regarding the quarantine and inspection of animals and products of animal origin, issues relating to food safety and corresponding measures that may have an impact on international trade.³⁹ In case it is necessary to solve issues of common interest, the two parties will be able to meet bilaterally. In particular, some meetings may be organized and may require the participation of experts, especially if problems have a scientific value. We can therefore say that this Memorandum aims to safeguard trade through compliance with safety, sanitation and health and environmental protection protocols.

Ten years later, in 2014, Italian Prime Minister Matteo Renzi and the Minister of Economic Development Federica Guidi signed with the Chinese Prime Minister Li

³⁹ Memorandum on the Animal Quarantine, available on: <http://www.salastampa.salute.gov.it/portale/temi/documenti/sicurezzaAlimentare/documenti/attivita/Memorandum.pdf> (last accessed 27/6/2021)

Keqiang and the Minister of Commerce Gao Hucheng, important agreements with the aim of strengthening Italian exports on five priority sectors of collaboration: urbanization, environment, health, aeronautics and agri-food safety. Moreover, on that occasion it was established the so called Italy/China Business Forum, which represents a cooperation platform to overcome asymmetries in the relationship of the two countries.

This forum is incredibly important also for Italian and Chinese entrepreneurs as it is supported by both governments and it is intended to increase the exchange of information, industrial proposal but also reciprocal investments. We should also underline that the visit of Matteo Renzi played an important role for what concerns China's participation at Expo2015. As reported by one of the most important Chinese media, this event was an opportunity not only to focus on the cooperation on the aforementioned sectors, but also to promote various forms of cultural exchange activities, to expand local and non-governmental exchanges and tourism cooperation, and to strengthen communication and coordination on major international issues and to promote world peace and development.⁴⁰

Relations between Italy and China have seen a notable development, particularly since 2015, when Italy, as well as other EU countries, declared its intention to join the Asian Infrastructure Investment Bank (AIIB)⁴¹, becoming one of its founding countries. The goal of the Italian government was to be among the main beneficiaries of the Belt & Road Initiative (BRI), an economic and diplomatic initiative launched in 2013 by the current President of the PRC, Xi Jinping. The initiative involves the construction of two main trade routes, as well as the development of six economic corridors. The participation of Italy has proved beneficial not only for many of the national companies that operate or undertake exchanges with China, but also for Made in Italy.

In 2016 two agreements with the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)⁴² of the People's Republic of China were signed by

⁴⁰ 人民日报, *Xìjìnpíng huìjiàn yìdàlì zǒnglǐ lún qí* 习近平会见意大利总理伦齐 (Xi Jinping Meets with Italian Prime Minister Renzi), 12/06/2014 available on: <http://cpc.people.com.cn/n/2014/0612/c64094-25136794.html> (last accessed 28/06/2021)

⁴¹ The Asian Infrastructure Investment Bank (AIIB), founded in Beijing in 2014, is an international financial institution proposed by the PRC, whose main purpose is to develop the facilities.

⁴² This was the main Chinese institution in charge of quality control and compliance of agri-food products entering the Chinese territory. However, in 2018 China has established a State Administration for Market Regulation (SAMR), which has undertaken all the responsibilities of the

the Minister of Health Beatrice Lorenzin on behalf of Mipaaf. The first agreement is particularly relevant for the opening of the Chinese market towards the Italian citrus sector, for which a new protocol has been signed regarding the phytosanitary requirements for the export of Italian citrus fruits to China. The second agreement concerns a Memorandum of Understanding for the quality of olive oil, laying the foundations for cooperation between Mipaaf and AQSIQ in quality controls, as well as an agreement for the training of Chinese technicians. The fact that this type of agreements was reached following the 2015 Expo Milano fair should make us think. In fact, for the agri-food sector, fairs of this type play a key role, not only to expand the Made in Italy market abroad, but also to get closer to consumers and facilitate the stipulation of useful contracts for trade.

The following year, the President of the Italian Republic Sergio Mattarella and the Undersecretary Ivan Scalfarotto went to China, where they signed 13 bilateral agreements⁴³, with the aim of increasing economic but also cultural exchanges. This state visit allowed the stipulation during the same year of the Memorandum of Understanding between the Ministry of Health of the Italian Republic and the State Administration for Market Regulation of the People's Republic of China on collaboration in the field of food safety. It is a non-binding Memorandum but it establishes the collaboration of the two parties for:

- a. The development and the application of food safety legislation based on the principles of risk analysis;
- b. The organization and the implementation of coordination and the application of official control procedures on food safety concerning production, distribution and consumption process;
- c. Food safety legislation in the respective countries;
- d. Other topics of common interest.

General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), and of other governmental bodies.

⁴³ These agreements are available on: https://ambpechino.esteri.it/ambasciata_pechino/resource/doc/2017/02/agreements.pdf (last accessed 27/06/2021)

The two parties will therefore share information regarding regulatory developments in the food sector and inspection practices, which are considered to be important for food safety and fair business relations.⁴⁴

A turning point in Sino-Italian relations came in 2018, when the yellow-green government headed by Giuseppe Conte announced the creation of the China Task Force coordinated by the Undersecretary of the Ministry of Economic Development Michele Geraci. The new China Task Force aims to strengthen relations with the Dragon in the commercial, financial, investment and R&D fields, creating dialogue and greater cooperation. In the same year, thanks to the development of relations between the two countries and the agreement signed between ICE and Alibaba⁴⁵, there was an increase in exports, which reached the value of 439 million of euro.⁴⁶

Finally, in March 2019, Italy and China signed the Memorandum of Understanding (MoU) in which our country declared itself ready to formally join the BRI. The document included twenty-nine agreements, of which ten were commercial and nineteen were institutional. Among these agreements we find the protocol between the Ministry of Health of the Italian Republic and the General Administration of Customs of the People's Republic of China regarding inspection, quarantine and veterinary health requirements for the export of frozen pork from Italy to China. Despite the cooperation, protection and promotion agreements of various sectors, exporting agri-food products to China is anything but simple; in addition to the European standards, Italian companies must strictly submit registration practices, additional documents and certificates to ensure product's healthiness, in order to be admitted to the Chinese market.

1.3. Exporting products to China

When exporting to a non-EU country, additional certifications regarding product characteristics, control procedures and so on may be required.

⁴⁴ This Memorandum is available on:
https://www.salute.gov.it/imgs/C_17_pagineAree_5010_listaFile_itemName_0_file.pdf (last accessed 27/6/2021)

⁴⁵ Alibaba is the main sales channel in China. It is a B2B exchange platform, a real showcase for companies wishing to market their products in China. The agreement reached with ICE has favored digital innovation, and has favored exports for many Italian companies.

⁴⁶ CIA – Agricoltori Italiani based on ISTAT findings:
https://www.cia.it/media/filer_public/a3/e8/a3e8014d-a85a-44fa-91fe-c44a3ced9973/italia-cina_interscambio_commerciale_agroalimentare.pdf (last accessed 27/06/2021)

To summarize, to export products to China it is necessary to follow a specific procedure. First of all, the company must determine to which category the product it wants to export falls into, in this case we will refer to agri-food products. The Chinese Ministry of Commerce is in charge of importing foreign goods. According to the latest version of the Foreign Trade Law, which entered into force in November 2016, classified goods belong to one of the following categories:

- Free imports;
- Imports subject to restrictions (with license or quota management);
- Prohibited imports;

The former concerns those products that are subjected to few restrictions. However, they require an Automatic Import License, which allows the Chinese government to monitor the imported quantities of certain products. According to the catalog of the Chinese Ministry of Commerce, among these products, there are:

- Beef
- Pork meat
- Mutton
- Milk
- Milk powder
- Manioc
- Barley
- Broom corn
- Sugar
- Tobacco
- Raw oil
- Processed oil

Imports subject to restrictions, on the other hand, concern those products for which it is necessary to obtain import licenses, tariff quota licenses or both. According to the regulation of the People's Republic of China on the Administration of the Import and Export of goods (*Zhōnghuá rénmín gònghéguó duìwài mào yì fǎ*, 中华人民共和国对外贸易法) published by the Council of State (*Guówùyuàn*, 国务院), the only goods considered "limited" are those subjected to quantitative restrictions (using quotas) and those that

require specific licenses. Goods subjected to tariff quotas are not considered "restricted".⁴⁷ Finally, there are some products that cannot be imported from China for national security or health reasons.

Subsequently, the exporting company must receive from the Chinese Ministry of Commerce (*Zhōnghuá rénmin gònghéguó shāngwù bù*, 中华人民共和国商务部) the import or commercial license. In this way, the company is registered in China and has the right to carry out its import and export activities as reported in the specific business license. The company must then verify that the product meets all labeling and packaging requirements and must affix the relevant labels before arriving in the Chinese port. It is necessary to prepare all the required documents (including licenses, quota licenses and contracts) before arriving at the Chinese customs where a product sample will be taken for inspection. Only at the end of the due checks, the exporter has to pay the relevant customs taxes. Once this rigorous procedure is completed, the product is admitted to China and it will be possible to market it.

1.3.1. Procedure for exporting food products to China

The procedure to which exporters and producers must refer is quite long but necessary for the product(s) to be admitted into the market. Below we will see all the required steps and documents:

- 1. Registration of the manufacturer:** according to the new Regulations on Registration and Administration of Overseas Manufacturers of Imported Food published by the Chinese General Administration of Customs (GACC), those who intend to export products to China, must be registered with the GACC. This process must be carried out before the product begins to be marketed in the country.

The manufacturer of specified foods (named in subparagraph 1.1.4.), must contact the competent Local Health Authority, in the area where the production plant is located, to obtain a certificate stating that the plant in question corresponds to the Chinese standards necessary for entry into the Chinese market. This certificate must be supplemented by a declaration of conformity from the Ministry of Health which will submit the request for registration of the Italian plants to the Chinese authorities through the Italian Embassy in Beijing. For other foods, instead,

⁴⁷ EUSME, “*Exporting goods, services and technology to the Chinese market: Update 2020*”, Report2020, Beijing, available on: www.eusmecentre.org.cn.

manufacturers can file their applications by themselves or through their agents in China. However, only when the Chinese authorities consider the plant to be suitable it will be included in the list of authorized establishments.

2. **Exporter registration:** Usually, the manufacturer or company that intends to market its product relies on an exporter, who has the function of getting the goods to China, and on an importer who is located in China. The exporter should be registered at the online filing system of GACC and provide information about the country of origin, their address, product category and documents certifying product compliance. Once the request has been sent, the exporter will receive a registration number, which is useful for declaring their products to customs. For tracking purposes, exporters must register each shipment online with the GACC.
3. **Registration of the importer:** The importer must be established in China and it must be registered as a foreign trade operator with the Ministry of Commerce (MOFCOM). As for exporters, importers also must register each shipment online with the GACC for tracking purposes. In addition, importers have to obtain and provide several licenses and registrations to act as such, namely the business license, the food operation license, food importer and exporter registration and so on.
4. **License and required documents:** Once the registration is completed, exporters have to provide all the necessary documentation, based on strict protocols and paperwork required by Chinese authorities. Depending on the classification of food product, exporters must provide different documentation, which will be discussed later in the chapter. Documents' incompleteness will result in delays and additional storage costs.
5. **Automatic import license:** the Automatic Import License (**AIL**) is a document that is provided by MOFCOM, which shows all the information of the products that will be imported into China. Exporters need to check which products require this license by consulting the *2021 Goods Catalog for Automatic Import License Management*.⁴⁸
6. **Labeling requirements:** products' label must comply with Chinese requirements. It is necessary to apply labels to the China Patent & Trademark Office (**CTMO**) and, ultimately, they have to be approved by the GACC.

⁴⁸ Available on: <http://images.mofcom.gov.cn/wms/202012/20201231153938340.pdf>

7. **Food sanitary inspection:** As previously reported, before the product is admitted to China, product tests will be carried out. China inspection and Quarantine (CIQ)⁴⁹ personnel will check goods to confirm they include all the labeling and shipping documents required. If there are any missing documents, exported goods can be seized or even sent back to their original destination.

Once the compliance of the products with Chinese legislation has been verified, the company will be able to proceed with the registration of the product. In 2012, the AQSIQ issued the Administrative Measures for Registration of Overseas Manufacturers of Imported Food (Decree 145), according to which if the food product being exported was on the *List of Food Imports Subject to Enterprise Registration* the foreign manufacturer must register with the China's Certification and Accreditation Administration (CNCA), now under SAMR, before exporting their food products to China. However, following the reorganization of the Chinese government, it was decided that this task was undertaken by the GACC. As previously analyzed, the GACC implemented the legislation, establishing that the registration of products had to vary according to the product category risk level (Decree 249).

To register the product it is necessary to be aware of the HS codes (**Harmonized System**, i.e. codes used to classify the products marketed in the various countries). The registration process is quite complex as manufacturers have to submit a number of documents, in Chinese and English, including:

- a. Laws and regulations that deal with animal and plant epidemics, veterinary sanitation, public sanitation, plant protection products, pesticide residues and veterinary drugs; the management of the registration of food producers and the health requirements of the country (region) in which the manufacturer is located, and written materials regarding the structural establishment, personnel configuration and enforcement of laws and regulations of the competent authorities of the country (region) in which the manufacturer is located;
- b. The list of names of foreign producers of imported foods that require registration;
- c. The assessment questionnaire on real situations regarding quarantine and sanitation control of producers recommended by the competent authorities of the country (region) in which the producer is located;

⁴⁹ Previously under AQSIQ, is now merged under GACC.

- d. The declaration made by the competent authorities of the country (region) in which the manufacturer is located, which appears to comply with the requirements defined by the laws and regulations of China;
- e. The manufacturer's application for registration and, if necessary, the topographical plan of the factory area, the workshop and the refrigeration systems, as well as the technological organization chart.⁵⁰

When the goods reach the Chinese customs, local authorities carry out a series of checks required by the inspection and quarantine procedures. The checks mainly concern the labels, packaging, products and also the documents presented by the exporter that must meet Chinese standards.

1.3.2. Chinese Standards

After a company has declared the category to which the product it intends to export belongs, it must verify that it complies with the relevant Chinese standards. Although China is part of the WTO, European or international standards do not always meet those required by the Chinese authorities. As shown in Figure 1, the standards in China are divided into four levels:

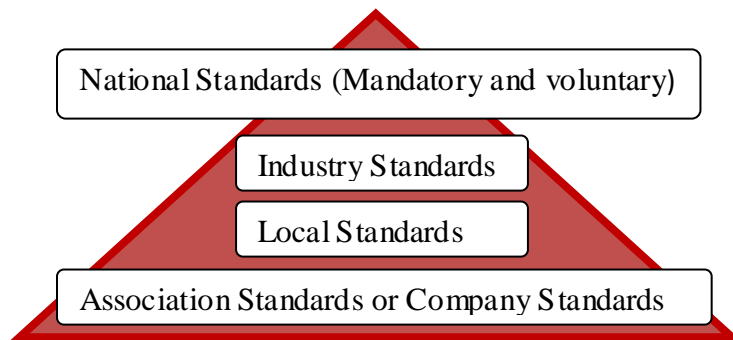


Figure no.1: Chinese standards⁵¹

Before the 2018 government restructuring plan, mandatory national standards (denoted by GB) were governed by the Standardization Administration of China (*Guójiā biāozhǔnhuà guǎnlǐ wěiyuánhùi*, 国家标准化管理委员会, SAC), now under SAMR. As the name suggests, these are standards that must be compulsorily respected by companies and

⁵⁰ Administrative Measures for Registration of Overseas Manufacturers of Imported Food (Decree 145) Art.7 , available on:

https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Registration%20of%20Overseas%20Food%20Manufacturing%20Facilities%20Beijing_China%20-%20Peoples%20Republic%20of_6-27-2012.pdf

⁵¹ *Ibidem*

concern the protection of public health, individual property, national and environmental security, with the aim of satisfying economic and social needs. These standards are applied to domestic and to imported products. The National Health Commission of the People's Republic of China and the SAMR have set mandatory generic and specific standards, based on the product category concerned.⁵²

Voluntary standards (GB/T), instead, have the objective of integrating national standards, and can have a fundamental role within certain industrial sectors. However, they are not necessarily applicable. Local standards (marked with DB) are directly regulated by the administrative standardization department of each province, autonomous region or municipality under administration. They generally have the function of enforcing certain technical requirements concerning environmental conditions or local customs.⁵³ Finally, the associations standards (marked with TB) can be applied on a voluntary basis by the associations, while corporate ones (QB) are directly regulated by one or more companies. However, it should be pointed out that companies operating in China are encouraged to adopt National Standards, Professional Standards and Local Standards if available.

1.3.3. Packaging and labeling

The China Inspection and Quarantine (CIQ) is the body that is responsible for verifying the compliance of the label with the requirements established by Chinese legislation and checks its authenticity, based on the provisions of Art. III Announcement on Adjusting the Label Approval System for Import and Export Foods and Cosmetics of General Administration of Quality Supervision, Inspection and Quarantine of People's Republic of China No.44, 2006.

Labeling is governed by Administrative Measures of Food Labeling and prepackaged foods must also meet the General Rules for Pre-packaged Food Labelling (*Yù bāozhuāng shípǐn biāoqiān tōngzé*, 预包装食品标签通则, **GB 7718-2011**) and the General Rules for Pre-packaged Food Nutrition Labelling (*Yù bāozhuāng shípǐn yíngyǎng biāoqiān tōngzé*, 预包装食品营养标签通则, **GB 28050-2011**). According to the provisions of Article 67 of

⁵² The list is available on:

http://www.gbstandards.org/index/Standards_Search.asp?word=food%20safety (last accessed 20/6/2021)

⁵³ EUSME “*Exporting goods, services and technology to the Chinese market: Update 2020*”, Report 2020, Beijing, available on: www.eusmecentre.org.cn.

the Food Safety Law⁵⁴, the label of the marketed product must contain the following information:

- Name, specifications, content and production date;
- Table of ingredients or formulation;
- Name, address and contact information of the manufacturer;
- Retention period;
- Code of the product standard(s);
- Storage requirements;
- Generic name of food additives as determined by national regulations;
- Production license number;
- Other information that must be indicated in accordance with laws, regulations and food safety standards.⁵⁵

Usually, the label is written in the language of the importing country, to give all consumers the opportunity to understand what they are buying and consuming. In China, Article 97 of the Food Safety Law states that imported prepackaged food products must be equipped with labels and instructions in Chinese, but it is still possible to use a foreign language, as long as the content matches. It is clear that what is reported on labels and instructions must comply not only with Food Safety Law, but also with various administrative regulations and national standards. In the event that the food does not have the above information, or does not comply with the requirements, the product will not be admitted in the market.

In 2018 the Measures Pertaining to the Inspection and Supervision of Import and Export Prepackaged Food Labeling (or TBT 1246) were presented to the Technical Barriers to Trade Committee⁵⁶ of the WTO and entered into force in the same year. These measures contain information on the responsibilities of producers, the materials to be presented for

⁵⁴ Food Safety Law: Art. no. 67 available on:

https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Amended%20Food%20Safety%20Law%20of%20China_Beijing_China%20-%20Peoples%20Republic%20of_5-18-2015.pdf

⁵⁵ FAS Beijing Staff “*Food and Agricultural Import Regulations and Standards Country Report*”, p.19

⁵⁶ Technical Barrier to Trade (TBT) agreement to ensure that technical regulations, standards and conformity assessment procedures are non-discriminatory and do not create unnecessary barriers to trade. Furthermore, it recognizes the right of WTO members to implement measures to achieve legitimate political objectives, such as the protection of human health and safety or the protection of the environment. The TBT agreement strongly encourages members to base their measures on international standards to facilitate trade and aims to create a transparency-based trading environment. (https://www.wto.org/english/tratop_e/tbt_e/tbt_e.htm)

the inspection of labels and the procedures to be followed by the inspection and quarantine authorities for the control of labels. Only in the event that the label complies with the rules and standards of Chinese law and the product passes quality checks, China Inspection and Quarantine will issue an inspection certificate attesting compliance and containing the words "Label approved"⁵⁷. However, in the Public Notice concerning the Oversight of Labels for Imported and Exported Pre-packaged Foods, issued by GACC in 2019, producers must submit the product label to GACC before shipping. In this way, the Chinese authority will be in charge of inspecting the labels and if the laws are not respected, it can intervene by blocking the goods, destroying or rejecting them. In the latter case, the exporter is allowed to issue a return declaration which will be notified to the Chinese customs.

Another important aspect to consider is the packaging. The packaging not only allows us to identify the product, but also to preserve its qualities and organoleptic characteristics. The use of unsuitable material or non-compliant with the legislation of the importing country entails great losses for a company. Therefore, it is necessary for the company to carefully choose and check the product packaging and transport containers, so that they arrive at their destination without suffering damage or alteration. The PRC's Food Safety Law states that the materials that can be used to package products can be "*paper, bamboo, wood, metal, porcelain, plastic, rubber, natural fiber, chemical fiber or glass*"; in the event that the product is for direct consumption the food must be contained in small packages or must use clean and non-toxic packaging and containers.

As you can see, there are many standards governing the export of food products to China. All products entering the country are subjected to strict controls and must comply with the laws and generic standards set forth above. However, some foods, including dairy products, meat and poultry, vegetable oils have specific rules.

1.3.4. Additives, Pesticides and Veterinary drugs

Regarding the use of additives in food products, the NHC plays an important role in the approval process. The main standards governing the use of additives are:

- **GB29924 – 2013** General Standard for the Labeling of Food Additives;

⁵⁷ ICE Agency, Procedura export Prodotti Agro-alimentari italiani verso la Cina, Nota Settoriale, 2019

- **GB26687 – 2011** Standard for Blended Food Additives;
- **GB9685 – 2016** Standards for the Uses of Additives in Food Containers and Packaging Materials;
- **GB31647 – 2018** General Hygiene Regulation for Food Additive Production.

Chinese authorities have listed all permitted additives in the mandatory **GB2760-2014** National Food Safety Standard: Food Additive Usage Standard (*Shípǐn ānquán guójiā biāozhǔn shípǐn tiānjiājì shǐyòng biāozhǔn* 食品安全国家标准食品添加剂使用标准). In the event that the exported product contains additives that are not present in the aforementioned list, it will be necessary to initiate a procedure for the approval of new additives. The exporter will have to apply directly to the NHC as established by the Administrative Measures for a New variety of Food Additives (Ministry of Health [now NHC] Decree 73), which include the provisions for the presentation of the application, the acceptance of new varieties of food additives and the notice regarding the rule for the Approval of new Varieties of Food Additives (Public Notice [2011] n.29). The procedure is quite complex and requires a number of documents, including:

1. The name of the additive, its function, dosage and scope of application;
2. Documents or certificates proving technical necessity and the use effect;
3. Quality specification requirements, production techniques and test method for the food additive, useful for testing the additive in food;
4. Materials useful for safety assessment, including raw materials or sources, chemical structure, physical properties, manufacturing techniques, toxicological safety assessment documents or toxicology test reports and quality specification test reports;
5. Samples of labeling, instructions and food additive product;
6. Documents of other countries (regions) or international organizations that allow the production and use (of the additive) useful for safety assessment.⁵⁸

For what concerns the use of pesticides, the Food Safety Law imposes rather strict rules. Article no.26 reports:

“Food safety standards shall include: (i) limits on such pollutants as invasive organisms, pesticide residues, veterinary drug residues, biotoxins and heavy metals, and

⁵⁸ FAS Beijing Staff “*Food and Agricultural Import Regulations and Standards Country Report*”, 24 February 2020

*other materials endangering human health contained in food, food additives, and Food-Related-Products; (...)*⁵⁹

The main goal is to encourage the use of substitute products that are effective, but that have no impact on consumers' health or on the environment. In 2017, the Council of State sanctioned the Regulation on the Management of Pesticides (State Council, Decree 147), divided into eight Chapters and 66 Articles, concerning the registration, production, distribution and use of pesticides on food products. It is also necessary to refer to further provisions on veterinary drugs. In 2019, the MARA, the NHC and the SAMR issued the **GB13650-2019** "National Food Safety Standards - Maximum Residue Limits for Veterinary Drugs in Foods" (*Shípǐn ānquán guójiā biāozhǔn shípǐn zhōng shòuyào zuìdà cánliú xiànlìàng*, 食品安全国家标准食品中兽药最大残留限量) which sets the maximum level of commonly used veterinary drugs in fish and bee products, in products derived from livestock and poultry, but not only.

1.3.5. Product specific norms and standards

After the first registration, each export must be accompanied by the following documentation:

- sales contract or order confirmation;
- bill;
- packing list;
- cargo manifest;
- bill of lading;
- shipping notice (from the shipper to the importer);
- certificate of origin;
- health certificate for export;
- sample of the label compliant with Chinese legislation;
- sample copies of the label translated into Chinese;
- phytosanitary certificate.⁶⁰

⁵⁹ Art. no.26 of Food Safety Law, available on: https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Amended%20Food%20Safety%20Law%20of%20China_Beijing_China%20-%20Peoples%20Republic%20of_5-18-2015.pdf (last accessed 20/06/2021)

This list refers to the set of documents normally required however, as already pointed out, there are some rules and standards for specific products such as: dairy products, meat and poultry, vegetable oils, special foods (baby food, products for medical purposes, health food), and products deriving from biotechnological agriculture.

As regards **dairy products**, the main regulatory standard is given by Decree 152 of the AQSIQ, Measure for Dairy Product Import/Export Inspection and Quarantine Management, officially entered into force in 2013 and revised by GACC Decree 243 on November 2018.⁶¹ The Decree defines the requirements for the assessment of dairy products, market access, various certificates of inspection and quarantine management. Among the products subjected to this legislation we can distinguish: milk, raw dairy products, pasteurized milk and modified milk produced by pasteurization. The registration of this type of food must be communicated to the GACC, in accordance with the provisions of the new Regulation n.248. The main standard that must be respected for this type of product is the Good Manufacturing Practice for Dairy Products (*Rǔ zhìpǐn liáng hào shēngchǎn guīfàn*, 乳制品良好生产规范, **GB12693-2010**). Various specific standards that relate to milk and its derivatives can be identified, such as **GB5420-2010** for cheese, **GB25192-2010** for processed cheese and **GB13102-2010** for condensed and evaporated milk. However, it must be pointed out that on May 2020, China has notified the National Food Safety Standard: Good Manufacturing Practice for Dairy Products (GB12693-xxxx) to the WTO SPS Committee. The new draft standard will replace the existing GB12693-2010 and will list special technical standards for various dairy product classes, including pasteurized milk, sterilized milk, fermented milk, milk and whey powder, and processed cheese.

With regards to **meat and poultry**, the exporter is responsible for confirming his suitability for the export of food products from his country of origin. The exporter must register his company and only after approval, the AQSIQ will include the company in the list of those who are eligible to export products to China.⁶² As reported in subsection 1.3.3., it is necessary to be aware of the internationally used HS codes. In the case of meat products these are respectively:

⁶⁰ ICE, Nota Settoriale, Prodotti Agroalimentari, 2018, p.5 available on: <https://www.ice.it/it/sites/default/files/inline-files/Guida%20agroalimentare%20-%20aggiornamento%20agosto%202018.pdf> (last accessed 25/06/2021)

⁶¹ Decree 152 will be annulled from January 2022 and it will be replaced by the Administrative Measures on Import and Export Food Safety (GACC Decree 249).

⁶² Starting from 2022 companies will have to be registered with GACC.

- 1601: Sausages and similar of meat, offal or blood;
- 1602: Other prepared or preserved meat, offal or blood;
- 0201: Beef meat: Fresh or frozen;
- 0202: Frozen beef;
- 0203: Pork: Fresh, chilled;
- 0204: Sheep or goat meat: fresh, frozen;
- 0205: Meat of horses, donkeys, mules and herrings: fresh, chilled or frozen;
- 0207: Meat and edible poultry offal: fresh, frozen;
- 0208: Other edible meat and offal: fresh, frozen:
- 0210: Meat and offal salted, in brine, dried or smoked:
- 0206: Offal of cattle, pigs, goats, sheep, horses, mules, hinnies or donkeys: fresh, frozen;

The documents required to register this product category include: the completed registration, the export license and meat tests, health certificates and other documents. The company will also have to provide a series of product samples. Once the number of samples to be sent has been established, they must be sealed with transport-resistant packaging, as well as frozen. In order to track the shipment and provide information on how the product is handled, the company will have to obtain the so-called Chain of Custody (CoC). Subsequently, it will be necessary to contact the beneficiary in China and inform them that the shipped product is food. Finally, it will be necessary to write the name of the product on the label.

According to the Decree 159, the Measures on Inspection, Quarantine, Supervision and Administration of Entry-Exit Non-Edible Animal Products of the AQSIQ, once samples have arrived in China, they are managed by the CIQ and are subject to quarantine access requirements, including product risk analysis, assessment of the exporting country/region's regulatory system, determination of inspection and quarantine requirements, as well as registration of overseas manufacturing establishments. However, it must also be considered that only some Chinese ports are designated to receive meat imports and the list is directly provided by the GACC.

Although the regulatory standards for meat imports and its derived products are varied, we can distinguish two main ones:

- **GB2707-2016** - National Food Safety Standard for Fresh (Frozen) Meat, Poultry Products, published in 2016
- **GB2726-2016** - Hygienic Standard for Cooked Meat Products

As for **rice**, in 2018 China's State Administration for Market Regulation (SAMR) has published a new national standard for rice (**GB/T 1354-2018**) replacing **GB/T 1354-2009**, which applies to both domestically produced and imported rice, narrowing grading specifications for each class of rice. This standard refers to ISO 7301:2011 Rice – Specifications and defines terms and definitions, classifications, quality requirements, the inspection methods, and inspection rules of rice, as well as the requirements for package, labels, storage and transportation of rice.⁶³ Rice is classified according to its quality characteristics, which must satisfy certain indicators to be considered as such. Then, the standard also illustrates hygiene requirements and rules for inspection, which must be adopted by producers and importers.

Other products with specific standards include **vegetable oils**. In China, the legislation requires that exports of vegetable oil are accompanied by a phytosanitary certificate, issued by the authorities of the exporting country. Exporters are required to register on the Chinese customs website and leave their information. In 2016, China established the **GB19641-2015** National food safety standard for Edible Vegetable Oil Seeds, applicable to the oilseeds used for the production of vegetable oil. Furthermore, the National standard regulating this product category has recently been introduced, namely the National food safety standard for Edible Vegetable Oil (**GB2716-2018**). Crude and edible vegetable oil, edible vegetable blend oil and various edible vegetable oils used in frying are subject to this standard. However, some products including edible hydrogenated oil, margarine, fat, cocoa butter substitutes, whipped cream, powdered oil, are not included in the legislation.⁶⁴

With regards to **olive oil**, the **GB23347-2009** Olive oils and olive pomace oils is the Chinese national standard, issued by General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ) and SAC in 2009. This standard applies to different kinds of olive oil and olive pomace oil products and has

⁶³ Standard available on:
[https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=National%20Standard%20for%20Rice%20\(GB-T%201354-2018\)_Beijing_China%20-%20Peoples%20Republic%20of_3-28-2019.pdf](https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=National%20Standard%20for%20Rice%20(GB-T%201354-2018)_Beijing_China%20-%20Peoples%20Republic%20of_3-28-2019.pdf)

⁶⁴ FAS Beijing Staff “*Food and Agricultural Import Regulations and Standards Country Report*”, p.30

the aim of specifying terms and definitions, classifications, technical quality requirements, inspection methods, inspection rules, labeling, packaging, storage and transportation requirements of olive oils and olive pomace oils.⁶⁵ The standard makes a classification of the different types of **olive oil** (Virgin olive oil, divided into: extra virgin olive oil, medium-grade virgin olive oil, lampante virgin olive oil; Refined olive oil; Blended olive oil) and **Olive-pomace oil** (Crude olive-pomace oil; Refined olive-pomace oil; Blended olive-pomace oil). Section 9 of the standard specifies inspection rules, in particular:

- **Sampling methods:** implemented according to the requirements set out in GB/T 5524.
- **Delivery inspection:** an inspection report should be carried out on each batch, according to the requirements set out in Subsection 5.2 of the Standard.
- **Type inspection:** carried out according to the requirements set out in Clause 5 of the Standard.
- **Judgment rules:** specifying all situations in which a product is deemed to be a non-conforming product.

Coffee is regulated by the **GB/T 18007-2011** China National Standard Coffee and coffee products – Vocabulary, considered to be the equivalent of the ISO international standard: **ISO 3509:2005**, which defines the most common terms relating to coffee and its products. However, there is also the **GB/T 30767-2014** China National Standard for Coffee Beverage Issues, published in 2014, by the Standardization Administration of the People's Republic of China (SAC) and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ). This standard is included in the **GB/T 10789-2015** National Food Safety Standards: General Standard for Beverage⁶⁶ and it is the first in regards to coffee beverages: GB/T 30767-2014 limits the caffeine content and takes the coffee solid content as a technical parameter for the first time to ensure the quality of coffee beverages.⁶⁷

As for the **wine sector**, the wine must be accompanied by a sanatorium or analysis certificate issued by the laboratories of the country of origin that provides evidence on the

⁶⁵ Standard available on: <http://www.foodcta.com/spbz/viewer50418.html> (last accessed 12/08/2021)

⁶⁶ Standard available on: <https://www.mpi.govt.nz/dmsdocument/14395/direct> (last accessed 12/08/2021)

⁶⁷ Information about the standard is available on: <https://www.chinesestandard.net/PDF/English.aspx/GBT30767-2014> (last accessed 12/08/2021)

microbiological and physico-chemical analysis carried out before export. The results of the analysis, as it might be clear, must comply with all the parameters established by Chinese legislation. The national standard governing this category is **GB15037-2006 Wines**, which is applicable not only to the production but also to the inspection and sale of wine. The standard, in fact, defines the terms of the wine, the classification of the product, the requirements, the analytical methods, the rules and control signs, packaging, transport and storage.⁶⁸ Specifically, in addition to the label indicating the product's country of origin, an additional label written in Chinese is required. The documents that need to be submitted are:

- 5 originals documents of the loading list;
- 5 originals documents of the pro-forma invoice, with the stamp and signature;
- An original document of the health or analysis certificate relating to the shipment in progress;
- 5 originals documents of the front and back labels;
- The original document of the Chinese translation of the front label;
- The original (plus copy) document of the production license and its translation into Chinese;
- The original (plus copy) document of the manufacturer's health certificate and its translation into Chinese;
- The original (plus copy) document of the wine production process and its translation into Chinese (simple wine production process, with the company stamp and the signature of an authorized person).

The additional label is based on the model made available by the Chinese authorities and must contain a series of information including the name of the wine in Chinese and English (or in Italian); type of wine (dry, sweet or other types); raw material: 100% grape juice; region and country of origin; expiry date or indications of the guaranteed longevity period; bottling date; year of the blend; alcohol content; manufacturer, distributor; net weight.⁶⁹ As for other products, the Chinese Inspection and Quarantine Bureau (**CIQ**) is responsible for verifying the quality and conformity of the product and for proceeding with product's customs clearance, by issuing an authorization certificate.

⁶⁸ Standard available on: http://www.agrichina.org/download/gb_15037-2006_wine_standard_english_final.pdf (last accessed 12/08/2021)

⁶⁹ Mercato Globale, Exporting wine in China, available on: <https://www.mglobale.it/dogane/tutte-le-news/esportare-vino-in-cina.kl> (last accessed 28/07/2021)

Finally, it should be emphasized that for each agri-food product category there are taxes to be paid to the Chinese customs. First, there is the Value Added Tax (**VAT**), which depends on the type of product (for agri-food products it varies between 10% and 16%). After that, there is the consumption tax, applicable only to unnecessary products and which, in our case, only includes the export of wine (with a value of 10%). Finally, there are customs duties which, although having lowered after China's accession to the WTO, may affect the final price of the product. For what concerns Italian agri-food products, the percentage of duties varies from a minimum of 5% for vinegar to a maximum of 25% for ham.

Chapter 2

Chinese open-door policies and their impact on Made in Italy agri-food exports

Having reviewed the main norms regulating exports in the European Union and in China, it is worth saying that these were implemented according to the legal-ground rules for international commerce of the World Trade Organization (WTO). With the development of global trade it was necessary to provide a system of rules to economic operators and to governments to help the market to function properly. Therefore, in this chapter, we will focus on some literary review, which derived from the analysis of journals, books and articles to explain the role of the Organization in the international context and to briefly describe China's adhesion process.

China has not always been an open market and when in the 1980s the Chinese Central Government decided to participate more actively in the global context, it also agreed to make its market more accessible to foreign countries. Undoubtedly, joining the WTO was one of the main reasons that prompted the Dragon to review the regulatory framework and to make trade more consistent with the world system. As a matter of fact, we will see that during the reforms period there have been several changes in the norms especially related to foreign investments, imports and exports of products, which favored the development of the country. Starting from this assumption, we will then analyze the impact of opening up policies on the Chinese socio-economic context and on how these have favored foreign products' imports, including Italian ones.

Then, I have focused on the structural changes of world trade, providing an initial analysis of new destination markets and the influence that this had on Italian exports to the world. In particular, I have considered some studies based on the agri-food sector, on the meaning and the importance of Made in Italy for the economy of the country. Based on this premise, I have evaluated the opportunities and the challenges for Made in Italy agri-food products in the Chinese market, considering the legal, economic and cultural framework. Finally, I have taken into consideration debates on the growing importance of the internationalization processes in a world where markets are always more globalized and interconnected, with a specific reference to Italian small and medium-sized enterprises (SMEs).

2.1 The WTO and the progressive opening of China

As we mentioned in the previous chapter, Italy and China are part of the WTO, the first global commercial body to which 157 countries adhere, which summarizes the principles of the General Agreement on Tariffs and Trade (**GATT**) of the distant 1947 and of the more recent **GATS** (General Treaty on Trade in Services)⁷⁰ and **TRIPS** (Treaty on Commercial Aspects of Intellectual Property Rights)⁷¹. The Organization's role is to ensure that markets, by following shared basic rules, guarantee non-discriminatory international trade. Its establishment was necessary due to increasing globalization, which created a highly interconnected world system for trade. No State can act without individual decisions or actions having repercussions on others; therefore, every economy must be more open but also more coordinated. In fact, the WTO acts as a forum for negotiation, promoting cooperation between national trade policies and helping to resolve possible disputes between member States.

The adhesion to the Organization takes place voluntarily, but once States become members, they must respect a series of rules that form the legal basis of current international trade (Laca Tajoli, 2020). Being a member of the WTO is undoubtedly advantageous as it simplifies access to the markets of the countries that are part of it, and helps to reduce the uncertainty and costs of companies that intend to start trading procedures with foreign countries. The Organization works by entering into commercial agreements that are based on three fundamental principles. First of all, the exchange of goods must take place without any discrimination, i.e. between the various trading partners there must not be any unfavorable or favorable situations for just one of them.

According to Article 1 of the GATT⁷², trade is managed by the Most Favorite Nation (**MFN**) principle, which must be applied and guaranteed to all member countries; it is therefore not possible to grant a partner the reduction or elimination of a duty without

⁷⁰ Agreement on international trade in services adopted in 1995 and incorporated in the final act of the Uruguay Round and in the WTO. All WTO member countries are signatories to the GATS. The purpose of the agreement is the creation of a system of rules that stimulate trade in services through a progressive international liberalization of access to markets.

⁷¹ Agreement concluded in the framework of the Uruguay Round and the GATT in 1994, as an annex to the agreement establishing the World Trade Organization. The agreement aims to harmonize the provisions on intellectual property between the various countries that are members of the WTO. Available on: https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm

⁷² Art.1 available on: https://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm (last accessed 09/07/2021)

doing so for all the other members. Some exceptions to this general principle are allowed: in the event that countries establish free trade agreements, which are verified by the WTO and which are applicable to goods within the agreement, this principle does not exist. Similarly, the principle is not taken into consideration in the event that barriers against dangerous goods or goods that do not follow a proper export procedure are imposed. The MFN is also a priority principle in the GATS (Art. 2) and TRIPS (Art. 4) agreements, although it is managed in a slightly different way. In the GATS, the MFN obligation is applied to all measures affecting trade of services in the sectors included in the agreement, whether specific commitments have been made or not. While in the TRIPS, the treatment of MFN establishes that the advantages, favors, privileges or immunities with respect to the protection of intellectual property, granted by a member to the citizens of one country, must be conditionally and immediately granted to the citizens of other member countries. As part of the principle of non-discrimination, reference should also be made to the **national treatment** according to which imported and local products must receive the same treatment, even after the introduction of foreign products on the market. For this, the circulation, sale and purchase of those products that are not national must be guaranteed. The import duty does not comply with these directives, as it is applied only after the entry of a product or an object in the market.

The second principle concerns the development of more open trade through negotiation, which is closely related to the management of all those obstacles that affect trade, such as customs duties, prohibitions or import tariff quotas. The process of removing or lowering these measures is not immediate but gradual, in fact there have been eight rounds⁷³ of trade negotiations, all aimed at reducing tariff barriers. In the specific case of agricultural products, the reduction in tariffs for these goods has been addressed since the 1980s, which is why currently, compared to other products, they are still quite high. Finally, the Organization aims to create a predictable and transparent market.

As for predictability, the goal is to maintain market stability in order to encourage investment, create new jobs and win-win competition rules. To ensure that the market is

⁷³ Geneva Round (1948); Annecy Round (1949); Torquay Round (1951); Fourth Round (1956); Dillon Round (1960-61); Kennedy Round (1964 - '67); Tokyo Round (1973 - '79); Uruguay Round (1986 -94). The latter included the creation of the WTO, the reduction of tariffs, the export subsidies and subsidies and other distortions of obstacles to export in a free market, the services, the agreements for the strengthening of intellectual ownership, the regulation of international disputes, the agricultural and textile sectors.

stable, an important role is given by the fixed tariffs, for which member countries must declare a maximum level of duties and must commit to maintaining that level without exceeding it, which allows companies to predict the obstacles to be faced and the costs to bear. With regard to the principle of transparency, it should be specified that this is one of the main foundations to which all members of the Organization must refer. Based on the provisions of this principle, all countries must declare the tariff levels imposed in each sector, as well as the other customs barriers introduced, the measures implemented that can hinder trade, and the signing of preferential free trade agreements.⁷⁴ This principle has always been a fundamental element, so much so that it was already included in Article 10 of the GATT, according to which:

“Laws, regulations, judicial decisions and administrative rulings of general application, made effective by any contracting party, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, (...), shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or a governmental agency of any contracting party and the government or governmental agency of any other contracting party shall also be published.”(GATT, Art.10, 1947)

Within twenty years, globalization has favored the creation of geographically dispersed international production networks, without considering expansionist pressures, recessionary contractions, financial or health shocks, migration, continuous innovations and the growing share of added value created by services and intangible assets. All these elements have had a significant impact on national governments and on the trade policies of individual countries, which should be updated as they currently only affect a part of the value of international trade flows. An attempt had already been made with the Doha Round, the latest round of negotiations started in 2001 and yet not finished, which aimed to liberalize global trade of agricultural products, industrial goods and services. While some negotiations have been successful, others have proved vain. One might wonder why these difficulties could not be overcome and to answer we can take into account three reasons: the change in the type of trade, the introduction of new non-tariff barriers and the growing number of active and relevant countries within the Organization. Among these countries,

⁷⁴ Osservatorio di Politica Internazionale, *“Il quadro del commercio mondiale 2020”*, p.7, April 2020.

one cannot fail to mention China which, following its accession in 2001, has distinguished itself for the incredible economic growth that has inevitably changed the internal structure.

Until 1979, China was closed to the world. The policy adopted by the then president of the PRC, Mao Zedong, extremely nationalist and based on self-sufficiency, saw the West as an enemy that undermined national interests and prevented the country's development. It is no coincidence that China's trade during that period only took place with a few allied countries. Only after the death of Mao Zedong, which took place in 1976, and the rise of Deng Xiaoping, the Dragon did experience a period of economic openness to the outside world that would have led it to assume an increasingly important role in the world. The Central Government's goal was to raise China's economic level and fill the scientific and technological gaps resulting from the closure of the previous era. To this end, internal investments were encouraged, in particular to support the construction and development of infrastructures, as well as contacts with foreign companies, in order to favor investments.

The Chinese opening can be divided into four phases (Breslin, 2007). The first covers the period between 1978 and 1986, during which the reforms launched by the Chinese Central Government affected various areas, including the agricultural one, as the popular communes were abolished.⁷⁵ In recent years, the industry was also able to renew itself thanks to the acquisition of knowledge and technologies from foreign countries. Subsequently, the Government has established the four special economic zones (**SEZs**)⁷⁶ which still play a relevant role today and which enjoy special and favorable conditions for foreigners. Also during this first phase, China joined large organizations, such as the International Monetary Fund (**IMF**), the International Bank in 1980, the International Labor Office in 1983, the International Atomic Energy Agency in 1983 and the Asian Development Bank in 1985. In this way, the Chinese government not only sought to increase Chinese integration in international relations, but also managed to attract foreign investment to the country and to increase both exports and imports. It should be emphasized that the reforms gave China the opportunity to achieve a gradual reintegration into the global context.

⁷⁵ The popular communes were introduced during the time of Mao Zedong, specifically in 1958. It was a system of cooperatives in which each commune had to create an organic complex that guaranteed the total or almost total subsistence, but also the increasing increase of the standard of living.

⁷⁶ These are areas that were all established in the Chinese coastal area. Specifically, the SEZs are located in Guangdong province and are Shenzhen, Zhuhai and Shantou; in the Fujian province where we find Xiamen and in the entire Hainan province.

The second and third phases are respectively from 1986 to 1992 and from 1992 to 1999. In those years, Beijing accelerated reforms aimed at liberalizing the market, granting greater freedom to private companies, opening its borders to foreign companies and privatizing large State-owned enterprises (**SOEs**), which until then had received enormous support from the State. Furthermore, in 1986 the Chinese government expressed its willingness to begin negotiations for the accession to the GATT. However, although the WTO Council had established a Working Party, i.e. a working group to assess the status of China as a contracting party to the GATT, the differences found between the Chinese and Western economic systems for foreign trade⁷⁷ did not allow an immediate agreement to be reached and the negotiations continued until 2001 when China asked to participate to the Marrakesh Agreement⁷⁸. Then, the General Council of the Organization transformed the "*Working Party on the Status of the PRC*" into the "*Working Party on China's accession to the WTO*". The task of this working group was to verify that the regulations of the newly formed Organization and disciplines in the sectors relating to agriculture, trade in services (**GATS**), investments (**TRIMS**) and intellectual property rights (**TRIPS**) were respected.

With China's accession to the WTO, the fourth phase of opening up the country begins. However, the agreement reached immediately aroused internal tensions within the Party and perplexity among the various commercial partners of the Organization. Before China officially became one of the Organization's member countries, two Drafts for the Accession Protocol were drawn up, containing the main obligations to be respected. The first draft dates back to 1994, while the second to 1997. Although China had already initiated policies to reenter world trade, member States' distrust was so high that both documents were not approved because of the presence of too many points of disagreement. The disputes were gradually overcome and only after the signing of agreements between China, the United States and the European Union was Dragon's participation in the WTO finally set off.

⁷⁷ The two systems differ in the way of organizing economic life. Western countries favor competition among free enterprises and form a "free market economy." In China, two functionally differentiated and mutually supportive sectors — a state sector and a private sector — form a "guided market economy" to avoid market failures and increase competitiveness in international markets. <https://www.nottingham.ac.uk/iaps/documents/cpi/briefings/briefing-61-chinese-western-system.pdf>

⁷⁸ This is the agreement that sanctioned the birth of the World Trade Organization, which entered into force on January 1, 1995.

However, there were many doubts about China's accession to world trade also within the Chinese Central Government; some Party members expressed their reluctance as they believed that the integration of the Chinese economy would give birth to a new capitalist ruling class that would exploit workers and farmers (Masaharu Hishida 2002, Breslin, 2007). Others considered the relationship between the economic benefits of greater economic integration and the possible political problems arising from being subject to the whims of the capitalist economy dominated by the potential enemies of the Dragon (Breslin, 2007). Undoubtedly, joining the Organization would have favored commercial exchanges by guaranteeing new possibilities for Chinese exporting companies, however it would have been difficult to manage changes in the legal framework, in particular with regards to the introduction of principles such as that of transparency, of non-discrimination, administrative uniformity and judicial control which until that moment had never been taken into consideration by China. Furthermore, we should not underestimate the negative effects that such a change could have, especially in the most backward sectors, and the impact of competition with large foreign companies which, unlike the Chinese ones, could benefit from huge capital.

Considering that China has always shown a certain resistance as regards the acceptance of new values that would affect the integrity of the country, the process of adapting to international parameters took a long time. First, the reforms implemented by Beijing have caused a series of changes in the country's economy by limiting negotiations with other member countries, which considered the Chinese market too unstable to conclude agreements. Secondly, the Chinese Central Government decided to not deviate too much from its line of thought and to maintain its economic system, defined as socialist market economy (*Shèhuì zhǔyì shìchǎng jīngjì*, 社会主义市场经济). The Chinese opening was characterized by a careful organization that aimed to maximize the economic benefit of modernization without changing the political-social structure of the country. Not surprisingly, although the first phase was characterized by a series of incentives to encourage foreign entry, the constraints imposed in the context of investments in the industrial sectors, partnerships with local companies, technology transfer, as well as selective constraints of a tariff and non-tariff nature on Chinese exports and imports, were a clear sign of the intention to keep the economy away from the liberal mold.

Aware of this situation, some member States of the Organization, particularly the United States, feared being harmed by the Chinese opening. Initially, in fact, it was believed that

Chinese accession would favor world trade and encourage China to adapt its legal and economic system to that of other countries. The United States was convinced that, in a short time, the Dragon would complete its process of transformation and adaptation, as evidenced by the words of then President Bill Clinton: *“this is the most significant opportunity to create a positive change in China since 1970 and to make the Dragon abide by the global rules of the trading system”*.⁷⁹ However, it is now clear that Beijing's intention was and is very different from that imagined by the international context and that China's entry into the world trading system has caused few delays in achieving the objectives of the WTO.

In a similar context, the conditions required by the WTO to the Dragon were much stricter than those of the other member countries and provided that the commitments made by the Chinese Central Government were respected within the established deadlines. International partners have insisted on the general regulation of trade and on the reduction of tariffs on import but also on the revision, if not abolition, of all those institutions and policies that prevented access to the domestic market. In addition, China had to improve its legal system, in particular the "rule of law"⁸⁰, which until then was little applied. To do this, it was necessary to strengthen the Courts of Justice and the measures to protect intellectual property rights to favor greater autonomy of companies and to guarantee a more transparent government management. Most of these measures were also implemented due to the pressure to which the Chinese Central Government, having to follow new commercial rules through laws aimed at the impartial regulation of foreign trade throughout the national territory and to adopt the criterion of transparency in the sharing of information, was subjected. However, this path of change proved to be more difficult than expected since, as reported by the working group in charge of the Accession Protocol of China, *"obtaining copies of regulations or other measures adopted by the various ministries, as well as by those of the provinces and other local authorities is particularly difficult (...)"* (Gao, 2018).

For this reason, the WTO has launched a series of specific agreements concerning **the publication requirements**, according to which China must disclose to the Organization

⁷⁹ Tan, Yeling, “How the WTO Changed China: The Mixed Legacy of Economic Engagement”, 2021

⁸⁰ The "rule of law" is defined as the condition in which every person and authority within the state, regardless of whether it is a public or private entity, is bound by the law and consequently benefits from its protections, publicly administered by the Courts.

and its members all laws and regulations relating to trade in goods and services. This notification must take place before the entry into force of these rules, and the relevant information must be immediately available if a member country requests it. To this end, the Dragon had to ensure the regular publication of an Official Journal, with the respective comments attached to collect all Chinese laws and regulations in a single document and to allow WTO partners to access the necessary information. China must also make itself available for the resolution of **points of inquiry** when a private individual, a company or a member of the WTO requests a series of information, which must be available and published within a set period of time. All the rules must also be translated into the official languages of the Organization as the knowledge of Chinese is limited to a few people (outside China) and it has often happened that the translations carried out by foreigners were lacking in accuracy.

Finally, China must develop a Transitional Review Mechanism (**TPM**), an obligation that applies on top of the normal Trade Policy Review Mechanism (**TPRM**) with additional features. For example, there are different bodies in charge of conducting reviews: the Trade Policy Review Body is in charged for the normal TPRM, acts as a separate body according to the TPRM Agreement but in practice is the General Council exercising the function of trade policy review; while the General Council and WTO subsidiary bodies are in charged for the transitional review under the mandate covering China's commitments under the WTO Agreement or (Accession) Protocol. (Gao, 2018)

The Chinese government, in response to WTO requests, has undertaken to revise national rules and laws for trade with the aim of making them more consistent with international ones. For example, Beijing has changed its product quality regulations to improve its standards and to focus more attention on counterfeiting in the Chinese market⁸¹. With the aim of creating a certification system useful for both the domestic and foreign markets, laws relating to the inspection of consumers' products and goods have been implemented. At the same time, government bodies were established to strengthen the regulatory capacities of the entire country, including the aforementioned General Administration of Quality Supervision, Inspection, and Quarantine (**AQSIQ**) which was responsible for the elaboration, modification or abolition of standards compliant with those required worldwide.

⁸¹ i.e. the introduction of rules for the protection of intellectual property.

Foreign companies were immediately able to benefit from the new Chinese policy, thanks to the reduction of internal bureaucracy and the obligations concerning the aforementioned principle of non-discrimination. However, while foreign capital was useful, if not necessary, to ensure the country's growth and greater internal competitiveness, resistance from those operating in SOEs was quite strong due to fears that foreign investment and presence of foreign companies on Chinese soil could damage the domestic market. If, on the one hand, joining the Organization has stimulated the opening of the market and the economy, favoring the modification of policies concerning international standards and strengthening institutions with the aim of reducing state intervention, from another it caused resistance that limited the Central Government's commitment to respect the liberalization program, which was not homogeneous throughout the Chinese territory. In particular, while some regional governors have encouraged the opening up process and less rigid regulation for foreign companies, many others, not being directly controlled by the WTO, have found ways to avoid some changes. Ultimately, the Dragon managed to meet most of the terms of membership, ensuring greater legal protection and reducing administrative costs. Consequently, it has provided for the reduction of tariff rates on foreign imports and the elimination of various non-tariff barriers, promoting trade in all sectors, including the agri-food one.

With the administrative change that took place in 2003, the reforms began to lose consensus and the government relied on a renewed state policy. This is due to the fact that the two new leaders, President Hu Jintao and Premier Wen Jiabao, were too embedded in the bureaucratic system to continue to act in the interests of trade liberalization. Despite this, in 2004 the new *Foreign Trade Law*⁸² came into force, replacing the previous legislation of 1994, considered inadequate to the current situation, and opening trade sector to foreign investments. The failure of the negotiations foreseen in the 2006 Doha Round in Geneva also contributed to slowing down the reforms; participating countries failed to agree on agricultural subsidies and import taxes, highlighting tensions within the WTO. As a result, Beijing's industrial policy agencies strengthened their position by preventing liberalization, promoting Chinese independence from foreign technology and increasing the country's protectionist measures.

⁸² The previous Foreign Trade Law of 1994 did not guarantee adequate coverage to foreign companies entering the market. Therefore, it has been integrated with various legislative provisions.

This is one of the reasons why China managed to be marginally affected by the economic crisis that hit world markets in 2008 and has instead become the leading exporting power. Beijing's decision to increase state control and to intervene at the fiscal level was essential to avoid the collapse as had happened in other member countries. As a result, there was a progressive strengthening of power until the appointment of Xi Jinping as President of the PRC in 2012. At the same time, thanks to the audacious Belt & Road Initiative, state investments, especially in infrastructure, have grown faster compared to foreign ones. However, the so-called "China effect" has slowed since 2016, due to the new policies aimed at reducing dependence on foreign markets and to the idea of moving part of the international production processes, to which the Dragon in the past participated, inside the country. For this reason, the Central Government created local production chains in those sectors in which it was losing competitiveness, whilst slowing down and increasing the regionalization of trade. In summary, despite China having entered into a series of agreements with numerous foreign countries, internal reform seems to have suffered a setback.

2.1.1. The economic and social implications of Chinese participation to the WTO

Joining the WTO allowed China to carry forward its idea of market liberalization, while facing a series of challenges that would have irreversibly transformed the country. As we have seen, opening up policies (*gaige kaifang*, 改革开放) implemented by the Central Government had to be accompanied by administrative, legal and economic reforms that could favor the China's growth. Beijing was committed to comply with the obligations that made it possible to achieve its objectives, including the creation of a market in which the State would not interfere in the exchange processes between producers and consumers. But what were the internal implications? The implementation of the reforms has favored not only trade but also the development and economic growth of the whole country. China's per capita gross domestic product (**GDP**) between 1978 and 2020 has only grown. The country has moved from being one of the poorest and most isolated economies in the world, with a per capita GDP of only \$156, to be one of the world's superpowers with a per capita GDP of over \$8.830 and according to some data, today the purchasing power of an average Chinese citizen is of \$16.000.

In the first years following the reforms, GDP grew to reach +13.5% in 1985, and then suffered a sharp slowdown (+3.9%) in 1990 due to the internal political situation. In the

early years of the twenty-first century, Chinese growth remained constant, until it surged in 2005 (+11.3%), but especially in 2007 (+14.3%). However, the 2008 economic crisis had an impact on the Chinese economy and GDP limited itself to losing almost five percentage points, settling at +9.6%. This probably happened because Beijing decided to intervene through the implementation of a \$586 billion economic incentive package, with the aim of financing infrastructure and easing monetary policies to increase bank lending. This type of intervention has allowed China to counter the effects of the fall in demand for Chinese products (Morrison, 2019).

Despite the growth in 2010 being quite good (+10.6%), the following years saw a decline in GDP which reached +6.9% in 2015. In recent years, also due to the trade war with the United States, Chinese GDP growth has never gone beyond +6%, so much so that the same result was expected for 2020, but due to the Covid-19 pandemic, Chinese GDP only reached +2,3%. However, it should be specified that in 2020 China was the only world economy to see growth. Many economists are convinced that there are two factors that have developed simultaneously, increasing the efficiency of the Chinese economy and contributing to the growth of the Dragon: large-scale capital investment (achieved through domestic savings and foreign investment) and rapid productivity growth (Morrison, 2019). The high rate of savings generated mainly by State Owned Enterprises has allowed the country to support the established level of investment, while reforms and low labor costs have attracted foreign capital flows which have been a great resource for economic and trade development, boosting Chinese productivity. In this regard, it should be pointed out that China had the ability to reallocate economic resources in more productive sectors, including agriculture, services and trade, becoming the so-called “factory of the world”.

To these two factors exports must be added, as their increase was significant also thanks to the fact that some products' costs were certainly lower if compared to those of other countries. Compared to 1979, when Chinese exports were worth \$9.20 billion, the value of exported goods reached \$2.655 billion in 2018 (World Bank), while imports of goods rose from \$10.56 billion to \$2.548 billion. In particular, from 2000 to 2008 there was a constant growth in exports and imports, which was followed by a significant decline resulting from the global financial crisis; this did not, however, hinder the process that led the Dragon to become the first exporting country globally. Since 2010, therefore, Chinese trade has started to grow again and in 2014 exports reached the value of \$2.462 billion, while that of imports was \$2.241 billion.

Between 2015 and 2016 there was a slight decline in both exports and imports, which have started growing again since 2017. In just a few years, the rapid growth of trade flows has allowed China to become one of the largest, if not the largest, trading partner for many countries including South Korea, Japan, Hong Kong and Taiwan, the nations that make up ASEAN, the United States and the European Union. And as reported by a recent BBC article⁸³, due to the recent Covid-19 crisis, China has overtaken the United States as the first partner of the EU.

The opening up and transformation of China on an economic and commercial level also had implications on a social level, since the growth of the country has contributed to improving the conditions of a large part of the population. The fact that both political and economic systems have adapted to the global context has favored social transformation and urbanization and, last but not least, a change in national consumption.

2.1.2. The development of the Chinese middle class, urbanization and the evolution of consumption

Since 1978, China has undergone a social transformation that can be divided into two phases. The first between 1978 and 1992, during which the liberalization of private companies allowed the enrichment of a few in a short period of time; the second between 1993 and the present day, during which the transition from a planned economy to a market economy was finally completed. Although China's economic growth since the 1980s has lifted millions of people out of poverty, China's development has not been homogeneous. One of the best Chinese economists, Fan Gang⁸⁴ (2002: 3), reports:

“One of the characteristics of China, then, is that there is a plurality of problems. China is both a developing country and a transitional economy, and the problems of both categories are intertwined and limited to each other, which makes them very complicated. All this, together with a population of 1.3 billion and a vast territory, has made China the first country in the world in terms of bad loans, unemployment and probably also the

⁸³ BBC, *China overtakes US as EU's biggest trading partner* (2021)

⁸⁴ Fan Gang is among the main supporters of Chinese reforms. He is director of China's National Economic Research Institute (NERI) and secretary general of the China Reform Foundation, China's first economic think-tank. Between 2006 and 2010 he was a member of the Monetary Policy Committee of the People's Bank of China and is currently a highly respected advisor to the Chinese central government on economic reform and strategic development

income gap (...). As one realizes the difficulty of China's problems, it becomes evident that they cannot be solved in a short period of time."(Fan Gang, 2002; Breslin, 2007)

Individual disparities have actually grown, contributing to increasing the concern of the population. Inequality can be seen mainly as the result of that rapid development that has allowed only few people to exploit the benefits of the new economic market and to increase their income. At the same time, it should not be underestimated that there are different property rights regimes in China for rural and urban families that imply unequal access to capital (Kroeber, 2016). In particular, the problem of the income gap still represents one of the most important challenges of the Chinese Central Government. As a matter of fact, despite the considerable growth in per capita income of both the urban and rural populations between 2000 and 2020, a substantial gap remains between the two different social realities and this constitutes a problem that the Chinese government has faced over the years.

Although President Xi Jinping announced last year, the end of absolute poverty in China, the problem of internal inequalities is still open and current, and it can be seen especially if we analyze the different lifestyles of those who live in the cities defined as first level (Beijing, Shanghai, Guangzhou, Shenzhen)⁸⁵, compared to those who live in those of the fourth level (currently growing) and even more when compared to those in rural areas. The most striking example of this inequality is given by the different value of the per capita GDP generated by the various Chinese provinces. The areas with a higher per capita GDP correspond to the coastal provinces, precisely where the aforementioned SEZs have been established. It is clear that, while in urban areas the value of per capita GDP is very high, in rural areas growth is more contained, due to the fact that they are among the poorest areas in China. For this reason, the Chinese government has given priority to interventions aimed at reducing poverty, adopting a series of measures to promote transfer and job placement, which have encouraged the phenomenon of urbanization. First of all, the

⁸⁵ To which 15 new cities must now be added: Chengdu, Chongqing, Hangzhou, Wuhan, Nanjing, Tianjin, Suzhou, Xi'an, Changsha, Shenyang, Qingdao, Zhengzhou, Dalian, Dongguan, Ningbo. The division of cities is based on the number of inhabitants, the type of administration and the GDP produced.

increase in wages for many workers and the relaxation of policies on family registration (*hukou*, 户口)⁸⁶ and restrictions on the free movement of the population.

The Chinese population currently numbers over one billion and four hundred million inhabitants. From the opening of China to international markets to present days, there have been phenomena of internal mass migration that have led a large part of the population to abandon their cities of origin to reach areas where they can find employment opportunities that would guarantee a better lifestyle. If the level of urbanization up to 1978 was less than 20%, in 2010 about 50% of the population lived in urban areas and in 2019 the percentage has risen to reach 60% (Source: Statista). This trend is destined to grow as the transformation and expansion of new cities is underway with the aim of accommodating the continuous flow of migrants. Therefore, it is evident that urbanization and growth in per capita income are to be considered as two closely related forces, capable of promoting social change and, above all, the birth of the Chinese middle class which has been strongly affected by the influence of globalization and consumerism. The latter has had a significant impact, since it has become the main means through which the emerging class has identified itself and has been recognized on a social level (Cheng, 2010).

Among the policies implemented by the Chinese central government to encourage domestic consumption, those aimed at increasing the wages of many groups of workers, thanks to which the annual income rose from 625 Yuan (1978) to 9,371 (2000)⁸⁷, proved to be fundamental. To these are also added the policies aimed at improving working conditions as a result of the greater awareness of workers regarding their rights. In this scenario, the middle class plays an increasingly important social role. Useful information to understand what the social developments were, is the growth in the percentage of people belonging to this class: up to 2000 it had only 3% of the population, while in 2018 it reached 50%.⁸⁸ According to a study conducted by the consulting firm McKinsey&Company, this number is expected to grow: it is projected that 76% of China's urban population will be in the middle income bracket by 2022 (Barton et al., 2013).

⁸⁶ Family, hereditary registration system, which classifies each individual, from birth, on the basis of origin (rural or urban), address, profession, ethnicity and religion and which binds the person to the place of origin as regards access to essential services.

⁸⁷ Li, Cheng, *China emerging middle class, beyond economic transformation*, Brookings Institution Press, 2010

⁸⁸ Data available on: : <https://chinapower.csis.org/china-middle-class/>

As regards consumption habits of those belonging to the middle class, it should be pointed out that with the passing of the years and the greater economic possibilities, the consumption of goods and services has become more and more homologated. Undoubtedly, the Chinese opening has also proved to be decisive for the accessibility to those products that were not present on the Chinese market until a few years before and which, more recently, have become a real status symbols. With the arrival of the new century, the consumptions have increased considerably and they are oriented towards the search for a comfortable lifestyle, most often synonymous with the concept of financial wealth. But social contrasts still remain quite evident and have an impact on the type of approach to consumption, including those relating to the imported agri-food sector. Consumption is usually much higher in cities than in the countryside because a large part of the Chinese population living in an urban context has greater access to and information on products from abroad. The millions of consumers who live in rural areas, on the other hand, do not feel the need to buy non-traditional products, so to speak, also because they do not receive information about it.

Chinese society has certainly changed over the last few decades to the point that the new generations seem to prefer foreign products over national ones, giving much more importance to the quality and health that they associate with eating habits. Many of the quality standards of the Chinese consumer find an answer in the Made in Italy agri-food which has a good reputation in China thanks to the efforts made for its promotion. The majority of consumers attentive to the well-being associated with the quality of products mostly live in first- and second-tier cities. In these areas, the income bracket is medium to high, so the average expenditure for food consumption reaches good levels since the willingness to buy is high. To understand why the consumption of foreign agri-food products, in particular Italians, has increased more recently than in the past, it is necessary to analyze the main factors of this trend.

2.2 Made in Italy agri-food exports to the world

According to some economists, there are some positive outcomes which resulted from the development of global trade, such as the global economic growth, the growth in total income and per capita income, the increase of exports and the structural changes induced by the opening up to trade. In an analysis conducted by Anna Carbone, three phases have characterized global trade, especially with regards to exports flows. The first one concerns

the period between 1996 and 2001, in which the growth of exports was still weak, despite the bilateral agreements on trade within WTO members that have already favored the processes of trade liberalization. The second phase, which goes from 2001 to 2006, was characterized by a more stable growth of exports caused by the acceleration of the world economy, and especially of emerging markets. The third phase started in 2007, and is characterized by a certain global instability linked in particular to the expansion of emerging markets, which put the entire economic and financial system in difficulty. This situation led to the financial crisis of 2008 and 2009, which has completely changed the structure of world trade, both in terms of trade composition and destination markets.

As for destination markets, new emerging countries now have a greater weight than most industrialized countries and this has caused some changes in the group of the largest exporting countries. China occupies the first place, followed by the United States and Germany. It is therefore clear that international trade has also been strongly affected by globalization and how it has changed the world economic geography. The new emerging markets began to have a greater weight than that of the more industrialized countries, consequently, the export destination markets have changed and companies have had to deal not only with local but also international competition. In fact, factors such as economic growth, political stability and the degree of openness to the international market have an impact on exports which, not surprisingly, are the reason for changes in the style of consumption and in the domestic demand for foreign products, especially in emerging countries.

International trade has always been fundamental for the Italian economy; exports have been the driving force behind our production system, allowing some companies to survive and others to establish themselves internationally, while imports have compensated for the lack of raw materials and energy resources. Italy has clearly benefited from economic integration with Europe and with the rest of the world, and we can say that global trade and the internationalization of production processes have supported the turnover and profits of our companies, especially in times of domestic or international crisis. The Italian economy, therefore, is widely interconnected and occupies an important position in the World Trade Organization. It is clear that the development of emerging countries is causing our country's model of specialization, whose strengths lie in traditional production and relatively high-intensity labor, some difficulties.

To face the competition from emerging countries, it was not enough to act only on the price variant, it was necessary to emphasize the development of production in those sectors where know-how is of strategic importance. In this scenario, the *Bel Paese* has therefore decided to focus on innovation of the traditional sector, focusing on design, reliability, quality of raw materials and of various components and, last but not least, on good taste. Specifically, in addition to the manufacturing sector, we also refer to the agri-food sector whose impact on the Italian trade balance makes it one of the most important for our economy. Italy is currently positioned in eighth place among exporting countries, a good result if we consider that in 2013 it had even dropped to eleventh and occupied a market share of 3% (SACE). Compared to previous years, total Italian exports in 2013 faced a crisis situation, due to various factors.

According to a report provided by INEA (2014), while on the one hand the domestic demand of emerging countries increased, that of the more advanced countries, the main destination for our exports, was fading due to the financial crisis of 2008. It is no coincidence, in fact, that in 2013 there was a reversal in the ratio of world GDP, due to the growth of emerging economies which benefited from flows of foreign capital. In addition, the increase in the prices of imported raw materials has had a significant impact on the prices of Italian exports, with the consequent reduction in requests. Finally, it should be noted that the companies that make up the economic fabric of our country are mostly small or medium-sized and not all of them have the economic means to expand abroad. This can be very limiting, as it does not allow companies to fully exploit the possibilities of more distant markets, such as the Chinese one.

However, it should also be emphasized that the role of the agri-food sector has instead strengthened, both for imports and for exports (INEA, 2014). In fact, in addition to the total trade balance, which became positive in 2012, the balance of the agri-food sector also shows some improvement between 2012 and 2013. It must be said that changes in the geography of trade go hand in hand with changes in the composition of world agri-food exports. Based on these considerations, if for Italy the main destination market for agri-food products was the European Union, after the 2008 crisis, export quotas began to occupy new markets. Traditional Made in Italy has therefore decided to focus on the emerging countries with the aim of increasing exports of high quality products. It is no coincidence, in fact, that in recent years exports of Italian agri-food products to the Chinese

market have grown at an average annual rate of +17% in relation to the diversification of consumers' needs and the greater interest in foreign products.

The agri-food sector has played a very important role in the consolidation of Made in Italy at an international level. What is meant by Made in Italy? Giving a definition is rather difficult as often the concept of "made in" is linked to the origin of the product, or to the place of its transformation process. However, we could identify Made in Italy as a real brand, appreciated by the majority of consumers, which concern agri-food products and other consumer goods. De Filippis (2013) has identified the Made in Italy agri-food industry as one of the most robust and dynamic components of Italian exports. The Italian food heritage is characterized by a differentiated portfolio, with a wide range of typical products. These are recognized all over the world for their quality, in organoleptic terms and image, but also for their characteristics and constant innovation, which makes them able to meet the demands of consumers. In fact, today Italian companies focus on product differentiation with the aim of positioning themselves on the market and to do this, they can choose two paths: pay extreme attention to the achievement and maintenance of quality standards, or devote themselves to the trade of those products that already have noteworthy intrinsic characteristics and which create real market niches.

Quality is the element that allows Made in Italy products, including those of the agri-food sector, to maintain certain competitiveness on the international market and to place these products at a different level than goods from other countries that belong to the same product category. Qualitative competition is based on the consumers' willingness to buy good A over good B, at a lower price, as its characteristics satisfy needs and desires to a greater extent. In this case, we speak of vertical differentiation since the objective characteristics of the product prevail and not the subjective ones (horizontal differentiation). For this reason, products exported from Italy, geared towards an evolved consumer, attentive to quality and emotional value, are able to compete with the products of more developed competitors by operating in niches protected by countries with lower costs. (Confindustria)

In this regard, a distinction must be made among agricultural products, whose characteristics are due to the production area, processed products and those of the food industry that most of the time requires a good amount of imported raw material to be able to meet demand. The first group consists of rice, fresh fruit, fresh vegetables and nursery

products; the second includes bottled and bulk wine, processed tomatoes, cheeses, cured meats, fruit juices, prepared vegetables and fruit, olive oil, vinegar, essential oils and mineral waters; while in the third we find pasta, baked goods, cocoa-based confectionery products and ice cream.

The definition of Made in Italy must also take into consideration the geographical indications that in Italy are identified with the PDO, PGI and TSG⁸⁹ labels for food products; DOC, DOCG for wines. Geographical indications represent a guarantee for the consumer as they allow identifying the quality and healthiness of the product but also the entire production and transformation process, highlighting its traceability. Italy currently has 314 products and 526 certified wines; the sectors with the highest number of awards are fruit and vegetables, cereals, cheeses, extra virgin olive oils and meat preparations (cured meats and so on). The "Traditional Products" (Ministerial Decree 350/1999) are also part of the Made in Italy products, which are considered as such as *"their methods of processing, conservation and seasoning are consolidated over time"* (Art. 1. Decree 350/99) and therefore have a traditional nature. The 21st revision of the list of traditional agri-food products includes 5,492 specialties, which are mainly divided into pasta and baked goods, vegetables, meat and cheeses. Therefore, Made in Italy agri-food brings together all those products that somehow recall the idea of Italianness and that have such a link with the territory as to be appreciated on the international market.

By taking into consideration the exports of Made in Italy, it is necessary to mention the sophistication index. When we talk about sophistication we are referring to a concept that designates a set of corporate characteristics in goods, such as technology, design, the different quality attributes and the degree of diversification, on the type of competition in a certain market and the level of profitability (De Filippis, 2013). These indicators help to understand in what type of market a country competes for a given product, and the potential of the same as regards the remuneration capacity. According to the level of sophistication, each product has a different international position. In the case of Made in Italy, the sector presents good opportunities and has achieved certain competitiveness in foreign markets. Statistically, the products that have a strong national identity, a high quality level and a solid reputation are wine, grated cheese, roasted coffee, pasta, various baked goods, extra virgin olive oil and sauces. Italy's ability to compete on increasingly

⁸⁹ Traditional specialty guaranteed

sophisticated markets is also given by the cultural heritage that is now recognized and valued around the world.

In the analysis of exports of Italian agri-food products, another aspect to consider is the distance factor which constitutes a limit for companies wishing to export agri-food products, in particular, easily perishable foods. Technological innovation has certainly remedied this type of problem, as it has favored the development of systems useful for the cold chain. In this way it was not only possible to overcome the seasonality of the product, but also to create higher hygiene and safety standards. Exports have also benefited from the reduction of tariff and protectionist barriers, which have favored not only changes in supply, but also in demand, creating common socio-economic dynamics and facilitating the entry into the world trade scene of new countries. Globalization and integration have changed the concept of distance not only geographically but also culturally, above all because they have favored the standardization of tastes and food convergence (De Filippis, 2013) and greater segmentation for those products that are perceived by consumers as characterized by added value. The destinations of Italian exports have also changed compared to the past and, although the member States of the European Union are still the main destination markets for Italian agri-food products, foreign demand in recent years has come from an increasingly wider group of countries, including China.

According to the De Filippis studies, in the specific case of Italy the distance index, which indicates the value of exports to a country compared to the total, showed that Made in Italy products cover a greater distance than that of other agri-food products, thanks to their international recognition. This has allowed Italian agri-food products to intercept foreign demand and our companies to position themselves on increasingly distant markets. From this point of view, China represents an excellent opportunity for the development of the agri-food sector, as it represents a constantly growing market.

2.2.1. Opportunities and challenges for Made in Italy agri-food in the Chinese market

Trade flows are also supported by bilateral agreements, which intend to favor liberalization and to facilitate market entry in a specific country. These understandings have become an increasingly important and frequently used policy instrument to establish and intensify close trade relationships, as countries grant each other trade privileges in terms of concessions on trade barriers, including reductions of tariffs and quotas, as well as easing

of market access and of competition provisions (Maluck et al., 2018). In recent years, relations between Italy and China have been given particular impetus, thanks to the numerous agreements stipulated between the two countries, which have also favored collaboration in the agri-food sector. Italy's prompt response to participation in the AIIB and the Belt & Road Initiative has enabled greater communication and the development of mutual business opportunities. In this context, it is clear that the activities linked to exports of Made in Italy agri-food have also benefited from a significant boost. According to Confindustria⁹⁰, China is the first country for Italy with an exploitable potential of 3.3 billion Euros of additional exports, mainly due to the size of the market. Therefore, it is important for companies to understand what the dynamics of the Chinese market are, in particular from an economic but also a cultural and regulatory point of view.

Italian agri-food products, especially some food categories, have to follow many procedures and have to obtain the authorizations prior to being admitted to the Chinese market. In particular, the 2013 Amendment of *Food Safety Law* has caused significant changes within the food safety system and has highlighted the need for new institutional agreements. Chinese authorities have emphasized the importance of scientific data for the definition of product standards, with the aim of preventing any kind of risk or harm to the detriment of consumers. While maintaining a high system of control, more recently, the Central Government has nevertheless tried to simplify the internal bureaucracy, which has encouraged Italian companies to both explore the market and to increase exports. However, it is not possible to affirm that the Chinese context is of simple management and this is also evident by registration, certificate and labeling requirements and by the non-immediacy of the first economic results.

According to some scholars, many Italian companies believe they can face the market by investing little, without analyzing the potential risks or needs of consumers. Their knowledge of the Chinese system is limited and, generally, it is the main cause of market exit. Trade flows were also favored by economic factors and, as we have seen in subparagraph 2.1.3, the average income growth of families in recent years, due to the development of the country, is one of the main causes of socio-demographic changes in China. The improvement of the conditions and living standards of the population may be directly linked to food consumption: the higher the income earned by a family unit, the

⁹⁰ Confindustria is the main association representing manufacturing and service companies in Italy, with over 150,000 small, medium and large enterprises.

higher the percentage spent on food purchase. It is no coincidence, in fact, that China is currently the largest importer and consumer of food and agricultural products.⁹¹

As for the cultural context, it is possible to state that changes in food consumption, both in terms of quality and quantity, due to the growing purchasing power of consumers and globalization, have also favored the trade of Italian products. The growth of imports of foreign agri-food products in China is constant and due to some factors: first, the different scandals related to food safety and the growing attention to products' quality, as we could notice when analyzing the regulations governing food safety and traceability. Second, there is a greater tendency to consume this type of products in "Western" restaurants, particularly in coastal areas, demonstrating that food is no longer synonymous with nutrition, but also of conviviality and experience. Finally, the status symbol generated by the consumption of food from abroad must be taken into consideration as Italian agri-food products in the Chinese market are aimed at a medium-high segment of the population, characterized by consumers strongly influenced by Western habits. This, together with the diversification of the offer, affects the growth rates of consumption, which over the last few years have become high especially for meat, dairy products, fish, olive oil, pasta, confectionery and ready-to-eat foods (De Pin, 2013).

Italian cuisine in China has received a lot of praise and, thanks to the evolution of domestic demand, especially among the younger generations, it is able to satisfy even the most complex needs. For this reason, Made in Italy has good development potential within the Chinese market, a promising reality also due to the vast pool of potential consumers. The growth opportunities for the Italian agri-food sector on the one hand have to do with the opening of the market, characterized by the reduction of customs duties, the liberalization of consumer trade, foreign direct investments and the modernization of retail distribution. On the other, they concern the trust placed in food safety, in the ingredients used for the production of healthy and quality food and consumers' new lifestyles that require more variety, modern packaging, freshness, convenience and superior nutritional values (De Pin, 2013).

In addition to the opportunities, Italian companies must also take into account the challenges of the Chinese market, which especially concern logistical problems that are still the reason for many limitations. In fact, local distribution channels are not sufficient

⁹¹ In 2019, imports of these products reached US \$ 90.8 billion, with an annual growth of 23.4%.

for an adequate distribution of products throughout the market and, although the Chinese authorities have invested heavily in infrastructure development, foreign companies still struggle to find the right channels to enter the country. Furthermore, the presence of Italian products is mostly reserved for the Ho.Re.Ca channel and not for the Chinese large-scale retail trade (GDO), where it would be necessary to increase the presence of Made in Italy by promoting the Italian gastronomic culture, which lays its foundations in tradition, dear to Chinese consumers. In recent years, the Ministry of Foreign Affairs and International Cooperation, together with other specialized bodies in the field of international exports, have engaged in the foreign promotion and internationalization of Italian companies, especially for small and medium-sized enterprises (SMEs), which constitute the backbone of the economy of the *Bel Paese*.

2.3. The internationalization of Italian SMEs

Internationalization processes also lead to the increase of Italian agri-food exports and of the competitiveness of companies on the global arena. The industrial structure of Italy is mostly characterized by small and medium-sized enterprises, whose specialization model is high and most of the time shared. Thanks to their small size, Italian companies are able to be particularly dynamic and to respond to external stimuli in a short time, while maintaining their traditional approach, which is becoming increasingly obsolete. In particular, after the financial crisis of 2008, a series of problems related to the structure of Italian business activities, as well as to the weakness of the country's macroeconomic framework (SACE), have emerged.

The companies of the *Bel Paese* are often inadequate to face a constantly changing world where they have to deal with the development of emerging countries, which occupy greater market shares, but also with advanced countries that offer diversified and innovative options. The growing competitiveness of European SMEs, in fact, has caused the need to find new market destinations and to develop new entry strategies, which have proved to be fundamental for the development of our businesses. Usually, these strategies are based on internationalization processes which, given the progressive opening of the markets, have intensified and now constitute a real integration system. Once again we must refer to the agreements within the World Trade Organization, which through the introduction of new policies for the reduction or elimination of tariff barriers or through the use of financial incentives have permanently modified international trade. At the same time, emphasis must

be placed on the development of globalization which has taken on economic, but also political, social and cultural meanings. From a social point of view, the birth of a new type of “global” consumer has undoubtedly constituted a real turning point as the specialization of certain sectors, in some cases, guarantees a competitive advantage.

Internationalization has therefore become necessary to ensure the success of a company and its permanence on the market. It is a process that is based on the performance of one (or more) activities through which companies open up to new foreign markets, with the aim of establishing relationships with companies, institutions and consumers in that territory. It occurs when a company produces, exports or sells its products abroad, creates alliances with foreign partners, seeks new sources of financing or builds production units in foreign countries. The factors that can push a company to expand abroad can be external or internal. External factors are closely related to environmental conditions, which generate risks or benefits for which the company decides to carry out an internationalization process; these are unpredictable situations to which the company usually reacts to avoid losing its market position.

On the contrary, the internal factors are based on the need or the opportunity to exploit the competitiveness acquired in a product category or in a specific sector. In the first case, the intention of the company is to obtain a competitive advantage on a new market; this type of activity requires the use of many economic and financial resources, as well as a good knowledge of partners and market conditions. The main purpose is to find factors that create a competitive advantage capable of guaranteeing savings in production costs or greater access to raw materials. In the second case, the company can decide to exploit an already acquired competitive advantage by changing the aims of internationalization, in order to find new opportunities on the market, by focusing on the promotion of those products or brands that are already well-known. From this point of view, the company can develop diversification strategies to reduce risks, specifically if we refer to those particularly protected markets.

Therefore, it is clear that the company must first understand the type of market in which it intends to expand its business, analyzing political, economic, cultural, demographic and competitive aspects. Based on what emerges from the market analysis, the company must decide on the entry method which includes export activities (direct or indirect), strategic alliances (joint ventures) and finally foreign direct investments (**FDI**), where we

distinguish the minority or majority shareholding (acquisition) and the construction of subsidiaries (branches/sales or production structures). Firms choose the form they deem best suited to the type of market they will be dealing with.

Export is recommended at the beginning of the internationalization process, in particular in contexts where the offer is able to manage the logistical costs of production in the country of origin and when it is important to maintain the advantages derived from the specificity of the country of origin. We refer to direct export in the event that the products of the origin market are sold directly to customers of the target market. In this case, the exporting company manages all export-related activities, which guarantees control over exports but also over the marketing of the product. Direct export can take place through direct sales; the commercial agent, who has the role of intermediary; the foreign distribution channel and finally electronic commerce, i.e. the sale of products through online channels. In indirect exports, it is not the producer who manages the export but the intermediary, which can be a local operator or an exporter who has been operating for a long time in a specific market. Usually this is the method used by SMEs, as the risks are reduced and it does not require expensive investments compared to other entry methods.

However, it is not excluded that SMEs establish strategic agreements such as joint ventures, licenses or franchises, which can accelerate the internationalization process, guarantee access to a greater number of markets, improve their competitiveness or help achieve specific objectives, minimizing risks. Finally, a further means of consolidating the position abroad is given by direct foreign investments which require extensive use of their financial resources and are more suitable in the event that exports have transnational costs, that is to say when the risks of appropriation of resources of the firm are greater. Investments can be intended to create a productive branch or subsidiary, or to directly manage exports. The internationalization process does not only concern multinationals, but also SMEs which in the *Bel Paese* represent a driving force for economic growth. When we talk about SMEs, we refer to a type of business that is classified by the European Commission in the European Union Recommendation (2003) based on economic criteria such as the workforce and turnover achieved or the total annual budget. The Article 2 of the document states:

"The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises with fewer than 250 employees, whose annual turnover does not exceed € 50 million or whose annual balance sheet total does not exceed € 43 million Euros" ⁹²

Specifically, a company is defined as a micro-enterprise if it has fewer than 10 employees and the total annual turnover or annual balance sheet not exceeding 2 million Euros. We speak of a small business if the number of employees is less than 50 and if the total annual turnover or annual balance sheet does not exceed 10 million Euros. Finally, there are medium-sized enterprises that have fewer than 250 employees and whose total annual turnover does not exceed €50 million or the total annual balance sheet does not exceed €43 million. In numerical terms, according to ISTAT data, in 2019 Italy had over four million companies, of which 95.05% of the total is represented by micro-enterprises, 4.86% by SMEs and 0.09% by bigger enterprises.⁹³ As far as productivity is concerned, Italian SMEs generate a value per employee of approximately 53 thousand Euros, higher than the European average of 48 thousand Euros.

This type of business has a number of potentials and weaknesses: first of all, Italian SMEs are characterized by good flexibility, also due to the small size of companies, which guarantee greater ability to adapt to market conditions. Secondly, companies of this kind are able to innovate the product more easily thanks to their specialized knowledge, which allows them to enter those markets where differentiation is given great emphasis. However, compared to large companies, SMEs often encounter limitations in developing their business as they have few financial resources. In addition to this, there are various difficulties concerning internationalization processes such as the *liability of foreignness* (Hymer, 1976; Nanut & Tracogna, 2003), i.e. all the knowledge and skills acquired in the domestic market, which, not being suitable for the international context, constitute a real obstacle to extension of its business, or the *liability of newness* that involves risks and challenges due to the new environment in which the company will enter (Stinchcombe, 1965; Nanut & Tracogna, 2003). For these reasons, the internationalization of Italian SMEs is mostly linked to export activities, which, although not a low-risk activity, prevents them from having to face further difficulties in implementing an effective entry strategy in more complex markets.

⁹² European Commission, Raccomandazione Unione Europea 2003/361/CE

⁹³ Census of Italian companies, data available on:

http://dati.istat.it/Index.aspx?DataSetCode=DICA_ASIAUE1P# (last accessed 25/07/2021)

According to Grandinetti e Rullani (1996), Italian SMEs have a "natural" relationship with internationalization, since their niche skills can be enhanced simply through a worldwide extension of sales. This also applies to the agri-food sector, which can exploit the concepts of Made in Italy and territoriality to obtain a good positioning and to generate market niches with an international extension. Although the structure of the Italian agri-food chain is still rather unbalanced, it is a sector that constitutes a pillar for our country because it is recognizable and it has unique characteristics.

The ability to extend Italian food & beverage has allowed many companies in the sector to maintain their position in the market or to grow, gaining a further competitive advantage. As we have already seen, the most critical moment for the whole sector concerns the period of the crisis, which represented a turning point. Agri-food companies may either adapt to market changes by developing renewal strategies that would guarantee survival, or remain strongly anchored to their own idea of the market, with the risk of not being able to bear the costs. With a view to promoting and creating added value, the aforementioned "made in" has had a positive impact on internationalization activities, as it summarizes the image of a country and ensures that the products are immediately recognized.

The universal exhibition in Milan (Expo 2015) played a fundamental role in promoting Italy and its food and wine culture as well as favoring the internationalization of many SMEs, including those in the agri-food sector. On this occasion, during the Italian-Chinese Forum for cooperation in the agri-food sector, an agreement was signed between the China Council for the promotion of International Trade (CCPTI) and the Italian Trade Agency ICE which also included negotiations on olive oil and citrus fruits, which have given a boost to the trade of these goods in the Chinese market. More recently, ICE reached a Memorandum of Understanding with the Chinese B2B platform Alibaba.com for the creation of a "Made in Italy Pavilion", i.e. a section dedicated to Made in Italy companies and products, through which SMEs can take advantage of the possibilities of internationalization and obtain greater visibility in the market.

The Dragon represents a great challenge for many companies in a world increasingly open to commercial exchanges and subject to greater economic volatility than in the past. Therefore, these agreements become useful tools for companies to identify opportunities for internationalization or sales abroad. In Italy, among the various agencies that deal with helping this type of activity, it is necessary to appoint SACE, an Italian insurance -

financial company specialized in supporting businesses and the national economic fabric through a wide range of tools and solutions to support competitiveness in Italy and in the world. Among the useful tools for analyzing the best opportunities in foreign markets, SACE has developed the Export Opportunity Index, in which China is one of the most promising economies, with a score of 80/100.

The scenario presented so far is useful for understanding how exports of Italian food products to China have evolved over the years. The new tools available to companies guarantee concrete help and make it possible to make the most of the opportunities for expansion in other market.

Chapter 3

Research method and Results

3.1 Research Method

In the previous chapter we have analyzed the consequences of the Chinese open-door policies and of the adhesion of the country to the WTO. In the literature review, we could understand that this was a significant moment, which led to the reintegration of China in global trade and to some important socio-economic transformations which changed the outline of the country. The research has then focused on Made in Italy exports, in particular by taking into consideration the growing impact of international trade on the role played by emerging countries, which are now becoming the main destination markets. However, even if these markets are creating major opportunities, entrepreneurs are facing several obstacles, such as delays in bureaucracy or infrastructural problems, which make market entry difficult. This is the reason why we have also analyzed the importance of the internationalization processes and of the signing of bilateral agreements which can help with the promotion of exports activities and the growth in awareness of foreign products, especially with regards to the Made in Italy agri-food.

Based on these assumptions, in this chapter the research aims to provide some empirical data on the increase of exports of Italian agri-food products in China. My intention is first to evaluate the influence of socio-economic phenomena on Chinese consumers, in terms of consumption habits. Secondly, I will focus on the importance of Sino-Italian cooperation for the Made in Italy agri-food exports. In order to address to the subject, the reports of the Italian agencies ICE, SACE and SAMEST, CREA, ISMEA and the articles provided by Daxue Consulting, McKensey, Deloitte, PwC and by Coldiretti, were extremely useful to have a complete framework of past and more recent years trends. To develop my research I have also used working papers which provided information with regards to the opportunities for the Made in Italy food sector in the Chinese market. The collection of empirical data included the use of the statistics provided by the databases of the Italian ICE agency, ISTAT, ITC Trade map, the European Acces2Markets, the World Bank and OECD. However, considering that the impact of socio-economic phenomena on food consumption in the Chinese society and that the attention given to the Made in Italy agri-food sector is something relatively new, it was challenging finding most current analysis and reviews. Nevertheless, the data collected may reflect trends in the consumption of

some of the most representative food products of Made in Italy and they might be useful to understand how exports to China will develop in the future. Therefore, the present chapter aims to provide an answer to two questions:

Q1: What was the impact of opening-up policies, of the increasing per capita income and of the adaptation to Western tastes on the consumption of Made in Italy in China? How is this reflected on exports?

Q2: Does the increasing demand for high-quality food products lead to the establishment of cooperation agreements and sanitary protocols between Italy and China? Is this evidenced in Made in Italy agri-food exports?

To answer these questions I have taken into consideration the evolution of Italian agri-food exports to China, by focusing only on some traditional products of Made in Italy. The analysis of these, namely dairy products, in particular milk and cheese, pasta, coffee, wine, olive oil, fresh fruit and meat, was the most relevant for the purpose of my research.

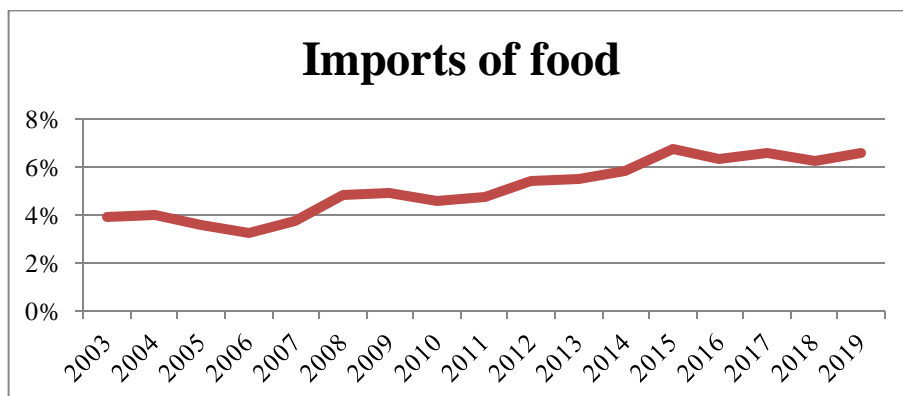
3.1.1. Open-door policies, increase in per capita income and Chinese consumers' adaptation

When speaking about market liberalization, we should not conceive of markets and political authorities as contending and/or separate forces, but rather as part of an 'integrated ensemble of governance' (Underhill, 2000). As a matter of fact, when analyzing China's engagement with the global economy, political authorities were aware that it was necessary to shape the country according to the new emerging and changing patterns of production. Once the process of integration had begun, then if the logic of integration was to be continued, both policy and ideas were increasingly shaped by the need to maintain the growth of inward investment and access to foreign markets (Gill 1995, 2000; Breslin, 2016). As analyzed in the first paragraph of the previous chapter, besides the economic and legal reforms, China has undergone a process of revision of the commercial regulatory framework, which is now more consistent with global trade requirements, by providing incentives to attract foreign investors and companies. These flows of investment have been a major source of China's productivity gains and rapid economic and trade growth (Morrison, 2007), which has led to the country's development. Consequently, the Central Government had then to deal with a huge internal migration which caused the increase in rates of urbanization and a proportion of population to reach

higher living standards. The rising of disposable per capita income led to social transformation and consequently, to changes in consumption, which have become important key factors for trade growth and for the presence of more goods in the Chinese market. As reported by a research conducted by Deloitte, consumption in China is constantly expanding due to:

- a. National strategies of opening-up to the world, which are optimizing policies for what concerns imports (i.e. reduction of import tariffs);
- b. The strong domestic demand, favored by increasing purchasing power and by the reduction of taxes.

Graphic 1 China's food imports from the world 2003-2019 (% Of Merchandise Imports)



Source: elaboration on World Bank data

However, if consumption development initially has interested only first- and second-tier cities, now third-, fourth- and fifth-tier cities are new drivers of growth (Deloitte). As a matter of fact, a McKinsey research shows that recently, the numbers of middle and upper middle-class consumers in these cities and their demands have risen rapidly. Therefore, the Chinese government started to develop infrastructures also to reach these consumers, allowing foreign companies to expand their market. The result was the increased accessibility to and interest in imported food, especially for those high-end and quality products, with specific added value. As a matter of fact, Graphic 1 shows that the percentage of merchandise imports has gradually grown, moving from 4% in 2003 to 6.6% in 2019 (World Bank).

Based on these assumptions, it is possible to assert that the opening up policies have not only favored major economic and social stability, but had an impact also on food access, food consumption and on Chinese consumer's diet. The Chinese market increasingly

widens with the rise in the standard of living and Italian quality food becomes a matter of fashion, an element which prospects enormous commercial possibilities for the near future (De Pin, 2013). At present, Italian agri-food exports to China concern mostly food industry products and beverage, which in 2020 have reached the value of 371 and of 131 million Euros, respectively (ICE Agency). The following paragraph (3.2) aims to provide some evidence of the impact of the socio-economic transformation of the Chinese market on a specific cluster of Made in Italy agri-food, namely dairy products, pasta, coffee and wine.

3.1.2. Implications of Sino-Italian cooperation on Italian agri-food exports to China

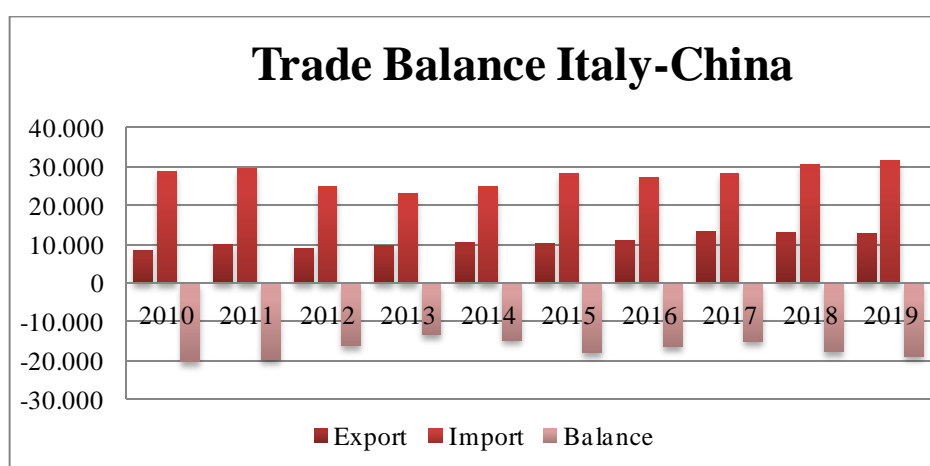
For what concerns the second inquiry, Italy is China's fourth largest trading partner in the EU and China is Italy's largest trading partner in Asia. Since the establishment of diplomatic relations between the two countries in 1970, bilateral economic and trade relations have developed a lot; even if the trade balances between both countries has always been a point of discussion. By looking at some numbers, one year after China joined the WTO, the total Italian-Chinese trade amounted to 10.96 billion dollars of which \$3.96 billion were Italian exports to Beijing, and \$7 billion were Chinese exports to our country. In ten years the incredible increase of the weight of China in world trade has created a deeper asymmetry in trade exchanges. In fact, in 2012, the record trade between the two countries was 42.3 billion dollars; Chinese exports to Italy reached 30.5 billion, while the Dragon's imports amounted to 11.8 billion.

Many efforts had been made to reduce the imbalance between the two production systems and this is highlighted by the growing number of Italian exports that reach China. Bilateral trade was encouraged by some cooperation agreements, which have strengthened Sino-Italian relationship, and by the creation in 2014 of the Business Forum Italy-China platform, which has favored dialogue but also trade opportunities for Italian companies. According to the last report provided by Italian Agency ICE, in the first five months of 2021 Italy was the 18th supplier of the country, with a market share of 1.3%, showing a slight increase if compared to 2019, when Italy was placed in the 23rd position of the ranking of supplier countries of China with a market share of 1%. (ICE Agency)

Despite this, some asymmetries are yet not solved, especially with regards to import/export flows and to other flows of investments. As a matter of fact, by looking at Graphic n.2, we can easily notice that Italian exports are always very low if compared to its imports. The

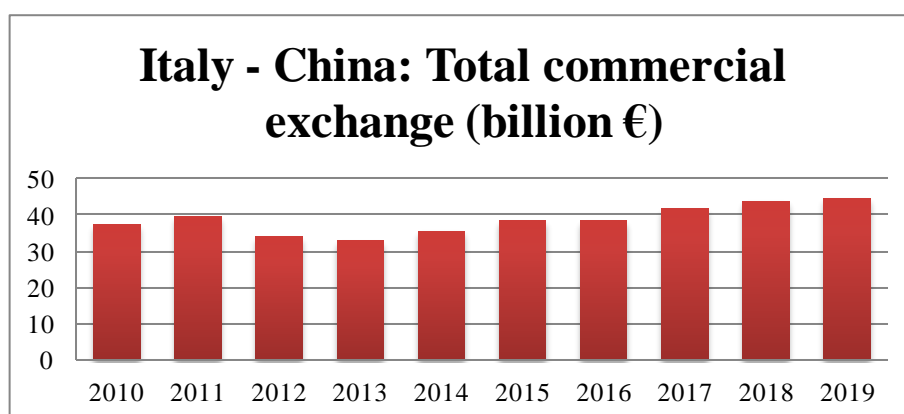
total trade of goods with the Dragon, which is currently the 9th customer country with a market share of 8.7% and the 3rd supplier country for Italy with a market share of 3.1%, represents about 5% of the total value of Italian international exchanges, and in 2019 it has reached about 45 billion Euro (13 billion in exports and 31.4 billion in imports). The Italian trade deficit, in historical series, fluctuated between a minimum of 13.2 billion Euros (in 2013) and a maximum of 20.2 billion (in 2010). According to ISTAT data, in 2019, exports of Italian goods to China decreased by 1.3%, compared to 2018, while imports increased by 2.9%. Therefore, the trade balance deficit has increased to 18.7 billion Euros, for a worsening of over one billion Euros compared to the previous year.⁹⁴

Graphic 2 Trade balance Italy-China in million Euros



Source: elaboration on ICE Agency⁹⁵ data

Graphic 3 Total commercial exchange (billion €).



Source: elaboration on ICE Agency data

⁹⁴ Agenzia ICE, *Scheda paese: Cina*, Report 2020, p.9 available on: https://www.ice.it/it/sites/default/files/inlinefiles/192_SCHEDA%20PAESE%20CINA%20%20aggiorramento%20aprile%202020.pdf

⁹⁵ Data provided by ISTAT and elaborated by Italian Agency ICE. The original data was calculated in Euro.

For what concerns agri-food exports, we have already pointed out that the Italian food and beverage industry is one of the most important and most dynamic sectors of the country's economy. This is reflected by the exports' increase all over the world but especially in emerging markets which are now essential for global trade and for the development of enterprises, including SMEs.

In China, the composition of trade flows varies depending on the year; however, agri-food products imports of the country have shown an interesting trend. In 2010, China's total value of imported Italian agri-food products was 187 million Euros (Table 2), while in 2015 it reached 424 million Euros, showing a gradual increase.

Table 2 Italian agri-food products exports to China (value in million Euro and % share)

Year	Agri-food exports (euro)	Share on total exports from Italy (%)
2010	187	0,67
2011	242	0,79
2012	291	0,91
2013	330	0,98
2014	358	1,03
2015	424	1,14
2016	378	0,98
2017	435	1,07
2018	423	1,0
2019	464.3	1,1
2020	532.2	1,2

Source: CREA elaboration on ISTAT data

According to the agricultural organization Coldiretti, a turning point was the 2015 Milan Expo, which has helped consumers of all over the world to learn more about the gastronomic tradition of the *Bel Paese* and has boosted global exports of Italian agri-food products. Since the beginning of Expo 2015 there has been an increase in demand for Made in Italy agri-food all over the world, including in China where it has registered a +57%. China was the second major investor of the exposition and the country with the largest number of visiting delegations to Milan and to Italy. Many of these representatives

were interested in investing in our country through acquisitions or by creating partnerships, as pointed out by the agreement reached between the China Council for the Promotion of International Trade (CCPTI) and the Italian Trade Agency ICE. Therefore, the world exposition has fostered both Italian and Chinese enterprises by creating meaningful opportunities of development and by enhancing cooperation dialogue in many fields, including the agri-food one.

The growing recognition of Italian agri-food products' quality and the Chinese consumers' adaptation to Western tastes has boosted trade flows and it has favored the signing of bilateral agreements. Moreover, it was given emphasis also to food safety cooperation as Italy has always been considered a role model for what concerns the food industry and food control systems. This might have been the reason that pushed the AQSIQ to sign the cooperation agreement with Mipaaf in 2016: during the Expo period, experts of AQSIQ have visited Basilicata, Calabria and Sicily with the aim of inspecting growing procedures to allow the export of Italian citrus fruits, including Sicilian oranges, to China. These visits have been particularly significant because they led to the approval of the protocol on phytosanitary requirements for the export of fresh citrus fruits (*Guānyú yìdàlì xīnxiān gānjú shū huá zhíwù jiǎnyì yāoqiú de yìdìngshū* 关于意大利新鲜柑橘输华植物检疫要求的议定书), even though the Chinese counterpart requested further investigations to verify the presence of diseases or parasites and other important requirements.⁹⁶

In the same year, Chinese authorities have removed the ban on Italian pork⁹⁷ and later in 2017 they allowed the import of boneless Italian beef from animals under the age of 30 months, on which there was a ban since 2001. Another agreement related to food safety issue was signed in 2018, when the Minister of Health of Italy and the State Administration for Market Regulation of China have signed the already mentioned Memorandum of Understanding on Food Safety Cooperation (*Zhòngyì liǎng guó shípǐn ānquán bèiwànglù* 中意两国食品安全备忘录) with the aim of strengthening exchange experience and knowledge, promoting the formulation of international standards and cooperation projects

⁹⁶ The list of parasites that may cause the rejection or destruction of these products, and the requirements in terms of administration of orchards, packaging, cold-working requirements, inspection and quarantine, phytosanitary certificate requirements, entry requirements, etc. are all available in the Appendix of Nota settoriale, Agenzia ICE: https://www.ice.it/it/sites/default/files/inline-files/Nota%20settoriale%20-%20Procedura%20export%20prodotti%20agroalimentari%20italiani%20verso%20la%20Cina%20-%20Luglio%202019_0.pdf

⁹⁷ The ban was adopted in 1999, because of the lack of compensation for swine vesicular fever.

in the field of food safety. As reported by Art. No.3: “*Both Parties will exchange information on developments on food legislation and inspection practices of importance to food safety and fair trade relations*”⁹⁸, therefore this agreement has helped companies to have a deeper knowledge on export procedures and on the release of required certificates.

Graphic 4 shows that, in 2018, the exports of Italian agri-food products has registered an outstanding growth; in ten years the value of exports to China has tripled, registering a +260%⁹⁹ (Coldiretti) and it is expected to grow even more. Then, in 2019, Italy decided to actively join the Belt&Road Initiative by signing the MoU, which aimed to strengthen the political dialogue, to develop new synergies in transport, logistics and infrastructure, but especially to remove barriers to trade and investment. The agreement was relevant also for the Italian agri-food sector as it enhanced the Sino-Italian cooperation to increase the possibility for companies or investors of both countries to expand their business, by reaching new markets and consumers. As a matter of fact, in that year, Italian agri-food exports to China have reached 464.3 million Euros, with an increase of +20% if compared to 2018.

Based on these considerations, I have wondered whether bilateral agreements have an influence on Made in Italy agri-food exports. To provide and answer to this question, I have focused on the export flows of olive oil, fresh fruit and meat, which have increased especially after the authorization received by Chinese authorities and the consequent signing of cooperation protocols.

3.2. Results: The impact of China’s economic development

3.2.1 Dairy products

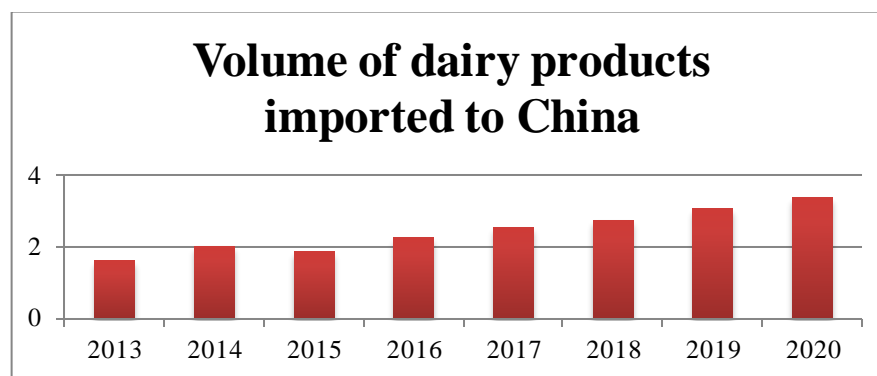
The consumption of milk and cheese is something relatively new for the Chinese population, who traditionally are not used to this kind of products. Graphic 5 below evidences that China's import of dairy products has increased gradually over the years and this can be strongly related to globalization, which has led to diet diversification, and to the increase of living standards of people, who are now more interested in following international habits.

⁹⁸ Art. No. 3 available on:

https://www.salute.gov.it/imgs/C_17_pagineAree_5010_listaFile_itemName_1_file.pdf

⁹⁹ Information available on: <https://www.coldiretti.it/economia/cina-record-export-cibo-nel-2018-triplicato-10-anni>

Graphic 5 Volume of dairy products imported to China 2013-2020 (million metric tons)



Source: Statista

Moreover, the Chinese milk market has been severely affected by the 2008 melamine scandal, which damaged the credibility of all national players and caused many consumers to purchase milk and dairy products from foreign brands, having lost their trust in domestic companies. Many foreign brands took advantage of this situation to enter the market and to promote alternatives which were characterized by superior quality. In 2010, the average annual per capita milk consumption in China was of 10,1kg and it has then gone from 30kg¹⁰⁰ in 2013, its highest value, to 23kg in 2018.

At the moment, China is the second largest importer of milk and the increasing consumption is strongly affected by:

- **The growing GDP per capita**, which is likely to have an impact also in the future;
- **Disposable income of urban residents:** Mid-high income consumers are driving the demand for milk as they tend to spend more on milk products, and with higher frequency, than lower income consumers. Chinese consumers living in first-tier cities are spending more on dairy products compared to those who live in smaller cities.
- **Aging population:** milk sales are expected to increase as Chinese population is rising;
- **Lower price of imported milk.**¹⁰¹

With regards to Italy, China is the 18th target market for dairy products, with exports that in 2019 have reached a value of 44.015 million Euro, with an annual increase of +9% in the

¹⁰⁰ EUSME, “*The dairy market in China: Business and Opportunities*”, China-Britain Business Council, p.2, 2017

¹⁰¹ *Ibidem* pp.6-8

period 2015-2019. For what concerns milk exports, Table 3 illustrates the value of liquid milk¹⁰² and its quantity in million Kg exported from Italy to China. Compared to other EU countries, such as Germany or France, Italy is not the biggest provider of milk in China; however this is definitively a growing market and may present many opportunities for the Italian companies in the future.

Table 3 Exports of Italian liquid milk (value in million EUR and quantity in Kg).

Year	Export Value (million EUR)	Quantity (million Kg)
2013	898.493	930.000
2014	4.52	5.55
2015	11.4	12.51
2016	6.01	5.71
2017	3.79	3.26
2018	3.83	4.12
2019	7.31	7.17
2020	8.80	6.41

Source: elaboration based on Access2Market.eu data

Italy now has reached a good position in exporting cheese, which is one of the most characterizing agri-food products of Made in Italy. Cheese has become quite popular in China, but if compared to other countries of the world, the Chinese cheese market is considered to be at the initial stage. As a matter of fact, the annual per capita cheese consumption is still very low and it has gone from 0,2kg in 2015 to 0,29kg in 2020.¹⁰³ According to a PwC research, China's consumption trend is mainly related to Western-style restaurants, foods or bakery goods and it also depends on the city where consumers live; first- and second-tier are already accustomed to this product, while third- and fourth-tier present major opportunities for foreign companies. Despite not being known in all of Great China, this is considered the dairy product with the fastest growth rate and if compared to milk or yogurt, it is not expected to end in the next few years. (EUSME)

¹⁰² Milk and cream, not concentrated nor containing added sugar or other sweetening matter, including: Of a fat content, by weight, not exceeding 1 %; Of a fat content, by weight, exceeding 1 % but not exceeding 6 %; Of a fat content, by weight, exceeding 6 % but not exceeding 10 %; Of a fat content, by weight, exceeding 10 %

¹⁰³ Data provided by Clal.it

According to an article of the Xinhuanet¹⁰⁴ (*Xīnhuá wǎng* 新华网) in 2019 China has imported 114,900 tons of cheese, with an annual increase of 6%; while in 2020 the value of cheese imports has reached 129,300 tons (+12.5%).¹⁰⁵ Consumption is influenced by some market drivers, which include:

- a. The increasing disposable income;
- b. The increased knowledge of consumers, as well as the greater variety of cheese products;
- c. The fact that cheese has high fat, protein, calcium, and phosphorus content. It is more compact, and has a longer shelf life than milk;
- d. Consumers are pursuing a healthier lifestyle and consider cheese to be beneficial;
- e. Consumers are incorporating more Western foods into their diets.¹⁰⁶

Therefore, it is possible that in the future new generations will start to consume cheese, even more elaborated ones, in their daily diet. Table 4 shows an increase in Italian exports of cheese, which have moved from a value of 5.94 million Euro in 2013 to 23.24 million Euro in 2020; from 2017 to 2020 they have increased with a compound annual growth rate of almost 6%. Exports of Italian cheese were also favored by some recent changes related to the regulatory framework.

As a matter of fact, on March of 2021, Chinese authorities have revised the **GB5420-2010** "National Food Safety Standard Cheese", now **GB5420-2021**¹⁰⁷, which will be applicable from November 2021. To make it more consistent with the international norms, they have fixed higher quality standard and have removed limits for moulds and yeast in cheese,

¹⁰⁴ It is the largest and oldest of the two official news agencies of the People's Republic of China and is subject to the control of the State Council of the People's Republic of China.

¹⁰⁵ Xinhuanet, Cheese has become the fastest growing dairy product industry, and the industry has entered a golden period of development (*Nǎilào chéngwéi xiāofèi zēng sù zuì kuài de rǔ zhìpǐn chǎnyè jìnrù huángjīn fā zhǎn qī*, 奶酪成为消费增速最快的乳制品产业进入黄金发展期), 19/07/2021 (last accessed 20/08/2021)

<http://www.news.cn/food/20210719/a36e250f1c2b48678113c7a8701c0e8e/c.html>

¹⁰⁶ EUSME, "The diary market in China: Business and Opportunities", China-British Business Council, p.21, 2017

¹⁰⁷ The modification of the previous regulation can be found on: <http://www.luotuo.club/28563.html> ("Shípǐn ānquán guójiā biāozhǔn gānlǎo"(GB 5420-2021) yǔ 2010 bǎn biāozhǔn bǐ duì jiědú 《食品安全国家标准干酪》(GB 5420-2021) 2010 版标准比对解读)

which allow exports of Gorgonzola¹⁰⁸ and other blue cheeses. At the moment, the basket of cheeses belonging to Made in Italy in China include mascarpone and fresh cheese, Pecorino Romano, Provolone, Mozzarella, Grana Padano and Parmigiano Reggiano, Grated cheese and Gorgonzola.

Table 4 Export of cheese (value in million EUR and quantity in Kg)

Year	Export Value	Quantity
2013	5.94	1.19
2014	8.55	1.68
2015	9.51	1.86
2016	12.75	2.65
2017	16.28	3.37
2018	18.21	3.61
2019	19.67	3.82
2020	23.24	4.79

Source: elaboration on Access2Markets.eu data

Table 5 Export value of cheese by product category

Year	2016	2017	2018	2019	2020
Product category	Export Value (million EUR)				
Fresh(unripened/uncured) cheese, including whey cheese, and curd	8,19	10,45	12,72	12,86	16,79
Grated or powdered cheese, all kinds	703,638	981,432	1,06	1,39	1,55
Processed cheese, not grated or powdered	18,155	16,659	58,667	47,903	192,070
Blue-veined cheese and other cheese containing veins produced by <i>Penicillium roqueforti</i>	79,655	27,326	8,961	43,486	39,793
Other cheese	3,75	4,80	4,35	5,32	4,66

Source: Access2Markets.eu

¹⁰⁸ The Gorgonzola was also blocked for a short period in 2017, due to the application of PRC's regulation. The block was removed after some weeks in which Chinese authorities completed some inspections to verify the healthiness of Italian, and European, blue cheese.

In Table 5 we can observe Italian exports of cheese according to product category. Fresh cheese is the most appreciated one with exports that in 2020 have reached 16.79 million Euro; grated and powdered cheese show an outstanding growth, from 703.638 thousand Euro of 2017 to 1.55 million Euro of 2020. Blue cheese, due to previous restrictions and blocks, was penalized especially in 2017 and 2018, however exports have boosted again in 2019 (43.486 thousand Euro), and showed a small decrease in 2020.

According to the consumption trends and regulatory changes that we have just analyzed, China might become one of the biggest markets for dairy products of Made in Italy. Opportunities are now rising and according to Assolatte, the Italian association of milk processing industry, quality, sustainability and tradition are now key elements for success in China.

3.2.2. Pasta

When speaking about Made in Italy agri-food products with a foreigner, probably the first thing that will come to his/her mind is pasta, which has become one of the symbols of Italian tradition and culture. The *Bel Paese* is the first producer and exporter of pasta in the world, while Italians are the first consumers with an average of 23,1kg per capita. In our analysis, this might be the first product which is also present in Chinese consumers' diet, even though Chinese pasta (*miàn*, 面) is different in taste, color but also in the ingredients used to produce it¹⁰⁹. In China, Italian pasta is considered an ethnic food and can be found mostly in Italian restaurants or in foreign supermarkets. However, more recently things have changed thanks to westernization of consumptions which were favored by the growing income of the population, the increase in tourist flows to Italy, the recognition of the healthy properties of Mediterranean diet and by the progressive reduction of import procedures which have facilitated product entry into the market.

In this regard, Coldiretti has reported that between 2000 and 2009 exports of pasta to the Dragon have quadruplicated, with an increase of 339%. The increased consumption of western-style convenience foods in China, especially in urban centers, is likely the result of the modernization of consumer preferences, where the consumption of imported foods is viewed as a “sign” of modern living (Yan, 1997; Curtis et al. 2007). As illustrated in Table

¹⁰⁹ Chinese pasta is mostly produced with soft wheat flour, soy or rice flour, while Italy uses hard wheat.

6, exports of pasta have continued to grow, moving from 11.382 Kg in 2012 to 36.900 Kg in 2020.

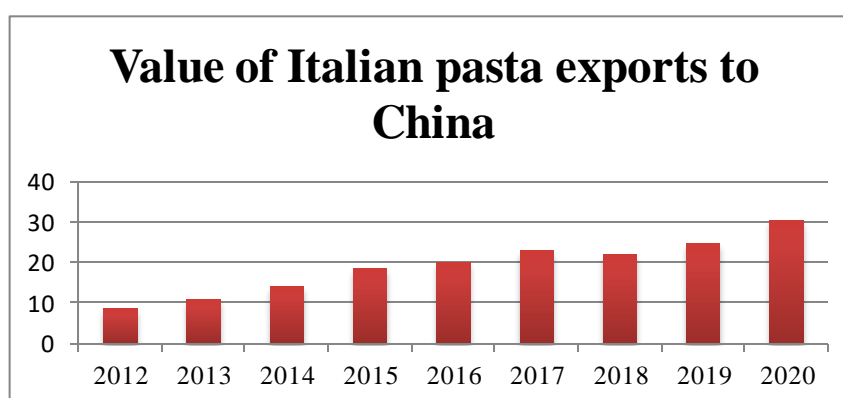
Table 6 Exports of Italian pasta to China 2013-2020

Year	2013	2014	2015	2016	2017	2018	2019	2020
Product category	Quantity (thousand Kg)							
Uncooked pasta¹¹⁰	11.165	15.340	18.748	22.175	26.463	26.421	32.078	36.700
Stuffed pasta¹¹¹	76	140	14	13	64	42	94	112
Other pasta¹¹²	141	210	224	159	422	163	58	88
Total	11.382	15.690	18.986	22.347	26.949	26.626	32.230	36.900

Source: Elaboration on Trade map data

Graphic 5, instead, shows the increase in the value of Italian pasta exports to China; in 2012, exports reached 8.449 thousand Euros, while in 2013 exports value was of 10.682 thousand Euros, with a percentage exchange of 20.90%. During the year of Milan Expo 2015, the value of exported pasta has doubled by reaching 18.248 thousand Euros, with a percentage variation compared to 2012 that was 53.59%. The growing trend continued also in 2016 and in 2017, with a reversal in 2018 which was probably due to the additional tariffs imposed by the United States.

Graphic 5 Value of Italian pasta exports to China (2012-2020) - thousand Euros



Source: elaboration based on Trade Map data

¹¹⁰ Not stuffed or otherwise prepared.

¹¹¹ Containing more than 20% by weight of fish, crustaceans, mollusks or other aquatic invertebrate; containing more than 20% by weight of sausage and meat, including fats of any kind or origin and other pasta.

¹¹² Include dried pasta and others.

Despite the increasing appetite for pasta, the Chinese market is yet not saturated. As a matter of fact, there are still few companies representing Italy which caused many Italian enterprises to invest in China. Barilla was the first one to enter the Chinese market, targeting younger generations and people living in first-tier cities, by introducing a specific product created for Chinese consumers, with the aim of expanding Italian pasta culture. Even if the interest in Italian cuisine is increasing, it is difficult for Chinese people to use this particular product in daily life and despite Chinese consumption of Italian spaghetti since 2010 rose by 495% (Coldiretti), the income for Italy in 2017 was only about 18 million Euros compared to the 260 million Euros coming from the US market.¹¹³ However, according to some market researches, the increasing consumer inclination to try Western dishes, together with income growth and urbanization, are also providing a boost to the market growth.

3.2.3. Coffee

Italy is among the major exporters of coffee with a market share of 5.4% in 2020¹¹⁴ and this product characterizes the Made in Italy around the world. China is well known for its millennial tradition in the consumption of tea and the presence of coffee in the country dates back to the late 19th century, when it was introduced in the province of Yunnan, which nowadays is responsible for 99% of Chinese production. However, coffee flourished in the Chinese market more recently, when the opening up policies and the economic growth have pushed Western companies to expand their business there. In the 90s of the twentieth century Nestlé introduced instant coffee and later other companies decided to open their stores in first-tier cities, such as Shanghai or Beijing.

Since then, coffee has started to become more popular in the Chinese beverage market and its consumption has risen spectacularly with a 500% increase between 2006 and 2018.¹¹⁵ Especially in the last five years the demand for coffee has increased a lot and the market is developing at a rapid pace. According to some statistics, presented by the Daxue Consulting, in 2018 per capita coffee consumption in China was of 6.2 cups; while in 2019, China's per capita coffee consumption reached about 7.2 cups. However, it must be

¹¹³ Italian pasta makers are looking to expand their business in China, 2017, available on:

<https://www.italian-feelings.com/italian-pasta-makers-are-looking-to-expand-in-asia-and-china/>

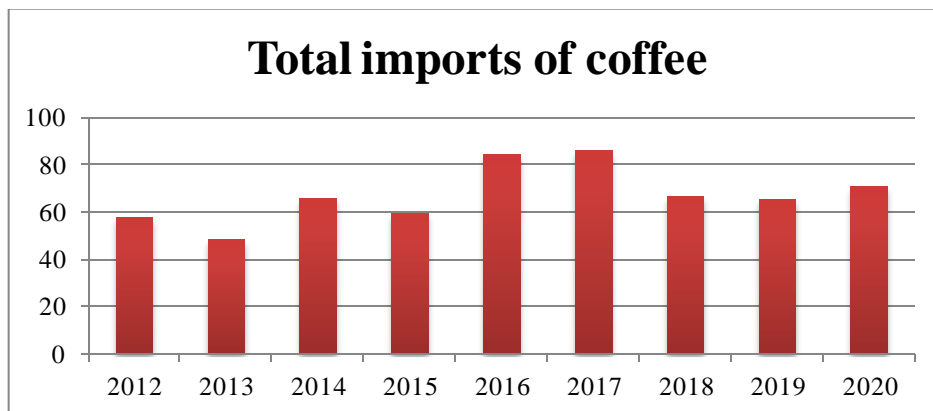
¹¹⁴ Workman, Daniel, Coffee exports by country, World Exports, 2020 available on <https://www.worldstopexports.com/coffee-exports-country/>

¹¹⁵ Daxue Consulting, Has China's coffee market already reached its full potential? (2021)

underlined that even though the rise of coffee consumption in China is impacting the demand for coffee beans, it is still low when compared to countries which have a mature coffee culture. Due to the expansion of Chinese urban centers and of the middle class, which had an impact on the Chinese coffee consumer base and on the steady growth of the industry, coffee is mostly consumed by the middle-to-high class aged 20-30 living in urban areas.

Despite being a producer and an exporter, China imports a lot from foreign countries. The major suppliers of coffee in the country are Vietnam (49%), Indonesia (14%), Malaysia (7%), Brazil (6%), and the US (5%); other countries providing coffee to China count for 19% of exports. Graphic 6 below illustrates the total imports of China from 2012 to 2020; as we can see imports of coffee is a growing trend which reached its highest value in 2016 and 2017. From 2018 to 2019 imports remained stable, but presented a reduction which might have been caused by the retaliatory tariffs imposed by China added 5% to 10% to US goods including coffee.¹¹⁶

Graphic 6 China's total imports of coffee (tons)

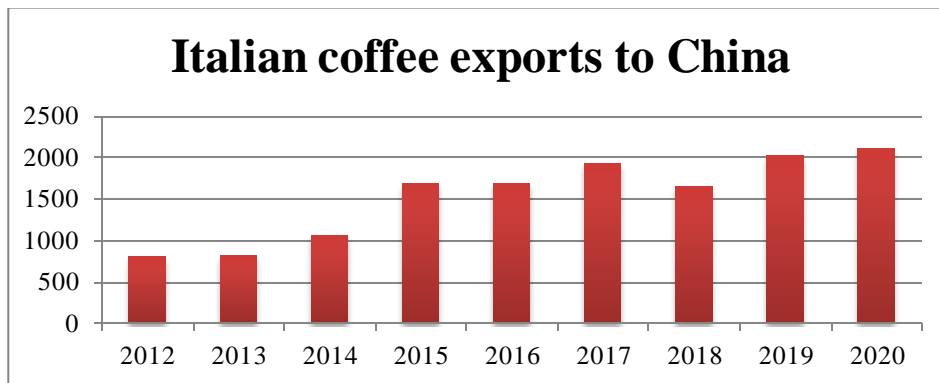


Source: elaboration on Trade map data

For what concerns Italy, exports show an increase especially in 2015 when they reached 1.690 tons. 2017 also registered a significant amount of coffee exports to China, with 1.934 tons, while from 2019 to 2020 they were over 2.000 tons.

¹¹⁶ Bolton, Dan, Tariffs Roil Coffee and Tea Market available on: <https://stir-tea-coffee.com/features/tariffs-roil-coffee-and-tea-market/>

Graphic 7 Italian coffee exports to China 2012-2020 (tons)



Source: elaboration on Trade map data

The development of coffee market and the different perceptions of food and beverage priorities of younger Chinese generations are an excellent opportunity for exporting Italian coffee culture. However, exporting Italian coffee taste is not easy, as Chinese people are not used to bitter coffee and prefer American alternatives. Nevertheless, in the last years Italian coffee is more appreciated thanks to Illycaffè and Lavazza, having expanded their business activities and promoting Italian coffee quality, taste and value. According to Daxue Consulting, Illycaffè accounts for 30% of the imported roast and ground coffee segment in China, and works mainly with hotels, cafes and restaurants placed in first- and second- tier cities. This was the first Italian enterprise producing coffee to enter the Chinese market and it has undertaken a different process of internationalization, by committing itself in the education of new consumers to increase their knowledge and awareness about coffee culture. Instead of moving its production to China, in 2006 Illycaffè opened the Università del Caffè in Shanghai, offering open programs and workshops concerning the whole coffee industry and laying the foundations for future development. As a matter of fact, in 2007, the Italian company has then reached an agreement with the Caffè de Coral Group, China's fast food company based in Hong Kong quoted at stock exchange, with the aim of developing the Italian company's franchise premises, initially in Hong Kong and Macao and then also in Greater China.

Lavazza, instead, entered the market in 2011 by opening several shops in first-tier cities like Shanghai, Beijing and Guangzhou. Their main idea was to prepare the market for the expansion of their business, which occurred in 2020 when the company opened its first flagship store, after signing a joint-venture with the restaurant giant, Yum China. The CEO of the Lavazza Group, Antonio Baravalle, commented on this event by stressing that *“China is an important market with huge untapped potential for coffee consumption. We*

*have been searching for the right opportunities to establish Lavazza in China and Asia, and this partnership is an important first step”.*¹¹⁷

Table 7 illustrates the value of Italian exports of coffee to China: the trend shows a gradual increase from 2012 to 2020, with a negative percentage change only in 2016 and in 2018. Despite the reduction of Chinese total imports of coffee in 2019 (-7.9% for tons and -3.2% in value, Bperestero) Italian exports have registered an increase, with 19.811 thousand € and a percentage variation of 19% compared to the previous year. This might be the result of the aforementioned tariffs on U.S. coffee, which might have favored Italian coffee exports to the country.

Table 7 Value of coffee exports to China 2012-2020 (thousand euro and percentage change)

Year	Value (thousand Euro)	Percentage change (%)
2012	6.617	22.5
2013	7.261	8.86
2014	9.398	22.7
2015	16.112	41.6
2016	15.873	-1.5
2017	18.971	16,3
2018	16.046	-15.4
2019	19.811	19
2020	20.898	5.2

Source: Elaboration based on Trade map data

As for other products, the growing middle class is influencing the Chinese coffee market, which is expected to grow even faster in the following years. In fact, forecasts show that the value of Chinese coffee imports might be 490.1 million Euros (Bperestero). With the increase of living standards, coffee demand will probably increase and foreign suppliers will be requested to export more. In this regard, Italian companies have to pay attention to their major competitors and to insist on promoting quality and Italian lifestyle.

3.2.4. Wine

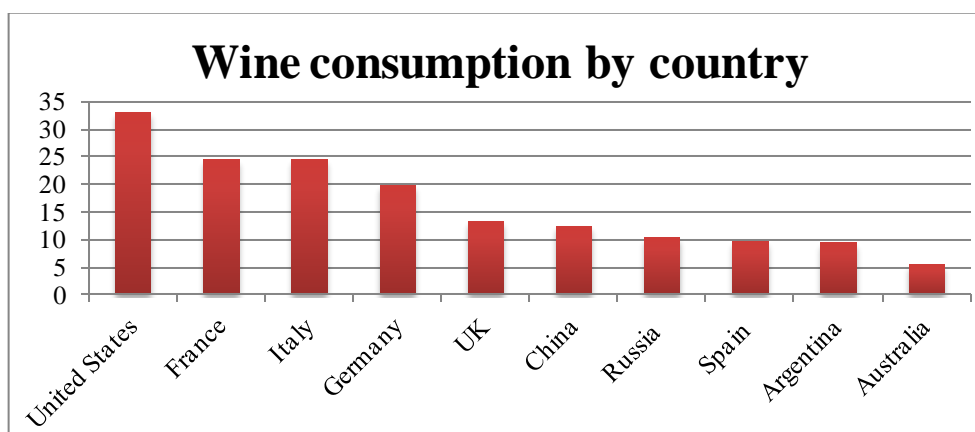
Wine consumption has increased a lot in China in the last ten years. From an historical point of view, the Chinese population has always related alcohol consumption to conviviality but they are used to drink more beer or hard liquor, which still represent the

¹¹⁷ The Lavazza Group partners with Yum China to launch the concept of the Coffee Shop Lavazza in China, available on: <https://www.lavazzagroup.com/en/our-stories/news-and-media/lavazza-first-flagship-store-in-asia.html>

main competitors of wine. In this regard, wine has always been perceived as a status symbol, consumed only by those who can afford it. Then, the adhesion of China to the WTO favored the reduction of wine import tariffs and foreign wines began to enter the Chinese market at a fast pace (Chen and Lombaerde, 2013; Liu et al., 2013; Li and Bardají, 2017).¹¹⁸

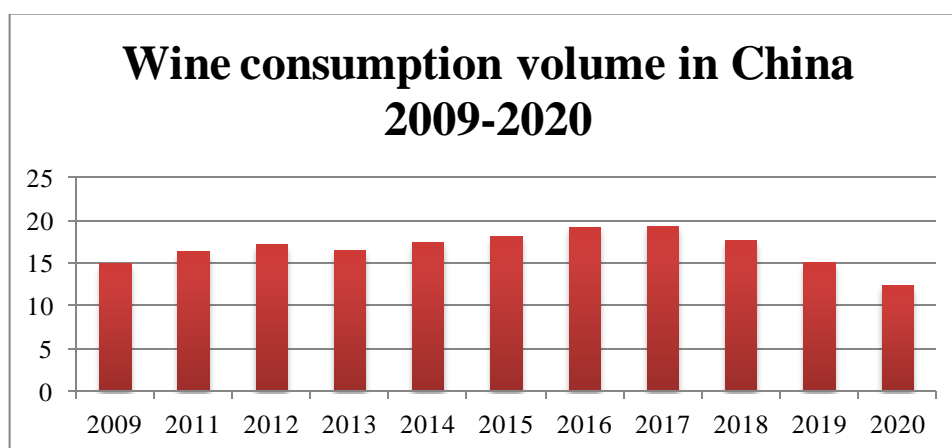
Therefore, the increase of wine imports from foreign countries, the rise of the middle-class and the consequent social transformation have also changed drinking habits. Wine was welcomed by many consumers and it is now appreciated also by women and young adults, living in urban areas.

Graphic 8 Worldwide wine consumption in 2020 (million hectoliters)



Source: Statista

Graphic 9 Wine consumption volume in China 2010-2020 (in million hectoliters)



Source: Statista

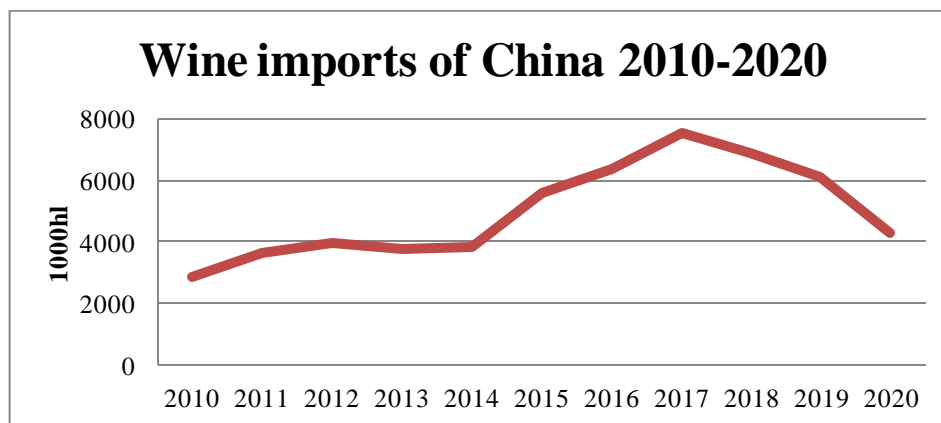
¹¹⁸ Castillo-Valero, S. Juan & Co., *Wine consumption in China: profiling the 21st century Chinese wine consume*, *Ciência e Técnica Vitivinícola* 34(2), p.72, January 2019

As illustrated by Graphic 8, in 2020 China occupied the 6th place for wine consumption, even before Spain and Australia which are among the top five wine producers of the world. Graphic 9, instead, shows the evolution in the volume of consumptions from 2009 to 2020.

When choosing wine, Chinese consumers are influenced by some factors:

- a. **Health attributes related to wine:** many of them believe that wine consumption is beneficial for the cardiovascular system and they prefer wine to domestic liquor because it has lower alcohol content. As a matter of fact, the 80% of all wine consumed is red, even though lately white and sparkling wine are more appreciated.
- b. **Country of origin:** the “made in” can be used as a competitive advantage by foreign brands. For what concerns wine, Chinese consumers are more likely to buy French, Italian or Australian ones because of their popularity and attributes.
- c. **Price:** Chinese population prefers to spend more on better quality products. Imported wine is still valued as a luxury product and it is a way of portraying social status, however it is possible now to find mid-range alternatives, which are appreciated by consumers.

Graphic 10 Wine imports of China 2010-2020 (thousand hl)



Source: Elaboration on Statista and OIV¹¹⁹ data

Imported wines account for around 40 percent of the wine market in the country. In 2020, China was the fifth largest global wine importer, with 4.3 million hl and an import value of approximately 1.6 billion Euros¹²⁰; imports by product type of wine highlight that 90% of

¹¹⁹ OIV is an intergovernmental organization of recognized competence for its works concerning vines, wine, wine-based beverages, table grapes, raisins and other vine-based products.

¹²⁰ Ma, Yihang, Wine consumption volume in China from 2000 to 2020, Statista, 2021, available on: <https://www.statista.com/statistics/425098/china-wine-consumption/n> (last accessed 26/08/2021)

the total expenditure for foreign wines is represented by bottled wines, 6% by bulk wines and about 3% by sparkling wines (ISMEA).

In 2020, Italy occupied the 4th position with about 100 million Euros of exports, following Australia (625million €), France (447 million €), Chile (194 million €). Despite competition has risen a lot recently, according to a research conducted by EUSME Centre, market saturation is not yet considered a problem, as there is still significant potential in second- and third-tier cities, which are now expanding.

Table 8 Exports of Italian wines, divided by category

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Product Category	Value (thousand Euros)								
Table and quality wines produced in specified regions	63.862	57.586	55.172	67.624	78.421	100.697	100.791	103.765	74.822
Sparkling wine and other special wines	13.187	17.111	20.460	21.318	22.630	29.603	26.119	29.715	23.310
Cider and other fruit-based wines	105	302	817	979	2.188	1.811	1.333	1.856	980
Other non-distilled fermented beverages	55	232	427	665	223	521	1.513	1.758	782
Total	77.209	75.231	76.876	90.586	103.461	132.333	129.756	137.093	99.893

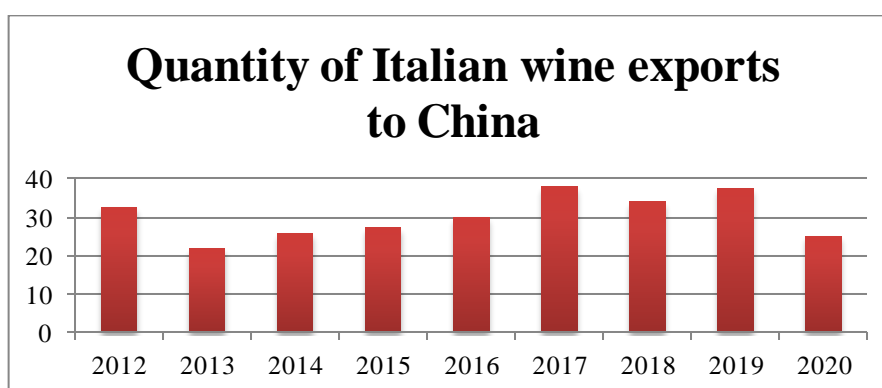
Source: Elaboration on ICE data

By looking at some data, we can observe that exports of wine have gradually increased, with a decline in 2020, due to Covid-19 pandemic. Exports in 2013 were affected by an anti-corruption campaign, launched by the Chinese authorities in 2012; the new measures formulated by the government have influenced sales of high-end wines and international spirits, with a percentage change of -2,6% of Italian wine exports in the previous year.

Between 2014 and 2018, despite Chinese consumers' overall demand of wine has increase by 78% in volume and has more than doubled in value, the growth of China's imports of Italian wine was more contained, i.e. equal to 42% in volume and 82% in value (ISMEA). 2019 has been an important year for the whole wine sector and it is estimated that between 2009 and 2019 there was an increase of exports of Made in Italy wine to China that has reached +548%. (Coldiretti)

Italy exports mainly concern red and rosé wines with PDO and PGI certifications, but there are also other categories which show good market potential. Bottled wines represent the largest share with 87% of the total value and sparkling wines 12.3%.¹²¹ Italian sparkling wine has shown a significant increase and, according to Daxue Consulting, this is due to a growing interest to this category especially by young female consumers who have more weight associated to sparkling wine (43%) than imported wine (30%), which prove a potential of growth for this market through this specific target segment.¹²² As a matter of fact, Coldiretti has estimated that in the first seven months of 2019 there was an increase of Prosecco exports of 31%, which has been driven by the collapse of US wine exports to China, caused by the tariff war between the two major powers of the world. As for red wine, the most popular Italian wines to the Chinese consumers are Amarone della Valpolicella, Barolo and Brunello di Montalcino, even though Barbaresco and Chianti are also present in the market.

Graphic 11 Quantity of Italian wine exports (tons)



Source: elaborations on ITC data, Trade Map

¹²¹ *Ibidem*

¹²² Daxue Consulting, Understand the drinking culture in China, 2018, available on: <https://daxueconsulting.com/understand-drinking-culture-china/> (last accessed 25/08/2021)

However, it must be pointed out that Chinese consumers still lack knowledge about wines, but this depends greatly on the city and on the consumer segment. The new interest in wine of Chinese consumers, especially of urban Millennials who are adopting Western habits, makes this sector particularly interesting for wine producers. Qualitatively speaking, Made in Italy wine can easily be compared to French wine but there is still a lot to do before it is perceived as an excellent alternative.

3.3. Results: Cooperation agreements and exports

3.3.1. Olive oil

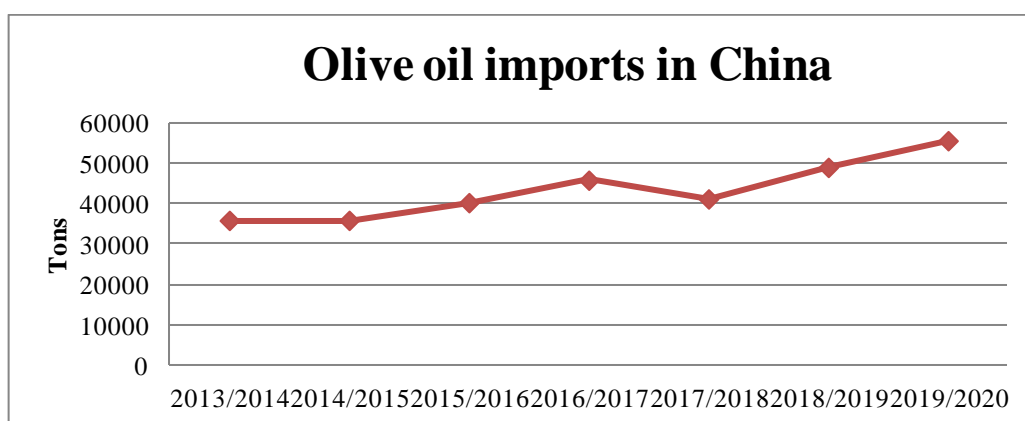
Olive oil is yet another product that does not belong to Chinese traditional diet or cuisine, where soybean and rapeseed oils are more used. We can affirm that Chinese consumers associate it mostly to foreign brands and have a little knowledge about the product itself. Despite not being so popular, it has a good reputation, especially among those consumers having a higher per capita income, as it is considered a luxury product, due to its higher price. As a matter of fact, according to *Daxue Consulting*, more than 60% of the total olive oil sales in China are used as gifts and not for individual consumption.¹²³ Pablo Canamasas, an agronomic engineer of Longnan Xiangyu Olive Development Company states: *“Extra virgin olive oil consumption in China is increasing at a significant pace, particularly in big cities and in a segment of the population aged 25 to 30 that have traveled abroad.”*

As mentioned before, more and more Chinese consumers are placing a lot of attention on their choices in terms of food, as they have an impact on their health. Olive oil is considered an excellent product which can be beneficial in many ways, therefore the concepts of healthiness and quality could be considered as the main facilitators of imports of this product, especially after the so called “gutter oil” (*Digōu yóu*, 地沟油) scandals. Illicit cooking oil, which was recycled from waste oil collected from restaurant fryers, drains, grease traps, and slaughterhouse waste, was then sold to consumers. The rise of these scandals, especially in 2011 and 2012, exposed by local media, have caused the Chinese population to look for alternatives to domestic cooking oil, favoring foreign brands’ entry to the market. Despite this, olive oil consumption represents approximately only 1% of the total.

¹²³ Daxue Consulting, The olive oil market in China driven by health-oriented consumers, December 2020, available on: <https://daxueconsulting.com/the-olive-oil-industry-in-china/>

Concerning imports, the Direct China Chamber of Commerce (**DCCC**) reported that Chinese consumers valued the quality and high food safety standards associated with imported oils more than those produced domestically.¹²⁴ It seems that consumers prefer to purchase imported oils because of the lowering of olive oil prices in Europe, which made it more accessible, and because of the reduction of tariffs for Italian olive oil imports. China, with 4% of world imports of olive oil and olive pomace oil, ranks sixth behind the United States (36%), the European Union (17%), Brazil (8%), Japan (7%) and Canada (5%). Imports into China increased by 13.5% in 2019/2020 crop year: Graphic 12 shows that the olive oil market in China has maintained strong growth during the period from 2014/15 to 2019/20, when imports reached 55,580t, which is 54.8% more than in the 2014/15 crop year.¹²⁵

Graphic 12 Olive oil imports in China for crop years (tons)



Source: elaboration on IOC Report 2021

Spanish olive oil, with its competitive price, dominates the Chinese market with a share of around 86% of total imports in the country; while Italy occupies the second place, with a share of 9%. Table 9 illustrates the total value of Italian olive oil exports to China. In 2013 exports registered a value of 29.05 million € and this may be related to the Memorandum of Understanding about quality controls on olive oil (*Zhòngyì gǎnlǎn yóu hézuò bèiwànglù*, 中意橄榄油合作备忘录) which was signed in March by the Italian Ministry of Agricultural, Food and Forestry Policies and by the AQSIQ of the People's Republic of China. The agreement aimed to enhance communication and cooperation in the training of Chinese control experts who were responsible for controlling olive oil exported from Italy

¹²⁴ *Ibidem*

¹²⁵ International Olive Council, Newsletter n.160, p.17, available on: https://www.internationaloliveoil.org/wp-content/uploads/2021/02/NEWSLETTER_IOC-160_EN.pdf (last accessed 24/08/2021)

to the Asian country, to strengthen detection technology of olive oil's authenticity, pros and cons identification and analysis.

However, we can notice that exports have decreased in 2014, reaching a total value of 21.56 million €, and in 2015 with 22.16 million €. In 2015 some Italian brands such as Bertolli, Carapelli e Sasso, owned by the Spanish company Deoleo, were involved in a scandal for having sold lower-quality products as “extra virgin”, raising fresh concerns about allegations of consumer fraud in the industry. According to an article of The Guardian the analysis of samples from all these brands revealed that they did not meet EU labeling rules for extra virgin olive oil.¹²⁶ Chinese authorities immediately blocked the aforementioned brands and this may have caused Chinese consumers mistrust of Italian olive oil’s authenticity. Then, in 2016, the ban was removed after a diplomatic meeting between Italian ambassador in China, Ettore Sequi, and Chinese authorities in charge of food security. Later, on the same year, the Minister of Health, Beatrice Lorenzin, on behalf of Mipaaf has signed with the General Administration for quality control, inspection and quarantine of the People's Republic of China Memorandum of understanding for what concerns the quality of olive oil, with the purpose of facilitating exports into China.

Table 9 Olive oil exports 2013-2020

Year	2013	2014	2015	2016	2017	2018	2019	2020
Product category	Value in million EUR							
Olive oil and its fractions ¹²⁷	27.21	20.30	21.20	29.54	36.86	25.07	21.50	14.54
Other oils and their fractions ¹²⁸	1.838	1.251	956.450	987.570	1.285	1.607	1.607	912.496
Total	29.05	21.56	22.16	30.53	38.15	26.68	22.42	14.71

Source: elaboration on Trade map data

¹²⁶ Kirchgaessner, Stephanie, Extra virgin on the ridiculous: Italian olive oil producers accused of fraud, 2015

¹²⁷ Whether or not refined, but not chemically modified

¹²⁸ Obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 1509.

2017 was a year of growth for Italian olive oil on the Chinese market: with almost 40 million Euros, the increase was 41%. 2018 shows a fall of exports: the total value reached 26.68 million €, with a percentage change of -30.1% compared with 2017. Probably this is due to the tariffs that were imposed during the Trade war between China and the US which had an impact on many Italian products, including olive oil. In fact, in 2019 exports reached a value of 26.68 million € and their percentage change was -18.9%, better than the previous year but still negative.

At present there are over 300 brands of olive oil in the country, of which the majority is imported from Europe, but also from other countries. The International Olive Oil Council has estimated that in the next few years the olive oil market in China will continue to grow. China has also started to produce its own olive oil, thanks to the cooperation between Italian and Chinese companies for what concerns the import of Italian olive trees and machinery useful for production. This may be considered as an evidence of the interest in investing in this country.

3.3.2. Fresh fruit

Curtis et al. have pointed out that identified modern food consumption patterns in China reflected an increase in the dietary intake of fresh fruits. In this regard, a report of EUSME based on the data provided by the China Agricultural Outlook Report (2018-2027) published by the Agricultural Information Institute of China, has shown that the annual per capita consumption of fruit was estimated at 92.5 kg in 2017. The increasing demand for fruit led the country to import more from foreign countries; in 2018 about 5.52 million tons of fruit entered the country, an amount that is expected to grow in the future (Chinese General Administration of Customs). The number of countries that are now exporting fresh fruit to China is also increasing, however, there are several requirements that must be satisfied before introducing fresh, frozen and dried fruits to China and for this specific product category it is also required a bilateral agreement.

For what concerns Italy, in 2009 it was signed the protocol for the export of kiwi, which was the first product to obtain the authorization for being exported to China thanks to the Protocol of the Ministry of Agriculture, Food and Forestry Policy of Italy and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China on the Phytosanitary Requirements of Italian Kiwifruit Exported to China

(*Guānyú yìdàlì mihóutáo shū huá zhíwù jiǎnyì yāoqiú yìdìngshū* 关于意大利猕猴桃输华植物检疫要求政策). This agreement was implemented in 2020, during a visit of the Chinese delegation led by Foreign Minister Wang Yi when the Italian Ministry of Agricultural Policies has published a notice to announce that the protocol was modified with an addendum to simplify and speed up the export operations of national kiwifruit, by reducing the time required for the authorization of the exported product.

Table 10 Exports of Italian kiwi to China (thousand Euros and % changes)

Year	Value of exports	Changes previous year
2012	2.806	-29.9
2013	12.264	337,1
2014	23.045	87,9
2015	17.867	-22.5
2016	21.526	20.5
2017	19.862	-7.7
2018	20.546	3.4
2019	27.075	31.8
2020	17.821	-34.2

Source: elaboration on ICE Agency data

Table 10 illustrates the export flows from 2012 to 2020; it is immediately possible to notice that in 2012 the export value was only 2.806 Euro, due to a reduction of -19% in Italian production and the growing competitiveness of Greece. Then, exports show ups and downs, mostly related to price fluctuations and to variation in the production of major competitors (New Zealand, Chile). Despite being influenced by the spread of Covid-19, there was an increase of 75% in the Italian fruit and vegetables imports in China, mainly due to kiwi exports, which count for 98% of the total market.

Kiwi was the only fresh fruit admitted in the Chinese market until 2016 when it was signed the protocol on phytosanitary requirements for the export of fresh citrus fruits (*Guānyú yìdàlì xīnxiān gānjú shū huá zhíwù jiǎnyì yāoqiú de yìdìngshū* 关于意大利新鲜柑橘输华植物检疫要求的议定书), which certified that Italian citrus fruit satisfied the Chinese authorities' export requirements. However, it should be underlined that the exports from Italy were allowed only by ship and thus were blocked, due to the duration of shipment. The situation was then solved in 2019, when the first cargo of oranges was shipped by air. Even though Coldiretti have registered an increase of +25% in the exports of fruit after opening up of China towards citrus, the only data concerning the citrus exports date back

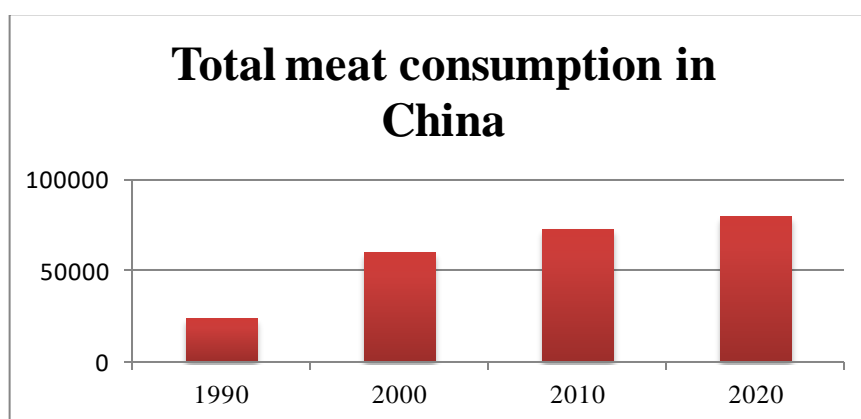
to 2019 (62.000kg and a value of 162,460 €), while in 2020 exports have been blocked due to constraints on transport to contain the Covid-19 infection.

From the analysis presented, despite the increasing consumption market for a specific product, bilateral agreements were not sufficient to favor exports. In particular, the phytosanitary requirements are still very strict and Chinese authorities ask for assurances on the absence of fruit pathogens (insects or diseases), influencing the logistics of goods with uncertainties and delays that impact trade exchanges (Coldiretti).

3.3.3. Meat

Meat is one of the most consumed products in China; the Dragon was the largest beef importer in the world in 2020. The consumption of meat, according to OECD, is strictly related to the diet, the livestock production, the country's living standards and consumer's prices. At the same time, meat demand depends on individual income; with the increase of income, individuals are likely to change their food consumption which means that they replace certain food categories with others (i.e. pulses for meat). All the elements just named had an impact also in China, where economic reforms led to the development of the country and, consequently, to the extension of the middle-class, causing the rise in the demand of meat.

Graphic 13 Total meat consumption in China (1990-2020) (thousand tons)



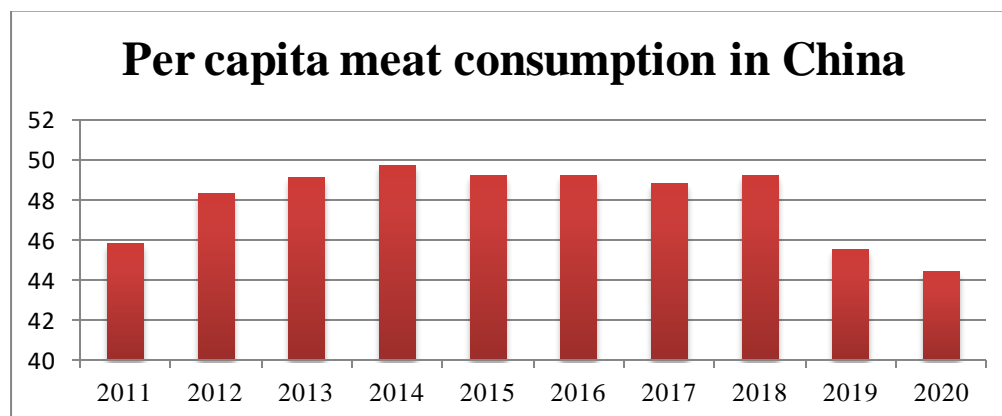
Source: elaboration on OECD¹²⁹ data

Graphic 13 shows the total increase in meat consumption from 1990 to 2020; as reported by OECD data, in 1990 poultry and sheep meat were not consumed, while the total

¹²⁹ OECD (2021), Meat consumption (indicator). DOI: 10.1787/fa290fd0-en (Accessed on 26 August 2021)

consumption of pork and beef was 23.664,89 thousands of tons. In ten years, sheep and poultry consumption reached the value of 14.908,23 thousands of tons, while pork and beef consumption almost doubled.

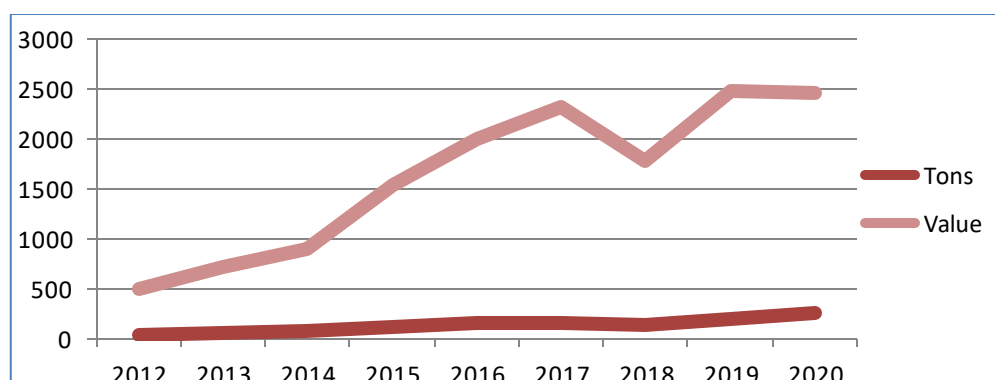
Graphic 14 Per-capita meat consumption in China (2011-2020), (kilograms)



Source: elaboration on OECD data

Graphic 14, instead, illustrates per capita meat consumption from 2011 (45.8kg) to 2020 (44.4kg); Chinese population mostly consume pork (22.7kg per capita) and poultry (14.2kg), while beef (4.2kg) and sheep (3.3kg) consumptions are still quite low and might represent a potential market for the future. As we can see in the last nine years consumption has maintained almost stable, showing a decrease in 2019 and 2020. Pork consumption reduced due to the outbreak of African swine fever, which caused domestic pork production levels in China to fall by 21% year-on-year in 2019 and to an increase in prices of 50%.¹³⁰

Graphic 15 Exports of meat and edible offal to China 2012-2020. (Value in thousand Euros and tons)



Source: Elaboration based on Trade map data

¹³⁰ Reuters, China Appetite of Meat is still growing, <https://www.reuters.com/article/sponsored/china-appetite-still-growing> (last accessed 26/08/2021)

Despite this situation, consumers' demand remained stable and China had to increase imports from EU countries and non-EU countries. In fact, in 2020 China imported 4.4 million tons of pork, and its major suppliers were the U.S., Spain and Brazil.

For what concerns Italian cured meat and pork, China opened its market to some Italian companies producing cooked cured meats in 2013. On that year, the Italian Associazione Industriale della Carni e dei Salumi, ASSICA¹³¹, published a notice informing that cooked ham, mortadella, cotechino and other heat-treated products received the authorization to cross the Chinese border. The agreement was reached between the Ministry of Health and the Chinese customs, after eight years of negotiations. As regards to raw ham (*prosciutto crudo*) exports were allowed already in 2008, upon the condition that companies provide the veterinary certificate and that the product is aged for at least 313 days, excluding coppa, pancetta and others. *Prosciutto di Parma* and *San Daniele* were immediately introduced in the market; however, as Chinese consumers were not used to this type of products, exports initially concerned Beijing and Shanghai, where there was a huge number of expats. After five years, the export of raw hams to China created a turnover of about 700 thousand Euros with the shipment of about 59.7 tons of cured meats (ASSICA).

Table 11 below illustrates the export value in thousand Euros of *prosciutto* and its percentage change from 2012 to 2020. It is immediately possible to notice that, following 2013, the value of exported products gradually increased, reaching in 2020 2.457 thousand Euro. The data provided by the Italian ICE Agency include:

- a. 2101111 – Hams and cuts thereof, of domestic (bone-in) suidae, salted or in brine;
- b. 02101131 – Hams and cuts thereof, of dried or smoked domestic(bone-in) suidae;
- c. 02101190 – Hams, shoulders and cuts thereof, of (non-domestic) suidae (bone-in) salted or in brine, dried or smoked;
- d. 02101219 – Bacon from domestic pigs, whether or not in pieces, dried or smoked;
- e. 02101290 – Bacon non-domestic pigs, whether or not in pieces, salted, in brine, dried or smoked.

¹³¹ It is the national trade organization which, within Confindustria, represents the production companies of cured meats (processed pork and beef products) and pork slaughtering companies.

- f. 02101950 – Meat of domestic pigs, salted or in brine (excl. hams, shoulders, pancetta “*ventresche*” and pieces thereof, as well as bacon halves, halves of bacon without the ham, halves of bacon without the front, center and front parts, loins, and cuts thereof);
- g. 02101981 – Meat of domestic suidae, boned, dried or cooked smoke (excl. pancetta “*ventresca*”, front parts, loins, and pieces thereof)

Table 11 Export of prosciutto to China (value in thousand euro and percentage change)

Year	Export Value (thousand Euro)	Percentage change (%)
2012	487	98.5
2013	707	45.1
2014	885	25.2
2015	1.461	65.2
2016	1.812	24.0
2017	2.210	21.9
2018	1.752	-20.7
2019	2.436	39.1
2020	2.457	0.9

Source: elaboration on ICE Agency data

Despite this agreement was a significant achievement, the president of ASSICA, Lisa Ferrarini, considered it to be too limited and pointed out their next goals: first, to expand the number of Italian companies authorized to export ham to China; second, to extend the authorization to a major range of cured pork products and to fresh pork. Results have arrived in 2019, when China opened the market to Italian pork after that the Ministry of Health of the Italian Republic and the General Customs Administration of PRC have signed a protocol concerning the inspection, the quarantine and the veterinary health requirements for the export of frozen pork meat. Later, the GACC has published a list of Italian factories that receive the authorization without undergoing the direct inspections of the Chinese authorities. This was the first time in which Italian authorities were allowed to

directly carry out the preliminary health assessments.¹³² According to ASSICA, Italian exports of pork, fats and offal to China might generate a turnover of 50 million Euros already in the initial phase and could increase the competitiveness of the *Bel Paese*. However, as reported by the actual director of ASSICA, Davide Calderone, many obstacles concerning food safety requirements by Chinese authorities still need to be overcome. Only 9 Italian factories, 30% of the total industrial slaughterhouses, can export pork to China and, despite the health protocol between Italy and China was signed three years ago, the lists for authorization are closed. Italian authorities are now requested to act for the revision of the protocol which includes only exports from some Italian regions, mostly in the north.¹³³

In addition to the aforementioned protocol, the Italian Ambassador in Beijing has signed in 2020 the health protocol to start exporting Italian beef to China, from animals that are less than 30 months old. The negotiations for this agreement started in 2015, when Chinese authorities have visited some plants during Expo, as reported by the general manager of Assocarni¹³⁴, Francois Tomei. However, it should be noted that the list provided by the Ministry of Health to Chinese authorities has still to be approved.

Italy has good possibilities to become one of the main suppliers of meat in China, especially thanks to the high quality of its productions. Chinese consumers are partially aware of Made in Italy meat, so it is important to educate them to better understand the long tradition of certain products. In this regard, the EU-China agreement on Geographical Indications played an important role as *Prosciutto di Parma* PDO, *San Daniele* PDO, and also the *Bresaola della Valtellina* PGI, were all included in the list of products that have the European Protected Geographical Indication certification. Hopefully, in the future, this would lead to major authorizations.

¹³² Normativa Alimentare, L'Italia e l'export della carne suina in Cina, 2019, available on: <https://normativaalimentare.it/alimenti/export-cina-carne-suina/> (last accessed 26/08/2021)

¹³³ This is because at the time of the agreements, swine fever was widespread in the South.

¹³⁴ Associazione Nazionale Industria Commercio Carni e Bestiame, where associated companies represent the main Italian slaughterhouses.

Conclusions

The main goal of this research was to understand how much socio-economic and diplomatic factors can impact trade, in particular with regards to Made in Italy agri-food exports to China. Based on the results of the previous analysis it is possible to affirm that the Chinese agri-food market is becoming an important opportunity for Made in Italy food products and for Italian companies working in this sector. The increasing liberalization and globalization of world's markets has allowed China to become the most evident example of the new role assigned to emerging countries, showing the changes in the geographical structure of trade, which benefited considerable business opportunities for Italian exporters.

The data provided has evidenced that the gradual growth of Made in Italy exports is directly related to Chinese open-door policies which favored the social transformation, the major foreign presence in the country and the changes in the demand of consumers. The increasing purchasing power achieved by larger parts of the Chinese population, especially in metropolitan areas, has encouraged the assimilation of Western food habits (Guthrie, 2009) and the progressive interest for the properties of the Mediterranean diet, which were both identified as a leading incentive in purchase behavior (De Pin, 2013). This has led to the development of new needs and requirements to be satisfied also in terms of quality and food safety. In fact, the growing attention to products' intrinsic and extrinsic attributes is now influencing Chinese consumers' purchasing choices: the more information they get about a product, the more likely they are to purchase it. Moreover, the growth of the per capita income has also contributed to some changes in the composition of the consumption basket, which is now characterized by a greater number of high-quality products.

In this regard, the data previously analyzed depict the growth of exports due to a rise in the demand of Italian food products, supported by their well-known health properties and their quality, which can be considered the main driver for the future development of the exports of Made in Italy agri-food to China. Food safety has become the pillar of China's food import norms; we have seen that Beijing has built and improved a supervisory system and a mechanism for food safety, by strengthening legislation and the set of relevant standards. Moreover, now it exercises a strict quality control over food, actively promoting international exchanges and cooperation in this respect, as shown by the growing number of bilateral agreements, and raising public awareness on food safety (De Pin, 2013).

By considering the aforementioned analysis, it can be inferred that there are some points of connection. According to some literature (Sirgy et al.), global integration and increasing trade flows have a positive impact on consumers' quality of life. However, the opposite is also true. In fact, based on what emerged it is possible to affirm that social changes affect the relationships among countries and the domestic demand for foreign products, due to the progressive evolution of population' needs. As outlined in Chapter two, the changes in consumption habits, including nutrition, resulted in an adaptation of the market to new and variable trends, which contribute to the modification of the demand and supply curve. In the specific case of China, this increasing awareness concerning quality and food safety, leads some consumers to seek those agri-food products that are in accordance with the provisions of national and international standards. Made in Italy agri-food products meet all these requirements, thanks to their certifications and unique characteristics, and may become a tool to encourage the development of those activities (logistics, distribution) which are useful for those enterprises aiming to expand their businesses. Consequently, we could affirm that the increase of the purchasing power of the Chinese population and their intention in spending more on high-quality agri-food products, laid the foundations for the political and the regulatory cooperation.

Based on this assumption, bilateral agreements should not be underestimated as they might be considered a result coming from the interest in investing in the evolution of the relationship of both countries and in those sectors that show great potential. They represent one of the main driving forces of international trade and are now useful tools to reach a balance between political and economic goals. Therefore, we could state that there is a growing interdependence between politics and economy that can be depicted as a circle, in which political players act to encourage development and the following results influence later decisions.

However, there are still many difficulties to overcome, especially with regards to the delays in bureaucracy, which damage trade flows and cause political mistrust. As a matter of fact, the results of Chapter three have shown that, despite both Italian and Chinese government have committed themselves for the development of collaboration in the agri-food sector, the consequent impact on exports sometimes was immediate (i.e. as illustrated by the data of meat), but sometimes it has required more time, increasing the discontent of Italian exporters. We should underline then, that it is essential to work towards the right

implementation of bilateral agreements and protocols in order to boost exports and, consequently, economic growth.

Therefore, we could embrace the idea that, especially when dealing with difficult markets, bilateral agreements help to create opportunities in distant markets and to reach goals more rapidly, by enhancing trade facilitation practices and regulatory cooperation. Shared goals and purposes are key elements to the strengthening of both relationships and trading capacities and this is also relevant when speaking about bilateral agreements within the European Union. In this regard, the understanding for the mutual protection of the PDOs and PGIs that was reached in 2020 between EU and China must be named, as it is China's first comprehensive, high-level bilateral agreement on GIs and it is likely to have a positive impact also on Made in Italy exports to the country.

What will be the future implication for Made in Italy agri-food exports to China? Despite the data showing Italian exporters' increasing interest in expanding in the Chinese market, some obstacles have emerged and are the main reason that prevents many Italian companies (especially SMEs) from starting trade. In particular, many of the customs duties that affect the final price of exported products such as pasta, cheeses, extra virgin olive oil, baked goods, biscuits, chocolate, roasted coffee, bottled and bulk wine (on which there is also a consumption tax) and ham, were not yet eliminated and are costs that not every enterprise can bear. In addition, there are many problems concerning logistics and distribution channels, which are still limited and require higher investments for development, in order to reach a major pool of consumers. For what concerns the Chinese market, the country's economic growth has not yet finished and the urbanization rate is predicted to rise from 60% today to 75% by 2030, with the second phase of urbanization attracting an additional 220 million city dwellers (Morgan Stanley, 2019). In this scenario, it is likely that the demand for imported goods will rise even further, as a consequence of the higher living standards and of the increasing number of Chinese consumers belonging to the upper and middle-class.

After having analyzed different papers, reports and exports' data, even if this industry is largely influenced by socio-economic and political dynamics which may be beneficial or unfavorable, my conclusion is that the Made in Italy agri-food is becoming highly recognized, gaining even more importance for what concerns trade flows to China, and it will continue to be relevant for the economy of our country. However, considering that

world agri-food markets are increasingly competitive (Carbone et al, 2014) and that non-mature and non-saturated markets are growing into the main target for foreign companies, Italian exporters will have to base their strategic positioning on segmentation and diversification more than price.

In all likelihood, Italian companies will have to change their approach towards trade and embrace innovation, which is becoming even more essential especially to respond to the evolving expectations of consumers and to increase the ability of companies to react to unforeseeable events. In the future we might expect that exports will grow even further, being aware of the Covid-19 trend which, as evidenced by data, has affected both the amount and the value of traded products. Although China represents a great opportunity for the Made in Italy agri-food sector, it will be relevant to support Italian SMEs' entry in the market. This should be done with the aim of increasing the presence of Made in Italy agri-food products in China and the sector's market share, which at the moment is around a minimum of 1%. From this point of view bilateral agreements could be useful to enhance the number of companies involved in trade and to provide more diversified products in the market; however, it would be convenient also to invest in infrastructures to lower distribution costs and to encourage the reduction (or elimination) of customs duties. This will help to reduce risk perception and may be discerned as a major incentive for internationalization in China.

Appendix 1

European norms	Sino-Italian agreements	Chinese norms
Common Agricultural Policy (CAP)	2004 Memorandum relating to animal quarantine and food safety	Food Safety Law
EU Reg. 1308/2013 establishing the Common Market Organization (CMO) - Regulation (EU) no. 2017/2393 - Regulation (EU) no. 2017/891 - Regulation (EU) no. 2017/892	2015 Italy joins Asian Infrastructure Investment Bank Italian-Chinese Forum for cooperation in the agri-food sector, an agreement between the China Council for the promotion of international trade (CCPTI) and the Italian Trade Agency (ICE) (including negotiations on olive oil and citrus fruits)	Law on the Protection of Consumer Rights; Agricultural Product Quality and Safety Law; Law on Inspection of Import and Export Goods
White Paper	2016 New protocol for phytosanitary requirements for the export of Italian citrus fruits	Administrative Measures for the Safety of Imported and Exported Foods (Decree 144)
EC Regulation 178/2002	2016 Memorandum of Understanding concerning the quality of olive oil	Reg. 248 "New version of Registration and Management Rules of Overseas Manufacturers of Imported Food" Reg. N.249 - "New version of Administrative Rules on Imported Food Safety"
Food Hygiene package: - Reg.Ce n.852/04; - Reg.Ce n.853/04; - Reg.Ce n.854/04 and Reg. 882/04; ➤ Now: Regulation (EU) 2017/625 - Reg. 183/2005	2017 Memorandum of Understanding on collaboration in the field of food safety	Administrative Measures for Registration of Overseas Manufacturers of Imported Food (Decree 145)
Codex Alimentarius	2017 Agreements signed in the Presence of President Mattarella and President Xi Jinping	Chinese Standards
EU within the WTO: - Sanitary and phytosanitary measures	2018 - Task Force China	Announcement on Adjusting the Label Approval System for

<p>(SPS)</p> <ul style="list-style-type: none"> - Technical Barriers to - Trade (TBT) 		<p>Import and Export Foods and Cosmetics of (AQSIQ) No. 44, 2006</p>
<p>PDO/PGI:</p> <ul style="list-style-type: none"> ➤ EEC Reg. 2081/92 ➤ Reg. 510/06 ➤ Reg. N. 1151/12 	<p>2019 - Memorandum of Understanding (BRI)</p> <p>Memorandum of understanding on inspection, quarantine and veterinary health requirements for frozen pork meat exports</p>	<p>Labeling and Packaging</p> <p>Additives, Pesticides and Veterinary drugs – Standards</p> <p>Product specific norms and standards</p>

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