

ISSUE BRIEF

Why the US-Italy Relationship Matters

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EXECUTIVE SUMMARY

In spite of the overall worsening of transatlantic relations over the past four years, and more inward looking foreign policy choices, Italy and the United States were able to preserve consistently positive relations.

As far as trade is concerned, Italy managed to avoid the brunt of US tariffs on European goods, and trade exchange between Rome and Washington kept a positive trajectory in a number of high-value sectors. Regardless of a more explicit link between Italy and China, Italy never questioned its loyalty to the United States, and Rome is one of the most valuable US allies in Europe, as it is the second-largest contributor to NATO's out-of-area operations and a key player in the Mediterranean.

Yet, while COVID-19 has taken a dramatic economic toll almost everywhere, in Italy specifically it has exacerbated structural vulnerabilities and risks generating political instability that can be exploited by external powers. After providing a comprehensive overview of Italy-US trade and security relations, this paper argues that Italy is both security asset for the United States, in light of long-standing military and economic cooperation, and an issue of concern, due to Italy's newer links to Russia and China, as well domestic political instability and economic fragility. In addition, this paper reflects on how the US administration could leverage Italy to improve transatlantic ties and ensure security in the Mediterranean.

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INTRODUCTION

Over the past three and a half years, the United States and Italy have both experienced political transformations that created polarized domestic debates and more inward-looking foreign policies accompanied by a sense of distrust toward multilateral institutions.

US President Donald J. Trump's confrontational and hostile approach toward the European Union (EU) and NATO has undermined transatlantic cooperation, while also triggering uncertainty and disagreement among EU member states on foreign policy matters. Following its March 2018 national elections, Italy became the first country in Europe to be run by a populist-nationalist government, with the Five Star Movement and League party at the helm. A year later, it became the first G7 country to endorse the Chinese Belt and Road Initiative (BRI) by signing a memorandum of understanding with China.



A box with a message reading “Together we’ll make it! Together we’ll win!” is seen as a shipment of supplies of personal protective equipment (PPE) that came in a plane from Guangzhou, China, to help the southern Italian region of Puglia combat a spread of the coronavirus disease (COVID-19) is piled up at Bari airport, in Bari, Italy, April 7, 2020. REUTERS/Alessandro Garofalo

Yet in spite of deteriorating transatlantic ties overall, questions about the foreign policy of Italy's 2018 coalition government, and concerns about its role in the EU, Italy has managed to preserve a consistent relationship with the United States. Washington remains Rome's privileged ally for political, economic, and security purposes. Conversely, as the largest European contributor to NATO operations and a key actor for security in the Mediterranean, second-largest host of US troops in Europe, and third-largest economy in the EU with consistently florid economic ties to the United States, Rome remains a key partner for the United States as well. However, this relationship too often takes second place in the minds of US policymakers and analysts. This is perhaps a consequence of political discontinuity in Rome or Italy's overall conciliatory stances in foreign policy that do not generate particular concern in Washington.

By providing an overview of the economic and military dimensions of the Italy-US relationship, this paper aims to bring attention to Italy as simultaneously 1) a security asset for the United States, in light of long-standing military and economic cooperation, and 2) an issue of concern, due to Italy's newer links to Russia and China, as well domestic political instability and economic fragility (exacerbated by the devastating impact of the COVID-19 pandemic). These issues also have important implications for Italy's role in the EU.

UNBREAKABLE ECONOMIC TIES

Since the end of the Second World War, the United States and Italy have traditionally enjoyed a special friendship supported by strong political ties, profitable economic exchanges, and substantial military cooperation. Starting in the early 1900s, Italians traveled across the Atlantic in search of new opportunities and laid the foundations for an enduring trade relationship between the two countries. Currently, the Italian population (also including Italian descendants) in the United States stands at 18 million. In addition, Italy is the United States' fifth-largest EU trading partner,¹ and the United States is the second-largest market for Italian exports.²

Notably, US-Italy trade volumes have increased notably over the last ten years, from about \$12 billion in US exports/\$13 billion in Italian imports in 2009, to about \$23 billion in US exports/\$19 billion in Italian imports in 2019, and from about \$27 billion in US imports/\$24 billion in Italian exports in 2009,

1 “Top Trading Partners - May 2020,” US Census Bureau, May, 2020, <https://www.census.gov/foreign-trade/statistics/highlights/top/top2005yr.html>.

2 “Main destination countries for Italian exports based on 2020 data,” Italian Ministry of Foreign Affairs, 2020, https://www.esteri.it/mae/images/stories/commercio_internazionale/osservatorio_commercio_internazionale/statistiche_import_export/tabella-5a--principali-paesi-destinatari-delle-esportazioni-italiane--graduatoria-in-base-ai-dati-del-2020.pdf.

to about \$59 billion in US imports/\$51 billion in Italian exports in 2019. Italy also runs a substantial trade surplus with respect to the United States.³

Contrary to popular belief, food and agricultural goods account for 10 percent of Italy's exports to the United States,⁴ which is a much smaller percentage of Italy's total exports than products from high-value, high-tech sectors, such as machinery, chemicals, pharmaceuticals, and aircraft.⁵ Recent data on Italian and US foreign direct investment (FDI) provide further insight into the deep connections between US and Italian economies. Interestingly, in spite of the obvious difference in scale between the two countries' economies, there was only a \$7 billion difference between US FDI in Italy (\$38.45 billion) and Italian FDI in the United States (\$31.26 billion) in 2018.⁶ This is a testament to the importance of the Italian footprint on the US economy. This connection with Italy also accounts for 78,200 US jobs across sectors including industrial machinery, automotive components, metals, software and information technology services, consumer products, and alternative energy.⁷

Given these strong ties, trade confrontation between the United States and Europe raised concerns for both Italian and US investors, especially following the Trump administration's decision to impose 25 percent tariffs on many European food and agricultural goods after the settlement of the Airbus dispute in the World Trade Organization (WTO).⁸ While this decision had the potential to dramatically impact Italian food and beverage products, the Office of the US Trade Representative removed Italian products from the tariff list in February 2020,⁹ in light of their broad recognition by the US public, and as a result of both diplomatic and business sector lobbying.

While it is true that, in spite of such tensions, Italy-US economic relations have continued without major disruptions over the past four years, it is also true that the results of the upcoming US presidential elections could still have a significant impact on this partnership. A potential US administration under former US Vice President Joe Biden is expected to be less confrontational on economic matters with European allies than a second Trump administration, with obvious advantages for export countries like Italy. As of July 2020, Trump reconsidered the imposition of retaliatory tariffs over European Airbus subsidies, which could negatively impact Italian exports.¹⁰ However, the issue is not yet settled.

Meanwhile, further tensions are rising in the digital and automobile space. In January 2020, Italy imposed a 3 percent domestic digital services tax (DST)¹¹ on revenues from a number of digital services provided to users in Italy. The new tax targets big tech—especially Facebook, Google, Amazon, and other companies whose businesses center on digital advertising and marketplaces. In addition, the Trump administration has often threatened but has not yet implemented tariffs on European cars. This would be detrimental for Italy, the third largest European car exporter to the United States (after Germany and the United Kingdom), and an important producer of intermediary parts for many German cars.¹²

However, regardless of the outcome of the US election in November, Italy will push for conflict-free trade with the United States and seek cooperation in the digital space and green economy. In doing so, Italy's government will follow the lead of Italian energy company ENI, which has long operated alongside US counterparts in the renewable energy field.¹³

3 "UN Comtrade Database," United Nations Statistics, accessed on August 10, 2020 <https://comtrade.un.org/data/>.

4 "USA: trade exchange data 2019," InfoMercatiEsteri, 2019, http://www.infomercatiesteri.it/highlights_dettagli.php?id_highlights=16608.

5 "Italy, Market overview," International Trade Administration, August 15, 2019, [https://www.export.gov/article?series=a0pt0000000PAu5AAG&type=Country_Commercial__kav#:~:text=U.S.%20exports%20to%20Italy%20are,%2C%20and%20aircraft%20\(7%25\)](https://www.export.gov/article?series=a0pt0000000PAu5AAG&type=Country_Commercial__kav#:~:text=U.S.%20exports%20to%20Italy%20are,%2C%20and%20aircraft%20(7%25)).

6 Ryan Smith, Jeannine Aversa, *Direct Investment by Country and Industry, 2018, Bureau of Economic Analysis*, July 24, 2019, <https://www.bea.gov/system/files/2019-07/fdici0719.pdf>.

7 "Italy, Market overview," International Trade Administration.

8 Billy Perrigo, "New Trump Tariffs Are About to Make Scotch Whisky, French Wine and Italian Cheese More Expensive," *TIME*, October 18, 2019, <https://time.com/5704663/trump-tariffs-whiskey-wine-cheese-eu/>.

9 John Follain, "Italy Escapes Higher US Tariffs on Some Products," *Bloomberg*, February 15, 2020, <https://www.bloomberg.com/news/articles/2020-02-15/italy-escapes-new-round-of-u-s-tariffs-after-direct-lobbying>.

10 Dave MacIntyre, "Trump tariffs on European wine are on the table again, adding more stress to a struggling industry," *Washington Post*, July 17, 2020, https://www.washingtonpost.com/brookings.idm.oclc.org/lifestyle/food/trump-tariffs-on-european-wine-are-on-the-table-again-adding-more-stress-to-a-struggling-industry/2020/07/17/4a7e3dd4-c6ae-11ea-b037-f971f89ee46_story.html.

11 Paolo Ruggiero, Francesco Cardone, "INSIGHT: Italy Taxes the Digital Economy," *Bloomberg Tax*, January 29, 2020, <https://news.bloombergtax.com/daily-tax-report-international/insight-italy-taxes-the-digital-economy>.

12 Clemens Fuest, "Germany would not be the main victim of Trump's car tariffs," *Euractiv*, July 10, 2018, <https://www.euractiv.com/section/economy-jobs/opinion/germany-would-not-be-the-main-victim-of-trumps-car-tariffs/>.

13 "Our work in the United States," ENI, July 2020, <https://www.eni.com/en-IT/global-presence/americas/united-states.html>.

ITALY AS SECURITY ASSET

Italy hosts the second-largest number of US troops in Europe (after Germany), with about fourteen thousand Department of Defense units and several US military bases.¹⁴ Despite spending below 2 percent of its gross domestic product (GDP) on defense,¹⁵ Italy is the largest European contributor of troops to United Nations peacekeeping missions¹⁶ and the second-largest contributor to NATO's out-of-area operations, after the United States. Its advanced defense industry, from shipbuilding to aircraft and helicopter manufacturing, makes Italy a key player in the international defense market. For example, Italy hosts Europe's F-35 final assembly and check-out facility.¹⁷ Italy's security commitments to the United States have remained steadfast over time, occasionally in divergence from other major European powers like Germany and France. Italian active duty combat groups operate alongside US troops in Afghanistan, Iraq, Libya, and Niger. Meanwhile, in Lebanon (where there is a major Italian contingent of 1,216 units), Kosovo, and Somalia, Italy has a command role. In spite of Italy's accommodating approach towards Russia, Italy honors its NATO duties in Eastern Europe under the framework of the Readiness Action Plan and through the deployment of air and ground forces to reassure the Baltic states and Poland.

In recent years, the United States' security relationship with Italy, and with the broader European community, has been under strain following Washington's gradual disengagement from the Mediterranean and wider call for Europe to take on more security responsibilities. As a result, the Italian military has had to ramp up its planning and conduct capabilities, logistic support, and air and missile defense efforts in the

region.¹⁸ However, in Libya, Italy (and other European countries) have consequently turned to bilateral interactions with regional powers like Turkey, Russia, and Egypt.

"America First" policies undertaken by the Trump administration have exacerbated these matters. Washington's announced withdrawal of twelve thousand soldiers from Germany¹⁹ initially raised significant concerns in Italian national security circles²⁰ and reignited Europe's dialogues on strategic autonomy and the need to potentiate its own hard power capabilities.²¹ For its part, Italy did welcome the creation of the European Defense Fund, along with the French-led European Intervention Initiative, and called for enhanced cooperation through the Permanent Structured Cooperation (PESCO).²² It is true that the United States has often called on European allies to increase their defense spending and security initiatives in the European southern neighborhood. Yet, European independent initiatives in this regard are received with suspicion in Washington because of potential EU decoupling from NATO and the impact of deeper European integration on the defense market, especially US exports of weapons and military technology.

In light of recent trends in US foreign policy both on the Republican and Democratic sides, it is fair to assume that Washington will continue to avoid any military engagement unless a conflict directly impacts US geopolitical interests. Yet, as the withdrawal of US troops from Northern Syria and Afghanistan have shown, uncontrolled and uncoordinated disengagement can prove counterproductive, leading to further instability and opening the door to the influence of malign authoritarian actors. For this reason, a forward-looking US foreign policy should count on and support long-standing security partners like Italy, who are capable and willing to take

14 "DoD Personnel, Workforce Reports & Publications," Defense Manpower Data Center, July 28, 2020, https://www.dmdc.osd.mil/appj/dwp/dwp_reports.jsp.

15 Italy Military Expenditure (% of GDP), Trading Economics, 2018 <https://tradingeconomics.com/italy/military-expenditure>.

16 "Summary of Troops Contributing Countries by Ranking," United Nations Peacekeeping, January 2020, https://peacekeeping.un.org/sites/default/files/2_country_ranking_13.pdf.

17 International Institute for Strategic Studies, *The Military Balance 2020*, (London: International Institute for Strategic Studies, 2020), pp. 118-122.

18 Alessandro Marrone, *Italian Military Operations: Coping with Rising Threats and Declining US Leadership*, Institute of International Affairs, March 15, 2020, <https://www.iai.it/sites/default/files/iaicom2015.pdf>.

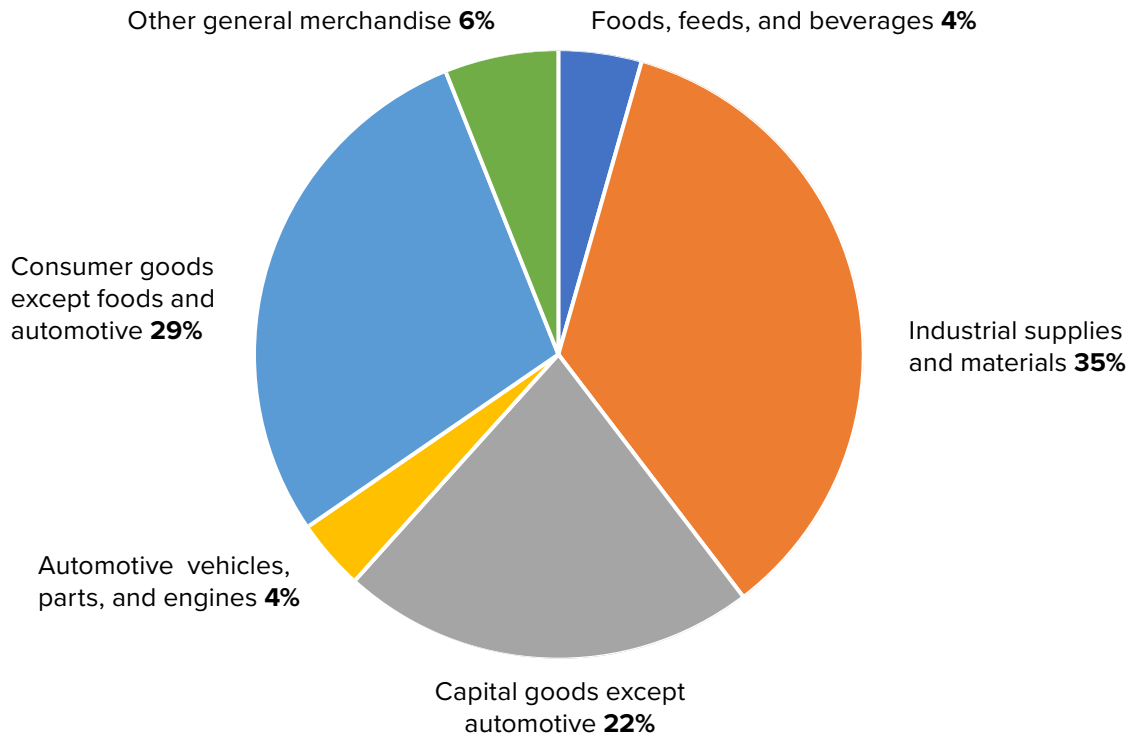
19 Ryan Browne, Zachary Cohen, "US to withdraw nearly 12,000 troops from Germany in move that will cost billions and take years," CNN, July 29, 2020, <https://www.cnn.com/2020/07/29/politics/us-withdraw-troops-germany/index.html>.

20 Part of these troops were relocated to Italy. See Missy Ryan, Karen DeYoung, and Loveday Morris, "Pentagon plan will move troops from Germany to Italy, Belgium and back to U.S.," The Washington Post, July 29, 2020 https://www.washingtonpost.com/national-security/us-troop-withdrawal-germany/2020/07/29/f5d23982-d19f-11ea-af07-1d058ca137ae_story.html

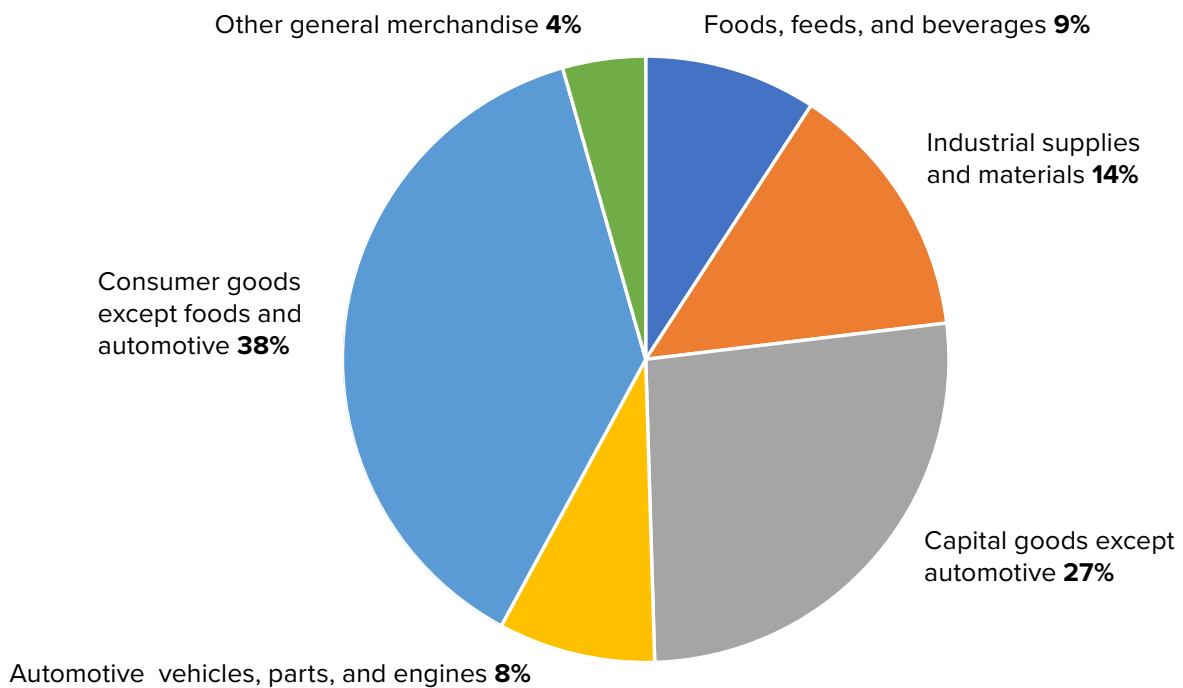
21 "EU Defense Washington Forum: Joseph Borrel Keynote," July 9, 2020, Brookings, <https://www.brookings.edu/events/webinar-eu-defense-washington-forum/>.

22 Gerardo Pelosi, "Covid: ministri Difesa Italia, Francia, Germania e Spagna chiedono a Ue cooperazione rafforzata [COVID: the ministers of defense of Italy, France, Germany and Spain call for EU enhanced cooperation]," Il Sole24Ore, May 30, 2020 <https://www.ilsole24ore.com/art/covid-ministri-difesa-italia-francia-germania-e-spagna-chiedono-ue-cooperazione-rafforzata-ADcgTHU>.

US GOODS EXPORTED TO ITALY (2019)



ITALIAN GOODS EXPORTED TO UNITED STATES (2019)



on part of the burden and to facilitate multilateral dialogue with the complexity of actors involved. Italy's geographic position is an important vantage point for operations aiming at the securitization of the Mediterranean and of the Balkans. In this region, Italy has proved itself as an important ally both in fighting human trafficking through Operation Safe Sea and Sofia (under the auspices of the EU), and in supporting the NATO mission in Kosovo. More recently, US tensions with Turkey over its intervention in Northern Syria and fluctuant relations with the government of Turkish President Recep Tayyip Erdoğan make Italy even more important as a NATO ally in the region because of its consistent commitment to international security.²³

As a dedicated NATO ally with valuable defense sector infrastructure and the second-largest host of US troops in Europe, Italy is a crucial partner for the United States. Rome is able to address European security needs in the Mediterranean—in particular the stabilization of Libya and more recently dealing with the consequences of tragic events in Lebanon—and play a mediation role in the EU's eastern neighborhood.²⁴ Italy can also bridge the gap between European security concerns and US security priorities and interest in accessing the European defense market.

ITALY IN GREAT POWER COMPETITION

Despite languishing transatlantic ties overall, Italy-US relations have largely remained positive and consistent. However, both countries underwent profound political transformations that consequently impacted their foreign policies.

Following its 2018 national elections, Italy was the first country in Europe to be governed by a coalition created by an anti-establishment populist party, the Five Star Movement (*Movimento 5 Stelle*), and by a far-right party, the League (*Lega*). Five Star was first formed in 2009 from an online, grassroots movement. Meanwhile the League, headed by Matteo Salvini, has impressively extended its base from regional to national level in the past few years, taking

advantage of the weakness of the traditional right (following former Italian Prime Minister Silvio Berlusconi's ban from standing for office) and of the migration crisis that peaked in 2015.²⁵ The coalition's Euroskepticism and sovereigntist approach to foreign policy closely aligned with Trump's stances on the EU and NATO, but took a different direction in the pursuit of those views. With its new governing mandate, the Five Star Movement was inspired to rethink Italy's national interest and move toward increased engagement with outside powers like China. Meanwhile, the League adopted tougher stances on immigration, Iran, and North Korea, along with a more protectionist posture toward Chinese economic influence in Italy.

This coalition did not last long (the center-Left Democratic Party replaced the League as junior partner in the government coalition in August 2019),²⁶ but its political choices have had lingering impacts on Italy's international position and raised a series of concerns in the United States:

First, Italy's flirt with China. The decision to sign the memorandum of understanding (MoU) on the Belt and Road Initiative with China in March 2019, mainly sponsored by the Five Star Movement, received harsh criticism from Washington. The United States expressed concern regarding the potential repercussions for the Italian economy and security infrastructure vis-à-vis the development of 5G technology networks, and more broadly, for Italy as a potential entry point for Chinese influence in Europe.²⁷ Other European countries may have received significantly more attention from Beijing in terms of FDI and trade exchange, but Italy's case proves particularly striking as it was the first G7 country to endorse Chinese geopolitical ambitions by formally signing onto the BRI. While the MoU has not yet resulted in any significant change in the ownership and management of critical infrastructures (like the Trieste port, strategically located at the north end of the Adriatic Sea and connected with Central and Eastern Europe), such an agreement advertises Italy's strengthening ties with China, and its attempt to fight economic stagnation through attracting more FDIs.²⁸

23 Sarah White, "Why Italy Is Pivotal to U.S. Strategy in the Mediterranean," *RealClearDefense*, December 12, 2019 https://www.realcleardefense.com/articles/2019/12/12/why_italy_is_pivotal_to_us_strategy_in_the_mediterranean_114917.html.

24 Giovanna De Maio, Nicolò Sartori, "Le relazioni tra Italia e Russia," [Italy-Russia relations] Italian Senate, November 2018 <https://www.iai.it/it/publicazioni/le-relazioni-tra-italia-e-russia>

25 "Number of Refugees to Europe Surges to Record 1.3 Million in 2015," *Pew Research Center*, August 2, 2016, <https://www.pewresearch.org/global/2016/08/02/number-of-refugees-to-europe-surges-to-record-1-3-million-in-2015/>.

26 Jason Horowitz, "New Government Takes Shape in Italy, Sidelining Salvini and the Hard Right," *New York Times*, August 28, 2019 <https://www.nytimes.com/2019/08/28/world/europe/italy-government-salvini.html>.

27 "US Secretary of State Mike Pompeo 'saddened' as Italy signs up for China's belt and road project," *South China Morning Post*, March 28, 2019, <https://www.scmp.com/news/china/diplomacy/article/3003610/us-secretary-state-mike-pompeo-saddened-italy-signs-chinas>.

28 Giovanna De Maio, "Playing with Fire: Italy, China and Europe," The Brookings Institution, May 2020, <https://www.brookings.edu/research/playing-with-fire/>.



Italy's Prime Minister Giuseppe Conte speaks next to NATO Secretary-General Jens Stoltenberg during a media conference at Chigi palace in Rome, Italy, June 11, 2018. REUTERS/Tony Gentile

As the COVID-19 pandemic hit Europe, Italy was caught between the dual challenges of Chinese “mask diplomacy”²⁹ and disinformation campaigns.³⁰ Conducted through several channels, including Italy’s mainstream media, these information operations portrayed China as a benevolent power ready to support Italy with medical equipment and personnel. The United States responded quickly to Chinese efforts by offering Italy \$100 million in medical aid, but fell well short of China in terms of promoting its aid.³¹ Public opinion in Italy proved particularly sensitive to this. According to a poll released in April 2020, Italians see China as the most friendly country (as

indicated by 57 percent of respondents), followed by Russia (32 percent), then the United States (17 percent).³² However, the Italian political debate remains divided on the issue of China. The Five Star movement is more open to engaging with Beijing, while the Democratic Party (Left) and the Center Right remain more skeptical about strengthening those ties. While former Undersecretary of State at the Italian Ministry of Foreign Affairs Michele Geraci, a member of the League, was the mastermind behind the MoU with China, Salvini’s party publicly endorsed the United States’ stricter approach towards China.³³ The League has blamed Beijing for the spread of COVID-19, raised

29 Jeffrey V. Hornung, “Don’t Be Fooled by China’s Mask Diplomacy,” *TheRANDblog*, May 5 2020, <https://www.rand.org/blog/2020/05/dont-be-fooled-by-chinas-mask-diplomacy.html>.

30 Dario Cristiani, “The Chinese Charm Offensive Towards Italy as the Coronavirus Crisis Deepens”, China Brief Volume 20, n. 6 Jamestown Foundation, <https://jamestown.org/program/the-chinese-charm-offensive-towards-italy-as-the-coronavirus-crisis-deepens/>

31 “Memorandum on Providing COVID-19 Assistance to the Italian Republic,” The White House, April 10, 2020, <https://www.whitehouse.gov/presidential-actions/memorandum-providing-covid-19-assistance-italian-republic/>.

32 Francesco Bechis, “Se gli italiani preferiscono la Cina agli Usa (e alla Ue)[If Italians prefer China to the United States (and to the EU)],” *Formiche*, April 21, 2020 <https://formiche.net/2020/04/italiani-preferiscono-cina-usa-ue/>.

33 Crispian Balmer, “Salvini proclaims Italy to be Washington’s best EU ally,” *Reuters*, June 17, 2019 <https://www.reuters.com/article/us-italy-usa-salvini/salvini-proclaims-italy-to-be-washingtons-best-eu-ally-idUSKCN1TJ00J>.

alarm at China's growing influence in Italy's economy³⁴ and even led a protest in front of the Chinese embassy in Rome to support Hong Kong.³⁵

In the past few months, the Italian government seems to have taken a more cautious approach toward Beijing as compared with 2019. Rome has imposed stricter regulations on investment screening,³⁶ and the Italian communication company, Telecom, excluded Huawei from the suppliers of 5G technology.³⁷ However, as there is no independent committee to determine whether or not to accept certain kinds of FDIs, such decisions depend on political will and remain highly susceptible to change. While these are important steps to protect Italy's strategic sectors and the security of communication transmissions, Italy's relations with China in a post-COVID-19 world will be more or less dependent on how Italy's economy recovers from such a historic shock.

Second, Italy's connections with Russia. Traditionally, Italy's foreign policy has adopted an accommodating approach toward Russia due to conflict-free historical ties, energy and economic relations, and political ties cultivated in Soviet times by the Italian Communist Party.³⁸ Following the 2014 crisis in Ukraine, Italy engaged in diplomatic efforts and advocated that the renewal of the EU sanctions regime be discussed every six months, rather than automatically applied. Several parties in Italy lamented the damages provoked by the sanctions on Russia and by Russia's counter sanctions on Italy's small and medium enterprises.

Political developments over the past few years have exposed other dimensions of Italy's ties to Russia. Ahead of the 2018 national elections, Italy was targeted by Russia's disinformation campaigns aimed at promoting divisive anti-immigration and anti-EU narratives.³⁹ In 2019, a scandal broke alleging Russian funding for the League.⁴⁰ While the matter remains under investigation, it shed light on the strong connections between Russian conservative circles and Italian far-right groups. While political closeness is not surprising, such ties raise concerns about Russia's illegal interference to achieve specific political gains. This is particularly relevant, considering the League has been leading in the polls as part of the Center Right bloc. The bloc includes Berlusconi's *Forza Italia*,⁴¹ and another far-right party, Brothers of Italy, headed by Giorgia Meloni, whose popularity among international ultra conservative circles has been on the rise.

Third, Italy's relations with the EU. Italy is still the EU's third-largest economy⁴² and fourth-largest net contributor to the EU budget.⁴³ Yet, after the 2008 economic crisis, the EU slowly lost its appeal in the eyes of Italian public opinion, evidenced by the success of two parties that ran on decisive Euroskeptical stances in 2018. In 2019, according to the Eurobarometer poll, Italy was the most Euroskeptical country, with only 37 percent of the population holding a positive view of EU membership.⁴⁴ As a result of the confrontational approach of the 2018 government coalition, Italy's political influence in the EU shrank in the most recent European elections. Where Italian representatives once held three of five high-level EU posts

34 Matteo Salvini (@matteosalvinimi), "La Cina. Prima contagia mezzo mondo, poi si prepara a comprare aziende, alberghi (e libertà) dei Paesi in crisi, Italia in primis. No, non possiamo permetterlo. Risarciscano i danni enormi causati all'Italia e al mondo. Punto.," Twitter, May 4, 2020, 4:39 a.m., <https://twitter.com/matteosalvinimi/status/1257228351086964738>.

35 Gabriele Carrer, "La Lega si schiera davanti all'ambasciata cinese per difendere Hong Kong," *Formiche*, July 7, 2020, <https://formiche.net/2020/07/lega-flash-mob-hong-kong/>.

36 "Law Decree n.23," *Gazzetta Ufficiale della Repubblica Italiana*, April 8, 2020, <https://www.gazzettaufficiale.it/eli/id/2020/06/06/20A03082/sg>.

37 "Huawei esclusa dalla gara Telecom Italia per il 5G [Huawei excluded from the Telecom Italia tender for 5G]," ANSA, July 10, 2020, https://www.ansa.it/sito/notizie/tecnologia/tlc/2020/07/10/huawei-esclusa-dalla-gara-italiana-per-il-5g_b35603aa-f910-468d-8ebe-29027ae212d7.html.

38 Joan Barth Urban, *Moscow and the Italian Communist Party*, Cornell University Press, 1986.

39 Giovanna De Maio, "Russia, Eurosceptic parties and Italian elections," *German Marshall Fund*, February 28, 2019, <https://www.gmfus.org/publications/russia-eurosceptic-parties-and-italian-elections>.

40 Alberto Nardelli, "Revealed: The Explosive Secret Recording That Shows How Russia Tried To Funnel Millions To The 'European Trump,'" *Buzzfeed*, July 10, 2019, <https://www.buzzfeednews.com/article/albertonardelli/salvini-russia-oil-deal-secret-recording>.

41 As covid-19 hit Italy, an initial rally-round-the-flag effect led to an increase in the popularity of Conte and a decrease in support for the League. In spite of a decreased margin, the League was able to keep its position in the polls, and Brothers of Italy quickly reached 15 percent approval. See: "Sondaggi," *TG LA7*, August 13, 2020, <https://tg.la7.it/listing/sondaggi>.

42 "Italy: Country Overview," *EU Business*, accessed on August 12, 2020 <https://www.eubusiness.com/europe/italy>.

43 Patrick Malone, "The European Union Budget: Member State Contributions and Expenditures," *Public Policy*, May 22, 2019 <http://publicpolicy.ie/papers/the-european-union-budget-member-state-contributions-and-expenditures/>.

44 "Parlementer 2019 - Heeding the call beyond the vote a stronger parliament to listen to citizens voices," Eurobarometer Survey 92.2 of the European Parliament A Public Opinion Monitoring Study, European Parliament, 2019, <https://www.europarl.europa.eu/at-your-service/en/be-heard/eurobarometer/parlementer-2019-heeding-the-call-beyond-the-vote>



Supporters of Italy's far-right League party leader Matteo Salvini are seen at a rally ahead of regional election in Emilia-Romagna, in Maranello, Italy, January 18, 2020. REUTERS/Guglielmo Mangiapane

(Mario Draghi as president of the European Central Bank, Antonio Tajani as president of the European Parliament, and Federica Mogherini as high representative for foreign affairs and security policy), there is now only one (David Sassoli as president of the EU Parliament).

As COVID-19 hit Europe, Euroskepticism found a renewed foothold in Italy following the initial hesitation of European countries⁴⁵ to export medical equipment, which left room for China to offer medical personnel and supplies;⁴⁶ the difficult negotiations over the EU budget and overall economic

response to COVID-19; and the heated political debate and exacerbated tensions between Italy and more fiscally conservative countries⁴⁷ in the EU.

Due to its economic and industrial weight in the single market, Italy's recovery will be a key factor for the overall economic recovery of the Eurozone. During the EU Council negotiations over the establishment of the EU recovery fund (750 billion euros divided between grants and loans), backed by the issuance of a common debt through the EU budget,⁴⁸ Italian Prime Minister Giuseppe Conte successfully mitigated domestic stances

45 "Maurizio Massari, Italian ambassador to the EU: Italy needs Europe's help," *Politico*, March 10, 2020, <https://www.politico.eu/article/coronavirus-italy-needs-europe-help/>.

46 Crispian Balmer, "China sends medical supplies, experts to help Italy battle coronavirus," *Reuters*, March 13, 2020, <https://www.reuters.com/article/us-health-coronavirus-italy-respirators/china-sends-medical-supplies-experts-to-help-italy-battle-coronavirus-idUSKBN21011M>.

47 "Paesi frugali, quali sono e perché si oppongono all'Italia [Frugal countries, which are they and why they oppose Italy]," *Il Messaggero*, July 20, 2020, https://www.ilmessaggero.it/mondo/paesi_frugali_chi_sono_ultime_notizie-5357546.html.

48 "A recovery plan for Europe," European Council, July 21, 2020, <https://www.consilium.europa.eu/en/policies/eu-recovery-plan/>

opposing the use of the funds from the European Stability Mechanism and reassured European partners over Italy's fiscal reliability, making the case for the issuance of common European debt as the only way forward for the Eurozone.⁴⁹

For now, strategic sectors have been protected by temporary caps on FDI, and the recovery fund allows Italy to have more fiscal leeway as a baseline. Yet, a cash infusion does not automatically imply a successful economic recovery. Much will depend on Italy's political stability and the government's ability to strategize industrial plans and concrete solutions for the hard-hit small- and medium-sized enterprises comprising the bulk of Italy's economy.

At the moment, Conte—close to Five Star, but not affiliated with the party—enjoys a wide approval rate (60 percent),⁵⁰ that would allow him to tip the balance if elections had to be held in the short term, and should he decide to side with one political force or another. Nevertheless, the picture is less clear as far as Italians' preferences on political parties: the League is still leading in the polls (26 percent), but Five Star is declining (16 percent) along with Berlusconi's Forza Italia (6 percent). Meanwhile the Democratic Party is resurging (20 percent), while Brothers of Italy is on the rise (14 percent), and a small but noisy Italia Viva (3 percent)⁵¹ headed by former Prime Minister Matteo Renzi still has several deputies in the Italian Parliament and often threatens to withdraw its support for the current government. If Italians had to vote today, none of the parties would reach the 40 percent threshold to govern on its own, yet the League, Brothers of Italy, and Forza Italia are very likely to form a coalition. The results of September 21 regional elections confirm this fragmentation, with the Center Left triumphing in Puglia and Campania, and the Center Right coalition (with the League ahead) winning big in Veneto, Liguria and Marche, and obtaining impressive results in Tuscany, the traditional stronghold of the left.

CONCLUSIONS

Over the past four years, Italy-US relations have remained consistently positive in spite of substantial domestic political upheaval and transatlantic tensions over political, economic, and security matters.

From an economic perspective, Italy managed to avoid the brunt of US tariffs on European goods, and continued to increase its trade exchange in a number of high-value sectors, including machinery, chemicals, automobiles, and defense. In the near future, regardless of the outcome of the US presidential elections in November 2020, Italy will seek conflict-free trade relations with the United States in the information technology and digital spaces, and in green economy investments.

Yet, COVID-19 has exacerbated structural vulnerabilities in the Italian economy that could trigger further political instability. The EU has set up significant budgetary means to support economic recovery, but the question remains as to how Italy will manage these funds and implement a successful economic strategy. In the meantime, depending on the political inclinations of the party or coalition in power, Italy may still turn to China to make short-term economic gains—a decision that may backfire.

From a security perspective, Italy is one of the most valuable US allies in Europe, as it is the second-largest contributor to NATO's out-of-area operations and a key player in the Mediterranean. As the United States continues to disengage from military missions abroad and Europe strives to achieve strategic autonomy through more established hard power capabilities, Italy could play a pivotal role in bridging European and US security goals.

At the same time, Italy's ongoing political and economic instability make it both a security concern for the United States

49 "Conte: sfida storica per l'Europa occorre strumento di debito comune," RAINNEWS 24, March 30, 2020, <https://www.rainews.it/dl/rainews/articoli/contе-pais-sfida-europa-serve-strumento-debito-comune-ec6ff41b-822d-4a5e-853e-3d5a42f21fe6.html>.

50 "Sondaggio, per il 60 per cento degli italiani il futuro di Conte è in politica: i grillini lo sognano leader, anche di un suo partito [Poll, for 60 percent Italians Conte's future is in politics: Five Star dreams of him as a leader, even of his own party]," Open Online, June 29, 2020, <https://www.open.online/2020/06/29/sondaggio-futuro-conte-politica-grillini-leader-anche-suo-partito/>.

51 "Il sondaggio politico di lunedì 3 agosto [Political poll, Monday August 3rd]," LA7, August 3, 2020, <https://tg.la7.it/sondaggi/il-sondaggio-politico-di-luned%C3%AC-3-agosto-2020-03-08-2020-152420>.

and a potential battleground for great power competition. Italy-China relations became closer following Italy's endorsement of the BRI and China targeting Italy with its mask diplomacy and propaganda campaign. Russian support for Italian Euroskeptic parties through the promotion of divisive content became evident ahead of Italian 2016 elections, while in 2019 a scandal broke alleging Russian financing directed to the League.

If guided by the purpose of renewing and repairing transatlantic partnership, the incoming US administration should count on the consistency of its relationship with Italy in economic, military, and political spheres to develop a broader and more inclusive strategy to support the securitization of the Mediterranean and leverage Italy's influence in the EU to push for conflict-free trade relations. At the same time, Washington would need to pay attention to Italy's increased ties with China and Russia, along with Rome's economic vulnerabilities, and support coordinated recovery efforts that would strengthen industrial synergies between Italy, the EU, and the United States, thus increasing transatlantic economic leverage in its relations with China.

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