DGAP MEMO
German Council on Foreign Relations e. V.
No. 15
February 2025

A Strategy for Europe from National Perspectives: Italy

Leo Goretti, Head of the Italian Foreign Policy Program, Istituto Affari Internazionali (IAI); Editor, The International Spectator

The imperative for present and future Italian governments is to govern the decline that Italy is facing due to an aging population, limited fiscal space, and the waning strategic importance of the "southern flank" within the Western alliance. Although the current administration in Rome will likely try to address these issues through a transactional approach with EU partners and institutions, this memo reveals why strengthening EU governance and powers is in Italy's long-term interest.

THE CURRENT SITUATION

At first glance, Italy's international status may look rather solid. One of the founding members of the European Union and the North Atlantic Treaty Organization, the country is part of the G7, which Rome presided over in 2024, and the G20. It retains a certain degree of influence in multilateral fora and is one of the largest contributors to international peacekeeping missions. Yet, since the end of the Cold War, Italy has seen a gradual erosion of its role in the international system that has further accelerated following the global financial and Eurozone crises.

Strategically, Italy is no longer in the privileged position in the Central Mediterranean it once was as a Western country neighboring the Iron Curtain. Today, insecurity and instability on the southern shores of the Mediterranean could threaten the country's substantive trade and energy interests in the region and augment the arrival of irregular migrants to Italy. Consequently, Rome's strategic outlook is now predominantly focused on the security challenges – real and perceived – stemming from the "arc of crisis" running from West Africa to the Levant, an area that Italian analysts and officials commonly call the "Enlarged Mediterranean." There is widespread concern in Rome, however, that the Allies' attention may be turning elsewhere. One reason for this is the outbreak of Russia's war against Ukraine. Due to both normative and security considerations, Italian governments have provided constant political, financial, and military support to Kyiv; yet, from a strategic perspective, there is a perception in Rome that, due to the war, the overall agenda of the EU may now be looking more eastwards than southwards. Most importantly, despite possible short-term alignments between Rome and Washington stemming from the ideological proximity of their respective administrations, the United States – Italy's major transatlantic ally – seems to be primarily preoccupied with the Asia-Pacific in its long-term effort to balance China's rise.

Domestically, demographic trends pose significant limits to Italian governments' room for maneuver. The country has the highest median age of the entire European Union and one of its highest old-age dependency ratios.[1] Italy's resident population is expected to decrease from the current 59 million to 54.5 million in 2050, when more than one third of those living in the country will be over 65. In the short to mid-term, these trends may be partly addressed through an increased participation of migrants in the Italian labor market – which, despite a stated commitment by the government to improve legal pathways to migration, may meet political resistance. Overall, this demographic change is predicted to translate into higher spending for pensions and healthcare in the coming decades that, in turn, will exert significant pressure on the country's strained public finances.

For a country that is already heavily indebted, the financial constraints related to a shrinking and aging population will be substantial, especially in terms

1 The old-age dependency ratio: the number of people aged 65 and older per 100 individuals aged 15 to 64.

of public investment capacity. Indeed, public spending may have to be significantly restrained to meet the requirements set in the recently reformed EU Growth and Stability Pact. In an age in which governments are returning to economic statecraft amid rapid technological change, the impossibility of providing adequate state support in key sectors – especially those related to the "twin transitions" of digitalization and decarbonization – may be a fatal blow to Italy's global competitiveness.

Alone, Rome would hardly be able to deal with the magnitude of these multifold challenges. On a brighter note, however, some recent developments provide a possible "European path" for Italy to come out of the doldrums. In particular, the outbreak of the Covid-19 pandemic prompted an unprecedented response at the EU level from which Rome is still substantially benefiting. Specifically, Italy was helped out of the pandemic by a strong EU-wide response that incorporated the country's needs and concerns. More generally, Italy is the largest recipient of the NextGenerationEU investment package, which is currently the prime contributing factor to the country's economic growth.

In sum, obtaining greater EU support in key areas such as investment and security (broadly intended, including migration control) on the southern flank is of utmost importance to Rome. The vision of current Italian Prime Minister Giorgia Meloni, however, centers on a "Europe of nations" within which EU powers should only be concentrated on a few crucial areas. For this reason – as well as due to a more general lack of ambition of Italian governments on EU matters in recent years, with few exceptions – Italy is likely to take a transactional approach to the negotiation of specific policy areas at the EU level rather than to pursue an ambitious plan for EU reform that may further advance the integration process.

AREAS FOR CLOSER COOPERATION

One of the most obvious areas in which Rome will try to engage its European partners is that of security and defense. As a result of the fraught geopolitical environment, the Von der Leyen II Commission has made investment in the security and defense sector one of its priorities for the 2024 to 2029 term. At the same time, also due to its limited fiscal space, Italy is underspending on defense. The 1.49 percent share of GDP it spent there in 2024 is far below the 2 percent threshold agreed at the NATO level. Nonetheless, Italy is home to some global players in the aerospace, defense, and security industries, as evidenced by its role in cutting-edge projects such as the tri-national Global Combat Air Programme. EU-wide initiatives to support R&D spending – as well as a greater degree of integration (Europeanization) in the defense industry, from greater interoperability and common procurement to joint industrial and R&D projects – may therefore be mutually beneficial for Rome, its European partners, and the Union as a whole. As a testament to this, the Italian government welcomed the appointment of an EU Commissioner for Defense and Space while simultaneously stressing the need for the EU to relax its fiscal rules when it comes to defense spending.

A second area in which Italy will strive for enhanced cooperation is that of the Mediterranean, a region for which the Von der Leyen II Commission has appointed a dedicated commissioner. Traditionally, the Mediterranean has been a primary axis for Italy's foreign policy. Since the outbreak of Russia's war against Ukraine, it has only grown in importance as Italian governments have signed a number of energy deals with North and sub-Saharan African countries to drastically reduce the country's imports of Russian gas. Furthermore, Rome has recently embarked on an ambitious project to relaunch its engagement with the African continent – the Mattei Plan for Africa – that aims to strengthen political and economic relations between the two shores of the Mediterranean. With some necessary adjustments in tone and content, Italy's pivot to the Mediterranean may become part of a wider European strategy after the serious setbacks suffered by France in West Africa.

An example of the convergence between Italy's and the EU's policies in the Southern Neighborhood – and the potential limits of this convergence – may be found in the Memorandums of Understanding signed by the EU Commission with Tunisia in July 2023 and with Egypt in June 2024. Rome played a key part in each. These deals are to be seen as templates for a broader strategy to address migration through externalization deals signed at the EU level with countries of transit and origin, which is something for which Rome is actively advocating. They contribute to responding to Italy's (perceived) security concerns while circumventing both the thorny issue of intra-EU solidarity in assisting migrants and asylum seekers and the related preoccupations of countries such as Germany about so-called secondary movements. There is, however, a real risk that such externalization deals end up simply empowering oppressive regimes. Such regimes may leverage their augmented role to bolster their domestic legitimacy, escape condemnation for human rights violations, and extract further concessions from European partners through "reverse conditionality." Thus, from a long-term perspective, it is essential that Rome, Brussels, and the governments in the capitals of other European member states work together to make sure that an EU-wide Mediterranean strategy is aimed not only at reaping short-term benefits, but also at kickstarting and enhancing positive societal developments in partner countries.

Such reasoning also applies to another key dimension of Italy's Mediterranean policy: energy. As mentioned, Italy has been very active in signing procurement deals in the region, primarily through the "national champion" Eni. Rome is avowedly aiming to become an energy hub in the Mediterranean through which natural gas and green hydrogen produced in Africa can transit toward Central Europe. This goal is exemplified by the South H2 Corridor project to be developed in partnership with Germany and Austria. Again, it is important that such deals are well integrated into the EU's broader strategy for decarbonization and that they are also complemented by agreements to support the transition away from fossil fuels in producer countries.

A final – quite contested – area for cooperation pertains to EU industrial policy. A broad consensus has emerged in both Italy and the EU at large on the need for a more proactive role of governments and EU institutions in fostering competitiveness and innovation. This is especially urgent for those sectors that are key to the digitalization and decarbonization transitions and that are exposed to strategic competition from China (and beyond). How this proactive role should materialize, however, is far from clear. Some actors are pushing for a relaxation of state aid rules at the national level while others, inspired by the example of NextGenerationEU, are calling for relaunching joint investment schemes at the EU level. Due to the comparatively limited size of individual European economies, the extent to which investment undertaken by single member states can effectively enhance competitiveness seems questionable. Italy's obvious interest in EU-wide investment schemes may therefore be incorporated into a broader strategy aimed at enhancing European competitiveness through joint initiatives, as outlined in the so-called Draghi Report. This approach may find a listening ear in other high-debt and high-deficit member countries (perhaps including France itself) whose fiscal space at the national level is limited by the reformed EU fiscal rules, and in the Commission too – provided that such plans are associated with the strengthening of the EU's supranational governance and role in oversight.

RECOMMENDATIONS

While the areas for strategic cooperation between Italy and its European partners are many, greater alignment and mutual incorporation of their respective interests are needed to truly bring such convergence to bear.

Italy's plans for the Mediterranean are an obvious starting point for relaunching European engagement with the Southern Neighborhood in a meaningful way. Italy's vision for a new, non-patronizing, and mutually beneficial relationship with the Global South may become the kernel of a revised southern policy for the EU – provided that such an approach goes beyond elite-to-elite networks to encompass the needs and perspectives of local societies at large. To this end, renewed engagement must not be limited to intergovernmental deals that simply try to address short-term "emergencies" such as increases in migration flows; rather, it should encompass a more diverse range of actors on both sides, including businesses and representatives from civil society. Furthermore, to gather European support, Italy should accept that it must frame its Mediterranean policy beyond a purely national(ist) perspective, also factoring in the concerns and priorities of its European partners. From a practical perspective, the starting point for outlining this new type of joint Italy-EU engagement with the Southern Neighborhood should be a full integration and alignment of the Italian Mattei Plan for Africa and the EU's Global Gateway. Italy could also spearhead the promotion of dedicated fora with European and African partners to discuss selected areas for potential cooperation, including issues related to energy, migration, and development.

As far as economic policy is concerned, Italy should make a case for building on the experience of NextGenerationEU to develop an EU-wide long-term investment plan that also includes forms of common debt. To become an acceptable option for the most skeptical European partners, such a plan should be structured in such a way as to focus on those sectors that are truly strategic – those that may boost innovation, productivity, and long-term sustainable growth. Conversely, the plan should have built-in mechanisms that prevent short-term, politically motivated spending by national governments. In other words, member states – including Italy, despite its current predominantly transactional outlook on EU matters – should be prepared to accept a greater role for the EU's supranational institutions in not only overseeing, but also proactively *steering* their economic and industrial policy. More broadly, the principal strategic interest of a declining Italy is not diminishing or circumscribing the foundations of the European house of which Rome was an architect and is still one of the main pillars. Quite the opposite: Italy's true interest is bolstering them.

The DGAP memo series A Strategy for Europe from National Perspectives responds to Josef Janning's "Your Turn, Berlin: A German Strategy for Europe." Janning's text argues that the Zeitenwende has rendered Europe's status quo unsustainable and calls on Germany to define and drive the European agenda. Each subsequent piece explores how a key state – Italy, the UK, Poland, and France – envisions its role and priorities in shaping a cohesive European strategy. These contributions provide a broader exchange of perspectives to inform the debate on the EU's future ahead of Germany's snap federal elections on February 23, 2025, and during the negotiations to form its new ruling coalition.

DGAP

Advancing foreign policy. Since 1955.

Rauchstraße 17/18
10787 Berlin
Tel. +49 30 254231-0
info@dgap.org
www.dgap.org
@dgapev

The German Council on Foreign Relations (DGAP) is committed to fostering impactful foreign and security policy on a German and European level that promotes democracy, peace, and the rule of law. It is nonpartisan and nonprofit. The opinions expressed in this publication are those of the author(s) and do not necessarily reflect the views of the German Council on Foreign Relations (DGAP).

DGAP receives funding from the German Federal Foreign Office based on a resolution of the German Bundestag.

Publisher
Deutsche Gesellschaft für
Auswärtige Politik e.V.

ISSN 2749-5542

Editing Helga Beck

Layout Marie Bauer