

ITALY

By Alessandro Marrone, Head of "Defence Security and Space" Program, Istituto Affari Internazionali

Italy has experienced much more debate on national and EU defence investments than on the status of this market within the Union. Yet among institutions, practitioners and experts there is a plurality of views, with certain common elements concerning both the status quo's inadequacy and its possible improvements.

By large, the European defence market is considered still too fragmented, with negative effects on production capacity, economy of scales and competitiveness of European firms on the global markets. For instance, the LOI countries procure mostly from the respective national industrial basis, while Eastern Europe buys substantially from the US. The features of SAFE loans unfortunately enhance such fragmentation, which is more worrying considering the need to rearm Europe to counter the Russian threat with less American support. Some are also concerned that the stalemate of market and industrial integration may negatively affect the EU political integration process. However, the Italian government is keen to maintain as possible national sovereignty in the defence sector, as other member states, and there is strong cautiousness about European Commission's role and initiatives. It is not by chance Italy continues to use quite often the exceptions provided by the article 346 TFUE to the directive 2009/81. As a matter of fact, there is a structural contradiction between the aspiration towards an EU defence market and the willingness to maintain national sovereignty. On top of it, Italy missed the opportunity to use the implementation of both 2009 directives on defence procurement and intra-community transfers to streamline its cumbersome regulatory and bureaucratic framework.

Concerning possible improvements, the Italian government is against the use of EU regulatory power to introduce a European preference criterium. An eventual revision of both 2009 defence directives should rather aim to simplify in a synergic way intra-EU transfers and procurement provisions, as well as to enable the industrialization of EDF output through a fast-track for the procurement programs based on these EU projects. Moreover, a harmonization of national rules on intra-community transfers should prevent any government's interference on the smooth functioning of European supply chains.

Above all, the prevailing view in Italy is that joint development and then joint procurement among groups of like-minded countries, on the basis of common requirements for specific capabilities, is the most effective way to aggregate the demand side and trigger the creation of consortia/joint venture to integrate the supply side and improve competitiveness. It is a

capability-driven, long-term process based on the convergence of national defence industrial policies, by negotiating and managing division of labor, interdependence and security of supply with a good deal of pragmatism. A process to be supported by EU policies, including through a revision of the regulatory framework to enable the smooth transition from joint R&D to joint procurement. This process would benefit from EDIP and EU flagship projects as economic catalysts, provided they are properly implemented with a view to aggregate demand and integrate supply in a balanced way. Since it is a long-term process, the support from EU should be constant too, without necessarily introducing new strategies or regulations with each and every new European Commission.