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Chair of Security Studies

**A Middle Power in a Regional Context:
Italy's Economic Security, the MENA Region
and the Leonardo-Finmeccanica Case**

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*All'Italia,
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Hic Manebimus Optime.

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INTRODUCTION

Every good work of research is aimed at providing a question to an answer. For an author, the research question is an essential element in the same terms as the north star was for sailors in olden times. In fact, the research question helps the author to keep on the route in the “sea” of knowledge and allows him to reach the shore of conclusions. Coherently with this literary metaphor, this work originates not from a single research question but from a number of them.

The first question concerns the international status of Italy. In academic literature, countries have traditionally been classified in small, medium and big powers. Although several criteria have been drafted to define a country’s rank, the attribution of the status is basically determined by quantitative and qualitative criteria. Traditionally, Italy has always ranked as a middle power. But can we consider Italy a middle power in its regional context? This is the first question which needs to be answered.

The regional context, where Italy’s action is analysed, is the MENA region. MENA is an acronym, frequently used in international politics, which stands for the Middle East and North Africa Region. Despite the fact that different interpretations exist, it refers basically to all the countries of the Maghreb and the Mashrek regions including Turkey, the Arab peninsula countries and Iran. The choice of this region originates from the high economic and strategic value that it has for Italy and because of the migrant crisis and religious terrorism issues.

Once it has been established if Italy can be considered as a middle power even in this regional context, it is necessary to understand how it exerts its power. In this regard, geoeconomic and economic security aspects will be analysed. It will be seen how Italy’s national political-economic system operates in order to guarantee its economic security in the MENA region. In particular, how does an important and strategic Italian company work in the region to accomplish this?

The approach to the elaboration of the research design of this thesis was also influenced by several texts regarding methodologies dealing with international relations and the social sciences, among which *Introduzione alla ricerca politica e sociale* by Pierangelo Isernia and *Teorie e metodi delle relazioni internazionali* by Vittorio Emanuele Parisi

and Gilford John Ikenberry. The work is composed of four parts. Each part is aimed at analysing every single aspect which clarifies what the role is of Italy's economic security in the Middle East and North Africa region.

In the first chapter a theoretical background on the concept of middle power is established. It is necessary to start with this topic as it makes understanding the features of Italy as a state. Thus, a review of the definition and of the characteristics of this ambiguous concept is carried out. Secondly, empirical examples of middle powers are studied and explained. It was considered appropriate to focus on Canada and South Korea as the former is the middle power *par excellence* while the latter is a geographically far enough away good example to give a wider perspective.

In the last part of the first chapter, the geographical context of the analysis is better explained. It was first necessary to fix the meaning of the MENA region, as many interpretations exist on what the Mediterranean area should be. Then, an analysis of the political and economic framework of the countries composing the MENA region is provided.

The second chapter is the historical one. The history of the relationships between Italy and the MENA countries is as necessary as the definition of the concept of middle power. In fact, it provides an additional background and chronological report concerning Italy's activities in the region from 1947 until today. The policies implemented by former administrations will be dealt with. Such policies regard the diplomatic field, the economic field, and other security domains such as immigration and military security.

In the third chapter the analysis plunges into the most important part. First, definitions of the notions of economic security and geoeconomics are provided. Even in this case, it is necessary to clarify the meanings of these two words. It will be observed that they have been used according to different acceptations. Furthermore, the notion of international interest is also examined as it has a significant relevance in the pursuit of a country's economic security. The same can be stated for the notion of the national political-economic system.

In this regard, the second part of chapter three presents an elaboration of data on the presence of the Italian national political-economic system in the MENA region in 2015. Trade fluxes, FDIs and energy relations are analysed in order to understand how Italian firms and institutions operate in the area in order to accomplish their economic goals by contributing to the definition of national interests.

Chapter four proposes a case study in order to bring evidence to the previous dissertation. The aim is to explain how a key actor of the Italian national-political economic system, that is Leonardo-Finmeccanica, operates in the MENA region in order to assure both its own and the country's economic security. Leonardo-Finmeccanica represents a security global player which makes it possible for Italy to expand its geoeconomic interests through its business.

Indeed, it is not by chance that case study is focused on the contracts recently awarded to Leonardo-Finmeccanica by Kuwait and Qatar. They unquestionably represent an economic success for the company but, at the same time, they are an important achievement for Italian geoeconomic security and the national interest too. In the end, an interview with Dott. Giovanni Soccodato executive vice-President of market strategies and business development of Leonardo-Finmeccanica contributes concrete testimony to the case.

CHAPTER 1 - DEFINING THE FRAMEWORK: MIDDLE POWERS AND THE MIDDLE EAST AND NORTH AFRICA REGION

"Egli è cosa certa che sono più atti a mantenersi i mezzani, perché i piccioli per la debolezza loro sono facilmente esposti alle forze e all'ingiurie de' grandi [...] i qual grandi sono anche molto più soggetti alle cause intrinseche delle rovine, perché con la grandezza crescono le ricchezze e con queste i vizi, il lusso, la boria, la libidine, l'avarizia, radice d'ogni male, [...].

[Giovanni Botero, *Della Ragion di Stato: delle cause della grandezza delle città*, orig. 1589]

1.1 What is Middle? What is Power? What is a Middle Power?

1.1.1 An Open Theoretical Issue

This first section provides a general outlook on how the topic of middle powers has been discussed by scholars in academic literature, rather than audaciously defining what a middle power is. It also deals with how the most important middle powers behave in the international system and, finally, some considerations on the role of Italy as a middle power.

The definition of middle powers, their structure, their role and the way they behave in the international system has come under the spotlight of academic literature only in recent times when, after the end of the cold war, research on the relationship between the United States and their minor allies intensified. However, the academic interest of scholars continues to be focused only on great powers and the scientific production on the concept of middle powers is still scarce.

Scholars themselves have tried to explain why the topic of middle powers has never been relevant in academic literature. In this respect, the explanation that Marco Valigi gives in his paper *Le medie potenze: una questione teorica aperta* appears to be the most suitable. There are two reasons why significant works on the topic of middle powers are absent: the affirmation of international relations as the main domain of study of political scientists and the bipolar structure of the international system after world war II shifting the academic focus on the military and economic competition between the US and the USSR as great powers¹.

¹ Valigi M., *Le medie potenze. Una questione teorica aperta*, in «Quaderni di scienza politica», XXI, n.2/2014, Genova, Erga edizioni, p. 248.

Nevertheless, it should be kept in mind how the bipolar system represented an exception in the history of international politics. Previous centuries were characterised by a multipolar distribution of power and some scholars had already highlighted the importance of middle power actors. For instance, in the 16th century Giovanni Botero wrote that the most stable political entities were those of middle size. Four centuries later, even the historian Paul Kennedy maintained that middle powers had been the main actors of international politics throughout the whole 19th century².

Defining precisely what middle powers are is a difficult undertaking. For a long period of time scholars and politicians used to refer to middle powers as "good international citizens" without going further. The only general work on the topic still remains *Middle Powers in International Politics* by Carsten Holbraad, while most authors have focused only on the study of their countries of origin such as Canada or Australia. These authors do not explain why their countries are middle powers and produced self-referential and nationalistic works³.

The first person to explicitly refer to his country as a middle power was the Canadian Prime Minister Mackenzie King. He did so in order to promote the election of Canada as a non-permanent member of the United Nations Security Council. At the same time, George P. de T. Glazebrook and R. Gerald Ridell characterised middle powers as: "[...] *Their opposition to undue great power control, their growing tendency to act together and the influence they have individually come to exert*"⁴. In addition to this, R.G. Ridell referred to middle powers as: "*Those [states] which by reason of their size, their material resources, their willingness and ability to accept responsibility, their influence and stability are close to being great powers*"⁵.

Other important contributions are represented by the studies of Donna Lee and Adam Chapnick. In their work *A Middle Power Paradox? South African Diplomacy in the Post-apartheid Era* Donna Lee and James Hamill identify two basic criteria to describe "middlepowerhood", namely, the traditional and most common way is to aggregate

² Kennedy P. 1987, *The Rise and Fall of Great Powers: Economic Change and Military Conflict from 1500 to 2000*, New York, Random House.

³ Valigi M., *Le medie potenze. Una questione teorica aperta*, in «Quaderni di scienza politica», XXI, n.2/2014, Genova, Erga edizioni, p. 249.

⁴ Glazebrook G. P. de T., *The Middle Powers in the United Nations System*, in «International Organization», I, n.2/1947, University of Wisconsin Press, pp. 307-15.

⁵ *Ibid.*

physical and material criteria like GDP, population, territorial extension and so forth and a behavioural connotation: middle powers are those countries that behave as middle powers⁶. Nevertheless, it appears clear that it is a tautological definition that does not help to deepen the analysis of the concept.

The author of the article *The Middle Power*, Adam Chapnick, adds even a third criterion: the functional model. Middle powers are nothing but small powers which temporarily evolve to a middle status as a function of their contribution to a specific international issue. If this statement is accepted, the campaigning of the Canadian Prime Minister Mackenzie King to elect his country as a non-permanent member of the Security Council is a perfectly suitable example. In addition to that, another characteristic is if something is in the middle it is in the middle of two extremes. Thus, it is first necessary to define what they are. In this case great and small powers⁷.

This general review of academic literature shows the numerous theoretical difficulties that lie behind the definition of middlepowerhood. A hierarchy of the international system can help to identify which countries are big or middle or small powers.

1.1.2 Models and Classification Criteria

As there is no consensus regarding the definition of middle power, academic literature is full of classifications of this elusive concept. This could sound odd as a definition should usually precede any kind of classification. Nevertheless, these models of classification, emerging from the scientific literature, can be divided into three types: quantitative, qualitative and mixed⁸.

Quantitative research is based on the assumption that power is something that can be measured and that the international system is nothing but a hierarchy of states. Thus, states are classified on the base of aggregate material criteria and econometric indexes. In this regard, the most important work is *Middle Powers in International Politics* by Carlsten Holbraad. Using population and GDP as main indicators, he drafted a

⁶ Hamill J., Lee D., *A Middle Power Paradox? South African Diplomacy in Post-apartheid Era*, in «International Relations», XV, n. 4/2001, Sage publications, pp. 33-59.

⁷ Chapnick A., *The Middle Power*, in «Canadian Foreign Policy», VII, n.2/1999, Ottawa, NPSIA, pp. 73-83.

⁸ Valigi M., *Le medie potenze. Una questione teorica aperta*, in «Quaderni di scienza politica», XXI, n.2/2014, Genova, Erga edizioni, p. 252.

classification of the great and middle powers in the world. This study presents some faults and omissions as it lacks a clear criterion for the classification and many analytical steps are unclear. For example, if the first country to be a middle power is Japan in consideration of its GDP, the last one is Nigeria with a twenty-times lower value⁹. This classification is not homogeneous at all. In the end, Holbraad even forgets to distinguish between middle and regional powers.

The same problems can be found in the paper *Middle Power Internationalism: The North-South Dimension* by Bernard Wood. Although this work represents a watershed in middle powers literature, Wood repeated Holbraad's oversights. Taking into consideration the GDP as a main power indicator, he identifies thirty-four middle powers like Italy and Algeria which have very different characteristics. It appears paradoxical to put on the same level a G7 country with another one that was still underdeveloped at the time of the study. Even in this case middle and regional powers are not differentiated¹⁰. As a result of these analytical shortcomings, the quantitative approach has been abandoned by most scholars since the end of the cold war.

During the 1990s, research on this topic was generally based on a qualitative approach. In this respect the Andrew F. Cooper, Richard Higgott and Kim R. Nossal's work *Relocating Middle Powers: Australia and Canada in a Changing World Order* represents a milestone. They maintained that after the end of the cold war diplomatic and behavioural indicators became more prominent in international politics at the expense of military and economic factors. Thus, what defined middle powers was the dimension of their diplomatic network and the issues they promoted in the international *fora*. The combination of these two elements determines the idea of middle powers as *good international citizens*¹¹.

On the basis of the above mentioned features, the authors identified three types of middle powers. The first one is the *catalyst*, that is a state that uses diplomacy to promote policy initiatives. The second one is the *facilitator* which promotes the aggregation of states in a coalition in order to act collectively and to exert major influence inside international organisations and during negotiation sessions.

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ Cooper A.F., Higgott R., Nossal K. 1993, *Relocating Middle Powers: Australia and Canada in a Changing World Order*, Vancouver, UBC Press.

The third and last one is the *manager* middle power which is engaged in the construction of formal institutions and international regimes by means of mediation.

Nevertheless, the qualitative approach yields in the end the same limits of the behavioural criteria as the definition of a middle power discussed above. In fact, these authors maintain that being a middle power is a self-evident fact based on the general assumption that it always behaves as good international citizens. Moreover, when international controversies occur the state exerting the role of the mediator is not always a middle power. The lack of scientific data in qualitative classifications is only one of the many limits of this methodology.

Laura Neack and Jonathan Ping are the two most significant authors to have used mixed methodologies in their analysis. In her work, *Empirical Observations on "Middle State" Behaviour at the Start of a New International System*, Neack proposes a new model of classification of middle powers by combining the different approaches. The indicators used in the analysis are: population, military expenditure per capita, GDP per capita, literacy rate and infantile death rate. These data were all collected between 1945 and 1980. Although her intentions were good, Neack's work presents the same issues and limits discussed before. By ignoring the territorial criteria, the author presents a broad and heterogeneous classification of approximately 40 states. Whereas it is right to consider Brazil, Turkey and Mexico as middle powers, doing the same for countries like Costa Rica, Sri Lanka and Mongolia does not appear to be appropriate¹².

Given that J. Ping's work, *Middle Power Statecraft: Indonesia, Malaysia, and the Asia Pacific*, represents the most recent attempt to redefine the concept of middle power using a mixed methodology, it appears necessary to give it a little more attention than previous contributions. Ping's analysis begins with a review of the three main methods to identify the relative position of states within bases of power: statistical method, normative method, behavioural method. As all these three methods complement each other: "*An understanding of middle powers which allows for the broadest and least subjective definition, therefore, would result from an approach which combines the three definitional methods*"¹³.

¹² Valigi M., *Le medie potenze. Una questione teorica aperta*, in «Quaderni di scienza politica», XXI, n.2/2014, Genova, Erga edizioni, p. 258.

¹³ Ping J. H. 2005, *Middle Power Statecraft: Indonesia, Malaysia, and the Asia Pacific*, Burlington, Ashgate Publishing Co., p. 94.

The aim of his work is to identify middle powers in the Asian continent and in the Pacific region. Thus, Ping collects all the countries of this wide region of the world by taking into consideration the composition of international fora and organisations, respectively: the Asia and Pacific Economic Cooperation (APEC), the Association of South-East Asia Nations (ASEAN), the Economic Cooperation Organization (ECO), the South Asian Association of Regional Cooperation (SAARC). The result is a list of thirty-eight states. Then, he lists the nine analytical tools used to classify middle powers of this area: population, geographic area, military expenditure, GDP, GDP real growth, value of exports, GNI per capita, trade as a percentage of GDP and life expectancy at birth. The data are placed in statistic tables, and each table covers a minimum of twenty-five years of activity¹⁴.

States are ranked as great, middle and small powers. The procedure to identify middle powers is explained as follow: *"If a state appears in five or more of the nine tables in a particular class, then the state is found to be of that class. Five out of nine equals 55%. Thus, a state is of a particular class if it has 55% of all the nine statistics considered in a fixed category"*¹⁵. The countries identified as being middle powers for the year 2000 are the following: Australia, Canada, Chile, India, Indonesia, Iran, Malaysia, Mexico, the Philippines, Singapore, South Korea, Taiwan, Thailand, Turkey.

In addition to this, Ping goes beyond this first classification by using more specific criteria: rank-equilibrium/rank-disequilibrium analysis and static/dynamic middle powers. The former criterion refers to the capability of a state to rank constantly in the same position, the latter shows the willingness of a middle power to preserve this status in the short run or even in the long run. Thus, middle powers that are static and in rank-equilibrium are Iran, South Korea, the Philippines and Turkey. The middle powers that are dynamic and in rank-equilibrium are Australia, Chile, Indonesia, Malaysia, Mexico and Thailand. Countries that are static and in rank-disequilibrium are India and Taiwan, while those that are dynamic but in rank-disequilibrium are Canada and Singapore¹⁶.

¹⁴ *Ibid.*, pp. 107-120.

¹⁵ *Ibid.*, p. 136.

¹⁶ *Ibid.*, p. 147.

1.2 Analysing Modern Middle Powers

1.2.1 Canada

Canada has a special place in literature about middle powers. As it has been discussed in the previous section, the Canadian Prime Minister, Mackenzie King, was the first to express this controversial concept in order to promote the election of Canada to the UN Security Council, in accordance with the theories of the diplomatic agent Hume Wrong on Canada's foreign policy. Moreover, Canada has always been the most popular example of a middle power and is often indicated as the one *par excellence*. It appears necessary to analyse more seriously the literature regarding this case.

It is not by chance that a debate about the necessity to rethink Canada's role in the world took place right after world war II. The physical and political destruction of the European continent opened a policy window Canada could take advantage of. Moreover, Canada's involvement in war had given the country a new sense of confidence. A second major event that provided an opportunity for a policy change was the nomination of Norman A. Robertson as under-Secretary of State, namely an activist for major responsibility of Canada in international affairs. It is in a letter to under-Secretary Robertson that Hume Wrong outlined the basic principles to be followed in order to reach a new and more honourable international status¹⁷.

Thanks to governmental support for these theories and to journalistic propaganda, the rebranding of Canada as a middle power started spreading within and outside the country. It did not take long to see the first consequences. Canada could claim the inclusion of article 44 in the UN charter and the establishment of the Economic and Social Council itself. In addition to this, Canada's active participation in UN observer missions in Kashmir and the middle east in the late 1940s and being part of the UN contingent in Korea in the early 1950s were appreciated by the international community as a whole¹⁸.

However, the most significant event of the period was the Canadian intervention in the Suez crisis. The role played by Canada in resolving the crisis and the awarding of the

¹⁷ Gecelovsky P., *Constructing a Middle Power: Ideas and Canadian Foreign Policy*, in «Canadian Foreign Policy Journal», XV, n.1/2009, Ottawa, NPSIA, p. 84.

¹⁸ *Ibid.*, p. 87.

Nobel peace prize to the Canadian Lester Pearson, who was President of the UN General Assembly, attained him a quasi-mythical reputation within the country. It marked the apogee in what some have referred to as the "golden age" of Canada's foreign policy. What the Suez Crisis demonstrated was: "[...] *that, on a significant issue affecting major powers within the international system, Canada could contribute in a sizeable way to the settling of a conflict if it acted in accordance with the middle power idea*"¹⁹. It is interesting to observe how the definition of this Canadian foreign policy strategy was based on a purely behavioural approach.

Can Canada still be considered a middle power? Many foreign policy analysts admit that it should not be taken for granted anymore. Jennifer Welsh writes that: "[...] *there is both a perceived and a real problem of Canadian decline on the international stage*"²⁰. The reasons for such a statement are the decline of Canada's military capability, the loss of its leadership on key environmental issues and even: "[...] *Canada's much-heralded reputation as the world's peacekeeper has been damaged by its traumatic experience in Somalia and prolonged under-investment in the armed forces*"²¹. In the end, the author goes even further by supposing that basically Canada is a small power that has been able to exploit the diplomatic tool in order to attain this "*disproportionate*" influence in international affairs²².

In a more recent work, Costanza Musu explains the decline of Canada as a middle power through the John Ravenhill's five "C"s model and in relation to the action of the country in the MENA (Middle East and North Africa) region. According to this model, middle power status is encapsulated in five features that are: capacity, concentration, creativity, coalition-building and credibility²³. Capacity refers to the possession of a robust foreign service, while creativity is the ability to lead by means of ideas that enhance coalition-building processes. In the end, credibility is the most crucial feature as it refers to the perception of middle power status by other countries.

¹⁹ *Ibid.*, p. 88.

²⁰ Welsh J. M. 2004, *Canada in The 21st Century: Beyond Dominion and Middle Power*, in «The Commonwealth Journal of International Affairs», XCIII, n. 376, The Round Table, p. 584.

²¹ *Ibid.*

²² *Ibid.*

²³ Musu C., *Canada and The MENA Region: The Foreign Policy of a Middle Power*, in «Canadian Foreign Policy Journal», XVIII, n.1/2012, Ottawa, NPSIA, p. 66.

As reported by Musu: "[...] *Canada possessed and capitalised on the five "C"s until 2006*"²⁴. In 2006 the election of Stephen Harper as Prime Minister yielded negative changes in Canada's policy towards the MENA region. The role of the diplomatic service shrank albeit its crucial role in defining Canada's middle power status and no more attempts to find common solutions to the Palestinian-Israeli issue were made. The consequence of this transformation was the decline of Canada's role in the region: "*No longer able to fill the role of a middle power, Canada risks seeing itself reduced to the role of a small power with even less influence [...]*"²⁵. This is not a good perspective given the fact that Canada effectively used its skilled diplomatic service and emphasised the role of international law to contribute to the appeasement of the region. On this basis, behaviourist scholars would definitely agree that it marked the end of the Canadian "middlepowermanship" era.

*1.2.2 South Korea*²⁶

South Korea is another interesting case as it is commonly considered a middle power. The decision to consider this particular country is based on a criterion of heterogeneity and of geographical position. The idea is to analyse two very different countries *e.g.* Canada as an American country and South Korea as an Asian one in order to understand what Italy's place is in the wide middle powers category.

The key year was 2010 when in December the G20 Summit was held in Seoul. It was seen by the Korean government as evidence of the new and more prestigious role played by the country in the world. In addition to this, when the ministry of Strategy and Finance announced that the GDP had surpassed the psychological threshold of 1 trillion US dollars, considering a population of 49 million and military spending of 28 billion US dollars, it was commonly recognised that South Korea: "*[...] should, based only on capabilities, be considered a member of the group of countries labelled middle powers*"²⁷. The middle power status of South Korea can be viewed in the light of two different interpretations: as a statistical attribute and as a behavioural attitude²⁸.

²⁴ *Ibid.*, p. 73.

²⁵ *Ibid.*, p. 73.

²⁶ "Korea" and "South Korea" must be considered as switchable terms.

²⁷ Saxer C. J., *Capabilities and Aspirations: South Korea's Rise as a Middle Power*, in «Asia-Europe Journal», XI, 2013, Heidelberg, Springer, p. 397.

²⁸ *Ibid.*, p. 398.

South Korea's rise to middle power status can be seen as the result of a strong commitment of the government to achieve this prestigious acknowledgement. For close two decades policy-makers have exploited its dynamics of globalisation to improve the international position of the country and to render South Korea an advanced nation. It was in November 1994 that President Kim-Young-sam announced his *segzehwa* (that is "globalisation") in Korean policy. Thereafter, following administrations successfully continued on this path. In 1995 South Korea was elected a non-permanent member of the Security Council and at the end of 1996 it joined the OECD (Organization for Economic Cooperation and Development). The conclusion of this path was unanimously considered achieved in 2010 when, as mentioned before, South Korea was the first non-G8 country to host a G20 Summit²⁹.

Despite its economic and political attributes, it is interesting to note how several scholars have underlined that UN peacekeeping operations are one of the main activities carried out by South Korea in order to assess its middle power activism³⁰. South Korea sent its first engineer battalion to Somalia in 1991 right after having joined the UN. In 1994 a medical team was sent to West Sahara and in 1995 a company of about 600 engineers took part in a mission in Angola. All these initiatives were followed by a number of peacekeeping missions in India, Georgia, Burundi, Nepal, Liberia and Sudan³¹. As Sangtu Ko states in his essay, in 2010 South Korea still ranked tenth among UN member states in sharing its financial burden, with an annual contribution of 150 million US dollars³².

These particular features of South Korea's statecraft lead Ko to conclude that South Korea can be considered a middle power due to three points of view. As he writes: *"Korea is a middle power according to the positional concept, which defines middle power as based on material capabilities. Korea is not yet a middle power according to the behavioural concept [...]. From the perspective of the functional concept Korea is becoming a middle power by strengthening its contribution to specific issue areas, especially peacekeeping operations"*³³. However, in spite of the fact that Ko denies South Korea's attitude as a middle power under the behavioural point of view, it is

²⁹ *Ibid.*, p. 411.

³⁰ Ko S., *Korea's Middle Power Activism and Peacekeeping Operations*, in «Asia-Europe Journal», X, 2012, Heidelberg, Springer, p. 287.

³¹ *Ibid.*, p. 292.

³² *Ibid.*, p. 293.

³³ *Ibid.*, p. 297.

important to remember that in 2011 the country hosted the fourth High-level Forum on Aid Effectiveness where participant countries signed a revolutionary agreement on the relationship between donor countries and aid recipient countries. This is further evidence of South Korea's willingness to play a larger role as a middle power³⁴.

Canada and South Korea are with no doubt two of the most interesting cases to focus on when dealing with middle powers. Nevertheless, it should be remembered how academic literature has also paid attention to other relevant cases like South Africa, Mexico, Turkey and many other countries. In the next section the Italian case will be discussed in order to understand if Italy can be considered as a middle power or even something more.

1.2.3 Is Italy a Middle Power?

Given the absence of a unanimously accepted definition of middle power, academic literature shows how it is difficult to decide which states can be considered ranking in this category. Although Italy is often present in the classifications described above, it is not easy to affirm its middle power status with certainty. In this section the case will be discussed by using Marco Valigi's model as a main reference and with the help of statistical, behavioural and functional criteria previously illustrated.

First of all, Valigi reaffirms the idea that before defining what is in the middle it is necessary to identify what the other two ends are. However, the most common mistake that scholars make when they discuss the topic is confusing middle powers with regional powers and *vice versa*. On one hand, even though regional powers are those states that exert influence over a given geographical area it is not consequential that they can be considered as middle powers as well. On the other hand, middle powers are defined by Marco Valigi as those states having sufficient capabilities to pursue global (and not only regional) interests but not to yearn for dominant positions in the international system³⁵. How can middle powers differ from regional powers then? They differ on the basis of the use they make of their resources.

³⁴ Saxer C. J., *Capabilities and Aspirations: South Korea's Rise as a Middle Power*, in «Asia-Europe Journal», XI, 2013, Heidelberg, Springer, p. 411.

³⁵ Valigi M., *Il comportamento delle medie potenze in ambiente anarchico: un modello*, in «Quaderni di scienza politica», XVII, n.1/2010, Genova, Erga edizioni, p. 154.

Taking into consideration the fact that middle powers lack the resources to reach the top of the international system, their most suitable strategy seems to be one aimed at preserving their middle status from any possible reform of the international system. This is why middle powers are prone to exert policies that stabilise the international system in a multipolar way. In fact, the distribution of power enhances the strategic value of the resources of these political actors and even their bargaining power³⁶. It is not by chance that academic literature on the role of middle powers has increased since the end of the cold war.

From a purely statistical point of view Italy appears to have the features of a middle power. The analytical tools used are the same as in J. Ping's work except for geographic area, GDP real growth, and trade as a percentage of GDP. This is because geographic size is a tricky criterion as it leads to consider some countries as middle powers just because of their large size. The other two can be incorporated in other criteria. According to the most recent available data, Italy still ranks eighth for GDP, fortieth for GNI per capita, twenty-third for population³⁷, thirteenth for military expenditure over GDP³⁸, tenth for value of exports³⁹, second for life expectancy at birth⁴⁰. It has not been possible to repeat the excellent work of comparison that J. Ping has proposed in his work on middle powers. It is neither the aim of this work nor is it possible for space reasons. This should be considered only as a general framework to analyse other relevant aspects connected with the topic of the thesis.

Italy can be considered a middle power even from a behavioural and functional point of view. It can be argued that Italy behaves as a middle power for a number of reasons. Italy is part of the G8, it is a founding member of the European Union, it has served twelve times as non-permanent member of the UN Security Council and it is part of the most important international organisations. In addition to this, since the end of world war II Italy has contributed, with both peaceful and warfare instruments, to the maintenance of world's peace. Our armed forces are currently engaged in twenty-five

³⁶ *Ibid.*, p. 155.

³⁷ World Bank, <http://datacatalog.worldbank.org>, retrieved on the 16th/04/16.

³⁸ Stockholm International Peace Research Institute, <http://books.sipri.org/files/FS/SIPRIFS1604.pdf>, retrieved on the 16th/04/16.

³⁹ Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html>, retrieved on the 16th/04/16.

⁴⁰ World Health Organization, <http://apps.who.int/gho/data/node.main.688?lang=en>, retrieved on the 16th/04/16.

missions in eighteen countries⁴¹. It is not by chance that leading a potential mission to Libya has been proposed to our military as a consequence of the efficiency and heroism shown by Italian soldiers in previous international missions like UNIFIL in Lebanon.

Thus, the way in which states use their resources in international politics directly affects their ranking as small, middle or big powers. During the cold war, security and geopolitical issues were the core of international relations. Consequently, states were ranked on the basis of the use they made of their resources to improve military capabilities. Since the end of the bipolar international system, the relationships between states have rapidly shifted towards international political economy issues. This is the reason why in the last two decades geoeconomics has taken the place of geopolitics, as Edward Luttwak explained in his famous article, *From Geopolitics to Geo-economics: Logic of Conflict, Grammar of Commerce*, published in 1990. Italian analysts became aware very quickly of these new opportunities to relaunch Italy's international status as a geoeconomic middle power. As a result, a consistent part of security and strategic academic literature shifted its focus to geoeconomic and economic security issues.

Thanks to the contributions of Carlo Jean and Paolo Savona, Italy could already boast in 1995 many important studies on the topic. Geoeconomics is the interpretation of macroeconomic dynamics of a given country by taking into consideration its geographical, demographical and institutional characteristics⁴². According to C. Jean, the aim of this discipline is to improve the competitiveness of the national political-economic system⁴³ in order to impose the pre-eminence of a country's industries on other competitors⁴⁴. On the contrary, P. Savona supports the idea that the use of geoeconomic tools should be focused more on coordinating strategies in order to improve the economic wealth of all the countries of the world. In this regard, the Marshall Plan is a perfect example of how geoeconomic programmes should be implemented. In this newly reformed international order, Italy can yearn for being considered in the geoeconomic powers ranking like Japan or South Korea.

⁴¹ Ministero della Difesa, <http://www.difesa.it/OperazioniMilitari/Pagine/RiepilogoMissioni.aspx>, retrieved on the 16th/04/16.

⁴² Savona P. 2004, *Geopolitica economica – Globalizzazione, sviluppo e cooperazione*, Milano, Sperling&Kupfer, p. 9.

⁴³ National political-economic system must be intended as the exact translation of the Italian expression *sistema paese*.

⁴⁴ Jean C., *Geoeconomia: aspetti teorici, strumenti, strategie e tecniche*, in Jean C., Savona P. 1995, *Geoeconomia - Il dominio dello spazio economico*, Milano, FrancoAngeli, p. 33.

If Italy can be considered a global geoeconomic middle power with no particular objections, is it possible to affirm that it is a regional power in the MENA area as well? First of all, it is necessary to examine what is MENA in international politics.

1.3 Political Developments and Economic Structures of the Middle East and North Africa Countries

1.3.1 Geophilosophy of the Mediterranean Basin

Geophilosophy is the discipline which focuses its attention on the philosophical perception of a given geographical area. In this case the area taken into examination is the Mediterranean basin. There are two different views of what the Mediterranean area corresponds to. On one hand, there is the purely geographical perspective promoted by Predrag Matvejević who maintains that only those territories where olive trees grow can be considered as being part of the Mediterranean area⁴⁵. On the other hand, there is the broader perspective of MENA (Middle East and North Africa) which is accepted by most authors and which includes even Iran, the Persian gulf countries and Turkey. In this work the MENA perspective is used as geographical context of the analysis.

Fig.1 - The Mena Region



Source: Rome Nato Defense College.

⁴⁵ Matvejević P. 1988, *Mediterraneo. Un nuovo breviario*, Milano, Garzanti.

There is a number of interpretations regarding what the Mediterranean sea is and represents. According to Farhat Orchani it is a semi-closed sea where people on its shores are doomed to share a common place, a common culture and common problems too⁴⁶. The Mediterranean sea is not a physical barrier but a place where all these cultures meet. It is not by chance that Hegel explained the difference between Asian and European civilisations on the basis of their relationship with the sea. Asian cultures resulted more closed as they looked at the sea as a barrier, whereas European cultures succeeded to dominate the world because of their opening to maritime spaces. Thus, the Mediterranean sea represents the connective tissue of Europe, Africa and Asia that are the three continents where human civilisation was born and then spread all over the world.

Nevertheless, the common features that Mediterranean people share must not lead to the belief that a unique Mediterranean culture has ever existed. As Fernand Braudel maintains, the Mediterranean sea is not even a single sea but a "group of seas" which reflects the plurality and the diversity of civilisations which live on its shores⁴⁷. As the Latin etymology *medi-terrarum* suggests, this sea has fulfilled mainly the role of an intermediary between these different cultures throughout history. However, this diversity has not produced only peaceful meetings. Still nowadays the Judaeo-Christian world has problems of coexistence with the Muslim and Russo-Orthodox realities which are equally relevant in the area. The most dramatic example is with no doubts the Palestinian-Israeli war which still seems far from ending.

Although the Mediterranean basin represents the cradle of the western civilisation, the loss of importance and relevance it has suffered from in the last decades appears unquestionable. First of all, because the Atlantic ocean has been the crossroads of global trade and power since the age of the British Empire and continues with the American hegemony still nowadays. The future seems to be leading even farther away as the Pacific ocean is progressively becoming the central maritime area of global trade and security affairs. In addition to this, the Mediterranean sea is seen by European countries mainly as a source of problems and of security issues. The migrant crisis, the wars in Libya and Syria and the jihadist terrorism emphasise the commitment of European

⁴⁶ Horchani F., *Tradizione e modernità: le condizioni del dialogo fra le due sponde*, in Horchani F., Zolo D. (edited by) 2005, «Mediterraneo. Un dialogo fra le due sponde», Roma, Jouvence, p. 159, cit. in Resta C. 2012, *Geofilosofia del Mediterraneo*, Catania, Mesogea, p.84.

⁴⁷ Braudel F., *Mediterraneo*, in Braudel F. et al. 1992, *Il Mediterraneo. Lo spazio la storia gli uomini le tradizioni*, Milano, Bompiani, pp. 7-8.

countries to distance themselves from the Mediterranean shores and to build physical and ideological barrier.

It is interesting to note that Italy as well has had a contradictory relationship with this sea since the unification of the country. As Carlo Maria Santoro explains in *La politica estera di una media potenza - L'Italia dall'unità ad oggi*, two different geopolitical visions of the country have coexisted and influenced the choices of policy-makers. The first one is based on the idea that considering the fact that it is placed in the middle of the Mediterranean basin, Italy should behave as an insular country and focus its interests on maritime affairs. This means that relationships with MENA countries should be favoured and that the navy should play a more important role than the army. The second perspective sees Italy as a peripheral peninsula of another periphery that is the European continent, if compared to Asia. Thus, Italian interests should be focused on its relationships with continental powers like France and Germany⁴⁸. It is incorrect to affirm that one perspective has prevailed over the other, but it is interesting to note how both perspectives still influence the debate over specific issues like immigration or trade.

1.3.2 Political Developments of the Middle East and North Africa Countries

MENA is the geographical region in which the role of Italy is analysed in this work. As shown in Fig.1, the North African countries which must be considered part of this region are Morocco, Algeria, Tunisia, Libya and Egypt, whereas the middle eastern countries to be considered are Israel, the Palestinian Authority, Lebanon, Jordan, Syria, Iraq, Iran, Turkey and all the states of the Arab peninsula.

The MENA region has been affected in recent years by a number of political upheavals and economic changes with relevant implications for growth prospect and business opportunities of those countries which operate in the region like Italy. The factor which first destabilised the fragile equilibrium of the region was the American invasion of Iraq in 2003. By dismantling Iraqi institutions, the Americans reawakened the conflict between Sunnis and Shiites which soon spread to the other countries of the region. This has not only created a breeding ground for terroristic organisations but even for the

⁴⁸ Santoro C. M. 1991, *La politica estera di una media potenza - L'Italia dall'unità ad oggi*, Bologna, Il Mulino, p. 56.

political movements known as "Arab Springs". The first manifestations took place in Tunisia in late 2010 and quickly spread to neighbouring countries thanks to the internet and social media. These movements were mainly composed of young unemployed people who advocated for modernisation of the economic system and democratic reforms.

The result was that the Tunisian President, Ben Ali, was forced to leave the country and a few weeks later even the Egyptian President, Hosni Mubarak, was imprisoned. Even Iranian authorities had to face civil unrests but for reasons that do not strictly concern the Arab Springs. However, the removal of these authoritarian leaders did not improve the situation. In 2012 democratic elections took place in Egypt and the candidate of the Muslim Brotherhood, Mohammed Morsi, was elected President. Nevertheless, the Egyptian supreme court stated that irregularities had occurred during the elections and asked for his resignation. In 2013, following Morsi's refusal to resign, the military overthrew him with a military putsch and openly supported the election of General el-Sisi as President⁴⁹. In Tunisia things have gone better as in the 2014 general elections the liberal party Nidaa Tuounes won the elections. Despite this fact, the country is still struggling to find definitive political stability⁵⁰.

In Libya and Syria the consequences of the Arab Springs got even worse as both countries are currently on the verge of collapse. In Libya, following the fall of Gaddafi, in 2014 the General National Congress (GNC) rejected the legitimacy of the newly elected parliament which was forced to flee to the city of Tobruk in eastern Libya where it established a government lead by the former Minister of Defence Halifa Haftar. The result is that Libya is now a geographical entity controlled by the GNC in the western part, by the government of Tobruk in the eastern part, and by the Islamic State (IS) in the Sirte area. Things are not so different in Syria where the forces of President al-Assad are fighting back those of the Syrian Revolutionary Command Council (SRCC) and of the IS, thanks to the Russian support. Nevertheless, the IS is still ruling big portions of the country and Kurdish militias are deeply rooted in the north.

Morocco, Jordan and Oman are the countries where the effects of the Arab Springs were the weakest. This is not because these countries were more liberal or democratic than

⁴⁹ Anghelone F., Ungari A. (edited by) 2016, *Atlante geopolitico del mediterraneo*, Roma, Bordeaux, p. 189.

⁵⁰ *Ibid.*, p. 124.

the others, but because of specific features of the states. Both the Moroccan and the Jordanian Kings, respectively Sidi Mohammed and Abdullah II are direct descendant of the prophet Muhamad. Thus, it is clear how they can rely on a very significant political and religious legitimisation by their subjects. Although the same thing cannot be said for the Sultan of Oman, Qaboos bin Said al Said, he has been able to sail through the storm by using the massive retail oil revenues to implement consensus-building policies. Even Algeria should be added in this list as President Abdelaziz Bouteflika has been able to hold the rule of the country thanks to the support of the army and by making some political concessions.

The fall of oil prices, an unregulated demographic growth and the dramatic failure of the Arab socialist model represent other factors which render the chronic political instability of the region even more complex. This instability has produced a number of undesirable consequences. First of all, many local governments have adopted repressive policies to preserve their power - e.g. Saudi Arabia - or have even established authoritarian regimes, as it has happened in Egypt. In addition to this, the war in Syria has deepened the cleavage between Sunnis and Shiites and exacerbated the long-standing conflict between Saudi Arabia and Iran. Because of the terrible economic and political situation, thousands of people have made an attempt to escape to Europe to seek refuge but European policy-makers have not yet been able to find a concrete solution to the migrant crisis.

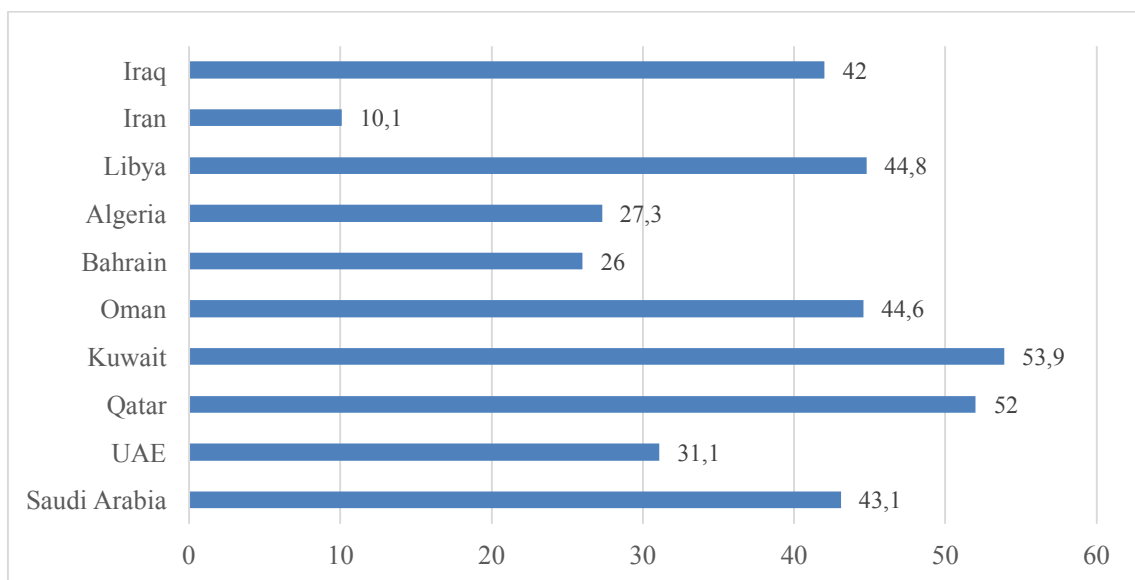
It is reasonable to expect that the MENA region is still far from finding geopolitical equilibrium in the short term. Unregulated demographic growth, in addition to the diffusion of web communication, could raise the already existing tensions between people and the authorities. Moreover, low economic growth rates might affect even further the provision of welfare services and redistributive policies by the governments of the area. Religious and ethnic tensions, as well as competition amongst the big powers to obtain for political and economic control of the region, represent a final and a dangerous reason for instability⁵¹.

⁵¹ Umana R. 2006, *Geopolitica e geostrategia del Mediterraneo*, Triest, EUT, pp. 233-235.

1.3.3 Economic and Financial Structure of the Area

Given the abundance of hydrocarbons, the economies of the MENA countries are based mainly on trade in energy resources. As the British Petroleum Report 2015 states, the oilfields located in the MENA region provide 33.8% of the oil and around 20% of the natural gas in the world. In addition to this, even 50% of the world's oil reserves and over the 45% of total gas reserves are located there. On one hand, the most significant part of oil reserves and production is covered by Iran, Kuwait, Saudi Arabia and the United Arab Emirates (UAE). On the other hand, gas reserves and production are covered by Iran, Qatar, Saudi Arabia and Algeria⁵².

Graph 1 - Weight percentage of GDP Hydrocarbons in real terms (2015)



Source: personal elaboration on 2015 data of National Statistical Offices.

Amongst all these countries it is Saudi Arabia which firmly holds a dominant role in regulating the market. Evidence of this statement can be found in the Saudi's response to the dramatic fall in oil prices over the last year. This fall has been caused by the slowdown of emerging economies - China in first place - in addition to an increase in production capacity. Saudi Arabia has not supported the Organization of the Petroleum Exporting Countries' (OPEC) proposal to reduce the level of production, preferring to let the market determine an equilibrium price. The target of the Saudi energy policies can be identified in its commitment to hinder market competitors and shale gas producers as well with higher marginal prices⁵³.

⁵² Associazione studi e ricerche per il Mezzogiorno 2016, *Economic Relations between Italy and the Mediterranean Area - Annual Report 2015*, Napoli, Giannini, p. 40.

⁵³ *Ibid.*, p. 40.

Leaving apart Libya and Algeria, which have an economic structure still largely based on the energy sector, it is mainly for these reasons that over the past decade the countries of the region have begun a process of diversification of their economies. In this regard, the Gulf countries have made significant investments in energy-intensive industries, services, and infrastructure sectors. The UAE in particular, has become an important hub not only for freight and passengers among Asia, Europe and Africa, but even for financial services⁵⁴. Outside the Gulf Cooperation Council (GCC) group, Iran can rely on a relatively diversified economy with highly qualified human capital. In Egypt, Morocco and Tunisia, thanks to the significant inflows of private capital, policy-makers have improved services, infrastructure and manufacturing as well. In the end, Israel has an advanced economy and Turkey is on its way to lose its classification as a developing country⁵⁵.

Thanks to the massive oil revenues many MENA countries have set aside sovereign funds to preserve their accumulated wealth. According to the Sovereign Wealth Fund Institute by July 2015 they had reached a market capitalisation of nearly 3,000 billion dollars; this is almost the 40% of the global total in this category. Mature economies are the privileged destination of sovereign funds' investments as they guarantee great stability of the cash flow and a very small political and legislative risk. Nevertheless, the Gulf countries have often encouraged interventions of sovereign funds in other Arab countries. In 1976 the Kuwait Investment Authority built up a common fund with Morocco. In the same year, even the Qatar Investment Authority made significant investments in Morocco, Egypt and Tunisia⁵⁶.

For what concerns the indicators of economic and human development, the Gulf countries have a particularly high average per capita income and in the special UN ranking they are all considered to have achieved a high human development rate. Despite this good positioning, the World Bank does not consider them easy places to do business. Israel is an efficient and technologically developed open market economy while Turkey is reducing the gap between it and developed countries. Other countries of the region (*e.g.* Egypt, Morocco and Tunisia) show a lower per capita income and an average degree of human development ranking, but many of them have conditions of competitiveness and business development levels comparable to those of many Gulf

⁵⁴ *Ibid.*, p. 41.

⁵⁵ *Ibid.*, pp. 40-41.

⁵⁶ *Ibid.*, pp. 42-43.

countries. Thanks to the reforms implemented in the years preceding the political turmoil, they have reached good levels of development in the services, infrastructure and manufacturing sectors. Jordan and Lebanon perform more or less in the same way, but with a less developed manufacturing sector.

Table 1 - Income, Human Development and Competitiveness Index (2014)

Country	Income per capita PPP USD	GDP USD BN	Total population MM	HDI*	GCI**	Doing business***
Morocco	7,606	109	33,2	0,617	4,21	71
Algeria	14,259	214	38,7	0,717	4,08	154
Tunisia	11,300	48	11,0	0,721	3,96	60
Libya	15,706	188	6,2	0,784	3,43	188
Egypt	10,877	286	86,7	0,682	3,60	112
Turkey	19,610	304	76,0	0,759	4,46	55
Lebanon	17,986	50	4,5	0,765	3,68	104
Jordan	11,929	35	6,7	0,745	4,25	117
Israel	32,691	806	8,2	0,888	4,95	40
Saudi Arabia	52,183	752	29,1	0,836	5,06	49
Oman	39,680	82	3,8	0,783	4,46	66
UAE	64,479	402	7,9	0,827	5,33	22
Qatar	143,427	210	2,0	0,851	5,24	50
Bahrain	51,714	34	1,3	0,815	4,48	53
Kuwait	71,020	172	4,0	0,814	4,51	86
Iraq	14,570	221	35,6	0,642	n.a.	156
Iran	17,114	404	77,9	0,749	4,03	130
*Human Development Index, between 0 (min) e 1 (max).						
**Global Competitiveness Index, between 1 (min) e 7 (max).						
***Doing business ranking 2015 from WorldBank.						

Source: Economist Intelligence Unit, World Economic Forum, World Bank, United Nations 2015.

Considering recent trends, the economies of the region have registered a general slowdown as a result of the negative conjunction between among unrest, unfavourable conditions of the hydrocarbons market and the international economic crisis of 2009. Looking at growth rates of the past decade, the general GDP plunged from an average of 6.4% (2004-2008) to an average of 3.8% (2010-2014). Remarkable exceptions are represented by the Gulf countries, Israel and Turkey which have continued to report

relatively good growth rates. However, in 2016 GDP growth rates are expected to be recovering at 3.8%. This acceleration is due to the resumption of production in oil-producing countries while in non-oil-producing countries it is the positive consequence of the falling oil prices on foreign accounts and the private sector⁵⁷.

Table 2 - GDP Dynamics (2004-2016)

Country	2011	2012	2013	2014	2015E	2016E
Variation % in real terms						
Saudi Arabia	10,0	5,4	2,7	3,5	3,4	2,2
UAE	5,2	6,9	4,3	4,6	3,0	3,1
Qatar	13,4	4,9	4,6	4,0	4,7	4,9
Kuwait	9,6	6,6	1,1	0,1	1,2	2,5
Oman	4,1	5,8	4,7	2,9	4,4	2,8
Bahrain	2,1	3,4	5,3	4,5	3,4	3,2
Algeria	2,9	3,4	2,8	3,8	3,0	3,9
Libya	-62,1	104,5	-13,6	-24	-6,1	2
Iran	4,3	-6,8	-1,9	4,3	0,8	4,4
Iraq	7,5	13,9	6,6	-2,1	0	7,1
MENA oil producers	5,7	5,3	2,0	2,6	2,2	3,6
Egypt	1,8	2,2	2,1	2,2	4,3	5
Jordan	2,6	2,7	2,8	3,1	2,9	3,7
Lebanon	0,9	2,8	3,0	2	2	2,5
Morocco	5	2,7	4,4	2,9	4,4	2,8
Tunisia	-1,9	3,7	2,3	2,3	1	3
MENA non-oil producers	2,0	2,5	2,6	2,4	3,8	4,3
MENA total	5,0	4,7	2,1	2,6	2,5	3,8
Israel	5,0	2,9	3,4	2,6	2,5	3,3
Turkey	8,8	2,1	4,2	2,9	3,0	2,9
m.i.oil price*	/	/	103	96	52	51
*Brent-WTI average. USD/barrel.						

Source: personal elaboration on data of the IMF 2015, *World Economic Outlook Statistics*.

⁵⁷ *Ibid.*, p. 47.

Dependence on oil exports and tax revenues implies that state accounts and the current account balance are exposed to the international fluctuations of hydrocarbons demand and price. Over the past decade, the oil-producing countries of the region have recorded substantial current account surplus thanks to the high price of raw materials. In 2015 GCC countries saw their current account balance dwindle from a surplus of 15% of the GDP to a deficit of $\frac{1}{4}$ %. At the same time, the current account deficit of the other oil exporters of the region increased to $8\frac{3}{4}$ % of the GDP compared to the $1\frac{1}{2}$ % in 2014⁵⁸. The lower prices have permitted oil-importing countries of the region to recover from their current account deficits and to enhance their chances of economic growth.

Given these conditions, it was necessary for oil-producing countries to start fiscal consolidation programmes. Countries with larger buffers have begun adjusting more gradually so as to contain the negative effects on growth, while those which have not implemented effective buffer measures yet need to adjust their deficiencies quickly. Many countries (Iran, Kuwait, the UAE) have introduced welcome energy pricing reforms, although in some circumstances the burden of fiscal adjustment can be made lighter through exchange rate and structural policies. The banking system in MENA oil-producing countries is basically well positioned but the slowdown in deposit growth is affecting credit growth in a number of countries such as Oman or Saudi Arabia. It appears reasonable that governments will eventually be forced to hire fewer public servants and to invest more in the private sector⁵⁹.

Inflation is moderating in most countries. Many of them, such as Iraq, the Gulf countries, Jordan and Lebanon, have tied their currencies to the US dollar, although it is not the only currency system of the region. Algeria follows a controlled fluctuation regime of the dollar while Iran has a dual system. The Moroccan dirham is pegged to a basket where the euro weighs 80% and the dollar 20%. Egypt has adopted a system characterised by a limited supply of currency through restrictions on movements of capital and periodic depreciations of its exchange-rate against the dollar. The Tunisian dinar follows a managed floating system against the euro, while Israeli and Turkish currencies are free to float⁶⁰.

⁵⁸ International Monetary Fund 2015, *Regional Economic Outlook: Middle East and Central Asia*, Washington D.C., p. 18.

⁵⁹ International Monetary Fund 2015, *Regional Economic Outlook: Middle East and Central Asia*, Washington D.C., pp. 26-27.

⁶⁰ Associazione studi e ricerche per il Mezzogiorno 2016, *Economic Relations between Italy and the Mediterranean Area - Annual Report 2015*, Napoli, Giannini, p. 56.

CHAPTER 2 – ITALY IN THE MIDDLE EAST AND NORTH AFRICA AREA: A MIDDLE POWER IN A REGIONAL CONTEXT

“[...] Il Conte di Cavour in quella discussione ebbe a dire che il Ministero degli Esteri gli dava poco lavoro e che, se egli avesse dovuto essere soltanto Ministro degli Affari esteri, moltissime ore del suo tempo le avrebbe dovute passare sotto i portici di Po. Ed era ed è vero, o signori, perché la politica estera non ha bisogno che di una direzione regolare, sicura, pronta, per procedere convenientemente.”

[Francesco Crispi, 18 marzo 1889 *Discorsi parlamentari*, III, pp. 294-295]

2.1 The Italian Republic among Mediterranean, Atlantic and European Relations

2.1.1 The Third Ring Theory and De Gasperi's Centrism

In order to understand the role that Italy is currently playing in the MENA area it is necessary to analyse its foreign policy in the region since the establishment of republican institutions. In this regard, M. De Leonardis maintains that it is possible to identify three different kinds of relations that are Atlantic relations (NATO), European relations (EEC then EU) and, in the end, Mediterranean or more widely MENA relations⁶¹. As these elements are all interconnected, they can be seen as the rings of a chain, where the Mediterranean area represents the third one.

After the signing of the treaties which ended world war II, Italy was in a very bad international position. It was considered to be responsible for the war. It lost all its colonial territories except Somalia and, in addition to this, it was not even in a condition to choose its future place in the world as the UK and the US had already decided to make it part of the western block. It was thanks to Italy's Prime Minister, Alcide De Gasperi, and to the Minister of Foreign Affairs, Carlo Sforza, that the country could start to play its new role. They strongly advocated Italy's participation in NATO in 1949 and even in ECSC in 1951 as a founding member. In this regard, it is important to underline that Atlantic and European relations have always been pre-eminent compared to relations with Mediterranean countries. It is incorrect to argue that any government of

⁶¹ De Leonardis M., *L'Italia: Alleato privilegiato degli Stati Uniti nel Mediterraneo?*, in De Leonardis M. (edited by) 2003, «Il Mediterraneo nella politica estera italiana del secondo dopoguerra», Bologna, p. 26.

the Republic has focused more on Mediterranean issues than on Atlantic or European ones⁶².

During those years, Italy's Mediterranean policy was completely focused on its colonial dossier. In this regard, there was spread and transversal commitment among political forces regarding the fact that Italy was entitled to hold all its colonies of the pre-fascist era that were Libya, Eritrea, Somalia and the Dodecanese. Clearly, preserving the *status quo* would not be possible, but a compromise could be found. The most significant obstacle was represented by the British government as the UK was looking for the total hegemony over the Mediterranean basin and did not want any opponents.

Thus, the Minister of Foreign Affairs, Carlo Sforza, started working with his British homologue, Ernest Bevin, for a common solution. The result was the Bevin-Sforza agreement which provided the following arrangement for Italy's colonies. Libya would be split into three parts administrated by France, the UK and Italy. Eritrea would be given to Ethiopia while Somalia would be left under the trusteeship administration of Italy. When the agreement was publically announced both the Italian government and the public opinion were not satisfied albeit it was considered to be better than nothing.

The final step should have been its approval by the UN General Assembly, but the Anglo-Italian plan was rejected because of the decisive vote of the Haitian delegate who was said to be drunk and unprepared on the issue by later admission of the Haitian government itself⁶³. The Assembly's refusal forced De Gasperi to revolutionise the strategy on the issue. He rejected the resignation of Sforza and declared that Italy would not try to hold its colonial domains anymore. It is interesting to underline that although public opinion was critical of this unpredicted and quick change of strategy, De Gasperi took a forward-looking decision as in the following decade the process of decolonisation would begin⁶⁴.

This first part of our country's history ended in 1954, when Alcide De Gasperi passed away. Scholars refer to that period as the years of "centrism" because governments were

⁶² Coralluzzo V., *La politica mediterranea dell'Italia: continuità e cambiamenti*, in Istituto per la storia della Resistenza e della società contemporanea Cino Moscatelli (edited by) 2007, «L'impegno», XXVII, n.1, Vercelli.

⁶³ Mammarella G., Cacace P. 2010, *La politica estera dell'Italia - Dallo Stato unitario ai giorni nostri*, Bari, Laterza, p. 185.

⁶⁴ *Ibid.*, p. 186.

based on a coalition of parties led by the centre majority party, Democrazia Cristiana (DC), of which Alcide De Gasperi was Secretary. In that year, the parliament rejected the approval of the funding treaty of the European Defence Community (EDC). Italy acquired zone A of the Free Territory of Trieste by signing the memorandum of London with Yugoslavia and also contributed to the establishment of the Western European Union (WEU). It should be noted that, despite the unfavourable preconditions, those governments were able to establish the basis for the economic and political recovery of the country in the following years.

2.1.2 The Neoatlantic Foreign Policy of Centre-Left Governments

In 1955 Giovanni Gronchi was elected President of the Republic. As he was a representative of the DC's leftist trend, his election was made possible by the support of the socialist and communist parties. President Gronchi's activism in foreign affairs was so intense that the Italian historian and diplomat Sergio Romano talks describes those years as a cohabitation period between the Prime Minister and the President of the Republic⁶⁵. The roots of President Gronchi's interest in foreign affairs can be found in his commitment to take advantage of the first signs of *détente* in US and USSR relations in order to encourage the formation of the first Italian government also supported by the left parties. In this regard, he was perfectly aware of the special relationship between national and international politics which characterised Italy. It is not by chance that the schemes of the Italian political parties' alliances perfectly fitted the structure of the bipolar system⁶⁶.

President Gronchi's doctrine was based on the idea that Italy had to strengthen its role in the Atlantic alliance by improving its relations with Mediterranean countries which did not view at Italy hostilely because of our country's minor role in colonial history⁶⁷. This doctrine has passed into history under the name of Neoatlantism and it was the foreign policy principal orientation of all the Italian governments during the sixties. Although the Italian politician Amintore Fanfani was the most active implementer of this policy, Giorgio La Pira and Enrico Mattei also deserve special mention. Giorgio La

⁶⁵ Romano S. 2006, *Guida alla politica estera italiana - Da Badoglio a Berlusconi*, Milano, BUR, p. 100.

⁶⁶ Santoro C.M. 1991, *La politica estera di una media potenza - L'Italia dall'unità ad oggi*, Bologna, Il Mulino, pp. 178-180.

⁶⁷ Mammarella G., Cacace P. 2010, *La politica estera dell'Italia - Dallo Stato unitario ai giorni nostri*, Bari, Laterza, p. 206.

Pira was the famous mayor of Florence who promoted a project of dialogue called the “Mediterranean Talks” in order to encourage inter-religious dialogue in the Mediterranean basin. Enrico Mattei was founder, President and Director of the Ente Nazionale Idrocarburi (ENI). He is unanimously considered as one of the most influential personalities of Italian republican history as he succeeded in promoting a huge penetration of Italy into the energy market of the MENA region.

Given these conditions, Italy was ready to play a key role again in international politics. The opportunity to show this new assertiveness to the world occurred in 1956. In that year, the Egyptian President Gamal Abdel Nasser decided to nationalise the Anglo-French Suez Canal Company in order to free the country from western political influence. The provision immediately provoked a military reaction from the UK, France and Israel. The crisis did not only increase tensions between the US and the USSR but even in Italian politics President Gronchi explicitly advocated for an active role of Italy in the settlement of the hostilities, while Prime Minister Segni asked to take a more careful position. Thanks to the efforts of the US and of our diplomacy, the French, British and Israeli troops withdrew from the Sinai. It was the first time after world war II that Italy was able to play such a significant role in an international crisis⁶⁸.

The Neoatlantic doctrine continued to influence successive governments. In 1958 the DC won the elections again and a coalition government lead by Amintore Fanfani was formed. Fanfani, who was at that time Secretary of the DC, suddenly acquired the role of Minister of Foreign Affairs as well. He was firmly convinced that Italy had to keep on being part of the Atlantic alliance but, in the meanwhile, should take advantage of its Mediterranean relations in order to increase its international status. Fanfani wanted to exploit international politics in order to create favourable conditions for the formation of an organic centre-left government. The DC finally managed to form a government with the socialists of Pietro Nenni in 1963. The *détente* policy of J. F. Kennedy, the destalinisation process implemented by President Khrushchev, in addition to the activism of Pope John XXIII, made what a large part of the Italian political system had tried to achieve for a long time possible. The centre-left formula lasted until 1978 when even the communists joined the majority.

⁶⁸ Santoro C.M. 1991, *La politica estera di una media potenza - L'Italia dall'unità ad oggi*, Bologna, Il Mulino, p. 121.

In 1964 Lyndon Johnson became President of the US after the assassination of J. F. Kennedy and he allowed a maxi-loan of one billion dollars to Italy as a result of our country's favourable campaigning on the UK's entrance into the EEC. This was seen as the successful result of the Neatlantic strategy. However, a new international crisis occurred and Italy was forced to exert its role again as a middle power in a regional context. In 1967 President Nasser asked successfully UN Secretary General, U Thant, for the retirement of UN troops from the Aqaba gulf. Once the international forces had gone, Nasser ordered a block of the area aiming at damaging Israel's economy. The Israeli government suddenly reacted by attacking Egypt and pushing back Egyptian forces to the Suez canal. The hostilities came to the attention of the UN Security Council which immediately ordered a cease-fire and started negotiations for peace.

This event has passed into history under the name of the six days war. Although it might not sound so obvious, the six days war represents a perfect example to help to understand how the foreign policy debate was taking place in Italian politics at that time. The reason why the Minister of Foreign Affairs, Fanfani, decided to undertake a mediating position between Arab and Israeli stances was not only coherent with the Neatlantic strategy but it also reflected the necessity to secure the country's national interests in that part of the world. In the end, the Neatlantic strategy was abandoned in 1968 when, after the general elections of that year, the centre-left governments experience ended and a period of decline began for Italian foreign policy.

2.1.3 The Arab-Friendly Policy of the Seventies and the Eighties: Finally Italy as a Middle Power in a Regional Context?

Despite the favourable preconditions of the international system, the seventies were an unlucky decade for Italy. In 1970, the Italian government officially started diplomatic relations with the People's Republic of China and put an end to the Trieste issue by signing the Osimo treaty with Yugoslavia in 1975. However, the Italian economy seriously suffered from the consequences of the energy crisis which eventually determined political instability which resulted in the alternation of eight different governments from 1972 to 1979⁶⁹.

⁶⁹ Source: <http://www.treccani.it>, retrieved on the 15th/05/2016.

The oil crisis began in October 1973 when the members of OPEC proclaimed an oil embargo after the events that occurred in the Yom Kippur war. In that year the new Egyptian President, Anwar el-Sadat, attacked the Israeli troops in the Sinai with the help of Syria. Although the Egyptian attack was completely unexpected, as the Israeli soldiers were celebrating the Jewish festivity of Yom Kippur, it took little time for them to organise a successful counter-attack and to cross the Suez canal right into Egyptian territory. The US and the USSR immediately called for a cease-fire which eventually led to the historical Camp David agreements. Nevertheless, the Arab countries were strongly committed to punish Israel's allies and proclaimed an oil embargo. The consequences were dramatic for western countries' economies as the huge increase in oil prices provoked a rise in inflation and economic stagnation at the same time.

Italy was considered responsible for the Israeli aggression albeit its traditional Arab-friendly policy. The Italian economy depended greatly on oil supplies and it was forced to reconsider its relations with many MENA countries. Libya, which had been part of the Italian colonial empire and where colonel Gaddafi had taken power a couple of months before, appeared to be the most suitable country to start new business relations. It was the start of a very particular relationship as Gaddafi turned out to be a tricky ally who pushed Italy in several ambiguous situations. However, the Arab-friendly policy was still necessary as the governments led by Aldo Moro sought for the support of the communist party. Moro's strategy eventually proved to be successful as in 1976 Giulio Andreotti formed the first government of "national solidarity" with the support of the communists. But in 1978 Moro was kidnapped and killed by the communist terrorist group *Brigate Rosse*. It was the end of the years of centre-left governments.

The eighties began with deep geopolitical transformations in the MENA region. In 1979, while European youth were protesting against the presence of cruise missiles on European territory, in Iran Shah Reza Pahlavi was overthrown by a revolution led by the ayatollah Khomeini who proclaimed the foundation of the Islamic Republic. The Iraqi President, Saddam Hussein, took advantage of the fragile internal situation and declared war on the newly born Islamic Republic of Iran. Even Afghanistan was not left out as the USSR decided to occupy the country in order to support the communist-friendly local government. The result was a general radicalisation of the Islamist movements in the region as a whole which entailed consequences for Italy too. In this regard, following the start of the civil war in Lebanon in 1982, Italy participated in a special

mission, UNIFIL (the United Nations Interim Force in Lebanon), that the UN had established in order to manage the resolution of the conflict. The Italian contribution was significant as almost twenty thousand soldiers were sent to Lebanon⁷⁰.

Italy's participation in UNIFIL was encouraged insistently by the US. In those years, as a result of the progressive weakening of the bipolar system, in addition to the assertive foreign policy of President Reagan, US power increased and all the Atlantic allies, including Italy, suffered from a reduction in their space to manoeuvre. However, President Reagan had not considered the willingness of the new Italian Prime Minister Bettino Craxi, to put into action a foreign policy aimed at boosting national pride. In fact, with the help of the Minister of Foreign Affairs, Giulio Andreotti, Craxi promoted a foreign policy based on the support of Arab countries and on their greater autonomy from the dynamics of the Atlantic alliance.

For a number of reasons, historians often agree on the fact that the eighties can be considered as the period of our country's history during which Italy behaved as a true regional power⁷¹. In 1984, the Italian navy took part to an international mission for mine clearance operations in the Red sea and in 1990 it participated in the *Desert Storm* international mission during the first Gulf war. However, the events which occurred in Sigonella in 1985 are usually indicated as the best representation of Italy's new assertiveness. In that year, some Palestinian terrorists attacked the Italian cruise ship Achille Lauro and killed the American citizen Leon Klinghoffer. The author of the murder, Abu Abbas, was caught by Italian Carabinieri who took him back to Italy. When the plane landed in the airport of Sigonella, Navy SEALs surrounded it and demanded Abu Abbas to be delivered to them upon the order of President Reagan. As a response, Craxi commanded the Carabinieri to hold their position and forced the American government to withdraw its troops after long hours of negotiation.

Although the events of Sigonella are commonly seen as a controversial episode, it is not possible to deny that a few times in history Italy has been able to behave as a true middle power like that. When Craxi resigned in 1987, the following years were characterised by a reorganisation of Italian foreign policy objectives as a result of its transition from a bipolar to a multipolar international system.

⁷⁰ Romano S. 2006, *Guida alla politica estera italiana - Da Badoglio a Berlusconi*, Milano, BUR, p. 222.

⁷¹ Perfetti F., *Mediterraneo e Medio Oriente nella politica estera italiana*, in «La comunità internazionale – Società italiana per l'organizzazione internazionale», n.2/2011, Napoli, Editoriale Scientifica Srl.

2.2 From the Second Republic to the Latest Developments

2.2.1 *The Post-Cold War Period and the Years of Transition*

The fall of the Berlin wall and the consequent collapse of the Soviet Union provoked the end of the division of the international system in two opposing blocks and paved the way to a short period of US unipolar hegemony. One of the main consequences was the transformation of the MENA area from a peripheral to a central arena of international politics. Although Italy is placed in the middle of the Mediterranean basin, it entered a long span of transition which ended only in 2001 when a long decade of centre-right government hegemony began.

Indeed, during the first years of the nineties, the Italian governments continued to follow the path of the previous administrations for what concerned Mediterranean foreign policy. However, this was not the result of a specific strategy but mainly the result of indifference. Those were years of institutional weakness as the republican political system started crumbling and definitely collapsed in 1992 after the *Mani Pulite* investigations. although foreign policy was not a priority, Italy continued to respect its political relations with the US and participated to the first Gulf war operations. After the signing of the Maastricht treaty in 1992, Italy was one of the participant states in the Barcelona Process of 1995 and, at the same time, intensified its trading relations with MENA countries up to 12%⁷².

The absence of a clear strategy was evident in the management of the crisis which eventually led to the collapse of Yugoslavia. When Slovenia and Croatia declared themselves as independent states, the Italian Minister of Foreign Affairs, De Michelis, was understandably worried about it. In fact, relations with Yugoslavia were a reason for pride in Italian diplomacy as it had been able to transform a traditional hostility into an opportunity for cooperation. But the hesitations of our policy-makers and their commitment to preserve the integrity of Yugoslavia at any cost provoked a distancing of the newly born states. Thus, Croatia and Slovenia preferred to strengthen their relations with Germany as a reward for its support for their independence since the beginning of the war.

⁷² Bazzoni S., *L'Italia e lo sviluppo economico del Mediterraneo?*, in De Leonardis M. (edited by) 2003 «Il Mediterraneo nella politica estera italiana del secondo dopoguerra», Bologna, p. 43.

By the end of the nineties, after a temporary restauration of the political system on a bipolar asset, the Italian governments decided to focus back on Mediterranean affairs. As mentioned before, in 1995 Italy participated to the Barcelona Process. Also known as the Euro-Mediterranean Partnership, the Barcelona Process was created after the Conference of Euro-Mediterranean Ministers of Foreign Affairs held in Barcelona in November of that year. Their aim was the creation of a structured forum of dialogue and cooperation between the European and MENA countries on both sides of the Mediterranean basin. Even in the Balkans, Italy's presence became determinant again. In 1997, parliament gave its approval to provide aid to Albania in the framework of the Pelican Operation. In 1999, Prime Minister, Massimo D'Alema, albeit his past in the Italian communist party, allowed NATO to use national military airports to carry out raids against the Serbian government during the third Yugoslavian war.

The Yugoslavian war was not the only security issue Italy had to deal with at that time. Indeed, during the nineties, a stabilisation of the phenomenon of migration to Italy occurred. It had started in the seventies and several reasons explain why it intensified during the nineties. First of all, the fall of the socialist block allowed thousands of people to freely move to the west. Moreover, the massive growth of the Italian economy, in addition to the widening of the cleavage between developed and developing countries, pushed people from the Balkans and North Africa to move to European countries. In the end, immigrants started replacing Italians in low-paid jobs that the latter were not willing to carry out anymore.

Italian policy-makers implemented a series of legislative and administrative measures, like amnesties, in order to manage the phenomenon. It is interesting to note how immigration was perceived mainly in terms of security issues. In this regard, at that time, political debate was principally focused on the risks of the immigration phenomenon in regards to public order and micro-criminality. In addition to this, even economic security issues were raised as some political parties started claiming that immigrants were stealing jobs from Italians. Italy and the other European countries are still struggling to find effective solutions to this problem which has acquired dramatic proportions and which still seems far from a solution.

2.2.2 *The New Foreign Policy of Silvio Berlusconi*

In 2001, the centre-right coalition led by Silvio Berlusconi won the general elections and obtained a parliamentary majority which made it possible for him to rule the country for the whole length of the legislature. Contrary to the past, foreign policy was one of the main interests of the Prime Minister who completely revolutionised the style, the method and the objectives of Italian foreign action.

First of all, Silvio Berlusconi immediately tried to centralise on his figure as manager of foreign affairs. In the previous years, Italian foreign policy had been run jointly by the Prime Minister and the Minister of Foreign Affairs. This can be observed in the relationship between Craxi and Andreotti or between the latter and Gianni De Michelis. In addition to this, summits were always preceded by intense talks among the ministries of Foreign Affairs. On the other hand, Silvio Berlusconi's diplomacy was focused mainly on bilateral relations which were built on the basis of a strong dialogue and a close relationship with the foreign leader. There are a number of examples which confirm this statement: Berlusconi's talks with George W. Bush, his visits to the Kremlin to meet his counterpart and friend Vladimir Putin, and finally the mighty welcome organised in 2010 for Gaddafi's visit to Italy.

The objectives and the guide-lines of Italian foreign policy are what changed the most during the third cabinet of Silvio Berlusconi. For what concerns European affairs, during the nineties Italian policy-makers had always looked at the Franco-German axis as a main point of reference. On the contrary, Berlusconi often criticised the exclusivity of the special relationship between France and Germany and actively promoted the construction of an Anglo-Italian axis based on his personal relationship with Prime Minister Tony Blair. This did not happen by chance but was part of a wider strategy aimed at making Atlantic relations pre-eminent over European relations. This was a significant breaking point with respect to the past, as for the most of its republican history Italy had tried to act in the Mediterranean "ring" in order to distance itself from American influence. However, during his administration Silvio Berlusconi often appeared to be more keen on looking for the consensus of Washington and London than Paris or Berlin⁷³.

⁷³ Mammarella G., Cacace P. 2010, *La politica estera dell'Italia - Dallo Stato unitario ai giorni nostri*, Bari, Laterza, p. 271.

Evidence of this new attitude is Italy's participation in the second Gulf war in 2003. While France and Germany opposed the invasion of Iraq from the beginning, both Italy and the UK did not hesitate to support the US in their military operations and fiercely joined the Coalition of the Willing. Italian participation in the invasion of Iraq also reflected a new perception of the MENA area in politics. While in the previous decades Italian action in the Mediterranean sea had been limited only to the countries on its shore - e.g. Egypt, Lebanon, Libya -, the *Antica Babilonia* mission was coherent with a wider view of the area that was the one of the MENA or greater middle east promoted by the Bush administration. In conclusion, another breaking point with the traditional Arab-friendly foreign policy was the promotion of closer relations with Israel which were officially ratified with the institutional visit of vice-Prime Minister Gianfranco Fini in 2003.

2.2.3 The Policies of the Latest Governments towards the MENA Area

The visit of Gianfranco Fini to Israel in 2003 is a perfect example of the intensive diplomatic activity that Italy carried out in the MENA area during those first years of the new millennium. In 2006, the new centre-left Prime Minister, Romano Prodi, allowed the Italian army to participate to the mission to Lebanon, UNIFIL II. In addition to this, business relations with economic and energy partner countries of that area intensified. Trade fluxes with Iran increased from 3.9 billion euros to 5.7 and Turkey officially became Italy's fourth trading partner. These important initiatives found their theoretical basis in a document drafted by the ministry of Foreign Affairs in 2007, called *Rapporto 2020 – Le scelte di politica estera*, which represented the first attempt ever made by a government to establish long-term foreign policy lines⁷⁴.

The years dating from 2008 until 2011 were characterised by the last act of relations with Gaddafi's Libya. As mentioned before, the Italo-Libyan relationship had always been controversial because of the unpredictable behaviour of the *rais*. In 2008 Gaddafi and Berlusconi, who had become Prime Minister for the fourth time after the 2008 general elections, signed a treaty of Friendship and Cooperation in Bengasi which strengthened the relationship between the two countries in many fields of security by creating a stable and structured partnership. The main domains where cooperation was

⁷⁴ Dassu M., Massari M. (edited by) 2008, *Rapporto 2020 – Le scelte di politica estera*, Roma, Ministero degli Affari Esteri - Gruppo di riflessione strategica.

established were the defence industry, energy and immigration control. In addition to this, the treaty put an end to the long issue regarding the damages caused by Italy during the colonial period.

Nevertheless, in 2011 everything changed as the Libyan regime collapsed due to internal and external causes. Following the arrest of some Libyan human rights activists in February, huge demonstrations against the repressive policies of Gaddafi's regime took place in most Libyan cities. The response of the *rais* was an increase in the authoritarian features of his regime which eventually led to the eruption of a civil war. The US, the UK, and France advocated the implementation of the responsibility to protect principle in order to stop the massacre of the civil population. Thus, the UN Security Council authorised the international community to do whatever it took to stop the Libyan butchery under resolution 1973. Thanks to the military support of the previously mentioned countries, the National Transitional Council was able to carry out its advance to Sirte where Gaddafi was finally caught and executed by the people.

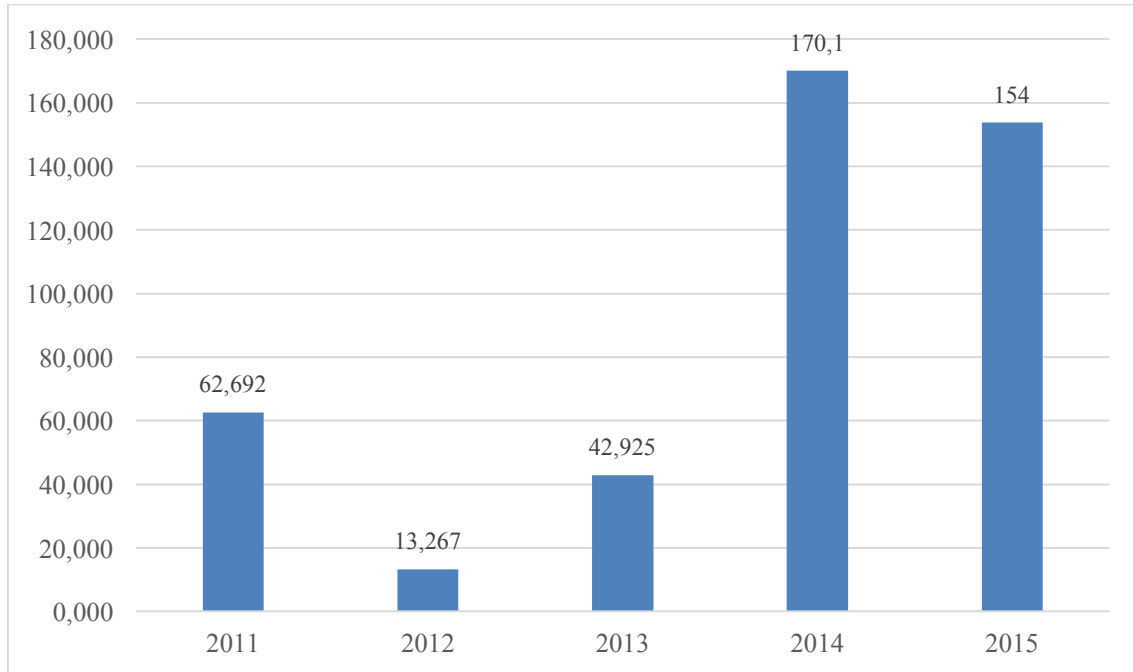
Italy's behaviour *vis-à-vis* of the Libyan crisis was uncertain and ambiguous. Although Libya had always been a strategic partner in the Mediterranean basin, the Italian government did not really take a clear position on the issue and participated in the international mission mainly because of the obligations deriving by its relations with the US. Currently, Libya is still in turmoil and the efforts of the international community do not seem to encourage a definitive stabilisation of the country. At the same time it represents a source of two main issues Italy has to deal with in relation to the MENA region: security concerns deriving from jihadist terrorism and from the increase in immigration flows.

As mentioned before, immigration flows are an issue that Italy had basically been able to manage effectively. This was true until 2011, when a consistent increase in arrivals from the Mediterranean sea occurred. According to data from the ministry of the Interior, in this year 62,692 immigrants arrived in Italy as a result of the turmoil provoked by the Arab Springs. In the following year, the total number decreases to 13,267⁷⁵. It was just a temporary slowdown as in 2013 the official number rose to 42,925; in 2014 it becomes more than three times bigger, up to 170,100. In 2015 a total

⁷⁵ Ministero dell'Interno, *Presenze dei migranti nelle strutture di accoglienza in Italia*, 2nd/03/15.

of 153,842 arrivals was registered⁷⁶. For what concerns 2016, according to the Mediterranean Update of the International Organization for Migration (IOM) the number of the arrivals is estimated to be around 37,363 and the main nationalities are Nigeria (4,311), Gambia (2,901), Somalia (2,529), Ivory Coast (2,242)⁷⁷.

Graph 2 - Arrivals in Italy (2011-2015)



Source: personal elaboration on 2011-2015 data of the Ministero dell'Interno.

These data entail some considerations. First of all, it is clear that the increase in migration flows to Europe by the Mediterranean route cannot be explained only by the collapse of Libya and Syria. There are two more reasons. On one hand, a relative improvement in the migrants' economic conditions has made the journey more affordable to them. On the other hand, there has been a parallel enhancement in operational and organisational capabilities of the migrants' smugglers. In this regard, the geopolitical instability deriving from the Libyan and the Syrian civil wars in addition to the strengthening of European measures of control have made them extend their operational context. The migrant smuggling business has become enormous. Just to give an idea, taking into consideration only the five Libyan networks, their earnings range from around 260 to 300 billion dollars every year⁷⁸.

⁷⁶ *Ibid.*

⁷⁷ International Organization for Migration, *Missing Migrants Project. Mediterranean Update*, 05/16.

⁷⁸ Monzini P., *Le rotte dei nostri migranti*, in «Limes», n.6/2015, p. 67-68, in Marrone A., Nones M. (edited by) 2015, «La sicurezza nel Mediterraneo e l'Italia - Quaderni IAI», Roma, Edizioni nuova cultura, p. 118.

The widening of the geographical context bears witness to the area in which the smugglers operate and the nationalities of the immigrants. As previous data show, during this year most of the immigrants to Italy have been from equatorial Africa. However, the ethnic variable is different from year to year. For example, in 2011 out of a total of almost 63,000 arrivals 28,000 were people from Tunisia as a result of the fall of Ben Ali's regime⁷⁹. For what concerns the country of departure, Libya still remains the principal hub as its situation of civil war and internal disorder makes it a perfect breeding ground for the activities of transnational criminal networks. While in 2012 only 38% of the immigrants left from Libyan shores, in 2014 the percentage rose up to 83%⁸⁰.

Italy remains an intermediate step as the most of the immigrants aim at reaching relatives who already live in the countries of northern Europe. However, what makes the Italian case different is the fact that they do not only come to Italy to ask for asylum but even for economic reasons. Thus, there is evidence to believe that the phenomenon of migrations is not a temporary but a structural one and needs to be managed with long term policies.

The response of the Italian government has been based on its massive use of the navy in the framework of some national and international operations. The first one was Mare Nostrum which was a military and humanitarian operation financed and run entirely by the Italian government from October 2013 until October 2014. It was aimed at rescuing immigrants in trouble and fighting the smugglers at the same time. Thanks to its legal grounding on some dispositions of the UN Convention on the Law of the Sea, the Mare Nostrum operation focused its work in international waters and near the Libyan border. It is estimated that the total cost of the operation was around 114 million euros and that during its year of activity it carried out 439 search-and-rescue operations; it provided assistance to 156,362 migrants and permitted the arrest of 366 alleged smugglers⁸¹.

⁷⁹ *Ibid.*

⁸⁰ Malakooti A., *Migration Trends Across the Mediterranean: Connecting the Dots*, Altai Consulting for IOM MENA Regional Office, June 2015, p.93, in Marrone A., Nones M. (edited by) 2015 «La sicurezza nel Mediterraneo e l'Italia - Quaderni IAI», Roma, Edizioni nuova cultura, p. 119.

⁸¹ Marina Militare, *Operazione "Mare Nostrum": dati statistici al 31 ottobre 2014*, in Marrone A., Nones M. (edited by) 2015 «La sicurezza nel Mediterraneo e l'Italia - Quaderni IAI», Roma, Edizioni nuova cultura, p. 119.

Mare Nostrum was replaced by Triton; this is a border security operation conducted by Frontex, the European Union's border security agency. It involves the voluntary contribution of fifteen European countries. The Italian government financed another military operation that is called *Mare Sicuro*. It has started in March 2015 and its aim is to provide security measures for commercial watercrafts and to carry out search-and-rescue operations when necessary. Finally, the most recent operation was EUNAVFOR MED which was launched in June 2015 and which was focused on fighting transnational networks of immigrant smugglers and on the reduction of immigration flows in order to render them more manageable for the states. Twenty-one countries contributed to the mission and by the end of July 2016 it will be definitely over⁸².

Other security concerns that Italy has to face are linked to the rise in international jihadist terrorism and to the use of military weapons to secure its national interests in the MENA area. Fundamentalist Islamic terrorism is not a new phenomenon as the first structured network was al-Qaeda which was founded in the eighties by Ayman al-Zawahiri and Osama Bin Laden. Al-Qaeda claimed responsibility for the terrorists attacks of 9/11 which provoked the US invasion of Iraq and Afghanistan, supported by many other nations including Italy. Nowadays, the Islamic State has taken over the leadership of global jihadism and represents a concrete threat to the homeland security of all the European nations as the attacks in Paris and Brussels have dramatically shown. The collapse of Libya and Syria has created a breeding ground for the spread of terrorist groups linked to IS. This raises security concerns for Italy as the Libyan IS controlled city of Sirte is just 600 kilometres away from Lampedusa⁸³.

The Italian government is perfectly aware of the security concerns that the events occurring in the region are raising. Thus, it has drafted a specific strategy which is articulated in the *Libro Bianco*. The *Libro Bianco per la sicurezza internazionale e la difesa* (White Paper in the English version) is a document that was drafted by the Italian Minister of Defence, Roberta Pinotti, in April 2015. One of the objectives of the document is to identify which are the strategic regions in the world where Italy can use its military force in order to assure international stability and the protection of its national interests. In this regard, the "Euro-Mediterranean" region, composed of EU

⁸² Marrone A., Nones M. (edited by) 2015 «La sicurezza nel Mediterraneo e l'Italia - Quaderni IAI», Roma, Edizioni nuova cultura, p. 127-128.

⁸³ Source: <https://www.freemaptools.com/>, retrieved on the 30th/05/16.

countries, the Balkans, the Black Sea, North Africa and part of the Middle East is considered to be of vital importance for national interests⁸⁴.

The fact that the Euro-Mediterranean and Euro-Atlantic regions are considered on the same strategic level does not represent a revolutionary change of direction but an onset of awareness. The MED-MENA region is a source of threats but even of opportunities for Italy's national interests. In this regard, for years the ministry of Defence has been developing intensive bilateral relations with the ministries of Defence of the countries of the region. This is shown by the consistent participation of local military officers in courses organised by the *Istituto Alti Studi per la Difesa* (IASD). In addition to this, the MED-MENA region still remains an important destination for Italian aerospace and defence industry exports. What makes the White Paper different is the fact that, for the first time, the Euro-Mediterranean region is considered to be of pre-eminent importance in the short term rather than in the long term.

In the end, the third chapter of the White Paper sets four fundamental missions for the Italian military; two of them concern the Euro-Mediterranean region. The first one concerns the defence of the State: “[...] *against all types of aggression in order to safeguard: national territory; the vital interests of the Nation; the security of areas of national sovereignty and of Italian citizens abroad; the security of lines of access to the nation*”⁸⁵. The second one consists of: “[...] *contributing to NATO's collective defence and to maintaining stability in areas on the Mediterranean Sea, in order to protect the vital and strategic interests of the Nation*”⁸⁶.

The White Paper is a perfect example to show how military, economic and energy security are strictly link to the definition of the strategic interests of the nation. In the next chapter attention will be focused on the geoeconomic and economic security aspects of Italy in the MENA area.

⁸⁴ Ministero della Difesa, *White Paper for international security and defence*, 30th/04/15, p. 27.

⁸⁵ *Ibid.*, p. 42.

⁸⁶ *Ibid.*

CHAPTER 3 – ITALY’S GEOECONOMICS AND ECONOMIC SECURITY IN THE MIDDLE EAST AND NORTH AFRICA REGION

“La zona euro-mediterranea rappresenta la principale area d’intervento nazionale. [...] vi è dunque un interesse vitale nazionale a operare affinché la regione euro-mediterranea possa evolvere verso una situazione di maggiore stabilità, progresso economico e rispetto dei diritti fondamentali dell’uomo [...]. Per la tutela degli interessi nazionali e per il consolidamento della cornice di sicurezza e difesa, pertanto, particolare interesse rivestono le aree del Mashreq, del Sahel, del Corno d’Africa e dei Paesi del Golfo Persico.”

[Ministero della Difesa, *Libro Bianco per la sicurezza internazionale e la difesa*, 30th/04/15]

3.1 Economic Security and Geoeconomics

3.1.1 Defining Economic Security in International Political Economy

The collapse of the Soviet Union has changed the way security threats are perceived. During the cold war, security studies were focused on the analysis and the prevention of military threats. Economic affairs were important too, but the main concern of states and of international politics was about military. Nevertheless, during the first years of the nineties, things quickly changed and the concept of economic security soon replaced that of military security.

Similarly to middle powers, economic security is not an easy notion to define clearly. Even in this case, a unanimously shared definition is absent and its general meaning must be derived from what these definitions share among them.

First of all, when we deal with economic security it is necessary to identify what is the threat and to whom the security is referred. In this regard, the actors are the states, with their national political-economic systems, while security threats are considered to be those activities carried out by internal or external subjects which may harm or hinder national economic public or private actors. Recent reviews of the Central Intelligence Agency (CIA) show that the most common crimes are more and more linked to the economic sphere: money-laundering, espionage in international business, black markets, smuggling and so forth⁸⁷.

⁸⁷ Cable V., *What is International Economic Security?*, in «International Affairs (Royal Institute of International Affairs 1944-)», LXXI, n.2/1995, London, Royal Institute of International Affairs, p. 306.

Economic security can most obviously refer to the aspects of the economy which influence the capability of a state to defend itself from military threats: purchasing weapons, reliability of the supply of military equipment, technological advantage⁸⁸. Likewise, economic policy instruments, which are used for purposes of aggression, are included within the broader idea of economic security: trade boycotts, port blockades, restriction of energy supplies, economic and financial sanctions⁸⁹. Economic security may also be intended as the economic consequences of national security policies⁹⁰. All these elements deal with a process of economisation of security as the competition between states has shifted to the economic level and economic leverages are used together with power dynamics.

The international economic order resulting from the collapse of the socialist block is based on liberal capitalism. If freedom of choice allows individuals and firms to pursue their own economic goals, at the same time one of the defining characteristics of this economic system is uncertainty and risk. Thus, it may be argued that economic security also consists of the fact that states should implement economic policies aimed at reducing these levels of risk for national economic actors⁹¹.

Economic intelligence is one of the instruments which can be used to sustain these policies. It permits the gathering of information in order to allow the state to manage economic relations with direct competitors more easily and more wisely. It is an instrument of both defensive and offensive power for national political-economic systems. A good model of effective economic intelligence was the Venetian Republic. Thanks to the quality and quantity of the information collected, policy-makers were able to plan economic strategies aimed at promoting the national interests of the republic across the Mediterranean sea⁹².

In Italy, things started going in this direction with the reform of national intelligence that occurred in 2007. The law 124/2007 reformed the structure and the functions of

⁸⁸ Cable V., *What is International Economic Security?*, in «International Affairs (Royal Institute of International Affairs 1944-)», LXXI, n.2/1995, London, Royal Institute of International Affairs, pp. 305-306.

⁸⁹ Shiffman G. M., *Economic Security*, in Collins A. 2016 «Contemporary Security Studies», Oxford, Oxford University Press, p. 253.

⁹⁰ Neu C. R., Wolf C. Jr. 1994, *The Economic Dimensions of National Security*, Santa Monica (California), Rand Corporation, p. 13.

⁹¹ *Ibid.*

⁹² Gaiser L., *Intelligence economica: una proposta per l'Italia*, in VV. AA. «Sicurezza, terrorismo e società», n.2/2015, Milano, EDUCatt, p. 69.

Italian intelligence according to a wider perspective which encompasses economic security as a central aspect to be made safe. The assumption is that the state should use information to prepare and then implement geoeconomic policies aimed at protecting national economic interests. In this regard, the reform of national intelligence represents a watershed as it allocates urgency to the economic security of the country⁹³.

Nevertheless, if the idea of the existence of an economic national interest is accepted and if attention is focused on economic security in the context of international political economy, the point of view turns in a different direction. In this regard, economic security can be defined as the ability of a state to guarantee access to the resources, finance and markets necessary to sustain acceptable levels of welfare and of state power. Historically, the conquest of new territories was the best way to carry out this kind of activity. But military conquests are not legitimised anymore by the international community and nowadays states struggle to conquer shares of market for their national political-economic systems instead. The best way to be more competitive is by increasing productivity; this means increasing output with the same amount of input or reducing input while leaving the output unchanged.

From this point of view, states are forced to provide security of supply. Technology, raw materials, food and fuel are only a few fields where security of supply considerations can be raised. Interruptions of imported supplies could severely disrupt the national economy, or parts of it. The oil crisis of the seventies is a perfect example which eventually led “extremist” scholars to maintain that states may increase their economic security by encouraging self-sufficiency and autarkic policies.

In the opposite direction of the process described above, these assumptions entail that even a process of securitisation of the economy has taken place. It is the definition of economic strategies in accordance with the priorities of national security. In this case, the state would orientate its economic establishments and its potentials in accordance with its own interests.

The definition of these interests depends on the perspective that is used. On one hand, realist scholars maintain that as the economy is a source of power the logics of conflict can be transferred to trade relations. This means that an international economy is a zero-

⁹³ Legge 3 agosto 2007, n. 124.

sum game in which states are seen as firms struggling to conquer world markets. Thus, countries must try to maximise their gains by increasing the competitiveness of their national firms. On the other hand, liberal scholars focus on the idea that states should maximise their gains in order to increase their citizens' standards of living and their firms' wealth. In this case, international economy is seen as a positive-sum game where economic cooperation is a fundamental tool to achieve these goals.

The interpretations of international relations schools are important to define the framework. Nevertheless, in order to analyse Italy's economic security in the Middle East and North Africa region a different procedure must be followed. First, the relations between economic security and geoeconomics need to be explained. The aim of this is to determine what the Italian national interest is. Then, the analysis of the way the national political-economic system operates in the region may confirm how this national interest is secured. This can only be done through the analysis of trade flows, foreign direct investments and through energy security dynamics.

3.1.2 The Relation between Economic Security and Geoeconomics

During the last two decades, hostilities among the states in the world have turned into a new type of war that is economic competition. Metaphorically speaking, money has taken the place of the sword. Evidence of this new process is the progressive increase in the use of tools like financial speculation, currency wars, dumping, industrial espionage, public tender offers and many other. These activities show how economic wars are becoming more and more widespread. Economic war can be defined as any kind of conflict which does not directly deal with the military but with economic objectives which can eventually have political consequences⁹⁴.

Thus, security issues related to the economic world have become the main focus of international relations. As a consequence, many non-state economic actors have increased their influence in international affairs. The most significant are multinational corporations, banks and especially trade chambers. The pre-eminence of the economic sphere over the military one has produced consequences in the academic world too as

⁹⁴ Pasquazzi S. 2014, *Geo-economia, guerra economica e intelligence. Quadro teorico-concettuale e caso studio*, Roma, Istituto Italiano di Studi Strategici "Niccolò Machiavelli", p. 6.

scholars have started shifting their focus from geoeconomic issues to the traditional notion of geopolitics.

The first and most important articulation on the notion of geoeconomics was the 1990 essay by Edward Luttwak *From Geopolitics to Geo-economics: Logic of Conflict, Grammar of Commerce*. Luttwak stated that: “Everyone, it appears, now agrees that the methods of commerce are displacing military methods. [...] states, as spatial entities [...] will not disappear but reorient themselves toward geo-economics in order to compensate for their decaying geopolitical roles [...]. Geo-economics is the best term I can think of to describe the admixture of the logic of conflict with the methods of commerce”⁹⁵.

French scholars were able to catch the point almost at the same time as Luttwak. According to Pascal Lorot, geoeconomics is an instrument to interpret power relations among states on an economic basis. It is the analysis of economic policy strategies aimed at protecting national economic interests and, at the same time, at improving the presence of the national political-economic system in international markets. The result for the state or the firm is an increase in economic power which can be translated into a simultaneous increase in social and economic strength *vis-à-vis* direct competitors⁹⁶.

From Lorot’s point of view, the American national political-economic system is the one which best fits the preconditions for geoeconomic hegemony. This is because the US has been able to shape the structure of international economic institutions; it has an efficient economic intelligence system and, in the end, it can rely on an advocacy network composed of the Treasury, Agriculture, State and Homeland Security departments which work jointly for the accomplishment of American interests⁹⁷.

The theoretical background set by Luttwak and Lorot is still fundamental to understand what the geoeconomic approach consists of. In this regard, it is possible to define what the principal assumptions of geoeconomics are as a discipline. First of all, states are no longer the pre-eminent actors of international relations. In addition to this, the aim of geoeconomic policies is to gain commercial and technological supremacy or, at least, to

⁹⁵ Luttwak Edward N., *From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce*, in «The National Interest», n.20/1990, Center for the National Interest, p. 17.

⁹⁶ Lorot P., *La géoéconomie, nouvelle grammaire des rivalités internationales*, in «L’information géographique», LXV, n.1/2001, Paris, Sedes, p. 114.

⁹⁷ *Ibid.*, p. 118.

defend of the share of market already possessed. In the end, it can be argued that interactions among states still remain competitive but the decision-making process is not centralised anymore⁹⁸.

Another important contribution is *Goeconomics* by Klaus Solberg Sørensen. Assuming that goeconomics is the continuation of geopolitical logics applied to the era of globalisation, it can be defined as: “[...] *the study of spatial, cultural, and strategic aspects of resources, with the aim of gaining a sustainable competitive advantage*”⁹⁹. Geopolitics and goeconomics are closely linked to the study of strategy but they differ with respect to the topic and the actors. The logic of goeconomics relies on an awareness of states that war is no longer a viable option for the management of international relations. Thus, countries have started shifting their resources towards sciences, education, production and trade. It is interesting to note that before the birth of the nation state most societies were based on a goeconomic logic. Principalities and city-states like the Venetian Republic ran their affairs in the same way firms do today¹⁰⁰.

Also Italian scholars have been aware of this new way of looking at international relations from the beginning. The main authors of the Italian goeconomic school are Carlo Jean and Paolo Savona. The fundamental assumption they share is the existence of a goeconomic regime that is defined as the system of political rules and common behaviours of the public administration and of the business world on the basis of which the expectations of any economic actor on a global scale are formed¹⁰¹. Then, they both focus their attention on the distinction between goeconomics and geopolitical economics.

At first glance, it can be said that goeconomics and geopolitical economics have the same relationship that economics and political economics do. According to C. Jean, geopolitical economics is different than pure goeconomics as it is more practically focused on the study of the relation between technology and economy on one hand and society and public institutions on the other. The goal is the improvement of the national

⁹⁸ Pasquazzi S. 2014, *Geo-economia, guerra economica e intelligence. Quadro teorico-concettuale e caso studio*, Roma, Istituto Italiano di Studi Strategici “Niccolò Machiavelli”, p. 9.

⁹⁹ Sørensen K. S. 2012, *Goeconomics*, Klaus Solberg Sørensen & Ventus Publishing ApS, p. 8.

¹⁰⁰ *Ibid.*, p. 11.

¹⁰¹ Savona P. 2004, *Geopolitica economica – Globalizzazione, sviluppo e cooperazione*, Milano, Sperling & Kupfer, p. 127.

political-economic system in order to acquire bigger shares of the global market. Furthermore, geoeconomics is more general as it studies the preconditions which can make a national political-economic system competitive on the global market. Competition is not aimed at practising new forms of mercantilism but at improving social and economic conditions¹⁰².

In his work, *Geopolitica economica – globalizzazione, sviluppo e cooperazione*, Paolo Savona explains that geoeconomics is a discipline which interprets economic phenomena by taking into consideration geographic, demographic and political features of a given country. Geopolitical economics is more focused on the study of the influence of international relations on global development, taking into account its relation with the geographic environment and the demographic features of the countries of the world. According to Savona, the objective of geopolitical economics is the improvement of the economic and social conditions of people all around the world. The Marshall plan is a perfect example of a geopolitical economic programme¹⁰³.

Taking into consideration the several changes which have occurred in international economics in the last decades, it appears to be evident that access to market services is no longer enough to be competitive. The only way to successfully exploit new business opportunities is to allow the state to settle the fundamental economic preconditions to increase competitiveness and foreign direct investments (FDI) in the territory. States need to turn into geoeconomic actors because the national political-economic system is the only entity which is able to coordinate all these new features of the international economic system. The degree of power of a country does not only come from diplomacy or its military, but from the competitiveness of its industries and of its financial system.

The conclusion of the analysis developed by both authors is that a geoeconomic approach to the study of international relations is important for Italy for three reasons. The first one relies on the fact that, since the end of world war II, the most dynamic part of the Italian economy has been the commercial one. This should not be surprising as Italy has a long tradition of powerful trading city-states like Geneva and Venice.

¹⁰² Jean C., *Geopolitica economica: contenuti e prospettive*, in Jean C. 2008, «Geopolitica economica» Milano, Franco Angeli, p. 12.

¹⁰³ Savona P. 2004, *Geopolitica economica – Globalizzazione, sviluppo e cooperazione*, Milano, Sperling&Kupfer, p. 34.

Secondly, as already mentioned in the first chapter, the world economy has become a favourable stage where Italy can exert its role as a middle power. In the end, a geoeconomic general strategy may be functional to restructuring those cleavages which still divide Italy, like disparities between north and south and between the Tyrrhenian and Adriatic regions¹⁰⁴.

Nevertheless, implementing these kinds of policies is not as easy as it may appear. Unfortunately, there are many features of the Italian national political-economic system which may hinder this process. First of all, the Italian political system still has problems providing stable majorities. This forces governments to focus on short term rather than long term policies. The result is that even trade and industrial policies tend to be focused more on specific issues rather than providing more general strategies¹⁰⁵. In the end, although reform occurred in 2007 the Italian intelligence system still needs to adapt properly to the contemporary economic dynamics.

3.1.3 Evaluating what the National Interest is

The increasing role of geoeconomics and of national political-economic systems in contemporary international politics has determined a re-evaluation of the notion of national interest.

The notion of national interest dates back to 1648 when, with the Westphalia peace agreements, the modern notion of state was born. As states became the principal actors in the international system, international politics soon focused on the struggle among them to protect and expand their interests. The idea which lies behind this is that countries can be compared to human beings. They have their own interests, priorities and objectives that they need to pursue. In this regard, Carl Schmitt properly affirmed: “*States do not fight for values but interest; they fight for values only when they fit their own interests*”¹⁰⁶.

¹⁰⁴ *Ibid.*, pp. 24-25.

¹⁰⁵ Fiore S., *L'organizzazione istituzionale per la competizione geoeconomica*, in Jean C., Savona P. (edited by) 1995, «Geoeconomia – il dominio dello spazio economico», Milano, Franco Angeli, pp. 50-51.

¹⁰⁶ Gaiser L., *Interessi nazionali: genesi storico-politica*, in Jean C., Napolitano F. (edited by) 2005, «Interessi nazionali: metodologie di valutazione», Milano, Franco Angeli, p. 17.

Evidence of this statement can be found in the fact that, despite government alternations, countries always tend to pursue the same objectives and the accomplishment of the same goals. Italian foreign policy before, during and after the fascist age is a good example. Before 1922, Italian policy-makers had focused intensively on the Adriatic sea, because of the Austrian threat, and on Africa, in order to expand the colonial empire. During world war II, Italy invaded Yugoslavia, Albania, Greece and Ethiopia. Nowadays, the Balkans are an important commercial partner and Africa is still relevant for Italian interests because of the migrant crisis and international terrorism¹⁰⁷.

Of course, national interests can change in the long run but always in function of factors which influence the power and wealth of a given country. Although states have delegated significant powers to international organisations the setting of national interests is still done exclusively by national governments¹⁰⁸. National political-economic systems have become key players in international politics and governments aim at making them more competitive. Despite the globalisation phenomenon the world market is still the place where countries meet and struggle to protect their interests.

The national interest is defined as a country's political, economic, military and cultural set of goals which is necessary to guarantee the integrity of the state. According to C. Jean the notion of national interest can be determined by means of six criteria¹⁰⁹:

1. *Content*: on the basis of the content it is possible to identify economic, territorial, political and ideological national interests.
2. *Priority*: national interests can have a vital or secondary priority.
3. *Other countries' interests*: countries can have common, complementary or conflictual interests.
4. *Length*: short term or long term national interests.
5. *Instrumental*: there are national interests which are indirectly linked to others.
6. *Historical*: national interests which are based on historical facts.

In addition to these six criteria, two other methods exist to determine the national interest. On one hand, it can be seen as the summation of all the individual interests. On

¹⁰⁷ *Ibid.*, p. 22.

¹⁰⁸ Jean C., *I contenuti degli interessi nazionali*, in Jean C. 2008, «Geopolitica economica» Milano, Franco Angeli, pp. 69-70.

¹⁰⁹ *Ibid.*, pp. 65-66.

the other hand, many argue that it is a notion which must precede specific and particular interests. It is clear that the national interest cannot be determined only through a bottom-up approach. A top-down perspective is necessary as only the state is aware of the long term objectives for the national political-economic system, taking into consideration the international context and intra-sectorial economic interests¹¹⁰.

Once the definition of the notion of national interest is set, it is important to explain how it is possible to empirically determine it. Geoeconomics is a possible tool which can help get through the analysis of the value chain and headquartering. A value chain is the set of activities that a firm operating in a specific industry performs in order to deliver a valuable product to the market. Analysing the value chain means identifying the location, the creation and the distribution of valuable know-how on the territory. Thus, states are able to identify which firms and economic activities best contribute to the definition of economic national interests¹¹¹.

In addition to value chain analysis there is the complementary notion of headquartering which is choosing the place where all the decision-makers of a firm are located in a given territory. This makes the creation of a virtuous cycle possible, where knowledge is translated into business capability and eventually the creation of high value industrial complexes. The most visible examples are the Silicon Valley and the Research Triangle in the US. As regards to the Italian case, an adequate example was the acquisition of majority holding Agusta/Westland by Leonardo-Finmeccanica. In that case, the headquarter (Leonardo-Finmeccanica) and the highest part of the value chain (the universities and the Italian Centre for Aerospace Research) were contemporarily present on the Italian territory¹¹².

However, the most common instruments to empirically determine national interests are matrices. First of all, they make the use of both qualitative and quantitative instruments possible at the same time. Moreover, matrices allow analysts to provide an effective evaluation of the costs and benefits of each interest to be pursued. The aim is to provide global and operational proposals for policy-makers in order to effectively act when they implement security and foreign affairs policies.

¹¹⁰ *Ibid.*, p. 82.

¹¹¹ Napolitano F., *Appendice – Economia e interesse nazionale: la “catena del valore”*, in Jean C., Napolitano F. (edited by) 2005, «Interessi nazionali: metodologie di valutazione», Milano, Franco Angeli, p. 94.

¹¹² *Ibid.*, p. 96

The most popular matrix in academic literature is Donald Neuchterlein's matrix. It is composed of two main factors: nature and intensity of the interests. For each factor four sub-factors are considered. For what concerns the first factor, they are homeland security, economic wealth, stability of the international system and promotion of core values. Regarding the latter, the degrees are critical, vital, major and peripheral.

Table 3 - The Neuchterlein's matrix

Intensity of the interest				
Nature of the interest	Critical	Vital	Major	Peripheral
Homeland security				
Economic wealth				
Stability of the international system				
Promotion of core values				

Source: Jean C., *I contenuti degli interessi nazionali*, in Jean C. 2008, «Geopolitica economica» Milano, Franco Angeli, p. 50.

The utility of Neuchterlein's matrix lies in the fact that policy-makers are asked to explain why they make specific decisions. This means that they are forced to draft coherent provisions which are the result of careful evaluation of the ratio between costs and benefits. However, the matrix does not allow one to quantitatively evaluate all the factors it is composed of but it is relatively useful when it deals with geoeconomic issues as it does not consider time and is focused only on two-player games¹¹³.

Although even traditional qualitative models have a low degree of reliability, they have made an important contribution to the identification of national interests by policy-makers. The two most important qualitative models are the Delphi method and the Cross Impact Analysis. They are both based on the summation of several evaluations carried out by experts regarding the degree of probability for specific phenomena to happen. The idea is that the analysis resulting from the combination of all these opinions is the most suitable to be implemented. On one hand, both methods allow policy-makers to make decisions on the basis of experts' opinions. But on the other

¹¹³ *Ibid.*, p. 50.

hand, they lack quantitative credibility and require long time spans to be used effectively.

An efficient method, which combines quantitative and qualitative instruments, is the Analytic Hierarchy Process (AHP) model. It is based on the idea that a complex system can be represented by dividing it into smaller parts to evaluate the importance of each part individually. Thus, policy-makers can establish what the main issues and areas of interest are for the country they rule. This hierarchy of sub-parts is generally composed of actors, objectives, strategies and scenarios. The method to evaluate the relative weight of a factor is to make comparisons with pairs of actors, that is, to evaluate how many times a given actor X is more important than actor Z considering a given factor Y.

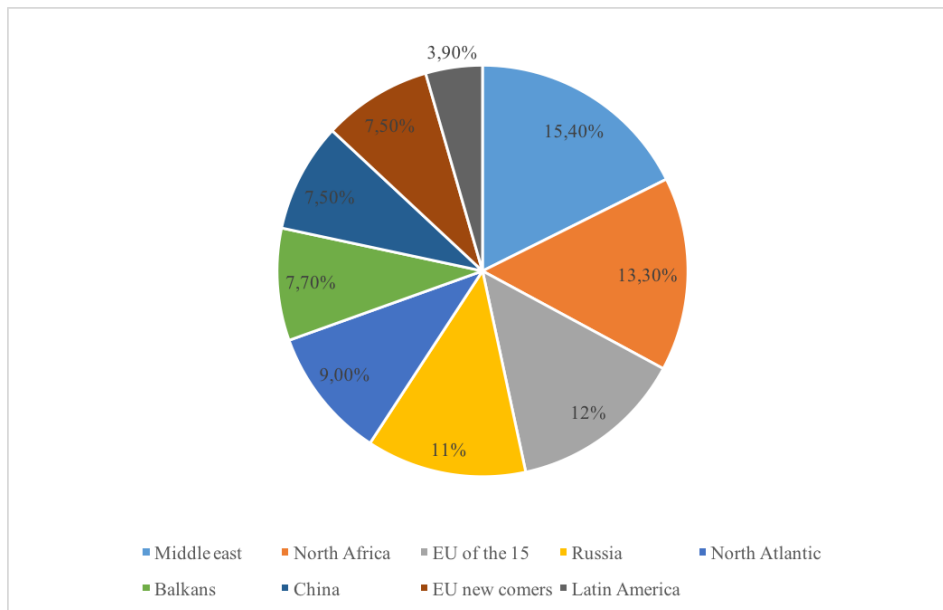
In their essay *Metodologia per la definizione degli interessi nazionali: le Matrici* Luciano Bozzo, Carlo Simon-Belli and Pietro Batacchi tried to use the AHP model to establish what Italy's core interests might be and where they are possibly located. Although it was produced in 2008, this analysis presents some interesting conclusions which can prove to be useful for the aim of this work.

The geographic areas involved in the study are: the Middle East, the north Atlantic region, Europe "of the fifteen", the Balkans, Russia, North Africa, EU "new comers", Latin America, China, Turkey, Japan, central Africa, the horn of Africa and the former Soviet territories. On the contrary, the criteria at the base of the analysis are the following:

1. *Socio-cultural criteria*: then divided into five sub-criteria.
2. *Economic criteria*: then divided into three sub-criteria.
3. *Political-military criteria*: divided into three sub-criteria.

The results are quite significant. Leaving apart the socio-cultural criteria where, not surprisingly, the European and north Atlantic geographic areas were classified as being first, both the economic and political-military classifications registered an impressive positioning for both the Middle Eastern and North African regions. For what concerns economics, the raw materials sub-criteria accounts for the 50% of the total while end products and areas of investment both registered 25%. In the following graph the result appears to be unquestionable with the Middle East and North Africa accounting for the 28.70% of the total without considering Turkey.

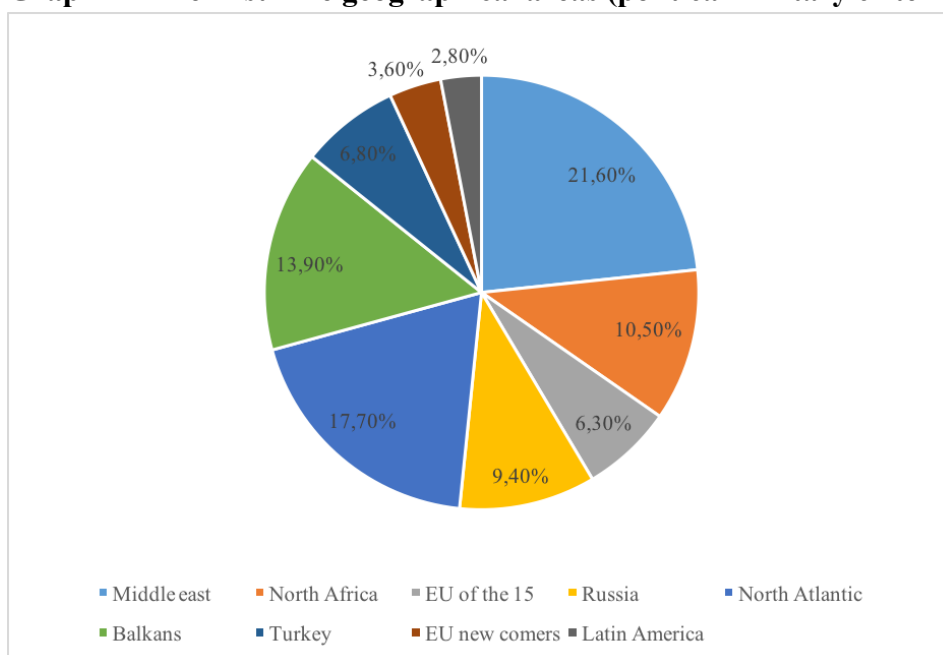
Graph 3 - The first nine geographical areas (economic criteria)



Source: Bozzo L., Simon-Belli C., Batacchi P., *Metodologia per la definizione degli interessi nazionali: le Matrici*, in Jean C. 2008, «Geopolitica economica» Milano, Franco Angeli, p. 80.

A similar situation occurs by analysing the political-military criteria. Not differently from the previous case, the first sub-criteria, that is strategic-military importance, is worth 50% while contingent and historical-political importance account for 25% of each one. The result is that the Middle East, North Africa and Turkey represent the 38.9% of the first nine geographical areas considering the political-military criteria.

Graph 4 - The first nine geographical areas (political-military criteria)



Source: Bozzo L., Simon-Belli C., Batacchi P., *Metodologia per la definizione degli interessi nazionali: le Matrici*, in Jean C. 2008, «Geopolitica economica» Milano, Franco Angeli, p. 83.

The conclusions of the study are quite significant. Taking in consideration the relevance of all the different factors and of all the geographical areas examined, the authors affirm that Italian foreign policy should pre-eminently act in four regions which are the north Atlantic area, the MENA region, Europe “of the fifteen” and the Balkans¹¹⁴. It is interesting to underline the fact that two regions out of four are directly linked to the Mediterranean area.

A deeper analysis of economic security, geoeconomics, the national political-economic system and national interest notions is instrumental to examine what the role of Italy is in the MENA region. By analysing trade flows, FDI and energy policies, how Italy provides economic security to its national political-economic system and acts to accomplish a big part of its national interests that are relevantly linked to that area will be demonstrated.

3.2 Analysing the Presence of the Italian National Political-Economic System in the MENA Region

3.2.1 Trade Relations with the Countries of the Region

There are several reasons why the Middle East and North Africa region represents a strategic market for Italian companies. The first one is geographical proximity. Taking into consideration the fact that most Italian firms are small and medium sized businesses, geographical proximity makes doing their business at an affordable price possible. In addition to this, the Middle East and North Africa regions are natural bridges to other developing markets respectively in sub-Saharan Africa and in the far east.

Secondly, business opportunities for Italian firms are favoured by the need of the countries of the region to diversify their economies. The earnings deriving from the oil and gas trade have entailed the activation of big investment projects in order to improve the infrastructural network or to boost the tourism sector. The principal consequence is the creation of a demand for investments from abroad that Italian firms can satisfy.

¹¹⁴ Bozzo L., Simon-Belli C., Batacchi P., *Metodologia per la definizione degli interessi nazionali: le Matrici*, in Jean C. 2008, «Geopolitica economica» Milano, Franco Angeli, pp. 89-90.

In 2015, Italy exported goods worth 34 billion euros throughout the Middle East and North Africa region and registered imports for almost 27 billion euros. It is the result of an increasing trend as the net balances of imports and exports with the region have risen respectively from 1.1% up to 6.4% and from 9% up to 17.2% if compared to 2014 values¹¹⁵. In addition to this, North Africa and the Middle East constitute the 8.4% of total Italian exports and 7.2% of the imports¹¹⁶.

Thanks to the data of the Italian Trade Agency (ICE), a precise map can be drawn of the principal products which present the exports and imports between Italy and the wider area of MENA. In the following table the principal products traded with the North Africa region are displayed.

Table 4 - Principal products traded with North Africa (2014-2015)*

	Exports		
Product	2014	2015	Var.%
Oil-refined products	2,916,235	2,399,212	-17.7
Machinery for special use	986,621	1,102,219	11.7
Machinery for general use	994,749	824,932	-17.1
Iron and steel industry products	903,040	815,203	-9.7
Machinery for electric energy production and distribution	711,071	781,726	9.9
Chemical products	483,395	447,265	-7.5
*Values in thousands of euros			

	Imports		
Product	2014	2015	Var.%
Natural gas	4,212,491	3,595,423	-14.6
Crude oil	4,050,282	2,913,207	-28.1

¹¹⁵ ICE, *Interscambio commerciale dell'Italia per aree geografiche*, January – December 2015.

¹¹⁶ Source: <http://www.sviluppoeconomico.gov.it/index.php/it/commercio-internazionale/osservatorio-commercio-internazionale/statistiche-import-export>, retrieved on the 21st/06/2016.

Oil-refined products	1,686,476	1,079,641	-36.0
Apparel	658,706	644,043	-2.2
Chemical products	409,939	251,863	-38.6
Metals	264,047	289,197	9.5
*Values in thousands of euros			

Source: personal elaboration on data of the ICE.

As it is possible to observe, a slight decline has been registered in both the exports and imports of some products, like energy and machinery. This is not surprising as in the last years there has been a reduction in the North African quote of both the total exports from and imports to Italy. In particular, the percentage of imports has plummeted from the 7.1% in 2012 down to the current 3.1%. The same thing can be said for exports which have slightly decreased from 3.5% to 3.2%¹¹⁷. Despite these not completely favourable data, Italy continues to be a significant shareholder in the local market.

In the Middle East the situation is not so different. Even in this case, Italy has tried to reduce its dependency on these markets because of their inner instability. Thus, the role of imports from the Middle East has decreased from 6.6% in 2012 down to 4.1% in 2015. On the other hand, exports have been increasing from the 2012 value of 4.9% up to the current 5.2%¹¹⁸. This increase in exports can be explained by the fact that our policy-makers consider this market as fundamental for the national interest. Moreover, Italian firms are able to satisfy the increasing demand for manufacturing and security products arising in some of these countries like the UAE and Kuwait.

Table 5 - Principal products traded with the Middle East (2014-2015)*

Product	Exports		
	2014	2015	Var.%
Machinery for general use	2,047,221	2,448,835	19.6
Oil-refined products	1,745,462	1,862,222	6.7

¹¹⁷ Ministero dello Sviluppo Economico, *Aree geografiche di destinazione dell'export e dell'import italiani (2012-2015)*, economic observatory elaboration on ISTAT data.

¹¹⁸ *Ibid.*

Other Machinery for general use	1,539,171	1,748,634	13.6
Machinery for special use	1,446,394	1,370,284	-5.3
Jewellery and worked gemstones	1,459,481	1,347,367	-7.7
Furniture	731,985	872,725	19.2
*Values in thousands of euros			

	Imports		
Product	2014	2015	Var.%
Crude oil	12,064,612	9,565,869	-20.7
Chemical products	1,123,734	1,069,369	-4.8
Natural gas	1,075,406	958,170	-10.9
Oil-refined products	700,670	1,334,929	90.5
Metals	357,024	435,707	22.0
Iron and steel industry products	147,347	309,225	109.9
*Values in thousands of euros			

Source: personal elaboration on data of the ICE.

Despite the critical situation, both the EU Commission and the IMF have drafted optimistic provisions for economic growth and demand variations in the Middle East and in North Africa. GDP variation with respect to 2015 is expected to be around 3% according to the EU Commission and 3.8% by the IMF. This GDP increase would provide positive consequences for imports of goods and services which should rise up to 3.7% or 5.0%. Things are expected to be positive in 2017 as well. GDP variation in respect of 2016 should be around 3.5% or 4.1%. On the other hand, the increase in imports should be 3.9% or 5.9%¹¹⁹.

Trade relations with the countries in the region are diversified on the basis of their economy, of their history and of their political context. In the following table trade between Italy and each country of the region is analysed more in detail. It is possible to

¹¹⁹ Ministero dello Sviluppo Economico, *Domanda estera per aree geografiche – Variazioni percentuali in volume sull'anno precedente*, economic observatory elaboration on IMF 2015 and EU Commission 2016 data.

observe that international demand in the MENA area is high in mechanics, mineral products and consumer goods. The economies where Italy performs best in terms of export destinations are Turkey, the UAE, Saudi Arabia and Algeria respectively.

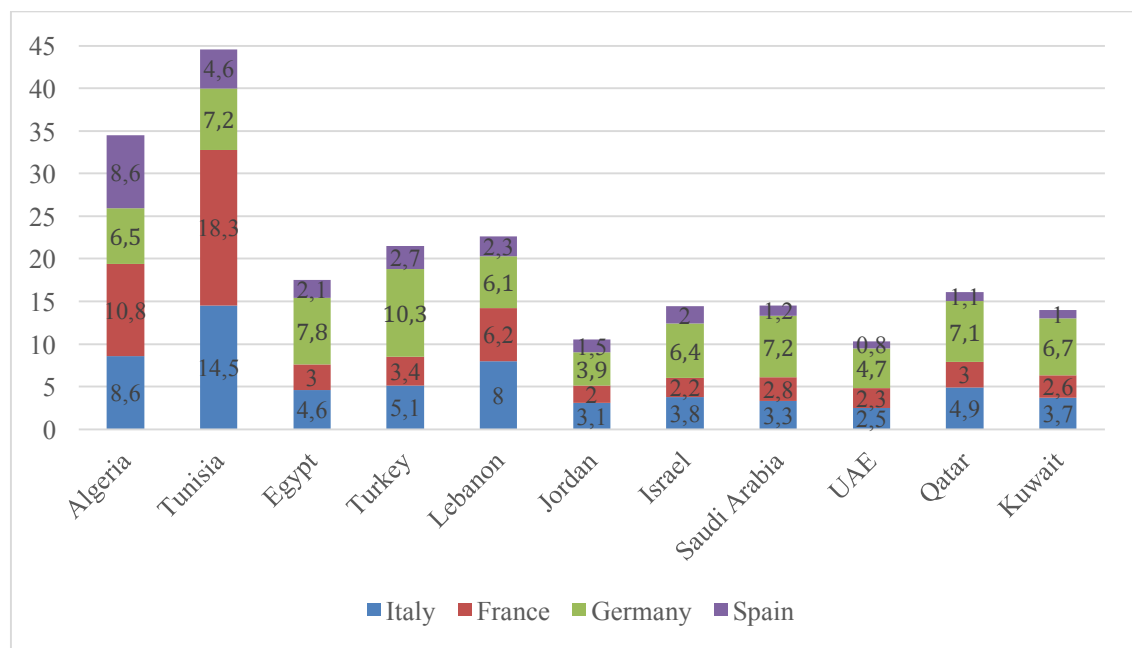
Table 6 - Trends of Italian exports and imports in the MENA region (2015)

Country	Export var.% *	Import var.%	First sectors of Italian exports	Market for Italian exports
Morocco	3.9%	13.2%	Instrumental mechanics	45 th
Algeria	2.6%	-21.2	Instrumental mechanics	22 th
Tunisia	-7.8%	4.4%	Mineral products	32 nd
Libya	0.5%	-24.9%	Mineral products	43 rd
Egypt	8.1%	-17.1%	Mechanical engineering	33 rd
Turkey	2.8%	15.8%	Mechanical engineering	10 th
Syria	-21.6%	34.4%	Mechanical engineering	103 rd
Lebanon	-1.5%	22.1%	Mineral products	52 nd
Jordan	25%	-1.5%	Consumer goods	65 th
Israel	8.4%	-1.8%	Mechanical engineering	37 th
Palestinian Authority	84%	34.3%	Mechanical engineering	163 rd
Saudi Arabia	6.6%	-19.9%	Mechanical engineering	18 th
Yemen	-34.9%	-35.4%	Mechanical engineering	125 th
Oman	54.6%	97.6%	Mechanical engineering	68 th
UAE	16.1%	35.6%	Consumer goods	15 th
Qatar	-5.1%	11.8%	Mechanical engineering	56 th
Kuwait	45%	0.5%	Mechanical engineering	62 nd
Iraq	-5.7%	4.3%	Mechanical engineering	59 th
Iran	4.8%	6.3%	Mechanical engineering	51 st
*Variations must be intended with respect to the previous year.				

Source: personal elaboration on data from SACE.

The MENA region is the second area of destination of Italian exports after the EU. 55% of exported goods are destined for this area; this means that Italian trade with the region is almost the same as the US and China. Furthermore, it is clear that Italy is not the only European country which has economic interests in the area. In addition to global powers like the US and China, even France, Germany, Spain and the UK constantly work to increase their shares of exports to and to secure their national interests in the MENA area. The following graph represents how main European countries are presents in local economies and the amount of market quotas they share.

Graph 5 - Export market shares percentages of Italy and its peers in the principal MENA economies (2015)



Source: personal elaboration on data from SACE.

Although France and Germany hold significant shares, it is possible to observe that Italy ranks well in almost all the economies of the region. In this regard, it is necessary to keep in mind some facts. First of all, Germany is the third exporting country in the world. Only the US and China perform better. Thus, it is not surprising that the German presence is significant in this region too. Secondly, France can rely on long time economic partnerships deriving from its colonial past. Italy ranks eleventh in the exporting countries classification and Libya is the only MENA country which was part of the Italian colonial empire. Despite these not excellent preconditions, our country exerts relevant economic power in the region.

Expectations for these markets' growth in the coming years are quite favourable. Despite the critical and uncertain situation, the Middle East and North Africa region should continue to experience positive economic growth until at least 2018. According to the latest SACE report, mechanics are expected to grow thanks to massive public investment programmes, especially in Algeria and Egypt. The same opportunities should arise in Tunisia where the government is investing in the agricultural sector. On the contrary, the middle eastern markets appear to be more oriented to consumer goods, luxury products in particular. Both Qatar and the UAE are going to be leading countries in this business thanks to the enormous purchasing power of Qataris and to the constant development of the shopping and resorts businesses in the UAE¹²⁰.

Another favourable element is the increase in maritime traffic. Between 2000 and 2014 trade in the Suez canal increased by 120%. In 2014 alone, 822 million tonnes of goods and 17,000 ships passed through the canal. The new Suez canal, inaugurated in August 2015, is going to bring considerable improvements to the volume of local traffic. Italy is already managing 18% of transshipment traffic in the area and it might be able to acquire an additional amount equal to 170,000 Teu.

3.2.2 The volume of Foreign Direct Investments

Foreign Direct Investment (FDI) is a controlling ownership in a business enterprise in one country by an entity based in another country. FDIs represent one of the most concrete indexes of the globalisation process as they are an example of international factors movement. In fact, they can also be seen as the summation of private capitals promoted and directly managed by firms and/or by investment funds. They can consist of a number of economic activities like mergers and acquisitions, building new facilities, reinvestment of profits earned from overseas operations and intra company loans. In addition to this, they usually involve participation in management, joint-ventures or transfers of technology and expertise. The source of the investment does not affect the definition of FDI. In this regard, FDIs can be either "inorganic", by buying a company in a foreign country, or otherwise "organical", by expanding operations of an existing business in that country.

¹²⁰ SACE, *Rapporto Export 2015/2018*, divisioni Studi e Comunicazioni, p. 76.

Increases in FDI are usually associated with economic growth for the hosting country as the influx of foreign capital and tax revenues brings positive effects to local economies. In addition to this, local governments may also be able to exploit these new incomes to modernise their economies and make them more efficient. FDI can even result in a transfer of soft skills through training and job creation, availability of modern technologies and access to research and development processes. In the end, FDI plays an active role in the balance of payments and consequently contributes to an increase in national currency demand and to its subsequent strengthening.

Nevertheless, FDI does not only have benefits but drawbacks as well. For what concerns their modernising effects, the investing company might transfer just its older production capabilities and machines in order to avoid competition with its own products from the hosting country or company. Furthermore, although in the short term they help to keep the balance of payments in active, in the long run they can create disequilibria deriving from the exportation of profits. In the end, the creation of new jobs is not automatic as acquisitions by foreign companies from the hosting country can result in a repositioning of the various company's sectors in different countries, thus producing a net loss of jobs¹²¹.

From a geoeconomic point of view, FDI can represent an instrument to strengthen the national political-economic system but only under certain conditions. First of all, the national political power must be aware of what this kind of investments means. Thus, incoming FDI might be exploited to implement policies of environmental requalification, relaunch old industrial buildings and so on. Furthermore, outgoing FDI should be used to create new business opportunities rather than acquiring already-existing activities. New economic settlements enhance competition and encourage investments. In conclusion, acquisitions should concern those sectors which cannot be easily moved away such as infrastructures or tourist structures¹²².

¹²¹ Bruni Roccia F., *L'impatto geoeconomico dei rapporti finanziari con l'estero*, in Jean C., Savona P. (edite by) 1995, *Geoeconomia - Il dominio dello spazio economico*, Milano, FrancoAngeli, p. 124.

¹²² *Ibid.*

Table 7 - General outlook of ingoing and outgoing Italian FDIs across the MENA region (2011-2014)*

Morocco				
	2012	2013	2014	Stock 2003-2014
FDIs from Italy	34	51	12	66
FDIs to Italy	4	2	4	38
Presence of Italian enterprises until 31 st /12/2013	162 enterprises operating in the apparel, iron production, logistics and transport sectors.			
Algeria				
	2012	2013	2014	Stock 2003-2014
FDIs from Italy	1311	72	931	4906
FDIs to Italy	-79	22	40	225
Presence of Italian enterprises until 31 st /12/2013	129 enterprises operating in the energy, construction, telecommunications, mechanics, defence and transport sectors.			
Tunisia				
	2012	2013	2014	Stock in 2014
FDIs from Italy	199	237	480	1216
FDIs to Italy	-25	4	2	19
Presence of Italian enterprises until 31 st /12/2013	447 enterprises operating in the textile, apparel and construction sectors.			

Libya				
	2011	2012	2013	Stock 2003-2013
FDIs from Italy	20	4	134	277
FDIs to Italy	11	13	6	112
Presence of Italian enterprises until 31 st /12/2012	47 enterprises operating in the oil, infrastructure, mechanics and construction sectors.			
Egypt				
	2012	2013	2014	Stock 1992-2014
FDIs from Italy	1068	629	979	6621
FDIs to Italy	2	-3	18	124
Presence of Italian enterprises until 31 st /12/2013	153 enterprises operating in the energy, textile and constructions sectors.			
Turkey				
	2012	2013	2014	Stock 1992-2014
FDIs from Italy	989	177	-357	768
FDIs to Italy	31	43	10	157
Presence of Italian enterprises until 31 st /12/2013	285 enterprises operating in the banking, energy, infrastructure and defence sectors.			
Syria				
	2010	2011	2012	Stock 1993-2012

FDIs from Italy	79	132	41	302
FDIs to Italy	0	0	0	2
Presence of Italian enterprises until 31st/12/2012	7 enterprises operating in the apparel and textile sectors.			
Lebanon				
	2010	2011	2012	Stock 1993-2012
FDIs from Italy	0	2	-3	19
FDIs to Italy	1	1	0	11
Presence of Italian enterprises until 31st/12/2012	31 enterprises operating in the construction and plant design sectors.			
Jordan				
	2011	2012	2013	Stock 2003-2013
FDIs from Italy	96	1	109	607
FDIs to Italy	2	0	0	22
Presence of Italian enterprises until 31st/12/2013	16 enterprises operating in the energy, construction and metallurgic sectors.			
Israel				
	2012	2013	2014	Stock in 2014
FDIs from Italy	19	106	95	582
FDIs to Italy	-7	-18	73	145

Presence of Italian enterprises until 31 st /12/2013	46 enterprises operating in the insurance, textile, telecommunications and aerospace sectors.			
Palestinian Authority				
	2009	2010	2012	Stock 1999-2012
FDIs from Italy	0	0	0	1
FDIs to Italy	0	0	0	1
Presence of Italian enterprises until 31 st /12/2013	/			
Saudi Arabia				
	2012	2013	2014	Stock in 2014
FDIs from Italy	1970	-2075	1219	5126
FDIs to Italy	6	13	2	36
Presence of Italian enterprises until 31 st /12/2013	64 enterprises operating in the petrochemical and plant design sectors.			
Yemen				
	2012	2013	2014	Stock 2003-2014
FDIs from Italy	/	/	/	/
FDIs to Italy	/	/	/	/
Presence of Italian enterprises until 31 st /12/2013	/			

Oman				
	2012	2013	2014	Stock in 2014
FDIs from Italy	155	36	159	556
FDIs to Italy	4	6	3	-1
Presence of Italian enterprises until 31 st /12/2013	7 enterprises operating in the construction, tourist and metals sectors.			
UAE				
	2012	2013	2014	Stock 2003-2014
FDIs from Italy	1331	1040	940	6069
FDIs to Italy	-2	-73	68	136
Presence of Italian enterprises until 31 st /12/2013	175 enterprises operating in the energy, construction and transport sectors.			
Qatar				
	2012	2013	2014	Stock in 2014
FDIs from Italy	356	-1037	-903	1104
FDIs to Italy	-38	298	-13	497
Presence of Italian enterprises until 31 st /12/2013	27 enterprises operating in the infrastructure and construction sectors.			
Kuwait				
	2012	2013	2014	Stock in 2014
FDIs from Italy	773	396	212	2223

FDIs to Italy	-10	-321	-123	767
Presence of Italian enterprises until 31st/12/2013	8 enterprises operating in the energy sector.			
Iraq				
	2011	2012	2013	Stock 2003-2013
FDIs from Italy	1	1	60	72
FDIs to Italy	0	0	0	0
Presence of Italian enterprises until 31st/12/2013	5 enterprises operating in the construction sector.			
Iran				
	2012	2013	2014	Stock in 2014
FDIs from Italy	426	-2039	-20	1164
FDIs to Italy	0	12	3	26
Presence of Italian enterprises until 31st/12/2013	42 enterprises operating in the oil, iron and steel production, mining, energy, petrochemical and mechanics sectors.			
*Values in million euros.				

Source: personal elaboration on data from Ministero dello Sviluppo Economico.

The previous table has shown the entity of Italian FDIs throughout the MENA region according to the latest available data. For what concerns FDIs addressed to the countries of the region from Italy, the trend is not necessarily increasing year by year. In this regard, on one hand, there are countries where the stock has increased in recent years (e.g. Tunisia) and other countries where it has decreased (e.g. Syria, Kuwait). On the other hand, in most cases the trend has been irregular and has registered a constant flux as it has happened in the UAE and Egypt finally. Similar considerations can be drawn

by analysing the incoming FDIs to Italy. In conclusion, the overall balance is positive as in general stocks are all active.

More interesting information is the number of Italian enterprises in the region. The first three MENA countries for number of Italian enterprises are Tunisia (447), Turkey (285) and Morocco (162). Other countries where the Italian presence is relevant are the UAE, Egypt and Algeria. It is interesting to note that these enterprises work in all kind of businesses. Thus, economic security of the national political-economic system can be even intended as the protection that the state must provide to the firms which operate abroad in order to put them in a condition to work safely and make a profit.

This last statement properly recalls what was discussed in the previous section, that is, the complexity of the concept of economic security. All these factors contribute to defining it. It is not only the result of the economic gains deriving from international trade but also of the defence and securitisation of these activities. In this regard, the MENA region is not an easy framework in which to do this given the continuous upheavals and ongoing conflicts which appear to be far from being resolved. Evidence of the net decreases in FDIs fluxes are Syria and the long period of difficult relations with Iran because of sanctions.

3.2.3 Energy Security

Energy is a key element to understand the MENA region's importance in world politics and international economics. Energy is a fundamental and difficult-to-substitute good that ensures the socio-economic development of nations. It makes it possible for automobiles to move, for industrial machinery to function and for armies and national defence systems to operate. Without energy modern economy would simply not simply.

Generally speaking, energy security means the ability of countries to provide security of energy supplies to their national political-economic system. It is not by chance that the International Energy Agency (IEA) defines energy security as the uninterrupted availability of energy sources at an affordable price¹²³. It has two main aspects: long term and short term energy security. The former mainly deals with timely investments

¹²³ <http://www.iea.org/aboutus/>, retrieved on the 26th/06/16.

to supply energy in line with economic developments and environmental needs, while the latter focuses on the ability of the energy system to react to changes in the supply-demand balance.

Thus, on the basis of these definitions, it is possible to affirm that energy is an important component of a country's economic security. Given its tight link with geoeconomics, it assumes a fundamental role in determining the priorities of the national interest. Relations regarding energy with the countries of the MENA region have always been one of the main challenges Italy has to face in its history up to current times. It is now time to examine how the country fulfils the energy security demands of the national political-economic system.

MENA is a region of both production and exchange of energy resources. It accounts for 51% of global proven oil reserves and almost the same percentage of natural gas¹²⁴. In 2015 its total production of oil consisted of 1540 million tonnes, which was a net increase of 5.6% with respect to the previous year, while gas production reached the threshold of 760 billion cubic metres which means a 3.3% growth, taking in consideration the previous year¹²⁵. In 2014, 3.7 million barrels coming from the middle east every day past through the Suez canal which represented 7% of global oil exchanges by sea. In the previous year, almost 3 million barrels crossed the Turkish straits everyday¹²⁶.

Italy has important energy interests in the region which concern both oil and gas production and exchange. These interests are controlled and directed by a specific entity which is the already mentioned Ente Nazionale Idrocarburi (ENI). Usually referred to as the "second" Italian ministry of Foreign Affairs because of its relevance in the country's history, ENI S.p.A. is a multinational oil and gas company of which 30.3% is owned by the government. The 2015 data confirm the firm's large size: an adjusted operating profit of 4.1 billion euros, a presence in 79 countries and 1.4 billion boe of resources discovered in the year¹²⁷.

¹²⁴ British Petroleum, *BP Statistical Review of World Energy 2016*, June 2016, p. 6.

¹²⁵ Personal elaboration on BP data.

¹²⁶ Sartori N., *Il Mediterraneo e la sicurezza energetica*, in Marrone A., Nones M. (edited by) 2015, «La sicurezza nel Mediterraneo e l'Italia - Quaderni IAI», Roma, Edizioni nuova cultura, p. 54.

¹²⁷ ENI, *Integrated Annual Report 2015*, p. 9.

The countries of the MENA region are thus an essential partner for both Italy and the ENI. Despite the recent political upheavals, the flow of raw materials to our country continues to have a relevant volume. It is possible to draft a table with the values referring to 2015 in order to understand the importance of this trade.

Table 8 - Italy's oil import bulletin (January-December 2015)

Main Countries	Crude oil type	Quantity (ton)	Quantity (bbl)
Algeria	Saharan blend	1,103,102	8,639,829
Egypt	Belaym; Qarun; Ras Gharib Blend; Western desert	2,712,449	19,910,327
Libya	Al Jorf; Amna; Bouri; Brega; Condensate; Mellitah; Sarir; Wafa Blend; Zueitina	3,934,349	28,925,797
Tunisia	Ashtart; Didon; Ezzaquia; Rhemoura melange; Zarzaitine	453,553	3,435,552
Israel	Crude oil blend	306,093	2,235,596
Saudi Arabia	Arabian berry (extra light); Arabian heavy; Arabian light	5,507,808	39,300,280
Iraq	Basrah heavy; Basrah light; crude oil blend Iraq; crude oil Shaikan; EBCO; Hawler; Kirkuk blend; Kirkuk; Tawke; crude	10,676,166	81,081,719
Kuwait	Kuwait	186,309	1,343,105
Total		24,879,829	184,872,205

Source: personal elaboration on data of Ministero dello Sviluppo Economico.

The gas business is another core activity of ENI. However, it is not the only Italian company to have a relevant role in the sector. Edison S.p.A. is also present with its concessions in Algeria, Egypt and Israel. The incoming gas is distributed through a complex system of underwater pipelines and infrastructures which basically connect all the shores of the Mediterranean basin. For example, Algeria is linked to Spain through the Medgaz and Maghreb-Europe pipelines. In respect to Italy, there are several infrastructures which need to be mentioned. The table below shows the gas trade data for Italy in 2015.

Table 9 - Italian imports of gas from MENA region countries (2015)*

Entrance point	Country of origin of gas	2014	2015	Var. %
Mazara del Vallo (TP)	Algeria	6,774	7,244	6.9%
Gela (CL)	Libya	6,512	7,107	9.1%
Panigaglia (SP)	Qatar	70	34	-52.3%
Cavarzere (VE)	Qatar	4,447	5,942	33.6%
Livorno (LI)	Algeria	57	60	5.4%

*Values in million standard cubic metres at 38,1 MJ/mc

Source: personal elaboration on data of Ministero dello Sviluppo Economico.

Algeria is crossed by the Transmed pipeline (also known as “Enrico Mattei pipeline”, the founder of ENI) which puts Algerian deposits in communication with Mazara del Vallo by crossing Tunisia. It has a total length of more than 2000 km. The channel of Sicily is entirely crossed by the Greenstream pipeline which is the longest conduct in the Mediterranean sea (520 km) carrying 9 billion cubic metres of gas every year. The regasification plants of Panigaglia, Cavarzere and Livorno treat a different product which is Liquefied Natural Gas (LNG). Ships arrive in these plants carrying liquefied gas from Qatar which is thereby transformed into air gas and then distributed.

It was exactly in 2015 that the gas sector revealed that it was full of new business opportunities for Italian companies in this geographical region, ENI in particular. In fact, on the 30th of August of that year ENI and the Egyptian government announced jointly the discovery of Zohr, the biggest gas field ever found in the Mediterranean sea. It is a supergiant gas field located off-shore in Egyptian waters and which is expected to produce potentially 850 billion cubic metres of gas, given its extension of 100 square kilometres¹²⁸. This means that if relationships between Italy and Egypt stop worsening, the country will be able to hold firmly a tactical pawn on the geoeconomic chess board of the MENA region.

It has to be said that Italian policy-makers are well aware of the importance of energy security in order to guarantee the interests of the national political-economic system. It

¹²⁸ Il Sole24Ore, *Eni: scoperto giacimento di gas di rilevanza mondiale al largo dell'Egitto*, <http://www.ilsole24ore.com/art/impresa-e-territori/2015-08-30/eni-scoperto-giacimento-gas-di-rilevanza-mondiale-largo-dell-egitto-150758.shtml?uuid=ACzCI9o>, 30th/08/16.

is not by chance that the organisation in Rome of the 2014 high level conference *Building a Euro-Mediterranean energy bridge: the strategic importance of euromed gas and electricity network in the context of energy security* was firmly supported by Italian authorities. As reported in the final document the conference there would be: “[...] a follow-up to the EU Commission’s proposal to develop a Mediterranean energy hub in the context of energy security”¹²⁹. The aim of the meeting was the intensification of cooperation in the energy sector among European and Mediterranean countries in the context of the Union for the Mediterranean Process.

The result of the conference was the proposal to establish three thematic platforms. A Euro-Mediterranean platform on gas which should assist governments and industry operators in strengthening the security of gas supplies and exchanges; a Euro-Mediterranean platform on regional electricity market tasked to assist governments and their partners to interconnect electricity markets. Finally, a Euro-Mediterranean platform on renewable energy in order to make concrete steps forward in the development of renewable energies¹³⁰.

The aim of this chapter was to use the tools of geoeconomic and economic security analysis in order to understand how Italy uses them in the MENA region to guarantee the interests of its national political-system. Once the general meanings of these three concepts were made clear, it was possible to analyse the three aspects which contribute to determining the economic security of a country: trade relations, FDIs and energy security.

In the next and last part, a case study is going to be analysed. It will allow us to understand how a significant actor of the Italian national political-economic system, that is Leonardo-Finmeccanica, operates in the MENA region. Thus, It will be demonstrated that when institutions and national economic actors cooperate together on strategic objectives it is possible to achieve results which have collective economic and political gains for the entire national political-economic system can be achieved. It is thanks to these kinds of operations that Italy can be considered as a middle power in its regional context.

¹²⁹ Italian Presidency of the EU and the EU Commission, *building a Euro-Mediterranean energy bridge: the strategic importance of euromed gas and electricity network in the context of energy security - final statement*, Rome 19th/11/14.

¹³⁰ *Ibid.*

CHAPTER 4 – CASE STUDY: LEONARDO-FINMECCANICA AS A SECURITY GLOBAL PLAYER OPERATING IN THE MIDDLE EAST AND NORTH AFRICA REGION

4.1 The History of a Public Industrial Group

4.1.1 *The Origins, the Golden Age, the Crisis (1948 - 1987)*

The *Società Finanziaria Meccanica Finmeccanica* was officially established on the 18th of March 1948 by the Istituto per la Ricostruzione Industriale (IRI). The purpose of the newly born company was to manage the shares that the IRI had acquired in the previous years in the mechanics and shipbuilding industries. World war II had terrible consequences for Italian industrial infrastructures. Most of the industrial buildings had been completely bombed down or, in the best of cases, seriously damaged by air raids and many of them were not able to be returned to civil production in a short time. The task of Finmeccanica was to supervise the most critical cases.

In 1938 mechanical industries, managed by the IRI, accounted for almost 70,000 employees. After the war, the number had risen up to 100,000 but the main markets of reference had been lost. In this regard, it is useful to mention what Finmeccanica's first annual report stated about the shipbuilding sector which accounted for 70% of the Group's jobs: "*Since 1945 no significant orders for new constructions have been received from the Italian merchant navy*"¹³¹. Thus, it was necessary to find new markets and new firms which could help the newly born Group to start making a profit again.

This is why attention shifted to sectors such as car manufacturing, railways and industrial machinery, with special consideration given to the emerging electronics industry. Thus, Finmeccanica progressively acquired the majority of several important Italian firms and groups like: Ansaldo, Alfa Romeo, OTO, San Giorgio, Sant'Eustachio, Navalmeccanica and Cantieri Navali dell'Adriatico. The first rationalisation that was carried out concerned the shipbuilding sector with the settlement of Fincantieri by the IRI in 1959.

¹³¹ http://www.leonardocompany.com/en/chisiamo-aboutus/storia1_history1/il-filo-della-storia/storia-1948-1960, retrieved on the 13th/07/16.

By the beginning of 1960 Finmeccanica could finally be considered a robust and efficient industrial actor in the Italian national political-economic system. It could boast 30,000 employees and an income of 124 billion Italian liras, 20% of which deriving from exports¹³². The automobile sector accounted for 50% of these amounts, electro-mechanics and electronics for 10% and both the railways and industrial machinery for 5%. In addition to this, Finmeccanica started launching new industrial initiatives in cooperation with foreign partners. The most important was the one with Selenia for the realisation of radar systems (1960) which were the most advanced in the world at that time¹³³. Soon Selenia became a centre of excellence for the production of satellites, radar facilities, telecommunications, defence and air traffic control systems.

Between 1952 and 1962, Italy experienced a long decade of economic growth and wealth. But the 1964 crisis stopped the widespread enthusiasm and optimism by increasing the cost of labour, reducing productivity and depressing internal demand. It was necessary for Finmeccanica to think of a new industrial strategy in order to sail through this difficult moment. Thus, it was decided to focus on the major and most specialised sectors in order to concentrate resources on key sectors. On one hand the railway firms were sold and shipbuilding was given away once for all. On the other hand, electromechanical companies were acquired. The result was that at the beginning of the seventies, the company changed shape and it was composed of a smaller number of industrial sectors: automobiles (Alfa Romeo), thermoelectric mechanics (Ansaldo) and aerospace (Aeritalia).

Ansaldo and Aeritalia suddenly became two of the most important components of the Group. In 1966, Finmeccanica decided to completely restructure Ansaldo by focusing on energy and plant design. The idea resulted in the creation of a single complex to lead the market in the production of facilities and machinery for energy. It also entered the nuclear sector and very soon became the only Italian company that carried out manufacturing and design in the sector. Almost the same plan was conceived for the aeronautics and space sector. In 1969 FIAT and Finmeccanica combined efforts to fund Aeritalia which had suddenly become a strategic company in the Italian system. The activities it carried out spanned the aerospace sector as a whole: combat aircrafts, civil and military transports, aircraft structures, aircraft engines, satellites and space systems.

¹³² http://www.leonardocompany.com/chisiamo-aboutus/storia1_history1/il-filo-della-storia/storia-1948-1960?, retrieved on the 14th/07/16.

¹³³ *Ibid.*

The oil crisis of 1973 also had serious consequences for Finmeccanica which was forced to implement a process of review of its industrial policy up to that moment. The result was the drafting of Finmeccanica's 1976 strategic plan according to which the new strategy was articulated and explained. It was decided to focus on those sectors which had a vital relevance for national industry in order to be competitive at the international level. This perspective led Finmeccanica to sell a share of its activities and to focus on the electromechanical and aerospace sectors between 1974 and 1987. In this regard, Alfa Romeo was the first activity to be sold off as a result of the massive crisis of the automobile sector.

Relaunch policies were implemented for Ansaldo and Aeritalia. The suspension of the Italian nuclear programme forced Ansaldo to reorient its policies towards a stronger presence in the international market and to vary its activities. Finmeccanica then turned to improving its other business activities with the incorporation of Ansaldo Trasporti, of Ansaldo Sistemi Industriali, and even with the settlement of Ansaldo Elettronica Biomedicale as biomedical electronics had attractive prospects for industrial development. As a response of the shocks that had hit the aerospace sector in 1973, Aeritalia struck deals with the world's largest manufacturers for international programmes like MRCA Tornado, Boeing 767, and Eurofighter programmes.

4.1.2 The Internationalisation Process (1987 - 2001)

The internationalisation process began in 1986 with the agreement signed by Italy, the UK, Germany and Spain which gave birth to the Eurofighter Consortium. In addition to the good international reputation of Ansaldo and Aeritalia, it was the proof that Italy had the industrial capabilities for the production of a high-technology aircraft and could compete at the international level in sensible sectors.

The company's 1987 annual report recorded its basic passage from the reorganisation to the international development phase. It is interesting to observe that this important passage was ratified by Finmeccanica's first official change of name as it became officially Finmeccanica Società per Azioni¹³⁴. The reasons for the implementation of this new strategy originated mainly from the structure of the eighties' international economic system which forced high-technology firms to reach for massive volumes of

¹³⁴ *Ibid.*

production in order to make costs for R&D affordable and sustainable. Thus, the result was a new series of acquisitions aimed at improving the Group's international competitiveness.

The most significant operation was the reacquisition of those companies involved in electronics technology that had been sold off twenty years earlier. The meaning of this operation was the commitment to create a robust technological base to be used in those market sectors where Finmeccanica was able to compete at the international level. Thus, in 1989 Selenia, SGS and Elettronica San Giorgio - Elsag joined the Group. At the end of the eighties, thanks to these new acquisitions, Finmeccanica was a major technology company with exports worth over 3000 billion lira and a positive trade balance excess of 2000 billion according to 1987 data. In 1990 Finmeccanica's revenues had increased by up to 10,000 and the foreign component of its income accounted for 40%¹³⁵.

It is not by chance that in the same year another significant step towards complete internationalisation occurred, that is the fusion of Aeritalia and Selenia resulting in the birth of Alenia. Its activities were suddenly put under the control of the following internal divisions: space, aerospace, defence systems, civilian systems. This operation perfectly represented the company's commitment to create a common industrial aerospace and electronic system as mentioned before. Alenia became a considerable actor in the national political-economic system as it supervised the control of 20 companies; it employed 30,000 operators and accounted for 47 establishments on the national territory¹³⁶.

Even the energy business needed new strategies to adapt to the new times. Three new companies were created as a result of an agreement with the Swiss company Asea Brown Boveri: Ansaldo-ABB Componenti (turbines and boilers), Ansaldo GIE (plant design) and ABB-Ansaldo Trasformatori. The whole sector was finally structured in 1991 with the incorporation of Ansaldo Energia which was a merger of Ansaldo GIE and Ansaldo Componenti.

The first years of the nineties were characterised by an unfavourable international economic framework. The first issue was the end of the cold war. Although it may

¹³⁵ http://www.leonardocompany.com/en/chisiamo-aboutus/storia1_history1/il-filo-della-storia/anni-1987-1993-apertura-dei-mercati, retrieved on the 15th/07/16.

¹³⁶ *Ibid.*

sound upstream, it was not a positive phenomenon for companies like Finmeccanica as it caused an aggregate reduction of the 30% in the defence sector's budgets. Secondly, the air transport crisis and the downturn in military and scientific orders in the space sector produced negative consequences for a big part of Finmeccanica's activities. In addition to this, the 1987 referendum following the disaster of Chernobyl marked the beginning of the abandonment of nuclear energy programmes in our country. Just to give an idea, Ansaldo was forced to cancel 4,000 billion lira orders¹³⁷.

1992 was the *annus horribilis* for most western economies. Unlike the seventies and given its new international dimension, Finmeccanica had to adapt quickly to the new features of the international economic system. Nevertheless, 1992 proved to be a fundamental year in the Group's history as through a merger with the subsidiary Sifa Finmeccanica made its debut on the official list of the Milan stock exchange. It was the opportunity to start a reorganisation to turn Finmeccanica into an industrial holding company. These transactions had an impact on Finmeccanica's shareholder base as the 80% of the capital was held by the IRI with the remaining 20% placed on the market¹³⁸.

Between 1994 and 1996 Finmeccanica acquired all the defence companies held by the Ente partecipazioni e Finanziamento Industrie Manifatturiere (EFIM). The result was that Finmeccanica could claim the possession of 70% of the national industrial aerospace and defence capabilities. In addition to this, a further increase in capital was implemented. This did not happen by chance as the Italian government considered the Group as the most suitable player to represent the national pole of high technology and defence sectors. The following are just some of the firms which were part of Finmeccanica: Agusta (helicopters), Breda Meccanica Bresciana (naval and land artillery), OTO Melara (naval and land armaments), SMA (naval and land radars)¹³⁹.

In the same year, an internal reorganisation of Finmeccanica's activities occurred. Each operational unit was organised in a division with a leader: Alenia Aerospazio (leading two subdivisions for aviation and space), Augusta Elicotteri (supervising helicopter activities), Alenia Difesa, Ansaldo (energy, industrial systems, transports), Elsag Bailey (industrial automation).

¹³⁷ *Ibid.*

¹³⁸ *Ibid.*

¹³⁹ Gatti C. 2002, *Vita, crisi e ristrutturazione di un gruppo industriale pubblico: il caso Finmeccanica*, Padova, CEDAM, p. 56.

Despite all the measures that the company had taken, they were not sufficient to overcome those hard times. In fact, the crisis that the defence sector had to face was found to be a structural one. This meant that an internal and deeper rethinking of the company's mission had to be undertaken. Moreover, in the previous years the main companies operating in the aerospace industry had started a process of cooperation and unification which was making it possible only for very big players to keep holding onto significant shares of the business.

This meant that Finmeccanica could risk being absorbed by a bigger player. A relaunch plan was necessary. First, operations for economic and financial recovery were implemented. The most significant was a capital increase of almost 2,000 billion lira which made the Group's public share climb up to 60%. Successively, the company adopted business policies aimed at keeping their activities competitive; decisions were taken to focus on core business, spin-off main activities, create joint ventures in the defence sector and, in the end, dismiss non-strategic activities.

Although at the beginning these restauration measures appeared to be painful, in the end they permitted Finmeccanica to overcome the period of crisis and paved the way to a number of successful international agreements. In 1999, Finmeccanica and the British group GKN concluded the negotiations for the creation of AgustaWestland, a joint venture aimed at reuniting the activities of both Augusta and Westland Helicopters. In the same year, the Alenia Marconi Systems (AMS) joint venture was established in order to bring together Finmeccanica and the British Marconi Electronic Systems for the following activities: radar systems, missile systems and air traffic control. In 2001 the activities of Finmeccanica, EADS and BAE Systems were united in the MBDA joint venture, a company where, despite differences in capital, all the three actors had equal governance rights¹⁴⁰.

For what concerns corporate restructuring, many activities that had been put under the control of divisions returned to being independent under the common denominator of a holding company. It happened to Alenia Spazio and Augusta in 2000, to Galileo Avionica and OTO Melara in 2001, to Ansaldo Trasporti and even to Alenia Aeronautica. In addition to this, in 1999 Finmeccanica entered the microelectronics

¹⁴⁰ http://www.leonardocompany.com/en/chisiamo-aboutus/storia1_history1/il-filo-della-storia/anni-1998-2001-nuovi-assetti-in-europa-e-privatizzazione, retrieved on the 17th/07/16.

sector through a merger with Microelettronica Italiana (MEI), which was an Italian company owned by the ministry of the Treasury and the IRI. The result was that the public share in Finmeccanica rose to 83%. Nevertheless, when IRI sold nearly all of its stake in Finmeccanica the public stake in the Group decreased to 34%¹⁴¹.

4.1.3 From the First Years of the New Millennium to the Great Transformation: Finmeccanica becomes Leonardo (2001 - 2016)

During the first years of the new millennium, Finmeccanica continued its policy of international expansion especially for what concerned its core business. In 2003, agreements were signed with Boeing in the framework of the 787 Dreamliner product, while in 2005 Finmeccanica entered the Russian market by working on the realisation of the Sukhoi SuperJet 100 with the Russian company Sukhoi Civil Aircraft. In the same year, Finmeccanica and Thales (France) founded the strategic partnership Space Alliance. It includes two joint ventures: Telespazio (Finmeccanica 67%, Thales 33%) and Thales Alenia Space (Thales 67%, Finmeccanica 33%).

2005 saw the first results of the expansion strategy. First of all, AgustaWestland was entrusted with the realisation of a helicopter to be used by the President of the US. In the same year, the strategic partnership signed with the British ministry of Defence was the official act which made the British market a domestic market like the Italian one for Finmeccanica. In addition to this, the agreement with BAE Systems awarded Finmeccanica second place in the European defence electronics sector while collaboration in Space Alliance made it the European leader in the sector¹⁴².

In 2006 Finmeccanica started to penetrate the American market to a considerable degree. The first step was the signing of an agreement with the American company Lockheed Martin in order to participate in the Joint Strike Fighter programme. It was considered a great result given the fact that it was the most important industrial collaboration programme in the history of global military aeronautics as it included eight partner countries: Italy, the UK, the Netherlands, Australia, Canada, Turkey, Denmark and Norway. The second step was the 2008 acquisition of DRS Technologies,

¹⁴¹ *Ibid.*

¹⁴² http://www.leonardocompany.com/en/chisiamo-aboutus/storia1_history1/il-filo-della-storia/anni-1998-2001-nuovi-assetti-in-europa-e-privatizzazione, retrieved on the 17th/07/16.

the biggest acquisition ever made by a European group in the defence sector¹⁴³. Further investments were carried out in the space sectors through participation in the COSMO-SkyMed and Galileo programmes.

The reduction of many western countries' defence budgets, following the economic and financial crisis in 2008, forced companies operating in the sector to reorient their markets. In expanding its international market, Finmeccanica decided to make its target emerging countries like the BRICs and the MENA countries. The project was not only to provide simple services and solutions but to build long term and robust partnerships. It is thanks to this forward-looking approach that Finmeccanica established joint ventures with the Russian company SuperJet International, Indian Rotorcraft, ADSI-Abu Dhabi. In addition to this, in Turkey the joint programme ATAK for the realisation of the helicopter T129 deserves mention.

By the end of 2011, the continuous evolution of the international economy and markets led Finmeccanica to change its route once again by aiming at evolving from a defence company into a high technology company. The new mission would consist of a dual application of its technologies: on one hand military applications, on the other hand implementation of the same technologies to the needs of modern society such as security, sensitive infrastructure management, sea and naval traffic, energy and mobility management. This change of direction for the Group's business was put into action with the reorganisation of its activities, a rationalisation of its business portfolio, targeting of investments on priority technologies and its repositioning on markets with high growth potential.

A revolution occurred in 2014 when Mauro Moretti became the new CEO and General Manager. He launched a project to restructure Finmeccanica that was based on the commitment to progressively transform the financial holding and its controlled operating companies into an integrated industrial company. The project was officially implemented on the 1st of January 2016. The most significant revolution was the merge of AugustaWestland, Alenia Aermacchi, Selex ES, OTO Melara and WASS into Finmeccanica and transforming them into divisions.

¹⁴³ http://www.leonardocompany.com/chisiamo-aboutus/storia1_history1/il-filo-della-storia/anni-2006-2008-il-nuovomillennio-e-il-mercato-usa?, retrieved on the 18th/07/16.

The process of renewal culminated with changing the name to Leonardo - Società per Azioni. It was not only a tribute to Leonardo da Vinci, the great Renaissance artist, engineer and scientist, but it represented a commitment to communicate the new company's mission on the global stage. Innovation and the customer were put at the heart of a growth strategy which was intended to harmonise the historical, cultural and scientific tradition of Finmeccanica with the future towards which it was propelled.

The CEO, Mauro Moretti, was the inspirer of the new Leonardo-Finmeccanica industrial plan 2015-2019 which was aimed in four specific directions: focusing its business portfolio on A,D&S, cutting-edge technology with a focus on dual-use applications for the civil sector, competitive products and services and development of integrated capabilities, more internationalisation and attention to selected target markets. In the meanwhile, Leonardo-Finmeccanica started restructuring specific segments of activity in order to reduce costs¹⁴⁴.

4.2 Leonardo-Finmeccanica operating in the Middle East and North Africa Region

4.2.1 A General Outlook

Leonardo-Finmeccanica was chosen as the Italian global player to be analysed in the MENA region for a number of reasons. As explained in the historical part, Leonardo-Finmeccanica is a company which has been a key actor in the Italian national political-economic system since 1948. In the same terms as the Ente Nazionale Idrocarburi (ENI), its corporate history can be a useful point of view to understand the economic history of our country during the second half of the last century. Furthermore, Leonardo-Finmeccanica represents a virtuous and positive example of the potentiality that the Italian national political-economic system has when it works correctly.

It is not by chance that in the next paragraphs the contracts awarded by Kuwait and Qatar will be analysed. In fact, they represent two concrete results of a correct interaction between institutions and national industry which can allow to the country to lay claim to regional “powerness” in the geographical context examined in this work. It

¹⁴⁴ http://www.leonardocompany.com/en/chisiamo-aboutus/storia1_history1/il-filo-della-storia/storia-history-successo-success-2014-2015, retrieved on the 19th/07/16.

is possible to state this as both agreements have been signed by the prime contractors (Leonardo-Finmeccanica for what concerns Kuwait and Fincantieri for Qatar) and by the respective Ministers of Defence. They are not only examples of geoeconomic operations but even of economic security arrangement as they were aimed at the securement of our countries' economic interests in the region.

Although the US, the UK, Poland and clearly Italy are the company's principal markets for the company, due to their strong footprint in the countries, in the latest Group's sustainability report many countries of the MENA region are indicated as being target countries for the 2015-2019 industrial plan. These countries are: Algeria, Egypt, Saudi Arabia, Israel, Kuwait, Qatar, Turkey and the UAE¹⁴⁵. Coherently with the history of the company, these countries are considered to have a strategic business value as they are all big defence investors and producers for reasons which originate from the high military and economic instability of the region.

Nevertheless, Leonardo-Finmeccanica investments in the region are not new. In 2009 a memorandum of understanding was signed with the Libyan Investment Authority (LIA) and the Libya Africa Investment Portfolio (LAP) in order to promote a strategic partnership in the aerospace, electronics, transport and energy sectors. The concrete result of this agreement was the constitution of an equally participated joint venture between Finmeccanica and the LAP and a 541 million euro contract to Ansaldo STS (then part of Finmeccanica) concerning investments in the North African country's railways sector¹⁴⁶.

Given the crown's ambitious development programmes, Saudi Arabia is another strategic country where the electronics, defence and security systems sector has been working successfully for more than three decades. The main focus is the implementation of these products in the aviation, land and aerospace domains. More recently, Finmeccanica has started operating in other relevant and sensible fields like cyber security, air and vessel traffic management systems, homeland security and the protection of critical infrastructures. The electronics, defence and security systems sector is expected to improve its dimension by continuously proposing innovative technological solutions.

¹⁴⁵ Finmeccanica, *Bilancio di sostenibilità e innovazione 2015*, May 2016, p. 24.

¹⁴⁶ Renda F., Ricciuti R. 2010, *Tra economia e politica: l'internazionalizzazione di Finmeccanica*, Eni ed Enel, Firenze, Firenze University Press, p. 30.

The presence of Selex ES Elektronik Turkey since 1989 in Gölbaşı makes the country of the crescent moon a relevant business partner for Leonardo-Finmeccanica. The company's long time of presence has rendered Selex Turkey a well-known supplier for what concerns land, air and naval defence technologies. The company's facilities in Turkey offer further services for what concerns design, development, manufacturing assembly, tests and backups for already ongoing programmes. Despite the current political upheavals, expansion on the Turkish market is still in the company's plans¹⁴⁷.

The GCC countries are well-affirmed partners of Leonardo-Finmeccanica. The UAE's worldwide known aerobatics demonstration team, the Al Fursan (the knights), is the successful result of cooperation with Italy. It was formed in 2010 and it is composed of seven Aermacchi MB-339NAT jet aircrafts. Helicopters are another of Leonardo-Finmeccanica's excellence which is appreciated by local governments. In the Gulf Helicopters company's press release of November 2015 it was announced that the AW139 intermediate twin and the AW189 super medium helicopters, provided by AgustaWestland, had achieved 75,000 and 1,000 hours of flight respectively in offshore operations and oil&gas support missions¹⁴⁸.

The examples that have been cited above can give an idea of the entity of Leonardo-Finmeccanica's presence in the region and of its business relevance. In particular, it is interesting to state the fact that the company has a leading role in the provision of helicopters for civilian use too, not only for defence tasks. The reliability of Leonardo-Finmeccanica's products for offshore activities in the oil&gas domain is evidence of the high quality and variety of the company's business. It is a story of success which continues nowadays with excellent operations like those that are going to be analysed in the following paragraphs.

4.2.2 28 Eurofighters for Kuwait: The Largest Contract ever awarded to Leonardo-Finmeccanica

The 5th of April 2016 was a historic day for Leonardo-Finmeccanica. The reason is that on that date Kuwait and Italy signed a contract for the supply of 28 Eurofighter Typhoon aircraft. The enthusiasm in piazzale Monte Grappa was so great that the CEO,

¹⁴⁷ <http://www.leonardocompany.com/finmeccanica-nel-mondo/international-presence-2/turkey>, retrieved on the 19th/07/16.

¹⁴⁸ <http://www.gulfhelicopters.com/en/news/lists/media-gallery.html>, retrieved on the 20th/07/16.

Mauro Moretti, stated with no hesitation that it is “[...] *Finmeccanica’s largest ever commercial achievement*” and that it represents “[...] *an outstanding industrial success with significant benefits, not only for our company and the other Eurofighter Consortium partners, but also for the entire Italian aerospace industry*”¹⁴⁹.

Going into the details, the overall value of the contract is 7.95 billion euros¹⁵⁰. Leonardo-Finmeccanica, as prime contractor, will account for almost 50% of the total value of the contract for an amount of at least 4 billion euros¹⁵¹. The contract is part of an intergovernmental agreement signed by the respective Ministers of Defence Roberta Pinotti and Gen. Khaled Al Jarrah Al Sabah. The aircraft are going to be produced in Italy and deliveries are expected to start in 2019. The fleet should be delivered by 2022 for an expected in-service operation until 2050¹⁵².

The Eurofighter Typhoon is the most advanced new generation multirole fighter aircraft on the market. The contract includes also logistics and operation support, as well as training of both aircrews and ground personnel. Training will be undertaken in cooperation with the 20th group ItAF Typhoon OCU base in the Grosseto airbase¹⁵³. They will be equipped with E-Scan radars, developed by the EuroRADAR Consortium which is led by Leonardo-Finmeccanica¹⁵⁴.

The Eurofighter is the product of a European Consortium composed of Italy, the UK, Germany and Spain. The companies involved are Leonardo-Finmeccanica, BAE Systems and Airbus Defence. Eight nations have ordered almost 600 aircraft of the Eurofighter Typhoon so far. It is an international programme which assures 100,000 jobs in 400 European firms, while the amount in the Italian market is 20,000 jobs in 200 firms¹⁵⁵. Saudi Arabia has been using the aircraft since 2003 while Oman placed an order for twelve of them in 2012.

¹⁴⁹ Leonardo-Finmeccanica, *Finmeccanica signs a contract to supply 28 Eurofighter Typhoon to Kuwait following an agreement between the government of the State of Kuwait and the government of the Republic of Italy*, press release, 5th/04/16.

¹⁵⁰ Leonardo-Finmeccanica, *Relazione Finanziaria Semestrale al 30/06/2016*, July 2016, p. 5.

¹⁵¹ Il Sole 24Ore, *Finmeccanica firma un maxicontratto per la fornitura di 28 Eurofighter Typhoon al Kuwait*, <http://www.ilsole24ore.com/art/impresa-e-territori/2016-04-05/finmeccanica-firma-maxicontratto-la-fornitura-28-eurofighter-typhoon-kuwait-143623.shtml?uuid=AC8VjW1C>, 5th/04/16.

¹⁵² Kuwait Times, *Kuwait, Italy signs Eurofighter contract*, <http://news.kuwaittimes.net/website/kuwait-italy-sign-eurofighter-contract/>, 6th/04/16.

¹⁵³ *Ibid.*

¹⁵⁴ <http://www.leonardocompany.com/en/-/kuwait-eurofighter-typhoon>, retrieved on the 20th/07/16.

¹⁵⁵ La Stampa, *Commessa record per Finmeccanica: 28 caccia Eurofighter al Kuwait*, <http://www.lastampa.it/2016/04/05/economia/commessa-record-per-finmeccanica-caccia-eurofighter-al-kuwait-AsHtSrj69mafBDFwEupenO/pagina.html>, 5th/04/16.

For what concerns this agreement, Leonardo-Finmeccanica has been awarded the task of running the negotiations as prime contractor by its European colleagues. This makes the operation an efficient example of virtuous synergy between institutions (the ministry of Defence) and firms (Leonardo-Finmeccanica) which demonstrates the successful results the national political-economic system can reach if it works with respect to its potentialities.

4.2.3 Fincantieri and Leonardo-Finmeccanica are appointed to modernise the Qatari Navy

Few months after signing the deal with Kuwait, Leonardo-Finmeccanica obtains another extraordinary commercial result in collaboration with a relevant Italian actor in the shipbuilding sector: the Fincantieri company.

In fact, on the 16th of June 2016 Fincantieri, in collaboration with Leonardo-Finmeccanica obtained a contract with the Qatari government of 4 billion euro aimed at modernising the Qatari navy. The company of piazza Monte Grappa is expected to be accountable for almost the half of the entire amount¹⁵⁶. Also in this case, the contract is the result of an intergovernmental agreement between Italy and Qatar. The Ministers of Defence of both countries, the Italian Roberta Pinotti and the Qatari Khalid bin Mohammad al-Attyah, signed the agreement. It is the result of a long period of collaboration as in 2010 an agreement of cooperation, education and training was signed by both countries.

The terms of the agreement established that Fincantieri (the prime contractor of the deal) would produce 7 new ships for the local navy: 4 corvettes, 1 landing platform deck, 2 off-shore patrol vessel which will be deployed for maritime surveillance and patrolling duties. Leonardo-Finmeccanica is entrusted to equip them with the latest generation of naval systems and sensors. These systems include the new naval units' combat system, radars and defence subsystems including: 76/62 medium calibre and 30mm small calibre weapon systems, anti-torpedo protection systems and the Thesan

¹⁵⁶ Di Cristofaro C., *La maxi commessa in Qatar dà la carica a Leonardo Finmeccanica e Fincantieri*, Il Sole 24Ore, <http://www.ilsole24ore.com/art/finanza-e-mercati/2016-06-15/la-maxi-commessa-qatar-da-carica-leonardo-finmeccanica-e-fincantieri-111228.shtml?uuid=ADTQkSc>, 15th/06/16.

mine avoidance sonar. In the end, the missile system will be produced in cooperation with MBDA¹⁵⁷.

As the 2010 agreement demonstrates, business cooperation with Qatar is not new for Leonardo-Finmeccanica. The company has been cooperating with the Arab country for more than 20 years in many areas. It has supplied the air traffic control and management system of the new Doha international airport and it has provided helicopters for civil and military applications. In 2015 another agreement was signed to supply the radar system, for air surveillance and defence, to Qatar's armed forces¹⁵⁸.

Regarding this agreement, the Leonardo-Finmeccanica CEO, Mauro Moretti, stated: *“The degree of excellence reached by our offering has achieved another, significant success for which the value is twofold. On one hand, it has been chosen in a geographical area of exceptional strategic value, in terms of business opportunities and fostering partnerships – on the other, it strengthens our position on international markets, highlighting how customers understand the value of our technological offering in the naval sector. The agreement is a sign of the great effort of institutions, and in particular of the Minister of Defence Roberta Pinotti, and strengthens our cooperation with Fincantieri, as a testament to the ability of Italian industry”*¹⁵⁹.

The analogies with the previous case are several. The Italy-Qatar agreement was preceded by intense diplomatic talks which culminated in an intergovernmental agreement. The contract for the supply of 7 ships does not only have economic value. It has an important political and strategic value as it puts Italy in the condition to improve industrial and military relations with an actor in a sensitive area. This is what is meant when the meaning of geoeconomics is discussed. In conclusion, the synergy between institutions (ministry of Defence) and economic actors (Fincantieri and Leonardo-Finmeccanica) demonstrates that the efficient work of the national political-economic system brings collective gains.

¹⁵⁷ Leonardo-Finmeccanica, *Leonardo-Finmeccanica welcomes the agreement to supply seven new ships to Qatar*, press release, 16th/06/16.

¹⁵⁸ *Ibid.*

¹⁵⁹ *Ibid.*

4.3 An Interview with Dott. Giovanni Soccodato: The Reasons, the Philosophy and the Perspectives concerning the Agreements with Kuwait and Qatar

An Interview with Dott. Giovanni Soccodato, executive vice-President market strategies and business development, of Leonardo-Finmeccanica.

Candidate: during this first part of 2016 Leonardo-Finmeccanica has signed a number of important contracts. We are referring to two of them in particular. The first one is with the State of Kuwait for the provision of twenty-eight Eurofighter Typhoon aircraft which are going to be produced in Italy, by the way. The second one is with the government of Qatar for the provision of seven new ships for the navy in cooperation with Fincantieri, which is another important Italian public company. Would you mind explaining briefly what the process was which made the signing of both the agreements possible?

Interviewed: both the agreements are part of a wider political cooperation framework with these two countries. What can be said in first place is that they are the result of a closer cooperation between Italy and countries in the MENA region in the last years. For what concerns the agreement with Kuwait, the origin of the programme will be found in the request for proposal that the Kuwaiti government issued to acquire new aircraft to operate alongside the F/A-18 already in service. This request for proposal was addressed to three potential suppliers which were the US for the Boeing F/A-18 Super Hornet, France for the Dassault Rafale and eventually Italy for the Eurofighter Typhoon. What needs to be understood is why Italy has been chosen to represent the Eurofighter Consortium in the negotiations with Kuwait among the four composing nations (Germany, Spain, the UK and Italy). There are mainly two reasons: the technical aspect and the political aspect. For what concerns the former, the verification activities of the compliance of the Eurofighter Typhoon with the requirements have been undertaken with the support of the Italian air force and ministry of Defence. The same process has been applied in respect to the Americans and the French. For what concerns political reasons, it must be said that during the last years, the relationships between Italy and Kuwait have not been intense considering the fact that the country had participated in the liberation of Kuwait from Iraq in the Gulf war in 1990. Two factors have been determinant. The former is the progressive disengagement of the US from the

area carried out by Obama's administration. This resulted in the need of the local monarchies to look for new strategic partners. The latter, is the willingness of these governments to look for alternative to France and the UK. On one hand, the UK's attitude to manage these affairs with an asymmetric approach was not welcomed by local governments. On the other hand, the French did not completely convince them. In the end, Italy was seen as a suitable alternative. It is a member of the G8, of the EU, and it has participated in a number of international missions. In addition to this, the Italian defence industry has considerably developed and it has reached the same level of the UK and France which were traditionally perceived as leaders in Europe. Nowadays, the defence industry and the Italian armed forces are more competitive than in the past. Even foreign policy has finally become stable. The demonstration is the fact that the business campaign with Kuwait has been elaborated and conducted throughout three different governments, respectively led by Mario Monti, Enrico Letta and Matteo Renzi. It is the first time that Italy and its industry have been able to move in a position of prime contractors for such a sophisticated aircraft like the Eurofighter Typhoon. Furthermore, it represents the implementation of an effective national political-economic system model. The same analysis is valid for the agreement with Qatar. In this case, the only difference is that Italy's relationships with Qatar have been positive and profitable for almost ten years. The conclusion is that both Qatar and Kuwait have decided to do business with Italy because they look at our country as a reliable and symmetric partner.

C: although we have seen that both agreements share a number of points in common, they differ from the identity of the actors. The agreement with Qatar has been carried out by purely national firms which are Fincantieri (as prime contractor) and by Leonardo-Finmeccanica, with the support of the respective ministries of Defence. For what concerns the contract with the Kuwaiti government, Leonardo-Finmeccanica has been prime contractor of the Eurofighter Consortium composed of the UK, Germany and Spain as well. How is it possible to explain this difference?

I: let us define the general framework first. In the former case we are talking about vessels and on-board systems which are the product of Italian industry. In the latter case, the Eurofighter Typhoon is the result of an international cooperation programme which makes it possible for each of the four countries to be prime contractor in the negotiations based on a case-by-case agreement. The choice of the leading country

depends upon many factors, above all the status of the political and military relations with the potential customer nation. This is the main reason why Italy led the campaign in Kuwait. During the last years both the Italian and Kuwaiti air forces signed several cooperation agreements which led to the presence of several Kuwaiti military cadets in Italian academies for training purposes. In addition to this, Italian military assets have been deployed in Kuwait for military operations against IS. This interchange as a whole strengthens the relationships between the two countries thus creating a relationship of mutual trust.

C: the middle east, or more widely the MENA region, represents an area of strategic importance for our country. This is not only because of the migrant and terroristic crisis but mainly because of business and geoeconomic reasons. How is Leonardo-Finmeccanica operating in the region and what are its priorities?

I: in the last years, both the Italian and British defence budgets were downsized to a level that does not allow a global player like Leonardo-Finmeccanica to maintain and further develop its industrial and technological base¹⁶⁰. This means that export is the only way to keep such a complex business going. The Middle East, and the GCC in particular, are two of the world's regions in which the increases in national defence budgets have been the most consistent. They are all countries that Italy has been talking to for a long time. Thus, Leonardo-Finmeccanica has considered these areas to be favourable places for its investments. Qatar and Kuwait are not the only countries with which Leonardo has established a relationship: also the UAE, Saudi Arabia and Oman are currently important partners. For instance, it should be noted that the UAE National Acrobatic Team was set up by the Italian air force and it is equipped with Alenia Aermacchi MB-339 aircraft produced by Leonardo-Finmeccanica. For what concerns the North Africa region there is an interest for the local countries to increase their defence budgets for security reasons linked to the migrant and terroristic crisis. Very often, the procurement of defence equipment for these countries are funded by the Gulf states within the framework of their collaboration programmes.

C: it is well know that Leonardo-Finmeccanica is not the only global player operating in the region. This is demonstrated by the fact that the company has been able to sign

¹⁶⁰ Leonardo-Finmeccanica has a significantly strong industrial base in the UK. This means that the British market can be considered a domestic market for the firm in the same terms than the Italian one.

agreements with the Qatari government after winning a fierce competition with France which has been doing business with the Qataris for years. What is the market-share held by Italy in the region for these kinds of agreements with respect to its principal European competitors?

I: it is important to underline the fact that nowadays the European defence industry has become more and more transnational. For example, Leonardo-Finmeccanica is an Italian born industry which has a strong presence in the UK (the principal products are electronic radar systems produced by the former Selex, and Westland helicopters in Poland). In addition to this, Airbus is a tri-national firm as it is the result of the fusion among the pre-existing German, French and Spanish aerospace industries. All these factors contribute to making the defence market quite complex. Thus, if Leonardo-Finmeccanica and Airbus and BAE Systems work as partners in some markets and for some products, conversely they are competitors for what concerns other situations. In the MENA region the favourable political situation has allowed Leonardo-Finmeccanica to increase its market share. The strategy of the firm is to increase its share in developing markets and, at the same time to present itself as valuable alternative with respect to traditional European players.

C: both programmes represent an excellent model of cooperation between the government and the national firms. It is a cooperation in which the national political-economic system has worked in an efficient way. What is the philosophy which lies behind these agreements?

I: the first pillar is the idea that industrial, defence and foreign policies should go together in order to achieve a country's objectives. It is necessary to define a general strategy where each actor plays its part and makes possible for the national political-economic system to work efficiently. For what concerns the cases previously discussed, a single and coordinated strategy among national industry, the government, the ministry of Defence and the ministry of Foreign Affairs has been established. The government itself deserves a mention for the organisation of a number of official national missions to those countries in order to prepare the groundwork. It is not by chance that both the agreements have been signed by the respective Ministers of Defence. This makes even clearer the fact that it has been a strategy coordinated by institutions and firms jointly.

C: does Italy have other similar opportunities in the MENA region? Is it possible for Leonardo-Finmeccanica to realise new operations like these in the short term?

I: the GCC members and North African countries offer interesting opportunities for such activities. In this regard, Algeria could represent a very good partner in both the energy and defence sectors because of its geographical proximity and the reciprocity of interests with Italy. In addition to this, we do hope that the internal war in Libya will find an end and that the relationship between Italy and Egypt may improve as soon as possible. Both countries are potential points of reference for Italian business.

C: in the end, let us conclude with a geopolitical question. If it is possible to state that Italy is a middle power on the global scale some doubts might arise about its role at the regional level. Can these operations be proof of the fact that Italy is still nowadays a fundamental political and geoeconomic actor in the MENA region?

I: yes, with no doubts. I think that Italy is currently able to play an important role in the Middle East and North Africa region. The main reason is the stability of its foreign policy and the improvement in the Italian defence industry which is able to provide innovative and high-standard solutions for the security and defence needs of the country. In addition to this, it should not be forgotten that Italy is a member both of the G8 and of the EU and it is a country strongly oriented to cooperation in any form.

Lessons learned: both the agreements with Kuwait and Qatar represent successful operations carried out by the Italian national political-economic system. Leonardo-Finmeccanica and Fincantieri are two global players which work according to their own business interests. However, given the fact that they represent highly technological industrial actors and that they are largely controlled by the ministry of the Economy, their international operations cannot be carried out without synergy with national institutions.

It is possible to find evidence of this statement by analysing the relationship process of both deals. In fact, the signings were preceded by intensive talks between the ministries of Defence and they are the result of a long term political cooperation process between the countries. This makes it possible to explain why both the deals were signed by the respective Ministers of Defence.

In addition to this, the agreements demonstrate that when Italy acts as an efficient *sistema-paese* it is capable of performing at the same level as its major economic competitors. This is proof that the Italian high technology defence and security industry is still appreciated throughout the world and that national institutions are considered credible interlocutors. The hope is that the agreements with Kuwait and Qatar represent a starting point for other successful operations for the national political-economic system.

CONCLUSION

In the first line of this work we were reminded how important the role of the research question is in a dissertation work. The fact that this research originated from a number of questions has been highlighted as well. Thus, only after the analysis of data and notions is it possible to draft the conclusions of this research.

The aim of the first chapter was to understand if Italy can be considered as a middle power also in the MENA regional context. The answer is affirmative. As was demonstrated in the appropriate subheading, according to scholars Italy has all the features required to be defined as a middle power. On one hand, from a quantitative point of view, Italy still ranks eighth in GDP, fortieth in GNI per capita, and twenty-third in population. On the other hand, from a qualitative point of view, it is a member of NATO, of G8 and a founding member of the EU.

Successively, it was necessary to take into examination a specific perspective of the way Italy exerts its power as a middle power in the MENA region. The choice fell on economic security.

As mentioned before, even economic security is not a clear notion at first glance. In this work the focus was on the several relationships that economic security has with geoeconomics. Thus, it is possible to intend economic security as all those policies that states implement to acquire geoeconomic advantages over their competitors and to secure the interests of the national political-economic system.

Data concerning trade flows, FDIs and energy relations of Italy with the countries of MENA were analysed in order to provide a framework which underlines and makes evident the important role that of our country has in this geographical area and vice versa. Trade, FDIs and energy are all constitutive elements of the economic security of a country.

It was observed that despite the upheavals originating from the Arab Springs, Italy has been able to relaunch trade relations with all these countries. The expectations for the coming years are positive as “made in Italy” is still strongly demanded by local consumers and Italy continues to fascinate these people. It should be added that Italy

has even been able to diversify its business in the area. Nevertheless, investment flows to these countries could improve although they will be difficult to increase given the difficult political situations of many countries like Syria, Iraq or Libya. For what concerns energy relations, the importance of these markets for Italy's energy demand is clear as it still largely relies on these countries' oil and gas. However, new discoveries, like the Zohr oilfield, put the country in a good international position for the years to come.

Data can provide a general framework, but more precise answers can be found by analysing specific cases. As previous statements confirm, the role of economic security linked to the notions of the national political-economic system and national interest is the core topic of this work. It was cleared that the notion of national political-economic system should be intended in the Italian meaning of *sistema-paese* which is the sum of the highest political institutions and the industrial framework of a given country.

Thus, it was not possible to conclude this analysis without examining one of the most important actors of this system, that is, the Italian global player Leonardo-Finmeccanica. It is the perfect example of a big national company which works in synergy with institutional actors (ministries, governments) and whose operations have strategic repercussions for the entire national political-economic system. Both of the agreements with Kuwait and Qatar are evidence of this.

As has been observed in the proper analysis of the two case, signing of the deals was preceded by an intergovernmental agreement which was eventually ratified through its signing of the Ministers of Defence of both countries. This can be explained by underlining the strategic importance that the sale of military aircraft and sea craft has. Providing this kind of means to a foreign country entails the commitment to tighten closer political, economic and overall military relationships.

This is the reason why it is possible to state that these operations do not have only economic consequences for the companies which realise them. For sure Leonardo-Finmeccanica has its own business to mind, but the realisation of these agreements contributes to the defining of the economic security of the national political-economic system as a whole.

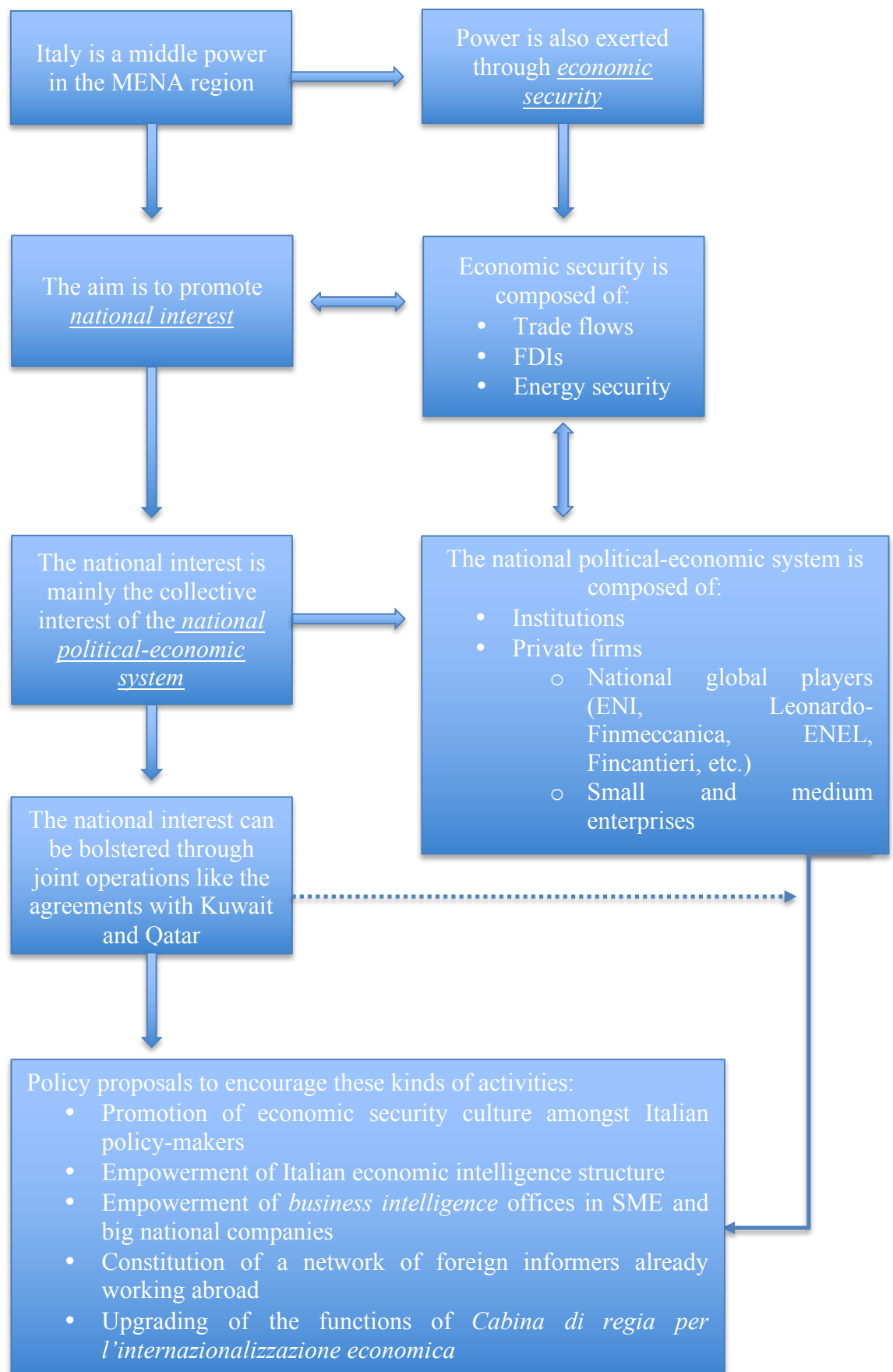
The policy lines which can be derived are the following:

- Italian policy-makers should continue to encourage these joint operations between institutions and national companies. They have to be aware of the means to promote the national political-economic system in a stronger and more resolute way.
- If the latest relations with the Italian parliament are analysed, it appears clear that economic intelligence is becoming more and more important for the national political-economic system. Thus, more resources should be invested in economic intelligence. In 2013, the Sistema di Informazione per la Sicurezza della Repubblica stressed the need to create a legal infrastructure to safeguard the interests of the Italian national-political economic system. This can be done by securing the protection of Italian firms and by increasing the attractiveness for FDIs.
- The Italian economic intelligence system has always focused its attention on two kinds of operations: the protection of industrial secrets and the fight against economic crimes. The weakest point is “offensive” economic intelligence, that is, the range of activities which enhance the competitiveness of the national political-economic system. A way to improve this point is by empowering companies’ business intelligence offices to gather data which should eventually be transmitted to national economic intelligence actors. Although they already exist in big companies, it is still difficult to find such structures in SME. Policies should be implemented in order to encourage small and medium enterprises to invest money in the creation of their own business intelligence offices. It is recommendable not to entrust external actors with the provision of such a sensitive service as there may be a risk of them selling information to the market.
- There are numerous Italian managers and scientific researchers abroad. They often work in very strategic sectors of foreign markets and they are usually seen as a lost human capital for our country. A way to exploit these resources is the constitution of a network in which many of them can be “recruited” by the national economic intelligence system in order to gather low cost useful information.
- The “control room” for the internationalisation of the ministry of Economic Development (*Cabina di regia per l'internazionalizzazione economica*) is a good instrument albeit some modifications may be implemented. First of all, the

ministry of Defence should chair the meetings with the ministries of Foreign Affairs and Economic Development. In addition to this, the control room's meetings should be intensified because it has met only four times since 2012. The proposal is to arrange a meeting every three months with big strategic companies such as Leonardo-Finmeccanica and ENI in order to coordinate joint strategies. Improvements need to be made on the financial plan, with the creation of an export-import bank, and on the attractiveness of investment opportunities for incoming FDIs.

The analysis of data and the conclusions derived from the case study can be considered as quite reasonable elements to allow one to state that, despite its structural problems, Italy is still a middle power and important international actor in the Mediterranean context. These good examples should remind us of the enormous potentialities that our national political-economic system can exploit if it works efficiently. With no doubts, some corrections need to be made, but Italy is full success stories. Perhaps, we should just improve the way we tell them to others and to ourselves.

Graph 6 - A Theoretical Framework and some Policy Proposals for Italian Economic Security



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ABSTRACT

This research work has several aims to accomplish. The first one is to define the international status of Italy. In accordance with academic literature countries have traditionally been classified as being small, medium or big powers, it is important to state how Italy ranks among these categories. Then, it is necessary to observe how Italy exerts its power in the regional context where its activities are run, that is the Middle East and North Africa region. Thus, the core of the thesis is focused on the economic security and geoeconomic activities that Italy carries out in North Africa and Middle East. This means that the analysis of economic figures and data will not be the only object of the study, but the main part will be devoted to the examination of the Leonardo-Finmeccanica Group's activities in the region.

The notion of **middle powers**, their structure, their role and the way they behave in the international system has come under the spotlight of academic literature only in recent times when, after the end of the cold war, research on the relationship between the United States and their minor allies intensified. Although there is still no unanimous consensus regarding the definition of middle power, academic literature is full of classifications. These models can namely be divided into three types: quantitative, qualitative and mixed.

Quantitative models assume that power is something that can be measured and classify states on the basis of aggregate material criteria and economic indexes such as GDP. On the contrary, qualitative models focus their attention on the way states behave and on the tools they use in international affairs. In the end, mixed models are based on the combination of both the previous approaches. In this regard, Laura Neack's work *Empirical Observations on "Middle State" Behaviour at the Start of a New International System* and Jonathan Ping's research *Middle Power Statecraft: Indonesia, Malaysia, and the Asia Pacific* are particularly appreciated.

Canada and South Korea are two interesting cases of modern middle powers. In fact, it was the Canadian Prime Minister, Mackenzie King, who was the first to formulate the concept of middle power, referring to his nation. The idea was that Canada could exert a key role in diplomatic issues and in international organisations as it lacked economic and military resources to be considered as a great power. On the other hand, South

Korea's rise to middle power status can be seen as the result of a strong commitment of the government to exploit the dynamics of globalisation and to participate in UN peacekeeping missions.

Italy is often taken as an example of a middle power. From a purely statistical point of view, Italy still ranks eighth for GDP, fortieth for GNI per capita, twenty-third for population, thirteenth for military expenditure out of GDP, tenth for value of exports, second for life expectancy at birth. In addition to this, Italy is part of the G8, it is a founding member of the European Union, it has served twelve times as non-permanent member of the UN Security Council and it is part of the most important international organisations. In addition to this, since the end of world war II Italy has contributed, with both peaceful and warfare instruments, to the maintenance of world's peace.

Italy can be considered as middle power especially from the geoeconomic point of view. **Geoeconomy** is a discipline which studies macroeconomic dynamics of a given country by taking into consideration its geographical, demographical and institutional characteristics, as Edward Luttwak explained in his famous article, *From Geopolitics to Geo-economics: Logic of Conflict, Grammar of Commerce*, published in 1990. Thanks to the contributions of Carlo Jean and Paolo Savona, by 1995 Italy could already boast many important studies on the topic. In spite of some theoretical differences, they agree on the fact that Italy can consider itself as being among the geoeconomic powers, in the same ranking as Japan or South Korea.

If Italy can be considered a middle power at the international level, it is legitimate to test if the same thing can be stated at the regional level. The region where Italy's activities are analysed is **MENA**, an acronym which stands for Middle East and North Africa. The MENA region has been affected in recent years by a number of political upheavals with relevant implications for business opportunities of those countries, like Italy, which operate in the region. The American invasion of Iraq, Arab Springs, civil wars in Libya and Syria are some examples. In addition to this, the fall of oil prices, unregulated demographic growth and the dramatic failure of the Arab socialist model represent other factors of instability.

Given the abundance of hydrocarbons, the economies of the MENA countries are based mainly on trade in energy resources. Nevertheless, many countries of the region have

begun a process of diversification of their economies given to the excessive exposition of their current account balances to the international fluctuations of hydrocarbons and demand prices. Thus, Gulf countries have made significant investments in the services and infrastructure sectors, Iran can rely on a highly qualified human capital while Egypt, Morocco and Tunisia are improving services, infrastructure and manufacturing as well. Israel and Turkey are two exceptions as they already represent examples of advanced economies. Sovereign funds are another important economic activity in this region.

The low oil prices and the lower demand deriving from the slowdown of emerging economies have forced the oil-producing countries of the region to start fiscal consolidation programmes. These programmes are based on a cut in public expenditure in favour of more investments in the private sector, on structural reforms and on the use of the exchange rate to implement more accommodating currency policies.

In order to understand the role that Italy is currently playing in the MENA area it is necessary to analyse its **foreign policy** in the region since the establishment of republican institutions. After the signing of the treaties which ended world war II, Italy's Mediterranean policy became completely focused on its colonial dossier. Clearly, preserving the colonial empire would not be possible, but a compromise could be found. The Italian government found an agreement with the UK to preserve part of Libya and to ensure the trusteeship administration of Somalia. Unfortunately, the Anglo-Italian plan was rejected by the UN General Assembly and Italy officially gave up its colonial ambitions.

In 1955, the election of Giovanni Gronchi as President of the Republic marked the beginning of a new orientation for Italian foreign policy. In fact, President Gronchi's doctrine, which was later called Neotlantism, was based on the idea that Italy had to strengthen its role in the Atlantic alliance by improving its relations with Mediterranean countries. The most active implementers of this policy were Amintore Fanfani, Italy's Prime Minister, Giorgio La Pira, Mayor of Florence, and in the end Enrico Mattei, President and Director of the Ente Nazionale Idrocarburi (ENI).

Italy returned to play a key role in international politics in the Suez crisis of 1956. In fact, thanks to President Gronchi's advocacy for an active role of Italy in the settlement

of the hostilities, the US and the Italian diplomacy were able to convince the French, the British and the Israeli governments to withdraw their troops from the Sinai. It was the first time after world war II that Italy was able to play such a significant role in an international crisis.

The breaking out of the six days war in 1967 forced Italy to exert again its role as a middle power in the Mediterranean region. When the Egyptian President, Nasser, ordered the block of the Aqaba gulf in order to damage Israel's economy, the Israeli government reacted by attacking Egypt and pushing back the Egyptian forces until the Suez canal. The dispute was later solved by the UN Security Council. Also in this case, the Italian government decided to undertake a mediating position between Arabs and the Israelis. This was not only the last act of the Neoatlantic strategy but also evidence of Italy's need to secure the country's national interests in that part of the world.

The seventies were not a lucky decade for Italy. Although diplomatic relations with the People's Republic of China were started and the treaty of Osimo put an end to the Trieste issue, the Italian economy seriously suffered from the consequences of the energy crisis provoked by the oil embargo proclaimed by Arab countries following the Yom Kippur war. As the Italian economy depended greatly on oil supplies, it was forced to look for new opportunities in energy trade partnerships. The regime of colonel Gaddafi in Libya appeared to be the most suitable alternative.

During the eighties, deep geopolitical transformations occurred in the wider MENA region. After the 1979 Islamic revolution, Iran was attacked by Iraq, and in the same year the USSR invaded Afghanistan. The result was a general radicalisation of the Islamist movements in the region. However, it was during these years that Italy's Mediterranean foreign policy achieved its most interesting successes. This was made possible by the willingness of the new Italian Prime Minister, Bettino Craxi, to promote a foreign policy based on the support of Arab countries and on greater autonomy from the Atlantic alliance dynamics.

In this regard, in 1982 Italy took part to the special mission, UNIFIL, in Lebanon. In 1984, the Italian navy took part to an international mission for mine clearance operations in the Red sea and in 1990 the Italian government participated in the *Desert Storm* international mission during the first Gulf war. However, the most spectacular

happening occurred in 1985 in Sigonella, when the American troops which had surrounded the airplane carrying Abu Abbas, the man responsible for the murdering of Leon Klinghoffer on the Achille Lauro, were forced to withdraw after hours of negotiations. Although the events of Sigonella are controversial, scholars agree that Italy had been able to behave as a true middle power as it had several time before in its history.

One of the main consequences of the end of cold war was the shift of the MENA area from a peripheral to a central arena of international politics. Thus, Italy was forced to reorganise the objectives of its Mediterranean economic and foreign policy. In this regard, Italy continued to respect its political relations with the US and participated in the first Gulf war operations. It was one of the participant states of the Barcelona Process in 1995 and at the same time intensified its trading relations with MENA countries by up to 12%. However, this was not the result of a specific strategy but mainly the result of indifference deriving from institutional weakness after the *Mani Pulite* investigations.

The absence of a clear strategy was evident in the management of the crisis which eventually led to the collapse of Yugoslavia. The hesitations of our policy-makers and their commitment to preserve the integrity of Yugoslavia provoked a distancing of the newly born states of Croatia and Slovenia. The result was that these countries eventually preferred to strengthen their relations with Germany as a reward for its support of their independence since the beginning of the war.

It was only by the end of the nineties that the Italian government decided to turn its focus back on Mediterranean affairs. In 1997, the parliament gave the approval to provide aid to Albania in the framework of the Pelican Operation. In 1999, the Prime Minister, Massimo D'Alema, allowed NATO to use Italian national military airports to carry out raids against the Serbian government during the third Yugoslavian war. However, war was not the only security issue Italy had to deal with. In fact, during the nineties, a stabilisation of the phenomenon of migrations of people from the Balkans and North Africa occurred.

The victory of the centre-right coalition led by Silvio Berlusconi in the 2001 general elections marked a further revolution in Italian foreign policy. The new Prime

Minister's foreign policy was based on building personal and close bilateral relations with foreign leaders. During those years, the most significant events were Italy's participation in the second Gulf war in 2003 and the visit of Gianfranco Fini to Israel in the same year. They are both good examples of the intensive diplomatic activity carried out by Italy in the MENA area in that period.

The signing of the treaty of Friendship and Cooperation with Libya in 2008 was the last relevant act of Silvio Berlusconi's Mediterranean policy. In fact, it is not possible to state the same for what concerns Italy's behaviour during the Libyan crisis in 2011. Although Libya had always been a strategic partner in the Mediterranean basin, the Italian government did not really take a clear position on the issue and participated in the international mission mainly because of the obligations deriving by its relations with the US. This event marked the end of Silvio Berlusconi's experience as Prime Minister.

Jihadistic terrorism and immigration are the two most relevant security issues Italy has to deal with nowadays. The first consistent increase in arrivals from the Mediterranean sea occurred in 2011 and intensified in the following years due to the turmoil provoked by the collapse of Libya and Syria. It is important to remember that Italy remains an intermediate step, as the aim of most part of the immigrants is to reach relatives who already live in the countries of northern Europe.

The response of the Italian government has been based on a massive use of the navy in the framework of some national and international operations. The first one was Mare Nostrum, a military and humanitarian operation entirely financed and run by the Italian government from October 2013 until October 2014. It was aimed at rescuing immigrants in trouble and at fighting smugglers at the same time. Mare Nostrum was later replaced by Triton, a border security operation conducted by the European Union's agency Frontex. Currently, the most recent operation is EUNAVFOR MED which was launched in June 2015 and which is focused on the fight against transnational networks of immigrant smugglers.

For what concerns military security issues, the Italian government is perfectly aware of the concerns that the events occurring in the region are raising. Thus, in 2015, the ministry of Defence drafted a specific strategy which is articulated in the White Paper for International Security and Defence. In this document, for the first time, the Euro-

Mediterranean region is explicitly considered to be of vital importance for the national interests at the same level as the Euro-Atlantic region. The White Paper shows perfectly how military, economic and energy security are strictly linked to the definition of the strategic interests of the nation.

Economic security is another core concept to understand what the role of our country is in the region. Like middle powers, it is an uneasy notion to define clearly. It can refer to the economic capability of a state to defend itself from military threats, to economic policy instruments used for purposes of aggression, or, in the end, to economic consequences of national security policies. It may be argued that economic security also refers to the implementation of economic policies aimed at reducing levels of risk and ambiguity for national economic actors. Economic intelligence is one of the instruments which can be used to sustain for these policies.

Nevertheless, if the idea of the existence of an economic national interest is accepted and if attention is focused on economic security in the context of international political economy, the point of view takes a different turn. In this regard, economic security can be defined as the ability of a state to guarantee access to the resources, finance and markets necessary to sustain acceptable levels of welfare and state power. From this point of view, states are tasked to provide security of supply. Technology, raw materials, food and fuel are only a few fields where security of supply considerations can be raised.

An analysis of the relation between **economic security** and **geoeconomics** is fundamental to understanding what the activities are that Italy carries out in the Middle East and North Africa region to secure its national interests. Geoeconomics is basically an instrument to interpret power relations among state on an economic basis. It is the analysis of economic policy strategies aimed at protecting national economic interests and in the meanwhile at improving the presence of the national political-economic system on international markets.

The fundamental idea of the discipline is that war is no longer a viable option for the management of international relations. Thus, security issues related to the economic world have become the main focus of international relations, and hostilities among the states of the world have turned into economic competition. The Italian scholars Carlo

Jean and Paolo Savona became suddenly aware of this paradigm change and drafted important papers regarding the topic. They maintain that geoeconomic power is important for Italy because of its commercial attitude and because it is an instrument that can be used to exert its middle power status.

The increasing role of geoeconomics and of **national political-economic systems** in contemporary international politics has determined a re-evaluation of the notion of national interest. National interest is defined as a country's political, economic, military and cultural set of goals which is necessary to guarantee the integrity of the state. The idea which lies behind it is that countries tend to have their own interests, priorities and objectives to pursue. For example, Italy's foreign policy has focused on the Balkans and the Mediterranean region since the Fascist age. Of course, national interests can change in the long run but always in function of factors which influence power and wealth.

There are different ways to determine the **national interests** of a given country. The first method is through the analysis of the value chain. It is based on the identification of the most successful firms and economic activities by the state in order to understand which activities best contribute to the definition of economic national interests. Other common instruments are matrices as they provide global and operational proposals for policy-makers in order to effectively act when they implement security and foreign affairs policies. In the end, qualitative models provide policy-makers with evaluations that have been carried out by experts on the degree of probability for specific phenomena to happen.

There are several reasons why the Middle East and North Africa region represent a strategic market for Italian economic national interests. Firstly, geographical proximity makes it possible for small and medium enterprises to do their business at an affordable price. Secondly, business opportunities for Italian firms are favoured by the need of the countries of the region to diversify their economies. The principal consequence is the creation of a demand for investments from abroad that Italian firms can satisfy.

In 2015 Italy exported goods throughout the Middle East and North Africa region worth 34 billion euros and registered imports worth almost 27 billion euros. This is the result of an increasing trend as the net balances of imports from and exports to the region have risen respectively from 1.1% up to 6.4% and from 9% up to 17.2% if compared to 2014

values. In addition to this, North Africa and the Middle East constitute the 8.4% of total Italian exports and the 7.2% of the imports. International demand in the MENA area is high in mechanics, mineral products and consumer goods. The economies where Italy performs best in terms of exports destinations are respectively Turkey, the UAE, Saudi Arabia and Algeria.

The MENA region is the second area of destination of **Italian exports** after the EU. The 55% of exported goods are destined to this area, that means that Italian trade with the region is almost the same as that of the US and China. Expectations for these markets' to grow in next years are quite favourable. Despite the critical and uncertain situation, the Middle East and North Africa region should continue to experience positive economic growth until 2018 at least. The reasons for this are the implementation of massive public investment programmes in North Africa and an increase in luxury product consumption in the Middle East. Another favourable element is the increase in maritime traffics due to the enlargement of the Suez canal.

FDIs are another useful index for international trade. They are defined as the controlling ownership in a business enterprise in one country by an entity based in another country. They can consist of a number of economic activities like mergers and acquisitions, building new facilities, reinvestment of profits earned from overseas operations and intra company loans. FDI's can eventually result in a transfer of soft skills through training and job creation, availability of modern technologies and access to research and development processes. They have an important role in strengthening the national political-economic system.

For what concerns FDI's addressed to the countries of the MENA region from Italy, on one hand there are countries where the stock has increased during the last years (*e.g.* Tunisia) and other countries where it has decreased (*e.g.* Syria, Kuwait). On the other hand, in most cases the trend has been irregular and has registered a constant flux as what happened in the UAE or Egypt. The first three MENA countries for number of Italian enterprises are Tunisia (447), Turkey (285) and Morocco (162). Other countries where the Italian presence is relevant are the UAE, Egypt and Algeria.

Energy is another key element to understand the MENA region's importance for Italy's national economic interests. Generally speaking, energy security deals with the ability

of countries to provide security of energy supply to their national political-economic system. MENA is a region of both production and exchange of energetic resources. It accounts the 51% of global oil proved reserves and almost the same amount of natural gas. Energy relations with the countries of this region have always been one of the main challenges Italy had to face in its history up to current times.

Italy's energy interests in the region are carried out by the Ente Nazionale idrocarburi (ENI), which is a multinational oil and gas company partly owned by the government. The countries of the MENA region are thus an essential partner for both Italy and the ENI. Despite the recent political upheavals the flux of oil to our country continues to have a relevant volume. It is possible to state the same for gas, another fundamental resource for our industry which is provided to our country by a complex and wide system of infrastructures and underwater pipelines. Last year, the discovery of Zohr, the supergiant gas field located in the Egyptian off-shore, has revealed the enormous business opportunities for Italian companies in the region considering the gas sector.

Italian policy-makers are well aware of the importance of energy security in order to guarantee the interests of the national political-economic system. It is not by chance that the organisation in Rome of the 2014 high level conference *Building a Euro-Mediterranean energy bridge: the strategic importance of euromed gas and electricity network in the context of energy security* was firmly supported by Italian authorities.

When institutions and national economic actors cooperate together on strategic objectives it is possible to achieve results which have collective economic and political gains for the entire national political-economic system. The Italian company Leonardo-Finmeccanica has recently proved the validity of this statement by undertaking two important commercial operations with Kuwait and Qatar which have brought economic benefits both to the company and to the national-political economic system.

Leonardo-Finmeccanica is a global high-tech company and one of the key players in the aerospace, defence and security sectors. It has offices and industrial plants across fifteen countries, with a strong presence in Italy, the UK and the most important high potential international markets (e.g. Turkey, Saudi Arabia, the UAE). The company is partially owned by the Italian government through the ministry of Economy and

Finance and it has operated in the most strategic sectors of Italian industry since its creation in 1948.

The **contracts with Kuwait and Qatar** represent a virtuous and positive example of the potentiality that the Italian national political-economic system has when it works correctly. It is possible to state this as both agreements were signed by the prime contractors (Leonardo-Finmeccanica for what concerns Kuwait while Fincantieri for the contract with Qatari) and by the respective Ministers of Defence. Leonardo-Finmeccanica's investments in this region are not new and the industrial plan 2015-2019 provides important investments in the countries of the region. Thanks to such operations, Italy can still be considered an economic middle power in the MENA regional context.

The contract signed with Kuwait in April 2016 concerned the provision of 28 Eurofighter Typhoon warplanes by Leonardo-Finmeccanica to the local government. They are the most advanced new generation defence multirole aircraft on the market. According to the CEO Mauro Moretti, it is the company's largest ever commercial achievement as the overall value of the contract is between 7 and 8 billion euros. The aircraft will be produced in Italy and the first models are expected to be delivered in 2019. The agreement includes logistics and operation support, as well as training of both aircrews and ground personnel.

The contract is the result of an intergovernmental agreement as negotiations were led by three different Italian governments and the deal was eventually signed by the respective Ministers of Defence. In addition to this, the Eurofighter is the product of a European consortium composed of Italy, the UK, Germany and Spain. The fact that Leonardo-Finmeccanica was awarded the task of running negotiations as prime contractor by its European colleagues is evidence of the successful results institutions and firms can achieve when they work in synergy.

Almost one year after the signing of the deal with Kuwait, Leonardo-Finmeccanica obtained another extraordinary commercial result in collaboration with Fincantieri, the most important Italian shipbuilding company. In fact, in June 2016 both companies sign a 4 billion euros contract with the Qatari government for the modernisation of the local navy. The terms of the agreement establish that Fincantieri would build 7 new ships for

the local navy: 4 corvettes, 1 landing platform deck, 2 off-shore patrol vessel. Leonardo-Finmeccanica, which is going to earn almost the half of the entire amount, is entrusted with equipping them with the latest generation of naval systems and sensors.

The analogies with the previous case are several. Firstly, the agreement was preceded by intense diplomatic talks which eventually culminated in an intergovernmental agreement. Moreover, this commercial operation has an important political and strategic value as it puts Italy in a condition to improve its industrial and military relations with an actor belonging to a sensitive area of the world. Mr. Giovanni Soccodato, executive vice-President of market strategies and business development of Leonardo-Finmeccanica, puts stress on the fact that both the agreements represent successful operations carried out by the Italian national political-economic system as a whole. They are evidence of the fact that the Italian high technology defence and security industry is still appreciated worldwide and that national institutions are considered as credible interlocutors.

In conclusion, on the basis of the analysis of data related to Italy's trade in the MENA region and considering the case study, it is possible to state that, from an economic point of view, Italy can be considered as a middle power also in the Mediterranean region. This is possible thanks to the ability of institutions and firms to act as a true *sistema-paese* in order to accomplish economic national interests.

The **policy lines** which can be derived are the following:

- Italian policy-makers should continue to encourage these joint operations between institutions and national companies.
- More resources should be invested in economic intelligence in order to improve the protection of Italian firms and to increase the attractiveness for FDIs.
- Empower companies' business intelligence offices to gather data which should eventually be transmitted to national economic intelligence actors.
- Improvement of the functions and structure of the *Cabina di regia per l'internazionalizzazione economica*.