EXECUTIVE SUMMARY

Italy is watching the outcome of the U.S. presidential election closely, as the results could have significant implications for cooperation on security, trade, and global challenges. On the economy, a second term for President Donald Trump could mean more tariffs, whereas an administration led by former Vice President Joe Biden is more likely to pursue conflict-free trade relations with Europe. On climate, there will almost certainly be more commonalities with a Biden administration than a second Trump term, as Biden has repeatedly identified climate change as pillar of his domestic and foreign policy agendas. On security issues, a second Trump administration is expected to continue its alternatingly dismissive and antagonistic approach toward the North Atlantic Treaty Organization (NATO) and contribute to protracted tensions around defense spending. Meanwhile, Biden has said he will prioritize the restoration of American leadership and trust between transatlantic allies; he (like Trump) would likely continue reducing the scope of U.S. involvement in North Africa and the Middle East, which are key areas for Italian and European security interests. Finally, the candidates’ postures toward China and Russia are of great interest to Italy in light of technology competition concerns, as well as minding the trade-offs between economic opportunities and security risks.

There are at least four actions that the next U.S. administration should consider in its future engagements with Italy: Recognize that fostering new industrial linkages with transatlantic allies and protecting jobs at home is not a zero-sum game; seek overlap with Italy’s green economy plans and capitalize on existing cooperation in the renewable energy sector; restore trust with allies and leverage Italy as a capable security partner; and coordinate with allies on China and count on Italy as partner to dialogue with Russia.

INTRODUCTION

Over the past four years, relations between the United States and Italy have remained insulated from the overall decline of the transatlantic relationship. Trade volumes between the two countries — which have been on the rise over the last 10 years — continued upward, and security ties remained intact across several theaters. Nevertheless, Italy is watching the outcome of the U.S. election closely, as the results could have significant implications for cooperation on security, trade, and global challenges.

What would a second term for U.S. President Donald Trump versus a new administration led by former Vice President Joe Biden mean for U.S.-Italy relations? Four key intersection points are worth examining.
ECONOMY

Discussions on tariffs and trade have dominated transatlantic relations under the Trump presidency. Following the World Trade Organization’s (WTO) settlement of the Airbus dispute in October 2019—a long-running disagreement between the U.S. and European Union over state subsidies on the aircraft industries—the U.S. administration imposed $7.5 billion in tariffs on European goods. However, thanks to both diplomatic and commercial lobbying efforts, Italy managed to avoid the brunt of these tariffs. While a tit-for-tat trade fight hampered U.S. economic relations with much of Europe, trade volumes between the U.S. and Italy increased in 2019, and as of June 2020, the United States is the third-largest market for Italian exports (after Germany and France). However, as of May 2020, U.S. import volumes from Italy were down significantly compared to 2019. While this decline is largely attributable to the COVID-19 pandemic, the historical upward trajectory of U.S.-Italy trade relations must not be taken for granted.

A second Trump administration will likely feel emboldened to impose long-threatened tariffs on European cars and auto parts, which would be acutely detrimental to Italy, the third-largest European car exporter to the United States and key supplier of intermediary parts for the German car industry. President Trump could also impose additional tariffs on European goods in response to domestic digital services taxes that several countries, including Italy, have set for U.S. tech giants.

In contrast, Biden foreign policy adviser Anthony Blinken stated that a Biden administration will “end [the] artificial trade war with Europe.” That said, it is highly unlikely that Biden would engage Europe in a new trade deal on par with the Transatlantic Trade and Investment Partnership (TTIP) that Barack Obama attempted. Biden’s economic recovery plan has a strong domestic focus, which includes the $400 billion “Made in All of America” scheme, encourages government purchases of domestic goods, and prioritizes bringing critical supply chains back to the United States—actions that risk cutting off many European suppliers. Yet despite these protectionist tendencies, Biden would almost certainly aim toward conflict-free trade relations and open communication between the United States and Europe. Biden’s willingness to work with European allies could pay immediate dividends. In October, the WTO released another ruling on the Airbus dispute, which allowed the European Union (EU) to impose $4 billion in tariffs on U.S. goods in retaliation for subsidies accorded to Boeing. A cool-headed response could help de-escalate tensions and alleviate the market uncertainties that are particularly harmful for export countries like Italy. Moreover, in the digital sphere, a Biden administration is likely to push for greater technology regulation, including stronger action on competition and stricter guidelines for data privacy (which would correspond more closely with ongoing European efforts).

CLIMATE CHANGE

Italy has long dragged its feet on measurable environmental action, focusing instead on other structural problems perceived as more urgent. However, mounting public concern about climate change in recent years has pushed policymakers to take more concrete action, positioning Italy as a key protagonist on environmental issues. In his September 2019 speech to the U.N. General Assembly, Prime Minister Giuseppe Conte affirmed that “Italy intends to play a leading role in the global fight against climate change,” a goal that has been reiterated in Italy’s priorities for its upcoming G-20 chairmanship.

Over the past year, the environmentally conscious Democratic Party (PD)-Five Star Movement (M5S) coalition undertook a flurry of legislation: introducing mandatory climate and sustainability education in public schools, passing the “Salvamare” decree
promoting cleaner oceans and waterways, and approving updated recycling regulation. In addition to aligning with the EU Commission’s European Green Deal (a set of policy initiatives with the primary goal of making the EU carbon-neutral by 2050), Italy committed to a “Green New Deal” of its own — allocating a reported €33 billion over 15 years toward diversifying Italy’s energy mix and building a circular and more equitable economy.13

On climate, there will almost certainly be more commonalities with a Biden administration than a second Trump term, as Biden has repeatedly identified climate change as pillar of his domestic and foreign policy agendas. Both the “Biden Plan for a Clean Energy Revolution and Environmental Justice”14 and the 2020 Democratic party platform mirror Green New Deal objectives already underway in Europe: achieving net-zero greenhouse gas emissions by 2050, imposing carbon tariffs on countries that are not meeting climate targets, conserving wildlife and habitats, and divesting from fossil fuels, among others. Aside from recommitting to accords like the Paris Agreement, Biden’s plan also indicates that his administration would offer countries that have signed onto China’s Belt and Road Initiative (BRI) — including Italy, a BRI signatory since March 2019 — “alternative sources of development financing for lower carbon energy investments.”15

Conversely, the Trump administration has repeatedly promoted fossil fuels, displayed indifference toward public lands, and disregarded scientific data. Trump has lent credence to climate change deniers and rejected international cooperation on the matter by exiting the Paris Agreement. Such an approach resonates with and sets an example for the opposition parties in Italy (Forza Italia, the League, and Brothers of Italy) who have been disengaged on climate change.

SECURITY

The United States and Italy share crucial and historic security ties. Italy is the second-largest host of U.S. troops in Europe (after Germany),16 second-largest contributor to NATO out-of-area operations (after the United States),17 and the largest European contributor to U.N. peacekeeping missions.18 Italy’s geographic position makes it strategically and geopolitically significant for all operations concerning the Mediterranean, from North Africa to the Balkans. In Afghanistan, Iraq, Libya, and Niger, Italian and U.S. troops operate together. Italy has a leading role in international missions in Lebanon, Kosovo, and Somalia.

Over the past four years, the Trump administration’s foreign policy disregarded coordination with NATO allies on several occasions, such as the negotiation of the peace deal with the Taliban, the killing of Iranian General Qassem Soleimani, and most recently, the withdrawal of U.S. troops from Germany and the unwillingness to cooperate on the COVID-19 pandemic. Meanwhile, Italian and European countries have redoubled their efforts to stabilize Libya (crucial to tackling the migration crisis) and to fight terrorism and human trafficking in the Sahel region. Italy’s security commitments have not changed. Yet, Rome has had to find new interlocutors given the intermittent absence of the United States, especially on the Libya dossier, which is the top priority for Italian national security.

With a second Trump administration, one can expect more of the same, especially the detrimental approach toward NATO and animosity around defense spending (Italy’s defense expenses are way below 2% of GDP).19 While reaching the 2% level for defense spending may be easier with GDP plummeting worldwide, many countries will find it difficult to resist the impulse to redirect resources toward domestic economic recovery given the heavy
economic toll of COVID-19. It is also plausible that Trump may call for another sudden removal of troops (he recently tweeted that he was going to bring back all U.S. troop from Afghanistan in time for Christmas), further engendering a sense of insecurity among American allies. As Biden wrote in an April 2020 Foreign Affairs article and repeated several times on the campaign trail, he would prioritize the restoration of American leadership and trust between transatlantic allies and focus on coordination in the security domain, with special attention to NATO. However, both candidates are likely to keep reducing the scope of U.S. involvement in North Africa and in the Middle East, avoiding long and costly commitments as well as unnecessary interventions.

**RELATIONS WITH GREAT POWERS**

Over the past decade, the United States has engaged in growing economic and geopolitical competition with China and Russia. Under the Trump administration, the United States has embroiled itself in a trade war with China (in addition to levying tariffs on European goods), which has alienated the U.S. from its European allies who continued engaging with China, seeking FDIs, and pursuing access to Chinese markets and technologies. In this context, Italy sought new avenues for economic growth by signing a memorandum of understanding with China to join the BRI — a move that was not welcome in Washington. Following the outbreak of COVID-19 and growing concerns Chinese economic and political exploitation of the crisis, Italy and Europe have adopted a more cautious approach towards Beijing.

In a second Trump term, one can expect the same aggressive narrative toward China and an attempt to compel Europeans to deal with China on American terms. Conversely, a potential Biden administration would probably not adopt as hawkish of an approach toward China as Trump, but this would not necessarily be a weakness. As Biden wrote in his Foreign Affairs piece, he would look for transatlantic coordination to “stand up to China and negotiate from the strongest possible position,” especially on rising security challenges in the technological sphere that risk compromising strategic infrastructure. Italy would benefit from this approach as it would lead to a more shared and inclusive strategy, that could also leave the door open to cooperation with Beijing on global challenges.

Relations with Russia have polarized the U.S. political debate since Russia’s election interference, disinformation campaigns, and cyberattacks in 2016. During the first two years of his presidency, Trump expanded sanctions on Russia and sent weapons to Ukraine. Yet in January 2019 he tempered this stance by removing sanctions for Russian aluminum companies. Further, Trump’s lack of political will to enforce the sanctions undermined their efficacy. It is likely that in a second term, Trump would soften even more, and might be ready to give up support to Ukraine if a more convenient deal with Russia materialized.

For his part, Biden is likely to engage Russia more on arms control than Trump (who withdrew the U.S. from the Intermediate-Range Nuclear Forces [INF] treaty in 2019 and Open Skies Treaty in 2020), with Biden pledging to extend the new START treaty before it expires in February 2021. However, he is also likely to adopt stronger stances toward Moscow and less likely to lift sanctions — in 2014, Biden personally worked to gather consensus in Europe on imposing Russian sanctions. Should he become president, Biden has proposed a “summit of democracies” in order to renew the West’s commitment to democratic principles, which stand in opposition to Putin’s authoritarian power. Biden would also crack down on international money laundering, which he sees as an important tool Russia uses to exert influence on Western politicians. Meanwhile, Italy and Russia maintain consistently strong economic and political ties — stemming from their complementary economies, fruitful energy relationship, and the close personal ties between leaders. As such, Italy will attempt to build bridges between the U.S. and Russia, especially if Washington should opt for a harder line on Moscow.
WHERE TO WORK WITH ITALY

The next American administration should consider the following actions on the U.S.-Italy intersection points described above:

1. **Recognize that fostering new industrial linkages with transatlantic allies and protecting jobs at home is not a zero-sum game.**

Amid the economic devastation wrought by the pandemic, protectionist trends will likely be seen across the globe. However, COVID-19 has presented an opportunity to reimagine the economy, starting with building and bolstering reliable supply chains. To that end, Italy recently shared its agenda for its 2021 chairmanship of the G-20, which will focus on digitalization, climate change, sustainable energy sources, and economic inequalities. Relaunching multilateralism on these issues could increase mutual gains and prevent intra-European competition, forestalling the critical supply shortages and national stockpiling that hobbled Europe’s early pandemic response. Specifically, Italy and the United States could leverage existing and successful ties in innovative, high-tech sectors, such as the pharmaceutical, machinery, and chemical industries. These sectors are part of the larger Italian footprint in the United States, which in 2018 accounted for $31.26 billion in FDI and 78,200 U.S. jobs.

2. **Seek overlap with Italy’s green economy plans and capitalize on existing cooperation in the renewable energy sector.**

As the impacts of climate change on the peninsula become increasingly and alarmingly clear to the Italian public and political establishment, the U.S. would do well to capitalize on Italy as a new and willing partner on climate issues as well as on green transitions and investments. The United States would then be poised to present itself as an alternative to Italy’s traditional energy suppliers, namely Russia. Toward the broader effort of a more sustainable economy, the next U.S. president could leverage the long-standing engagement of the Italian energy company ENI in North America (where it has had a presence since 1968), which has recently ramped up cooperation with Falck Renewables North America Inc. for the development of solar photovoltaics, onshore wind, and energy storage.

3. **Restore trust with allies and leverage Italy as a capable security partner.**

Restoring trust with allies will allow the United States to delegate security tasks and disengage from the areas it no longer considers security priorities without leaving power vacuums, which can be exploited by malign actors. In this regard, the U.S. should leverage Italy’s long-standing engagement in the Mediterranean. Aside from Libya, where Italy has knowledge on the ground and important energy ties, Italy could be crucial for mediating tensions in the Eastern Mediterranean between Greece and Turkey, given Rome’s strong ties with Ankara. Italy is the second-largest trade partner for Turkey in Europe (and has lobbied for years for Turkey to become a member of the EU). Moreover, in areas like Afghanistan or the Balkans, Italy has taken over a command role. Italy has also been at the forefront of counterterrorism operations in the Sahel and Syria, and is a key member of the anti-ISIS coalition. At the same time, a discussion over defense spending within the alliance should consider the hardship of COVID-19 and be broadened to include concepts of security involving the new challenges dictated by climate change and global health.

4. **Coordinate with allies on China and count on Italy as partner to dialogue with Russia.**

European states have strengthened their stances toward China, enacting stricter regulations on trade, investments, and cyber. It is time for the United States to endorse such efforts and join forces with Europe to engage with Beijing from a decisive and unified standpoint. Without such coordination, Chinese economic and technological power will have the upper hand in bilateral relations,
especially for the most fragile economies, and allied countries will find themselves in competition with one another. This will help Italy take a more decisive approach as well.

On Russia, given Italy’s historically strong political and economic ties with Moscow, the United States could count on Rome as partner to find alternatives to sanctions without compromising on security.
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