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# *Relations between the United States of America and Italy in the post-Cold War period: a defense-industrial perspective*

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- 1 This paper focuses on the relations between the United States of America and Italy in the post-Cold War period from the perspective of defense procurement and industrial cooperation in relation to the strong military and political relationship between the two countries. It will consider how the concentration and internationalization of the Italian defense industry –epitomized by the build-up of Finmeccanica as a global player in the defense market– is related to U.S.-Italian relations in defense. Procurement programs involving American and Italian governments will be analysed, with a particular focus on the F-35 aircraft, together with the penetration of U.S. markets by Italian defense companies such as AgustaWestland and Fincantieri. This cooperation relied on an important Memorandum of Understanding (MoU) signed by the United States and Italy already in 1978, which established the necessary political and security frameworks for procurement programs and cooperation activities.
- 2 Such a defense-industrial perspective should not be isolated from broader military and political relations between the United States and Italy, which have been particularly important in terms of Italy's contribution to U.S.-led military operations in Europe, Central Asia and the enlarged Mediterranean.<sup>1</sup> Indeed, the final part of the paper argues that there is a two-way relationship between defense-industrial and politico-military cooperation.

## **The concentration and internationalization of the Italian defense industry**

- 3 Since the end of the Cold War, the Italian defense industry has experienced two complementary phases: concentration and internationalization. The latter can be further

divided into two specific moments: the European phase of internationalization and the transatlantic one. A detailed analysis of the entire process through which the Italian defense industrial base developed and expanded lies beyond the scope of this paper. The focus will rather be on the fundamental steps related to the concentration and internationalization of the Italian defense industry, and in particular of Finmeccanica as the eighth-largest company in aerospace, defense and security.<sup>2</sup>

- 4 In the early 1990s, the Italian defense industry was very fragmented in a constellation of small and medium enterprises (SMEs) without the presence of a big national defense company able to compete on the international market. It suffered from duplication and experienced an over-reliance on the domestic market as well as on multinational defense programs based on the principle of *juste retour*.<sup>3</sup> The majority of business activities were civilian-oriented and almost all companies had deep roots in the domestic market with a limited international business perspective.
- 5 Entering the market of other Western countries was rather difficult, as the two major industrial players –EFIM<sup>4</sup> and IRI<sup>5</sup>– were until the early 1990s totally owned and controlled by the State, establishing a direct *fil rouge* between companies' industrial strategies and Italy's defense and foreign policy. Both EFIM and IRI were state-owned conglomerates holding the majority of Italian aerospace and defense companies. For instance, EFIM owned, among others, the helicopter manufacturer Agusta, the defense company Oto Melara and the electronic enterprise Officine Galileo. The IRI subsidiary STET<sup>6</sup> held enterprises with specializations in security and defense electronics such as Selenia, Elsag and SGS Thomson. At that time, Finmeccanica was an IRI subsidiary holding three main companies: Aeritalia, Alfa Romeo (later acquired by Fiat) and Ansaldo.
- 6 Such a fragmented industrial landscape gradually changed in ten years, as the concentration phase started in 1992. The process was not easy, due to strong political and industrial interests in maintaining the *status quo* of a plurality of small and medium enterprises totally controlled by EFIM and IRI.<sup>7</sup> However, the objective of creating the so-called “national champion” prevailed, and in May 1993 an industrial plan was approved to take advantage of all possible synergies between Finmeccanica and EFIM companies. In particular, Finmeccanica had direct interests in twenty-eight of the about 100 EFIM companies. Among these, Agusta, Siai Marchetti, Oto Melara, Officine Galileo, Breda Meccanica Bresciana and Sma were acquired by Finmeccanica. The company then undertook a privatization process in 1993, when it was listed on the Milan Stock Exchange.<sup>8</sup>
- 7 The rationale behind this decisive step towards the rationalization of the Italian defense industry was delineated by Fabiano Fabiani, chief executive officer (CEO) of Finmeccanica in those crucial years. In September 1993 Fabiani explained the idea to move from a fragmented and inefficient business logic with several uncoordinated companies to a more integrated and efficient industrial group able to compete on European and international markets.<sup>9</sup> During a hearing at the Senate commission in charge of supervising the privatization of state-owned companies, Fabiani introduced the company's strategic guidelines by identifying the core business areas in which Finmeccanica would allocate the majority of its financial and human resources: aerospace and defense. Fabiani also declared his intention to complete the company's consolidation on the domestic market and then enter the international one.<sup>10</sup>

- 8 Meanwhile, the restructuring and rationalization of the Italian defense industry proceeded and the internationalization phase took its first steps. This process can be outlined by dividing it into two lines of action: a European phase of internationalization and a transatlantic one. They are not separated but rather complementary and consecutive.<sup>11</sup> The first line of action can be linked to the lead of Alberto Lina as CEO of Finmeccanica since 1997 and was mainly characterized by a business model centred on the creation of joint ventures and partnerships with European companies. Such an industrial strategy seems to coincide with strong political activism by Italian governments at a European level<sup>12</sup> in a period when many states in Europe were led by progressives. The analysis of Finmeccanica's European partnerships is beyond the scope of this paper. We will only state that, as of 2012, the company accounted for 21 percent of the Eurofighter consortium and 25 percent of the European missile producer MBDA, in both cases with EADS and BAE Systems as major shareholders, and had constituted two joint ventures with Thales producing space assets and services: Thales Alenia Space, 67 percent owned by Thales, and Telespazio, 67 percent owned by Finmeccanica.<sup>13</sup>
- 9 During the transatlantic phase, instead, Finmeccanica seemed more inclined to develop partnerships and penetrate the two most important Atlantic defense markets, the United States and the United Kingdom. This period could be linked to the lead of Pier Francesco Guarguaglini as CEO of the Italian defense company since 2002. Finmeccanica started to refine its international strategy in order to achieve a leadership position in certain sectors.<sup>14</sup> Such a strategy implied a different course of action in terms of alliances and JVs. Previously, the Italian company took part in several European and international partnerships, but it had always played a junior role without aspiring to a leading position. Under the leadership of Guarguaglini, one of the main industrial objectives was to reverse this trend through two industrial policies: acquiring, where possible and in line with overall strategy, the entire equity stake of particular JVs; and moving towards the establishment of equal partnership in specific defense sectors in which Finmeccanica would have decided to play a more decisive role on a case by case basis.<sup>15</sup>
- 10 In this context, two of the most important business operations carried out by Finmeccanica have regarded the United Kingdom, paving the way for penetration in the U.S. defense market. In 2004, Finmeccanica acquired the shares held by the UK company GKN of the JV AgustaWestland, established when Alberto Lina was the CEO of Finmeccanica. Through this decision, Finmeccanica became sole owner of the helicopter company, ensuring a leading position in one of the most dynamic industrial sectors crossing the defense and civilian markets. The total amount of the operation was estimated at around \$1.5 billion, one-tenth of the whole turnover of the industrial group.<sup>16</sup>
- 11 The second key step concerned the defense electronics sector. After long negotiations with the British counterpart BAE Systems, Finmeccanica created two companies, totally owned and controlled by the Italian company: Selex Communications and Selex Sistemi Integrati. Moreover, in the aviation field, Finmeccanica and BAE Systems established the JV Selex Sensors Airborne Systems with a shares division of 75 percent and 25 percent, respectively.<sup>17</sup> In other words, the United Kingdom became the second "domestic market" of Finmeccanica, with more than 9,000 employees, and Finmeccanica became the second major supplier for the UK MoD. As affirmed by Guarguaglini, these two decisive business achievements represented a privileged channel in order to further improve Finmeccanica's position in the U.S. defense market.<sup>18</sup>

## Defense procurement and industrial cooperation between the United States and Italy

- 12 U.S. political and industrial attention in Italy's defense sector has been constant since the end of World War II, in particular regarding the aeronautic sector. High-level contacts as well as partnerships and cooperation agreements with Lockheed Martin, McDonnell Douglas and later with Boeing were established during the Cold War. For example, the F-104S Starfighter was a licensed Italian version of the Lockheed F-104 Starfighter, which served in Italy's Air Force from the late 1960s until the late 1990s.
- 13 In the post-Cold War period, defense industrial relations between Rome and Washington included two important elements: first, relevant procurement programs, both concluded and still ongoing, such as the C130J and C27J Spartan transport aircraft, the KC-767 tanker, the Medium Extended Air Defense System (MEADS) and, above all, the F-35 fighter aircraft; second, the penetration of U.S. defense markets by Finmeccanica, AgustaWestland and Fincantieri.

### The aerial triad and the A400M

- 14 A first relevant case regarded two military transport aircraft –the Lockheed Martin C-130J and the Alenia C-27J Spartan. In August 2000 the Italian Air Force received its first C-130J with the primary intent of supporting the intervention of Italian troops in missions abroad, as well as transporting personnel contaminated by biological agents. In order to continue the modernization process started with the C-130J, in early 2000 Italy also ordered twelve C-27J transport aircraft from Lockheed Martin Alenia Tactical Transport Systems (LMATTS), a company equally owned by Lockheed Martin and Alenia Areonautica.
- 15 The partnership of Lockheed Martin and Alenia Areonautica had been set at the time of the acquisition of the C-130J by Italian authorities when an offset agreement was reached to involve the U.S. company in the development and production of the C-27J.<sup>19</sup> Conceived to replace the old medium-sized military transport aircraft G-222, the C27J was to be part of an aerial triad alongside the C-130J and a future tanker (KC-767) to sustain Italian military operations outside national territory. The deal was generally well received by experts, who praised the Italian Armed Forces for the operation, which allowed the acquisition of new modern aircraft while limiting expenses, thanks to the support of the Ministry of Industry and the acquisition of the old G-222 by LMATTS.<sup>20</sup> The new aircraft received its airworthiness military certificate in December 2001 and was delivered to Italian authorities in 2005.
- 16 Italy's role in the European A400M program was strictly related to previous transport aircraft programs. In July 2001 five EU countries –Belgium, France, Germany, the United Kingdom and Portugal– and Turkey signed a memorandum of understanding stating their intention to buy a number of A400Ms developed and produced by Airbus Military.<sup>21</sup> In July 2000, the progressive Italian government led by Prime Minister Giuliano Amato had decided to support the Airbus project with a potential acquisition of sixteen aircraft.<sup>22</sup> Nonetheless, one year later –in December 2001– the newly established conservative

government led by Silvio Berlusconi reversed that decision, causing the withdrawal of Italy from the program.

- 17 The episode received national and international attention, and various explanations of the decision were put forward. First, the Italian company Alenia was not satisfied with the 8 percent work-share assigned for its eventual involvement in the program<sup>23</sup> and there was little room for manoeuvre to improve it since agreements already had been signed with French, German and Spanish suppliers, while the C27J/C130J was seen as promising industrial partnership with Lockheed Martin. The second explanation was more political and was based on the arguments put forward by the Italian defense minister, Antonio Martino: he said the aircraft was expensive and useless to the Italian Air Force, which had already selected the U.S. C-130J and the C27J.<sup>24</sup> Moreover, at that time the future European transport aircraft was still just a plan, while the U.S. platforms were already developed. After strong reactions from major representatives of the government –namely the foreign affairs minister, Renato Ruggiero– and the parliament, Martino reported to Parliament on the Airbus case in October 2001.
- 18 The third component of the Italian Air Force’s aerial triad –besides the C130J and C27J– is the Boeing KC-767 tanker. In July 2000 Italian authorities issued a request for proposals for the acquisition of a new tanker aircraft. At that time, only two competitors had developed a tanker aircraft suitable to replace the old tanker air fleet: the U.S. company Boeing, with its civilian 767, and the European consortium EADS, with the Airbus A330. Two years later Italy selected Boeing to procure four KC-767s, conceived for air refueling as well as for long-range troop transportation.<sup>25</sup> Once more, the Italian company Alenia Aeronautica was initially involved in the program as it was responsible for converting the original civilian version of the aircraft –the 767, built in Kansas– into the tanker variant.<sup>26</sup> The preference for an American supplier over the European one was partly motivated by the fact that an offset deal was reached concerning the assembly of the aircraft in Italy, although the offset proposed by EADS was also significant.
- 19 The United States had already said it needed to replace its tanker fleet –which mainly consisted of old KC-135s– but the U.S. Air Force officially requested the purchase of the KC-767 only in early 2003, following evaluations concerning the costs and technical capabilities of Boeing’s tanker. By the end of the same year, irregularities in the procurement process started to emerge,<sup>27</sup> but the Italian government confirmed its intention to be the “first customer” of the U.S. tanker with the first delivery expected in spring 2007. After various bureaucratic and legal problems, a new competition was opened by the U.S. government, and in February 2011 Boeing was announced the winner, acquiring a contract of approximately \$35 billion. Italy received its first and second KC-767 aircraft in January and March 2011, which were later deployed during the Unified Protector operation in Libya. The fourth and last KC-767 was delivered in 2012.
- 20 The medium extended air defense system (MEADS) is aimed to ensure mobile missile protection from air threats for military or civilian sites and troops deployed on the ground. According to Italian official documents, this meets both NATO’s and Italy’s requirements for flexible, interoperable, deployable and sustainable air defense.<sup>28</sup> The United States launched the requirement in 1989 and immediately looked for European partners. In 1995, a declaration of intent was signed by the United States, France, Germany and Italy, followed in 1996 by a memorandum of understanding on the program definition/validation phase. After France’s withdrawal, the memorandum was modified so that costs were divided among the three remaining partners in the following way:

United States 60 percent, Germany 25 percent, and Italy 15 percent. The procurement program is based on the principle of *juste retour*, which implies substantial equality between each government's investment in the program and the investment return for its national defense industry. The memorandum envisages that each country may review its participation in subsequent phases, that the initial cost share may change, and that each partner country can leave the program.<sup>29</sup>

- 21 In 1996, considering the importance attached by the Atlantic Alliance to air defense against ballistic missiles, the program was enshrined in the NATO framework by creating the NATO MEADS management agency. In 1999 it was chosen as prime contractor in the MEADS International consortium composed by Lockheed Martin, Daimler AeroSpace and Alenia Marconi System. It is noticeable in this regard that Italian (and German) industries are not subcontractors of the U.S. prime but part of the joint venture, which acts as prime contractor. After a \$231.8 million risk reduction phase financed 55 percent by the United States, 28 percent by Germany and 17 percent by Italy, in 2005 a \$3.4 billion contract was signed between NATO MEADS management agency and MEADS International for the system development and demonstration phase. The costs of this contract would be shared by the three governments on the basis of the same percentage, and the national industries part of MEADS received equally divided investments: 55 percent to Lockheed Martin, 28 percent to European Aeronautic Defense and Space (EADS<sup>30</sup>) and 17 percent to MBDA Italia.<sup>31</sup> In particular, MBDA Italia worked on missile launchers, reloaders and multifunction fire control radar.
- 22 The MEADS system's preliminary design review was completed in 2008,<sup>32</sup> while the system-level critical design reviews were passed and completed two years later.<sup>33</sup> At that moment representatives of the management agency and all states involved evaluated the results of the design work positively and decided to advance towards further system integration and a test phase. The first tactical operations centre and the first launcher were delivered to MEADS International at the end of 2010.<sup>34</sup> In early 2011, the United States expressed its intention to cease participation because of rising costs and severe cuts in the defense budget. Nevertheless, the U.S. government continued to support MEADS development, as Pentagon officials declared that the three countries involved in the program would be able to harvest technologies from it and upgrade current missile defense systems or use the technology for other purposes.<sup>35</sup> MEADS conducted its first flight test at White Sands missile range, New Mexico, in November 2011. In April 2013, Defense Secretary Chuck Hagel reassured Germany and Italy that the United States would fulfill its commitment to fund the MEADS program through fiscal year 2013. Congress allocated \$380 million to the program, although the amount is subject to a 10 percent reduction due to sequestration.<sup>36</sup>
- 23 Because of growing opposition to the program by U.S. lawmakers,<sup>37</sup> however, it is possible that the United States will opt out of the program in 2014, leaving to Germany and Italy the responsibility to decide if and how to continue its development. On September 2013 a senior Lockheed Martin manager said the Polish government had proposed joining the program and that governments in the Middle East and Asia also had expressed interest in MEADS.<sup>38</sup>

## Italy's participation in the U.S.-led F-35 procurement program

- 24 The F-35 procurement program deserves specific attention because of its military, industrial and political importance. The program is aimed to deliver a fifth-generation fighter aircraft with net-centric and stealth characteristics. Total U.S. investment in the F-35 is nearing \$400 billion to develop and procure 2,457 fighter aircraft by 2037.<sup>39</sup> The multinational procurement involves Australia, Canada, Italy, the Netherlands, Norway, Turkey and the United Kingdom, while Japan and Israel have selected the aircraft through the foreign military sale process. As a whole, around 3,000 aircraft are set to be produced and sold worldwide. The five-year-long evaluation of the proposals presented by two consortia, led respectively by Boeing and Lockheed Martin, ended on 26 October 2001 when the U.S. Department of Defense awarded the contract to Lockheed Martin. After a prolonged phase of system development, demonstration and testing, the first aircraft were delivered to the United States and other members of the multinational program.
- 25 The F-35 program changed the way allied countries such as Italy participate in a U.S.-led multinational procurement. In fact, they were involved since the development phase through a number of bilateral memoranda of understanding within the framework memorandum covering the entire program. The F-35 program does not formally recognize the principle of *juste retour* or the logic of offsets, which are industrial compensations granted to partner or customer countries buying the defense product. The F-35 procurement, rather, is based on the principle of best value for money. In theory, industries from all partner countries compete to become suppliers of the U.S. prime contractor. That means the memoranda do not envisage the exact industrial return for partners' national industries, and nor do they prescribe the workshare to match the costshare.<sup>40</sup> In reality, so far, the economic contribution of many allied governments is often roughly matched by the investment returns for their national defense industry. A good example is represented by the Italian case.
- 26 Italy joined the program in 1998 with an initial investment of \$10 million. According to the report presented in 2002 by the Air Force chief of staff, the F-35 perfectly met national requirements and offered the best guarantees in terms of interoperability and standardization in the context of multinational operations.<sup>41</sup> In 2002, Italy and the United States signed a bilateral addendum envisaging, among other things, an Italian financial contribution of \$1,028 million covering 2002-2013.<sup>42</sup> In 2007, the Italian government signed a new memorandum related to the next phases of the procurement program, involving an Italian investment of \$903 million.<sup>43</sup> The undersecretary of state at that time, Lorenzo Forcieri, declared at a hearing at the defense committee of the Italian Parliament that contractual commitments by Lockheed Martin with Italian industries amounted to \$1,018 million, with 10,000 workers expected to be employed in various regions.<sup>44</sup> In 2009, the Italian and U.S. governments agreed to build an assembly facility in Cameri (province of Novara, northern Italy), the only one outside the United States, involving an Italian investment of \$796 million. In 2012, the number of aircraft to be purchased was reduced from 131 to 90<sup>45</sup> because of the austerity policy undertaken by the government led by Mario Monti. However, in 2012, the national armaments director, General Claudio Debortolis, confirmed that Italy's acquisition of 90 F-35 was needed to replace 253 aging aircraft introduced in the 1970s and '80s, including the Tornado, AMX and Harrier.<sup>46</sup> This

decision survived the Parliamentary debate in 2013, when a motion was tabled to suspend the whole procurement program in light of the economic crisis affecting Italy and later was rejected.<sup>47</sup>

## Italian penetration of the U.S. defense market

- 27 While the U.S. industrial presence in Italian markets dates to the aftermath of World War II, Italian penetration of the American market is a recent phenomenon occurring largely after the end of the Cold War. The Italian case is not unique in Europe: since the 1990s major European companies such as BAE Systems and EADS made efforts to bid for U.S. Department of Defense procurement, for example by establishing subsidiaries or joint ventures in the United States. At least four major examples are noteworthy with regard to the penetration of the U.S. defense market by Italian defense industries: AgustaWestland's supplies for the US101, the acquisition of DRS by Finmeccanica, Fincantieri's participation in the Littoral Combat Ship program and Beretta supplies to the U.S. Army.
- 28 In July 2002, Lockheed Martin and AgustaWestland signed a ten-year agreement to jointly market, produce and support a medium-lift helicopter, the AW101, then named US101, in the United States. In May 2003, AgustaWestland signed an agreement with Bell Helicopter to undertake final assembly of the US101 in the United States. According to the deal, AgustaWestland would produce the main rotor blades and fuselage sections at its U.S. facility and other components, including the gearbox, at its Italian facility.
- 29 In December 2003, the U.S. Department of Defense issued a request for proposals to supply twenty-three helicopters to replace eleven VH-3Ds and eight VH-60Ns, which provide presidential helicopter transportation. Two competitors responded: Lockheed Martin-AgustaWestland and Sikorsky Aircraft. In January 2005, the Department of Defense announced that it had selected the US101 by Lockheed/Augusta as the winner, with a contract value of \$6.1 billion. The contract foresaw the delivery of three prototypes in 2007 and final delivery of all the helicopters by 2014. In July 2005, the US101 was given the designation VH-71 Kestrel. However, following U.S. Navy requests to add security and communication systems, the cost of the VH-71 program started to rise, forcing Lockheed and AgustaWestland to meet new requirements, which caused delays.<sup>48</sup> As a consequence, in February 2009 the Democrats asked that the VH-71 acquisition be revised. The program was definitely cancelled in June 2009 despite contrary suggestions by the U.S. Navy<sup>49</sup>, as well as by the *New York Times*.<sup>50</sup> The cancellation took place notwithstanding a letter from the Italian minister of defense, Ignazio La Russa, to his U.S. counterpart, Robert Gates.<sup>51</sup> A new request for proposals was issued in March 2010<sup>52</sup> and again in November 2012 by setting new requirements for the program: the helicopter would carry fewer people and would have a shorter range and simplified communications. Sikorsky seemed to be the only bidder.<sup>53</sup>
- 30 In May 2008, Finmeccanica announced the acquisition of 100 percent of U.S. defense company DRS Technologies.<sup>54</sup> Based in Virginia, it is a leading supplier of thermal imaging devices, combat display workstations, electronic sensor systems, power systems, rugged computer systems, air combat training systems, mission recorders, deployable flight incident recorders, environmental control systems, telecommunication systems, aircraft loaders, military trailers and shelters, and integrated logistics support services.

- 31 The total amount of the operation was estimated at \$5.2 billion. According to the Finmeccanica CEO, Pier Francesco Guarguaglini, the acquisition was the natural outcome of Finmeccanica's emerging role in the U.S. defense market after the involvement of the Italian company in the US101 and C27J procurement programs. After the formal announcement, the acquisition was completed in October 2008<sup>55</sup>, following approval by the Committee on Foreign Investment in the United States and the defense security service (DSS).<sup>56</sup> This acquisition was particularly important because DRS supplies high-tech and very sensitive products and services to the Department of Defense.
- 32 In May 2004, the U.S. Department of Defense awarded Lockheed Martin and its partner Fincantieri a contract to design, develop and produce two ships as part of the wider littoral combat ship program which foresaw the acquisition of fifty-five ships by the U.S. Navy for a total amount of \$20 billion by 2020.<sup>57</sup> Lockheed's ship was named LCS-1, as General Dynamics was in charge of the development of another prototype (LCS-2) within the same program. In 2007, the U.S. Navy decided to cancel construction of the second LCS-1, as it had been impossible to reach an agreement with Lockheed Martin to halt the increase of ships' costs. Nevertheless, work on the first LCS-1 continued, as it was 80 percent completed by that date and almost ready for delivery.<sup>58</sup> Within the context of the LCS program, Fincantieri acquired Manitowoc Marine Group (MMG) and, consequently, its plants in Marinette, Sturgeon Bay and Cleveland.<sup>59</sup> In doing that, Fincantieri entered the industrial phase of the program while increasing the company's possibilities in the U.S. defense sector. The LCS-1, christened *USS Freedom* in September 2006, was delivered in September 2008 and officially accepted by the Navy in October. In December 2010, the U.S. Navy commissioned ten LCSs to Lockheed Martin and Fincantieri. The total amount of the contract was about \$437 million, with the possibility of adding another nine ships by 2015 and raise the value of the contract to \$4.5 billion in case of extra features.<sup>60</sup>
- 33 Finally, it is worthwhile recalling the case of the Italian arms company Beretta. One of its major successes in the U.S. defense market dates to 1985, when U.S. Armed Forces and state police forces started using the Beretta 92 series. In May 2002, a new contract was awarded to the Italian company for 18,744 pistols to the U.S. Air Force. Finally, in January 2009 Beretta won the largest U.S. handgun procurement program since World War II, providing the U.S. Army with a total of 450,000 model 92FS pistols.

## Legal aspects of procurement cooperation: MoUs and technical agreements

- 34 Defense procurement cooperation between Italy and the United States has relied on the legal framework provided by a number of agreements and memoranda of understanding. During much of the post-Cold War period, the two governments relied on the first MoU signed in September 1978, entitled "Concerning the Principles Governing the Mutual Cooperation in Research and Development, Production and Procurement of Defense Equipment." This agreement has never been ratified by the Italian Parliament, as it was considered a technical deal rather than a result of political negotiations.<sup>61</sup> According to the Italian defense minister, Attilio Ruffini, the memorandum would promote harmonization through standardization and interoperability, and would enable the gradual rebalancing of trade relations in the defense sector, both in monetary and technological terms. The memorandum served as a framework whose purpose was to

achieve the best cost-effectiveness ratio in military spending by encouraging the technological upgrade of the Italian defense industry and export to third countries of U.S. defense equipment produced under license by Italy.<sup>62</sup>

- 35 The 1978 memorandum has been one of the main pillars of Italy-U.S. defense industrial cooperation. However, some concerns emerged, especially regarding the significant imbalance in the defense trade penalizing Italy. In fact, as stated in 1984 during a hearing in the Italian Senate by the undersecretary of state, Silvano Signori, the defense trade ratio between 1975 and 1978 was 1 to 7 in favour of the United States.<sup>63</sup> Such a critical imbalance was due to several factors, including the greater competitiveness of U.S. defense products, the difficulty for Italy to obtain profitable cooperation agreements – often characterized by a low technology content for the Italian defense industry– and U.S. export restrictions of defense equipment produced by Italy under American license.<sup>64</sup> Nevertheless, the memorandum paved the way for a closer relationship between the two allies, as demonstrated by the fact that, after the signing, Italian industries were selected to provide maintenance support to several U.S. C-130s deployed in Europe and to SH-3 helicopters.
- 36 The memorandum resulted from two different but complementary political needs. On the one hand, Italy's objective was to reduce the industrial, technological and trade gaps. On the other hand, the rationale behind the U.S. decision to sign the memorandum was part of a broader strategy –strictly correlated to the Cold War context– aimed at strengthening the defense capabilities of the NATO allies by spreading the application of standardization and interoperability principles among allied armed forces.<sup>65</sup>
- 37 Following the memorandum, Italy and the United States signed further technical and sectorial agreements covering the regulation of the defense procurement process and industrial cooperation. For example, in October 2003 the “Declaration of Principles of Enhanced Cooperation in Matters of Defense Equipment and Industry” was signed by the Italian minister of defense and his American counterpart. The 1978 memorandum was not legally binding, leading to discussions inside the Italian Parliament about whether or not to ratify it. Indeed, the question arose when the Italian government decided instead to ratify the letter of intent/framework agreement in 2003 with law no. 148, thus creating a discrepancy between Italian-U.S. defense relations –characterized by an absence of legal protection– and relations with European countries, which relied on a legal framework established through a ratification process.<sup>66</sup>
- 38 In 2005, efforts aimed at strengthening Italian defense exports achieved an important political result. By subscribing to the so-called “blanket assurance agreement,” Italy was allowed to re-export toward a third country –which in turn had signed the same blanket assurance– military equipment imported from the United States without asking for authorization but only by informing the U.S. Department of State within thirty days of delivery. This agreement conceals substantial political value as it reflects the will of the Italian government to share responsibility for a multinational system of export control related to sensitive military and dual-use material.<sup>67</sup>
- 39 In 2006 there was significant consolidation of defense cooperation between Italy and the United States. A first important step was the memorandum for “Meeting National Defense Requirements – Security of Supply,” which went into effect on 1 August 2006. This agreement implemented the “Meeting National Defense Requirements” section of the aforementioned “Declaration of Principles.” The document envisaged the establishment

of a code of conduct to which Italian companies might voluntarily join under the coordination of the Italian minister of defense. In brief, the agreement established greater mutual protection and a more effective procurement regulation between the two countries.<sup>68</sup> The Italian defense companies that joined the code of conduct entered into a mutual guarantee system between Italy and the United States.<sup>69</sup> In this way they were considered reliable suppliers to both the Department of Defense as well as to any U.S. companies wishing to use them as subcontractors.<sup>70</sup> In particular, the code of conduct allowed Italian defense companies to obtain and exploit a preferential access route into the defense priorities and allocations system, which is used to prioritize national defense-related contracts/orders throughout the U.S. supply chain in order to support military, energy, homeland security, emergency preparedness and critical infrastructure requirements.<sup>71</sup>

- 40 In 2006, two other technical agreements were signed. In August 2006 the deal entitled “Regarding the Exchange of Engineers and Scientists” regulated and coordinated the position of national engineers and scientists working in each other’s country. One month later, on September 26, the “Research, Development, Test and Evaluation Projects agreement” was signed to regulate collaboration in research, testing and evaluation. As anticipated in the introduction, thirty years after the 1978 memorandum, in 2008 Italy and the United States signed a new, ten-year umbrella agreement concerning “Reciprocal Defense Procurement.” As a consequence, on 3 May 2009 –the date the memorandum went into effect– the previous 1978 agreement ceased.<sup>72</sup> Finally, the U.S. Department of Defense considers Italy as a qualifying country, which theoretically implies an exemption from the Buy American act and Balance of Payment Program according to federal acquisition regulations.<sup>73</sup>

## Political and strategic dimensions of the bilateral relationship

- 41 Defense industrial relations between the United States and Italy should be considered in the context of the military and political aspects of the post-Cold War era. First, in this period Italy demonstrated a new, significant and constant military activism in international missions, mostly –but not only– alongside the Americans. This activism was linked to the enduring importance of bilateral relations with the United States for Italy’s defense and foreign policy, which has been recognized by both conservative and progressive Italian governments in the last two decades. The political and strategic dimension to a certain extent has shaped defense industrial relations, which in turn played a role in influencing the former.

### A new Italian military activism in international missions

- 42 First, let us look at the new, significant and constant military commitment of Italy in crisis management operations alongside U.S. forces. In 1991, Italian military forces took part in the Gulf War, including a naval group and Tornado ground attack fighters, and the Italian Air Force commander took part in high-level planning meetings with officials from the United States, the United Kingdom, France, Germany, Saudi Arabia and Kuwait. In 1993, 3,500 Italian troops were deployed in Somalia in the peace-keeping mission led by the United States under United Nations mandate, experiencing the first casualties in a

military action since the end of World War II. Through the 1990s, Italian armed forces operated in the western Balkans together with the Americans: Italy not only provided air bases in 1995, but the air force made a small number of sorties and the army was deployed within the NATO mission IFOR<sup>74</sup> in the following period. Again in 1999, Italy not only provided indispensable bases for the NATO air campaign against the Serbian regime, but made the third-largest contribution to air sorties, after the United States and France, with forty-nine aircraft,<sup>75</sup> 172 bombings and the involvement of a navy task force including the carrier *Garibaldi*. In the aftermath of the September 11 terrorist attacks, the first Italian military personnel officially arrived in Afghanistan on January 2002, and in October 2002 Italy decided to deploy 1,000 troops in Afghanistan alongside U.S. forces even before NATO took a leading role in the country –the so-called Task Force Nibbio. After NATO took over command of the International Security Assistance Force, Italy commanded the whole mission between August 2005 and May 2006. Italy has been in charge of NATO regional command west since its establishment in 2006<sup>76</sup> and has maintained between 3,000 and 4,000 troops in Asia despite fifty-three casualties among Italian soldiers through September 2013. In the case of Iraq, the lack of a U.N. mandate or international consensus on Operation Iraqi Freedom, as well as strong domestic opposition, prevented Italy from taking part in the first months of operations conducted by U.S. forces, with British support. Yet, after U.N. resolution 1483 of May 2003 – confirmed by resolution 1551 of October 2003– Italy deployed until September 2006 between 2,000 and 3,000 troops in southern Iraq, particularly in the city of Nasiriya, the second-largest European contribution after that of the United Kingdom. Finally, during the 2011 NATO Operation Unified Protector in Libya, the Italian Air Force conducted 9 percent of air sorties –compared to 27 percent of the United States, 21 percent of France, and 11 percent of the United Kingdom.<sup>77</sup> As in 1999, military bases on Italian territory proved to be fundamental to successfully manage the six-months-long NATO air campaign against the Libyan regime.

- 43 Such military efforts took place within a broader Italian activism with regard to crisis management operations, under NATO as well as the umbrellas of the United Nations and the EU. During the 1990s Italy participated in more than twenty-five concurrent missions per year, which peaked at thirty in 1999.<sup>78</sup> In the 2000s, large-scale operational commitments in Kosovo, Lebanon, Iraq and Afghanistan led Italy to deploy on average 12,500 troops abroad per year. In the post-Cold War period, participation in crisis management operations traditionally has been considered a way to strengthen Italy's position and credibility within relevant multilateral organizations and fora such as the United Nations, NATO, the EU and the G8.<sup>79</sup> Already in the early 1990s, it became clear that in the new phase of international relations after the Cold War, not being present in military operations alongside the United States would be a handicap for Italian defense and foreign policy.<sup>80</sup> This is linked to the widespread and deeply rooted perception among Italian policymakers that Italy has to constantly bolster its prestige among peer nations and that military contribution to crisis management operations is a valuable and effective tool to that end. Such participation was also deemed an important tool for enhancing bilateral cooperation with major European and North American allies. In some cases, such as the western Balkans, missions abroad were also aimed at addressing a direct security concern for Italy such as the flow of refugees through the Adriatic, the creation of failed states where organized crime could find safe havens and the risk of regional instability just a few kilometers from Italian borders. Finally, participation in crisis management

operations has been useful in modernizing the Italian military and improving its interoperability with NATO allies.

## The enduring importance of bilateral relations with the United States

- 44 However, Italian military commitment alongside U.S. troops was not just the result of these factors. This commitment was, rather, a tool to maintain and enhance bilateral relations with the United States, which has been considered the bedrock of Italy's national security, as well as of the Italian system of alliances, since the end of World War II.<sup>81</sup> Being surrounded by unstable regions –from the western Balkans to the southern Mediterranean shores– and unable to shape events in these regions on its own, Italy traditionally has relied on asymmetric alliances with stronger partners such as the United States to address common security concerns.<sup>82</sup> The United States has been considered by the Italian Republic as the main contributor to European security during and after the Cold War. Moreover, bilateral relations with Washington have been deliberately pursued by Rome as leverage to enhance Italy's status with more powerful European countries such as France and –after reunification– Germany. This two-fold approach to relations with the United States continued in the 1990s, despite the disappearance of the Soviet threat to Western Europe, because of the security crisis in the Balkans and the Mediterranean as well as the kind of structural relations with other EU members.<sup>83</sup> In the early 2000s, the United States remained a crucial variable in defining Italy's security interests and options because of U.S. influence in Italy's unstable vicinity, namely the Mediterranean and Middle East<sup>84</sup>. After the 2001 terrorist attacks, when U.S. national security priorities shifted from Europe to the greater Middle East, the weight of European allies become increasingly valued in terms of their political and military contribution to U.S.-led crisis management operations.<sup>85</sup> Therefore, Italian participation in missions abroad become a fundamental tool for Italian defense policy.<sup>86</sup>
- 45 Because of Italy's strategic interest in the European integration process, in the post-Cold War period Italian governments have tried to balance this Atlanticist attitude with Europeanist efforts. For example, Italy has constantly supported European cooperation and integration not only in the economic domain but also in the political, security and defense realms. However, this Europeanist effort has been traditionally seen as complementary to NATO and not in opposition to strong transatlantic relations. Both progressive and conservative governments in the post-Cold War period have agreed that Italy should continue to maintain the two traditional pillars of its foreign and defense policy: excellent relations with the United States and a firm anchor in Europe.<sup>87</sup>
- 46 In this context, the case of Italy's military commitment in Iraq is noteworthy. In fact, while U.S.-led operations in Afghanistan and the western Balkans were managed within a NATO framework and enjoyed wide European support, military intervention in Iraq took place as a “coalition of the willing” and triggered a deep political divide among Europeans. In 2003, the Italian government offered the United States political and –later on– military support. The political support was epitomized, among other things, by the letter to the *Wall Street Journal* signed by the heads of government of the Czech Republic, Denmark, Hungary, Italy, the Netherlands, Poland, Portugal, Spain and the United Kingdom in the run-up to U.S. military intervention. It was an important pro-U.S. stance, at least in symbolic terms, to balance Franco-German opposition to the war.<sup>88</sup> That

decision was taken by the conservative government led by Silvio Berlusconi, and Italian military deployment in Iraq –around 3,000 troops– was maintained for three years despite the attack on the Italian military base in Nasiriya, which killed nineteen Italians on 12 November 2003.

- 47 The conservative governments led by Berlusconi in 1994, in the 2001-2006 period and between 2008 and 2011, demonstrated a greater pro-U.S. attitude than the governments led by progressive leaders in 1996-2001 and 2006-2008. Already in 1994, the foreign minister, Antonio Martino, in a parliamentary speech on June 21 recalled as guiding principles for Italian foreign policy first the “loyalty to the Atlantic Alliance and to the relations with the U.S.” and secondly “the economic and political cooperation within the EU.”<sup>89</sup> Franco Frattini, foreign minister of governments in 2002-2004 and then between 2008 and 2011, affirmed that his government was increasing U.S.-Italian relations to higher levels than in the recent past.<sup>90</sup> This Atlanticist attitude included a strong personal relationship between the Italian prime minister and the U.S. president, George W. Bush, as demonstrated by the number of summits held in Italy and the United States as well as by the rare opportunity provided to Berlusconi to give a speech at the U.S. Congress in March 2006.<sup>91</sup> But the personal relationship between the two conservative politicians should not be overestimated with respect to the traditional attitude of Italian governments to seek strong relations with Washington regardless of the personality of the U.S. president. In fact, though Barack Obama had no personal affinity with Berlusconi, when in 2009 the Democratic administration called for European military support for its strategy in Afghanistan, the Berlusconi government immediately increased the Italian contribution to ISAF by 1,000 troops, the largest European surge to the NATO-led operation at that time.
- 48 This is not to say that Italian progressive governments did not attach great importance to bilateral relations with the United States. It is true that leftist opposition parties hindered the Italian mission in Iraq, and when they won the general election in 2006 the new government, led by Romano Prodi, immediately withdrew Italian troops from Nasiriya. However, the Berlusconi government had already agreed to a similar timeline for withdrawal in the previous months. Above all, the Iraqi case was an exception with regard to progressive leaders’ support of U.S.-led crisis management operations in the post-Cold War period. In particular with the Clinton administration (1992-2000) and the Obama administration (2008-2013), Italian leftist politicians worked to enhance military and political ties with the United States. Indeed, Italian progressive governments confronted the radical left wing twice.
- 49 First, from October 1998 until the end of the NATO air campaign in Kosovo and Serbia, the government led by Massimo D’Alema struggled with the radical wing of Italian progressive parties, within and outside his coalition government, over the decision to support the NATO operation.<sup>92</sup> Italy’s contribution was indeed crucial, as it allowed NATO to use a number of air bases. According to the foreign minister at that time, Lamberto Dini, the Italian decision to accept the Alliance’s activation order was a turning point with regard to both the domestic political situation and relations with the United States and NATO.<sup>93</sup> The defense minister, Carlo Scognamiglio Pasini, informed the defense and foreign affairs committee of both the Senate and the Chamber of Deputies that in case of NATO military intervention Italy would ensure full operational and logistic support, with “full and unquestioned membership and participation in the decisions and collective actions of the Alliance.”<sup>94</sup> Italy’s role and its relations with the United States were at

stake. The anti-American attitude of part of the Italian left was one of the main reasons for internal opposition to the war.<sup>95</sup> The first-ever government led by a former Communist leader, D'Alema, contributed strongly to the NATO campaign because it believed it was of great interest to Italy to cultivate links with the United States.<sup>96</sup>

- 50 Eight years later, in 2006-2007, the Prodi government –while withdrawing Italian troops from Iraq– did not reverse the operational commitment in Afghanistan despite the increase of Italian casualties. Furthermore, the Prodi government supported participation in the F-35 procurement program by allocating 1,028 million euros<sup>97</sup> notwithstanding opposition to the U.S.-led multinational acquisition.
- 51 Generally speaking, in the post-Cold War period, on one hand the United States has asked Italy –as well as other European allies– for more military support than in the past, from the Balkans to the Middle East and Central Asia: this includes not just the use of bases on Italian soil but also active deployment of troops and a range of military assets from special forces to trainers, from fighter aircraft to light armoured vehicles. On the other hand, Italy has been more willing and able than in the Cold War era to provide this support, thanks to a bipartisan consensus among political elites that this action served national interests by enhancing prestige, contributing to international peace, and strengthening relations with the United States without weakening Italian ties with Europe.<sup>98</sup>
- 52 It is also worthwhile examining the role of the president of the republic. The analysis of Italy's constitutional and institutional framework is beyond the scope of this paper. We will just highlight the fact that the 1948 Italian constitution assigns important powers to the president, including the right to appoint prime ministers and call general elections. With regard to defense and foreign policy, the president –who is also the head of the armed forces– chairs the Supreme Defense Council. Particularly from 1999, presidents Carlo Azeglio Ciampi (1999-2006) and Giorgio Napolitano (since 2006) devoted considerable attention to foreign and defense policy. For example, Ciampi balanced the Atlanticist attitude of the Berlusconi government with explicit Europeanist statements, but at the same time immediately took sides with the Bush administration over military intervention in Afghanistan in the aftermath of September 11, 2001.<sup>99</sup> With regard to military intervention in Iraq, Ciampi took a much more cautious approach than the Berlusconi government and worked to make the Italian military contribution dependent on and legitimized by a U.N. resolution. He also chaired the Supreme Defense Council on 18 March and 14 April 2003.

### **The linkage between the politico-strategic and the defense industrial dimensions**

- 53 It is difficult to assess the linkage between military and political support for the American administrations by Italian governments in the post-Cold War period and defense industrial relations between the United States and Italy. However, three main points can be fairly argued.
- 54 One of the main reasons Italy made constant efforts to enhance defense industrial cooperation with its American counterparts was the strategic importance of the relations with the United States. This was particularly obvious during the Cold War, but has applied also to the post-Cold War period. The fact that different Italian governments have

negotiated and signed a number of MoU and technical agreements with the United States demonstrates this willingness to anchor defense industrial relations to a solid political and legal framework. The preference for American defense products and U.S.-led procurement programs is based not only on military and industrial considerations but also on the transatlantic rationale of enhancing relations with Washington. For instance, this has been the case with the F-35, which Italian governments have supported over the last fifteen years. There are four main reasons for this. First, the military rationale, the understanding that the F-35 is necessary and fits the requirements for both the Italian Air Force and the navy. Second is the industrial rationale, based on the strategic interests of the Italian defense industry. Third is the multinational rationale, the desire by Italian policymakers generally speaking to pursue defense policy in multinational frameworks. Last, but not least, there is the transatlantic rationale, namely the importance attached by Italy to bilateral relations with the United States and with NATO.

- 55 In the case of the C27J, the decision to favor the American procurement program over the A400M was partly the result of the low level of pro-European enthusiasm by the parties forming the Berlusconi government coalition in 2001. According to the diplomatic advisor of the president of the republic at that time, this euro-scepticism was epitomized by the relations between Berlusconi and his foreign minister, Renato Ruggiero, who was appointed in May 2001 and resigned in December 2001 in disagreement with the government. The decision to skip the A400M program was one of the reasons which led Ruggiero to resign, as the pro-European minister considered it seriously harmful to European defense integration. Considering the examples of the C130J and C27J transport aircraft, as well as the KC-767 tanker, it can be argued that under the Berlusconi governments defense industrial cooperation between the United States and Italy has been pursued more than in the past, and more so than cooperation with other European countries.
- 56 However, the critical approach to Europe by Italian conservative parties in that period should not be overstated. First, already in the mid-1990s, new moderate and conservative parties such as Forza Italia and Alleanza Nazionale worked to enter the European People's Party and did not see a European vocation and the American alliance –as well as a greater degree of national autonomy over foreign policy– as mutually exclusive alternatives.<sup>100</sup> Second, a certain European commitment by conservative parties in the early 2000s was illustrated by the fact that the Berlusconi government managed to host in Rome the signing of the EU Constitutional Treaty in 2004 –in the very same room where the Treaty of Rome was signed in 1957.
- 57 It can also be argued that the political proximity between the Italian and U.S. governments created a favourable atmosphere for the Italian defense industry in the United States. Generally speaking, in the defense market government-to-government agreements and lobbying by homeland military and political authorities is even more important than in other industrial sectors subject to export support by national governments.<sup>101</sup> Customers of defense products are other states, mostly the military but also security forces, and therefore the reassurance provided by the state where the defense supplier is located is extremely important. In the field of defense industrial cooperation, credibility and reliability of industrial and military partners are achieved through mid- to long-term efforts, as well as continuity in defense policy.<sup>102</sup> Inversely, if the United States considers an ally to be leaning towards pacifism, neutrality or opposition with respect to American military operations abroad, the most important

technology transfers or valuable defense industrial cooperation become more difficult to achieve.<sup>103</sup> This is particularly true with the United States, which is used to link commercial policy, including the openness of its domestic market, to foreign and defense policy, particularly to bilateral relations with single allies. That means Finmeccanica needs the backing of Italian governments to gain the trust of foreign governments eligible to buy its products.<sup>104</sup> The fact that Italian military forces were deployed with Americans in a number of missions abroad, including special operations and counter-insurgency campaigns in Iraq and Afghanistan, as well as the pro-U.S. stance of Italian governments on most international issues, played a role in strengthening the credibility of Italy as a staunch ally of the United States as well as a reliable supplier of defense equipment. In addition, the good relations between George W. Bush and Silvio Berlusconi between 2001 and 2006 played a role.<sup>105</sup> Generally speaking, Italian conservative governments have paid more attention than previous ones to the promotion of Italian exports, partly because of the entrepreneurial background of Berlusconi himself – although first steps in this regard were undertaken by progressive governments in the late 1990s.<sup>106</sup> This led to a number of visits by representatives of major Italian companies such as Finmeccanica, ENI and ENEL not only to the United States but also to Russia and Arab countries. The Berlusconi governments, particularly Foreign Minister Franco Frattini, also tried to reform the Italian Ministry of Foreign Affairs to make it more supportive of Italian exports. With particular regard to the United States, it is noteworthy that the Italian ambassador, Giovanni Castellaneta, was appointed to the Finmeccanica board in 2004 and was then nominated to head the Italian embassy in Washington, D.C., while maintaining his role within the company. Finmeccanica decided to ride this political trend to seek penetration in the U.S. defense market, as it did in the late 1990s, with the pro-European attitude of Italian progressive governments by taking part in the integration and rationalization process of the aerospace and defense industry.

- 58 However, this positive political environment cannot be considered the only driver of defense industrial cooperation between the United States and Italy. In particular, in the case of the Marine One helicopter, the AgustaWestland platform at that time was widely recognized as the most competitive product. Cooperation in procurement programs and supply security is a long-term effort which spans decades; negotiations to replace the 1978 U.S.-Italian bilateral agreement on defense procurement initiated at the beginning of the 1990s and was finalized only in 2008. This long-term character increases the role of high-level civil servants, both military and civilian, who work over the years on the various procurement dossiers, in contrast to politicians, who may hold the post of defense minister only briefly. This is particularly true for Italy, where the constitutional settlement centred on Parliament, rather than on the executive, coupled with the fragmentation of the political party system often leads to government crisis and cabinet changes. Moreover, in the case of procurement programs of high-tech and complex systems, military officials and defense industry managers have extremely valuable technical know-how. In addition, within the military, joint deployment and training with the U.S. Armed Forces creates an incentive to procure the same or at least interoperable equipment through transatlantic rather than European procurement programs. Generally speaking, the military and diplomatic bureaucracies –like others in the Italian state– have a certain degree of influence over elected politicians. As a result, once they hold a government post, political leaders tend to take positions more in line with traditional Italian foreign and defense policy than when they were out of the government.<sup>107</sup>

- 59 A third point can be made on the influence of defense industrial cooperation on the politico-strategic dimension of U.S.-Italy relations. Generally speaking, since the end of World War II, strategic industries such as ENI and later ENEL and Finmeccanica played an important role.<sup>108</sup> Certainly, the creation of a large defense company like Finmeccanica in the 1990s represented an important novelty, because for the first time U.S. industries had an interlocutor in the private sector with sufficiently large turnover and portfolio to become a partner and not only a supplier. That helped create partnerships and increased the relevance of the defense industry within overall bilateral relations. Moreover, the substantial autonomy enjoyed by the CEOs of Finmeccanica –particularly but not only Lina and Guarguaglini– meant that company strategies were first largely shaped by management and then shared with Italian governments. At the same time, the fate of one of the few large Italian manufacturing companies, directly employing 70,000 workers and sub-contracting with dozens of small and medium companies in Italy, was obviously highly considered by Italian policymakers in conducting defense and foreign policy. In this context, it is interesting to note the preference for U.S. and U.K. markets by Guarguaglini compared to the cooperation with France and Germany sought by his predecessor as Finmeccanica’s leader, Alberto Lima.
- 60 An analysis of Italy-U.S. relations through the evolution of the defense industry offers a very interesting picture of the continuity of Italian foreign policy, with some evolutionary aspects. It also indicates that the strategic nexus of the Cold War, a partnership based on the defense of the West against the Eastern threat, has faded away. Today we have a mix of regional security and economic interests that allow us to describe the relationship in realistic terms. But Italy’s transatlantic anchor, which could also be described as its American prism, is still vivid even if European ties have increased much more than transatlantic ones. There is still much to say about the Italian *penchant* towards Washington.

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## NOTES

1. The concept of enlarged Mediterranean (*Mediterraneo allargato*) is used in several official documents issued by the Ministry of Defense, the Armed Forces and the Ministry of Foreign Affairs, and includes not only the countries geographically present in the Mediterranean but also the Horn of Africa and the Persian Gulf. See, for example, *Rapporto 2020, le scelte di politica estera*, Rome, Ministero Affari Esteri, 2008, p. 57.
2. Alessandro Marrone *et al.*, *Defense budgets and industry: tables and graphs*, IAI, July 2013, p. 22, [http://www.iai.it/pdf/Economia\\_difesa/Tabelle-grafici-EN.pdf](http://www.iai.it/pdf/Economia_difesa/Tabelle-grafici-EN.pdf), last accessed December 2013.
3. Michele Nones, “La nuova dimensione industriale dell’Italia”, *AffarInternazionali*, April 2006. <http://www.affarinternazionali.it/articolo.asp?ID=86>, last accessed April 2013.
4. EFIM (Ente Partecipazioni e Finanziamento Industrie Manifatturiere) was created in 1962 as Ente Autonomo di Gestione per le Partecipazioni del Fondo di Finanziamento dell’Industria Meccanica (FIM). Five years later, it changed its name to EFIM to reflect its diversified business portfolio with respect to IRI (see footnote 5).

5. IRI (Istituto per la Ricostruzione Industriale) was established in 1933 by the Fascist regime to rescue, restructure and finance banks and private companies that went bankrupt during the Great Depression. After the Second World War, IRI played a pivotal role in the Italian economic miracle of the 1950s and 1960s. It was dissolved in 2002.
6. Società Telefonica Finanziaria Spa.
7. Vera Zamagni, *Finmeccanica. Competenze che vengono da lontano*, Bologna, Il Mulino, 2009, p. 385.
8. *Ibid.*, p. 89.
9. Senato della Repubblica, 4° Commissione Permanente, *Indagine conoscitiva sui problemi connessi all'industria degli armamenti ed alle commesse militari e sui temi della riconversione dell'apparato produttivo della Difesa*, September 15<sup>th</sup> 1993, Rome, Senato della Repubblica, 1993, <http://www.senato.it/service/PDF/PDFServer/DF/57477.pdf>, last accessed May 2013.
10. Senato della Repubblica, 10° Commissione Permanente, *Indagine conoscitiva sul processo di privatizzazione delle imprese pubbliche e a partecipazione statale*, November 10<sup>th</sup> 1994, Rome, Senato della Repubblica, 1994, <http://www.senato.it/service/PDF/PDFServer/DF/58193.pdf>, last accessed May 2013.
11. Francesco Renda, Roberto Ricciuti, *Tra economia e politica: l'internazionalizzazione di Finmeccanica, Eni ed Enel*, Florence, Firenze University Press, 2010, p. 130.
12. For example, in 1996 the governments of France, Germany, Italy and the United Kingdom founded the *Organisation Conjointe de Coopération en matière d'Armement*, aimed to manage joint procurement programs. In 1998 the Letter of Intent/Framework Agreement was signed by the six European countries having the largest defense industry in Europe, namely France, Germany, Italy, Spain, Sweden and the United Kingdom, in order to foster the restructuring and Europeanization of their defense industrial bases.
13. For more details see Alessandro Marrone *et al.*, *Defense budgets...*, *op. cit.*, p. 21.
14. Francesco Renda, Roberto Ricciuti, *Tra economia e politica...*, *op. cit.*, p. 22.
15. Pier Francesco Guarguaglini, *Gestire il futuro: keynote speech at Genoa University 22 January 2007*, [http://www.unige.it/comunicazione/honoris\\_causa/documents/LaureaHC-Gestireilfuturo-1.pdf](http://www.unige.it/comunicazione/honoris_causa/documents/LaureaHC-Gestireilfuturo-1.pdf), last accessed June 2013.
16. Francesco Renda, Roberto Ricciuti, *Tra economia e politica...*, *op. cit.*, p. 22.
17. Vera Zamagni, *Finmeccanica...*, *op. cit.*, p. 122.
18. Pier Francesco Guarguaglini, "Gestire il futuro...", *art. cit.*, p. 6.
19. Andrea Nativi, "C27J: A.M. e oltre", *Rivista Italiana Difesa*, n° 3, March 2000, p. 50-55.
20. *Ibid.*, p. 50.
21. "Martino conferma il suo 'no' all'aereo da trasporto militare europeo", *Air Press*, n° 41, October 2001, p. 1716-1717.
22. "Panorama industriale: Agusta, Piaggio e l'ordine per gli A400M", *Rivista Italiana Difesa*, n° 9, September 2000, p. 20.
23. *Ibid.*
24. Antonio Martino, "Le rivelazioni di Antonio Martino sull'affare Airbus A400M", *Il Foglio*, January 31<sup>st</sup> 2010, <http://www.ilfoglio.it/soloqui/4330>, last accessed May 2013.
25. Francesco Maria Cirillo, "Officine Aeronavali finalizzano il tanker KC 767A", *Pagine di Difesa*, May 2005, [http://www.paginedidifesa.it/2005/cirillo\\_050517.html](http://www.paginedidifesa.it/2005/cirillo_050517.html), last accessed May 2013.
26. Sergio Villa, *La pianificazione strategica: strumento per le decisioni di lungo periodo (parte I). Un caso concreto: il Boeing KC 767A*, Florence, Centro Universitario di Studi Strategici ed Internazionali, May 2010, [http://www.cssi.unifi.it/upload/sub/VLL\\_1\\_Caso\\_767.pdf](http://www.cssi.unifi.it/upload/sub/VLL_1_Caso_767.pdf), last accessed June 2013.
27. Darleen Druyun (deputy undersecretary of the Air Force) was sentenced to jail for nine months after pleading guilty of having facilitated the acquisition of the KC-767 by the USAF. Because of the scandal, Boeing's CEO and financial director were forced to resign.
28. Servizio Studi Camera dei Deputati, *Programma pluriennale di A/R4 SGD/06/2000 relativo alla definizione e validazione del sistema missilistico MEADS*, Rome, Camera dei Deputati, July 2000, p. 5.

29. U.S. General Accounting Office (GAO), *Decision nears on Medium Extended Air Defense System*, Washington, June 1998, p. 2.
30. In the meantime, EADS had acquired DASA.
31. In the meantime, MBDA had been created by various mergers and acquisitions. It is owned by BAE Systems (37.5 percent), EADS (37.5 percent) and Finmeccanica (25 percent).
32. "Inizio progettazione di dettaglio sistema MEADS", *Dedalonews*, February 2008, <http://www.dedalonews.it/it/index.php/02/2008/inizia-progettazione-di-dettaglio-sistema-meads/>, last accessed April 2013.
33. "MEADS supera la Critical Design Review", *Dedalonews*, September 2010, <http://www.dedalonews.it/it/index.php/09/2010/meads-supera-la-critical-design-review/>, last accessed May 2013.
34. MBDA System, *MEADS Press Information*, June 2012, [http://www.mbda-systems.com/mediagallery/files/meads\\_background-1367919539.pdf](http://www.mbda-systems.com/mediagallery/files/meads_background-1367919539.pdf), last accessed May 2013.
35. Michael Hoffman, "MEADS Future Remains Unclear After \$4B Investment", *Military.com*, June 2013, <http://www.military.com/daily-news/2013/06/19/meads-future-remains-unclear-after-4b-investment.html>, last accessed September 2013.
36. Jen DiMascio, "Hagel Approves Meads Funding", *Aerospace Daily & Defense Report (Aviationweek)*, April 2013, [http://www.aviationweek.com/Article.aspx?id=/article-xml/asd\\_04\\_10\\_2013\\_p01-02-567075.xml](http://www.aviationweek.com/Article.aspx?id=/article-xml/asd_04_10_2013_p01-02-567075.xml), last accessed June 2013.
37. John T. Bennet, "Rep. Sanchez: I'm Coming To End MEADS Program", *DefenseNews*, May 2013, <http://www.defensenews.com/article/20130522/DEFREG02/305220020/Rep-Sanchez-m-Coming-End-MEADS-Program>, last accessed September 2013.
38. Paul McLeary, "Lockheed Looks to Poland for Possible MEADS Partnership", *DefenseNews*, September 2013, <http://www.defensenews.com/article/20130911/DEFREG02/309110012/Lockheed-Looks-Poland-Possible-MEADS-Partnership>, last accessed October 2013.
39. U.S. Government Accountability Office, *F-35 Joint Strike Fighter - Restructuring Has Improved the Program, but Affordability Challenges and Other Risks Remain*, Washington, June 2013, p. 2, <http://www.gao.gov/products/GAO-13-690T>, last accessed September 2013.
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## ABSTRACTS

This article analyzes U.S.-Italian relations after 1989 from a defence-industrial perspective. It argues that the concentration and internationalization of the Italian defence industry, particularly through the creation of Finmeccanica, influenced bilateral relations by introducing a new element into defence industrial cooperation between the two countries. Military procurement programs involving American and Italian governments and industries, based on several memorandums of understanding, have become an important component of transatlantic relations. In turn, these programs are influenced by the broader military and political relations between the United States and Italy, which have been particularly intense regarding Italy's contribution to U.S.-led crisis management operations in Europe, Central Asia and the greater Mediterranean. The paper argues that there is a two-way relationship between defence industrial cooperation and politico-military cooperation.

Cet article présente une analyse des relations entre les États-Unis d'Amérique et l'Italie depuis 1989 vues sous l'angle de l'industrie de la défense. La concentration et le développement international de l'industrie italienne de la défense, avec en particulier la création de Finmeccanica, a fait évoluer la relation bilatérale en introduisant un élément nouveau dans la coopération industrielle entre les États-Unis d'Amérique et l'Italie. Les programmes de fournitures militaires auxquels participent les gouvernements et industriels américains et italiens se basent sur plusieurs accords-cadres et sont devenus un élément important des relations transatlantiques. Cet élément est également influencé par les relations bilatérales militaires et politiques. Il s'agit de relations intenses marquées par la participation de l'Italie à des opérations de gestion de crise en Europe, Asie centrale ainsi que dans la région méditerranéenne. En conclusion, l'article montre comment s'articule une relation à double sens dans laquelle la dimension de coopération dans l'industrie de la défense et celle politico-militaire se correspondent.

## INDEX

**Mots-clés:** fournitures militaires, industrie de la défense, relations transatlantiques, opérations de gestion de crise, F-35

**Keywords:** military procurement, defence industry, transatlantic relations, crisis management operations

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