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Technological Sovereignty: Italy, the EU and the US

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ABSTRACT

International economic competition is closely linked to technological advancements and nations that depend on foreign technology providers increasingly risk dependency. Amid escalating global geopolitical tensions, major powers have adopted various strategies to accelerate domestic technological development, each following its own pace and trajectory. Brussels has been promoting actions and initiatives to empower the Union's strategic autonomy in the technology domain, struggling, however, to find a balance between supranational policy and national policy. In this framework of rapid technological transformations and geopolitical polarisation, transatlantic cooperation plays a critical role in ensuring an alignment on key policy issues that will shape the future of the world economy. In coordination with EU institutions, EU member states are tasked to leverage their strategic positioning in the technological supply chain to foster a balanced and efficient partnership with the US.

keywords

Italy | European Union | USA | Industry | Technologies | Transatlantic relations

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by Nicola Bilotta*

Introduction

Technology will increasingly play a pivotal role in driving economic growth and serve as a critical competitive asset in global markets, enhancing productivity and profitability across all industries. International economic competition is intricately tied to technological advancements, and nations relying on foreign technology providers face a growing risk of dependency. Amidst escalating global geopolitical tensions, all major powers have implemented strategies to promote domestic technological development at different speeds and trajectories.

While China and the United States are leading the technological race, the European Union needs to catch up and reduce dependencies in its technological supply chain. Brussels has been promoting actions and initiatives to empower the Union's strategic autonomy in the technology domain. Yet, the EU struggles to find a balance between supranational policy and national policy; member states seem unwilling to leave strategic industrial responsibility to the EU level, while, at the EU level, 27 member states need to find consensus before acting.

Finding an alignment of objectives and related policy actions requires an enduring diplomatic effort. This becomes especially pertinent when addressing critical technologies as the EU grapples with balancing open trade and emerging economic security concerns. In this context, a significant aspect is the future of transatlantic relations within the technological and digital sphere, marked by a substantial imbalance and divergent developmental paradigms between the US and the EU. However, the growing fragmentation of the global economy requires smooth and high-level cooperation between the two sides of the Atlantic.

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To foster a balanced and efficient partnership with the US, the EU should consolidate its strategic positioning in the global supply chain and reduce its dependencies. Each EU member state will play a key role in supporting this ambition, shaping its national technological strategy in a European context to leverage complementariness and efficiently ensure its national and European development. Italy's technological sovereignty in a European context is a challenge and an opportunity. While Rome plays a marginal role in the EU's technological sphere, it has room to play a more relevant role in influencing the EU's agenda and, subsequently, in building a technical transatlantic bridge.

1. EU's technological sovereignty: Looking for an identity in global and transatlantic relations

Escalating geopolitical tensions, particularly the risk of technological decoupling between China and the US, has put economic security and strategic autonomy at the forefront of countries' political agendas. Export restrictions, investment screening, control over technology transfers and domestic technology subsidies are becoming standard tools to mitigate the risk of technology dependencies.

The EU is not an exception. Since 2016, with the endorsement of the Global Strategy, the EU has begun incorporating the concept of strategic autonomy into its narrative with an initial focus on the foreign and security dimension. In the following years, reflecting a growing and conflicting geopolitical context, the perimeter of what strategic autonomy implies broadened its meaning and scope. With the European Commission led by Ursula von der Leyen, strategic autonomy has become an underlying political objective of the EU's external action. This drives the EU power agenda in the key strategic sectors.[1]

Technological sovereignty is at the heart of such ambitions. It has been increasingly used interchangeably with digital sovereignty in the EU narrative.[2] Technologically, sovereignty is the ambition of the EU to strengthen its technical leadership and mitigate its dependence on foreign providers.[3] However, there is yet to be a standard definition of what technological sovereignty means or implies. EU documents refer to either "critical" technologies, "next frontier" or generic applications such as Artificial Intelligence, or blockchain.

[1] Charlotte Beaucillon, "Strategic Autonomy: A New Identity for the EU as a Global Actor", in *European Papers*, Vol. 8, No. 2 (July 2023), p. 417-428, https://doi.org/10.15166/2499-8249/664.

[2] Nathalie Tocci, *European Strategic Autonomy: What It Is, Why We Need It, How to Achieve It*, Rome, IAI, February 2021, https://www.iai.it/en/node/12819.

[3] Matthias Bauer and Fredrik Erixon, "Europe's Quest for Technology Sovereignty: Opportunities and Pitfalls", in *ECIPE Occasional Papers*, No. 2/2020 (May 2020), https://ecipe.org/?p=81627.

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This vagueness undermines the EU's aspirations for technological sovereignty as the definition of the term plays a crucial role in shaping policy objectives and the impact of these ambitions. In addition, any plan on technological sovereignty must consider the delicate allocation of powers between the EU and its member states and related variations in priorities and interests among member states. It must synchronise the stance of twenty-seven countries where EU institutions determine specific competencies (such as trade) while national governments lead others (such as foreign policy and national security).

Nevertheless, the policy ambitions and the approaches aimed at enhancing technological sovereignty can be discerned from the evolution of the European Commission's agenda in this domain.

In the 2020 Communication on Shaping Europe's Digital Future, the European Commission set a first basis, stating that technological sovereignty starts with the integrity and resilience of data, infrastructure, networks and communication.[4] Building on this high-level political objective, with the Communication on the 2030 Digital Compass, endorsed in March 2021, Brussels has established an ambitious action plan grounded on four pillars to enhance technological development within the EU: (i) digitally skilled citizens; (ii) secure, efficient and sustainable infrastructure; (iii) digital transformation of business and (iv) digitalisation of the public administration.[5]

With the 2030 Digital Compass, the EU aims to gradually transition from primarily functioning as a regulatory power to actively asserting its presence in the technology realm. The GAIA-X cloud computing initiative serves as an interesting example. Despite diverging opinions on the success or failure of the project, GAIA-X was meant to consolidate various small European initiatives to foster a robust and sustainable cloud infrastructure within the region, aiming at providing an alternative to American and Chinese cloud providers. From a political standpoint, GAIA-X's significance lies in its status as the initial effort to implement the new European Commission's policy approach aimed at fostering pan-European technological development.

While the 2030 Digital Compass prioritises an approach to address technology gaps in the EU, the Economic Security Strategy endorsed in June 2023 underscores and scales up the political imperative to mitigate dependencies in a challenging global geopolitical landscape. The strategy outlines economic security measures to reduce the EU's excessive dependencies while maintaining an open and rules-based international trade system. In terms of concrete actions, a cardinal point

[4] European Commission, *Shaping Europe's Digital Future*, Publications Office of the EU, 2020, https://data.europa.eu/doi/10.2759/091014.

[5] European Commission, *2030 Digital Compass: The European Way for the Digital Decade* (COM/2021/118), 9 March 2021, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52021DC0118.

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is the establishment of risk assessment mechanisms, conducted in collaboration between the European Commission and member states, on four key areas: (i) resilience of supply chain; (ii) physical security and cybersecurity of critical infrastructure; (iii) technology security and technology leakage; (iv) economic dependencies and risk of economic coercion.[6]

While the risk assessment marks a significant milestone, uncertainties persist regarding potential follow-up actions. The strategy broadly mentions that to mitigate identified risks, the EU envisions a three-phase approach driven by competitiveness, economic security and forming partnerships with as many partners as possible. Moreover, the EU has endorsed four actions for the future: a legislative proposal to revise the EU Foreign Direct Investment Screening Regulation, a white paper addressing security risks related to EU outbound investment; another White Paper focusing on improving controls for the export of dual-use goods to uphold international security; additional white papers on supporting research and development in technologies with dual-use potential; and a proposal for enhancing research security through a Council Recommendation.[7]

Given the progression of the EU agenda in this field, it seems that technological leadership, digital autonomy, and economic security have become interlinked policy objectives. Nevertheless, integrating security considerations into economic policies is a sensitive political decision and could lead to additional tensions among member states.[8] While the EU's Economic Security Strategy currently emphasises a protective stance from dependency on foreign countries, it should be complemented by a cohesive strategy aimed at bolstering the technological industrial capabilities across the EU. This entails proactively investing in research, innovation, and infrastructure to ensure the EU remains competitive in the global technology landscape. Yet, this ambition requires a political commitment to promote joint public investments and non-efficient market strategies.

Signs are not encouraging though.

Economically conservative member states have recently cut the proposal for an EU fund of 10 billion euros to develop critical technologies for future energy networks in Europe. They aim to limit their contributions to the EU budget and avoid new joint debt to finance new initiatives while prioritising the allocation of funds for competing, short-term priorities.[9] Moreover, an internal subsidy race could undermine the EU's common objective, favouring some EU economies that

[6] European Commission, *European Economic Security Strategy* (JOIN/2023/20), 20 June 2023, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52023JC0020.

[7] European Commission, *Memo on European Economic Security*, 24 January 2024, https://ec.europa.eu/commission/presscorner/detail/en/qanda_24_364.

[8] Jakob Hanke Vela, "The 4 Technologies Europe Wants to Keep Safe from China", in *Politico Brussels Playbook*, 3 October 2023, https://www.politico.eu/?p=3650310.

[9] Gabriel Gavin and at., "EU's Green Funds Are Under the Guillotine", in *Politico*, 15 December 2023, https://www.politico.eu/?p=4024425.

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can mobilise more extensive public financing sources. For example, Germany was able to attract Intel's largest-ever foreign investment of 30 billion euros to establish two chip manufacturing facilities in Magdeburg as part of its European expansion strategy. The German government provided substantial support by committing subsidies for 10 billion euros to the American manufacturer.

Despite remarkable efforts, Europe still needs a common strategy to finance the challenges accompanying its supranational ambition of technological sovereignty. At the same time, national policies cannot assume this role because European rules on budgets and state aid limit the independent interventionism of individual countries' actions. A further element of uncertainty lies in the upcoming European elections. A potentially different parliamentary majority and Commission could result in different visions on how to consolidate its ambitions in the technological domain or how to shape its joint effort to promote technological sovereignty.

2. EU ambitions for a transatlantic bridge

The evolution of the EU's technological ambition is directly connected with transatlantic relations. The US and the EU are each other's main commercial trading partners in digitally-deliverable services.[10] According to the Transatlantic Economy 2023 report, the US exported 283 billion US dollars in digitally-deliverable services to Europe – double the figure for the entire Asia-Pacific region. In 2020, the US represented 22 per cent of the EU27's digitally-enabled services exports to non-EU27 countries and 34 per cent of EU27 digitally-enabled services imports from non-EU27 countries. According to Eurostat data for 2020, the US purchased 122.1 billion euros worth of digitally-deliverable services, making it the largest importer of EU27 exports in this sector. In 2019, 585 billion US dollars cent of the 998 billion in services provided to Europe by US affiliates were digitally enabled. During the same period, US affiliates in Europe provided 585.5 billion US dollars in digitally enabled services, while European affiliates in the US provided 287 billion US dollars in digitally enabled services. The digitally-enabled services supplied by US affiliates in Europe were more than double the US digitally-enabled exports to Europe, and the digitally-enabled services provided by European affiliates in the US were double the European digitally-enabled exports to the US. In 2020, Europe represented 72 per cent of the 333 billion US dollars in global information services provided abroad by US multinational corporations through their majority-owned foreign affiliates.[11]

[10] Digitally-enabled or digitally-deliverable services include digital services as well as activities that can be specified, performed, delivered, evaluated and consumed electronically.

[11] Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy 2023: Annual Survey of Jobs, Trade and Investment between the United States and Europe*, Washington, Foreign Policy Institute, Johns Hopkins University SAIS/Transatlantic Leadership Network, 2023, https://transatlanticrelations.org/?p=4334.

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Despite this solid economic basis, the EU and the US have divergent views on how technological development and innovation should be regulated, especially with regard to data management and protection and competition in digital markets. In addition, Brussels and major European capitals have stated that the dependency on technologies and providers – including the American ones – is a vulnerability and a risk for the Union.[12]

The EU has sought to establish standards and regulations in technology, compelling foreign technology companies to adhere to these rules to access the EU's domestic market, one of the largest and wealthiest in the world. Positioned at the forefront of regulations, the EU has also generated a spillover effect from its regulatory interventions influencing other jurisdictions. For instance, the General Data Protection Regulation (GDPR) has inspired revising privacy laws in 120 countries. The effort has continued with the approval of the Digital Market Act (DMA), Digital Service Act (DSA), the Artificial Intelligence Act (AI Act), and the Data Act, which aim to set boundaries and regulate digital markets and technology. As US corporations currently dominate European technology markets, the US Administration and US private enterprises have raised concerns about EU legislation's potential adverse or uncompetitive effects, stating that EU regulations might unfairly target US firms.[13]

Following challenging times during the Trump Administration, characterised by trade frictions and disagreements in digital and taxation policies, President Joe Biden has embraced a more cooperative approach. In December 2020, a Joint Communication to the European Parliament and Council introduced a fresh EU-US agenda for global transformation. It underscored the unparalleled strength and influence of the transatlantic alliance, advocating for its use to uphold a rules-based order as a counter to authoritarian forces. Since the beginning of his presidency, remarks by President Biden set the stage for enhanced transatlantic diplomacy, setting the ground for the establishment of the Trade and Technology Council (TTC) in 2021. The TTC was greeted with great enthusiasm as an opportunity to revive transatlantic cooperation on strategically central issues. It is essential to clarify that the TTC's goal is not to establish a free trade agreement but to encourage ongoing dialogue between the two sides of the Atlantic to address common challenges and propose coordinated actions and responses.

The rapprochement has not resulted in the elimination of obstacles and frictions since differing strategic priorities between Washington and Brussels remain.

[12] Massimo Craglia (ed.), "Artificial Intelligence and Digital Transformation: Early Lessons from the COVID-19 Crisis", in *JRC Science for Policy Reports*, 2020, https://data.europa.eu/doi/10.2760/166278.

[13] Martin Coulter, "Exclusive: US Lawmakers Warn Biden to Probe EU Targeting of Tech Firms -Letter", in *Reuters*, 18 December 2023, https://www.reuters.com/technology/us-lawmakers-urge-biden-probe-eu-targeting-tech-firms-letter-2023-12-18.

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First, political agendas between the EU and the US are driven by different underlying and substantial ambitions of economic security. The US has shifted its focus to prioritise national security within its global economic agenda even at the expense of trade. The EU has instead adopted a strategy based on diversifying its supply chain and mitigating dependencies. Moreover, the EU must balance approaches and interests that might diverge across its member states.[14]

Second, a shared and complementary strategy to maximise investment plans has yet to be agreed. The risk that the US and the EU engage in a subsidy race rather than developing a virtuous synergy is evidenced by the Inflation Reduction Act (IRA), adopted by the US Congress in August 2022, or by the introduction of the EU Chips Act and the Chips and Science Act.[15]

Despite its name, the former is a massive investment plan in green technologies. The EU has raised concerns about the potential for the IRA to instigate a transatlantic subsidies competition and about the possibility of investment in EU green technologies being diverted to the US due to the IRA's attractive incentives and discriminatory rules. Given that the EU lacks a free trade agreement with the US, EU companies do not qualify for the subsidies under the IRA. While a dedicated TTC task force was set up to discuss the US implementation rules for the Inflation Reduction Act, efforts towards a broader solution are still underway.

In the case of the Chips Act, discussions about avoiding subsidy competitions are ongoing, but they have yet to prevent subsidy programmes from advancing. Government initiatives supporting foundries and significant private investments have a risk of generating an overcapacity for chip production. Competing subsidy schemes might escalate into trade disputes between the EU and the US at the World Trade Organisation.

3. Italy: Finding an identity in a global context

The paradigm change at the EU level forces member states to embrace a new mindset, shifting from an open market and free trade economic policy to a more geoeconomic approach. The new industrial policy and financial security measures will shape the future of the EU with a powerful influence on member states. Yet, the EU always has to work hard to find a synthesis between national and European strategic objectives. Sometimes, there may be instances of overlapping, while at other times, national interests may diverge.

[14] Marcin Szczepański, "EU-US Trade and Technology Council Modest Progress in a Challenging Context", in *EPRS Briefings*, February 2023, https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2023)739336.

[15] Andy Bounds, "Belgium Accuses US of 'Aggressive' Push to Lure European Business", in *Financial Times*, 10 January 2023, https://www.ft.com/content/16816444-1694-4530-84bb-ac289d6776dd.

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In this dynamic EU internal discussion, while its national technological strategy has been largely aligned with the evolution of the EU approach, Italy appears sidelined. France and Germany dominate the internal negotiation on EU technological sovereignty, which also drives transatlantic relations in this domain. The French government has been a central driving force on technology issues, pushing to promote EU domestic digital infrastructure, launch joint initiatives, establish European tech champions and increase domestic capacity. Berlin, by contrast, has been more focused on industrial competitiveness while avoiding protectionism.

Despite being the third-largest economy and second-largest manufacturer of the Union, Italy is not a frontrunner in the digital and technology domain, even if it excels in some niches. According to the Digital Economy and Society Index (which combines data on human capital, connectivity, integration of digital technologies and digital public services), Italy ranks 18th out of the 27 EU member states.[16] In 2022, Italy allocated only 1.3 per cent of its GDP to research and development (R&D) against 2.18 per cent by France and 3.13 per cent by Germany.[17] It is unsurprising that looking at high-tech manufacturing, Italy's production value was about 57.7 billion euros, while France's and Germany's were 139.7 billion euros and 184.5 billion euros, respectively.[18] Even smaller EU member states with high-tech knowledge and services-oriented economies have higher stakes than Italy in shaping the technological industrial policy of the EU. While Italy's high-technology exports as a percentage of manufactured exports represented 8.7 per cent in 2022, the figure was around 20 per cent in the Netherlands, France and Belgium and about 15 per cent in Sweden, Latvia, Hungary, Greece, Denmark and Germany.[19]

[16] Eurostat, *R&D Expenditure*, March 2024, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=R%26D_expenditure&oldid=551418.

[17] Ibid.

[18] Eurostat, *International Trade and Production of High-Tech Products*, September 2023, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_and_production_of_high-tech_products.

[19] World Bank Data: *High-Technology Exports (% of Manufactured Exports) - European Union*, https://data.worldbank.org/indicator/TX.VAL.TECH.MF.ZS?locations=EU.

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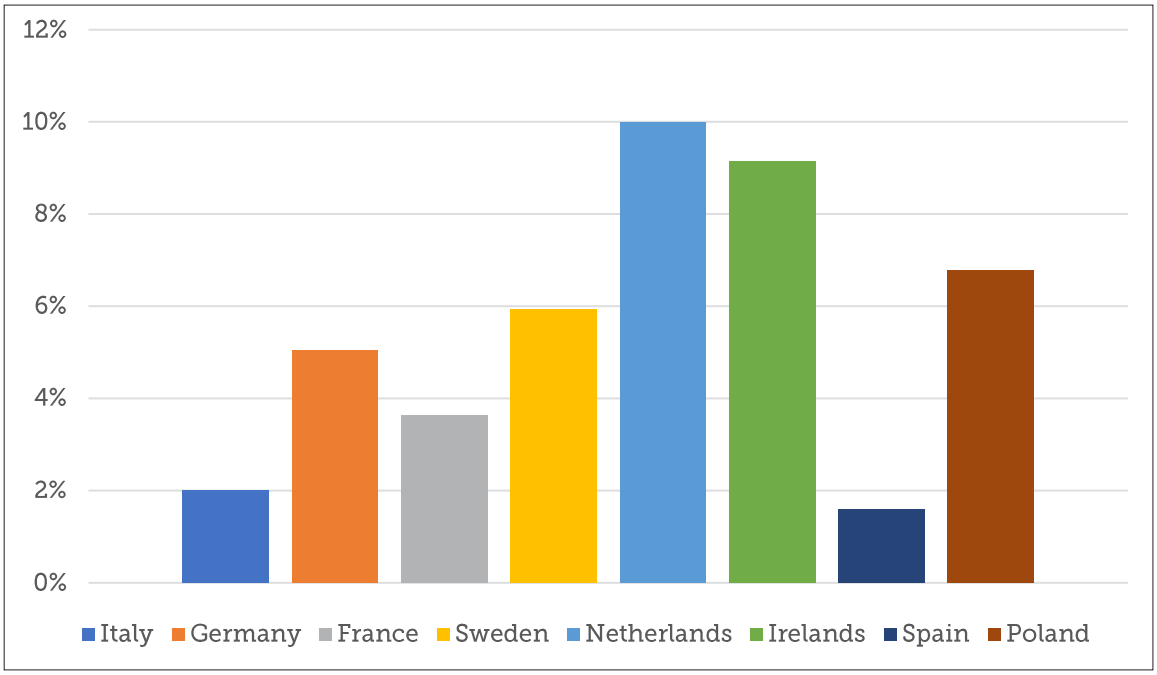
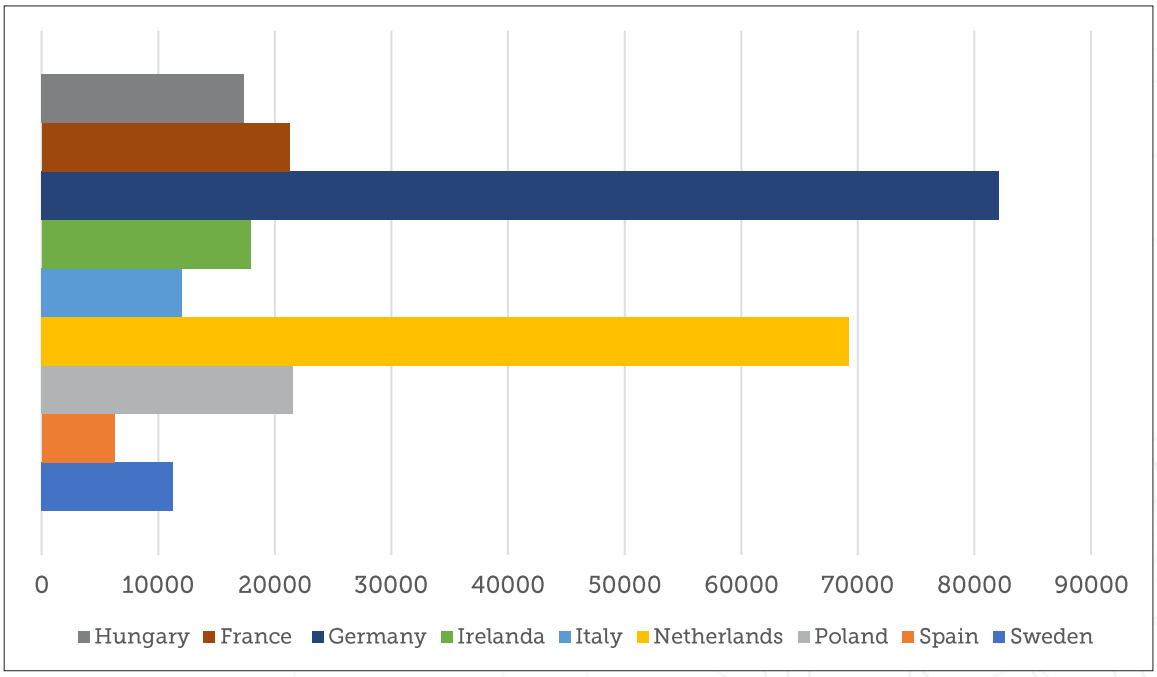
Figure 1 | Share of ICT goods as a percentage of total trade in 2021 (in percentage)



Source: Author's elaboration from UNCTADStats, *Share of ICT Goods as Percentage of Total Trade, Annual*, last updated on 14 February 2024, https://unctadstat.unctad.org/datacentre/dataviewer/US.IctGoodsShare.

Figure 2 | ICT total export in 2022 (million US dollars)



Source: Author's elaboration from UNCTADStats, *Share of ICT Goods as Percentage of Total Trade,* cit.

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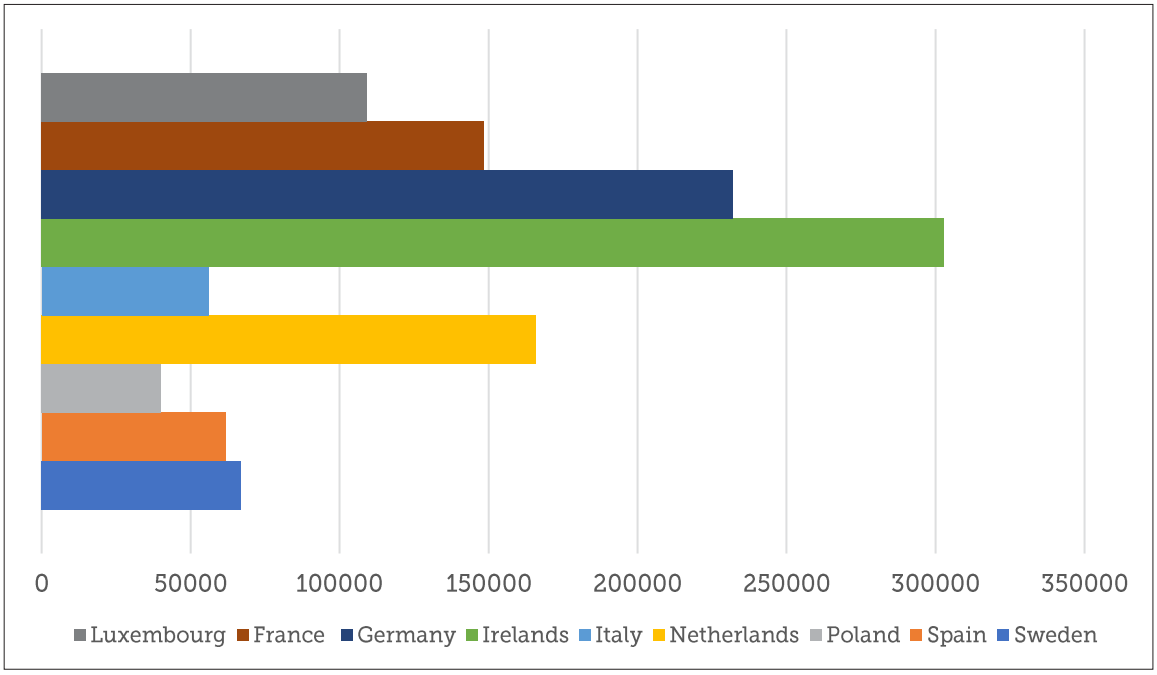
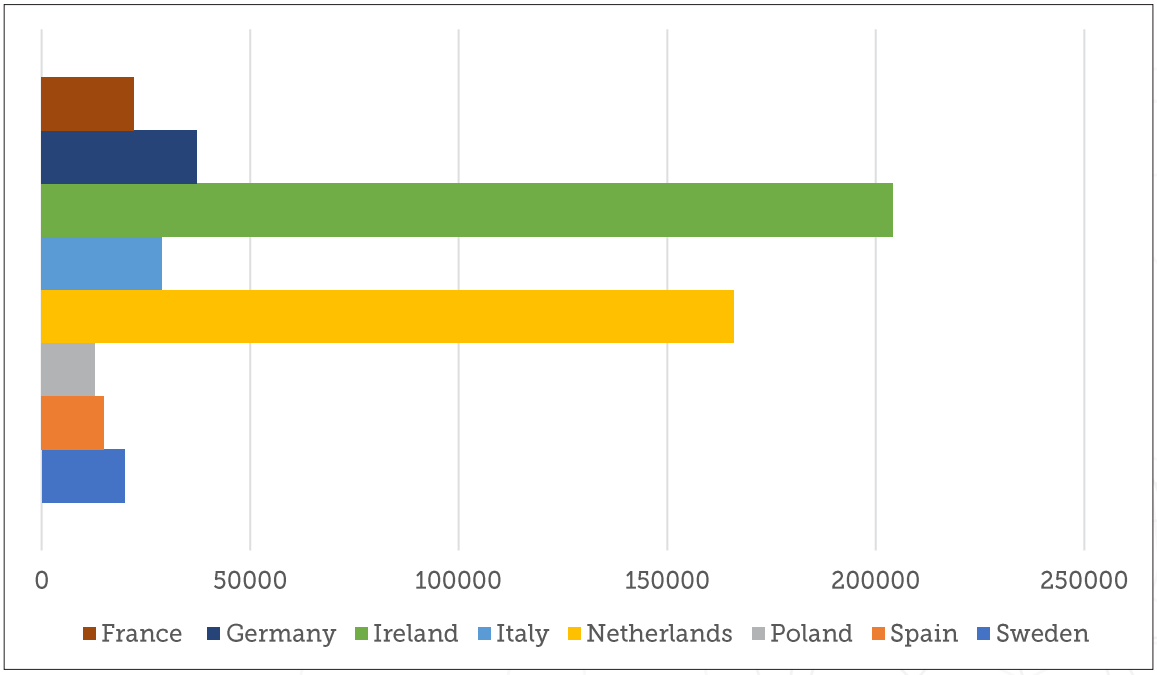
Figure 3 | International trade in digitally-deliverable services in 2022 (million US dollars)



Source: Author's elaboration from UNCTADStats, *Share of ICT Goods as Percentage of Total Trade,* cit.

Figure 4 | International trade in ICT services in 2022 (million US dollars)



Source: Author's elaboration from UNCTADStats, *Share of ICT Goods as Percentage of Total Trade,* cit.

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However, Rome has been trying to consolidate its role in this field. On the one hand, it has been supporting the efforts of the EU to foster a technological sovereignty strategy, playing a pivotal role in shaping regulatory initiatives (from the AI Act to the Digital Market Act) and promoting a plan to boost its internal capacity in the framework of the National Recovery and Resilience Plan (NRRP).

More specifically, under Mario Draghi's government (February 2021-October 2022), the Minister of Technological Innovation and Digital Transition promoted the "Italia Digitale 2026" plan, which was primarily aligned with the EU Digital Compact objectives and funded in the framework of Italy's NRRP.[20] Vittorio Colao, Minister for Technological Innovation and Digital Transition in Draghi's government, set the ground for the Italian vision of national technological strategic autonomy. Italy framed European sovereignty where Italian actors could develop synergies in the EU landscape to consolidate its national players. Moreover, Italy should shape collaboration and cooperation independently from the EU. While the current government has abolished the post of minister for innovation, leaving the competence to the Undersecretary to the Presidency of the Council of Ministers Alessio Butti, Giorgia Meloni's government has broadly confirmed the previous priorities, incorporating an Italian and European strategic autonomy approach.[21]

On the other hand, while maintaining a collaborative approach with China and other third countries – such as India –, Rome has clarified its alignment on crucial emerging technology issues. The Draghi government carefully leveraged its special power to prevent mergers and acquisitions with Chinese companies in strategic high-technology sectors, such as in the 5G infrastructure. The recent decision of Meloni's government to exit from the Belt and Road Initiative confirms Italy's approach.

As a reflection of the Italian tech sector's degree of maturity, technology does not lie at the core of its bilateral relations with the US. In 2022, bilateral trade in goods and services between the US and Italy reached a historic peak of 117 billion US dollars. Italy was the 19th largest market for US exports, valued at 37.1 billion US dollars, and the sixth largest export market within the EU, trailing Germany, the Netherlands, Ireland, France, and Belgium. US exports to Italy primarily focus on oil and gas, precious metals, machinery, and pharmaceuticals. The US is Italy's largest non-EU export market, comprising approximately 10 per cent of all exports and 22 per cent of non-EU exports. In 2022, the US was Italy's second-largest export destination, after Germany, with US imports from Italy reaching 80.2 billion US dollars, resulting in a trade surplus for Italy of 43 billion US dollars.[22]

[20] Italian Minister for Technological Innovation and Digital Transition, *Italia digitale 2026. Risultati 2021-2022 e azioni 2023-2026*, October 2022, https://innovazione.gov.it/notizie/articoli/documento-italia-digitale-2026.

[21] Alessio Butti, "Butti: 'Connessioni, sicurezza e competenze: le priorità del Governo per l'Italia digitale'", in *Agenda Digitale*, 20 March 2023, https://www.agendadigitale.eu/?p=175767.

[22] US International Trade Administration, *Italy - Market Overview*, last updated on 23 January 2024, https://www.trade.gov/country-commercial-guides/italy-market-overview.

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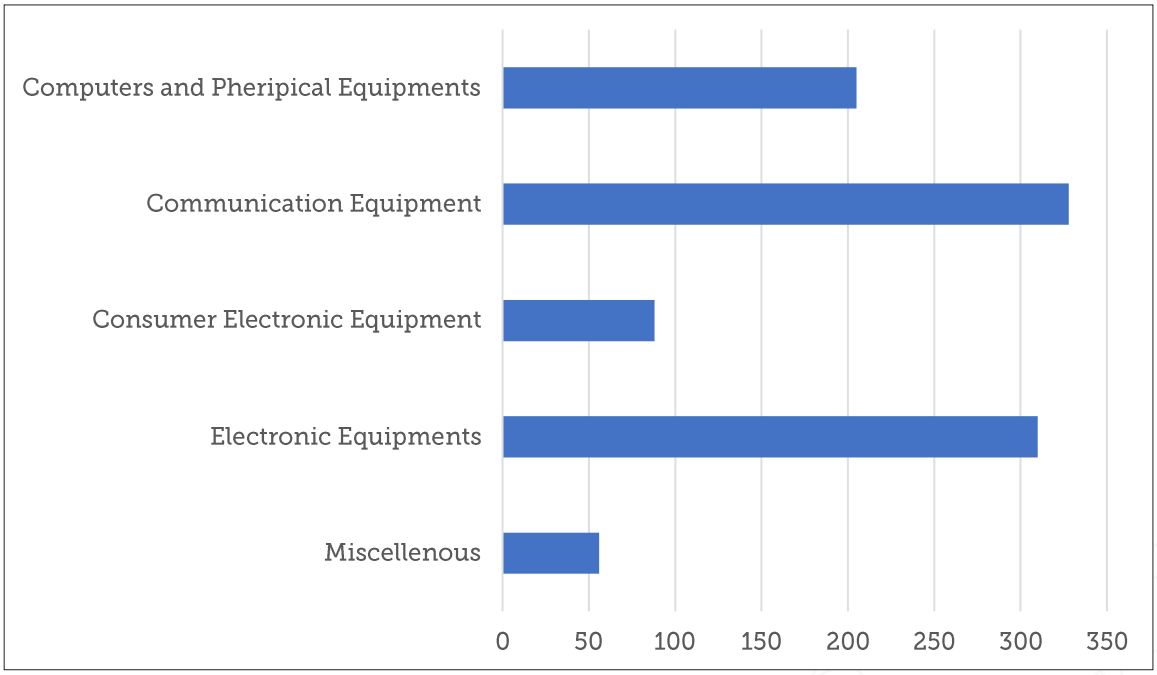
Italian foreign direct investment (FDI) in the US amounted to 46.2 billion US dollars in 2022.[23] Critical sectors for Italian FDI encompass industrial equipment, renewable energy, food and beverages, electronic components, software and IT services, and metals. Italy's cumulative inward FDI investment remains below the EU average. Conversely, US direct investment in Italy totalled just 26.1 billion US dollars in 2022, ranking tenth among EU destinations, following Norway, and representing one-third of that invested in Spain. US investment in Italy predominantly focuses on manufacturing, energy, food and beverages, and software and IT services, with significant industrial partnerships in the aerospace and automotive sectors.[24]

Figure 5 | Italian export to North America in ICT goods in 2021 (US dollars)



Source: Author's elaboration from UNCTADStats, *Share of ICT Goods as Percentage of Total Trade, Annual,* cit.

[23] Ibid.
[24] Ibid.

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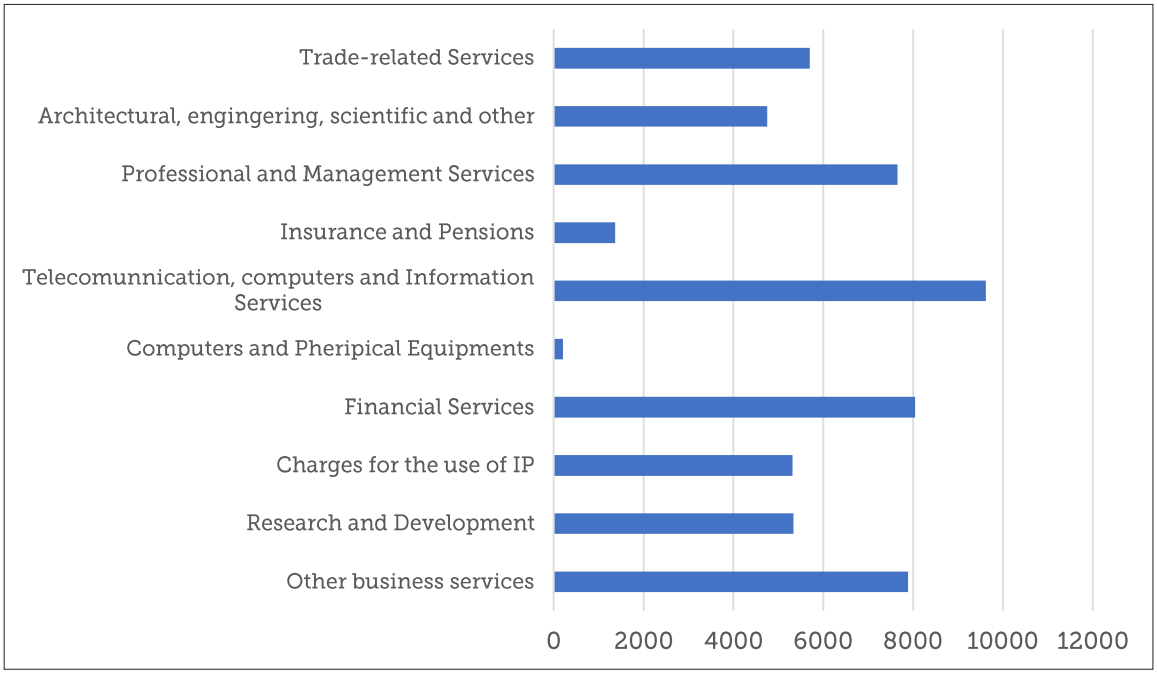
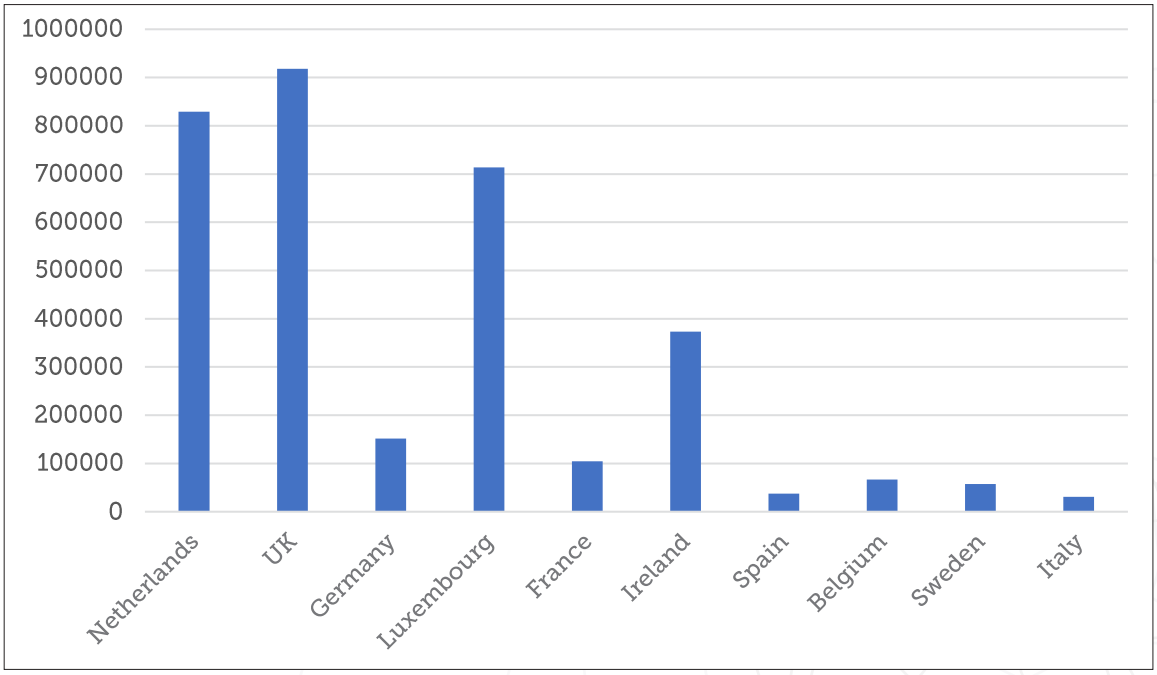
Figure 6 | Italian international trade in digitally-deliverable services in 2022 (US dollars)



Source: Author's elaboration from UNCTADStats, *Share of ICT Goods as Percentage of Total Trade,* cit.

Figure 7 | FDI stock from the US to selected EU countries



Source: European House-Ambrosetti and National Italian American Foundation, *The Strategic Importance of US-Italy Relations. Past, Present and Future of a Mutually Beneficial Alliance*, September 2022, https://www.ambrosetti.eu/en/news/the-strategic-importance-of-italy-us-relations.

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However, deepening economic ties and cooperation with the US on technology could be a key factor in strengthening and expanding Italy's domestic technological capacity. As expressed in the latest Joint Declaration of the 14th Italy-US Joint Commission Meeting on Science and Technology Cooperation in January 2023, technology cooperation is perceived as a strategic issue in US-Italy relations.

Yet, it is not clear which vision Italy has on how to shape and leverage such cooperation. First, the document stressed that this initiative does not envision any funding line for nongovernmental research centres and academic institutions to establish new projects; they need, instead, to leverage their funds for cooperation projects.[25] This clearly potentially anchors down potential opportunities for cooperation between institutions from the two sides of the Atlantic. Second, out of the eighteen projects that are funded through Italian public grants in this framework, only two are allocated to the strategic areas identified in the Italian technological strategy, namely AI and chips.

On the other hand, while private investments from the US could play a crucial role in enhancing the competitiveness of Italy's technological ecosystem, Italy must undertake significant efforts to become an attractive destination for US FDI in the tech sector. This includes improving regulatory frameworks, fostering a more innovation-friendly environment, and addressing infrastructural and bureaucratic hurdles that currently deter potential investors. By creating a more conducive environment for business and innovation, Italy can position itself as a more appealing option for American tech funding.

Conclusion

The challenge is to scale up Italy's internal capacity to improve its strategic positioning with concrete actions to consolidate its national interests within the EU and in transatlantic technological relations.

As technology is a global and geostrategic game, Italy must pursue two main objectives: (i) foster internal technological competence and capacity with concrete actions such as promoting public and private investments in key strategic technologies – such as AI applications and chips – levering Italy's existing niche of excellence and (ii) strengthen Italy's geopolitical influence in the technological domain consolidating Italy's voice in the EU institution and expanding collaboration with third countries. To achieve these ambitions, Rome must have a multi-layer strategy. First, its national technological strategic autonomy should be pursued in a European context. Second, since Italy and the EU have privileged

[25] Italy and US, *Joint Declaration of the 14th Italy-U.S. Joint Commission Meeting on Science and Technology Cooperation*, Rome, 26-27 January 2023, https://www.esteri.it/wp-content/uploads/2023/01/JOINT_DECLARATION_OF_THE14th-ITALY-U.S._JOINT_COMMISSION_MEETING_Signed.pdf.

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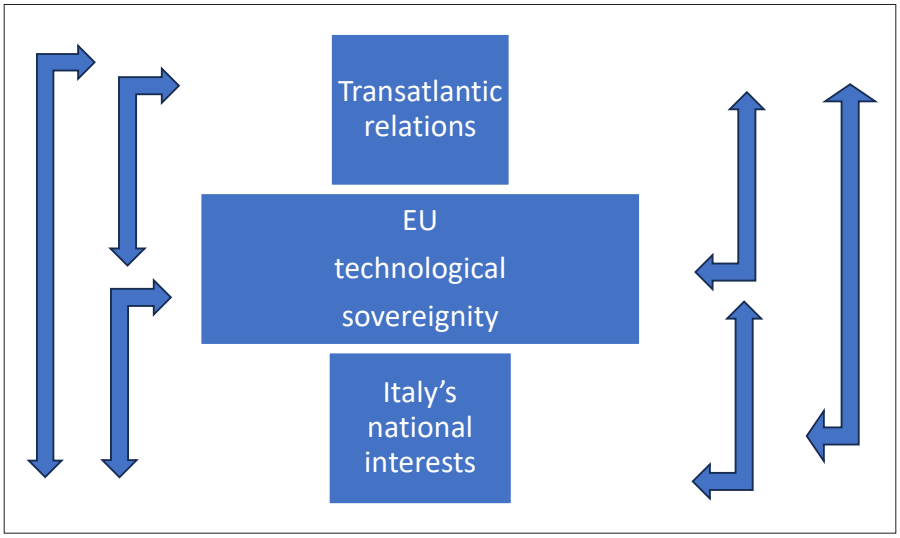
economic and political relations with the US, Rome should be more proactive in shaping these efforts. Third, Italy should be acting to strengthen its ties with other global partners while standing within the EU and transatlantic framework.

Figure 8 | Italy's technological sovereignty in a multilayer framework



First, Rome needs to accelerate the implementation of the "Italia Digitale 2026" plan. In addition to detailing ambitions and actions, the document stressed that Italy would have prioritised three critical strategic areas in which it could actively advance the EU's ambition for strategic autonomy: space, Artificial Intelligence, and advanced technologies – with a specific reference to semiconductors. In line with this ambition, Italy needs to strategically evaluate how to maximise its comparative advantages in these domains and empower newly launched initiatives – such as the AI4 Industry or Fondazione Chips.IT, to leverage private investments from leading US firms and EU financing funds. The risk otherwise is to set a range of uncoordinated initiatives that do not add value or promote concrete actions to the Italian system.

Second, Italy can leverage the G7 Presidency to lead the multilateral agenda's development on vital technological aspects. Building upon the effort of the EU, Italy has the opportunity to position itself as the driver and not just a passive actor in international fora. The current government has set the ambition to put the topic of Artificial Intelligence at the centre of the Italy-hosted G7.

Third, Italy needs to expand its cooperation with critical third-partner countries. The goal should be to ensure the diversification and resilience of Italian supply chains and create new business opportunities. Standing firm in its European and transatlantic identity, Italy has space to strengthen its bilateral relations with other global partners.

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