

Italy and Australia: Time for a Strategic Partnership

by Gabriele Abbondanza

Bilateral relations between Italy and Australia are described as warm and cordial by both countries. Yet only seven years ago David Ritchie, the outgoing Australian Ambassador to Italy, defined them as “non-existent”. That statement was based on a general lack of substantial interaction between the two countries, which for decades had revolved predominantly around migration.¹

However significant, migration and tourism cannot account for the full spectrum of unexpressed potential between Rome and Canberra. This is especially true in a global order in flux, in which shared goals require like-minded states to cooperate more closely than ever.

¹ Bruno Mascitelli, “Italy and Australia: A Relationship Made and Unmade by Immigration?”, in *Australian Journal of International Affairs*, Vol. 69, No. 3 (2015), p. 339-355.

The two countries’ capabilities are undoubtedly significant and excel in different fields that would be mutually beneficial if new synergies are developed. Despite its political and economic troubles, Italy is still the world’s 8th largest economy, the 2nd manufacturer in Europe and the 6th globally. It is a founding member of the G7/G-20, the EU and NATO – among many others – and has a wide range of global interests that are supported by diplomatic networks and military capabilities that sit in the global top-10.

Australia, on the other hand, has been steadily rising for about 30 years and is now the world’s 14th largest economy. It is a member of the G20, the Asia-Pacific Economic Cooperation (APEC) and numerous other regional fora, and has gradually increased its budget for technology, innovation and defence.

While both are highly-developed nations, their economic structures, regional influence and national

Gabriele Abbondanza is Visiting Fellow and Sessional Lecturer at the Department of Government and International Relations, University of Sydney. He is also Vice President of the Dante Alighieri Society Sydney.

capabilities are remarkably different. Yet the potential for complementarity warrants a critical reappraisal of their bilateral relations. While Rome and Canberra are now set to implement a treaty on scientific and technological cooperation,² the bilateral relationship lacks ballast in terms of economic, security and political engagement.

Looking forward, one way to strengthen the relationship would be for Italy and Australia to begin discussing the benefits of a strategic partnership, a political tool used by both countries to establish privileged relations with third countries, with the goal of fostering stronger and more direct forms of cooperation in a variety of fields.³

To realise their full potential and propel mutual cooperation for the next decade, such a partnership would need to address the unexpressed potential in terms of (a) trade relations; (b) technological and defence capabilities; and (c) international cooperation.

Let us first look at bilateral trade. After a promising expansion following the end

² The treaty has been ratified by Australia, and will soon be discussed in the Italian Senate. See Australia and Italy, *Agreement on Scientific, Technological and Innovation Cooperation between the Government of Australia and the Government of the Italian Republic*, Canberra, 22 May 2017, https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Treaties/ScienceTechnicalItaly/Treaty_being_considered.

³ For Italy's strategic partnerships, see the Italian Ministry of Foreign Affairs website: <https://www.esteri.it/mae/en/search?q=site:www.esteri.it%20strategic%20partnership>. For Australia's strategic partnerships, see the Australian Department of Foreign Affairs and Trade (DFAT) website: <https://www.dfat.gov.au/search?keys=S+strategic+Partnership>.

of the Cold War, two-way merchandise trade between Italy and Australia grew at a slower pace compared to other major European states. In 2019 it was worth 7.9 billion Australian dollars (around 4.5 billion euro), with a growth of 75 per cent over 20 years. In the same time frame, Australian two-way trade has increased in a much more decisive fashion with France (132 per cent), Germany (137 per cent) and Spain (191 per cent). Only trade with the UK has grown less (51 per cent), due to the fact that trade volumes were already substantial.⁴

It is not useful to embark on a comparison between these figures and those concerning Australia's trade with Asian countries – which have enjoyed a much stronger rise – but there is room for discussion on the need to strengthen trade between Australia and Italy. After all, the Italian trade profile is highly comparable to that of Germany and France, and yet the gap between trade growth rates is evident. Additionally, the trade balance disproportionately favours Italy, something that ought to be addressed when seeking deeper bilateral engagement.

Furthermore, the Italian and the Australian economies are remarkably complementary, a point that is openly acknowledged by the Australian government.⁵ According to the latest data, the main Italian exports to Australia are machinery and related

⁴ Australian DFAT website: Composition of Trade Australia, <https://www.dfat.gov.au/about-us/publications/Pages/composition-of-trade>.

⁵ Australian DFAT website: *Italy Country Brief*, <https://www.dfat.gov.au/geo/italy/Pages/italy-country-brief>.

equipment, food and beverage products, pharmaceutical products and motor vehicles. The main Australian exports to Italy are minerals and coal, agricultural and seafood produce and textile materials.⁶ In essence, Italy tends to exports manufactured goods to Australia, and Australia tends to exports raw materials to Italy.

To be sure, there are some tangible issues that negatively affect bilateral trade, many of which are acknowledged by both sides. Rome mentions the absence of strong measures against counterfeit luxury products; the lack of protection for geographical indications and traditional specialties; the uncertainty of gas and oil exploration in Australia due to political opposition; and Australia's restrictive skilled visas. On the other hand, Canberra emphasises Italy's weak economic growth, a complicated bureaucracy, the slow adoption of macro-economic reforms, its trade deficit and the low levels of direct investment in Australia.

Rather than preventing further development, the very existence of the above issues should be enough to warrant a debate on a strategic partnership, as specific provisions addressing them could be easily included during the negotiations. Additionally, successful areas of cooperation in service trade, such as education and tourism, could be better preserved, by formalising preferential pathways through a formal agreement. The creation of an Australian chamber

⁶ Italian Embassy in Australia et al., *Australia*, last updated 11 November 2020, http://www.infomercatiesteri.it/public/rapporti/r_119_australia.pdf.

of commerce in Italy (currently under discussion) would help further, and stronger cooperation would facilitate the ongoing negotiations of a EU–Australia free trade agreement.

Moving to the second area of technological and defence capabilities, here too there is significant potential. Both countries are remarkably engaged in high-impact research – Italy and Australia rank 7th and 10th respectively in Scopus' International Science Ranking⁷ – and yet Australia is behind Italy in terms of research on physics, astronomy and mathematics, whereas the opposite applies with reference to agricultural and biological sciences, nursing, environmental and social sciences. The soon-to-be ratified treaty on scientific and technological cooperation will improve bilateral research activities, but a fully-fledged strategic partnership would render substantial initiatives more common and easier to plan.⁸

The level of complementarity is even more pronounced in the defence field. Italy is the 9th largest provider of defence systems and equipment globally, and Australia has been the 5th largest recipient of weapons and defence systems in 2019.⁹ The Italian defence industry historically excels across the four domains of sea, land, air and space, and Australia is highly-

⁷ See *Scimago Journal and Country Rank*: <https://www.scimagojr.com/countryrank.php>.

⁸ For a list of major ones, see Australian DFAT, "Italy", in *Market Insights*, October 2019, <https://www.dfat.gov.au/sites/default/files/italy-market-insight.pdf>.

⁹ See SIPRI *Arms Transfers Database*, <https://www.sipri.org/databases/armstransfers>.

dependant on defence imports. Furthermore, Italian peacekeepers are acknowledged leaders in terms of military training in war zones,¹⁰ and relevant knowledge transfers could prove remarkably useful given Australia's unequivocal focus on South Pacific island countries, with reference to its foreign aid and state building initiatives.¹¹

Yet, over the past decade, Australia has had larger defence contracts with the UK, Germany, Switzerland, France, Spain and the US, compared to Italy. Besides, Australia has developed a robust cyber capability, while Italian efforts in this more recent field are slower in their implementation.¹²

Against this backdrop, and until a strategic partnership is in place, the complementarity between the two countries in terms of research and defence capabilities will remain a hindrance rather than an opportunity. Moreover, the lack of substantial defence procurement may become an obstacle to the improvement of bilateral political engagement, as happened in 2018.

The third area that would benefit from a new partnership involves political and

international cooperation, which has not yet moved past the conventional statements concerning a stable, rules-based international order. Although high-level engagement had been moderately increasing until recently, Australia's decision to select British frigates over Italian ones for its 2018 tender – despite the 10-year-plus waiting list and concerns over their unproven capabilities – has had an impact on bilateral relations.

It was widely discussed that the choice might have been influenced by political considerations, such as the goal of paving the way for a post-Brexit Australia–UK free trade agreement (now under discussion), and indeed such claims were not decisively dismissed by Australian authorities.¹³ Yet, whatever the reasons, the choice surprised many in both countries, and scheduled official visits were cancelled, leading to a drawdown in bilateral relations.

The uncertainty surrounding the two countries' commitment to stronger bilateral relations cannot but hamper the substantial level of cooperation that could be achieved through a more formal pathway, such as that provided by a strategic partnership.¹⁴ After all, international cooperation between like-minded states is increasingly significant in the midst of the numerous uncertainties affecting international

¹⁰ Gabriele Abbondanza, "The West's Policeman? Assessing Italy's Status in Global Peacekeeping", in *The International Spectator*, Vol. 55, No. 2 (June 2020), p. 127-141.

¹¹ Gabriele Abbondanza, "Australia the 'Good International Citizen'? The Limits of a Traditional Middle Power", in *Australian Journal of International Affairs*, 15 October 2020, DOI: 10.1080/10357718.2020.1831436.

¹² Francesco Bechis, "Perimetro cyber, si parte. Così l'Italia si difende (e rassicura gli Usa)", in *Formiche*, 22 October 2020, <https://formiche.net/?p=1337321>.

¹³ Andrew Greene, "BAE Systems Beats Spanish and Italian Designs for \$35 Billion Warship Building Program", in *ABC News*, 28 June 2018, <https://www.abc.net.au/news/9922666>.

¹⁴ Michele Nones, "Difesa: fregate Fremm, l'Italia sconfitta in Australia", in *AffarInternazionali*, 2 July 2018, <https://www.affarinternazionali.it/?p=70202>.

relations.

Additionally, Canberra needs to secure post-Brexit access to the EU – both as a significant global actor and as the world's 2nd largest economy – which could be provided by Italy as one of the "EU big three". Conversely, Rome seeks stronger export links to booming economies in the Indo-Pacific, which could be obtained through Australia by virtue of its numerous free trade agreements as well as through its Track I and II diplomacy in the region.

Moreover, both are committed to maintaining the current international order through multilateral cooperation. To that end, the incoming Biden administration in the US may provide further momentum to closer cooperation between Rome and Canberra, particularly in light of mounting US-China tensions and the Washington' expected return to support multilateral dialogue. As Chinese influence outgrows its traditional boundaries, the two countries could find new avenues for cooperation on international challenges that affect the interests of both, especially if pursued with like-minded democracies such as EU member states and "the Quad" grouping in Asia.¹⁵

As a final consideration, domestic political stability is clearly a significant factor when discussing stronger bilateral relations. While Australian governments tend to have a short lifespan, the country's political bipartisanship in foreign policy

ensures a stable international direction. The same does not fully apply to Italy, whose 2018–2019 populist government deviated from Rome's traditional foreign policy direction and ended up isolating the country diplomatically.¹⁶

The current Italian coalition government has generally returned Italian foreign policy to its traditional posture, pursuing conventional means and aims, including vis-à-vis Europe and the US. This government may therefore be a more suitable partner for Australia to begin discussions on a future strategic partnership, even as the world grapples with the many repercussions of COVID-19.

3 December 2020

¹⁵ The Quadrilateral Security Dialogue (QSD), or "Quad", includes the US, Australia, India and Japan.

¹⁶ Ferdinando Nelli Feroci, "The 'Yellow-Green' Government's Foreign Policy", in *IAI Papers*, No. 19|10 (April 2019), <https://www.iai.it/en/node/10293>.

Istituto Affari Internazionali (IAI)

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*Affarinternazionali*), three book series (*Global Politics and Security*, *Quaderni IAI* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

Via dei Montecatini, 17 - I-00186 Rome, Italy

T +39 06 3224360

iai@iai.it

www.iai.it

Latest IAI COMMENTARIES

Director: Andrea Dessì (a.dessi@iai.it)

- 20 | 87 Gabriele Abbondanza, *Italy and Australia: Time for a Strategic Partnership*
- 20 | 86 Dario Cristiani, *A Ceasefire with Feet of Clay: The Potential Spoilers of Peace in Libya*
- 20 | 85 Roderick Parkes and Mark McQuay, *Ending the EU's Ambivalence to Free Movement in Africa*
- 20 | 84 Nathalie Tocci and Nona Mikhelidze, *Winners, Losers and Absentees in Nagorno Karabakh*
- 20 | 83 Nicoletta Pirozzi, *Going Transatlantic: The EU's Lean Walk Towards Strategic Relevance*
- 20 | 82 Riccardo Alcaro, *Three Stories from USA 2020*
- 20 | 81 Nathalie Tocci, *Europe and Biden's America: Making European Autonomy and a Revamped Transatlantic Bond Two Sides of the Same Coin*
- 20 | 80 Andrea Passeri, *Malaysia's Success Story in Curbing the COVID-19 Pandemic*
- 20 | 79 Anas El Gomati, *Libya and the COVID-19 Lifecycle: From Distraction to Dissidence*
- 20 | 78 Nizar Messari, *Moroccan Foreign Policy Under Mohammed VI: Balancing Diversity and Respect*