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Monthly Brief on the Italian Political Economy

February 2025

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Every month, our Monthly Brief on the Italian Political Economy provides a bullet-point recap of the previous month's main events, followed by reasoned deep dives and/or interesting graphs and commentaries on topics of significance for economic policymaking in Italy.

[Giulio Petrillo](#)

LAST MONTH IN BRIEF

- 06/01** Following PM Meloni's visit to President-elect Donald Trump, the Presidency of the Council of Ministers [releases](#) a statement to deny the signing of any contracts with Musk's SpaceX regarding the use of the Starlink satellite communications system (see **Deep Dive 1**)
- 14/01** The Italian government [publishes](#) its [guidelines](#) on space and aerospace activities, a strategy document charting the course for Italy's future in a strategic sector
- 14/01** The Council of Ministers [approves](#) the first annual bill for small and medium enterprises. The text [foresees](#) a series of measures to support SMEs' activities and innovation in different sectors (see our **Graph of the month**)
- 15/01** Italy, Albania and the United Arab Emirates [sign](#) a strategic partnership agreement to strengthen cooperation in the renewable energy and strategic infrastructure sectors (see **Deep Dive 2**)
- 17/01** The Ministry of Enterprises and Made in Italy and Cassa Depositi e Prestiti [announce](#) a collaboration to perform economic and market analyses on the sustainability and resilience of value chains of strategic raw materials to strengthen the twin transition
- 24/01** During the fourth meeting of the permanent committee for the Fashion industry, Minister Urso [announces](#) a €250 mln investment to support the green and digital transition of the sector
- 25-27/01** During her official visit to Saudi Arabia, PM Meloni and Mohammed bin Salman Al Saud [sign](#) a joint declaration to elevate bilateral relations to the level of strategic partnership, focusing on key elements among which is energy transition

DEEP DIVE 1

A symbol of Europe's industrial backwardness? The relationship between Italy and Elon Musk

On 4 January, PM Meloni [made](#) a quick and surprise visit to then US President elect Donald Trump in Florida. Upon her return, international information networks [reported](#) that Italy was planning to sign a \$1.6 billion agreement with Elon Musk's SpaceX concerning telecommunication security. The Presidency of the Council of Ministers [denied](#) that any agreement had been signed during that trip, but ongoing talks on the topic were not officially denied.

Commentary

The matter conveys a key message of political and industrial dimensions.

From the political viewpoint, the news triggered strong political reactions in Italy. The opposition parties [started](#) harshly [criticising](#) the government. Their disapproval went mainly towards PM Meloni's personal relationship and political alignment with Musk, underlining his new role in the Trump administration and his recent extremist political public remarks. Some opposition leaders also claimed that an agreement with Musk would endanger Italy's national security, but the technical aspect of citizens' data protection remained secondary in their statements. Therefore, the central element of criticism insisted on Musk's personality and political behaviour rather than on the product value SpaceX offers to the telecom sector. Such an approach can have some valid political points, but disregards the industrial element.

However, the industrial and innovation standpoints are key. On the one hand, in parliament Italian Defence Minister Guido Crosetto [curbed](#) the talks with Starlink reiterating that no agreement had been signed to date and highlighting that every possible solution must be taken into consideration. On the other hand, he [declared](#) that [currently](#) there are no alternatives to Starlink services for the military branch. Indeed, the [European Iris2 satellite project](#) should be operative by 2030. A nationalist government like Meloni's would prefer to trust Italian, or at least European, technologies, but it simply cannot right now. This situation shows how Europe lags behind the US. Therefore, Italy's approach to Musk should primarily be an occasion to reflect on the EU's backwardness in innovation and industrial competition. It is a good sign that Musk's rivalry [elicited](#) the political will to sign the Iris2 project, but Europe must start acting before perceiving a danger, otherwise it will always be one step behind.

In conclusion, the relationship between Italy and Musk in the telecom sector is yet another sign of the risk Europe runs due to its lack of a rapidly innovative industrial base: unwilling dependency on foreign technologies.

DEEP DIVE 2

Italy's effort in the energy field: the Adriatic link

On 15 January, in Abu Dhabi, Italian Minister of Environment and Energy Security Gilberto Pichetto Fratin, Albanian Minister of Infrastructures and Energy Belinda Balluku, and the UAE's Minister of Industry and Technologies Sultan Al Jaber [sign](#) a cooperation agreement to build an Adriatic energy link worth around €1 bln. The [deal](#), involving Italian grid operator Terna and the UAE's National Energy Company Taqa, foresees technological support by the UAE to increase the production of renewables in Albania, as well as a transfer to Italy of around 1GW of the produced energy via underwater infrastructures. The underwater cables would link the Albanian port of Vlore with Puglia in Southern Italy, and should be ready by 2028.

Commentary

The three-way partnership shows the will of the current Italian government to leave its trace in the energy sector. Indeed, on the one hand, the agreement is an industrial move, and, on the other hand, it marks a political step.

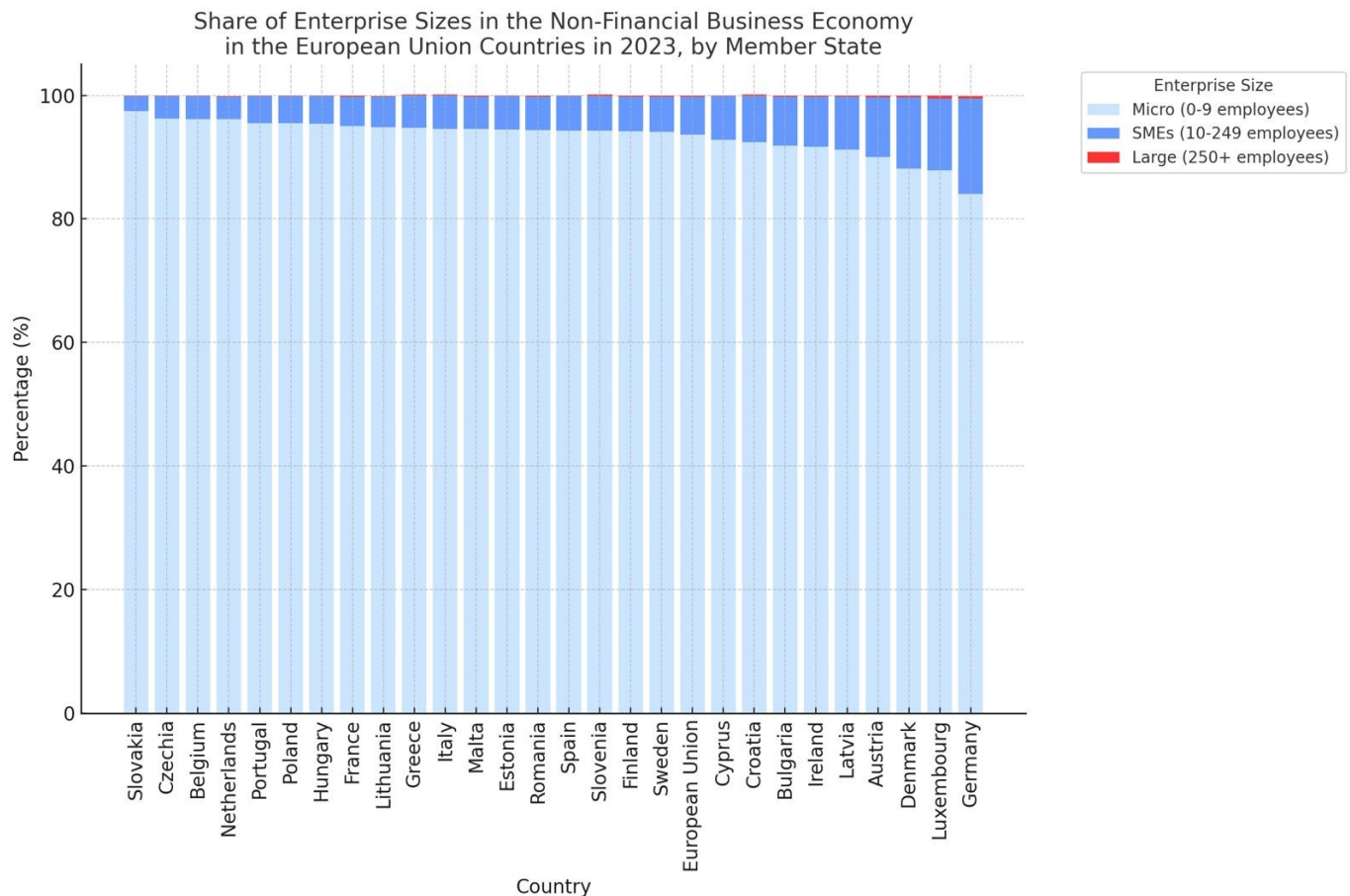
First, if the plan succeeds, a secure supply line of renewable energy would be significantly useful for Italy's industrial base. Being a member of the EU, Rome has climate targets to hit in the next decade, but a green deindustrialisation is not an option from any viewpoints. Currently, Italy's energy sector is [struggling](#) to eradicate its dependency on fossil fuels; therefore, this agreement is a positive step in the right direction. It must be complemented by other initiatives to strengthen Italy's [position](#) in the renewable energy race, but the deal can be considered a good way to exploit international cooperation for industrial policy's sake.

Second, the political element plays a crucial role in this framework. The agreement is an act of energy diplomacy well [performed](#) by PM Meloni. She leveraged on her good relationship with Albania, clearly shown by the famous [asylum](#) deal made in 2023, to strengthen Italy's relationship with the UAE, a key player in the Gulf from various standpoints. Moreover, the deal can also have positive internal political effects, as part of the government's strategy in the energy field. Italy is, in fact, [struggling](#) a bit in energy development due to internal regulation matters, and, consequently, increasing the supply of renewable energy can be a game changer.

In conclusion, the Adriatic link project can have a series of positive effects on both the Italian industrial policy and its political strategy for the energy sector. The first step was made, but the key part of a timely implementation remains to be carried out.

GRAPH OF THE MONTH

Italy's share of SMEs remains below EU average



Source: [European Commission](#)

In 2023, in Italy 94.6% of companies were micro-enterprises, among the highest in the European Union and well above the EU average. The graph shows that, contrary to its reputation as a SMEs powerhouse, Italy lags behind other major EU economies when it comes to the share of SMEs (10-249 employees), standing at just 5.4%, below the EU average (6.2%) and significantly lower than countries with stronger mid-sized business sectors: Germany (15.5%), Denmark (11.6%), Austria (9.7%). The country's reliance on micro-enterprises suggests that barriers to growth - such as bureaucratic hurdles, limited access to financing, and complex labour regulations - prevent micro and small businesses from scaling up into medium-sized enterprises. The official text of the SMEs bill just approved is not yet available; however, against this data background, it should address the constraints listed above to enhance Italy's productivity and improve the economic resilience of its industrial basis, rather than simply sustaining the current situation of Italian SMEs.