

European Competitiveness at Stake: Industrial and Technological Challenges

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ABSTRACT

On 7 April 2025, the Italian Istituto Affari Internazionali and the Dutch Clingendael Institute co-hosted the fourth edition of the Van Wittel/Vanvitelli Roundtable, which is becoming a major recurring event in the policy dialogue between Italy and the Netherlands. The meeting, co-organized by the two policy institutes, took place at the Italian School of Public Administration in Caserta (NA, Italy), bringing together a broad array of stakeholders including experts from academia, think tanks, ministries and civil society. This year's roundtable focused on the critical intersections between industrial innovation, technological sovereignty and (open) strategic autonomy, underlining the urgent need to strengthen linkages between these domains within the broader European framework.

Italy | Netherlands | European Union | Industry | Agriculture

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Introduction

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¹ A video of the closing remarks by Antonio Tajani, Italian Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation, and Caspar Veldkamp, Dutch Minister of Foreign Affairs, is available here: <https://www.youtube.com/live/mqhfJfW-4s8>.

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1. Increasing security and reducing dependencies

The dialogue began with a reflection on the pressing geopolitical challenges facing the European Union. Participants broadly acknowledged that escalating tensions between the United States and China, including an increasingly protectionist American posture – as seen during and potentially following the Trump administration – pose risks for Europe's role in the international order. The possibility of a global trade war, alongside the gradual withdrawal of the US from traditional multilateralism, is both a threat and a wake-up call for Europe. In the last months, the challenge has become particularly serious, as the US administration threatened multiple times to impose high tariffs on EU products. Rather than becoming collateral damage in this global rivalry, Europe should take active steps to strengthen its strategic positioning and develop a strategy to counter and deter coercion from third countries. This goal, the participants argued, requires avoiding marginalisation through enhanced internal cohesion, greater autonomy from external suppliers, and the ability to act collectively on the world stage. In this light, there was widespread agreement that bilateral relationships such as the one between Italy and the Netherlands can serve as essential building blocks in shaping Europe's capacity to act with strategic clarity and operational effectiveness.

In the event of a global trade war, another source of instability could come from China. If the US markets shut its doors, China would be faced with an overproduction capacity, due to the misplacement of all the goods destined to the US economy. In this scenario, the only option for Beijing would be to flow the same commodities to Europe, thereby saturating the market and curbing EU competitiveness. This scenario must be avoided. The solution can be only a tough but necessary negotiation with the US to avoid a dramatic fragmentation of global trade. The EU should act reasonably and try to persuade Washington of the existing nexus between global trade, wealth and political stability. The negotiation should start from the assumption that the transatlantic trade with the United States is much smaller than trade within the European Union. As a consequence, all the EU member states have a practical convenience in standing together and speaking with Washington with one voice. The formal and exclusive competence that the Commission holds in the commercial field, granted by the EU Treaties, should be therefore supported politically at the highest levels. At the same time, the Commission and the member states should focus on: 1) developing bilateral agreements with like-minded countries worldwide which believe in open and fair trade; 2) removing non-tariff barriers inside the internal market to boost competitiveness vis-à-vis the rest of the world. The second point is particularly important, as the Commission needs to make the bloc more resilient to external shocks through a set of instruments aimed at enhancing strategic autonomy in a framework of necessary global interdependence.

Indeed, the recipe to achieve this goal has been already identified in the Letta and Draghi reports, which offer sound analyses and strategic directions for European industrial and economic policy. Despite these clear guidelines, the participants'

consensus was that implementation today remains inconsistent due to poor coordination among member states and institutional inertia. It was argued that meaningful progress depends on increased financial support, forward-looking strategic planning and, crucially, the formation of coalitions among like-minded EU member states – especially when the broader EU framework falls short. A recurring theme throughout the discussion was Europe's evolving role as a global actor; if the ambitions of the bloc go beyond playing the role of an excellent regulatory power, the EU must position itself as a mediator and real broker in a multipolar world. Italy and the Netherlands, with their strong institutional, industrial and diplomatic assets, are natural complimentary partners in this effort, and can help the EU agenda in many respects.

One dimension obviously pivotal for both the Union and its member states is the future of our economies. In this regard, participants insisted on the need to place industrial policy at the very heart of Europe's strategic agenda. The capacity to maintain economic leadership, social cohesion and democratic vitality depends in no small part rests on the continent's ability to manufacture, innovate and compete. A number of shared structural challenges – most prominently energy affordability, demographic change and the digital transition – must be tackled through integrated strategies that involve both public and private actors. The traditional rigid separation between public sector policy and private investment is therefore outdated and counterproductive. Today's complex challenges require unified action driven by shared objectives.

The Italy–Netherlands partnership, in this context, was identified as a potential nucleus for a new wave of EU-wide strategic thinking. These two countries already hold considerable influence in different sectors and can use their complementary strengths to demonstrate the added value of bilateral cooperation for the entire EU. By jointly addressing pressing infrastructure needs, advancing cooperation on research and innovation, and fostering deeper market integration, Italy and the Netherlands could set a precedent for other mid-sized EU member states. The panel was concluded by a call to action: to jointly draft a detailed position paper, developed in direct dialogue with the European Commission, to define shared priorities and propose concrete initiatives. This policy paper would focus on key areas such as advanced technologies, green innovation, the energy transition and the pursuit of strategic autonomy – laying the foundations for a resilient and forward-looking Europe. Italy and the Netherlands, as major industrial powerhouses, can give a significant contribution, as they already did in the past.

2. Innovation and strategic sectors: Agriculture, defence and semiconductors

The second part of the discussion focused on innovation as a cornerstone of European competitiveness. While there was strong recognition of the EU's ambition in this domain, participants pointed to significant structural weaknesses, particularly underinvestment in research and development and fragmented policy

implementation. The Chips Act and the Critical Raw Materials Act were cited as important legislative efforts, but whose success will depend on coherent action across all member states and the mobilisation of private capital and expertise. Among the strategic sectors identified for both countries, agriculture stood out as a particularly relevant case. Agriculture in fact embodies both industrial potential and the need for open strategic autonomy – especially in the context of international trade developments, such as those stemming from EU-Mercosur negotiations and US demands to open European agricultural markets. Italy and the Netherlands are major players in this field. According to Eurostat data, the Netherlands is one of the top three agricultural exporters in the EU, while Italy ranks among the leaders in high-quality agricultural production and is a world leader in agri-food machinery. These comparative advantages create space for deep, complementary cooperation.

Participants stressed the need to build a joint framework focused on food quality, innovation testing and the harmonisation of production systems. The Netherlands was recognised for its leadership in digitalisation and agri-tech innovation, while Italy's sophisticated machinery sector was seen as critical for enabling large-scale adoption of new technologies. Importantly, agricultural innovation was also viewed as essential for climate adaptation. With the increasing scarcity of water and the shrinking availability of arable land, Europe's food systems must evolve to remain viable and resilient. The digital transformation of agriculture, through the adoption of Internet of Things (IoT) and data-driven solutions, presents opportunities to increase productivity and sustainability. However, it also raises challenges, including the need to ensure equitable access to vital semiconductors in order to build digital infrastructure and to address skills gaps in digital literacy. Semiconductors in particular, the hardware backbone of all digital systems, were identified as a cross-cutting capability essential not only to agriculture but to broader industrial policy. For Italy and the Netherlands, enhancing national capacity in this field aligns with the strategic goal of technological sovereignty.

Another core issue raised was the generational transition in agriculture. As rural populations age, the sector should be made more appealing to younger, highly educated individuals. This requires a cultural shift: reframing agriculture as a high-value and socially meaningful profession. The traditional image of the isolated farmer must give way to a narrative that resonates with environmentally conscious youth who see value in returning to the land. However, this shift requires careful policy design to reconcile environmental goals with economic sustainability. Specific strategies were discussed for supporting small farms, which often lack access to advanced technology, and for incentivising large-scale producers to integrate sustainable practices. Italy's prominence in agricultural machinery offers a further avenue for international engagement. Expanding innovation to developing countries through machinery exports and technical cooperation could support global food security while reinforcing Europe's leadership. In closing, participants linked these reflections back to the broader topic of European security and defence. The defence industry and the cybersecurity domain face similar issues of dependency and vulnerability. Strategic autonomy in these sectors is not only about accessing raw materials but about entire supply chains – from design

and production to deployment. Both Italy and the Netherlands are well-positioned to lead within a broader European effort to secure these strategic infrastructures.

Conclusions

The roundtable concluded by reaffirming the centrality of the economic dimension to the future of Europe. A clear and robust industrial strategy must return to the forefront of EU policymaking. In the absence of an effective industrial policy framework, too much responsibility remains at the national level, creating disparities and inefficiencies. Europe must shift from aspirational rhetoric to operational pragmatism, investing decisively in sectors that underpin its long-term resilience. The cooperation between the public and private sectors is essential. Both Italy and the Netherlands are undergoing parallel transitions – digital, environmental and demographic. These must be tackled simultaneously, as none can be deprioritised. Change will require acknowledgment of systemic constraints. Among the most urgent priorities is the cost of energy, which undermines industrial competitiveness across Europe. Italy is particularly affected due to its structural vulnerabilities, but this is a shared European challenge. Energy prices must be drastically reduced, and a fully functioning internal (energy) market must be established. Demographic decline poses a new challenge. Unlike previous decades, the EU must now envision growth in a context of population shrinkage. The only answer to this unprecedented challenge lays in innovation, accessible energy and a revitalised industrial base. Hence, the call for new models and economic frameworks capable of adapting to shrinking labour markets while maintaining living standards. Ultimately, the Van Wittell/Vanvitelli Roundtable highlighted that the EU should engage proactively the US to avoid a global trade crisis and forge alliances with like-minded and complementary world players. With the contribution of two important actors such as Italy and the Netherlands, the EU can find new pathways to open strategic autonomy and long-term prosperity.

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