

# ITALY'S EUROSCEPTICISM A CASE OF VICTIMHOOD AND A TALE OF MISSED OPPORTUNITY

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In 1981, the then foreign minister of Italy, Emilio Colombo, and his German counterpart, Hans-Dietrich Genscher, proposed to weaken the veto power of member states in the European Community and make a stronger political co-operation possible in Europe. Two years later the proposal, although slightly watered down compared to the first draft, was supported by the other partners in the so-called Stuttgart Declaration. Diplomats still remember this event as being one of the most striking examples of how Italy was among the most pro-European countries.

Since then, Italy has become surprisingly eurosceptic. The latest Eurobarometer published in the fall of 2017 by the European Commission shows that 52 percent of Italians tend not to trust the EU. On the contrary 34 percent tend to trust it, and 14 percent are undecided. Moreover, 64 percent of Italians believe that their country's voice doesn't count in Europe. Italy is now among the most eurosceptic countries in the EU, together with Greece. In 2007, a similar poll showed that 50 percent of Italians trusted the European Commission and 53 percent trusted the European Parliament. Ten years earlier, in 1997, 48 percent of Italians said that they trusted EU institutions, while only 27 percent didn't trust their own government.

There are a number of reasons behind a sea change that ultimately could influence how the EU evolves in the future. In a nutshell, euroscepticism is the reflection of a country that failed the modernization required by the single currency.

Clearly, the way Europe has reacted to the refugee crisis has provoked resentment in Italy. The idea of a mandatory relocation of asylum-seekers across the EU member states has fallen through: a number of governments have not complied with the agreement of 2015. Many Italians feel that their country has been left alone in dealing with the arrival of thousands of Asian and African migrants on its shores. According to Caritas Italiana, a Catholic non-governmental organization, the country has become truly "multicultural" over the last 10 years. Yet, the overall perception in the public opinion is that there are many more migrants in the country that official figures show (less than 10 percent of the population).

The same misperception applies to the economic situation. Today's euroscepticism is the reflection of a missed opportunity. Italy was not able to modernize its economy and its institutions as required by its membership to the European Monetary Union. As the euro rules out currency devaluations, it requires a

more competitive economy. Over the last 10 to 20 years, the European Commission and the European Council have insisted on Italy that it reform its economy, abolish small and large monopolies, open service and product markets, liberalize regulated professions, reduce taxes, improve the judicial system and promote good public administration. The 2008-2009 financial crisis erupted as Italy was slow in adapting to the new deal. From 2008 to 2017, Italian real gross domestic product fell by around a cumulated 10 percent. It could have been worse if small and medium-sized companies, the backbone of Italy's economy, had not shown daunting resolve. This said, the recession was deeper and longer than in other member states as it caught the country in transition, still ill prepared for the euro and very weak in facing the global slowdown following the burst of the financial bubble.

If euroscepticism has risen in Italy, it is because the founding rules of the euro are seen as a straightjacket. By pressing the country to reduce its huge public debt, which remains above 130 percent of gross domestic product, EU partners are in actual fact asking Italy to put into question the country's post-war social order. For decades, public money has been used to finance small and large oligopolies, compensate for wide tax evasion, allow for private and public inefficiencies, fund expensive clienteles, and more generally support a precarious balance of power among a myriad of constituencies, or modern guilds. Pressure from Brussels associated with lasting economic weakness and a competitive economic global landscape has reduced the ability of the country to use its public debt as it did in the past to redistribute wealth, albeit in an inefficient way.

In the meantime, political, social, economic and professional constituencies are in dire straits as they are no longer able to meet the needs and expectations of their members in an Italian economy that is increasingly drifting apart from the core of Europe and the world's most competitive economies. Political parties are morally discredited; trade unions represent the interests mostly of re-

tirees; professional orders are increasingly anachronistic; entrepreneurs' associations have lost influence and members. Overwhelmed by non-performing loans and pressured by EU institutions to reduce the debt on their balancesheets, banks can no longer play their traditional role of shelling out generous credit lines to their political or local clienteles. In grave crisis, constituencies are fighting for their survival, becoming increasingly conservative, more than ever an obstacle to change. Meanwhile, many public institutions have lost independence vis a vis the political class. Among others, the Bank of Italy, the financial market regulatory agency CONSOB and the telecom market regulatory agency AGCOM have been engulfed in recent scandals that have hurt their credibility.

In this context, euroscepticism is the reflection of citizens who attribute to the euro membership a risk of losing acquired rights and long-standing benefits, using Brussels as a scapegoat for the country's structural weaknesses. The political class portrays Italy as a victim of "Brussels bureaucrats", reinforcing the eurosceptic sentiment among citizens. Over the last years, Italian governments have put up fights against EU institutions on a number of issues, seeking exemptions to European rules on files as different as the consolidation of public finances, the cut in non-performing loans, the use of state aid in the economy, the adoption of trade defense measures, the reduction in air pollution and waste landfills. The final aim is to preserve a familistic status-quo that rewards tribe members instead of seeking the interests of all. Moreover, in a public debate dominated by social networks and TV talkshows, the media are fighting their own war for survival. Representing specific interest groups, newspapers have become the sounding board of Italian victimhood, reinforcing these sentiments among citizens. Even the recent decision by the European Council to transfer the European Medicines Agency (EMA) from London to Amsterdam, instead of Milan, has provoked a bout of victimistic nationalism.

What is surprising is that the eurosceptic sentiment continues to dominate even though

recently the EU Commission has yielded to most demands from Italy, especially concerning the reduction of public debt. Most Italians even attribute to EU institutions the dramatically high level of youth unemployment (over 35 percent), while this is probably due to an economic system that no longer matches supply and demand and where different constituencies, weakened by economic globalization and the EU straightjacket but still strong enough to influence the political landscape, have no longer the means to guarantee, albeit in an inefficient way, the same level of jobs.

As a consequence, most Italian political parties have become eurosceptic. Arguably, some more than others. The two largest main-stream parties--Forza Italia and Partito Democratico--are generally pro-EU, but play into eurosceptic sentiments to remain in tune with the dominant sentiment across Italy. On the contrary, the Northern League wants to challenge Italy's euro membership. Attracting both young and old voters who feel left out because of globalization and Italy's tribal networks, the anti-establishment Five Star Movement wants to resume deficit-spending. It remains to be seen whether this party, founded by the former actor Beppe Grillo, will spearhead a change in Italy's economic and social structure or whether the current economic pick-up will weaken or alter the anti-establishment movement as unemployment falls.

To be true, Italian euroscepticism is different from the ones that dominate in Britain or in Germany. While in the UK, eurosceptics oppose EU integration and fear a super-state, in Germany they criticize the way the euro has been managed, and believe that two Maas-

tricht principles--the no-bail out rule and the no-monetization of debt--have been violated by member states and the European Central Bank as the eurozone was getting to grips with the recent financial crisis. In Italy, few oppose EU integration as such, at least publicly. Most see a more federal Europe as a possibility to mutualize the Italian public debt, and reduce its threat to the Italian economy. Yet, they oppose the transfer of sovereignty that comes with a European responsibility in managing national public accounts. Rightly so, Italians fear that handing to Brussels more powers will translate into a stronger scrutiny of its partners over their tribal society.

Despite a significant change in Italian pro-European sentiment since the Colombo-Genscher proposal in the early 1980s, Italy is not likely to follow the UK's example, and decide to leave the EU. Trade links and economic benefits will always prevent such a dramatic step. The fact that the country is a founding member of the EU will remain a key feature of the public discourse, although mostly rhetorical. As much as the Italian diplomacy will try its best to correct and waterdown the excesses of the political class, the country will continue to wobble through, reforming step by step, enough probably to keep its partners at bay. It will have little say about the future of the EU as long as its position will remain ambiguous and weak, weighed down among other things by a huge public debt. Ultimately, it will accept further European integration as long as it has the impression, rightly or wrongly, that preserving the core of its social structure is less costly than dramatically reforming it.

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