



# **New Pact for Europe**

## **National Report**

**ITALY**

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## NEW PACT FOR EUROPE– Rebuilding trust through dialogue

### Project description

Launched in 2013 by the King Baudouin Foundation and the Bertelsmann Stiftung, and supported by a large transnational consortium including the Open Society Initiative for Europe (OSIFE), the Calouste Gulbenkian Foundation, the European Policy Centre (EPC), the BMW Foundation Herbert Quandt, and the Open Estonia Foundation, the New Pact for Europe (NPE) project aims to promote a European wide debate and develop proposals on how to reform the European Union in light of the manifold challenges Europe is currently facing.

After a first successful period in 2013-2015, which included more than 80 events in 17 EU countries and the publication of two major reports, which elaborated five strategic options on the future of the EU, the NPE project entered a new phase in 2016-2017. The ultimate aim of this new phase of the NPE project is to work out the details of a wider ‘package deal’ to equip the EU with the tools it needs to meet the internal and external challenges it faces. This proposal will contain solutions generated by connecting the discussions on the key policy challenges, and propose changes in the way the EU and its policies are defined to avoid future fundamental crises.

Building on the analysis and proposals elaborated in the previous phase, the NPE has in this period explored how the EU can better serve the interests of its member states and citizens, through a series of 30 national and transnational debates on key policy challenges (including the migration/refugee crisis, internal and external security, as well as economic and social challenges).

National Reflection Groups have been created and met specifically for this purpose in ten EU countries (Belgium, Estonia, Finland, France, Germany, Greece, Italy, Poland, Portugal and Slovakia), followed by transnational exchanges between these groups. This national report is the result of the work and discussions of one of these National Reflection Groups.

The discussions within and between representatives of the ten National Reflection Groups will be discussed by a European Reflection Group of eminent persons, which includes all the national rapporteurs. It will be tasked to produce a final NPE report taking into account the national and transnational debates, scheduled to be published at the end of 2017.

The project also benefits from the overall guidance of an Advisory Group of high-ranking policy-makers, academics, NGO representatives and other stakeholders from all over Europe. It is chaired by Herman Van Rompuy, President Emeritus of the European Council and former Prime Minister of Belgium.

For more information on the NPE project, please see the project website: [www.newpactforeurope.eu](http://www.newpactforeurope.eu)



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*The views expressed in this report reflect the result of the work and discussions of this National Reflection Group, enriched by exchanges with two other National Reflection Groups, but they do not necessarily represent the views of each member of the group or the institutions they are affiliated with.*

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# LIST OF ABBREVIATIONS

<b>CSDP</b>	Common Security and Defence Policy
<b>EU</b>	European Union
<b>EUGS</b>	European Union Global Strategy
<b>EMU</b>	Economic and Monetary Union
<b>EP</b>	European Parliament
<b>GDP</b>	Gross Domestic Product
<b>HQ</b>	Headquarter
<b>LN</b>	Northern League
<b>M5S</b>	Five Star Movement
<b>NATO</b>	North Atlantic Treaty Organization
<b>NRG</b>	National Reflection Group
<b>PESCO</b>	Permanent Structured Cooperation
<b>TTIP</b>	Transatlantic Trade and Investment Partnership
<b>US</b>	United States

# FOREWORD

This report is inspired by the discussions of the Italian National Reflection Group and enriched by exchanges with National Reflection Groups from Poland and Germany. It reflects on the ‘state of the Union’ from a national perspective and discusses the main challenges the EU and its members are facing, considering both the European and national perspectives. Finally, this report proposes ideas and recommendations on how the EU and its members should respond to these challenges, and sets out how the EU and European integration should develop in the years to come.

This paper is part of a series of ten national reports. These reports and the debates in the member states will provide a solid basis for the discussions in the NPE European Reflection Group. The latter will be asked to take reflection a step further through in-depth and thorough discussions at the European level. The Advisory Group chaired by Herman Van Rompuy will provide input into this process. All these reflections will lead to a final NPE report that analyses the current ‘state of the Union’ and will contain several proposals on how to re-energise the European project. It will be published at the end of 2017.

## EXECUTIVE SUMMARY

After one year, two national and two transnational meetings, the overall view of the Italian National Reflection Group (NRG) is pessimistic about the future of the European Union (EU). The EU is stuck, with member countries prioritising national interests over the European ones and problems in the economic, security and migration policy areas are far from overcome. The Italian NRG has called the EU and its member states to take actions to boost legitimacy of the European integration project.

According to the group, the austerity course that has dominated the Eurozone's response to the debt crisis in several of its member states has added to Italy's economic woes, with the economy barely growing in the past years. The Italian NRG is aware that many of Italy's problems originate from its inability to have modernised its economy, but is also convinced that there is much that the EU could and should do. One issue that surfaced time and again was the need to complete the Economic and Monetary Union (EMU) with a beefed-up Single Resolution Mechanism and a Deposit Insurance Scheme within the Banking Union. Moreover, countries with a significant account surplus – most notably Germany with a surplus over 6% – should stimulate internal demand with more spending and investment to encourage economic convergence among member countries, and keeping in line with the EU's fiscal and budgetary rules. The Italian NRG supports the creation of a European Minister of Finance, responsible for an EU budget that could be drawn from a financial transaction tax or Eurobonds. The Italian NRG also favours the creation of a European Investment Fund to boost investments in Europe and the development of European unemployment and pension schemes to stimulate citizens' welfare. These actions are considered necessary to boost economic growth and social welfare. They would provide tangible proof that the EU can positively impact the ordinary life of its citizens and thus boost the legitimacy of the EU among them.

As far as security is concerned, the NRG has appreciated the presentation of the European Union Global Strategy (EUGS), yet it has also expressed concerns that it may result in a rhetorical undertaking to which EU member states would merely pay lip-service. NRG members agree that the EUGS makes a compelling case for EU member states to coordinate their foreign policies more closely and integrate further in the defence field. In this perspective, the Italian NRG considers the implementation of Permanent Structured Cooperation (PESCO), cyber security schemes and more efficient systems for information sharing as national and European priorities. Moreover, the Italian NRG believes that the EU should acquire a prominent role in the international arena by supporting effective actions for conflict prevention, conflict resolution and peace building, especially in the Middle East.

The Italian NRG is convinced that migration is a European problem made more acute by the reluctance of certain member states, particularly in Central and Eastern Europe, to show solidarity with those who are most affected by the phenomenon. The group recalled that while the EU has implemented relocation and resettlement mechanisms the situation in Italy has not improved. While the Italian NRG has expressed concerns that the EU-Turkey deal and the closing of the Balkan route are re-directing migration flows to Italy, the real problem is the Central Mediterranean route, and more specifically Libya, an extremely porous transit country. The group has acknowledged that migration waves cannot be stopped, but it has highlighted the

need for the EU to contain and manage them more effectively by, among others, developing a common asylum system and boosting EU border management assets.

The Italian NRG believes the legitimacy crisis begetting the EU is amplified by domestic and international factors, including the Brexit referendum, the rise of anti-establishment parties, Russia's shifty behaviour as well as the election to the Presidency of the United States of Donald Trump, a vocal supporter of Brexit, and has made apparent that the US is no longer interested in an EU seeking an "ever closer union".

Members of the Italian NRG were very concerned by national elections in the Netherlands and in France. They believed that a victory of the Dutch Freedom Party (PVV) or the Front National could have catalysed anti-European political parties all over the EU, potentially leading to a collapse of the integration project. Although anti-European movements failed to get to power in both countries, they won growing support. The Italian NRG concluded that the electoral performances of anti-European parties, together with the high level of abstention in France, make a European 'great leap forward' in the integration project an unrealistic option. Hence, the group has embraced, with some exceptions, the idea of a multi-speed or multi-tier Europe. The Italian NRG has identified two policy fields in which differentiated integration should be pursued: a) the EMU, with the completion of the Banking Union and greater macroeconomic coordination; and b) defence, with the support for PESCO.

# INTRODUCTION

Up to 2007, EU membership was considered beneficial by 58% of Italian citizens, who used to trust European institutions more than their national government.<sup>1</sup> Today, 45% of Italians are against and 43% believe that their country would have a better future if it exited the EU.<sup>2</sup> The multiple crises that have affected Italy and other member states, albeit with different degrees of intensity, have apparently turned European integration into a zero-sum game. For the Italian NRG, the EU is unable to deliver adequate and timely political answers. Nor are national governments being more successful. The Italian economy has performed worse than most EU countries for years – in 2016, Italy's GDP grew by 0.9% against an EU average of 1.8%. The NRG, while conscious of the responsibility of national policymakers, has almost unanimously condemned austerity as a deeply harmful macroeconomic policy that has resulted in high social costs and created a politically dangerous disparity between financially healthy member states and countries in financial distress. Similarly, the Italian NRG believes that if myopic national egoism surpasses the idea of a common European good, plans aimed at fostering internal and external security (e.g. the EUGS) or the ambition to create an EU system of effective immigration management and border control have little future.

Poor economic performance, terror attacks and migration waves, among other problems, have left the EU staggering. According to the Italian NRG, the EMU lacks a complete Banking Union and more effective fiscal and economic coordination. Similarly, the Schengen agreement lacks adequate instruments to control EU external borders. The NRG believes that the EU is not only facing multiple problems but most probably an existential crisis. The group has lamented the adoption of a technocratic approach rather than a political one to address the economic, security and migration issues. The Italian NRG worries that the use of technocratic methods might result in the normalisation of a situation of emergency and instability and further erode the lingering consensus for the EU among citizens. Contrary to the conventional wisdom that every crisis is an opportunity for the EU to develop into a stronger union, the Italian NRG doubts that the EU performs at its best in time of emergencies. The most productive phases of the European project, namely its foundation in the 1950s and the 'great leaps forward' of the 1980s (Single European Act) and 1990s (the Maastricht Treaty and its upgrades) happened at times of economic growth.

The NRG pointed out that the lack of effective solutions and shared vision for the future of the EU resulted in ordinary citizens being increasingly detached from the European project. In 2016, 66% of Italians (+3% since 2015) believed that national interests were not sufficiently taken into consideration at the EU level, 50% were very pessimistic about the future of the EU and only 29% believed that the policies adopted at the EU level were adequate.<sup>3</sup> Anti-European sentiments have been fuelled by anti-establishment forces such as the Five Star Movement (M5S) or Eurosceptic and anti-immigration parties such as the Northern League (LN), which depict the EU as the rule of unaccountable transnational elites. The NRG argued that the EU's legitimacy has been undermined by the diffused perception that the Union has not only deprived national governments of the political tools to boost the economy (e.g. monetary policy and anti-cyclical fiscal policies)

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<sup>1</sup> Standard Eurobarometer 2007, [http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb67/eb67\\_it\\_nat.pdf](http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb67/eb67_it_nat.pdf).

<sup>2</sup> Standard Eurobarometer 2016, <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2137>.

<sup>3</sup> *Ibid.*

and security, but has not adequately taken the Italian national interest into account. The crises have exacerbated a latent feeling of disempowerment among citizens, favouring the success of both the M5S and the LN, whose support oscillate around 29% and 12%, respectively, according to a recent survey.<sup>4</sup>

## **THE FUTURE OF THE EU: FEARS OF DIM PROSPECTS**

Compared to their German and Polish counterparts, the Italian NRG expressed great concern about the risk of a disintegration of the EU. According to a member of the group, while the European debate in 2005 was about the need to deepen and enlarge the EU, EU policymakers nowadays seem incapable of even making the case for Europe (with the notable exception of Emmanuel Macron).

A sense of impotence and apathy has also been detected in the European Commission's White Paper on the Future of Europe ("Reflections and Scenarios about the EU27 by 2025"). The group concluded that presenting five different scenarios was a sign of European weakness as it showed that the Commission, both the 'Guardian of the Treaties' and the engine of EU integration, no longer had the political capital to indicate a clear direction of evolution of the European project.

Over the course of the project, the Italian NRG has become more doubtful that the EU can achieve a stronger role in the global arena. In June 2016, several NRG members considered the Transatlantic Trade and Investment Partnership (TTIP) a crucial step to strengthen the EU's influence in the international economy, particularly in the regulatory field. Similarly, they mentioned the Iran nuclear deal as an example of a foreign policy success that owed much to the capacity of EU member states to remain cohesive. TTIP is now on a dead track, however, because of the inability of its supporters to make a convincing case for it. Many NRG members believe that the EU might not be able to defend the Iran nuclear deal against attempts by the new US administration to undermine it. Russia's aggressive behaviour in Ukraine and elsewhere, the conflict in Syria, the election of Donald Trump as president of the US and Brexit are all seen as factors weakening the EU. Tellingly, very few of the NRG members envisaged the possibility that these factors could generate a desire in EU member states to close ranks, increase cooperation and bounce back.

## **IT'S NOT ALL BAD: EU BENEFITS FOR ITALIANS**

The Italian NRG considers peace among member countries, the common market, Schengen and the freedom to travel and work in other EU countries as well as a greater capacity to play a role in global governance (for instance, in the fight against climate change as the great benefits of EU membership. Some members of the group hoped that the election of Macron as France's president and the predictable victory of Chancellor Angela Merkel for a fourth term can open new political opportunities. In this likely more positive context for the EU, the idea of a multi-speed Europe, embraced by Angela Merkel, François Hollande, Paolo Gentiloni and Mariano Rajoy in Paris in March 2017, may finally become a reality. As stated above, the Italian NRG believes that the EMU and defence are the main areas where the EU should aim for differentiated integration. However, the group has not argued in favour of permanent separation, and insisted that a level playing field between EU member states going at different speed should be preserved. For these reasons, it is essential for EU institutions to keep a central role in the coordination between more and less integrated groups of member states.

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<sup>4</sup> Data provided by Termometro Politico, June 2017, <http://www.termometropolitico.it/sondaggi/analisi-sondaggi-elettorali>.

# PART 1: CHALLENGES TO THE EU

## EUROSCEPTICISM AND AUSTERITY

The Italian NRG noted that many Italians seem to not have a clear idea of the EU's role in national security and economic stability. Once one of the most Europhile countries, Italy is now one of the most distrustful. According to Eurobarometer, 58% of Italians no longer trust the EU. According to Quaeris, in April 2016, 43.9% did not have an opinion on whether Italy should exit the Union, 30.6% believed Italy should leave and only 25.5% thought it should stay in the EU<sup>5</sup>. Similarly, while 45.3% did not know whether Italy should remain in the Eurozone, 29.9% (vs. 24.8%) said Italy should leave the euro.<sup>6</sup>

Several members of the Italian NRG contended that these negative trends stem from the lack of tangible signs that the EU is beneficial to ordinary Italians. Some argued that pan-European social welfare mechanisms such as a European pension or unemployment system would help. That said, the NRG has blamed Italian politicians for indulging in the malpractice of using the EU as a scapegoat to explain their failure to deliver on electoral promises. Building on a widespread anti-EU feeling, many Italian politicians assert that the government cannot deliver on public demands for more social protection or income redistribution because of the EU's strict budgetary rules. Although Italians hold national politicians in low esteem, the message that EU membership is a straightjacket strikes a chord with the public. The memory of reckless spending by pre-euro Italian governments, particularly in the 1980s, is gone. The legacy of those profligate years – the Union's second largest public debt and a bloated bureaucracy – has created a burden felt till today. As a result, positive expectations about the EU's future are falling together with trust in national politics and the worsening of living standards.

The Italian NRG thus suggested the following course of action:

- 1) The EU should leave aside austerity policies, which have negatively affected citizens' welfare and are widely perceived as imposed by Germany and its partners on weaker - or poorly led - Southern European governments.
- 2) The EU should find ways to strengthen the democratic accountability of its macroeconomic policies. The group discussed but failed to agree on what exactly EU governments and institutions should do to achieve this, but it insisted that any policy aimed at reducing intra-EU macroeconomic imbalances (including insufficient public investment or an excessive trade surplus in Germany) would result in policies better tailored to the specificities of the various member states. This would create a sense of ownership of economic policies in all Eurozone members. Other participants pointed to the need to have more involvement from national parliaments in the decision-making process, but have failed

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<sup>5</sup> Standard Eurobarometer 2016, <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2137>; and Quaeris data, 2016, <http://www.quaeris.it/unione-europea-e-la-percezione-degli-italiani/>

<sup>6</sup> Standard Eurobarometer 2016, *op. cit.*

to explain how this would not risk further fragmenting the EU's decision-making process. Another suggestion was to strengthen the European Parliament's role, although several NRG members argued that ordinary citizens do not see the European Parliament (EP) as a legitimate body representing European public will.

## **A EUROPEAN ECONOMIC GOVERNANCE BUILT ON SOLIDARITY AND SOCIAL WELFARE**

The Italian debate on the EU's economic governance is still very much revolving around the need to ease austerity, introduce more flexibility and push countries that are performing well economically to promote expansive fiscal policies. All this would help soften the costs of austerity in those member states in financial distress and reduce harmful current account imbalances.

While realising the importance of enforcing rules, the Italian NRG has insisted time and again that flexibility and reciprocity are key. The reasons behind the lack of greater cooperation, the group argued, are not economic in nature, or at least not primarily economic. Political reasons are more important, as politicians in surplus countries see critical electoral returns in claiming support for austerity in the European periphery. Psychology is also a factor: both in surplus and debtor countries, stereotypical characterisations are very much alive, with southern Europeans considered unredeemable excessive spenders and northern Europeans as cold and insensitive. Ideology plays a role, particularly with the fideistic commitment to ordo-liberalism professed in such countries as Germany, the Netherlands or Finland.

The Italian, Polish and German NRGs agreed on the advantage of greater economic convergence. The German and Italian NRGs agreed on the need to complete the Banking Union through some form of a common deposit insurance scheme, although they admitted that it would be a tall order for German politicians. Some major differences between the German and Italian NRGs, however, also surfaced. The former considers the latter's requests for greater flexibility as unjustified, since Italy has not achieved fiscal discipline, which, together with rule compliance and structural reforms, are believed to be pre-conditions for economic convergence. Differently, the Italians maintained that flexibility would create space for national and European investments boosting aggregate demand. Although members of the Italian NRG agreed that Germany is the key player to enable further European integration, they complained that Berlin had not contributed to greater economic integration as a result of its fixation on austerity.

Economy was by far the policy field in which Italian and German views were the most at odds. Both groups, nevertheless, displayed a rather good knowledge – though not understanding – of each other's position. This element was far more tenuous in the Italian NRG's exchange with the Polish NRG. The Polish perspective on the Union's economic crisis astonished the Italians. The Polish held that the economic crisis stemmed out of Southern European Eurozone countries' unreformed economies, corrupt political systems, and the unwillingness to follow the rules. The Polish NRG reported that the Polish public had no awareness of the considerable social costs triggered by excessive fiscal consolidation. The Italian NRG recognised that Italy had a history of faulty governments, which makes it less trustworthy. At the same time, the group expressed frustration at such over simplified characterisations.

Economic experts within the Italian NRG reminded both the Polish and German NRGs that in recent years Italy had kept its primary deficit consistently below the Maastricht 3% threshold and had given, not received,

money to help debtor countries such as Spain, Portugal or Greece. One experts claimed that Italy – to a certain extent - had been more virtuous than Germany itself, since Germany had failed to act upon its huge current account surplus even though it is well above the ceiling set at the EU level. The Italian NRG has maintained that without mechanisms for sharing risks and resources, member countries in the periphery like Italy, unable to devaluate and with no fiscal room for expansionary policies, are more exposed to economic shocks, which may negatively affect all other Eurozone countries. Since Eurozone economies are interlinked, a financial and economic crash in Italy, the 3rd-largest economy of the Eurozone, will have repercussions for all European economies. Italy is a big consumer market for many European countries, including Germany (in 2016 the value of German exports to Italy reached €59.4 billion, 12% of its total imports<sup>7</sup>). In addition, European private banks or companies, which have invested in the country, have much to lose.

The Italian NRG proposed the following recommendations to achieve greater economic integration and convergence:

- 1) The completion of the Banking Union via a more robust resolution fund and the creation of a common deposit insurance scheme. An incomplete system of governance makes the euro area an easy target for future financial shocks. The Banking Union should be completed to reduce the vulnerability of national banks, reduce banks' dependency on their national sovereigns, and ensure that confidence in a bank does not depend on its location.
- 2) An ad hoc Eurozone budget to finance new macroeconomic stabilisers such as a common unemployment benefits and pension schemes. Similarly, the Italian NRG supports the creation of a European Investment Fund and the creation of an EU finance minister in charge of managing the Eurozone budget and mobilising resources in exceptional circumstances.
- 3) Greater fiscal coordination should be implemented through constant monitoring, consultation and cooperation between the Commission, the National Productivity Boards, the Fiscal Board – and the member states. Yet, all member states should abide by European rules, including those countries with trade surpluses. For example, Germany with its 6% trade surplus should spend more to boost aggregate demand and indirectly help other EU economies through increased imports.
- 4) Some members of the Italian Group proposed to mutualise national debts through the emission of Eurobonds, and others supported the development of a Fiscal Union. The Italian NRG acknowledged that such initiatives were unlikely to garner sufficient political support. They were also aware that Italy's weaker financial position *vis-à-vis* other member states made it a modest promoter of further economic integration. They thus suggested the Italian government provide more warranties.
- 5) Boost the single market by creating a truly common service market, promoting the connectivity of transport and energy infrastructures while investing in the digital and green economies.

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<sup>7</sup> Data provided by Atlas, <http://atlas.media.mit.edu/en/profile/country/ita/#Imports>.

## MORE EQUITABLE MIGRATION POLICIES

The Italian NRG was convinced that migration would remain a central issue on the national and European policy agenda for a long time. The group deemed that migration was less a short-term crisis than a structural dynamic that would challenge intra-EU solidarity and put enormous pressure on EU governments. NRG members shared the view that migration policies could not be pursued at the national level only. EU governments should agree to increase resources for the management of EU external borders, distribute asylum-seekers among member states, cooperate with transit and origin countries in prevention schemes, create legal routes for accessing the EU, and fight human trafficking networks more robustly. The group admitted that not all EU countries agree with this approach. While the German NRG was in line with its Italian counterpart, the Polish one made it clear that its country was unlikely to support the relocation scheme, notwithstanding the fact it involves minimal numbers. Unlike Italy, Poland was swayed that immigration was a national, not a European, matter. The NRG argued that the most a Polish government would do were to consent to greater EU resources allocated to migration management, but it did not specify whether the increase would come from additional funds or a different EU budget allocation.

According to the Italian NRG, migration should be a priority not only for the countries most directly affected but for the whole of the EU. In 2016, Italy recorded 181,126 arrivals, while 13,437 migrants landed on Italian coasts between January and February 2017 (in that month, at 9,000 arrivals, the number of migrants landing in Italy was twice as big as the previous year, according to Frontex)<sup>8</sup>. Italy is subject to mixed migratory flows. Many are considered 'economic' migrants, since they have no claim to refugee status, they are not covered by the Dublin rules or the relocation schemes. Yet, migration experts within the Group contended that many migrants arriving that had been denied asylum in Italy in the first place saw their asylum status later recognised in a second appeal.

Given the multifaceted nature of migration flows, the NRG suggested that Italy aim to expand cooperation among EU member states beyond the issue of refugees. Existing EU-wide immigration-management mechanisms, such as the Blue Card, only apply to high-skilled workers. Without some form of EU mechanisms to accommodate low-skilled migration flows (or at the very least to contribute to identification and repatriation), Italy will find itself under increasing pressure: reception centres are congested, the economy is ill-equipped to absorb such numbers of migrants, and a sense of social insecurity is rising.

Italian NRG members highlighted that the EU was externalising its border control to third countries irrespective of their human rights record. Some members of the Group heavily criticised the most significant example of such arrangements, the 2016 EU-Turkey deal, for breaching the Geneva Convention. Others deemed it was a necessary evil. A similar discussion took place around the Memorandum of Understanding signed by the Italian government and the National Reconciliation Government of Libya on 2 February 2017. The agreement, in line with the new Partnership Framework agreed by EU leaders at the Valletta meeting, seeks to provide technical support and financing for Libya's reception centres. Migration experts in the Italian Group highlighted the risk that such a practice would lead to uncontrolled abuses and violence in third countries. If reducing the number of migrants landing on European coasts could prove beneficial from a political perspective, externalisation of border controls is not a sustainable solution in the long run. Because

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<sup>8</sup> Data Provided by UNHCR, 2017, <https://data2.unhcr.org/en/situations/mediterranean>.

it does not tackle the issues spurring unprecedented migration waves such as poor human rights standards, poverty, natural disasters as well as economic and security crises in countries of origins. Yet, the EU could more effectively help member states to address them with resilience-boosting policies or economic conditionality.

The Italian NRG has suggested the following policy recommendations regarding migration:

- 1) Recreate a sense of intra-EU solidarity, including by reforming the relocation and resettlements schemes such that all EU member states fulfil their duties. In the face of lingering inflexibility on the part of Eastern EU member states, forms of financial pressure should be envisaged, even by linking greater cooperation on immigration to the allocation of regional or structural funds. Another idea, developed by the Polish NRG, was for the EU to work directly with the local authorities willing to accept migrants in exchange for aid.
- 2) Reform the Dublin arrangements on asylum seekers. The EU needs a common asylum system. It must harmonise national laws in order to allow asylum seekers to move and work in all EU member countries once they get legal status. This would solve one of the issues highlighted by the Polish NRG, namely that even if asylum seekers were relocated to Poland, “they would not want to stay there”.
- 3) Expand partnerships with countries of origin and transit. The EU should condition the provision of trade benefits and aid to greater respect for the rights of migrants in third countries. Moreover, the EU should spread best practices among member countries and coordinate national activities in the attempt to improve cooperation with third countries to find ways to reduce emigration flows at the origin. For instance, Sweden is providing scholarships to students coming from targeted countries in Africa to help grow special competencies considered useful for local development.
- 4) Promote better enforcement of the Blue Card mechanism in all EU member states (particularly those, such as Italy, which make a poor use of it), and devise a special arrangement for accepting low-skilled workers from third countries.
- 5) Develop a common positive narrative on immigration at national and European level. The focus should be on the idea that migration can boost national and European economies by creating new demands for services and goods, fill gaps in the work force, foster innovation and start-up companies and prevent population decline.
- 6) Develop new models of social mediation and intercultural dialogue. To create a more united European society, there is a need for the EU to implement common guidelines that should then be adapted at national level. One way to prevent social exclusion is to implement access to education and finance anti-discrimination policies.

## MORE COOPERATION ON EUROPEAN SECURITY MATTERS

According to the Italian NRG, the EU should promote the stabilisation of Mediterranean countries, most notably Libya, foster counterterrorism cooperation and move ahead towards a defence union. The Group found that these ideas are largely shared by the German NRG but not by the Polish one, who harboured concerns that more integration in the field of security and defence would weaken NATO. With a few significant exceptions, members of the Italian NRG believed that European defence could advance in partnership with, and not as an alternative to, the transatlantic security bond enshrined by NATO. This however should not rule out the possibility of establishing, in the long run, the groundwork for a European common army.

The Italian Group maintained that the fight against Islamic extremism should be multi-pronged. Intelligence sharing and anti-recruitment policies have been highlighted as key to making intra-EU cooperation more effective. While cooperation against extremist Islamic groups is uncontroversial, the debate on how to manage relations with Russia has not been consensual. Several members of the group expressed the view that Russia represents a serious challenge at Europe's borders. Russia's alleged support for anti-EU parties across Europe was mentioned as a special source of concern. While acknowledging that some form of *modus vivendi* will have to be put in place, the group members argued in favour of maintaining a firm line and keeping sanctions in place until Russia changed its behaviour in Ukraine. However, other members of the Italian NRG disagreed and argued that confrontation nurtures confrontation, with no benefits for either party. The Italians, for their part, incurred severe costs due to a fall in Russian demand for Italian products in the context of the EU-Russia trade war. Hence, these group participants have contended that the EU should adopt a more conciliatory approach by scrapping sanctions even if the situation in Ukraine does not see an appreciable improvement.

In the field of European defence, the Italian NRG favoured a gradual and progressive approach. All members welcomed the prospect of finally setting up PESCO and supported an EU Headquarter (HQ) to run EU military missions. Some in the group insisted the Common Security and Defence Policy (CSDP) should better balance its civilian dimension *vis-à-vis* its military one, while others have insisted that the CSDP should expand to embrace much closer cooperation to contrast hybrid threats (like propaganda by third countries and covert operations), and enhance Internet security.

As per security, the Italian NRG suggested the following policy recommendations:

- 1) Take all necessary steps to diminish the risk of terrorist attacks on European soil by boosting intelligence sharing, increasing Internet monitoring, creating links with migrant communities where individuals are exposed to the risk of radicalisation and developing an alternative narrative contrasting the messianic nihilism espoused by groups such as al-Qaeda or the Islamic State. While the EU is not always the proper locus where these policies should be pursued, it can still play a fundamental role in facilitating intra-EU communication and the sharing of best practices.
- 2) Remain committed to NATO and the transatlantic alliance while also advancing defence cooperation, by establishing a permanent EU HQ and launching PESCO. At the same time, CSDP should expand its focus from crisis management to conflict prevention and peace-building.

## PART 2: THE FUTURE OF THE EU AND ITS GOVERNANCE

According to some members of the Italian NRG, the best scenario for the future of the EU would be the one depicted by the Commission's White Paper as "doing much more together". This scenario implies the creation of a quasi-federal system for decision-making and a political union. A political union would moreover favour the development of a European demos, thereby strengthening the legitimacy of the EU thanks to greater subjective allegiance from individual citizens.

Nevertheless, the group is aware that a political union is not a realistic option, at least for now. Politically, the times could not be more nefarious to propose a 'great leap forward' in integration. Scarce economic convergence among EU member countries is fuelling the belief in some European countries (e.g. The Netherlands, Poland and Germany) that a more integrated Union would result in a 'transfer union', where profligate spenders such as Italy would be supported by more frugal countries. Moreover, the rise of nationalistic and anti-European sentiments in Italy and other member states is delegitimising the idea of a political union. Today, the question is not so much whether Italians want to integrate further as whether they want to remain in the EU (a Eurobarometer survey put the share of Italians potentially willing to leave at 45%, although numbers tend to oscillate considerably).<sup>9</sup>

Others in the group are much less sanguine about a federal or quasi-federal Europe and think nation states should remain a central tenet of the European construction. All members of the Italian NRG agreed, however, that a multi-tier Europe is the best feasible option. Differentiated integration would allow countries that are willing to cooperate more to do so. Those advocating this option are aware of the risk of differentiated integration resulting in an ultimately unworkable fragmentation of EU policies and decision-making procedure. Hence, they have insisted that differentiated integration proceeds according to specific principles, namely non-discrimination against EU member states not included in the more integrated group, inclusiveness, and a strong coordination role for EU institutions, in particular the Commission.

Some members of the group are concerned that the EU will keep carrying on, as depicted in the Commission's first scenario. The NRG was concerned that if this scenario were to become reality, EU leaders could find it increasingly difficult to reconnect the people with the principles and merits of European integration, and its legitimacy would further diminish. NRG members expressed the hope that Italy's pro-EU forces would make a more compelling case for Italy's continued membership in the EU: the Union contributed to peace and cooperation in Europe. It greatly amplifies each member state's international influence. In Italy, however, this argument will never sound fully convincing unless EU leaders find a way to improve the economic fortunes of the member states most affected by the financial and sovereign debt crises. This is ultimately why NRG members have feared the 'muddling through' scenario, as without fixing the flaws in the Eurozone

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<sup>9</sup> Standard Eurobarometer 2016

<http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/yearFrom/1974/yearTo/2015/surveyKy/2098>



governance system certain economies, Italy's included, would remain more vulnerable to external shocks. This said, NRG members have generally agreed that reform cannot happen only at EU level. While opinions about how to reform Italy's economy and even constitutional set-up have varied enormously, the NRG has agreed that action at the EU level should supplement, not replace, action at the national level.

## CONCLUSION

The Italian NRG has real concern about the future of Europe. After four meetings in the past year, the group has concluded the EU should develop into a more integrated union. This can only be achieved if member states accept to cooperate more closely, subordinate their national priorities to wider EU interests and start delivering to European citizens. The multiple crises the EU is facing may eventually threaten its own existence. Going backward will not solve any of the problems begetting the Union today. All members of the NRG agree with this.

The Italian NRG is convinced that Europe is still the best option for Italy to promote its prosperity, security and international influence, however much needs to be done to revive the EU as a workable and sustainable project. In this respect, as far as economic governance is concerned, the EU needs to complete the Banking Union, foster fiscal coordination, liberalise its markets (e.g. the service market) and boost the connectivity of transport and energy infrastructures while also investing in the digital and green economies. Security-wise, the EU needs to increase counter-terrorism cooperation by fostering intelligence sharing and exchanging best practices as to how to detect threats on the Internet, create closer links to communities where radicalisation rates are higher, and develop an effective counter-narrative to one espoused by extremist groups such as al-Qaeda and the Islamic State. The EU should also take steps to achieve greater defence cooperation by finally launching PESCO and establishing an EU HQ for CSDP missions. As far as immigration is concerned, the enforcement of resettlement and relocation schemes should be improved. The Dublin asylum arrangements should be revised to introduce a unified asylum system. Moreover, the EU should develop forms of political and economic cooperation with countries of origin and transit to prevent massive emigration flows. At the same time, EU member states should address migration not only from the point of view of border management but also as a larger process involving the development of legal avenues for entering the EU and the integration of migrants into local economies.

As of now, the only feasible way for the EU to succeed is to develop a multi-tier or multispeed system, where a group of countries sharing common views and goals, integrate further. To avoid the risk of a Europe *à la carte* created by differentiated paths of integration, it will be necessary for the EU institutions to have a strong coordination role to prevent discrimination against those who have not proceeded further in the integration process. The Italian NRG concluded with a call on EU governments to make a double effort not to sacrifice a broader EU interest on the altar of short-term domestic political expediency. Prioritising national agendas is eventually counterproductive and may potentially do great harm to European integration in the long run.

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