



European Council: Italy

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1 Introduction and Executive Summary

Historically and geographically, Italy has always played a prominent role in the European Union.

In recent times, however, the newly established populist government resulted in a growing national skepticism regarding the European idea.

This anti-EU feeling partly revolves around the intention of restoring more national sovereignties and the need in the Italian economy for a reduction in the budget austerity long dictated by Brussels.

In pursuance of reducing the concomitant threat to productivity growth and to the competitiveness of Italian industry, the coalition government aims to accommodate two campaign promises, one made by each of its two member parties: the left-leaning and populist Five-Star Movement (M5S), led by Luigi Di Maio, assured the establishment of a universal basic income for the low earning classes, whereas the pro-business and nationalist-leaning League, led by Matteo Salvini, assured tax reductions.

In anticipation of the European Elections in May 2019,

- economic and financial stability of the Euro zone governance and completion of the European Banking Union, disengaging from the image of the supremacy of one or more Member States in contrast with the democratic foundation of the Union,
- multilevel shared management of migration flows,
- discussion on the relations between the European Union and Russia, which remains an unavoidable actor for the solution of the main international crises.

are designated by the Italian government as main concerns towards the European Commission [4].

2 Societal and Economic History

In the 1950s and early 1960s, the Italian economy had a period of great prosperity and rapid growth. ENI (Ente Nazionale Idrocarburi, the state-owned energy group) and the petroleum company AGIP (Azienda Generale Italiana Petroli) were central to this development. The decision to join the European Community in 1957 allowed Italian exports to expand.

Being a country with very few natural resources, Italy is strongly dependent on oil imports. Two oil crises during the 1970s deeply affected the economy, resulting in high unemployment and a high inflation rate.

The mismanagement of public spending led to a deterioration of public finances and triggered excessive corruption.

Italy severely suffered during the financial crisis in 2007, experiencing a drastic regression in the economy. The succeeding governments, under the administration of Silvio Berlusconi, Mario Monti and Matteo Renzi, focused, with the introduction of a series of tax increases, on a reduction of government spending in order to reduce the national budget deficit and public debt.

Despite the fiscal adjustment, in 2013, the government debt stood

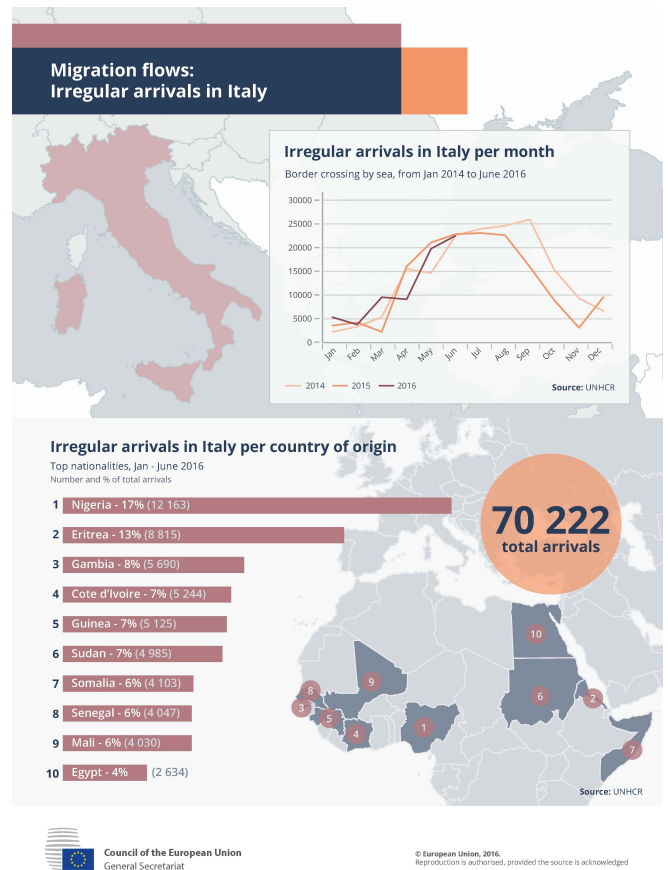


Fig. 1: Irregular migration flows arriving in Italy in 2016

at 132.6% of GDP, which represented the second-largest public debt among Eurozone countries [5].

3 Political Position

The Government of Italy is a democratic republic with Sergio Mattarella as President of the Republic.

The Parliament has a bicameral system, consisting of the Chamber of Deputies and the Senate.

The general elections of 2018 resulted in a parliamentary majority of the *Five Star Movement* (M5S), whereas the right-wing populist party *LeGa* obtained a preponderance of seats both in the Chamber of Deputies and in the Senate, among the centre-right coalition.

Giuseppe Conte was proposed as Prime Minister of the 65th cabinet of the Italian Republic.

In 2018, at an emergency EU mini-summit on migration, Italian Prime Minister Giuseppe Conte proposed the *European Multilevel Strategy for Migration*, addressing longstanding Italian concerns

over the European management of refugees' initial arrivals. The Italian government plans on outperforming the Dublin agreement on handling asylum cases, and achieving the refinancing of the UE-African Trust Fund, in addition to shared responsibility among member states for immigrants at European external borders [1].

4 Foreign Policy

The membership of NATO is confirmed, with the United States of America as privileged ally. Nonetheless, the Italian Government also endorses a new openness to Russia, to be perceived as a potentially more important economic and commercial partner.

The Eurosceptic government proposes, at the minimum, a return to a "pre-Maastricht" status of the Economic European Community, namely a cooperation between states of purely economic nature, with the restoration of the following sovereignties:

- monetary and economic sovereignty: proposal of a radical change in the structure of the European economic governance (mainly the Stability and Growth Pact, the Fiscal compact and the MES),
- territorial sovereignty: restoring full control of each State on its own borders, revoking the Schengen and the Dublin regulations,
- legislative sovereignty: supremacy of the law of the Member States over that of the Union.

5 Domestic Policy [2] [3]

The starting point of the 2019 Budget Law is a competitive revision of the tax system for the incomes of individuals and businesses, with particular reference to the current rates, the system of deductions and the criteria for taxation of households.

The proposed solution is a progressive "flat taxation", namely a scale reform characterized by the introduction of fixed rates, aimed at attracting and promoting the transfer of residence of High Net Worth Individuals (HNWI) to Italy, whereas not causing any disadvantage to the low income classes, for which the principle of the "no tax area" remains confirmed.

The current Budget Law designs the introduction of a citizenship basic income, previously approved by the European Parliament in 2017, guaranteeing the use of 20% of the total European Social Fund (ESF) allocation. The provision of citizenship income presupposes an active commitment of the beneficiary, who will have to adhere to the workplaces coming from the employment centers, with the withdrawal of the benefit in case of job refusal.

The resources allocated to finance this type of compensation amount to 9 billion euros, foreseeing an investment of 2 billion euros for the reorganization and strengthening of the employment center.

The Conte Cabinet aims at a 40% reduction of the number of parliamentarians (400 deputies and 200 senators), to promote substantial cost reductions.

6 Recent Developments

Italy has managed to obtain a leading role in the European Defense Fund (EDF) and in the Permanent Structured Cooperation (PESCO), proposed by the European Commission with the aim of strengthening the competitiveness and innovation capacity of the European industrial and technological base in the defense sector.

The effects linked to the impending Brexit, might concern negatively the Italian Government on "Made in Italy" exports.

Already affected in 2018 were the automobile industry, with Fiat Chrysler Automobiles and Maserati seeing substantial sales drops for all their main brands, and the food industry of drinks, wines and spirits, for which the United Kingdom attracts about 12% of its total exports.

Italy is unprepared to seize, for structural and institutional reasons, the at least partial reallocation of foreign direct investments.

7 References

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