



# BULLETIN

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## How Well-founded Is Italy's Restored Confidence?

Ryszarda Formuszewicz

*Italy's prime minister Matteo Renzi claimed victory for his party in the European elections. He is now enjoying a lead role on the European Left, following the defeat of the French Socialists and a disappointing result for the German Social Democrats. Renzi has also re-established Italy's credentials as a pro-European state, just ahead of Italy's six-month presidency of the Council of the European Union. But his stellar reputation will soon be put to the test, for, in order to implement his ambitious plans for domestic reform, Renzi is relying on a leftward shift from the EU, towards greater flexibility in fiscal rules and a more growth-oriented approach. Without this, latent Euroscepticism in Italy is likely to become entrenched.*

**A Lead Role for the PD on the European Left:** The European Parliament elections in Italy brought a resounding victory for the centre-left Democratic Party (PD), to the surprise of many. Founded only in 2007, PD won 40.8% of the votes cast, nearly 15 percentage points above its 2009 score, a result not seen in Italy since 1959, and certainly never achieved by a party of the left. More surprising still is that Renzi had only recently come to power, through a party coup, and led his grouping without any real electoral mandate. Faced with the populist and anti-establishment Five Stars Movement (M5S), he adopted a pro-European profile, allowing himself only limited criticism of the EU and its management of the euro crisis.

And yet, the reason for PD's impressive 20 percentage point lead over the M5S lies not in any pro-European message or a clear left-wing agenda from the prime minister. Renzi succeeded in establishing himself as something of a non-establishment figure with his proactive and informal style, and Italians supported his ousting of an exhausted and compromised cadre of politicians. Moreover, the prime minister is actually engaged in tough domestic reforms, and only managed to defuse the protest vote by means of sops including a tax reduction for low-earners. The populist vote was further diluted by the relatively high turnout of 60% (the EU average was 43.09%); it was not an expression of pro-European attitudes, but a legacy of the country's earlier long-standing obligation to vote.

Whatever the reasons for his victory, his landslide success in a country perceived as rather conservative has crowned Matteo Renzi as leader of the progressive camp in an EU shocked by French president François Hollande's defeat to the Front National, and Martin Schulz's failure to secure an SPD victory in Germany, let alone to secure nomination for the post of president of European Commission. Moreover, Renzi's victory was very much a personal one. Despite hosting the European Socialist Congress, at which a common manifesto was adopted and Schulz designated as the common candidate, the PD focused its campaign on its own leader, well in line with the Italian model of personality-led elections, but also reflecting a certain wariness of Germany's ambivalent reputation in Italy.

The tactic paid off, and PD has contributed most significantly to the final result achieved by the European Socialists in the European Parliament, nudging ahead even of the German contingent. Here, the PD clearly benefited from a court decision to abolish Germany's electoral threshold, allowing seven smaller parties to gain seats. With 31 MEPs, the PD is not only the strongest party in the Progressive Alliance of Socialists and Democrats, four ahead even of the German SPD. It is also the strongest single party in the European Parliament, exceeded only by the close-bound German Christian Democrats (CDU+CSU 29+5). All of these factors have improved the prospects of Italian MEPs gaining prestigious posts in the new European Parliament, and has set Italy up for a more prominent role in the EU.

**Euroscepticism in Italy:** This should not obscure the fact that Italy's Eurosceptics made gains. M5S may have fallen short of the pre-election predictions (not to mention the results of the February 2013 general election, when it went from zero to 25%), but its anti-establishment message did win it 21.2% of the vote, making it the second force in these elections. The anti-immigrant Northern Union (Lega Nord - LN) achieved 6%, which was below its 2009 European election result, but above what was predicted. Forza Italia (FI), a member of the European Christian Democratic family since 1998, took a Eurosceptic and anti-German stance, winning 16.8% of the vote. Additionally, the radical left supporters narrowly achieved the 4% threshold.

Of course, there is nothing new in this. Italian parties have long treated Euroscepticism as an expedient means to bolster their vote. Despite its pro-European reputation, Italy was perhaps the first country to fall out of love with the euro, with support for the single currency falling by 20 percentage points in the period 2002-2005. For tactical reasons, LN therefore went into these elections advocating Euro-exit, while M5S called for a referendum on the single currency, and is against the fiscal compact. Nevertheless, a significant shift may be occurring. These parties may be moving from this kind of tactical Euroscepticism, towards something more ideological.

One reason would be to take advantage of the apparent entrenchment of popular Euroscepticism. According to the PEW Research Center, three-quarters of Italians are convinced the EU has weakened Italy's economy. Half the respondents viewed the EU negatively, a result topped only in Greece. Moreover, only a minority of 45% wanted to keep the euro, compared to France's 64%, Spain's 68%, Greece's 69%, and Germany's 72%, and down from 64% last year. But another, more immediate reason is that the process of forming new alliances in the European Parliament may force these parties to abandon their tactical behaviour on Europe, in favour of an altogether more structured approach.

Beppe Grillo, with 17 seats for his M5S, is negotiating with Nigel Farage, the leader of the United Kingdom Independence Party (UKIP), on gaining access to the Europe of Freedom and Democracy group (EFD). In this, he seems to have learned his lesson from the general election in 2013, where a refusal to cooperate gained him a reputation for obstructiveness. Since he was barred from standing as an MEP, the proposed alliance is unlikely to founder on the grounds of an ego clash. Should the alliance harden, it could move the Italian protest neo-environmentalist party, with a predilection for direct democracy, to adopt Eurosceptic positions more consistently.

Such a process of ideological convergence within a European political group seems even more likely in the case of Lega Nord. The party, rooted in rich north of Italy, and which has declared the end of its affiliation with the EFD and the intention to co-found a new far-right alliance led by Marine Le Pen, will probably consolidate its stance as a hard Eurosceptic party, while in the past it had a mixed European policy, especially from the period of participation in the ruling coalition. An even more virulent Eurosceptic position could be chosen in order to secure high level of support by the M5S, and to stem the decline of LN (reflected in the loss of four MEPs), following financial scandals at odds with its usual anti-corruption rhetoric.

**Italy's Shaky Confidence:** Matteo Renzi has already begun testing Italy's new standing during the struggle for the post of the next president of the European Commission and is advocating for the determination of the EU agenda before a decision on the appointment is taken. His substantial demands in this case would be in the economic area, to renew growth through investing in jobs for young people, the digital and defence economy, and energy and climate. Better management of migration policy against the background of a significant increase of African migrants will also remain his priority.

Nevertheless, the domestic stage will remain the primary scene for Renzi. The parliamentary majority behind him did not change, even if his self-confident leadership in the governing coalition with the New Centre-Right (NCD), Civic Choice (SC), and the Union of the Centre (UdC) did receive a moral boost. Renzi's to-do list begins with postponed changes to electoral law, the systemic re-definition of the Senate from directly-elected co-legislator to representation of the regions, accelerating economic reforms, in particular in the fields of labour and tax law, and privatisation. Yet he will face resistance by those who bear the brunt of these reforms.

In order to prevent the resurgence of the opposition and the possible ideological reinforcement of Euroscepticism at home, Renzi will in turn need European support. The European Commission has already conceded, however reluctantly, that Italy should have time to balance its budget until next year, while outlining several areas in which the country must increase its efforts. But Renzi's demand that the EU changes its approach to the crisis fundamentally puts Italy on a potential collision course with lender countries, in particular Germany. His newly-gained strength in the political family alongside the SPD could be crucial to the outcome of this struggle. So too could be the way Italy chooses to exercise its presidency mandate.

With their shared demand for a more growth-oriented approach from the EU, Poland and Italy could cooperate in influencing the incoming Commission's agenda. But this brings a risk to Poland in the form of its longer-term entry to the Eurozone. For one thing, the Eurozone countries may end up restricting growth-oriented mechanisms to themselves, increasing the gulf between non-members. For another, a growth-oriented approach from Brussels may lead Italy to take its foot off the pedal when it comes to domestic reform. The Italian case shows that the burden of abandoned reforms from the pre-entry period becomes heavier and heavier after the adoption of the single currency. Italy's continued difficulties will weigh down the Polish debate on Eurozone membership.