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Another Attempt at Renaissance: The Italian Presidency of the EU

Ryszarda Formuszewicz

Although the role of the rotating presidency of the Council has been considerably trimmed under the Lisbon Treaty, Italy has a chance to leave a distinct mark on the functioning of the EU at the outset of the new institutional term. The key message pursued by Italy is the need for EU renewal and economic recovery. However, its impact with the presidency depends on its ability to balance the country's assets against economic pitfalls and its capacity to live up to the ethos of the role.

When Italy took over the six-month presidency of the Council of the European Union this month, it accepted a tough schedule: any presidency operating during the second semester of the year must squeeze its agenda in after the summer break. But this time, there is the added challenge of a change of tenure in the EU institutions. The eighth European Parliament (EP) was constituted at the beginning of the month and, on July 15, MEPs elected Jean-Claude Juncker president of the next European Commission. He is due to take office just after Jose Manuel Barroso's term ends on 31 October. Moreover, at the end of November, Herman Van Rompuy will complete the second of his two 2½-year terms as head of the European Council. This presidency will have to handle the composition of a new Commission college, including a High Representative for Foreign Affairs and Security Policy, and the appointment of a new President of the European Council.

This juncture is a boon for the presidency, though. One is the reduced legislative activity. Another is the opportunity to influence the European debate at a time when its institutions are still in a formative phase. Thus, Italy will be free to influence flagship initiatives, not least in its key priority areas of growth and jobs. Similar opportunities could emerge in the area of European foreign policy, even if, from a formal point of view, the presidency is just a shadow of its former self in this field. This window of opportunity opens exactly at a time when the EU is confronted with a progressive destabilization in its neighbourhood to both the east and south. With its "Fresh Start" message (as the programme is titled) Italy is clearly keen to achieve a presidency with a political rather than merely technical impact. But this raises a question of style. Can Italy achieve its ends by acting as an honest broker?

The Political Aims of the Presidency. Rome has revived the debate on the proper response to the euro-crisis, attacking the austerity-focused cure prescribed by Germany and its northern EU allies. Pointing to the recent successes of eurosceptic and populist parties in the European elections, Italy, along with French support, has demanded a focus on jobs and growth. This focus is nothing novel of course, but there is a new attempt to reconcile the northern and southern positions. This involves "better" use of the principle of "flexibility" rooted in the EU's Stability and Growth Pact (SGP). This could be applied to Member States using their national budgets to pursue structural reforms with the aim of increasing their own competitiveness, without touching the fundamental rules of the SGP.

This approach already loomed with the "Strategic Agenda for the Union in Times of Change," adopted by the European Council on June 27 ahead of the Italian presidency in connection with a package deal surrounding Juncker's nomination. Italy's centre-left government offered its support for the Christian Democrat candidate on the condition that its own priorities were reflected in the EU's agenda for the next five years. But the real debate is only just beginning. While Italy's growth-friendly goals can count on the principled support of many Member States, identifying the necessary measures on the EU level will prove divisive. Italian proposals in which growth-enhancing spending (in education, energy and digital infrastructure) should be taken into account when calculating deficit and debt levels, are causing dissent.

Moreover, Rome has made a broader set of proposals: the further integration of the single market (implementation of the Single Market Act II, a focus on energy and digital single markets as well as services); boosting structural reforms in line with recommendations made in the European Semester procedure, and promoting investment. It is also focusing on the review process of Agenda 2020, the EU's mechanism for improving the functioning and boosting the attractiveness of its economies. Italy would also like to kick off debate on how to assess implementation of reforms at the national level. On competitiveness, the Italian presidency is emphasizing the need to create a supportive framework for small and medium-sized enterprises, which play a significant role in the Italian economy.

The Means Available to the Presidency. Taking the baton of the presidency now for the twelfth time, Italy, as the first country of the new trio of smaller states, with Latvia and Luxembourg, is likely to set the tone due to its size and resources. But this comparative weight will not alone make its term influential. Although it is a founding member of the European Communities, ranked fourth in the bloc according to population, fourth in economy in the EU and third in the euro area, enjoys a place at the G7 table, and acts as one of the major contributors to the EU budget, Italy has experienced a long and slow decline in influence within the EU mostly because of domestic political and economic circumstances.

At the helm of the EU this raises questions of credibility. In its demand for greater latitude from the EU to balance national budgets, Italy is acting not just in the interests of other crisis-hit countries but also *pro domo sua*. Although Italy has exited the EU's excessive-deficit programme, its economic stagnation makes its outlook uncertain and its government debt has reached 135.6% of GDP. If its presidency is to secure the reputation of a disinterested promoter of positive change in the EU, it must highlight an ambitious agenda of domestic reform aimed at improving the functioning of the Italian state. This would improve Italy's image as an EU actor, a process which started already when Mario Monti took over as prime minister in 2011.

That path, though, is laborious and Rome may take a shortcut. Italy's ruling Democratic Party (PD) came through the European elections in pole position, lifting Prime Minister Matteo Renzi from the status of a young and internationally inexperienced politician to a rising star of the left. With PD emerging as the largest Socialist delegation EU-wide, Italian MEPs secured key posts in the EP: one became head of the Socialist fraction and another chairman of the Committee on Economic and Monetary Affairs (ECON). The EP already functioned as an echo chamber for the Italian agenda with Renzi's presentation of the presidency programme on 2 July, and Rome may again leverage its political weight there.

The Long-term Impact of the Italian Presidency. The first weeks of the Italian presidency have seen Rome demand to be rewarded for its victory over the eurosceptic opposition at home with a key EU post. With Herman Van Rompuy presiding over the relevant consultations, the presidency has felt free to promote its own candidate for the post of High Representative. As opposition towards the Italian foreign minister became vocal (that he lacked experience and was too pro-Russian), Rome suggested that the appointment could be made by majority vote, as with Juncker. Such a divisive tactic may result from the simple transposition of domestic practices to the European level, however it may weaken the presidency's role as an "honest broker" as well as tainting the new High Representative.

There is a more fundamental danger here. In its bid to push through its agenda, the Italian presidency could well introduce a new and permanent twist in the functioning of the role. After the wrangling over the so-called *Spitzenkandidaten* system, competition between the European left and right may define this and future presidencies (regardless of the fact that currently the cooperation mode of European parties in Parliament follows the more consensual grand-coalition pattern). That a ruling national party's position within a European party family could be instrumental in strengthening the voice of the presidency is understandable, however in the long run such expedience could jeopardise the presidency's neutrality, disadvantaging certain Member States, strengthening the weight of the eurozone as the forum where left-right tensions are clearest, and complicating cooperation within the trio system.

Challenges for Poland. Poland's party landscape would leave it badly handicapped should this right-left competition become more pronounced in the EU system. After the May European elections, 23 of Poland's 51 MEPs are in the Christian Democratic EPP, 19 in the Conservative ECR and just five in the Socialist S&D, with no representation among the Liberals at all. So the national debate will hardly follow the lines defined by disputes between the two strongest groupings at the European level. If intergovernmental relations gain a left-right element, this could influence Poland's pattern of cooperation and national alliances.

Another challenge is lined with the "pre-in" status of Poland concerning the common currency. Bearing in mind that the current trio is entirely a eurozone team, as is the next one (Netherlands-Slovakia-Malta), the question emerges what the presidency will be able to deliver in terms of cohesion of the EU system. With further steps towards deeper integration of the euro area, this could leave EU members remaining aside more exposed to risk of exclusion.