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ITALY'S NEW MAVERICK GOVERNMENT

MIXED SIGNALS FOR THE EU, BAD NEWS FOR ASYLUM SEEKERS

The economic agenda of the new government in Rome is preoccupying Italy's EU partners. However, this should not become an alibi for avoiding genuine European reforms.

After nearly three months of intense debate and uncertainty, Italy finally has a new government. The two parties that won the elections on 4 March, the Five Star Movement and the League, have agreed on a joint programme. The alliance between the League and the Movement remained the only option for forming a government with a parliamentary majority, after Matteo Renzi's Democratic Party rejected a coalition with the Movement.

The government is unique in that it excludes the main centre-left and right-wing parties that have dominated Italian politics in recent decades. However, it is not the first populist government Italy has had. Based on the analysis of the government programme made by the prestigious Istituto Cattaneo, nor

is it Italy's most right-wing government either. Rather, these definitions apply to Silvio Berlusconi's governments in the 2000s, which included both the League and the post-fascist National Alliance.

European and market reactions in the weeks before the government was formed were mostly negative. This was due to the leaking of an early draft of the government programme, which included a request to the European Central Bank to forgive a part of Italy's debt. The Eurosceptic stance of the League and its initial proposal for the post of finance minister led to speculation that Italy could leave the Eurozone.

The final version of the government programme is now more moderate in the sections concerning Italy's debt and relations with

the EU. The document now includes numerous references to Italy's role in EU-level policies and to the goal of reforming some of them (ranging from the Common Agricultural Policy to migration). There is nothing in the programme that would point to Italy's exit from either the Eurozone or the EU.

Most surprising are the requests to strengthen the powers of the ECB and the European Parliament, which reflect the stance of the Movement on these issues. At the same time, the programme emphasises the need to revise European economic governance "together with European partners", but without clarifying how. It also argues that the EU should return to a spirit of solidarity and pay more attention to social policies.

In foreign policy, the programme reaffirms Italy's commitment to NATO and the alliance with the US, but it highlights the need to refocus efforts towards the instability and terrorism in the Mediterranean region. In this context, Russia is seen as a potential partner. The document calls for the withdrawal of EU sanctions against Moscow, but it no longer states (as in the earlier draft) that this should happen immediately.

The points in the government's programme that have aroused more concern in the EU are the introduction of a two-tiered flat tax and of an alleged basic income. The new taxation system would be by far the most expensive measure, with a cost estimated at around 50 billion euros. It was advocated by the League with the argument that it would reduce tax evasion and allow companies to save money for investments. However, the current financial allocation for this reform appears insufficient, and the measure is likely to benefit the richest social strata only, thereby amplifying inequalities.

As currently formulated, the basic income proposal resembles an unemployment benefit. It would allocate 780 euros per month to an individual who lives under the threshold of poverty, for up to two

years, on the condition that during this period he or she accepts a job offer made by an employment agency. The reform, advocated by the Movement, has an estimated cost of 17 billion euros, but its implementation requires a prior overhaul of Italian employment agencies, which makes it unlikely to happen in the first year(s) of government.

The government programme also includes harsher anti-corruption measures, as well as cuts to the pensions and benefits of national and regional politicians.

It remains to be seen whether and how the government implements the reforms announced in the programme. Lacking in political experience, and having only a slim majority in parliament, the government may not last long, or it may be forced to focus on only some of the proposed measures. Moreover, the President of the Republic can refuse to sign into law those legislative proposals that do not have financial coverage.

According to some commentators, the 'profligate' outlook of the new Italian government will have a negative impact on proposals for deeper Eurozone integration, and bolster the position of Northern EU members that advocate stricter fiscal rules and national responsibility.

However, this stance would be based on a misunderstanding of the cause-effect nexus of Italy's developments. Italian citizens voted for the Movement and the League because post-2008 EU policies focused excessively on austerity, to the detriment of growth measures. Stricter fiscal rules and protracted economic stagnation would further increase Italians' discontent with the EU.

Similarly, Italians' switch to anti-immigration parties is partly due to the lack of intra-EU solidarity in the refugee crisis. The new government wants substantial changes to the EU's Dublin regulation, which makes countries of first arrival responsible for sheltering asylum-seekers. Ominously, the League calls for the expulsion of hundreds of thousands of migrants, which gravely endangers their safety and human rights.

An accurate evaluation of the new government's policies will only be possible if and when rhetoric leaves room for implementation. Meanwhile, catastrophic assessments of Italy's political direction and the ensuing rejection of genuine European reforms only contribute to widening the North-South gap in the EU, and hence to weakening the Union. /