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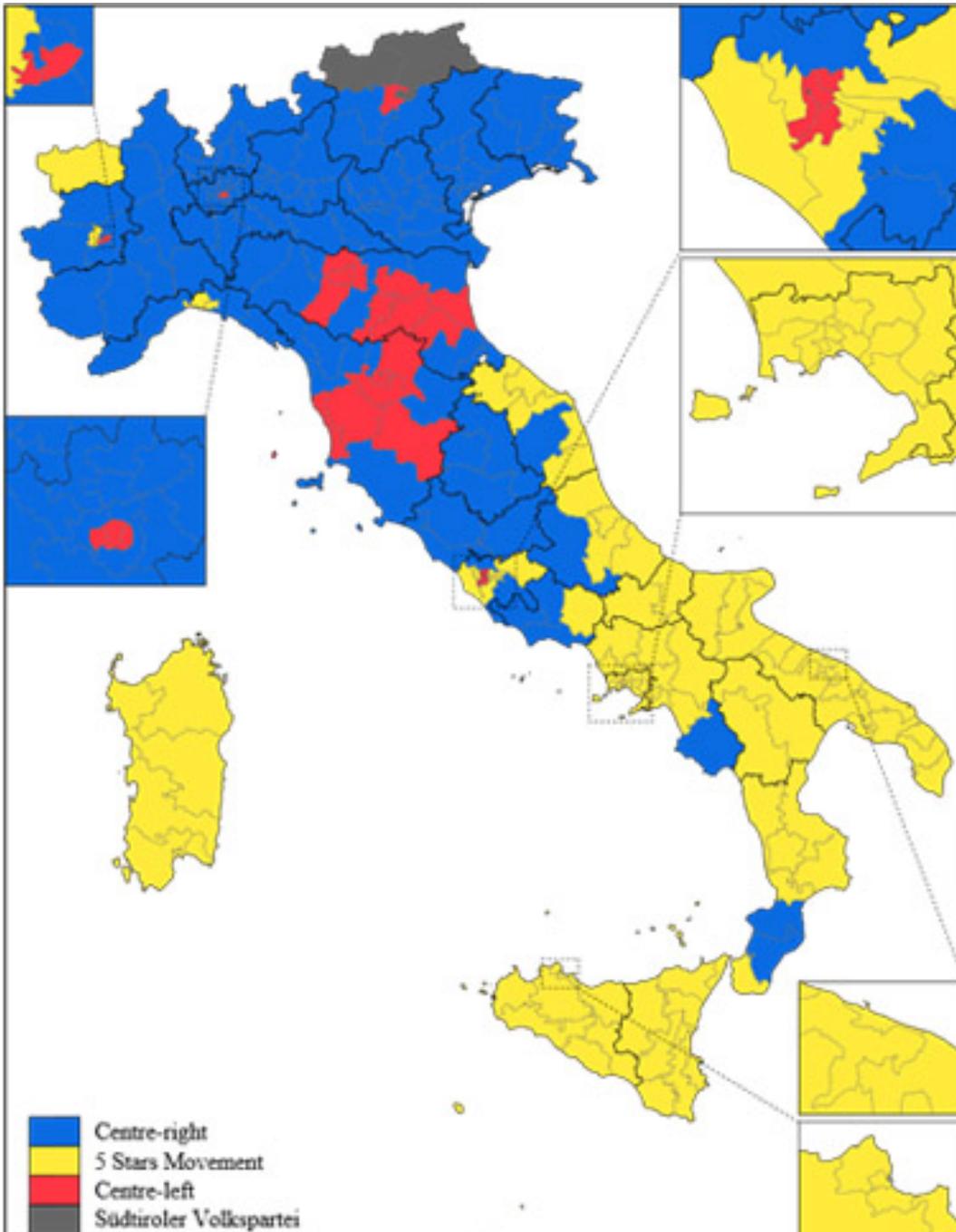
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The new Italian Government

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Contents:

1. Background
2. Populist parties in Italy
3. The Italian general election, 4 March 2018
4. The new government
5. Positions on Brexit
6. Italy and the euro



Contents

Summary	4
1. Background	8
1.1 Recent developments in Italian politics	8
The political crisis of the early 1990s	8
The Berlusconi era	8
The Democratic Party	9
The fall of Berlusconi and the Monti administration	9
The Centre Left government 2013-2018	10
1.2 The Italian Economy	11
1.3 Migration	12
Political Debate on Migration	13
1.4 Growing Euroscepticism in Italy	13
Political Debate on Euro membership	14
2. Populist parties in Italy	15
2.1 Berlusconi and Forza Italia	15
2.2 The League (Northern League)	16
The League under Salvini	18
Recent comments on race, Islam and violence against migrants	19
2.3 The Five Star Movement	19
Where does Five Star stand politically?	20
3. The Italian general election, 4 March 2018	22
3.1 The election campaign and manifestos	22
The centre left	22
The centre right	22
The Five Star Movement	23
3.2 The election results	24
3.3 Post-election negotiations	25
4. The new government	27
4.1 Government programme	27
EU policy	28
Migration	29
Islam	29
Law and Order	29
Citizens' income and pensions	29
Impact on public debt	30
Political reforms	30
4.2 The appointment of Conte as Prime Minister	31
4.3 President vetoes the coalition's proposed finance minister	31
4.4 Five Star and League return to government talks	32
4.5 New agreement reached on government ministers	33
4.6 The new government begins work	33
Conte supports Trump on opening to Russia	34
Italy seeks a change to EU asylum rules	34
Salvini comments on migration	35
Italy refuses entry to migrant rescue boat	36
Proposed census of Roma	37

Same sex unions	37
Finance Minister reaffirms position on euro	37
CETA and international trade	38
Relations with other EU leaders	38
4.7 EU and international reaction to developments in Italy	39
Downing Street statement	41
4.8 Market developments	41
5. Positions on Brexit	44
5.1 Position of new government	44
5.2 Reaction to UK referendum result	44
5.3 Previous government's approach	45
6. Italy and the euro	47
6.1 Structural imbalances in the eurozone	47
6.2 Impact should Italy leave euro	48
6.3 Addressing Italy's structural problems	49
6.4 Can a country leave the euro?	50

Summary

Political Developments since the 1990s

On 1 June 2018 the new Five Star Movement – League government headed by Giuseppe Conte as Prime Minister was sworn in by the Italian President.

This brought the Five Star Movement into government for the first time. The League (previously known as the Northern League) had previously been in government as a member of Silvio Berlusconi's centre-right coalition which governed Italy briefly in 1994 and then from 2001 to 2006 and from 2008 to 2011.

Between 1994 and 2018 there was a degree of alternation in government between the centre-right and a centre-left coalition grouped initially around the Left Democrats (DS) and more recently the Democratic Party (PD), created out of a merger of the DS and centrist forces.

Berlusconi resigned as Prime Minister in 2011 amidst pressure from the EU to reduce Italy's huge public debt, judicial investigations against him and revelations around his private life, and defections from his own coalition. He was replaced by former European Commissioner Mario Monti, who implemented a number of reforms aimed at reducing Italy's debt.

The emergence of the Five Star Movement (which is harder to place on the political spectrum) as a leading party at the 2013 and 2018 elections has meant that neither the centre-left coalition nor the centre-right have been able to command a parliamentary majority.

Following the 2013 elections, the centre-left and part of the centre-right (though not the League) initially formed a grand governing coalition. After Berlusconi withdrew support, a smaller part of the centre-right broke away, enabling a predominantly centre-left coalition to remain in power until 2018.

In the election on 4 March 2018, the Five Star Movement emerged as the leading party (with 32.7% of the vote). The centre-right was the leading coalition with 37% of the vote. The League (with 17.4%) overtook Berlusconi's Forza Italia as the leading centre-right party, also winning a significant vote share in Southern Italy for the first time after its re-branding as a national force. Following weeks of negotiations, the League broke away from the centre-right to agree a government deal with Five Star.

Economic and Political issues

The Economy: Italian government debt stands at 132% of GDP, the highest in absolute terms within the EU. However, the government is currently running a budget surplus.

Italy has been strongly affected by the global slowdown of 2008–09 and the ensuing sovereign debt crisis, following which it suffered a triple dip recession. Between 1999 (when the euro was adopted) and 2016 the average annual growth rate in Italy was zero. The current growth rate remains low and is predicted to be the lowest in the EU this year. Unemployment remains high at over 11%, and is much higher in the south and among young people.

Migration: Italy is the main port of entry for irregular migration to the EU. Around 630,000 migrants arrived via the precarious Mediterranean sea crossing from North Africa (and with many perishing at sea) between 2014 and 2017. Italian political leaders have complained about the lack of EU attention and assistance in dealing with these arrivals.

There has been a marked reduction in the number of arrivals since last year, following an agreement which provides for Italian assistance to the Libyan authorities to prevent migrants making the crossing.

Growing Euro-scepticism: Previously one of the most Europhile countries in the EU, Euro-scepticism has increased in Italy, with analysts attributing this to the perceived impact of euro membership and associated eurozone rules and a perception that Italy has been left to bear the brunt of the migration crisis without adequate assistance from its EU partners.

Both the League and the Five Star Movement have employed hostile rhetoric towards the EU, with the League more outspoken in its calls for Italy to leave the euro. Over the last year the Five Star Movement has dropped its previous calls for a referendum on the euro.

Although Italian opinion polls show low levels of confidence in the EU, there is still majority support for remaining in the EU and for continued participation in the eurozone.

The League

The Northern League's principal demand was greater autonomy (and sometimes independence) for Italy's northern regions. After appearing to be in decline following a corruption scandal and poor electoral performance, it has been revitalised under Matteo Salvini's leadership since 2013.

Salvini has rebranded the League as a national force, using the slogan "Italians first," downgrading its previously defining issue of regional autonomy and making its previously held anti-immigration and anti-EU positions a more central focus.

Following the 2014 European Parliament elections, the League joined the far-right Europe of Nations and Freedoms group in the European Parliament.

Salvini has called the euro a "crime against humanity", said that Islam is incompatible with European values, and referred to a migrant "invasion" of Italy. He has blamed violence against migrants in Italy "on those who have filled it with illegal immigrants."

Among the League's election campaign pledges, Salvini said that the League would implement a plan to deport 100,000 undocumented migrants a year over five years.

Salvini praised the UK vote to leave the EU in 2016 calling it "a beautiful day" and suggesting that Italy needed to follow suit.

The Five Star Movement

Founded in 2009 by political satirist Beppe Grillo in 2009, the Five Star Movement has taken a populist anti-establishment line, with vehement attacks on Italy's ruling elites.

Five Star is difficult to place on the left-right political axis. It originally attracted former voters of the centre-left, and espoused policies that might be associated with the centre-left such as strong environmentalism and a citizens' income. However, its tougher line on migration, criticisms of EU leaders and the impact of the euro, and a sympathetic stance towards Russia, have led observers to identify similarities with the League.

Five Star representatives have made sympathetic statements about Russia and President Putin and called for an end to sanctions with Russia.

Five Star has allied with UKIP at the European level, with the two parties forming the Europe of Freedom and Direct Democracy group in the European Parliament in 2014.

Five Star has been highly critical of what it sees as EU-driven austerity policies and a Europe dominated by bankers, and has campaigned for a referendum on Italian membership of the euro. Five Star's political head Luigi Di Maio said this was no longer party policy in January 2018.

The New Government

Government programme

After announcing that they had agreed to govern together, the Five Star and League published a “Contract for Government”. This set out a government programme which would entail a more critical approach towards the EU, a tougher approach on migration, and an ‘opening’ to Russia (calling for Russia to be treated as a “partner” rather than a “threat”).

The contract includes a pledge to establish repatriation centres across the country with a capacity sufficient to host all irregular migrants in Italy, with accelerated asylum processes aimed at removing rejected applicants from Italy within 18 months of arrival. The contract also includes proposals for the regulation of Mosques and places of Islamic worship, and pledges to move towards the elimination of Roma camps.

The contract pledges a roll-back of the Monti government’s pension reforms and implementation of both the Five Star’s proposed citizens’ income (for Italian citizens) and the League’s flat tax (a single income tax rate, eliminating higher income tax bands).

EU policy

A leaked earlier draft of the Contract for Government referred to the need for specific procedures to allow countries to leave the euro. The final published version made no allusion to euro exit. However, it called for a revision of Eurozone governance rules to give greater attention to the wider social and economic impact of policies.

The contract states that the government would oppose aspects of EU international trade treaties being negotiated that (in its view) weaken citizens’ rights and damage fair and sustainable competition. It would also oppose the granting of market economy status to China.

The contract also calls for a revision of the EU Dublin regulation currently providing for asylum seekers to be returned to their first country of entry to the EU, and for a quota system reallocating asylum-seekers across the EU with all states obliged to host them.

Government formation

The League and Five Star named a relatively unknown law professor who had not stood in the election, Giuseppe Conte, as their Prime Minister designate (a compromise after both Di Maio and Salvini had initially stated that they should lead the government). The government nearly didn’t get off the ground after the Italian President vetoed the coalition’s choice of finance minister, economics professor Paolo Savona.

Savona had previously been highly critical of the euro, calling Italy’s participation in it a “historic error” and describing membership as a “German cage” and suggesting that Italy needed a “plan b” in order to prepare to leave. The President indicated concern that Savona’s appointment would lead to an exit from the euro without this proposition featuring in the parties’ election campaign platforms.

The two parties initially withdrew from the negotiations, blaming Germany and the ratings agencies for interfering in Italian democracy. Over the next few days, Italian bond yields spiked while share prices fell, and a suggestion from a German European Commissioner that the market turbulence would lead to Italian voters turning their back on the populist parties drew anger from the party leaders.

Agreement was eventually reached on a new government with ministers acceptable to the President. This would still involve Savona as Europe minister. Salvini and Di Maio would both be Deputy Prime Ministers, with Salvini also taking on the role of Interior Minister and Di Maio responsible for Labour and Economic Development.

The new government in office

In his inaugural speech to the Italian Senate, Prime Minister Conte called for a reorientation of EU economic policy-making, later confirming that an exit from the euro was not on the agenda. A few days later, new Finance Minister Giovanni Tria said that the “clear and unanimous” position of the government is that there is “no question of leaving the euro.”

Conte’s Senate speech also confirmed Italy’s opening towards Russia, with a call for sanctions to be reviewed. Prior to the G7 summit on 8 June, Conte supported President Trump’s call (rejected by other G7 members) for Russia to be readmitted to the bloc.

In the government’s first few days, Salvini said that the “fun” was over for undocumented migrants, that they needed to get ready to “pack their bags” and that Sicily could no longer be Europe’s refugee camp. However, he said that Italy would be open to refugees genuinely fleeing war. A comment by Salvini that Tunisia was exporting “convicts” to Italy led to the Tunisian foreign ministry calling in the Italian ambassador.

On 10 June, Salvini said Italian ports would be closed to a boat containing 600 migrants, insisting that the Maltese authorities allow the boat to disembark in Malta instead. Spain later offered to take the boat. Salvini claimed this as victory for his new hard-line policy.

Ahead of a meeting of EU leaders on 24 June Conte said Italy would oppose plans that focus on the need to counter movements of asylum-seekers from one EU Member State to another unless there is EU support for Italy in dealing with the number of arrivals to its shores. The new government proposed a new EU system requiring each Member State to take a share of asylum-seekers, and docking EU funds from countries that refuse to do so. At the European Council on 28-29 June, it was reported that Conte had initially blocked the adoption of the Council’s conclusions. However, agreement was eventually reached on a plan which would involve some Member States voluntarily taking asylum-seekers arriving in Italy.

Prior to these meetings, Salvini had indicated that the Italian government would seek to renegotiate its EU budget contribution without a shift in EU migration policy. He also said that Italy would no longer go to EU meetings if “our homework” is “already written by France and Germany.” The new government approach on migration has strained relations with Malta and also led to tensions with France. Following criticism by French President Macron of the Italian approach, Conte accused France of hypocrisy for turning back migrants seeking to enter France from Italy. Salvini has also made a number of disparaging remarks about Macron.

On 19 June, Salvini proposed a census of all Roma present in Italy. Any Roma with irregular status would be expelled from Italy, but those with Italian citizenship would “unfortunately” have to remain in Italy, Salvini said. Di Maio however said that such a census would be unconstitutional. Salvini later said the census was not a priority and that his main goal was to ensure children living there were going to school.

The new Italian government has also indicated that it will ask parliament not to ratify the EU-Canada economic and trade agreement and similar treaties because they provide insufficient protection to Italian food products. On 16 June, Salvini indicated the Italian government would implement a wider protectionist strategy, including blocking boats bringing rice from Asia.

Positions on Brexit

Ahead of the June European Council, Prime Minister Conte said that in relation to the Brexit talks Italy would seek to defend the rights of its citizens in the UK, but was striving for “continuity” both in security policy and in commercial ties. Following the March elections, Salvini said that he wished for “completely open” trade between the UK and EU “without any penalties.” Di Maio said that the British should not be punished for choosing Brexit.

1. Background

1.1 Recent developments in Italian politics

The political crisis of the early 1990s

Since the tangentopoli bribery scandal brought down an entire political class in the early 1990s, the Italian political system has witnessed shifting political alignments and the rise (and fall) of a number of new political parties and movements.

Although Italy had over fifty governments between 1946 and 1993, this masked a remarkable continuity, given that the Christian Democratic party (DC) remained the main party of government throughout the period. The frequent changes in government often amounted to reshuffles of the personalities involved and occasional changes in the DC's other smaller coalition partners.

With many of its leaders under investigation for corruption (and some for links with the Mafia) the DC and the other ruling coalition parties collapsed between 1992 and 1994, leaving a political vacuum which was filled by the entry into politics of Silvio Berlusconi at the head of his new Forza Italia party.

The Berlusconi era

In 1994, a new centre-right coalition led by Berlusconi won the first general election held under a new predominantly majoritarian electoral system,¹ defeating a centre-left coalition focused around the former communist Left Democrats (DS).²

Berlusconi's coalition was controversial not only because of his vast business and media interests, including ownership of Italy's most popular private TV channels, but also because it brought into government for the first time the Northern League and the National Alliance. The Northern League, unifying various regional leagues in the early 1990s, had previously advocated the break-up of Italy, blaming Southern Italians for the country's ills.

The National Alliance (AN) had emerged out of the neo-fascist Italian Social Movement (MSI). The MSI was formed by fascist veterans in the aftermath of the Second World War and continued to praise the Fascist regime until the early 1990s. Its leader Gianfranco Fini would later seek to distance the

¹ Following a popular referendum in 1993 which abrogated elements of the old proportional system, 75% of the seats in the Chamber of Deputies would be elected under first-past-the-post (FPTP), with 25% elected through a proportional representation top-up. This system was replaced under a new electoral law in 2005, which involved a reversion to a more proportional system but with a seat bonus guaranteeing a majority (55% of seats) in the Chamber of Deputies to the leading coalition. This system was later ruled unconstitutional, and eventually replaced in 2017 by a new one whereby 36.8% of seats are allocated through FPTP and 63.2% proportionally.

² The Italian Communist party (PCI), was Italy's second biggest party throughout the cold war period but had been excluded from government since 1947. In 1991, it completed its transformation into a more conventional European social democratic party, becoming the Left Democrats (DS).

party from its fascist heritage after 1994, cultivating a more moderate conservative image.³

The first Berlusconi government was short-lived, collapsing at the end of 1994 when the Northern League withdrew in the wake of the launch of corruption investigations against Berlusconi.

It was replaced by a government of 'technocrats' led by Lamberto Dini until 1996, when the centre-left coalition won fresh elections, enabling the former communist DS to enter government for the first time, in alliance with the People's Party, the main successor party to the DC (the DC splintered with some parts allying with Berlusconi). The coalition was initially led by a former Christian Democrat Romano Prodi, but he was replaced by the DS's Massimo D'Alema in 1998. D'Alema himself was replaced by Giuliano Amato in 2000.

Berlusconi returned as Prime Minister following general elections in 2001, heading a renewed coalition bringing together Forza Italia, the Northern League and National Alliance again (together with a smaller former Christian Democrat grouping).

Berlusconi's coalition was narrowly defeated in the 2006 election by a renewed centre-left coalition again headed by Romano Prodi.

The Democratic Party

While the centre-right coalition in this period was held together by Berlusconi's leadership and election-winning prowess, the centre-left coalition has suffered from instability and infighting among its component parts which have included left-wing former communists and relatively conservative or centrist former Christian Democrats.

Centre-left leaders sought to engineer more unity with the formation of the Democratic Party (PD) in 2007, merging the DS with the main former Christian Democrat grouping.⁴

However, Prodi's government collapsed after another smaller former Christian Democratic grouping withdrew its support, precipitating new elections in 2008 which were won by the centre-right, with Berlusconi returning as Prime Minister.

The fall of Berlusconi and the Monti administration

Berlusconi was increasingly beset by lurid allegations about his private life, claims of misuse of public office in relation to these allegations, and a number of long-standing judicial investigations into his business affairs. This was combined with increasing pressure from the EU and IMF to introduce reforms in the face of Italy's high levels of debt and other precarious economic indicators amidst the ongoing European sovereign debt crisis.

³ See Stefano Fella (2006), "[From Fiuggi to the Farnesina: Gianfranco Fini's Remarkable Journey](#)", *Journal of Contemporary European Studies*, Vol.14, No.1.

⁴ The DS merged with "Democracy is Freedom – the Daisy" which itself was a merger of the Italian People's Party (the formal successor party to the DC) and other centrist groupings in 2002. Other parts of the former DC had broken away to ally with Berlusconi's coalition. Many also joined Forza Italia directly.

In 2009, Forza Italia had merged with AN to form the People of Freedom (PDL), under Berlusconi's leadership, but Berlusconi then fell out with the AN's former leader Gianfranco Fini who left and formed another party. A number of parliamentarians, including Fini's group then withdrew support from Berlusconi leading to his resignation as Prime Minister in 2011.⁵

The former EU Commissioner Mario Monti was appointed to head a new government of technocrats, implementing an austerity package which included an increase in the pension age. Monti resigned at the end of 2012 ahead of fresh elections in early 2013.

The Centre Left government 2013-2018

There was a period of deadlock following the 2013 election, with the centre-left winning a small majority in the Chamber of Deputies but failing to reach a majority in the Senate. This was the first general election contested by the new Five Star Movement. It won 25.6% of the vote in the lower house, with both the centre-left and centre-right coalitions dropping to just under 30%.

Agreement was eventually reached on a grand coalition involving the PD, PDL and other centrist groups and headed by Enrico Letta of the PD. Berlusconi later withdrew support (and re-founded Forza Italia) but a breakaway group from the PDL continued to support the government enabling it to retain its majority.

Letta resigned in February 2014 and was replaced by Matteo Renzi, the new leader of the PD. The Renzi government introduced further reforms including the so-called 'Jobs Act' which made it easier for employers to make workers redundant and also introduced temporary tax breaks for companies hiring workers on permanent contracts.

The Renzi government also legalised same-sex civil unions in the face of opposition from the Catholic church and the centre-right parties.

At the end of 2016, a proposed reform of the constitution⁶ put forward by Renzi was defeated in a popular referendum. As he had promised to do if the proposal was defeated, Renzi promptly resigned and was replaced as Prime Minister by Paolo Gentiloni (another PD politician who was previously Foreign Minister).

Gentiloni remained Prime Minister until the new Conte government was finalised in June 2018.

⁵ See Stefano Fella and Carlo Ruzza (2013) "[Populism and the Fall of the Centre-Right in Italy: The End of the Berlusconi model or a new beginning?](#)", *Journal of Contemporary European Studies*, Vol. 21, No.1

⁶ The reform would have increased the executive powers of the government, and reduced the powers of the Senate (ending the model of perfect bicameralism whereby the Chamber of deputies and the Senate have equal powers).

1.2 The Italian Economy

Italy has been strongly affected by the global slowdown of 2008–09 and the ensuing sovereign debt crisis, following which it suffered a triple dip recession.

The average annual growth from the adoption of the euro in 1999 to 2016 was zero (although average growth rates in the preceding years were also low and several analysts point to more deep-seated reasons for Italy's long-term decline).⁷

There has also been a stark decline in GDP per head in Italy. The IMF [forecasts](#) that in 2018 it will be 8% below its 2007 level and only 4% above that of 1997.

Although the economy has begun to grow again (GDP growth was 1.5% last year), Italy is predicted to have the lowest growth among EU Member States this year (alongside the UK).

There are also wide regional inequalities: in 2016, GDP per head in the southern regions was 45.1% lower relative to the northern regions, and 33.3% lower relative to the national average.

Unemployment stood at 11.7% in 2016, but again there were vast regional disparities. The rate of unemployment in the southern regions stood at 19.6% compared to 8.4% in the central-northern regions. The youth unemployment rate in Italy is also very high – [recorded](#) at 31.7% in March 2018 for under 24-year olds.

Productivity has also declined. In 2016 Italy's labour productivity per person employed (GDP in PPS per person employed), was 106.8 (compared with an average of 100 across the EU countries). Before the economic downturn (in 2008), the figure was 115.1.⁸

The [Economist](#) describes some of the underlying causes of declining Italian productivity as “a rigid, dual labour market; uncompetitive product markets; the proliferation of family-owned firms that do not grow; a banking system hobbled by bad loans; an underperforming education system; and, more recently, a brain-drain” (notably with high emigration to the UK).

Despite these problems, Italy is still second only to Germany within the EU in terms of level of manufacturing exports, and has run healthy trade surpluses in recent years. It ran a trade surplus of €47 billion in 2017, and €50 billion the year before.

Italy has also been running a budget surplus. In 2017, the surplus before interest payments was 1.7% of GDP. However, government debt stands at 132% of GDP. It is the highest in absolute terms within the EU, and only Greece has a higher ratio to GDP.

⁷ See Francesco Papadia, “Italian economic growth and the Euro”, [Bruegel](#) 26 July 2017

⁸ Figures on GDP per head, unemployment and productivity taken from Giovanni Caggiano “Economy (Italy)”, in *Europa World online*. London, Routledge. House of Commons. Retrieved 04 June 2018 from <http://www.europaworld.com/entry/it.ec>

1.3 Migration

Italy has witnessed high levels of irregular migration, with migrants and asylum seekers arriving on its Mediterranean shoreline for several decades. Many have become legal residents following amnesties for irregular migrants under both centre-left and centre-right governments.⁹

The number of foreign citizens legally resident in Italy has risen rapidly since the beginning of the 1990s, increasing from around 650,000 in 1991, to close to 1.5 million in 2001, 3.9 million in 2009 and over 5 million in 2016.

The increase in the number of legal foreign residents has slowed in recent years, and there has also been significant emigration of Italian citizens to other countries (notably to the UK).

Italy had the world's lowest birth rate in 2016 ([World Bank figures](#)), and its population would otherwise be declining.

The rate of irregular arrivals on Italian shorelines has remained high, and around 500,000 migrants without legal residence status are estimated to be living in Italy.

Following the EU agreement with Turkey in 2016 which drastically reduced the numbers of migrants from the Middle East and elsewhere entering the EU via Turkey, Greece and the Balkans, Italy is the main port of entry for irregular migration to the EU, with migrants mainly making the precarious crossing by boat from North Africa (and with many perishing at sea).

Around [630,000](#) migrants arrived via this route between 2014 and 2017.

Italian political leaders have complained about the lack of EU attention and assistance in dealing with these arrivals.

The recent imposition of [border controls](#) by Austria, France and Switzerland has meant that whereas Italy was previously used as a transit country by many irregular migrants heading further north, they are now more likely to remain in Italy.

Italian Prime Minister Paolo Gentiloni accused other European nations of "[looking the other way](#)" following a spike in arrivals early last year.

119,310 migrants arrived in Italy by boat in 2017, out of a total of 171,635 arrivals by boat for all of the EU recorded by the International Organization for Migration (IOM) in 2017. This compared to a figure of 181,436 arrivals by boat to Italy in 2016.

So far (as of 10 June 2018) arrivals by boat to Italy in 2018 number 14,330, with the largest numbers coming from Eritrea and Tunisia (in 2017 the largest number came from Guinea).¹⁰

The reduction in the number of arrivals can partly be explained by an agreement reached between the Italian government and the Libyan authorities last year which involved providing support to the Libyan

⁹ This included the [amnesty](#) granted under the centre-right government in 2002 which gave legal resident status to 700,000 previously irregular migrants in Italy.

¹⁰ See the migration trends map regularly updated by the International Organization for Migration [here](#)

coastguard, enabling it to intercept boats before they reach Italian waters. Support has also been provided to militias in the south of the country to prevent migrants using Libya as a transit country to get to the Mediterranean coast.

The Italian-Libyan arrangement was [criticised](#) by the United Nations High Commissioner for Human Rights at the end of last year, because of the alleged inhumane treatment of migrants in Libyan detention centres.

Political Debate on Migration

Notwithstanding the Libya deal and the recent reduction in arrivals, there have been continuing criticisms from some political quarters in Italy, notably from the League over what they perceive as a failure of previous governments to stem the number of arrivals and return migrants to the country of origin and an alleged ‘over-accommodating’ approach in receiving them.

There have also been accusations that the large number of migrants has given rise to increased crime in Italy, although according to Italian Interior Ministry [data](#) the crime rate has dropped by 8.3% in the last ten years despite the increased number of migrants.

In addition, there have been [accusations](#) that humanitarian organisations involved in rescue operations in the Mediterranean are actually colluding with people-traffickers in bringing migrants to Italy. The Five Star Movement’s leader, Luigi Di Maio, has suggested these organisations are running a “sea-taxi” service for migrants.

The League has called for a stop to the “business” of immigration, referring to private and voluntary organisations involved both in rescuing and organising the reception of migrants, some with state funding.

1.4 Growing Euroscepticism in Italy

Until relatively recently, Italy was one of the most Europhile countries in the EU, with opinion polls showing high levels of support for the EU’s role in policy-making. This partly related to a distrust and disregard of Italy’s own national leaders.

However, perceptions of the EU have changed in recent years, with analysts attributing this to the perceived impact of euro membership and associated eurozone rules and a perception that Italy has been left to bear the brunt of the migration crisis without adequate assistance from its EU partners.

According to the European Commission’s Eurobarometer [survey](#) last year, net trust in the EU among Italians is minus 18%. 64% of Italians felt that their voice did not count in the EU, compared to 29% who thought it did.

A study for the German [Bertelsmann Stiftung](#) think tank last year (focusing on the EU’s larger Member States) found that Italians had the highest rate of dissatisfaction with the direction of the EU, with 83% of Italians declaring themselves unhappy with it.

Asked whether they would vote to stay in the EU if there was a referendum, Italians were the least enthusiastic, although a majority (56%) were still in favour of remaining in the EU.

Another [survey](#) last year highlighted differences in attitudes according to age, with young people in Italy more hostile towards the EU. It suggested that 51% of Italian voters aged under 45 would vote to leave the EU if there was a referendum, while 46% would vote to remain. In contrast, respondents over 45 supported remaining in the EU by 68% to 26%.

Political Debate on Euro membership

The change in attitudes may have been spurred on by the adoption of more Eurosceptic rhetoric by a number of political parties, notably The League and the Five Star Movement (whether these parties have followed or led public opinion in relation to increasing Euroscepticism is open to question).

Although the more Euro-sceptic positions recently espoused by these forces have taken the debate on Italy's place in the EU to another level, the shift of positioning towards the EU among Italy's leading parties had begun earlier.

The League turned against the EU towards the end of the 1990s, and Berlusconi took a more critical stance after the adoption of the euro. Berlusconi would use the euro as a stick to beat his political opponents, often describing it as "Prodi's euro."¹¹

The decision to take Italy into the euro at what Berlusconi and others saw as too high a rate was taken under Romano Prodi's centre-left government of 1996-98, and Prodi was President of the European Commission when the euro entered circulation.

Prior to (but not including) the 2018 election campaign, the League made repeated calls for Italy to leave the euro. After taking over the leadership of the League in 2013, Matteo Salvini launched a "stop the euro" [tour](#). He has called the EU a "[failed experiment](#)" and the euro a "crime against humanity." Salvini has also called for a change to the Italian constitution to enable a referendum to take place on Italy's EU membership.¹²

The Five Star Movement has railed against EU-imposed austerity. Its founder Beppe Grillo has called for a referendum on euro membership, referring to the euro as "the heist of the century."

In 2015, Five Star said it had collected over [200,000 signatures](#) in favour of a referendum. However, Five Star dropped this position in the run-up to the 2018 election.

The results of two recent opinion [polls](#) published in May 2018 suggest that a large majority of Italians still want to stay in the euro.

A Piepoli poll showed that 72% wanted to stay, 23% wanted to leave, and 5% percent were undecided.

A Euromedia poll showed that 60% wanted to stay, 24% wanted to leave, and 16% were undecided.

¹¹ For example, in 2005 Berlusconi proclaimed: "[Prodi's euro has screwed everybody.](#)"

¹² The Italian [constitution](#) allows for referendums on rescinding laws (or parts of them) or for changing the constitution itself. However, it prohibits popular referendums on international treaties. The Five Star movement has however [pointed](#) to a law passed in 1989 which enabled an advisory referendum to take place at the time of the European Parliament elections that year to give the Parliament a [mandate](#) in creating a future European constitution.

2. Populist parties in Italy

2.1 Berlusconi and Forza Italia

Some media coverage of Italy has referred to the Five Star-League government as Italy's first populist government. However, the Berlusconi governments of 1994, 2001-2006 and 2008-2011 were also dominated by populists, including Berlusconi himself and the Northern League.

While Berlusconi's Forza Italia in some ways pursued a conventional centre-right programme, Berlusconi's leadership was characterised by a populist political style and positioning. His governments also passed a number of so-called [ad personam](#) laws, viewed as being designed to protect his business interests and himself against judicial investigations.

Box 1: Defining Populism

A widely used academic definition of populism has been provided by Professor Cas Mudde of the University of Georgia (USA).

Mudde defines populism as “an ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, ‘the pure people’ versus ‘the corrupt elite’ and which argues that politics should be an expression of the *volonté générale* (general will) of the people”.¹³

Whilst generally accepting the basic tenets of democracy, such as elected governments, populists tend to be impatient with certain features of liberal democracy, such as respect for different political positions, the mediation of different interests through parliament and an independent judiciary.

According to Professor Jan-Werner Müller of Princeton University, a defining [characteristic](#) of populists is that they consistently deny the very legitimacy of their political opponents. Populists reject pluralism and [claim](#) a moral monopoly of representation. Only the populists themselves can truly represent the people, and those who do not support the populists are not truly part of the people. Opponents are demonised as representing some nefarious other interest which runs contrary to the people's will. For populists, the will of the people should prevail, even if this means trampling on the rights of minorities and political opponents.¹⁴

Populism is often [combined](#) with other political positions and can be left-wing (for example Syriza in Greece and governments in Latin America), right-wing (see box 2) or of no fixed ideological abode/mixed ideologically (for example the Five Star Movement in Italy).

Like other populists, Berlusconi presented himself as a political outsider (despite his close links to the previous generation of political leaders), speaking directly to and on behalf of the people and juxtaposing the people against the old established elite. His attacks on his political rivals

¹³ Mudde, C. (2004) “The populist Zeitgeist”, *Government & Opposition* 39: 541–563. See also Mudde “[Populism isn't dead. Here are five things you need to know about it](#)” *The Guardian*, 7 July 2017.

¹⁴ See Jan-Werner Müller (2016), *What is Populism?*, University of Pennsylvania Press. See also by Müller: “[Capitalism in one family](#)”, *London Review of Books*, December 2016

characterised them as “professional politicians” and hangovers from the discredited class of politicians from the old political parties.

He also attacked with impatience the norms of liberal constitutional democracy, at times labelling the judiciary as in need of psychiatric help or as part of left-wing conspiracy. This also reflected a tendency to demonise his political opponents. For example, centre-left politicians were frequently denounced as dangerous communists.¹⁵

Professor Duncan McDonnell of Griffith University, author of several publications on populism and Italian politics¹⁶, has described Berlusconi as “typically populist”. McDonnell [wrote](#) in 2013 that under his leadership, the House of Freedoms (PDL):

based a large part of its communication strategy on the claim that it is not Berlusconi who is to blame for Italy’s problems, but a series of elites who have acted against the interests of the Italian people: the centre-left, first and foremost, but also the judges, the president of the republic, the European Union, Angela Merkel and the media (those parts of it which the Berlusconi family does not control).

The second biggest party in Berlusconi’s coalition was the National Alliance (AN), which eventually merged with Forza Italia to form the PDL. It had its roots in Italy’s post-war neo-fascist movement, and also used populist rhetoric at times. However, it later adopted more moderate conservative positions as its leader Gianfranco Fini sought to distance the party from its fascist heritage. The coalition also included a smaller Christian Democratic component¹⁷, which often found itself in conflict with its populist partners (sometimes in concert with Fini and the AN).

2.2 The League (Northern League)

The Northern League was established in 1991, bringing together various regional leagues that were calling for greater autonomy for Italy’s relatively prosperous northern regions.

The League has sporadically called for the break-up of Italy, and independence for Padania (a name given to Italy’s northern regions and popularised by the League). However, given limited popular support for independence, the League generally focused on the need for greater regional autonomy or federalism in Italy. League activists and leaders initially used harsh rhetoric about southern Italians. The Italian south was labelled corrupt and backward and blamed for holding back the more economically dynamic north.

By winning 8.7% of the vote (17.3% in the north) in the 1992 general election the Northern League also hastened the demise of the Christian

¹⁵ See Carlo Ruzza and Stefano Fella (2009) *Re-inventing the Italian Right: Territorial Politics, Populism and ‘Post-fascism’* (London: Routledge); See also [this](#) Economist article on Berlusconi in 2001 and this [Tribune](#) article in 2009.

¹⁶ See Daniele Albertazzi and Duncan McDonnell (2015), [Populists in Power](#), (London: Routledge)

¹⁷ Various splinters from the collapsed Christian Democrat party joined the centre-right coalition, eventually coalescing in the UDC party from 2002.

Democrats and their coalition allies, depriving them of a parliamentary majority for the first time since the 1940s.

The League then briefly entered government in 1994, before falling out with Berlusconi and precipitating the downfall of his first government.

Over time, the League's anti-southern rhetoric was toned down, although the slogan "thieving Rome" (focused more on what was perceived as a corrupt political establishment based in the capital) remained popular.

The League continued to make provocative statements about the Italian state and nationhood. In 2001, its leader Umberto Bossi was [convicted](#) by a court for defaming the Italian flag for a speech in 1997 in which he talked about how he would wipe his bottom with it.

As immigration numbers began to increase in the 1990s, the League also adopted harsher and provocative rhetoric towards migrants and Muslims, and it was often labelled xenophobic and Islamophobic.

Box 2: The Populist Radical Right

The League in Italy, along with parties such as the French Front National, and the Dutch and Austrian Freedom parties have been described as populist radical right parties.

Professor Cas Mudde defines populist radical right parties as combining populism, authoritarianism and [nativism](#) (a view that the territory should be inhabited solely by the native group, or that the status and resources of the native group is threatened by outsiders and needs to be protected from non-native groups).¹⁸

Rather than the biological racism of the old fascist right, the radical right generally focuses on cultural difference, and the threat posed to national and cultural identity by migration. Muslim migration in particular is opposed, with Islam deemed incompatible with "Western" culture.

Many of these parties also support protectionist or highly statist economic policies (usually giving preference to the native people) although some have previously been or have remained more economically liberal in outlook.

Although it was initially economically liberal, the League also moved to a more protectionist and statist position on the economy, campaigning for more economic intervention in the north and for tariffs to block Chinese and other imports.

In addition, it adopted more Euro-sceptical positions, criticising the impact of eurozone membership and denouncing the EU as an elitist project that was furthering globalisation and multiculturalism (in its earlier years it had advocated euro membership for the north of Italy, criticising the south for endangering this goal).¹⁹

¹⁸ Cas Mudde (2007) *Populist Radical Right Parties in Europe* (Cambridge: Cambridge University Press).

¹⁹ See Duncan McDonnell, "Lega Nord's Euroscepticism represents political opportunism rather than a deeply-held ideological stance similar to UKIP" [LSE Europpblog](#), 6 May 2014

The League has developed deep institutional roots and experience since the 1990s, governing in several towns, cities and regions across the north and then for lengthy periods at the national level.

However, it continued its radical rhetoric despite being a partner in the coalition governments of 2001-2006 and 2008-2011.

For example, in 2003, Bossi suggested firing [canons](#) at the boats bringing irregular migrants to Italian shores. In 2006, another League representative Roberto Calderoli was forced to resign from the government after appearing on a TV programme wearing a T-shirt depicting [cartoons](#), published in a Danish newspaper, of the Prophet Muhammad that had caused global controversy.

Calderoli returned to a ministerial position after Berlusconi's third electoral victory in 2008, despite further controversial remarks.²⁰

In 2013, Calderoli caused [outrage](#) when likening a black minister in the centre-left government to an orangutan.

The League appeared to be in decline after leaving government in 2011. Bossi was forced to resign as leader in 2012 following corruption allegations.

The League polled 4.1% of the vote in the 2013 general election following which Matteo Salvini took over as leader.

The League under Salvini

Salvini has since revitalised the League, downgrading the previously defining issue of regional autonomy and making its previously held anti-immigration and anti-EU positions a more central focus. Party literature began to refer only to the League (rather than Northern League) as Salvini sought to widen the party's appeal across Italy.

Prior to becoming leader [Salvini](#) had said the Italian flag did not represent him, and had boycotted Italy's 150th anniversary celebrations in 2011.

At the end of 2017, the League adopted a new symbol that dropped "North" from the party name. Salvini frequently uses the slogan "Italians first" in his speeches and social media posts, echoing President Trump's "Americans first" rhetoric.

Following the 2014 European Parliament elections, the League joined the far-right Europe of Nations and Freedoms group in the European Parliament, allying with Marine Le Pen's French Front National, Geert Wilders' Dutch Freedom Party, and the Austrian Freedom Party (FPÖ).

Salvini has subsequently shared platforms with Le Pen and Wilders and employed similar discourse on issues including EU membership, globalisation, immigration and Islam.

He has called the EU a "gulag", and said that that Islam is [incompatible](#) with European values, that irregular migrants needed to be "decisively" kicked

²⁰ After Italy defeated France in the 2006 World Cup Calderoli criticised the French for sacrificing their identity by fielding "negroes, Muslims and Communists." In 2007, he proposed people bring pigs to a protest at a Mosque construction in Bologna.

out and unloaded on African beaches²¹ and that Roma camps should be “[razed](#) to the ground.”

Salvini has praised both President Trump in the USA and President Putin in Russia. Following the defeat of the Renzi government’s constitutional reform referendum in 2016, Salvini [tweeted](#): “Viva (long live) Trump, viva Putin, Viva Le Pen and Viva the League.” The League [signed](#) a co-operation agreement with Putin’s United Russia party in 2017.

Salvini has also opposed Western intervention in Syria, and earlier this year suggested that reports of chemical attacks by the Syrian regime might be ‘[fake news](#)’.

Salvini has been prolific and highly skilled in his use of social media to broaden his and the party’s appeal, regularly posting Facebook videos as well as frequent tweets.

Recent comments on race, Islam and violence against migrants

In January 2018, Attilio Fontana, the (later victorious) League and centre-right candidate for the Presidency of the Lombardy region said: “We have to decide if our ethnicity, if our white race, if our society continues to exist or if it will be wiped out.”

Salvini responded to the [controversy](#) by saying: “the colour of the skin does not matter. But the risk is real: centuries of history may disappear in the face of Islamisation.” He also said: “Our culture, our society, our traditions and our way of life are threatened. An invasion is under way”.²²

In February 2018, after a former League candidate wounded six African migrants in a drive-by shooting, Salvini [said](#): “The moral responsibility of every incident of violence that happens in Italy is that of those who have filled it with illegal immigrants.”

2.3 The Five Star Movement

The Five Star Movement was founded in 2009 by comedian and political satirist Beppe Grillo, working closely with internet strategist Gianroberto Casaleggio.

It developed out of protest demonstrations previously organised by Grillo expressing disgust with the failings of Italy’s political class (which he labelled a corrupt and parasitical “caste”) and calling for a shift to direct democracy in Italy based on law-making through popular referendums.

Grillo is well known for crude and furious attacks on Italian politicians. He has generally eschewed TV appearances, preferring to communicate directly via his very widely read blog.

²¹ On a radio programme last year Salvini [said](#) that if he were interior minister he would “unload” migrants “on the African beaches with a nice pat on the back, a packet of peanuts and an ice-cream”.

²² Berlusconi also appeared to agree, saying Fontana’s remark was “unfortunate” but that it would be “a serious mistake to focus too much attention on one wrong word and not on the risk that Europe loses its identity.”

The five stars in the movement's name referred to five issues it initially campaigned on: public water, sustainable transport, sustainable development, the right to internet access and environmentalism.

It also campaigned to reduce the pay and various benefits enjoyed by Italian politicians and has been consistent in its virulent attacks on Italian political elites.

The Five Star quickly achieved political success in local elections and made a stunning breakthrough at the 2013 general election, winning 25.55% of the vote. It has since also won the mayoralty in a number of Italian cities, including Rome and Turin

Its policy in 2013 was not to enter into coalition with any other political force (leading to political stalemate before the centre-left and centre-right eventually agreeing on a grand coalition).

Due to a party rule (suggested by Grillo himself) that anyone with a criminal record should not be allowed to stand for public office, Grillo did not stand as a parliamentary candidate. Grillo was convicted for manslaughter in 1981 after three people in a car he was driving were killed. He has also received a number of convictions for defamation of various Italian public figures.

In 2017, Luigi Di Maio was selected as Five Star's candidate for Prime Minister, also taking over from Grillo as political head of the movement.

Five Star candidates are selected and policy proposals are made and commented on via the Rousseau web platform, now owned by Casaleggio's son David (Casaleggio senior died in 2016). Members also voted on the Five Star programme for the 2018 general election via the platform.

However, concerns have been raised about the transparency of the platform, the role of Casaleggio as owner and controller of the platform and the influence he plays in the movement without holding a formal role.²³

Where does Five Star stand politically?

Five Star is difficult to place on the left-right political axis. It originally attracted former voters of the centre-left, and espoused policies that might be associated with the centre-left or greens in other countries such as strong environmentalism and a citizens' income.

However, its founder Beppe Grillo and other Five Star representative have made virulent attacks on centre-left politicians and have also made hostile remarks about trade unions. Grillo said in 2013 that trade unions should be "eliminated" while Di Maio last year said they needed to be "[radically reformed](#)".

In its tougher line on migration, criticisms of EU leaders and the impact of the euro, and a sympathetic stance towards Russia, there are similarities between Five Star's positions and those of the League.

²³ See "Five Star Movement: the unanswered questions about Italy's populist party", [Financial Times](#), 17 September 2017 and; "The Mystery Man Who Runs Italy's 'Five Star' From the Shadows", [New York Times](#), 28 February 2018

Di Maio last year echoed Salvini in suggesting that humanitarian organisations might be colluding with traffickers, and said they were running a “[sea taxi service](#)” for migrants. Grillo has claimed that migrants bring disease into Italy and has also called for Roma camps to be [shut down](#).

In 2016, following Sadiq Khan’s victory in the London mayoral election, Grillo caused controversy by [joking](#) that Khan would blow himself up in Westminster.

Five Star has been highly critical of the EU (and particularly what it sees as EU-driven austerity policies and a Europe dominated by bankers), and both Grillo and Di Maio have in the past called for an Italian referendum on eurozone membership. For example, in reiterating his calls for a referendum last year, Grillo referred to the euro as the “heist of the century” and [said](#) sovereignty “sold off to kleptocrats, technocrats, and oligarchs” needed to be regained.

In 2015, Five Star said it had collected 200,000 signatures calling for a [referendum](#) on Italian membership of the euro. Di Maio said this was [no longer](#) party policy in January, also calling for greater powers for the European Parliament. Grillo however was [still](#) talking about his desire for a referendum on the euro in May of this year.

Five Star has allied with UKIP at the European level, with the two parties forming the Europe of Freedom and Direct Democracy group in the European Parliament in 2014.

Five Star representatives have made sympathetic statements about Russia and President Putin and called for an end to sanctions with Russia.

An [investigation](#) by the BuzzFeed website in 2016 claimed that Five Star had “built a sprawling network of websites and social media accounts that are spreading fake news, conspiracy theories, and pro-Kremlin stories to millions of people.”

Five Star [responded](#) that this was fake news planted by centre-left supporters.

Grillo and other Five Star members have also frequently circulated contentious claims linking vaccinations with autism, cancer and various other conditions, proposing legal curbs on their use. An Italian health official last year [suggested](#) that a large rise in measles cases in Italy was down to misinformation spread by Five Star.

3. The Italian general election, 4 March 2018

3.1 The election campaign and manifestos

The Italian general election was a three-way contest between the centre-left, centre-right and Five Star Movement with a number of minor parties and smaller alliances also running.²⁴

The centre left

Although polls suggested that outgoing Prime Minister Paolo Gentiloni was more popular, the centre-left Democrats (PD) were once again headed by former Prime Minister Matteo Renzi. The PD also faced a challenge to the left from “Free and Equal”, a federation of parties which included several former leading figures from the PD (including former Prime Minister Massimo D’Alema) who had become disillusioned with its direction.

Among the pledges made by the PD were an increase in the minimum wage for those salaried employees not covered by collective agreements, and increased child benefits and tax breaks for parents. The PD also called for closer EU integration involving a directly elected European Commission president and the creation of a finance minister for the Eurozone. It also said it would push for changes to EU Dublin regulations which oblige asylum-seekers to be processed in their first country of entry, and proposed withholding EU funding from Member States that refuse to take in migrants.

The centre right

The centre-right alliance brought together Berlusconi’s Forza Italia, Salvini’s League and another right-wing party, Brothers of Italy (FDI), which had been formed by former members of the National Alliance in 2012.²⁵ Unlike previous elections where Berlusconi was the clear leader of the coalition, it was less clear who its candidate for prime minister would be.

Although Berlusconi continued to lead Forza Italia, he was banned from running for office following his conviction for tax fraud in 2013 (the ban was actually lifted by another court ruling following the election).

The parties agreed that whichever party won the largest electoral share would put forward its candidate to be the centre-right’s Prime Minister.

In terms of policy proposals, both the League and Forza Italia pledged to introduce a flat tax, i.e. a single income tax rate. Berlusconi said this would initially be 23% (the current lowest rate) although Salvini said they would be aiming to introduce a 15% flat tax rate. There are currently five income tax rates going up to 43% for the highest earners.

²⁴ See an English language summary of party election pledges provided by thelocal.it [here](#)

²⁵ A group led by Giorgia Meloni broke away from Berlusconi’s House of Freedoms in 2012 to form FDI. It subsequently adopting the logo of the old AN, and Meloni has steered FDI closer to the original conservative and nationalist positioning of the AN and away from the more moderate positions later espoused by its former leader Gianfranco Fini.

The League also pledged to scrap the pension reform introduced by the Monti government in 2012, which had increased the retirement age, while Berlusconi promised to double the amount pensioners receive.

The [centre-right](#) parties said they would bring in a change to national law which would give the Italian constitution precedence over EU legislation. The parties also called for a reform of the Dublin regulations on processing of asylum-seekers in the country of entry.

There was some confusion over the centre-right position on the euro. There were no overt pledges during the campaign to withdraw Italy from the euro (or to stage a referendum), with Berlusconi claiming Salvini had dropped his opposition to membership. However, other figures within the League continued to suggest that withdrawal from the euro remained its position and the League's separate electoral [programme](#) said the euro was the "principal cause of our economic decline" and referred to a search for partners within the EU to work an agreed exit from the euro.²⁶

The programme said that the League wanted to stay in the EU provided that the EU Treaties were revised, returning to the status of the EU prior to the Maastricht Treaty.

On immigration, Salvini pledged that the League would implement a plan to deport 100,000 undocumented migrants a year over five years.²⁷ This would involve extending limits on the amount of time migrants can be held in detention centres, and opening new centres across the country geared toward repatriation.

The League's campaign literature made heavy use of the slogan "Italians first."

The League called for the extension of the right to legitimate defence, where individuals are faced with intruders into their home. The centre-right parties have previously backed [legislation](#) which would have given individuals a freer rein to shoot intruders.

The League also pledged to scrap compulsory vaccinations. A law introduced by the centre-left in 2017 had made 12 vaccinations compulsory.

The Five Star Movement

As in previous elections, the Five Star Movement did not run in alliance with any other parties, but its leader Luigi Di Maio indicated that this time Five Star would consider joining government negotiations after the election.

The Five Star's most eye-catching policy pledge was the proposed introduction of a "citizens' income". This would enable unemployed people to be paid €780 a month, provided they perform weekly community service

²⁶ After Berlusconi said that Salvini agreed with him on Italy staying in the euro, the League's economics spokesman, Claudio Borghi [said](#) that "one second after the League is in government it will begin all possible preparations to arrive at our monetary sovereignty."

²⁷ According to an [analysis](#) of this plan in *L'Espresso*, with existing air capacity it would take 27 years' of flights to repatriate these migrants, and cost more than €1.5 billion.

and actively seek work. Those working but receiving less than the basic income would receive a top-up to receive the same figure.²⁸

The Italian National Statistics Institute (ISTAT) said the plan, covering 8.5 million people, would cost €14.9 billion a year.

There were also promises to cut bureaucracy by abolishing 400 “useless” laws, to cut business taxes and to roll back the 2012 pension reform.

Under the Five Star plan, a pension could be drawn once a person had paid 41 years of contributions or if the sum of their age and the number of years they had paid contributions adds up to 100.

The Five Star programme also pledged to keep Italy in the euro, distancing the movement from its previous position on the issue.

Like the League, Five Star also pledged to scrap compulsory vaccinations.

3.2 The election results

The centre-right emerged as the leading coalition with 37% of the vote, and the Five Star Movement the leading party (with 32.7%) following the election on 4 March 2018.

The centre-left’s vote share fell from 29.5% in 2013 to 22.8% (although the 2013 share also included left-wing parties which ran separately this time). The vote share for the PD fell from 27.4% to 18.8%.

There was also an important shift within the centre-right, with the League – previously the junior partner - finishing ahead of Forza Italia, and Berlusconi’s leadership of the centre-right usurped by Salvini. The League won 17.4% quadrupling its vote share in 2013.

The League’s rebrand also meant that it won votes in Italy’s [southern](#) regions for the first time, establishing itself as a national force throughout Italy. Its vote was however still concentrated in the north – winning over 25% in northern regions, compared to around 5 to 7% in southern regions, and 14% in Lazio (the region around Rome).

Overall, the centre-right was dominant in the northern regions, winning over 40%. Five Star did particularly well in the South where it won the vast majority of seats. It won over 40% of the vote across southern constituencies, and close to 50% in Campania (the region around Naples) and Sicily.

The centre-left remained the leading force in parts of its traditional centre-north strongholds (in Tuscany and Emilia-Romagna).²⁹

²⁸ Unlike in the UK, only individuals who have paid national insurance contributions when previously in work are entitled to unemployment benefit in Italy.

²⁹ See Financial Times, [Italian election shines harsh light on economic divide](#), 5 March 2018

Chamber of Deputies, 4 March 2018³⁰

	Vote share	Seats
Five Star Movement	32.7%	227
Centre Right	37.0%	265
League	17.4%	124
Forza Italia	14.0%	106
Brothers of Italy	4.3%	31
Us with Italy/UDC	1.3%	4
Centre Left	22.8%	122
Democratic Party	18.8%	112
More Europe	2.6%	3
Italy Europe Together	0.6%	1
Popular Civic List	0.5%	2
SVP - PATT ³¹	0.4%	4
Free and Equal	3.4%	14
Others³²		2
TOTAL		630

3.3 Post-election negotiations

Following the election there was a period of stalemate similar to 2013, given that none of the three poles had enough seats to form a government on their own. Unlike in 2013, Five Star was willing to enter into coalition talks, and it engaged in discussions with both the centre-left and the centre-right about forming a government.

However, Five Star leader Di Maio said he was only [willing](#) to enter in discussions with the centre-left provided it was willing to ditch its leader Matteo Renzi. He said he was also [willing](#) to talk to Salvini and the League, but would not discuss a coalition that also involved Berlusconi's Forza Italia, given the Five Star view of Berlusconi as a symbol of corruption.

Talks between Di Maio and Salvini initially broke down, with Salvini signalling unwillingness to abandon the League's centre-right partners. Both Di Maio and Salvini saw their parties as the true winners of the election with Five Star the biggest party, and the League the leading party of the centre-right which polled higher overall.

Although Renzi resigned as leader of the PD, there were divisions within the party as to whether to engage with Five Star or regroup in opposition. The Five Star had vehemently attacked centre-left leaders when the latter were

³⁰ Figures taken from Interior Ministry [data](#) and [panorama.it](#)

³¹ Autonomist parties in South Tyrol/Trentino

³² Overseas voters' lists

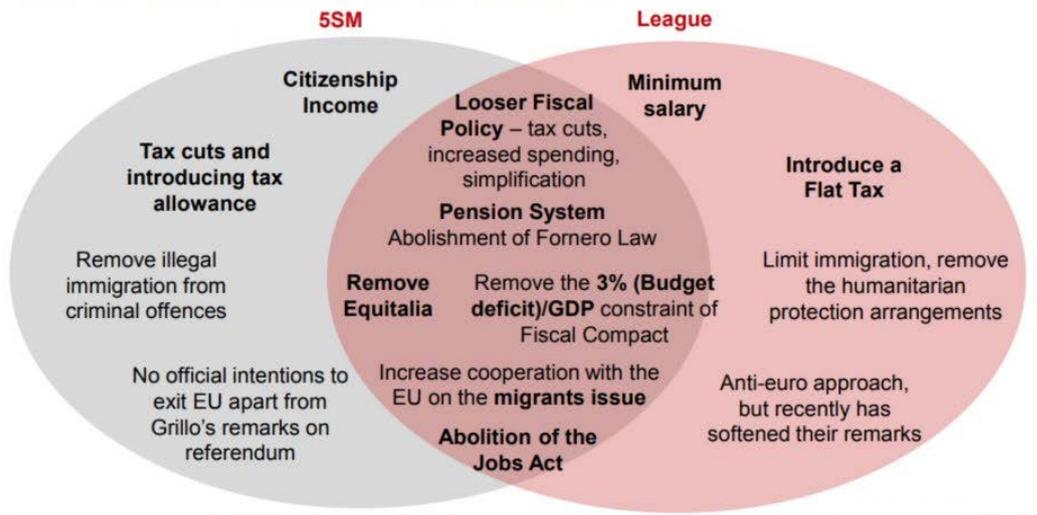
in government. The centre-left caretaker leader, Maurizio Martina initially said that he would only talk to Five Star if it [stopped](#) talking to the League.

Berlusconi initially warned Salvini off forming a coalition government with Five Star ([likening](#) a League-Five Star government to a hircocervus – a mythical half-goat, half-stag creature).

Maio’s insistence that he be Prime Minister as leader of the biggest party also appeared to be an obstacle to the talks. At the beginning of May, Di Maio indicated he would be willing to [renounce](#) this objective, and Berlusconi also appeared to give coalition talks between Five Star and the League his [blessing](#).

The graphic below, created by Nomura bank, showed the potential overlap between the League and Five Star policies.³³

Fig. 4: Very similar aims but slightly different in terms of policy proposals



Source: Nomura

³³ Graph taken from [this](#) Business Insider article.

4. The new government

After weeks of negotiations, the League and Five Star announced on 17 May that they had agreed on a programme for government.

The “[Contract for Government](#) for the Government of Change” was published on 18 May, and put out to consultation over the weekend of 19-20 May.

The Five Star carried out a members’ consultation using its on-line Rousseau platform, with 94% of those voting approving of the programme (with around a third of its members voting).

The League set up street stalls in towns and cities across the country to collect signatures in support of the programme. It said that around 215,000 citizens had signalled their support for the programme in this way.

The contract establishes a conciliation committee involving the two party leaders to resolve any disputes over the application of the coalition agreement and government policy decisions.

4.1 Government programme

The Contract for Government reflected a number of themes around which the two parties had previously converged. These included: a roll-back of pension reforms; a more critical approach towards the EU, including a call for reform of Eurozone rules and relaxation of EU-imposed budgetary constraints; a tougher approach on migration, and an ‘opening’ to Russia.

The section on foreign policy reaffirms Italy’s place in Europe but calls for Russia to be treated as a “partner” rather than a “threat.”

Analysts of Italian politics have commented on the extent to which the League, despite being the junior partner, had managed to shape the government contract to reflect its priorities, with detailed sections on immigration, justice, security and law and order issues (including allowing a freer rein for legitimate defence).³⁴

This may reflect the League’s lengthy experience of being part of governing coalitions at the national and sub-national level and its greater ideological consistency.

The contract also pledges implementation of both the Five Star’s proposal for the introduction of a citizens’ income of €780 a month and the League’s

³⁴ [Dr Daniele Albertazzi](#), Senior Lecturer in European Politics at Birmingham University, has pointed out that the sections relating to the League’s priorities, such as law and order, justice and immigration are considerably longer than those addressing themes owned by the M5S, such as the environment and reducing the cost of politics. In these sections “the League’s repressive approach is particularly evident” Albertazzi argued, while the section on the environment is “little more than a list of generic platitudes.” An [analysis](#) by the Cattaneo research institute indicated that the sections in immigration, security and law and order issues very much reflected the League’s policy priorities. However, the Cattaneo institute said that the League had ceded to the Five Star position on Europe and the Euro. Furthermore, the positioning in the contract in relation to welfare and work appeared to be closer to that of Five Star than that of the League.

proposed tax reduction through the implementation of a flat tax (single income tax rate).

EU policy

With regards to EU policy, while the contract refers to the need to revise Eurozone governance rules and criticises the dominance of the free market over the social dimension of the EU in recent years, it makes no allusion to the parties' previous calls for Italy to withdraw from the euro.

A leaked earlier draft of the Contract for Government referred to the need for "specific technical procedures" to allow countries to leave the euro and recover their "monetary sovereignty."

The Five Star and League then clarified that this was an out-of-date text and that the programme had been updated, removing any provisions that would question Italy's membership of the euro.

However, they also released a joint statement on 16 May which continued to question the governance of the eurozone. It said:

The structure of European economic governance, based on the dominance of the market, and the respect for rules that are stringent and unfounded from a social and economic point of view, requires a rethink with our European partners.³⁵

The contract (in its final version) states that the EU Treaties need to be renegotiated and with greater attention paid to principles in the Maastricht and Lisbon treaties, promoting "balanced and sustained economic and social development."

This would involve revising the ECB's statute as well as the EU's entire economic governance framework (covering monetary policy, the growth and stability pact, the fiscal compact, the European Stability Mechanism, the excessive deficit procedures) to address its current "asymmetric" nature "based on the dominance of the market over the much larger economic and social dimension."

In addition, the contract calls for the adverse effects of the EU Bolkestein services directive to be addressed, and states that the government would oppose aspects of EU international trade negotiations, including on the EU-Canada Comprehensive Economic and Trade Agreement (CETA), the EU-USA Transatlantic Trade and Investment Partnership (TTIP), and the granting of market economy status to China, which (in its view) "lead to an excessive weakening of citizens' rights and also damage fair and sustainable competition in the internal market."

The contract also calls for strengthened EU co-operation in justice and home affairs and a strengthening of the European Parliament "as the only EU institution with direct democratic legitimacy"

On migration, the contract calls on the EU to recognise that Italy represents an external border which needs "to be adequately protected in order to guarantee the principle of free movement of persons and goods." To this

³⁵ See: "[League/Five Star want return to 'pre-Maastricht' era](#)", *Financial Times*, 16 May 2018

end, it states that reforms are required in relation to the management of EU funds allocated to Italy.

The contract calls for a revision of the EU Dublin regulation providing for asylum seekers to be returned to their first country of entry to the EU, and a quota system reallocating asylum-seekers across the EU with all Member States obliged to host them.

Migration

The contract pledges accelerated processes to examine asylum applications and repatriate rejected applicants, with the objective of removing irregular migrants from Italy within 18 months of arrival.

Repatriation centres would need to be set up across the country, with at least one in each Italian region, with a capacity sufficient to host all irregular migrants in Italy.

It also called for an audit of humanitarian missions using Italian ports to disembark migrants, and pledged a crackdown on trafficking operations.

The contract also said a revision would be required of legislation relating to social assistance and family reunion for migrants in order to prevent undue use of subsidies and “fictitious cases.”

A separate section on policies for the family and the birth rate (reflecting a preoccupation for addressing Italy’s very low birth rate) refers to free nursery places for Italian families. A reference in the earlier draft of the contract to this being available “for children of foreign families resident in Italy for at least five years” was no longer present in the final draft.

Islam

The contract also includes a number of proposals for the regulation of Mosques and places of Islamic worship, including establishment of a register of ministers and funding for Mosques and other places of worship.

However, an earlier proposal that Imams would be obliged to preach in the Italian language did not make the final draft of the contract.

Law and Order

The contract pledges to reform and extend “legitimate home defence”, eliminating “elements of interpretative uncertainty” from the law (with reference to the current need to evaluate whether the act of defence is ‘proportional’) deemed to prejudice the full rights of persons to defend their homes from intruders.

The contract refers to the serious social problems and an “exponential increase” in crimes committed by the inhabitants of nomad/traveller camps, with around 40,000 Roma living in these camps. It pledges to close all irregular camps and intervention to get rid of all Roma camps consistent with EU law.

Citizens’ income and pensions

The introduction of a universal citizens’ income of €780 a month is made conditional on efforts to find work. This would be withdrawn if the recipient turns down three job offers over a two-year period.

The League had insisted on making the benefit conditional in this way, framing it in a way similar to how jobseekers allowance or income support is paid elsewhere in Europe for the unemployed and those on low income.

The contract states that the citizens' income will be paid to Italian citizens (with no mention of entitlement for foreign nationals legally resident in Italy).

The contract also states that the government would apply to the European Commissioner to use 20% of Italy's receipts from the European Social Fund in order to fund the initiative.

A pensioners' citizens' income would also be introduced, set at the same €780 rate, with a top-up to bring incomes up to the level for those with an income below.

The proposed roll-back of the 2012 pension reform involves implementation of the previously touted formula of enabling people to draw their pension when the sum of their age and the number of years they have paid pension contributions reaches 100.

Impact on public debt

According to an independent estimate by the [Italian Public Accounts Observatory](#) (CPI), the various commitments set out in the Contract would cost between €108.7 billion and €125.7 billion while bringing in savings of only €0.5 billion.

Critics have pointed to the [impact](#) this would have in terms of increasing Italy's already high levels of debt and meeting eurozone rules.

However, the Contract refers to the failure of austerity policies in bringing down Italy's debt and instead suggests that debt will be reduced through economic expansion. It refers to the need to boost internal demand through investment with a multiplying effect and policies to boost the spending power of families.

In order to facilitate this approach, it argues for the need for the European Commission to remove 'productive public investment' from deficit calculations.

A proposal in an earlier leaked draft that the European Central Bank (ECB) cancel the €250 billion in Italian debt it is due to hold by the end of its bond-buying quantitative easing programme did not however make the final draft of the contract. Also removed was a proposal in a later draft that the bonds bought by the ECB be excluded from government debt calculations.

Political reforms

The contract proposed to slash the number of parliamentarians to 400 members of the lower Chamber of Deputies and 200 members of the Senate (reduced from 630 and 318 respectively).

It also proposes introducing a binding mandate, to prevent the practice (common in Italian political history) of members of parliament crossing sides and joining another political grouping other than the one they were originally elected on. This proposal may contravene the Italian [constitution](#)

which states that each Member of Parliament “represents the nation and carries out his duties without constraint of mandate.”

In addition, the contract proposes strengthening the role of referendums in Italy’s policy-making, through the introduction of propositional referendum (whereby citizens can propose the introduction of laws). Abrogative referendums (to cancel existing laws, or parts of them) are already possible under the Italian constitution, and the contract proposes increasing their potential scope by abolishing the existing quorum whereby a majority of all those eligible need to vote for the result to be binding.

4.2 The appointment of Conte as Prime Minister

Shortly after publishing their plan for government, the League and Five Star announced a relatively unknown law professor with no previous experience of political office, Giuseppe Conte, as their prime ministerial choice.

Conte did not stand as a candidate in the general election, although Five Star had prior to the election indicated his name as a prospective government minister for public administration with responsibility for simplifying bureaucracy.

On 23 May, the President of Italy, Sergio Mattarella, asked Conte to form a government.

4.3 President vetoes the coalition’s proposed finance minister

Following agreement on their “Contract for Government” and choice of Prime Minister, Five Star and League needed to seek the approval of the President on their choice of Government Ministers.³⁶ However, the President’s decision to block their parties’ initial choice for finance minister, Paolo Savona, created a political crisis, with Conte announcing his resignation.

Savona has been highly critical of the euro, calling Italy’s participation in it a “historic error” and describing membership as a “German cage.”

In a forthcoming autobiography, excerpts of which were published in the Italian newspaper, *La Stampa*, Savona was highly [critical](#) of Germany’s role in Europe.

“Germany has not changed its vision of its role in Europe since the end of Nazism, even though it abandoned the idea of imposing itself militarily,” he wrote.

“We must prepare a plan B to leave the euro if we were forced to do so – whether we like it or not,” he added, warning that Italy could otherwise end up like Greece.

³⁶ Article 92 of the Italian constitution provides that the President of the Republic appoints the Prime Minister and then, based on the proposals of the Prime Minister, appoints Government Ministers. Although acceptance of prime ministerial nominations is usually a formality, Italian Presidents have used this veto power a number of times in recent years

Savona nevertheless describes himself as in favour of the principle of a united Europe. Following the veto, Savona issued a [statement](#) claiming that his intentions had been badly misunderstood, in that his preference was not to leave the euro, but to persuade the EU of the need to reform eurozone rules. He also [called](#) for increased powers for the European Parliament and a European education programme to promote a common European culture.³⁷

In giving his reasons for rejecting Savona, the President expressed concern that Savona's appointment would lead to exit from the euro without this option being presented to the electorate in the governing parties' election platforms or being part of the published government programme.³⁸

The rejection of Savona initially led to calls for the President's impeachment by Di Maio (later dropped) while Salvini called for fresh elections. The leaders also blamed external interference.

"We need to decide instead if the Italian government should be decided by the citizens who vote or the ratings agencies and Germany," Di Maio said, also referring to Italian sovereignty "belonging to the Italian people not the Germans."

Salvini [said](#) Italy wasn't a "colony", and that "we won't have Germany tell us what to do".

4.4 Five Star and League return to government talks

On 30 May, it was reported that Di Maio had apologised for the impeachment threat (which Salvini had not supported) and had suggested new talks on forming a government with Savona being given an alternative role.

Salvini initially reiterated the need to hold another general election, before returning to talks.

Observers of Italian politics seemed to be generally agreed that Salvini and the League had benefitted most from the coalition talks and subsequent crisis.³⁹ Opinion polls [indicated](#) that it would significantly increase its share of the vote if fresh elections were held (some polls showed it increasing its vote share to 27%), while Five Star would lose votes.

³⁷ In a paper published in 2015, Savona said that the problem with the euro was that the ECB lacked a broad mandate like the US Federal Reserve's to enact "better" monetary policy and that eurozone countries lacked sufficient political union — two problems with no clear solution in sight, and he said collapse of the eurozone was possible.

³⁸ See a discussion of the crisis and President's reasoning in an [article](#) by Ferdinando Giugliano, economics commentator for Bloomberg and *La Repubblica*.

³⁹ See Daniel Albertazzi, "[Italy's new government: why a political novice is a strategic choice for prime minister](#)", *The Conversation*, 24 May 2018. See also "How the League's Matteo Salvini played his cards right amid Italy's political chaos", [thelocal.it](#), 30 May 2018 and these twitter threads by Professor [Duncan McDonnell](#) and by *La Repubblica* journalist, [Antonello Guerrera](#).

4.5 New agreement reached on government ministers

On 31 May, Salvini and Di Maio announced that they had reached a new government agreement with a list of ministers approved by the President.

Conte would still be Prime Minister, while Salvini and Di Maio would both serve as Deputy Prime Ministers. Salvini would also be Interior Minister, and Di Maio would serve as Minister for Labour and Economic Development. The controversial finance and economy post would go to another economics professor, Giovanni Tria, while Enrico Savona retained a role as Europe Minister.

Tria was seen as a less controversial appointment as Finance Minister although he has also been critical of eurozone governance and has in the past signalled some agreement with Savona on this issue.

In an [article](#) in 2016, Tria said he was in full agreement with Savona's analysis of the structural imbalances created by Germany running a large budget surplus while other countries were in deficit (also suggesting that it might be beneficial for Germany to leave the euro rather than Italy) as well as the need to reform eurozone rules and allow for more expansionary policies.

However, in an [article](#) in 2017 Tria said that calls to "unconditionally" leave the euro were no panacea, while European Central Bank President Mario Draghi was also wrong to say the "the euro is irreversible". Tria said that reforms were necessary for the euro to survive; otherwise there was a risk of "implosion."

He said that EU Member States needed to pursue reforms of the eurozone together "rather than using the 'Brexit' logic which says that when Europe doesn't suit you or you don't like it anymore, you abandon it."

Other notable government appointments included Enzo Moavero Milanesi, a former European Commission official and European Court of Justice judge and previously European affairs minister in the Monti government, as Foreign Minister.

4.6 The new government begins work

On the day the new government accord was announced, the "stop euro" lettering that had adorned the wall of the League's headquarters for several years was removed.

The new government was sworn in on Friday 1 June. Over the next few days, Di Maio confirmed that the government would roll-back the Monti government's pension reforms and also [review](#) the Renzi government's Jobs Act. Coverage of the government in its first few weeks would be dominated by statements made by Salvini (see below).

The new government received its confidence votes in the Senate on 5 June, and Chamber of Deputies on 6 June which the coalition comfortably won. Forza Italia joined the centre-left in voting against the new government, with Brothers of Italy abstaining.

In his [speech](#) to the Senate on 5 June, Conte called for EU economic policy-making to be reoriented towards principles of economic solidarity, affirming that Europe was Italy's home but that it would work for a change to its governance. Conte later confirmed that an Italian exit from the euro was not on the government's agenda.

He also confirmed that the government would reform the law to provide for legitimate home defence. He said that the government would be seeking to reduce Italy's public debt, but through growth "and not with austerity measures." The implementation of the citizens' income of €780 a month would be delayed until after a reform of job centres.

Conte supports Trump on opening to Russia

Italy's opening towards Russia was also confirmed in Conte's Senate speech, with a call for sanctions to be reviewed. Conte made his debut at the G7 summit on 8 June, after [supporting](#) President Trump's call (rejected by other G7 members) for Russia to be readmitted to the bloc.

Italy seeks a change to EU asylum rules

Conte's Senate speech also criticised the EU's failure to manage the migration situation and said the government would call for a revision of the Dublin regulations and a sharing of responsibilities for hosting asylum-seekers. Conte pledged that the government would tackle the "business of migration" which he said had increased "under the cloak of a fake solidarity" but asserted that "we are not and will never be racist."

On the same day the new Italian government joined several other Member States in blocking proposals for reform of EU asylum rules at a meeting of the Justice and Home Affairs Council in Luxembourg.

The day before, Salvini had [warned](#): "Either Europe gives us a hand to make our country secure or we will choose other roads." He said the reform document under discussion, instead of helping "penalises Mediterranean countries to the benefit of northern Europe."

Ahead of a special EU leaders' mini-summit arranged to discuss asylum and migration on 24 June, the Italian government was reported to be angered by draft conclusions stressing the need to counter "secondary movements" (movements of asylum-seekers within the EU once they have already entered a Member State).

Conte [said](#) he was not ready to discuss secondary movements "without having first tackled the emergency of 'primary movements' that Italy has ended up dealing with alone".

Salvini [said](#): "If anyone in the EU thinks Italy should keep being a landing point and refugee camp, they have misunderstood."

At the summit (attended by 16 Member States) Conte [called](#) for a radical change in EU asylum rules, severing the link between the "safe port of disembarkation" and the "competency to examine asylum rights" with asylum processing centres set up across the EU. All EU Member States would [share responsibility](#) for migrants rescued at sea, and Member States would be docked EU funds if they refused to take in their allocated share of asylum-seekers.

The Italian government plan also involved the establishment of asylum processing centres in Libya and other non-EU countries.

At the European Council on 28-29 June, it was [reported](#) that Conte had initially blocked the adoption of the Council's conclusions, seeking an EU commitment to address Italian concerns on migration before agreeing a joint position on other issues. However, [agreement](#) was eventually reached on a plan which would involve some Member States voluntarily taking asylum-seekers arriving in Italy, with processing centres being set up in other EU Member States. The Council also endorsed the plan to establish asylum processing centres outside of the EU.

Salvini comments on migration

Following the government announcement Salvini [told](#) a rally that he had spoken to the new Prime Minister and asked him to "pay particular attention to the €5 billion being spent to maintain the thousands of immigrants in the country" and said this sum required a "lovely snipping" .

He said Italy would be open for good people but a priority would be to send people "back home". There would be "a one-way ticket for those who come to make trouble and think they can be maintained for life," he said

On 2 June, he [said](#) that the "fun" was over for undocumented migrants and they needed to get ready to "pack their bags." He also referred to humanitarian organisations bringing migrants ashore as "assistant traffickers" and said they would no longer be allowed to dock in Italian ports.

On a visit to Sicily on 3 June, Salvini [said](#) that the island could no longer be Europe's refugee camp, and he said that: "Africa cannot be in Italy". A [comment](#) by Salvini that Tunisia was exporting "convicts" to Italy led to the Tunisian foreign ministry calling in the Italian ambassador.

On 5 June Salvini [said](#) that migrants had "eaten off the backs of others abundantly for too long". He also said: "We can no longer permit 170 000 presumed refugees to have the good fortune to be watching the TV in hotels paid for by Italians".

In Brindisi on 6 June, Salvini [clarified](#) that regular immigrants and genuine refugees from war were welcome. He said: "Good regular immigrants who are here to build themselves a future . . . have nothing to fear. Those who escape from war have in my house, their house."

However, he said that out of 40,000 requests for asylum in 2018, only 6% had been recognised as having fled war (official figures indicate a more complex picture⁴⁰).

"A serious, hospitable, generous and welcoming country flings open its doors to these 6 out of a 100" Salvini said, but "those who are not escaping war need to learn to return to where they came from."

⁴⁰ The analysis by [L'Espresso](#) of Salvini's repatriation plans, referred to data showing that of 505,378 undocumented migrant arrivals from 2014 to 2016, 111,143 had their asylum requests refused (22% of the total). Others were either accepted or not processed or had moved on to other countries.

On 8 June, Salvini [said](#) he would ask for NATO assistance to defend Italy from irregular migrants. This was combined with a suggestion that NATO needed to turn its focus away from Russia. He said: “We will ask NATO to defend us . . . Italy is under attack from the south, not from the east”.

Italy refuses entry to migrant rescue boat

On 10 June, Salvini said Italian ports would be closed to a boat, the Aquarius, containing 600 migrants, insisting that the Maltese authorities allow the boat to disembark in Malta instead. In a Facebook post, Salvini [wrote](#): “Malta takes in nobody. France pushes people back at the border, Spain defends its frontier with weapons. From today, Italy will also start to say no to human trafficking, no to the business of illegal immigration.”

Spain later offered to take the boat. Salvini [claimed](#) this as victory for his new hard-line policy, while the Maltese government said Italy had broken international rules.

On 11 June, Salvini said he would be blocking another rescue boat seeking to land migrants in Italy. He [said](#): “Italy has stopped bowing its head and obeying. Now there is someone who says no.”

Salvini’s position was also supported by Five Star leader Luigi Di Maio. He [said](#) that while Italian naval and coastguard vessels would still be able to rescue migrants and bring them to Italian ports, NGOs would have to “go elsewhere.” Italian vessels have continued to disembark rescued migrants at Italian ports since the new government took office. A Danish cargo ship carrying rescued migrants has also been [permitted](#) to dock.

Both Salvini and Di Maio have criticised the humanitarian operations run by NGOs for encouraging migrants to make the Mediterranean crossing. In a Facebook post on 24 June, Salvini reiterated that Italian ports would be blocked to NGO boats which he [said](#) were funded by Hungarian-American philanthropist George Soros among others.⁴¹

There was a similar disagreement between the Italian and Maltese governments over which country should be responsible for allowing another migrant rescue boat, the Lifeline, to disembark. On 27 June, the Maltese government [said](#) that the boat would be allowed to dock in Malta, after seven other EU countries (including Italy) agreed that they would take a share of the migrants.

Salvini’s actions have proved popular with the Italian public. The results of an opinion poll published on 18 June [showed](#) that 58% supported his decision to block access to the Aquarius. Another poll showed that the League had overtaken Five Star as the most supported party in Italy, with 29% of voter share.

⁴¹ At an event in Trento at the beginning of June, Soros expressed concern about the new Italian government’s sympathetic stance towards Russia and suggested that The League might be receiving financial support from President Putin. Salvini responded that he had never “received a lira, a euro or a rouble from Russia” but that he considered Putin to be “one of the best statesmen”. Salvini also [said](#) it was shameful that an “speculator without scruples” like Soros had been invited to speak in Italy.

Proposed census of Roma

On 19 June, Salvini proposed a census of all Roma present in Italy. This would lead to any with irregular status being expelled but, Salvini said “unfortunately, the Italian Roma will have to remain here”.

The proposed census was however rejected by Five Star Leader Di Maio, who pointed out that such a census would be unconstitutional (given that the Italian constitution forbids discriminatory actions towards particular racial or ethnic groups).⁴²

In the ensuing [outcry](#) over Salvini’s comments, the plan was denounced by Jewish groups as evoking memories of the Fascist regime’s racial laws in 1938.

Former Prime Minister Paolo Gentiloni tweeted: “Refugees yesterday, Roma today, tomorrow guns for all. How exhausting it is being bad.”

After initially saying he would not back down Salvini later said the census was not a priority and suggested that his priority was to check the security of camps and ensure children living there were going to school. This latter [approach](#) was supported by both Di Maio and Conte.

Same sex unions

There was also controversy following the swearing-in of the new Families Minister, League representative Lorenzo Fontana, after he [remarked](#) that LGBT families did not legally exist in Italy and that families were “natural ones” where a child “must have a mum and dad.” In the past, Fontana has [described](#) Italian communities as being under attack from gay marriage and mass immigration.

Five Star distanced themselves from Fontana’s comments, while Salvini was forced to step in to reiterate that repealing Italy’s same-sex civil union law passed in 2016 (which Salvini and the League had opposed) was not on the agenda. However, Salvini said that as a father, he was concerned that children “must have a dad and a mum.”

Finance Minister reaffirms position on euro

In his first major interview since becoming Finance Minister, published on 10 June in [Corriere della Sera](#), Giovanni Tria [said](#) that the “position of the government is clear and unanimous” that there is “no question of leaving the euro.”

He also said that the government was “determined to prevent in any way the market conditions that would lead to an exit materialising.”

In addition, Tria said that the government did not plan to revive growth through deficit spending, and that the government would reduce public debt by stimulating economic growth. Tria also said that policy would be “based on structural reforms” which would create better conditions for investment and employment.

⁴² A similar plan under the Berlusconi’s government in 2008 (when the League’s Roberto Maroni was Interior Minister) was also eventually blocked in the Italian courts (and was met with criticism from the United Nations, Council of Europe and European Parliament), although a census was carried out in some Roma camps.

CETA and international trade

On 14 June the new agriculture minister, Gian Marco Centinaio, [said](#) that the government would be asking the Italian parliament not to ratify the EU-Canada CETA treaty and similar treaties because it provides insufficient protection to Italy's numerous protected designation of origin and geographical indication food products.

The government's position is backed by Coldiretti, Italy's leading association of agricultural producers.

On 16 June, Salvini [indicated](#) the Italian government would implement a wider protectionist strategy. He suggested that after blocking migrant boats "we could also block those that come to our ports loaded with Cambodian rice."

He also referred to concerns over CETA leading to greater imports of inferior Canadian wheat, and the EU-Mercosur agreement being negotiated leading to hormone-injected beef imports.

Centinaio has also [requested](#) that the EU block an extension of the tariff-free access quotas to EU markets granted to Tunisian olive oil exports for 2016 and 2017. This was granted at the time to assist in the economic stabilisation of Tunisia but opposed by Coldiretti as well as the League and Five Star, because of [concerns](#) over the impact on Italian producers (and the possibility that Tunisian olive oil would be mixed with Italian olive oil and passed off as "made in Italy.")

Relations with other EU leaders

On 4 June, Salvini said that he had had a long telephone conversation that day with Hungarian Prime Minister Viktor Orbán and [said](#) the two "would work to change the rules of this European Union" (although Orbán has been a strident opponent of the Italian favoured proposal to reallocate asylum-seekers across the EU).

The Financial Times [reported](#) on 12 June that Salvini had had discussions with the German interior minister Horst Seehofer, leader of the Bavarian Christian Social Union (CSU), who has sought a tougher line than that of German Chancellor Angela Merkel on preventing entry to asylum-seekers. According to the Italian interior ministry, Salvini and Seehofer had discussed a common plan to "protect external borders and not waste more time."

Salvini's decision to block the Aquarius from docking in Italian ports led to a diplomatic row with France, with the Italian government summoning the French ambassador. French President Macron was [reported](#) to have called the Italian government actions "cynical and irresponsible" and a spokesman for the President suggested Italy had violated international maritime law.

However, the office of Italian Prime Minister Conte accused France of hypocrisy given the French erection of border controls with Italy and its refusal to allow irregular migrants to cross into France from Italy. The statement from Conte's office said Italy "cannot accept hypocritical lessons from countries that have always preferred to turn their heads the other way on the immigration issue".

The comments led to a meeting between Finance Minister Giovanni Tria and his French counterpart being called off, although a meeting between Macron and Conte went ahead after assurances from Macron that he meant “no offence.”

The Italian government decision to block the Aquarius and other migrant boats has also strained relations with the Maltese government. Comments made by Di Maio linking a perceived lack of co-operation from Malta over the issue with co-operation over energy supplies caused further consternation in the Maltese government. “We give Malta electricity, there is a cable that starts in Ragusa (in Sicily) that gives Malta electricity, and Malta refused to help out the Aquarius, which was in its search and rescue zone,” Di Maio [said](#) in an Italian TV interview on 19 June.

Salvini held a joint press conference with Austrian vice-chancellor and FPÖ leader Heinz Christian Strache on 20 June, indicating that the Italian government would seek to renegotiate its contribution to the EU budget if there isn’t a shift in EU migration policy. Salvini [said](#): “We trust in the good sense of our European colleagues, in part because we don’t want to have to renegotiate Italian financing to the EU,”

In a joint [video](#) with Strache on the FPÖ’s youtube channel Salvini said: “For many years, the League and FPO have worked together in Europe, now is a historic opportunity to change Europe, protect the borders and protect our citizens.”

Later that day, Salvini said in an Italian TV interview: “If we go to Brussels to have our homework already written by France and Germany, if they think of sending us more migrants instead of helping us, then we shouldn’t go at all, we’ll save money on the trip.”

Salvini also referred to French President Macron and the new Spanish prime minister Pedro Sanchez as “chatterboxes”, and said: “They speak of goodness and generosity? They should prove it.”

4.7 EU and international reaction to developments in Italy

Following the publication of the League-Five Star plan for government, German politician Manfred Weber, leader of the centre-right PPE group in the European Parliament, [accused](#) the parties of “playing with fire because Italy is heavily indebted” and of “irrational and populist actions” which “could provoke a new euro crisis”.

Responding, the head of the League group in the European Parliament, Mara Bizzotto, said that Italians were “tired of taking orders from Brussels and Berlin” and that “the times when Merkel and her proconsuls in Brussels construct and break up Italian governments according to the interests of Germany and its banks are over”.

A statement from the Five Star group in the Parliament referred to a lack of respect for democracy and said that the future government would not be influenced by “threats from one of Merkel’s emissaries”.

Meanwhile, the governor of the Austrian central bank, and member of the ECB's governing board, Ewald Nowotny, said that the new government's proposals were "creating a lot of anxiety".

The ECB itself issued a warning on 24 May to the eurozone's more heavily indebted Member States that loosening their fiscal policy could cause investors to offload their bonds.

Vítor Constancio, ECB Vice President, [said](#) "Italy should keep within EU rules on its fiscal policy. That's the message." However, referring to increases in Italian bond yields, Constancio said there was little evidence of contagion to other eurozone economies occurring, and he warned against jumping to conclusions about the government's programme. He said: "We should wait for the implementation of the policies, we should not just make definitive assessments on the basis of probabilities".

Congratulations for the new government however came from the leader of the French Front National Marine Le Pen. She [tweeted](#): "After the FPÖ in Austria⁴³, the League in Italy. Our allies come to power and open mind-blowing prospects, with a focus on the return of the Nations".

Following the breakdown of government talks over the Presidential block on Savona's appointment, Le Pen [referred](#) to a "coup d'etat" against the Italian people by the "illegitimate" EU and financial markets. The President of France, Emmanuel Macron, on the other hand, welcomed President Mattarella's "courage" and "great spirit of responsibility".

With the prospect of fresh elections in the air, Günther Oettinger, the German EU Commissioner commented in an interview with Germany TV:

My concern and expectation is that the coming weeks will show that developments in Italy's markets, bonds and economy will become so far-reaching that it might become a signal to voters after all to not vote for populists on the right and left.

These words were not quite as incendiary as the tweet from his German interviewer which summarised his words as: "The markets and a 'darkened' outlook will teach Italy's voters not to vote for populist parties in the next elections."

In the ensuing outcry, the interviewer deleted the tweet, both he and Oettinger apologised and Salvini called on the Commissioner to resign. Salvini [accused](#) Oettinger of disdain for democracy and said the comments showed a "German desire for hegemony and control." Donald Tusk, President of the European Council, also intervened, [tweeting](#): "Please respect the voters. We are there to serve them, not to lecture them."

Following the news that talks on forming a new Italian government were back on, German Chancellor Angela Merkel [said](#) she would communicate with a new Italian government in an "open-minded way."

On the same day, European Commission President Jean-Claude Juncker said that he could "no longer accept" that everything going wrong in Italy "could

⁴³ The FPÖ returned to government in Austria following the legislative elections at the end of 2017 (the League, Le Pen's FN and the FPÖ are allies in the ENF group in the European Parliament)

be explained by the fact that the EU or the European Commission would not do enough.” Salvini called Juncker’s comments “shameful and racist” and Juncker later [expressed](#) “deep regrets” over them.

Juncker also then [warned](#) that Brussels and “German-speaking countries” should not repeat the error made during the Greek crisis by reading stern lectures to the Italian people, and said recent turmoil in the financial markets in response to the new government had been “irrational.”

Upon the news that a new government had been formed, Le Pen [congratulated](#) Salvini and said it was a “victory for democracy against the intimidation and threats of the EU.”

Downing Street statement

Downing Street released a [statement](#) on 3 June saying that Prime Minister Theresa May had spoken to newly sworn-in Prime Minister Conte that evening on the phone. It said:

Prime Minister May congratulated Prime Minister Conte on his new role and on forming a new government. She said that their two countries had longstanding ties of friendship and cooperation and both of the leaders agreed they were looking forward to this continuing.

The pair agreed that there were a number of important issues to carry on working on together. This included Brexit, where they noted the positive progress made on ensuring the rights of Italian citizens in the UK are protected after leaving the EU, as well as issues of bilateral cooperation, such as on migration, CT, and Libya.

4.8 Market developments

The Italian political crisis following the President’s veto of Savona triggered a fall in Italian share prices, with a knock-on effect in global markets, and a spike in Italian government bond yields.

On 28 and 29 May, the FTSE MIB (Milan stock exchange) index declined by over 5%, leaving its loss for the month of May at nearly 9% and wiping out earlier 2018 rises. A number of Italian banks saw their share prices fall by more than 10%.

Italy’s government bonds were also sustaining heavy selling pressure, sending yields to levels not seen since the aftermath of the eurozone debt crisis, according to the [Financial Times](#). On 29 May, the yield on Italy’s 2-year bonds [reached](#) 2.83%, the highest since 2012.

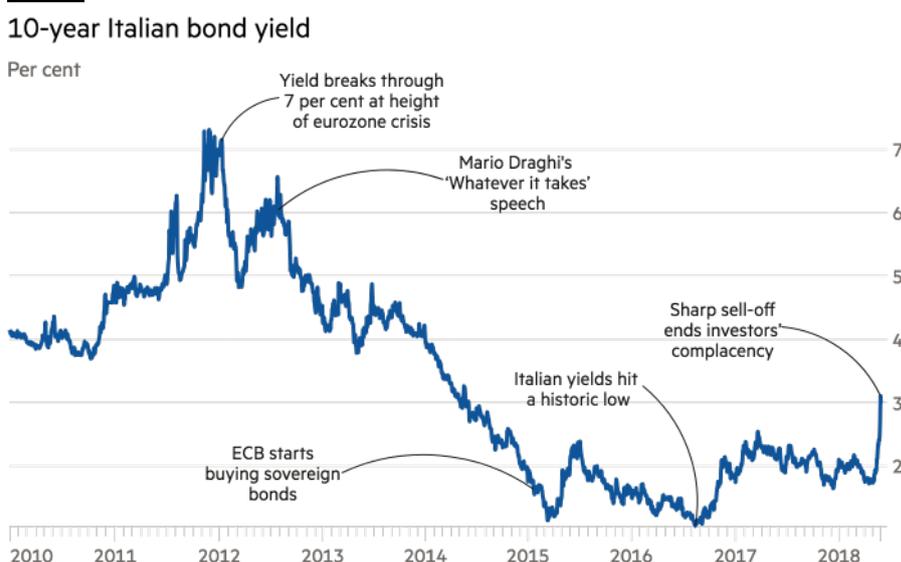
However, news that the two parties had returned to talks and were close again to forming a new government led to the yield on Italy’s two-year bonds [dropping](#) back down to 1.04% on 31 May. This also followed intervention by the Italian government to buy up bonds.

Italian share prices also rallied so that by 1 June the FTSE MIB index was down just 0.24% over the week.

Increases in bond yields are important as they affect the cost of borrowing for the government. They are particularly critical in Italy’s case with debt standing at 132% of GDP.

Nevertheless, as an article in the [Financial Times](#) points out, by historical standards Italy's borrowing costs remain low. This has been aided by bond-buying from the European Central Bank and international investors. The ECB, via the Bank of Italy, has purchased €341 billion of Italian government bonds since early 2015, representing more than 15% of the country's total outstanding debt. International investors have also increased their Italian bond-buying in early 2018, although domestic Italian investors continue to own the largest share of Italian debt.

The graph below, taken from the [Financial Times](#), tracking the 10-year Italian bond yield since 2010 puts the recent market turbulence into perspective.

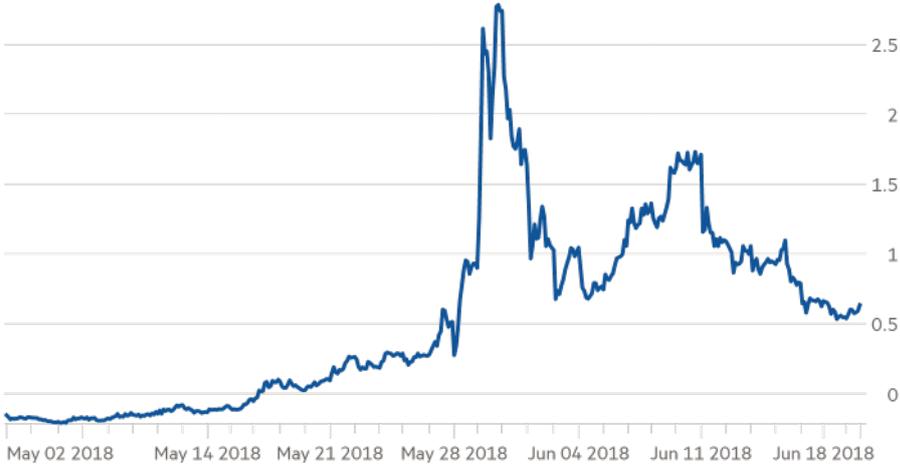


Source: Thomson Reuters
© FT

Bond yields continued to stabilise in June as the government began its work and following calming messages regarding Italian eurozone membership. On 18 June, the two-year bond yield had fallen to 0.6%. The graph below, taken from the [Financial Times](#), tracks the increases and subsequent drop in the two-year Italian bond yield over May and June.

Italian two-year bond yield

%



© FT

5. Positions on Brexit

5.1 Position of new government

In a speech to the Chamber of Deputies on 27 June outlining the Government's position in relation to the European Council meeting beginning the next day, Prime Minister Conte [said](#) that in relation to the Brexit talks Italy would seek to defend the rights of its citizens in the UK, but was striving for "continuity" both in security policy and in commercial ties.

Following the March elections, a report in *The Daily Telegraph* suggested that both the League and Five Star would take a sympathetic approach to the UK in the Brexit negotiations, carrying quotes from both their leaders.

League leader Matteo Salvini told [The Daily Telegraph](#):

Great Britain is a friendly country with a long tradition of trading with Italy . . . You made a free choice with Brexit and I very much hope that it will be possible to maintain completely open trade with the EU without any penalties.

The Daily Telegraph also reported that the League's economics chief, Claudio Borghi (a strong opponent of the euro) had said that a League government would promote an open trade deal with the UK. He said:

There will be no blind trust in what Germany wants. Punishment or anything of the kind would be sheer stupidity. We export more to the UK than we import back and we certainly don't want to hurt our own client.

Five Star leader Luigi Di Maio leader was quoted as saying: "We shouldn't try to punish the British people for choosing Brexit."

5.2 Reaction to UK referendum result

Salvini has previously praised the Brexit vote and indicated that he wanted Italy to follow suit. In the hours following the confirmation of the UK referendum result in 2016, Salvini wrote on [Facebook](#):

Hooray for the courage of free citizens!!!. Heart, head and pride beat lies, threats and blackmail. Thank you UK. Now Europe will finally change. Now it is our turn.

On a radio programme, Salvini said that it was a "beautiful day", and also announced that it was time for Europe to free itself from an EU of bankers. He also said it was a shame that Italy's "undemocratic" constitution forbade referendums on international treaties.

In another [interview](#) he said that the League was working to ensure that the Italians were "not the last to abandon the sinking ship," and that the League was proposing to change the Italian constitution so that Italians could make a decision on EU membership.

The Five Star was less celebratory in its response. However, Di Maio [said](#) that the EU needed "to change, or otherwise die." He also said:

The EU institutions and in particular the Troika (the IMF, ECB and European Commission) need to ask themselves how they have failed

and how they can resolve the enormous problems they have created.”

Five star founder Beppe Grillo stressed the importance of allowing the people to decide on such matters, referring to the signatures Five Star had collected in favour of a referendum on Italian membership of the euro.

In the days before the referendum Grillo had [said](#): “The mere fact that a country like Great Britain is holding a referendum on whether to leave the EU signals the failure of the European Union.”

5.3 Previous government’s approach

The House of Lords Library Note [Leaving the EU: Profile of the EU27](#) published in March 2017 cited comments made by former Prime Minister Paolo Gentiloni in a joint press conference with UK Prime Minister Theresa May.

Gentiloni said that, whilst negotiations over the UK’s exit from the EU will not be easy, “there is absolutely no point at having a destructive negotiation between the EU and the UK”.

He also stated that this would be achieved through fostering unity among the remaining 27 members, and ensuring this unity resulted “in the best possible agreement with the UK”.

He spoke about reassuring citizens of both the UK and Italy that their acquired rights “will be respected and there will be reciprocity, so there will be very fair treatment”.

Gentiloni also stated that cooperation between the UK and Italy on international issues should continue, including with regard to NATO, and issues such as Libya and the migration crisis in the Mediterranean.

The Whitehouse consultancy’s [profile](#) of the EU27’s positions on Brexit highlighted a number of statements made by the previous centre-left government, including the following statements from Gentiloni in 2017:

We Italians are in favour of a fair approach because we don’t need revenge ... to demonstrate that if you go out of the EU you’re punished.

Italy is not in favour of either hard or soft Brexit. But there needs to be clarity between a country of such importance and the EU, particularly in terms of the rights and future of the hundreds of thousands of our citizens that call the UK home.

A more detailed discussion of the positions taken by the Italian governments of Paolo Gentiloni and Matteo Renzi in the aftermath of the UK decision to leave the EU can be found in a chapter on Italy in a [report](#), on EU27 positions published in October 2017 by the “[Negotiating Brexit](#)” project involving a number of academics.⁴⁴ It states:

The position taken by the Italian government, headed first by Renzi and then Paolo Gentiloni . . . is that a constructive rather than a punitive approach should be taken in the negotiations over the terms of the divorce, especially since the widespread consensus amongst

⁴⁴ Co-ordinated by academics at the University of East Anglia and University of Surrey.

political and economic elites was that Brexit did not present any major risks for Italy.

However, the Gentiloni government has spelled out that there are a number of key areas where Italian interests are to be protected. First amongst these has been that the rights of the more than 280,000 registered Italian nationals . . . be guaranteed. Another important and related concern for Italy has been that the rules of the single market be respected if any state wanted to enjoy its benefits.”

The Renzi government also presented the UK decision as an opportunity to push for major changes in EU institutions and policies, in order to convince the Italian public that “EU policies can change to meet Italian demands for greater solidarity in dealing with migration and stimulating economic demand; and that it can change with Italy playing a leading role” the report explained.

At the same time, the Italian government position was also to remain united behind the line agreed by the European Council “even if this means a hard Brexit” while hoping “that the divorce will be amicable and beneficial for everyone.”

The report also noted that public opinion in Italy since the UK referendum had actually shifted in a more pro-EU direction (in relation to both euro membership and support for the EU itself).

6. Italy and the euro

Below is a summary of a number of recent articles and comment pieces discussing Italy's membership of the eurozone and the desirability of the current arrangements.

6.1 Structural imbalances in the eurozone

In a [blog](#) on the LSE website published in the midst of the crisis following the President's veto of the League-Five Star's proposed finance minister, Bob Hancke, Associate Professor of Political Economy at the LSE argued that Italy was "locked in a monetary straightjacket" and was suffering "disproportionately" from the rigidity of the eurozone's rules.

An inability to devalue the currency means that Italy's export sector had suffered, Hancke wrote, explaining that:

In the past, periodic organised devaluations resolved the problem by reducing competitive pressures in the short run, buying some breathing time, and allowing companies to restructure. While that imposed adjustment costs onto stronger trading partners such as Germany, that country has a domestic institutional set-up that allows it to regain competitiveness far more easily than the institutionally weaker members of EMU such as Italy (and Spain).

Hancke describes the eurozone as "a particularly dysfunctional economic set-up" with rules that "force countries into deeper recession when things go wrong."

Structural imbalances mean that Member States with a high inflation rate face a lower real interest rate (RIR) and vice versa, while countries with a low inflation rate improve their competitiveness through a depreciating real exchange rate (RER).

Italy is one of the high-inflation, low RIR and high RER Member states, while Germany is in the low-inflation, high RIR and low RER camp. Hancke argued:

It is far from clear if such structural imbalances between member states can actually be addressed in the eurozone, but dismissing a popularly elected government whose idea was to correct that situation through a domestic expansion is, under the circumstances, not necessarily in Italy's long-term interests.

Writing for The Guardian, former Greek finance minister [Yanis Varoufakis](#) a few days earlier also stressed the problems caused by the design of the eurozone:

The singular reason for Italy's woes is its membership of a terribly designed monetary union, the eurozone, in which the Italian economy cannot breathe and which consecutive German governments refuse to reform.

Varoufakis argued that the implementation of EU strictures by Italy's centre-left government between 2013 and 2018 had caused economic stagnation and fed the rise of the populist parties.

6.2 Impact should Italy leave euro

In an LSE [blog](#) last year, former Italian Treasury economist Lorenzo Codogno and Italian member of parliament Giampaolo Galli argued that an Italian exit from the euro would be catastrophic.

A return to the lira would be followed by a devaluation of the currency of around 30%, increasing the size of Italy's debt significantly and also making a debt default likely, they argued. Any attempt to redenominate Italian bonds held outside Italy could also be met with legal action. The value of savings would also plummet, and banks could face bankruptcy as depositors withdrew their funds.

They quote the words of Varoufakis himself when he said:

Exiting the euro means creating a new currency, which would require at least a year to introduce it, in order to then devalue it. This would be catastrophic, because, with such advance notice, investors—and even ordinary citizens—would liquidate anything, and would take money out in the period before the devaluation, and in the country nothing would be left.

Codogno and Galli suggest that this is what happened in Greece in 2015, when a popular referendum rejected the austerity measures of the so-called Troika and made a Greek euro exit appear likely.

They also point to the practical difficulties of closing banks or imposing capital controls for the lengthy period required to prevent a capital flight. They argue that exit from the euro and subsequent devaluation would also cause high inflation due to Italian dependence on imports of raw material, and that while exports might be boosted, the real value of wages would decline.

They argue that Italy's underlying problems "may well be unrelated to the euro" and have more to do with the country's "inability to adapt to the structural changes in the global economy."

The economic, social, and political consequences of exiting the euro would on the other hand be "enormous and last for a number of years." They conclude that it would therefore be "much better, and less costly" to address the underlying structural problems.

Writing in the [Financial Times](#) amidst the political crisis at the end of May, former editor of The Economist Bill Emmott (author of books and a documentary on Italy) said that there would be "no conceivable scenario in which leaving the European single currency would be in Italy's national interests or in the interests of the ordinary Italian families those parties seek to represent."

Emmott argued that any decision to leave the euro would send Italian banks insolvent, as they are big holders of Italian government bonds, forcing a government rescue that would further add to the debt. Millions of Italian households would also lose out as they are big holders of government bonds and of bank securities.

6.3 Addressing Italy's structural problems

In a Project Syndicate⁴⁵ article published in [The Guardian](#) on 1 June, Economists Nouriel Roubini and Brunello Rosa argued that Italy would be better off staying in the eurozone and implementing reforms, despite the problems that eurozone membership has caused.

They suggest that since giving up its monetary sovereignty (first when returning to the European exchange rate mechanism in 1996, and then euro membership from 1999), Italy has benefited from much lower inflation and borrowing costs. This has resulted in a dramatic reduction in interest payments – from 12% of GDP to 5% – on its massive public debt.

They note that the adoption of the euro had massive implications for the millions of small and medium-size enterprises in Italy “that once relied on periodic currency devaluation to offset the inefficiencies of Italy's economic system and remain competitive.”

These inefficiencies are summed up as follows:

labour-market rigidities, low public and private investment in research and development, high levels of corruption and of tax evasion and avoidance, and a dysfunctional and costly legal system and public bureaucracy.

They argue that “several generations of Italian political leaders have cited “external constraint”, rather than domestic necessity, when pushing through the structural reforms required for euro membership – thereby reinforcing the sense that reforms have been imposed on Italy.” This has led to the “prevailing narrative” that euro membership is responsible for Italy's economic malaise.

In his *Financial Times* article, Bill Emmott pointed to some positive economic indicators for Italy, notably a current budget surplus of around 3% of GDP “and an even larger trade surplus” with growing exports “chiefly thanks to manufacturers based in northern Italy where the League dominates.”

Competitiveness is not a problem for the Italian economy, Emmott argued. The size of the Italy's debt (more than €2.3 trillion, or 132% of GDP) is however. But within the eurozone, the Italian government is able to borrow and service that debt at far lower interest rates than if it were outside, Emmott said, while “the European Central Bank's expansionary monetary policy since 2015 has served Italy well by driving those rates down.”

Nevertheless, Emmott said the constraints placed on Italy by the eurozone fiscal pact were a real issue. He wrote:

The best option for a country with a debt as large as Italy's is to keep profiting from those low eurozone borrowing rates while sneaking some wiggle room on the budget deficit — if necessary by disregarding admonitions from the European Commission.

⁴⁵ Project Syndicate describes itself as bringing original, high-quality commentaries to a global audience, featuring contributions from political leaders, policymakers, scholars, business leaders, and civic activists from around the world, regardless of ability to pay.

Emmott suggested that at the same time Italy should lobby for looser rules on capital investment, as Mario Monti, Prime Minister from 2011 to 2013 who signed the pact, did in office and afterwards.

6.4 Can a country leave the euro?

European Central Bank (ECB) governor Mario Draghi has said a number of times, notably in March last year, that “[the euro is irrevocable](#)”.

Draghi is correct in the sense that there is no provision in the EU Treaties to enable the EU to revoke the euro or for a Member State to leave the single currency. This raises the question as to whether in the absence of an equivalent clause to withdraw from the euro, a Member State wishing to leave the eurozone would need to invoke Article 50 and leave the EU altogether.

Nevertheless, it has been reported that other Member States were prepared to allow Greece to leave the eurozone (without leaving the EU itself) in the midst of its struggle with debt and implementation of the Troika’s bail-out conditions. The German finance ministry was reported to have spoken in favour of a Greek exit in both 2012 and 2015 (with a Greek exit seen as a realistic possibility following the rejection of the Troika’s terms in a referendum in July 2015).

According to [The Economist](#), the threat of possible contagion to other Southern European economies, including Italy, and a subsequent implosion of the euro “tipped the scales against Grexit.” Given the much larger size of the Italian economy (the third largest in the eurozone), and its importance as a founding member of the EU, concerns about the possible impact on the entire eurozone of an Italian exit is likely to be magnified.

Commenting on the Italian President’s rejection of Savona’s appointment to the finance ministry and concerns around Savona’s advocacy of a “plan B” involving departure from the euro, Yanis Varoufakis (who quit as Greek finance minister following the 2015 referendum) [wrote](#):

What is so striking is that there is no thinking economist anywhere in the world who does not share concern about the eurozone’s faulty architecture. No prudent finance minister would neglect to develop a plan for euro exit. Indeed, I have it on good authority that the German finance ministry, the European Central Bank and every major bank and corporation have plans in place for the possible exit from the eurozone of Italy, even of Germany. Is Mattarella telling us that the Italian finance minister is banned from thinking of such a plan?

It has also been [reported](#) that other eurozone countries – including Germany and the Netherlands - had also elaborated a ‘plan B’, that is, an emergency plan to return to their own national currencies, at the height of the eurozone crisis in 2012.

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