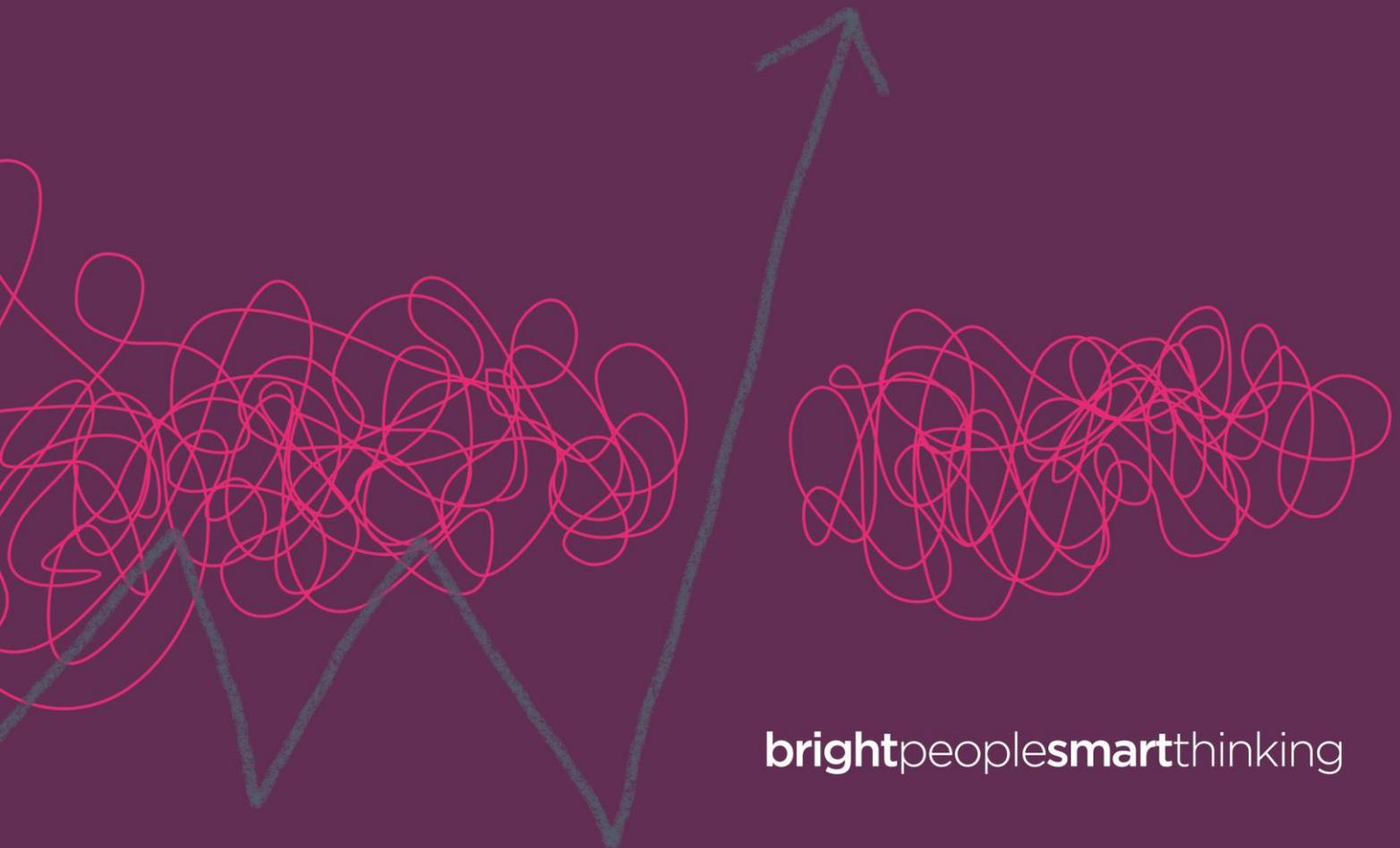


A preliminary outlook on Italy's EU Presidency priorities





On 1 July 2014, Italy will take over the six-month rotating presidency of the Council of the European Union. This briefing note gives a preliminary overview of the likely priorities of the Italian Presidency. The official work programme is currently being finalised by the Government and should be published at the beginning of June.

Background

Italy as an engine of European integration

Italy has been at the forefront of European political and economic integration. In 1951, it was one of the six states that signed the Treaty of Paris and created the European Coal and Steel Community a year later. Altiero Spinelli and Alcide De Gasperi are seen as founding fathers of the European Union.

Although Silvio Berlusconi's government adopted a rather Eurosceptic position in the 2000s, the following Prime Ministers (Mario Monti, Enrico Letta and Matteo Renzi) pursued a more pro-European approach. In his maiden address to the Chamber of Deputies, current Prime Minister Matteo Renzi declared: *"We want a Europe where Italy makes a fundamental contribution because there can be no Europe without Italy."*

Economic situation

Last month Italy mentioned *"exceptional circumstances"* when informing the Commission that it would aim for a balanced budget in 2016 rather than 2015 as was agreed by Mario Monti's government in 2012. The Commission is expected to release its assessment of the government's economic and fiscal plan in early June. Nonetheless, confidence in the future of the Eurozone has pushed Italy's borrowing costs down and last month they reached their lowest levels since 1999.

Political context

In February 2014, Matteo Renzi became Prime Minister after an intra-party dispute within the Democratic Party during which he managed to oust Enrico Letta and his government. The cabinet is composed of members of the Democratic Party, the New Centre-Right, Civic Choice, the Union of the Centre and three non-party independents.

Renzi came to power by promising significant political change and economic growth. Since then he has pledged a sweeping package of tax cuts and labour market reforms while insisting that Italy would not breach the EU's 3 percent budget deficit limit.

The make-up of the government surprised many: it is the smallest (16 ministers), the youngest (average age of 47) and most gender-balanced (8 female ministers) cabinet in the history of Italy. Renzi has chosen to abolish the post of minister for European affairs to personally manage the portfolio during the Italian EU presidency.

A special Presidency?

Italy is one of the most experienced Member States in terms of Council presidencies: between 1959 and today Italy has already held 11 presidencies. In line with its Stability Law, Italy plans to only spend 56 million euro during its presidency. Over recent years the budget



has ranged from Denmark's 40 million to France's 170 million. Lithuania and Greece, who held the last two presidencies, spent 62 and 50 million respectively.

Italy wants to make Rome and Milan the two centres of gravity of its presidency. The main reason for this is that the Expo 2015 is taking place in Milan, one of the EU major financial and business centres.

Referring to the institutional context the President of the European Commission José Manuel Barroso highlighted that the Italian presidency will be special: *"the way Italy manages this presidency is extremely important so that we can have not only a smooth transition but also avoid any kind of interruption in the very important work that is now in the pipeline in Europe"*.

Most likely priorities of the Italian Presidency

The Presidency's work programme is currently being finalised by the Italian Government. Nonetheless, the annual report on Italy's participation in EU matters for 2014 (La partecipazione dell'Italia all'Unione Europea - Relazione programmatica 2014) and statements by ministers and diplomats give a good indication of Italy's priorities.

Growth and employment

The stimulation of economic growth and the fight against unemployment will be at the heart of the Italian Presidency. The Italian Finance Minister Pier Carlo Padoan explained that especially getting more credit flowing to European SMEs would constitute an important aspect to complete the "unfinished chapter of the adjustment process" that Italy will pursue during its Presidency.

According to an Italian diplomat the EU 2020 strategy will be of particular importance to the Italian presidency, although how much of this is mere lip service is open to debate. As one of the major growth oriented initiatives currently taking place, the Italian Presidency will clearly want to emphasise advancing the Transatlantic Trade and Investment Partnership negotiations with the United States.

Regarding employment issues, Rome will focus on measures to tackle youth unemployment, to improve the transnational mobility of workers and to strengthen the social dimension of Economic and Monetary union (EMU).

Migratory flows

The issue of immigration is never too far away in Italian politics. Due to its geographical location, Italy is significantly affected by migration from North Africa. The Italian Interior Minister Angelino Alfano has repeatedly claimed that up to 600,000 migrants could try to cross the Mediterranean to reach Europe from North Africa this summer.

Consequently, building on the work of the Greek Presidency, Italy wants to create a genuine common European migration policy that would create an equitable "burden sharing" between countries most exposed to migratory pressures and the other EU Member States. In particular, Italy wants to strengthen FRONTEX. At the end of November Italy will also host the fourth Euro-African Ministerial on Migration and Development in Rome.



Expo 2015: Feeding the planet, energy for life

Italy views the Expo 2015 that will take place in Milan between May and October as a significant opportunity to attract foreign direct investment (FDI), a top priority for Renzi's government. Italy also wants to use the Expo to increase its soft power. Former Italian Prime Minister Enrico Letta even said that it would raise Italy again to "*where it belongs: at the summit of European thought*".

Consequently, Italy plans to create organisational and thematic synergies between its EU Presidency and the Expo. Most of the informal Council meetings and also the Asia-Europe meeting (ASEM) will therefore take place in Milan. Furthermore, Italy wants to make the theme of the Expo "Feeding the planet, energy for life" the leitmotif of various Council meetings, especially for the Agriculture (Agrifish), Energy (TTE) and Environment (ENVI) formations.

Regarding energy, the European Council is expected to decide on the 2030 Framework for climate and energy policies in October 2014 at the latest. Moreover, Italy plans to work on the completion of the internal energy market.

Digital Single Market

In contrast to the key corporate players in the telecoms sector and many other Member States, Italy supports the Telecoms Single Market proposal and in essence is ready to endorse the version backed by the Parliament.

The annual report on Italy's participation in EU matters for 2014 explains that Italy assigns the highest priority to overcoming the fragmentation of the European digital market and describes the Commission's Connected Continent Package as a timely and concrete step in this direction.

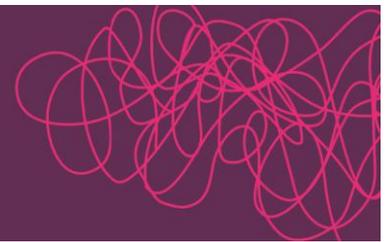
Italy will also have to take over the very complex negotiations on Data Protection. However, Italian diplomats already expressed doubts that a deal could be reached during their presidency.

The Payments Package, including the Payment Services Directive and a separate Regulation on Multilateral Interchange Fees are also major priorities. So much so, that officials in Rome are making it known that completing trilogues with the Parliament should be possible by the end of 2015. An ambitious claim, particularly given the divergences in view in the Council on the latter proposal, but one worth watching.

Foreign Policy

Italy is in favour of a stronger and more integrated European defence policy. In March 2013, it organised the seminar "More Europe on Defence" to prepare for the December 2013 European Council and persuade other Member States that a stronger European defence is in their interest. During an event on the Presidency's priorities an Italian diplomat even noted that the rationalisation of Member States' armed forces in a single force would generate savings of around 120 billion Euros.

We therefore expect Italy to focus on enhancing the EU's Common Foreign and Security Policy (CFSP) and its Common Security and Defence Policy (CSDP).



Financial Services

Italy will inherit important files from the Greek Presidency on financial services regulation. We can expect discussions on the Benchmark regulation, the review of the Institutions for Occupational Retirement Provision Directive (IORP), the Shareholders' Rights Directive, the Payment Services Directive (PSD II) and the regulation on interchange fees (MIF) to continue under the Italian Presidency.

Discussions on the Financial Transaction Tax (FTT) could also continue under the Italian Presidency, except if participating Member States manage to reach an agreement in the coming weeks, which seems to be an optimistic scenario. The Presidency might also decide to focus on the proposal for a banking structural reform, the regulation on Money Market Funds, and the Insurance Mediation Directive, among others.

Indicative calendar

Italian Presidency provisional calendar 2014 (selected events)		
July	8	ECOFIN meeting
	10-11	Informal JHA Council
	16	ECOFIN (Budget)
	16	Informal ENVI (environment) meeting
	21-22	Informal COMPET
	24	Informal ENVI (Energy)
August		
September	12	Eurogroup meeting (Italy)
	13	Informal ECOFIN meeting
	22-23	Informal EPSCO Health meeting
	25-26	COMPET
October	9-10	JHA meeting (Luxembourg)
	13	Eurogroup meeting (Luxembourg)
	14	ECOFIN meeting (Luxembourg)
	21	ENVI meeting (Luxembourg)
	16-17	ASEM Summit (Milan)
	23-24	European Council
November	4	TTE (Telecoms) meeting
	6	Eurogroup meeting
	7	ECOFIN meeting
	11	ECOFIN Budget meeting
December	1	EPSCO Health meeting
	4-5	JHA meeting
	4-5	COMPET meeting
	8	Eurogroup meeting
	9	ECOFIN meeting
	9	TTE energy meeting
	18-19	European Council



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