

# PRIORITIES AND CHALLENGES OF THE ITALIAN PRESIDENCY 2014

*IAI's background paper for the*

**TEPSA PRE-PRESIDENCY CONFERENCE**

ROME, 24-25 MARCH 2014

**Italian Ministry of Foreign Affairs**

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*Strategic partner*



## **Priorities of the Italian Presidency of the European Union in 2014<sup>1</sup>**

In the second half of 2014, in keeping with a calendar of rotations decided some years ago, Italy will assume the Presidency of the Council of the European Union. The responsibility of the rotating Presidency was broadly redefined by the Treaty of Lisbon, which introduced various innovations aimed at eliminating the problems of excessive fragmentation in the Union's work programmes owing to the Presidency's half-yearly rotation. The rotating Presidency remains nevertheless an opportunity to focus national governmental, administrative and public attention on the European agenda, and on how best to cultivate a common vision of the goals to be achieved in Europe and of national interests within the European framework. It provides stimulus to improve the country's performance with regard to various aspects of its membership in the European Union (EU): a better use of European structural funds, greater access to European funding for research and innovation, reduction in the number of infringement procedures, shorter timeframes for transposition of Directives into national law, and so forth.

We will attempt here to examine the challenges and opportunities awaiting Italy as it prepares to assume the EU Presidency on July 1<sup>st</sup> of this year.

It should be noted, first and foremost, that 2014 will be a year characterized by a considerable amount of changes in the Union's institutions. Following the 22-25 May election of a new European Parliament (EP), the new assembly will not be realistically fully operational before September. The months following the elections will be devoted to checking the votes, deciding the winners, setting up parliamentary groups and electing the President, the Vice Presidents and the Committee Presidencies. The term of the current European Commission expires at the end of October, and the appointing procedure for new Commission will most likely start in July, first with the investiture of the President (who will be recommended by the European Council but elected by the new Parliament), and then with the appointment of the Vice President/High Representative and other members of the Commission (who will be designated by Member State governments but will have to be confirmed by the Parliament). Finally, the European Council President's term also expires at the end of November, and its successor will also probably have to be chosen in June in the context of a balanced package of appointments. A calendar of high level appointments that will clearly weigh heavily on the Italian Presidency, which will not have as interlocutor a fully-engaged Commission, and will also have to bear with a long hiatus in the work of

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the Parliament, and a transition phase before the appointment of the new European Council President. As a matter of fact, this situation will give Italy the delicate task of ensuring the continuity of Union activities in a complex phase of transition, and the responsibility of contributing to the smoothest possible transfer of powers to the new European leadership, while trying to avoid inter-institutional conflict. Italy will therefore have to prepare for this phase of institutional changes by contributing to a European Parliament election campaign effectively focused on Union deadlines and programmes; by sending a parliamentary delegation to Strasbourg that is motivated, skilled and aware of the Parliament's new and increased responsibilities; and by actively contributing to the choice of the next President of the Commission, not least through participation in the parliamentary discussions leading up to the European Council's appointment. Italy will also have to participate in the selection of the President of the European Council and High Representative. If it is not possible to place its own candidate in the running for one of the executive posts, Italy will have to carefully choose the Italian Commission member, mindful especially of the importance of obtaining a meaningful portfolio.

More in general, however, as 2014 begins to unfold, Europe appears uncertain about prospects for economic recovery, and how sizeable that recovery will be; still characterized by a lack of confidence in its ability to significantly close the competition gap with its major world partners. Furthermore, there is widespread disagreement among Member States about the sense of direction of the common European project; and European citizens are increasingly mistrustful of institutions they consider (rightfully or wrongfully) responsible for national budgetary policies that have sacrificed growth and employment.

This already problematic situation is further aggravated by a persistent lack of trust in relations among Member States (worsened by the consequences of the economic downturn), confusion in the distribution of responsibilities among national governments and common institutions, latent tensions between Eurozone members and non-members, along with apprehension for the prospect of the independence referendums to be held in Scotland and Catalonia this year and of a possible Britain's request to renegotiate the conditions of its participation in the Union.

The Italian Presidency will have to consider all these concerns, but also contribute to re-establishing the conditions for recovering political support for the European project, promptly taking a strong political initiative (in agreement with other more pro-Europe governments) primarily to contain and reduce prospects for the success of Euro-sceptic forces in the European Parliament elections, but also with the longer-range goal of preparing the terrain for a vigorous reinforcement of the integration process.

With regard to individual dossiers, much will depend on what the Italian Presidency will inherit from the Greek Presidency's work programme, and on which legislative co-decision procedures will be

reactivated by the Parliament after the May elections. It is possible, however, to take initial stock of some of the themes that will occupy the agenda of the Italian Presidency.

## **1. Towards better economic governance: how to improve Eurozone stability and resilience and stimulate growth and employment**

Completion of the banking union and reform of the economic governance will continue to feature prominently on the European agenda.

- With regard to banking union, legislation concerning the Single Supervisory Mechanism and the Bank Recovery and Resolution has been approved and will enter into effect in accordance with the respective calendars at the end of related transitional periods. On the other hand, the Single Resolution Mechanism has been the object of a complex and delicate political compromise in the Council and is at present the focus of a difficult co-decision procedure with the Parliament. We will know whether the provision has been approved by the end of April and on what basis. Above all, however, 2014 is going to be the year when banks under centralised supervision will have to be the subject of an Asset Quality Review by the European Central Bank (ECB) and of a further round of stress tests by the European Banking Authority. Both delicate steps constitute the basis for the following operational launch of a supervisory mechanism by the ECB itself, which is already tooling up for this new task.

It will be necessary to be vigilant from the coming months onward, and again after the summer, to ensure that that Banking Union, a fundamental component of economic governance reform, enters into effect in the most effective and credible manner possible, thereby contributing to the elimination or reduction of financial market fragmentation in the Eurozone, to the breaking of the vicious circle generated by sovereign and banking system risks and to the opening up of credit markets to enterprises and families, particularly in peripheral countries.

- Economic governance reform will continue over the coming months, and up until the October European Council, particularly with the elaboration of partnerships agreements or “contractual arrangements”, aimed at greater coordination of national economic policies on competitiveness, growth and employment. It will be the task of the Italian government to contribute with its own proposals to the concrete definition of the content of these “contracts”, ensuring that the new instrument is applied across the Eurozone, without discrimination and mindful of the priorities of

each Member Country, and that it is underpinned by sufficient democratic legitimacy and credible solidarity mechanisms.

- Finally, an effort will have to be made to stimulate a new European work programme that realistically refocuses the European agenda on growth and employment. The presidency will have to concentrate on a broad-based political action aimed at persuading other member governments and European institutions of the need to move beyond common policies centred solely on controlling national budgets and curbing public spending. Without re-discussing already formally pledged deficit and public debt commitments, such an action will facilitate the creation of margins of flexibility, at least in terms of the timetables for achieving the common goals set for public finance sustainability.
  
- To generate a growth agenda, given the lack of common budgetary resources for counter-cyclical interventions (with the exception of structural funds which are characterized by extremely long planning times and highly restrictive utilisation conditions, and a portion of the Connecting Europe Facility for major trans-European infrastructures), it will be necessary to implement measures aimed at creating the conditions of context at the European level to foster growth and employment:
  - completing the internal market, including with regard to services;
  - accelerating negotiations under way on free trade areas (with special consideration for a free trade agreement with the United States);
  - pursuing the simplification of administrative and bureaucratic burdens, especially for businesses;
  - urging implementation of the digital agenda; and
  - stimulating new real economy funding sources by tapping the potential of the European Investment Bank (EIB), in combination with the instruments made available by the EU budget.

## **2. Towards a Common European Foreign and Security Policy: some practical steps ahead**

With regard to the Union's foreign policy agenda, the Italian Presidency's efforts must focus, first and foremost, on setting strategic long-term priorities, a task already partially undertaken by the

governments led by Mario Monti and Enrico Letta. Italy has only occasionally managed to play a leading role in setting the Union's international agenda, for example by promoting an active European approach to security and development in Somalia and the Horn of Africa, as well as a unified European stance on a political/diplomatic (and non-military) solution to the Syrian civil war and Iran's involvement in the Geneva 2 multilateral negotiations. Only a leap in quality from a mere presence at the negotiating table to a real influence on European foreign policy will allow Italy to successfully pursue its own interests while continuing to strengthen the EU's international role. Efforts to achieve these objectives need to be proportionate to the resources available but, at the same time, be more ambitious than current attempts to enhance national and European identity.

The main priorities, in our view, are to:

- *foster innovation in Europe's approach to its neighbourhood.* Concrete actions in this regard include strengthening EU partnerships with key actors in the enlarged Mediterranean, from the Arab countries of Northern Africa to the Gulf Region, in particular by applying Italian expertise in specific areas such as Libyan security sector reform (2,000 Libyan troops will be trained by an Italian contingent of 100 within the context of the Italian Mission in Libya – MIL). Moreover, Italy can play a leading role in promoting a more European policy towards the Balkans – particularly in the case of Serbia's accession negotiations – and possibly Turkey – especially with regard to Chapters 23 and 24 of the accession process. The Eastern dimension of the European neighbourhood policy will also require special attention, with the priority on promoting strong EU action toward resolving the crisis in Ukraine.
- *strengthen the transatlantic partnership in a multipolar world.* Italy will have to be determined in pursuing the conclusion of a Transatlantic Trade and Investment Partnership (TTIP) aimed at tipping the United States foreign policy balance in favour of Europe as opposed to the "Asian pivot". Furthermore, building on its good relations with the Russian leadership, Italy should promote a more coherent and effective common European policy with Russia and greater convergence among the positions of the United States, Europe and Russia on specific aspects of security and the management of major crisis areas, beginning with the conflicts in Syria and Ukraine.
- *better identify the interests and priorities of EU strategic partnerships.* The tool of strategic partnerships could prove powerful in the reassertion of the EU's international role, but goals and approaches must be identified on a case-by-case basis, keeping in mind the

EU's main economic and political interests. Such an effort requires a greater coordination of Member States' foreign policies and the definition of a unified European position. Italy must do its part by shifting the "check-book diplomacy" adopted with countries such as Russia and China towards an enhanced political dialogue on the issues such as democracy and human rights. The next crucial appointment will be the ASEM summit to be held in Milan in October 2014.

- *bolster Euro-African relations.* Sub-Saharan Africa represents Europe's greatest challenge and opportunity for the 21st century. In order to be credible, the EU's Africa policy must free itself from its post-colonial legacy, and move towards the identification of shared strategic priorities. Italy must speak out for a more equitable distribution of EU security and development resources and interventions on the African continent. In particular, it falls to Italy to play a leading role in keeping EU attention focused on the stabilisation of Somalia, and in promoting a regional and multidimensional approach to security in the Horn of Africa.
- *reinforce the link between internal and external EU policies.* Recognition of the external aspects of internal EU policies, notably those on energy and immigration, was one of the most significant developments in the strategic elaboration associated with the adoption of the Treaty of Lisbon. Italy should further strengthen this approach, by contributing to EU external actions aimed at protecting primary home interests such as the shared management of the migration issue and the diversification of energy sources. Italy can also exploit the front-line role played by its civilian and military personnel in Common Security and Defence Policy (CSDP) missions to fuel the debate on the link between internal and external security and its implications for EU foreign policy.

### **3. The Common Security and Defense Policy in the post-December 2013 European Council**

With the December 2013 European Council, security and defence fully joined the ranks of Community policy areas, including operational, budgetary, technological and industrial aspects, in addition to overall strategic ones. In reality, while departing from a complete set of analyses and proposals, the Council did not take any major decisions, although it welcomed the documents drafted both by the High Representative (HR) and European Defence Agency (EDA) and by the Commission. In this spirit, it charged the HR, the EDA and the Commission with developing a series of actions that included a

substantial number of proposals and a few roadmaps, to be made available between June 2014 and the end of 2015, so as to allow for the adoption of a certain number of decisions and directives. Much will depend at this point on the motivation and skills of the (next) High Representative, and on the collaboration between the EDA and the Commission.

In the meantime, when it assumes the rotating Presidency at mid-year, Italy will have to concern itself with advancing the process of analysis outlined by the Council, avoiding as much as possible that the actions requested merely trigger a vicious circle of reports leading to further study and further reports and never to any real conclusion.

While all the points listed in the Council's conclusions are important and need to be developed, some appear to be of special interest to our Presidency.

- The Council called for a European Maritime Security Strategy to be drafted jointly by the Commission and HR by end-June 2014.<sup>2</sup> The Presidency will have to concern itself with the Council's approval of that strategy and, above all, with the immediate addition to it of action plans regarding its various political, strategic, operational and technological aspects. The many open items include the issues associated with territorial waters, exclusive economic areas, numerous disputes over application of the Law of the Sea, migration, criminal activity, and so forth.
- The Council maintained that *greater transparency and information sharing on defence planning would facilitate convergence on capacity needs and timeframes*. To that end, the HR and the EDA were charged with drafting a policy framework by the end of 2014, in line with the liberalisation and unification of the European defence market that Italy has been pursuing for years. The Presidency should monitor the drafting of that framework, offering any necessary impetus or assistance, and campaign on behalf of the Council's broadest possible consensus on it.
- Reiterating its interest in maintaining and strengthening the *European Defence Technological and Industrial Base (EDTIB)*, the Council agreed with the analysis and

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<sup>2</sup> While these certainly include the defence of maritime borders and a response to illegal migrant flows by sea, in reality, according to the Council, these problems should be addressed by the CSDP in growing synergy with those responsible for policies concerning Freedom, Security and Justice and Home Affairs, with the idea of building horizontal capacities for confronting not only illegal immigration but also organised crime, terrorism, etc.

reflections contained in the document prepared by the Commission for the December meeting, supporting the idea that the Commission should work with the HR and EDA on developing a roadmap for its implementation, in full respect of the two Defence Directives of 2009 and with the intention of integrating the components and subcontract markets at European level. Since no time limits have been placed on the Commission, the Presidency will have to be instrumental in accelerating efforts in that direction. There is also a proposal to facilitate the internal market access and technological competitiveness of small and medium-sized enterprises in this sector.

- The Council directed the EDA and the Commission to outline a roadmap for the *development of common European defence industry standards*, while also urging the EDA to develop options by which to reduce the cost of military certification, including the reciprocal recognition of national certifications. The results of these requests should be submitted by mid-2014 and turned over to the Presidency, which will have to see they are succeeded by decision-making and operational phases without delay.
  
- It is essential that *security of supply* be ensured, i.e. that no political or other entity can impede any Member State in its purchases from an enterprise based on the soil of any other Member State. The EDA recently adopted the Framework Arrangement on Security of Supply and the Council asked the Commission to develop a roadmap for *comprehensive European Security of Supply (SoS) regulation*. It will be the task of the Presidency to urge institutional action and prepare the terrain for the later decision-making phase.

Many others of the points listed in the Council's conclusions are of major importance and interest; nevertheless, the above appear fully ripe for rapid implementation.

#### **4. Toward a more effective EU immigration policy**

The subject of migration has returned dramatically to the forefront in recent months in the wake of tragic incidents in which hundreds of human beings died trying to reach EU soil. The general problem of shared migration flow-management policies is sure to remain one of the top items on the European agenda for the coming years; but additional measures and initiatives in matters of migration policies, aimed at better applying the principle of solidarity and rendering more effective both the Union's

reception policies and external border control measures, will coincide with a new Justice and Home Affairs action plan destined to replace the Stockholm Plan that expires at the end of 2014.

Italy's has urged the stronger role of supranational EU institutions and the broader sharing of the costs associated with our position as custodians of the common frontier. Despite solid bipartisan consensus at home, it has been impossible to move beyond simple assertion of the principle to the drafting of a sufficiently creative, consistent and technically credible negotiation and alliance strategy.

Thus it is no surprise that, given the undeniable complexity of what tends to be a few-against-many battle among the 28 Members, results have been scarce; burden-sharing in matters of common maritime border patrols, search and rescue operations and subsequent reception, remains limited. The autumn shipwrecks of 2013, merely quantitatively more grim than many that preceded them, rocked public opinion but produced only a momentary acceleration of the European agenda; indeed, to date, nothing but marginal adjustments have been made to a dossier that remains wide open.

Furthermore, in relations with the countries of origin and transit, especially along the southern shores of the Mediterranean, the innovations introduced in the late-1990s (the "privileged quotas" decreed by a limited number of strategic partners and efforts to coordinate migration and development cooperation policies) have gradually atrophied, as a result not only of general causes related to a worsening crisis (clamp-downs on programmed entries and official development assistance), but also of a specific and serious lack of political and executive constancy.

Our overall approach in regard to major EU migration issues therefore needs revision.

Migration, asylum and mobility, although they differ at European level even from the standpoint of institutional responsibility, are policy fields that currently share heightened media and political attention. Legal and illegal, forced and spontaneous migration, flows from without and movement within the Union, are phenomena that have become highly politicised over recent years and are having repercussions on the European agenda that are impossible to ignore.

The tragedies that occurred in the waters of Sicily in October 2013 rekindled the polemics on the limitations of current European Union maritime border patrol and rescue activities. The perceived intensification of the illegal migratory transit, also of minors, from the South to the North of the continent has revived criticism of the workings of the Schengen system, an object of controversy also along the south-eastern shores as a result of the repeated postponement of Romania and Bulgaria's full admission. And neither is freedom of movement within the common area exempt from this atmosphere of tension: the leaders of some important Member States have voiced concern over presumed abuses

of this fundamental feature of European citizenship, triggering a sometimes bitter confrontation with European institutions.

In this troubled climate of declining mutual trust at various levels (between voters and institutions, among Member States and, at times, also among institutions), European institutions find themselves having to undertake the difficult exercise of inter-institutional planning and coordination of the priorities regarding the area of freedom, security and justice over the coming seven-year period (post-Stockholm guidelines).

The Italian Presidency will have a decisive role in this delicate process, particularly in ensuring follow up to the Conclusions of the June 2014 European Council, which will have to rule on a new work programme in matters of justice, security, asylum and immigration. This responsibility can and must also be interpreted as an opportunity, especially for a country such as ours that, from various points of view (as custodian of a delicate segment of the common external border, recent destination for massive migration flows, and significant font of youth mobility), is directly affected by European decisions (and lack thereof) in this area.

At a stage at which several of our country's long-term interests coincide significantly with major strategic lines of action undertaken by the European institutions, and especially the Commission, some of the most prominent priorities include :

- The pursuit of efforts already under way towards more effective and sustainable European Union and Member State external borders controls – particularly southern maritime actions – fully respectful of fundamental rights. To that end, exceptional and prolonged commitment (beyond the present emergency) needs to be brought to implementing the “Mediterraneo” Task Force recommendations.
- The advancement of long-term efforts aimed at strengthening the common European asylum system, possibly including revision of some of its aspects, in order to allow for the more effective application of the principle of solidarity and the more equitable distribution of responsibility among Member States, especially with regard to mixed flows and the most vulnerable categories.
- The continued and unwavering defence of the right of persons to freely circulate within the European Union, refining and reinforcing long-term strategies (already roughly drafted in policies such as Youth on the Move, Erasmus+, etc.) for maximising the positive effect of

mobility – especially of young people – in terms of cultural and economic dynamism, while remaining vigilant against and reducing its possible negative repercussions.

- On a broader framework – aware that the strongly asymmetric social impact of the crisis has forced mobility in some cases of difficulty which, in turn, threatens to trigger social and political tensions – the link between migration and mobility policies, social and integration policies and a stronger European response to the social dimension of the crisis, is essential. Given this overall picture, it is also clearly necessary to reinforce European actions to counteract racism and discrimination, for which the Declaration of Rome of September 2013 offers initial impetus toward a 2014-2020 pact on a Europe of diversity and the fight against racism.

#### **5. What we expect from the new EU leadership: tasks ahead and the need for greater institutional effectiveness and legitimacy**

The EU institutional reform has been a topic of debate over recent years of crises, and also of concrete initiatives. At least on the front of what is known as “economic governance”, progress and reforms have been far more rapid and profound than during the long decades of Maastricht onward. In fact, for nearly three years now, European Council efforts have been almost exclusively aimed at inventing mechanisms, procedures and bodies for the purpose of addressing deficiencies in the euro system.

As regards Italy, it must be said that the future of Europe and of its institutions has become, much more than in the past, an important but also divisive element in our domestic policy, and is therefore fated to play a direct role in domestic political equilibrium among parties, beginning with the upcoming European Parliamentary elections. The question of the institutional future of the EU will, therefore, have to be approached with extreme caution by pro-Europe political forces, if for no other reason than to avoid being accused of a-critical ideological attitudes at a moment when national public opinion tends to broadly associate greater integration of the EU (and therefore of the euro) with a persistent lack of prospects for economic growth.

Beyond these remarks on the negative political climate surrounding the question of the future of EU, it nevertheless seems necessary to consider Italy’s priorities on the slippery terrain of the Union’s institutional reforms.

- As stated above, the first concern is about the completion of initiatives launched in the last years but that remain undefined in their details, particularly the completion of the Banking Union in all its various aspects:
  - the launch of an ECB mechanism for the supervision of major banking groups;
  - adoption of harmonised criteria for the resolution of banking crises and the creation of a credible European deposit guarantee; and
  - creation of an effective single resolution mechanism.

It is in the interests of Italy that these mechanisms function correctly or are completed within the shortest possible timeframe. Nevertheless, especially with regard to the single resolution mechanism, it is not so much its entry into effect that should concern us, as the credibility and effectiveness of the decision-making mechanism it produces.

- The second priority concerns the contractual arrangements that should be launched precisely in the course of our EU Presidency term; it will be necessary to specify its nature, ensure its application by all Eurozone members and identify credible and effective solidarity mechanisms.
- Thirdly, careful attention must be devoted to a medium-term aspect of the Fiscal Compact, that is its envisaged incorporation into the Treaty of Lisbon (art. 16). This is a particularly delicate step from a two-fold point of view: first, an international treaty, binding on 26 European countries, has to be transformed into a system of enhanced cooperation within the institutional framework of the EU, eliminating the ambiguities associated with interlinked treaties of different nature; and second, the medium-term integration of the Fiscal Compact within the institutional framework of the Treaty of Lisbon could be an opportunity for the same Treaty to absorb other extra-institutional instruments, like the European Stability Mechanism (ESM), adopted over recent years in response to the crisis.
- Lastly, it will be important to keep in mind the potential risk/opportunity vis-à-vis the Union's future of a British request to renegotiate the conditions and modalities of the United Kingdom participation in the EU. It is still too soon to evaluate the consequences of such a scenario, since London's possible requests are not yet clear. But a scenario of this sort could constitute an opportunity for undertaking a broader revision of the European Union's aims and of the institutions suitable for achieving them. The goal is a medium-term one, but requires due consideration now.

To summarise, the present moment calls for initial reflection on the institutional adaptation and revision of the European Treaties. The stages of that process, in brief, are the completion of the instruments and policies launched to improve European economic governance, their necessary simplification and “communitarisation” and the subsequent insertion into the institutional framework of the Treaty of Lisbon and, finally, the gradual launch of the reform of that same Treaty in the wake of the renegotiation request by the United Kingdom. The ultimate goal being to re-establish the equilibrium of an institutional system that is currently beyond the control of the EU institutions and of Member States themselves.