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Priorities and Challenges of the 2014 Italian EU Presidency

by Emiliano Alessandri, Nicole Koenig and Marco Siddi



ABSTRACT

Decision-makers and policy analysts from leading European think tanks and academics met in Rome to discuss the priorities and challenges of the upcoming Italian Presidency of the Council of the European Union (July-December 2014). This report offers an overview of the key themes discussed at the conference: the prospects for a more effective European economic governance and for new measures to stimulate a job-creating growth; the response to the Ukrainian crisis and its implications for the EU's neighbourhood policy; the future of the Common Security and Defence Policy (CSDP); the reform of the EU immigration policy; the effectiveness and legitimacy of the EU leadership. For each of these priority themes, the report provides a list of recommendations about the initiatives that the Italian government can undertake during its presidency term to promote the European integration process.

European Union | Italy | Italy's european policy | Eurozone crisis | Economy | CSDP | Ukraine | Migration | Democracy | Euroscepticism

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Priorities and Challenges of the 2014 Italian EU Presidency Report of the TEPSA Pre-Presidency Conference

by Emiliano Alessandri, Nicole Koenig and Marco Siddi*

The Trans European Policy Studies Association (TEPSA) traditionally organises Pre-Presidency conferences with the aim to formulate recommendations to the incoming Council Presidency. On 24-25 March 2014, decision-makers and policy analysts from leading European think tanks and academics met in Rome to discuss the priorities and challenges of the incoming Italian Council Presidency. The conference was organised by the Istituto Affari Internazionali (IAI), in cooperation with TEPSA and the THESEUS project. It took place only one month after a new Italian government was sworn in. This report summarises key themes of the debate and distils the most relevant recommendations.

1. Towards better economic governance, growth and employment

The future of Europe's economic governance, the stability and resilience of the euro-zone and measures to foster growth and employment stood out as central themes of debate. The discussants agreed that the prospects for economic recovery in Europe were still fragile and uneven. Growth is still too weak and unemployment rates, particularly among the young, remain alarmingly high. Prolonged economic hardship and austerity translated into an increasingly Eurosceptic public sentiment. The consequences could be detected in the French municipal elections on 23 March 2014, where the far right party National Front, made significant gains.

Currently, important risks to sustainable economic recovery remain. History showed that financial crises are hard to digest. EU member states still have significant "debt hangovers" standing in the way of growth and employment.

Banks remain risk-averse and reluctant to lend. And the "doom loop" between weak banks and sovereigns with shaky finances is yet to be broken. Many governments

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· Report of the TEPSA Pre-Presidency conference on "Priorities and challenges of the 2014 Italian EU Presidency", organised in Rome on 24-25 March 2014 by the Trans European Policy Studies Association (TEPSA), Istituto Affari Internazionali (IAI) and Theseus in cooperation with Italian Ministry of Foreign Affairs, European Commission Representation in Italy and Centro studi sul federalismo (CSF).

are currently unable to boost demand through countercyclical measures. The key question is thus whether austerity becomes a permanent rather than a passing state.

The completion of the Banking Union and the reform of economic governance will be at the top of the agenda during the Italian Council Presidency. In addition, the Europe 2020 Strategy is likely to be re-launched after a consultation exercise with the European Commission. While there is no “magic bullet” for the restoration of growth and resilience, the Italian Presidency could focus on the following priorities and steps:



Lapo Pistelli (left), Ferdinando Nelli Feroci (right)

Economic governance:

- Carefully monitor the European Central Bank's Asset Quality Review in the ECOFIN Ministerial Council to prepare the financial markets for potential refinancing and with the goal of minimising the tax burden;
- Clarify the conditions, under which the European Stability Mechanism can be used as a fiscal backstop for bank resolution;
- Re-open proposals for a common deposit insurance;
- Enter in dialogue with the European Commission on the revision of state aid rules to ensure that they are applied without prejudice to financial stability.

Growth and employment:

- Support a forceful re-launch of the Europe 2020 Strategy to bring smart, sustainable and inclusive growth back to the top of the European agenda;
- Avoid a one size-fits-all approaches to growth and include country-specific headline targets with a focus on longer-term structural deficits in the Europe 2020 Strategy;
- Factor medium and longer-term trends (climate change, demography, and demand for new skills and innovation) into the European growth agenda;
- Address economic inefficiencies in the public sector and promote reform towards “e-governments”;
- Foster collective European initiatives in the energy sector to remedy the lack of infrastructure;
- Revive the initiatives of the European Commission and the European Investment Bank providing better access to finance for small and medium-sized enterprises;
- Push for and monitor the implementation of the “Youth Guarantee” schemes to tackle employment problems and potential anti-European sentiments at their roots.

2. Ukraine and the Eastern neighbourhood

Ukraine, relations with the Russian Federation and pertinent issues of European security were prominent in the discussion due to the unfolding of the crisis in Crimea and Eastern Ukraine. Panellists agreed on the need to change the EU's foreign policy approach to the neighbourhood. Despite the period of institutional transition that will accompany European elections in late May, the Italian Presidency was called upon to play a role in reshaping EU policies. The main relevant remarks and recommendations are summarised below.

Following the Arab Spring and tensions with Russia in Eastern Europe, the whole EU neighbourhood is in turmoil. EU policy frameworks towards both the Eastern and the Southern neighbourhood (the Eastern Partnership and the Union for the Mediterranean) are in tatters, hence continuity cannot be on the EU's agenda. The EU's approach to the Eastern Partnership summit in Vilnius was not strategic, as the offer made to Ukraine encompassed very high costs for Kiev in the short and medium run. In addition to instability in Ukraine, Brussels now also faces the risk that political forces which are sceptical towards association with the EU may return to power in Moldova.

Common policies at the EU level are necessary to address the situation in Ukraine. At the moment, providing macro-financial support to Kiev and seeking a diplomatic resolution of the crisis appear as the most urgent priorities for the EU. However, the Union should also draw important lessons from the Ukrainian crisis and reformulate some of its external security concepts. In the field of energy security, where the EU is highly reliant on Russia, Brussels should invest more on domestic renewable sources, increase energy efficiency and enhance intra-European solidarity. In the area of defence, an adequate EU-wide industrial sector should be developed and provide the foundations for a common policy. Furthermore, the Union should improve its capability to launch CSDP missions in the neighbourhood.

Summing up, the main policy **recommendations** for the EU and the Italian Presidency in this area were:

- Revise fundamentally both the Eastern Partnership and the Union for the Mediterranean in order to develop policies that take into account the new developments on the ground;
- Offer macro-financial support to Ukraine;
- Improve internal energy security, notably through the development of renewable sources, investments in energy efficiency and greater intra-EU solidarity;
- Build an EU-wide industrial defence sector, providing the foundations for a common policy;
- Improving capabilities for the launch of CSDP missions in the Union's neighbourhood.

3. CSDP after the 2013 European Council on Defence: the way forward

The discussants saw a clear imperative for strengthened European cooperation in the area of defence. In times of austerity, 28 separate and partially overlapping European defence policies are neither affordable, nor sustainable. The discussion centred on the implications of the European Council of 19-20 December 2013. As the first European Council "on Defence" in five years, it was seen as a shift from bottom-up towards more top-down defence cooperation. A number of



Gianni Bonvicini (left), Lucio Battistotti (centre), Paolo Guerrieri (right)

initiatives were kick-started. But overall, the results were considered meagre. The European Council failed to give a strong impetus for pooling and sharing. Instead, it focused on taking forward projects that were already in the pipeline.

Discussants saw the lack of political resolve as a side effect of the EU's increased preoccupation with internal and economic affairs. They thus called for pragmatism and flexibility in defence cooperation, leaving aside ideological battles. Taking account of the limited room for manoeuvre of the Italian Presidency, the following **recommendations** and priorities stood out:

- Oversee the drafting of the European Maritime Strategy (to be presented in June 2014) and the elaboration of corresponding action plans - a strategic priority for Italy;
- Support a CSDP engagement in border management in the Sahel region;
- Work towards an EU-wide defence-industrial sector, including a common market of procurement;
- Provide enhanced support to small and medium-sized enterprises in the defence sector;
- Reignite discussions on a European "White Book on Defence" and on a "European Defence Semester";
- Re-launch debate on the Union's rapid reaction capacity, including the possibility of intra-European coalitions of the able and willing (article 44 of the Treaty on European Union) and the battlegroup concept.



Lapo Pistelli (left), Ferdinando Nelli Feroci (centre), Gianni Bonvicini (right)

4. Towards a more effective EU immigration policy

Immigration policy is an area in which progress could be made under the upcoming Italian Presidency of the EU. In recent months, the Italian government has put great emphasis on the subject. A certain alignment on policy priorities and approaches seems to already exist between the Italian government and relevant EU institutions. The Italian Presidency's

foreign policy focus on the Mediterranean region - portrayed as "the heart of Europe, not its border line" - may further strengthen the case for EU immigration policy reform. For Italy the most immediate goal is to enlist much-needed material and financial help from other EU Member States for its Mare Nostrum mission, which aims at managing the growing flows of migrants and refugees reaching Italian shores from instability-ridden Southern Mediterranean. This narrow goal, however, could be accompanied by a greater effort towards advancing a new EU migration agenda. Italy could promote this agenda with the support of EU institutions, leveraging on the need to review the so-called Stockholm Plan at the end of 2014. In particular, the Italian Presidency could:

- Building on the new 2014-2020 Asylum and Immigration Fund, push for the development of new solidarity instruments aimed at reducing imbalances resulting from greater illegal immigration pressures on Southern EU members. As to the development of Frontex, a discussion could be started on a new European system of borders' control guards, with an emphasis on coast guards;
- Favour the harmonization of national conditions for admission of third country nationals for work purposes;
- Lift or ease restrictions on intra-EU mobility for legally admitted third-country nationals. This could eliminate some of the disincentives for high-skilled workers seeking employment across the EU, correct relevant economic distortions and reduce possible discrimination issues arising from unequal treatment;
- Favour a better analysis of the migration phenomenon, for instance by tackling the grey areas between mobility, migration, asylum, and addressing the reality of "mixed flows", which deserve tailored policy responses;
- Put in place new modalities for so-called "mobility partnerships" to solve or lessen the current tension between their central management and the decision of quotas at national level;
- Strengthen the common European system in the area of asylum policy, where Northern EU members have traditionally shouldered a large responsibility. The fact that asylum petitions tend to be higher in Northern European countries, whereas illegal immigrants tend to be a more pressing issue in Southern EU member states, create possibilities for new bargains;

- Further develop the Erasmus Mundus policy, which already includes countries from the Southern Mediterranean; alternatively, launch a new Mediterranean Erasmus project;
- Put in place policies allowing students from Southern Mediterranean countries to remain in Europe if offered a job, regardless of the country in which they studied;
- Reinforce European actions aimed at supporting hospitality and integration across European societies by building on the September 2013 Declaration of Rome on racism and discrimination, with a view to reaching a 2014-2020 pact on a "Europe of diversity";
- Emphasize the link between European growth, competitiveness and migration. There are currently over three million vacant jobs in Europe, many of which could be potentially filled by foreign workers. The EU can boost its competitiveness by adopting policies aimed at attracting high-skilled workers. Migration could also be linked to Europe's need to contain or revert a trajectory of demographic decline;
- Work towards changing the narrative about migration, which is currently geared towards rhetoric of suspicion and otherness;
- Promote initiatives aimed at raising awareness in sending countries and transit countries, particularly in North Africa. These initiatives could promote a better understanding of the EU market and EU laws. They could also highlight opportunities and risks of migration to Europe and raise awareness about the increasingly significant phenomenon of human smuggling and trafficking.

5. EU leadership: tasks ahead and the need for greater institutional effectiveness and legitimacy

The Italian Presidency will also provide an opportunity to review, reaffirm, and possibly re-found EU Leadership. The Italian Presidency will take place at a time of institutional and political transition. Major leadership posts in EU institutions will be decided in the course of 2014. The elections for the European Parliament in May will express new popular orientations, thereby influencing the development of European democracy and of EU leadership.



Pier Carlo Padoan

Current polls show that Eurosceptics will receive around 20-30% of the votes. In order to respond to populist tendencies and anti-European attitudes, leadership has to be revived at the EU level. In a post-election context, centrist politicians should admit failures in previous EU policies and develop new narratives stressing the

benefits of European integration. Furthermore, they should prompt Eurosceptics to take responsibility, rather than excluding them from policy-making.

The discussed focused inter alia on the role associated with the next Commission and its president. Concerns were voiced regarding the simultaneous politicisation of the Commission and its growing monitoring powers in financial matters. The EU needs a strong and impartial executive, capable of coping with the economic crisis and of persuading EU member states to accept the logic of burden-sharing.



Michele Valensise (left), Sandro Gozi (centre), Gianni Bonvicini (right)

Finally, the debate touched upon the United Kingdom's intention of renegotiating the terms of its EU membership. According to the panellists, Britain may become detached from core EU principles, such as the freedom of movement and the promotion of fundamental rights.

Hence, the main **recommendations** for the EU and the Italian presidency in this area were:

- Involve more closely the European Parliament in the agenda setting of future rotating EU presidencies;
- Support the appointment and work of a strong Commission, capable of coping with current internal and external challenges confronting the Union;
- Encourage member states to accept the logic of burden-sharing;
- Attempt to persuade the British government and citizens to remain loyal to the EU's core principles by highlighting the benefits of European integration;
- Admit failures and problems in current EU policies and institutional framework and develop new narratives advocating European integration;
- Encourage the inclusion of Eurosceptical parties and MEPs in the process of EU decision-making;
- Contain anti-European movements voicing concerns on the costs and abuses of governments by tackling corruption, which accounts for around 120 billion euros per year at Union level;
- Emphasize the critical role that national parliaments can play in supporting European integration;
- Adopt a forward-looking perspective on institutional reform and, in cooperation with the European Parliament, undertake preparatory work for a new European Convention for treaty reform.

Annex. TEPSA Pre-Presidency Conference Programme

Rome, 24-25 March 2014, Italian Ministry of Foreign Affairs

Monday, 24 March 2014

Opening Session

Chair **Ferdinando Nelli Feroci**, President, Istituto Affari Internazionali (IAI), Rome

Introduction

Jaap de Zwaan, Secretary General, TEPSA, and Professor of European Union Law, Erasmus University Rotterdam and The Hague University of Applied Sciences

Lucio Battistotti, Director, European Commission, Representation in Italy, Rome

Thomas Suermann, Project Manager, Fritz Thyssen Foundation, Cologne

TEPSA Priorities

Fabrizio Tassinari, Senior Researcher and Head of Unit for Foreign Policy and EU Studies, Danish Institute for International Studies (DIIS), Copenhagen

The Italian Priorities

Speech by **Lapo Pistelli**, Italian Deputy Minister of Foreign Affairs

First Session

Towards a Better Economic Governance: How to Improve the Eurozone Stability and Resilience and How to Stimulate Growth and Employment

Chair **Paolo Guerrieri**, Member of the Italian Senate, and Professor of International Economics, University of Rome Sapienza

Ignazio Angeloni, Member of the Supervisory Board, European Central Bank (ECB), Frankfurt am Main

Fabrizio Saccomanni, former Italian Minister of Economy, Rome

Iain Begg, Member of TEPSA Board, and Professorial Research Fellow, European Institute, London School of Economics and Political Science

Second Session

European Common Foreign, Security and Defence Policy in the Post December 2013 European Council: Some Practical Steps Ahead

Chair **Vincenzo Camporini**, Vice President, Istituto Affari Internazionali (IAI), Rome

Sandro De Bernardin, Director General for Political and Security Affairs, Italian Ministry of Foreign Affairs, Rome

Hanna Ojanen, Member of TEPSA Board, and Jean Monnet Professor, University of Tampere

Antonio Missiroli, Director, EU-ISS, Paris

Dinner

Guest Speaker: **Pier Carlo Padoan**, Italian Minister of Economy, Rome

Tuesday, 25 March 2014

Third Session

Towards a More Effective EU Immigration Policy

Chair **Flavio Brugnoli**, Director, Centro Studi sul Federalismo (CSF), Turin

Laurent Muschel, Director for Migration and Asylum, DG Home Affairs, European Commission, Brussels

Ferruccio Pastore, Director, FIERI, Turin

Jörg Monar, TEPSA, and Rector, College of Europe, Bruges

Fourth Session

What Do We Expect from the New EU Leadership: Tasks Ahead and the Need for a Greater Institutional Effectiveness and Legitimacy

Chair **Gunilla Herolf**, Member of TEPSA Board, and Vice President, Royal Swedish Academy of War Sciences, Stockholm

Roberto Gualtieri, Member of the European Parliament, Brussels

Brigid Laffan, Director and Professor, Robert Schuman Centre for Advanced Studies, European University Institute (EUI), Florence

Andrew Duff, TEPSA, and Member of the European Parliament, Brussels

Closing Session

Towards a Political Union? Scenarios and Policy Options for the Future

Chair **Gianni Bonvicini**, Executive Vice President, Istituto Affari Internazionali (IAI), Rome

Sandro Gozi, Undersecretary of State to the Italian Prime Minister's office, Rome

Michele Valensise, Secretary General, Italian Ministry of Foreign Affairs, Rome

Wolfgang Wessels, Chairperson of the TEPSA Board, and Jean Monnet Chair for Political Science, University of Cologne

Istituto Affari Internazionali (IAI)

Founded by Altiero Spinelli in 1965, does research in the fields of foreign policy, political economy and international security. A non-profit organisation, the IAI aims to further and disseminate knowledge through research studies, conferences and publications. To that end, it cooperates with other research institutes, universities and foundations in Italy and abroad and is a member of various international networks. More specifically, the main research sectors are: European institutions and policies; Italian foreign policy; trends in the global economy and internationalisation processes in Italy; the Mediterranean and the Middle East; defence economy and policy; and transatlantic relations. The IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*AffariInternazionali*), two series of research papers (*Quaderni IAI* and *IAI Research Papers*) and other papers' series related to IAI research projects.

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- 14 | 04 Eleonora Poli e Lorenzo Vai; Nicoletta Pirozzi (a cura di), *Quanto conta il Parlamento europeo per l'Italia? Un'analisi del dibattito parlamentare e pubblico tra il 2009 e il 2014*
- 14 | 03 Loukas Tsoukalis, *Exit strategy dallo stato confusionale europeo*
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- 13 | 11 Agnes Nicolescu, *Eastern Partnership Roadmap 2012-2013 and the European Enlargement Strategy: Main Challenges to the Conditionality and Differentiated Integration Principles*
- 13 | 10 Anita Şek, *EEAS Audit in the Eastern Neighbourhood: To What Extent Have the New Treaty Provisions Delivered?*