Italian Euroscepticism and the COVID-19 Pandemic: Survey Insights

by Olimpia Fontana

The survey "Italians and the European Union" provides some interesting insights on how Italians view their country's relations with the EU. The main point that emerges from a comparison between data collected in two different surveys – a first conducted during the initial outbreak of the pandemic in April 2020[1] and a second between late October and early November 2020[2] – is an increase Italian popular appreciation for the EU, although this change is not particularly robust.

Even if it is good news that 56 per cent of the interviewees wanted to "remain" in the EU in the Fall 2020 survey (in April 2020 it was 44 per cent), this percentage must be put into perspective. It should be noted that an absolute majority (55 per cent) of the sample, without going so far as to question Italy's EU membership, still considered EU support to Italy during the COVID-19 crisis as "inadequate", while a high plurality (49 per cent) believed that Italy was being treated "unfairly" by the EU and other member states, for example in terms of budgetary policy.

In early 2020, at the beginning of the pandemic, this opinion was shared by three quarters of the population. Although the results of April may be understandable, the fact that a sense of inadequacy and injustice with regards to the EU's handling of the crisis still persisted in Italy a full seven months since the first poll had been conducted is quite telling.

Italy was the first European country to be hard hit by COVID-19 and is among the countries that have suffered the most serious economic consequences from the pandemic. In March, the reaction by the European

[1] DISPOC/LAPS and IAI, *Gli italiani e la politica estera 2020*, Rome, IAI, June 2020, https://www.iai.it/en/node/11775.

[2] DISPOC/LAPS and IAI, *Gli italiani e l'Unione europea. Autunno 2020*, Rome, IAI, November 2020, https://www.iai.it/en/node/12406.

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Commission was rather modest, with the implementation of the Coronavirus Response Investment Initiative worth 37 billion euro made available through a reshuffling of unused cohesion policy funds from the EU budget. This measure was considered insufficient by many experts and was criticised for not involving a mutualisation of risks, while the situation was also worsening in other member states.

Moreover, the statement in March 2020 by Christine Lagarde, the new European Central Bank (ECB) president, that "we are not here to close spreads" as far as sovereign debt markets are concerned,[3] added to the feeling of abandonment by EU institutions in Italy and other highly indebted countries in Europe. Indeed, the contrast with the statement by Lagarde's predecessor Mario Draghi, who had promised to do "whatever it takes to preserve the euro" in 2012 could not be more evident, underscoring the importance of words in preserving financial market stability in the Eurozone.

Acknowledging the misstep, the ECB subsequently corrected its pitch, unveiling the Pandemic Emergency Purchase Program (PEPP) on 18 March 2020, a 750 billion euro public and private sector asset purchase programme aimed at supporting struggling economies in Europe to handle the economic impact of COVID-19.

The way the EU reacted to the early phases of the pandemic had an important impact on Italian perceptions of the EU's handling of the crisis. Although COVID-19 is an unprecedented symmetrical and exogenous crisis, significantly different from the 2008 financial crisis, the old contrast between "frugal" and fiscally conservative countries, willing to show solidarity mostly in the form of loans through the European Stability Mechanism (ESM) adjustment programme, and "profligate" countries, which call for mutualisation of risks and a relaxation of fiscal rules, resurfaced during the early months of the crisis.

Indeed, early in the crisis, Italy, together with other eight member states, quickly focused on the need to issue so-called "coronabonds",[4] a common debt instrument issued by a European institution to raise funds on the market for hard hit member states.

The debate significantly hampered the EU's response to the crisis, delaying reaction times in Brussels. This, in turn, influenced perceptions in Italy, as many feared that a new era of austerity and structural reforms would commence, leading to a spike in anti-EU sentiments and dissatisfaction, as also recorded in the April 2020 poll.

What is surprising is the fact that these perceptions were still present in Italy in October, despite the fact that the EU had significantly stepped up its action

[3] Christine Lagarde and Luis de Guindos, *Introductory Statement. Press Conference*, Frankfurt am Main, 12 March 2020, https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312~f857a21b6c.en.html.

[4] Letter to Charles Michel, President of the European Council, by nine eurozone countries, 25 March 2020, http://www.governo.it/sites/new.governo.it/files/letter_michel_20200325_eng.pdf.

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to support national economies, with particular attention to the needs of Italy.

The survey's data shows, however, that those who considered the EU's action inadequate come mainly from the right-wing and anti-migrant League party, a traditional Eurosceptic party, and other right and centre-right parties. A large portion (79 per cent) of the respondents who identified as League party voters believed the EU's action to be inadequate in the October 2020 poll. Conversely, strong approval for the EU's action was recorded among the left-leaning electorate (76 per cent), led by the centre-left Democratic Party (*Partito Democratico* – PD), which presently sits in government.

Survey results also reveal an interesting divergence of opinions among left- and right-wing electorates on the two main EU instruments to confront the crisis, namely the new European Stability Mechanism (ESM) COVID-19 loan programme and the Next Generation EU (NGEU) plan attached to the Multiannual Financial Framework 2021–2027.

As far as the ESM is concerned, the discussion in Italy on the possibility of requesting the Enhanced Conditions Credit Line made available for the COVID-19 crisis (Pandemic Crisis Support) has been very lively.[5] As the Eurogroup said, "the only requirement to access the credit line will be that euro area Member States requesting support would commit to use this credit line to support domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis".[6]

This new temporary instrument within the ESM, made possible also thanks to the contribution of the Italian government during difficult European negotiations, is very appealing for a country with a health sector that is under severe pressure due to the pandemic and years of declining public investment, not to mention the problem of Italy's high public debt (close to 160 per cent of GDP at the end of 2020).

Nevertheless, concerns coming mainly from the second governing coalition party, the 5 Star Movement (*Movimento 5 Stelle* – M5S), that signing a contractual agreement with the ESM would be the prelude to a macroeconomic adjustment programme involving austerity measures – as seen during the sovereign debt crisis – are preventing the government from resorting to the ESM.

Survey results differ significantly from the official positions expressed by political parties with regards to the ESM. A cross-section of society spanning both the right- and left-wing electorate is in favour of resorting to the ESM Pandemic Crisis Support, ranging from high support from the PD electorate (84 per cent) to the medium support from League voters (54 per cent). Conversely, only the M5S and centre-right Brothers of Italy (*Fratelli d'Italia* – FdI) voters are

[5] Paolo Guerrieri, "I fondi del MES sono un'occasione importante e non rinviabile per l'Italia", in *Europea*, 24 November 2020, https://euractiv.it/?p=16755.

[6] Eurogroup Statement on the Pandemic Crisis Support, 8 May 2020, https://europa.eu/!HF67wJ.

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opposed to the ESM (49 per cent and 47 per cent respectively), but not in high numbers.

Indeed, increasing financial support for the Italian healthcare system is a priority for Italians, as also demonstrated by responses on the use of European funds. When asked about the use of European funds which Italy would receive from the "Recovery Fund" (Recovery and Resilience Facility – RRF, the main component of the NGEU), the absolute majority across political parties opted for the health sector. This consensus would seem to justify an Italian request for the ESM pandemic funding, albeit the issue remains politically sensitive.

The second most favoured use of European funds is tax reduction. While no doubt legitimate, the demand must be put into perspective with what the RRF really foresees. When requesting RRF funds, member states should present a recovery and resilience plan (in Italy National Recovery and Resilience Plan – NRRP), outlining the national investment and reform agenda. This plan should be both in line with the EU policy agenda and address national economic challenges, as already indicated in the Commission's country-specific recommendations issued in the context of the European Semester.

The Commission has been very clear in its guidelines for the RRF in encouraging member states to address three specific areas: climate transition (clean technologies and renewable energy, energy efficiency of buildings, smart transport); digital transformation (broadband services, digitisation of public administration and services, European industrial data cloud capacities); and social issues (education in support of digital skills and educational and vocational training at all ages).

With regards to country-specific recommendations, the Commission invites Italy to take two specific measures, among others: (i) strengthen the resilience and capacity of the health system, in the areas of health workers, critical medical products and infrastructure,[7] (ii) shift the tax burden away from work and contrast tax evasion.[8]

Therefore, support for the healthcare system and a reduction of tax evasion and the tax burden on the labour market would be highly appreciated by the EU, although the NRRP should mainly focus on other sectors, closely linked to the EU's carbon neutral growth strategy (i.e. the European Green Deal), with minimum thresholds of 20 per cent for digital innovation and 37 per cent for the green transition.

These expenditure lines are only partially consistent with the results of the survey when it comes to priority

[7] European Commission, *Recommendation for a Council Recommendation on the 2020 National Reform Programme of Italy and delivering a Council opinion on the 2020 Stability Programme of Italy* (COM/2020/512), 20 May 2020, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0512.

[8] European Commission, *Recommendation for a Council Recommendation on the 2019 National Reform Programme of Italy and delivering a Council opinion on the 2019 Stability Programme of Italy* (COM/2019/512), 5 June 2019, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0512.

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areas for the future: while the green economy and sustainable transport are considered a priority by 36 per cent of respondents, digital infrastructure is only mentioned by 12 per cent.

As far as the desired tax reduction is concerned, the way the NGEU will be financed could allow to shift the fiscal burden from labour income to other sectors. In fact, the Commission and the European Parliament have made a sensible proposal (not included in the survey and surprisingly not receiving much attention in Italian debates thus far): to repay the large amount of common European debt issued on the market to finance the two programmes linked to the COVID-19 crisis (SURE and NGEU, 850 billion euro in total) through the gradual introduction of new genuine European resources, instead of contributions coming from individual national coffers.

The means proposed to raise these resources are taxes in those areas where negative externalities arise, for example in the environment sector (plastic tax and carbon border adjustment) and fiscal avoidance behaviour by digital companies (digital tax). Revenues from these levies, which are considered efficient from a social welfare perspective, would flow to the EU budget and be used to repay the Recovery Fund in the medium term. This could allow to reduce national contributions providing some fiscal room that could allow an easing of tax burden on labour income.

In conclusion, while it is true that Italexit is becoming less attractive, the narrative of Europe's inadequate response to Italian needs and the alleged unfair treatment suffered by Italy could increase in the future if national expectations deviate too much from the long-term political agenda of the EU and its instruments.

In view of the significant support (and trust) the EU is providing the Italian economy, Italy is expected to do its part, using the available funds efficiently and in the right direction. When presenting the National plan, Italian and European priorities will have to converge and find a balance, also to avoid delays in the disbursement of funds that may occur in the event of serious deviations from a satisfactory fulfilment of Commission guidelines. All this at a time when the economic challenges caused by the pandemic are likely to add to Italy's long-standing problems, with the risk that climate and digital challenges will be overshadowed.

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