

Brexit and the EU27—a view from Italy

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Public Law analysis: With the EU institutions and the EU27 Member States assessing the potential fallout from Brexit, this series continues our exploration of the effect of the UK's exit from the EU on different jurisdictions across Europe. With its own Eurosceptic troubles to manage, Italy now sees on the one hand a domino-effect in the event of a favourable UK exit from the EU, and on the other the possibility of a cautionary tale that prompts remaining EU members towards ever closer union. Eleonora Poli, a researcher with the Institute of International Affairs (IAI) in Rome, outlines an Italian view on the UK referendum.

What could Brexit mean for Italy and how could the relationship with the UK change?

According to poll data, Italians appeared to be among the most sympathetic (26%) amid Western Europeans towards the British decision to leave the EU. Yet, they were also concerned (17%) and saddened (14%) by the British opt out. Only 9% of the citizens were indifferent to such a decision. On the one hand, such a level of sympathy can be explained by anti-European sentiments registered in the last years. Although this trend is reversing, still 44% of Italians do not trust the EU. Moreover, the eurocritic 5 Star Movement, which is advocating for a referendum on the euro, is the second most important party in the Italian Parliament. On the other hand, with a high number of Italians living and working in the UK, citizens are concerned by the future of their compatriots. Besides 36% of Italians still trust the EU, and are concerned by the effect of the British opt out on the future of the European project.

However, the perception of Italians about the UK in general, well beyond the issue of Brexit, is positive. Italians have long been considering the UK as a more effective and alternative political, economic and social model than France and Germany. Yet, such a perception might change according to the impact of Brexit on British society. An alleged rise of racism among Britons, political turmoil and economic struggle will definitely challenge such a positive view.

Reaction to Brexit:

	Understand the reasons behind British decision (%)	Do not understand the reasons behind British decision (%)	Indifferent (%)	Concerned by the British decision (%)	Enthusiasm (%)	Sadness (%)	Anger (%)
Italians	26	18	9	17	9	14	7

Future of British economy:

	British economy will be weaker outside the EU (%)	British economy will be stronger outside the EU (%)	No impact (%)
Italians	46	27	27

Data source: Ifop, Feps and Fondation Jean Jaurès, July 2016.

What are the priority issues in the Brexit negotiations from Italy's point of view and why? Why are they so significant?

Before the EU referendum, Prime Minister Renzi was eager to accept some of the British requests for a reformed relationship with the EU. In particular the need to cut red tape, foster competitiveness and reduce Brussels bureaucracy. Moreover, Italy has always found a valuable ally in the UK; counterbalancing the Franco-German tandem as natural leader in the EU's main policies. Despite this, Italy is europhile and extremely committed to fostering the European integration project.

From an Italian point of view, the EU should develop towards a model of concentric circles, which would allow countries wishing to achieve greater political and economic integration to do so, without being blocked by more skeptical Member States. The latter would remain bound to the EU by the single market and the existing *acquis communautaire*, but they would not have to accept further institutional assimilation. In this respect, when it comes to the exit negotiations, the Italian Government will act according to its national interests as well as those of the EU.

Within this frame, the Italian Government seems little inclined to provide the UK access to the European single market without the preservation of the so-called four freedoms, including the freedom for EU citizens to reside and work in the UK. The main objection is that providing the UK with a more special status than its previous one would result in a profound loss of credibility for the EU institutions and in a possible domino effect, making the exit deal a valuable option in the eyes of Italian citizens.

Aside from Brexit, what are the key domestic priorities in Italy? How might Brexit impact on this?

Italy is facing slow economic growth (+0.8% in 2015), high levels of unemployment (11.9%), an on-going migration crisis, as well as internal political turmoil. On 4 December 2016, Italy will hold a referendum on constitutional reform but the referendum is becoming more of a vote of legitimacy for the current government. According to opinion surveys, more than 50% of Italians seem willing to vote against it. If the referendum fails to reach the quorum or the outcome is against the reforms proposed by the government, Prime Minister Matteo Renzi will arguably lose political legitimacy and could resign. Even if President Mattarella did not accept his resignation, still the Prime Minister would have limited room for political manoeuvring in a time when Italy is in desperate need of reforms. In the case of new elections and possible victory of the 5 Star Movement, Italian negotiating stances on Brexit should not change substantially, however, the party could adopt a more lenient approach towards the UK.

What are likely to be the key challenges with the negotiations?

Prime Minister Theresa May seems willing to adopt a hard Brexit. Within this frame, there will arguably not be much space for negotiating a convenient deal both for the UK and EU27. In this scenario it would be politically more convenient for the EU to adopt a strict approach towards the UK as a way to discourage a domino effect in other EU Member States.

What form of relationship and type of trade model is Italy likely to favour in the future? Will they prefer 'hard' or 'soft' Brexit?

Italy would prefer a soft Brexit, which will allow the UK to access to the single market, but also to accept free movement and EU regulations without being able to block any European decision. Soft Brexit will allow Italy to maintain good trade relations with Britain. To date, Italy is the UK's eight largest supplier and Italian exports have increased by 42.9% in 2016. Moreover, without the UK to block the integration process, the EU could move forward to an 'ever-closer union' with a common European asylum and migration policy as well as a completed banking union. Hard Brexit might instead undermine trade relations with Italy, which could only be regulated, at least initially, on World Trade Organization rules. Despite this, hard Brexit could be politically more convenient. If the UK economy struggles outside the European single market, the well-feared domino effect might vanish, as others will realize that membership to the EU is convenient as it serves better their purpose of welfare.

Are there any other developments on the horizon, which could have an impact on Brexit from your perspective?

Generally, both internal and external factors could impact Brexit. On the one hand, the UK Supreme Court's ruling on the opportunity of the UK Parliament to have a say on the government decision to trigger Article 50 TEU might prolong the British exit process. On the other hand, France and Germany will face elections next year. The improbable but still possible victory (or good electoral performance) of Eurosceptic parties such as Front National or Alternative for Germany, which supported and welcomed Brexit, might well change national approaches in dealing with the UK exit-deal, reshuffling European Member State stances as well.

Interviewed by Julian Sayer.

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