

FIVE BULLETS ON ITALY'S ISOLATION IN EUROPE

Carlo Bastasin

- Italy is suffering from isolation in the European Union and the euro area. This goes far beyond anecdotal evidence of Prime Minister Matteo Renzi taking part or not taking part in restricted meetings held by other heads of government. In fact, Italy's isolation has less to do with the somewhat subordinated position of its government in the hypothetical European hierarchy and more to do with a misalignment in the priorities pursued by each national government.
- In actual fact, Italy and Greece's concerns about the state of their economy are not generally shared by most other countries. In 2015-2016, unemployment has continued to decline both in the EU as a whole and in the euro area. This year, the unemployment rate fell below the 9% threshold in the EU28 for the first time since 2009 (clocking in at 8.7%, a 0.9% decline from 9.6% in April 2015).
- Migration and terrorism very clearly top EU-level concerns. Close to half of polled Europeans see immigration as one of the two most important issues facing the EU (48%); however, Eurobarometer notes that immigration has lost 10 percentage points since autumn 2015, after a 20-point increase between spring and autumn 2015. This is the first time that mentions of immigration declined since spring 2013. Also, according to Eurobarometer, 39% of Europeans consider terrorism the second-most important concern. The “economic situation” (19%, -2) comes in at third place. Since spring 2012, mentions of the economic situation have continuously decreased (-40, down from 59% in autumn 2011).
- Italy has tried to link the two strategic issues—migration and terrorism—to the economy by proposing a bargain: it will take more responsibility in the management of migration flows in exchange for being allowed to expand public expenditure more freely. The

Carlo Bastasin is senior fellow at the LUISS School of European Political Economy and a nonresident senior fellow in the Foreign Policy program at The Brookings Institution. As an economist and editorialist, his work focuses on European political and economic analysis.

proposal was not well designed and did not fly. While strategic issues are considered supranational by most member states, economic issues are mostly considered a national responsibility.

- Italy needs to refocus its economic priorities according to what is national and what is European. General stability conditions are European, including Banking Union, the correction of major macroeconomic imbalances, and the smooth functioning of ECB stabilization policies. Other economic policies, i.e., deficit control, improving the quality of public expenditure, and structural reforms are a national responsibility and not subordinate to European bargaining.

