

German Views on the Italian Role in the EU

Seminar on Italy and Germany and the Challenges of European Integration
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Overview:

1. Italy as a strategic partner in European integration
2. Italy as a member of the Eurozone
3. German views on Italy in the Berlusconi era
4. Italy as the current holder of the Presidency of the EU
5. Conclusions

1. Italy as a strategic partner in European integration (I):

- Genscher-Colombo initiative for the Single European Act (1981)
- Kinkel-Agnelli initiative for the enhanced use of majority decision-making in EU legislation (1995)
- Schröder-D'Alema initiative for the solution of the Kurdish conflict (1998)
- Initiative for the introduction of enhanced cooperation in ESDP (2001)
- Initiative for the establishment of the European Convention (2001)
- The EU-UN Cooperation in Crisis Management and Peace Operations (2014)

1. Italy as a strategic partner in European integration (II):

“The German government traditionally considers Italy as an extraordinary grateful partner. Italy asks Europe for nothing special, Italy rarely demands anything, and whenever the German government considers it necessary to start an initiative in Brussels, Italy normally gladly participates. However, it hardly produces any results.”

*Alois Berger, Correspondent of Deutschlandfunk, 28.01.2008
(own translation)*

2. Italy as a member of the Eurozone (I):

- Italy as the focal point of an ideological dispute in Germany in the 1990s: the conjurers of fiscal stability (Waigel, Tietmeyer) vs. the proponents of a “political” monetary union (Schmidt, Kohl).
- German government denied stability risks of the EMU during hearings at the Federal Constitutional Court in 1998 although internal memoranda confirm that Kohl’s economic advisors made very clear that even a slight interest rate increase would cause considerable budgetary problems in Italy.
- It is often referred to the opposition of the *Bundesbank* against Italy’s participation in the Euro, however, there was also a clear understanding of the economic risks for Germany if Italy would stay outside.

2. Italy as a member of the Eurozone (II):

“In the 1992-3 turbulences, the devaluation of the Italian lira by more than 30 per cent against the D-Mark had changed competitive positions in bilateral trade at a stroke, leading to serious discussion at national level on the need to take countermeasures. There was an increasing risk that the next exchange rate crisis might jeopardise major achievements of economic integration such as the free movement of goods, services and capital.”

Issing, Ottmar (2008): The Birth of the Euro, Cambridge University Press, p. 8.

2. Italy as a member of the Eurozone (III):

- Italy: too big to fail
- Eurobonds as the German government's red line, but many measures supported against domestic public opinion and resistance from ruling party and the Bundesbank:
 - Endorsement of Mario Draghi as ECB president (anticipating that he would be able to force Italy and others to implement structural reforms)
 - Compromise on the EBU after the "Letta ultimatum" (showing that Italy had already overtaken the interest representation of the European crisis countries from France)
 - Flexible budget rules in exchange for structural reforms. Renzi gets what Germany denied Hollande two years ago.

3. German views on Italy in the Berlusconi era:

- Under Berlusconi, German-Italian relations were characterized by increasing atmospheric disturbances and conflicts of interest.
- Italian “activism” against Germany’s intention to obtain a permanent seat in the UN Security Council
- Berlusconi’s accusation of Germany as a hegemonial state that dictates European countries the rules of austerity, etc.
- In return, the German government was blind to many European policy decisions of the Italian side:
 - The refusal of the introduction of a common European arrest warrant
 - Italy’s “special relations” with Libya
 - The flip-flopping of Berlusconi between Europe and the U.S. in the Iraq crisis
 - The fiasco of the Italian EU Presidency in 2003

4. Italy as the current holder of the Presidency of the EU:

- German-Italian “re-alignment” in the face of the French crisis?
- Merkel’s support for the Renzi reforms despite criticism from her own party and the Bundesbank on Italy’s attempt to flexibilize the rules of the Stability and Growth Pact
- Germany’s strategic interest in a success of a strong political leader in Southern Europe (esp. after the results of the EP elections in Italy)
- The Italian “success stories”: the inauguration of the new European Commission; Europe’s unity against Russia in the Ukraine crisis.

5. Conclusions

1. As a strategic partner for Germany, Italy always was in the shadow of France. Apart from the Genscher-Colombo case, none of the German-Italian initiatives had a significant impact on European integration.
2. The French dilemma, however, prompts a strategic question for Germany about the future problem-solving capacities of the Franco-German axis.
3. Currently, Italy seems to be better equipped to represent the European South vis-à-vis the German-led austerity bloc.
4. Germany could even face a bigger strategic challenge in the near future if Britain should step out of the Union.
5. When Renzi met Merkel in March 2014, the Italian PM declared before flying to Berlin that he wanted Italy, not Germany, to lead Europe for the next 20 years (The Economist, March 22, 2014, p. 39). This might be a bit too optimistic, but even the German government certainly would welcome a stronger role of the country in Europe along with France and Germany..