



**International
Relations
Multidisciplinary
Doctoral Program**

COLLECTION OF THESIS

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National Interests in the EU

**Experiences of Italy's European Policy
With Special Regard to its Role in the European Economic Governance**

Ph.D. dissertation

Consultant:

Dr. László Kiss J.
DSc., University Professor

2012, Budapest

Institute of International Studies

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1. Introduction

I started my studies at the International Relations Doctoral Program of the Budapest Corvinus University in 2005. My researches concentrated on the topics of national interest representation in the EU and the relation between national and EU interests.

In 2008 and 2009 I took part at the research project of the Hungarian Academy of Sciences titled „Promotion of Governmental, Economic and Civil Interests in the EU”.

Due to personal experiences in loco, I have become increasingly interested in the special aspects of the Italian EU-policy and national interests from 2009 and on, therefore I decided to put more emphasis on these issues in my researches.

This doctoral thesis analyses the literature on European integration in a critical manner, in order to explore the relation between national and European (common) interests, their relevance in the integration process. I try to explain the constantly intensifying tendency of the weakening of the EU’s supranational nature and the strengthening of the intergovernmental logic when it comes to shaping the European sectoral policies.

Because of the extensive manner of the topic I decided to analyse the promotion of national interests in the EU dedicating special emphasis to one of the most important common policies regarding the future of European integration, namely the Economic and Monetary Union (EMU), focusing on the reform of the European economic governance.

Considering the still ongoing economic crisis management it is highly opportune to explore this topic in general, and the participation of Italy in the debates regarding the reform of the European economic governance in particular.

The Italy-centric focus of this research is justified since Italy is one of the key figures in the solution of the Eurozone crisis. As a consequence, it is useful to give a detailed overview on the validity of Italian efforts, on the method of their representation on the European level and on the materialized continuing clashes of national interests concerning this subject.

Through the analytical work regarding the EU-policy of Italy I intend to widen the range of studies in this field in Hungarian language. Despite of the existing strong commercial relation and similar interests that connect the two countries, the exploration of Italian foreign policy processes is rather under-presented in the Hungarian literature.

Moreover, the financial-economic motivated examination of the “European pillar” as the most important element of Italian foreign policy is largely neglected by analysts. However, highlighting the importance of the “Italy factor” is essential to comprehend the basis and movements of the still largely unresolved European sovereign debt crisis and to outline the possible solutions.

1.1. National interests and the EU

An evergreen topic of the European intergrational process is how the membership in the European Union affects, and the meaning it gives to the nation, the nation state, the national interest, and the promotion of the latter element.

EU membership offers the possibility of a more efficient promotion of national interests for the Member States. However, in terms of success of this interest representation the general framework and character of the European integration is not at all irrelevant. The literature tends to identify the so- called community method as offering bigger opportunities for smaller Member States, while the intergovernmental method as favoring the big ones.

In the first part of my dissertation, I attempted to summarise the most important theories of European integration, namely:

- the political concept of *Federalism* intending to create a supranational State;¹
- *Transactionalism* (K. Deutsch) which considers the integration as a security community and as a result of political and social cohesion, moreover, the existing of an adequate system of institutions;²
- The *Functionalists* (Mitrany, Nowak, Sullivan) postulated open and flexible supranational institutions aiming at satisfying human needs;³
- The *Neofunctionalist* (Haas, Lindberg) point of view stressed the importance of regional integrations as supranational polities achieved by spill-over effects, at the same time turned down global forms of integration;⁴
- The *Institutionalist* approach (Robson, Bulmer, Jones, Wallace) to the study of politics focused on formal institutions of government as forms of politics-centered cooperation;

¹ Spinelli [1972], 68.

² Deutsch et al. [1957], 5.

³ Mitrany [1966], 70.

⁴ Haas [1963], 69

- The *Intergovernmentalism* (S. Hoffman) as a realist-neorealist rooted approach stressed the central role of national governments and national interests in shaping European integration, rejecting the equality of community institutions to governments;⁵
- *Liberal intergovernmentalism* (A. Moravcsik) is a border-land of liberal theory of formulating national preferences and that of intergovernmentalism, intending the Union as a regime which makes intergovernmental bargaining more efficient;⁶
- The theory of *Interdependence* (after Robert O. Keohane and Joseph Nye) considers States as important, but not the only actors in a diffuse-type world order – regional integration is a form of reevaluating national interests;⁷
- The theory of *Multi-Level Governance* (Lindberg, Scheingold) declines the mere intergovernmental nature of the EU and expresses the idea of fully integrating local and regional authority;
- *New institutionalism* understood institutions as part and influenced by the broader environment and in a more inclusive way: formal and informal institutions, norms, values, symbols also make part of it. The institutional configurations create an adequate environment for positive sum games.⁸

To sum up, the general interpretation framework of European integration theories is defined by two main paradigms, according to the scholars' preferences in the directions and main actors of integration. The intergovernmental approach means the retention of the control over integration by national governments. In contrast the supranational approach, the "Community method" emphasizes the predominant role of supranational institutions.

Among the Hungarian authors dealing with the lobbying of Member States we have to mention the work of Ádám Kéglér, which consists in modeling the ability of Member States for national interest representation in a numeric form, by the so-called interest representation index that includes several material and political factors.⁹

⁵ Hoffmann [1995], 5., Rosamond [2000], 75., Mearsheimer [1990], 47., Waltz [1979]

⁶ Moravcsik [1991], 75., Moravcsik [1993a], 483.

⁷ Rosamond [2000], 94-95.

⁸ Jones [2001], 50., Thelen - Steinmo [1992], 7., Ikenberry [1988], 226.

⁹ Kéglér [2006]

1.2. Hypotheses of the dissertation

After studying the above mentioned theoretical schools I find that Intergovernmentalism, Liberal intergovernmentalism, Institutionalism and New institutionalism are the most appropriate ones to choose as starting points of my discussions.

At the same time, it is important to stress a common weakness of these paradigms, namely the tendency of ignoring the social factor. I intend to base my analysis on this factor in a more extended manner, and I consider identity the most important one of social aspects when it comes to explaining the actual state of the integration and tracing out the opportunities/limits of its further development. In my opinion, the social support to European integration is mainly a question of identity, which determines national interests, therefore the possibilities for driving bargains in the EU, as well.

The integration process in its present form cannot create a European identity necessary for a real European unification, it is only the “output” and practical results of EU-policies that can strengthen the attachment of citizens to integration. From this problem we deduce the following hypothesis:

- *The European integration can go forward only corresponding to national interests and its extent and depth depends on the needs of Member States’ societies.*

My research examines the background of the European policy of Italy, its development and results. The analysis of Italy’s EU-policy is an interesting challenge, since its status of “middle power” in the European hierarchy results in an unclear position between the classical Community and intergovernmental, apparently controversial “method”. Italy’s foreign policy efforts therefore compound these two strategies, whilst according to the precedent, the community method is prevalent.

The analysis of the traditions, general geopolitical framework, modifications of Italian integration policy is crucial for the understanding of the country’s aspirations in the individual sectorial policies of the EU.

- *According to my hypothesis, Italy’s preference to the “community method” in pursuing its EU policy can be explained with its clear national interest in the predomination of this method on the EU level.*

As a part of Italy's European interest representation, particular attention is to be turned to a very current issue, namely the background and results of the Italian efforts during the reform of the Economic and Monetary Union (EMU).

When analysing the global reform process of the European economic governance, we must consider the main differences in Member States' pursuits in particular. In doing so, it is essential to recognise the background of relevant positions, especially the "techniques" and peculiarities, furthermore the reasons of the differing levels of success in Italy's interest representation.

Therefore, it is reasonable to raise the following hypotheses:

- *The basic differences between the national interests of Member States are making the resolution of the crisis of the monetary union, one of the most successful policies of the EU, more difficult. Further transfer of national competences to the Community level i.e. in the domain of fiscal policies are conceivable only if the Member States accept this evolution as their own national interest.*
- *The pursuit of intensifying the "community method" traceable in Italian propositions regarding the reform of European economic governance is based on clear national interests determined by domestic attributes.*
- *The arrival to Italy of speculation pressure due to the European sovereign debt crisis is justified only to a very limited extent by the macroeconomic fundamentals of the country. Italy's position and perspectives are – again due to internal attributes - much better than those of the PIGS.*

2. Methodology of the research

The research necessitates a multi-disciplinary approach:

International Political Science deals with the processes of interest representation and with the relations between the States and the European Union, as a unique actor of predominantly economic purpose but containing many political aspects as well. It is also useful to take into consideration the approaches of *Comparative Political Science* when analysing the formulation of interests among political actors (States, institutions).

Attention has to be paid also to the viewpoints of *Sociology*, i.e. national and European identity as central concepts that influence the results, and directions/limits of further development of European integration.

International Law (European Union law in particular) is a basic tool analysing the decision making process in the EU institutions and the legal possibilities of the interest representation of Member States ensured by the Founding Treaties.

Special focus was placed on the approaches of *Economics* and International Finance for exploring the different positions of Member States concerning the possible resolution forms of European crisis and the transformation of European economic governance. In doing so, an important part of this dissertation is a **SWOT-analysis** of the macroeconomic state of Italy, a country that continues to play a central role in the resolution of European sovereign debt crisis. The SWOT-analysis makes the elements of Italian interest representation more apprehensible. From this point of view the dissertation is a novelty, since as of yet the Hungarian literature has not given such a detailed image of the macroeconomic characteristics that determine the action of Italy on the European level so far.

The theoretical literature necessary for the work was processed by *library* (Budapest Corvinus University, Central European University, Library of the Hungarian Parliament) *and internet research*. I made an in-depth research of the history, theoretical basis and drifts of the EU-policy of Italy mainly by consultation of Italian language monographies and databases in Italian libraries (La Sapienza University, Institute of International Affairs – IAI – and the Institute for Studies in International Relations – ISPI). An explicit aim of the dissertation is the extensive and detailed processing of the relevant Italian literature.

To comprehend the Italian EU-policy and its interests that emerged in the Eurozone crisis, the participation at *conferences, roundtable talks* organised by Italian institutes (IAI, ISPI, Euractiv, House of Representatives, Senate, Ministry of Foreign Affairs) proved to be useful as well.

In addition, I had the opportunity to make personal *interviews* with Italian experts, researchers and political actors who possess practical experience on the formulation and evaluation of Italy's EU-policy.

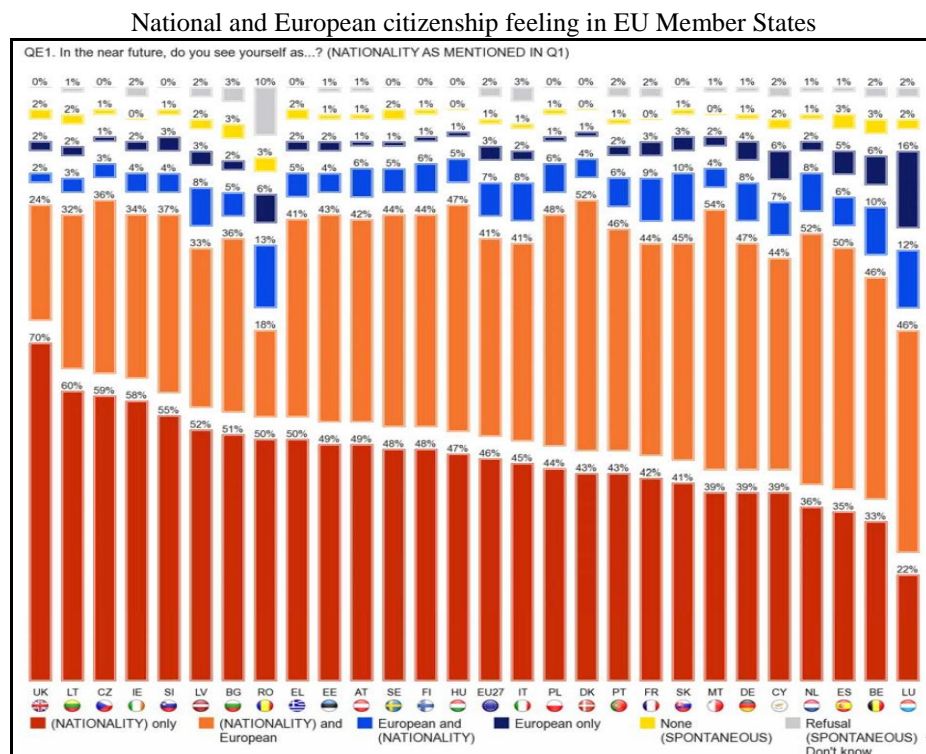
The parts requiring *empirical research, surveys* (i.e. opinion polls on the national and European identity, data necessary for the comprehensive analysis of Italy's economic situation and outlook) are

based on the statistical publications of the EU (Eurostat, Eurobarometer), on library research and publications of the Italian National Bank (Banca d'Italia).

3. Results of the research

3.1. Development of European integration in the light of the limits and incentives of the social factor: the issue of identity

The international and Hungarian literature more or less agrees that although the European integration after World War II has got a political function, the cooperation mainly aimed at the mutually advantageous economic aspects.¹⁰ Nevertheless given the predominantly economic nature of the integration, it was not able to create a European identity or sense of citizenship. An overwhelming majority of European citizens still stand upon the priority of the nation state. This can be proven by exploring the Eurobarometer surveys that deal with European identity. These surveys show that a high (around 90%) percentage of Europeans consider themselves a citizen only or primarily of their nation state.¹¹



European Commission (2010), 115. o.

¹⁰ Palánkai [2005a], 1. o.

¹¹ European Commission (2005), European Commission (2010), 113-115. o.

The maturation of European identity is being obstructed by the so called *democratic deficit* of the EU.¹² As a consequence, it is true that citizens' opinion on the state of democracy in their countries is getting constantly worse, their attitudes concerning European democracy are getting even more negative.¹³

This social fact has been ignored for long but has become evident by the refusal of the Constitutional Treaty at the referenda in France and the Netherlands and contributed to the adoption of a "second best" option, the Lisbon Treaty, which meant the conservation of the mainly intergovernmental nature of the EU.

Of course, it is questionable whether it is worth talking about the establishment of a European political space (i.e. by the total precedence of the European Parliament to the Council or the indirect election of the president of the Commission or/and the Council), if European people in fact do not exist. I do not exclude the idea of the evolution of such a thing in future, but until then the "exaggerated" integration in some realms without any consensus of the societies tends to provoke the diminution of confidence towards the political project of the EU and Community institutions as a whole.

On the other hand, the *missing successes of EU action* in some important policy fields have negative repercussions on the global image of the Union. An excellent example for this is the economic crisis management and the reform process of the EMU that has achieved scarce results so far.

It cannot be ignored that the loss of confidence in the EU as a whole and its institutions has accelerated since the beginning of the European sovereign debt crisis.¹⁴ The risingly unfavourable attitudes to the EU set back also the consensus to the sectorial policies and enhance the claims for the strengthening of national competences. For example, the consensus for the EMU and a common currency, the euro as a part of it reached 67% in 2002 in contrast to an opposition of 25%, while at the moment only 53% of Europeans support the EMU and a historic peak of 40% reject it.¹⁵

As a result of the analysis of these surveys we can conclude that the good functioning – which means: according to the expectations of the citizens – of integration projects (Schengen, EMU, consumer protection, environment protection, regional policy, energy policy) prevails to the creation of a European identity. In doing so, the EU can gain more legitimacy from the citizens. In other

¹² Lakatos (2005), 13-14. o., Vasánszki (2002), 80-81. o.

¹³ European Commission (2012), 47-50. o.

¹⁴ European Commission (2012), 69. o.

¹⁵ European Commission (2012), 78. o.

words, the integration “output”, performance, the practical achievements of EU membership are the most important promoters of the European “case”. Only these successes are able to result in a more extended legitimacy of the EU. If this legitimacy is lacking, the European democracy is predestined to remain deficient despite the existence of Constitutional Treaty/Reform Treaty/Charter of Fundamental Rights/Fiscal Compact.

3.2. Background and features of Italian EU-policy

If we go into the details of the international literature we have the impression that Italy results to be the Member State most supporting the “Community method”.¹⁶

The classical two-pillar foreign policy of Italy (transatlantic relations and European integration) meant first of all the modernisation and economic convergence of the country to international standards in the first decades of the Cold War. Hence, Italy has not been part of those “big” Member States that prevailed at the shaping of the European integration, its European policy has tended to be a “following” one.¹⁷ The „following” nature of the European policy of Italy can be mainly ascribed to the unclear and fragile national identity that resulted from the late evolution of a united Nation State.

It is to be noted also that a large majority of Italian sources considers the European integration, the European policy of Italy from a federalist, supranational standpoint. It is also true that many Italians made an important contribution to the federalist integration theory and movement (Luigi Einaudi, Altiero Spinelli, Ernesto Rossi, Mario Albertini).

This Europeanism and the federalist like approach influencing also the everyday foreign policy action is only partly explained by the identity of Italian society (a higher openness and trust in EU institutions and sectorial policies than the EU average).

The ideal-cultural roots of this attitude go back to the Roman Empire and Christianity (the social influence of the latter cannot be ignored). Aside the idea of Universality, which connect these two phenomena, the lack of Reformation also represented a hindering force in the process of nation building.¹⁸ The late nation building and the destructive nationalist experiences of Fascism contributed to the lower acceptance of the mere concept of national identity among Italian people.¹⁹

¹⁶ Horváth J. (2005), 226-264. o.

¹⁷ Andreides (2005), Molnár (2009), Molnár (2011)

¹⁸ Padoa Schioppa, T. (2001), 88-89. o.

¹⁹ Ragusa, M (2011), 10. o.

The uncritical acceptance of European integration by Italy is being interpreted also by the importance of *historical reasons* as well. In a broader context of the Cold War, the role as an equal founding Member State of the European unification (besides the North Atlantic alliance) enabled the country to regain its sovereignty after the lost war and to participate in the framework of the international order. In other words, this emerged as a basic national interest of Italy. Furthermore, the access to the Common Market has created the prerequisites of economic development, modernisation (note the development divide of the Southern part of the country) and the involvement in global trade, that all can be considered as national interest justified with internal characteristics.

This chapter explores the specialties of Italian foreign policy and European contributions that follow from the country's internal requisites and external geopolitical constraints. These factors are essential for the better understanding of the prevailing Italian EU-policy:

- Vulnerability both in the international and domestic context: problematic geopolitical position and weaknesses of national identity
- Unclear international standing deriving from the status of “middle power”
- Search for asymmetric alliances and the deriving commitments that exceed the country's resources
- Scarcity of financial sources necessary for an active, efficient foreign policy
- Disinterest of elites and society toward foreign policy

Taking into account these circumstances it is not surprising that Italy refers to the EU as the primary agent for the strengthening of the country's global role, in this aspect the European integration is considered as a multiplier for the latitude of Italian foreign policy.²⁰ So, the fear from exclusion and depreciation mean the central motivation for Italy's intent for taking part always as member of the inner circle of any integration project when it comes to differentiation as regards EU policies.

In this sense, the success of European integration is without any doubt a primary national interest of Italy and therefore it makes all its best to realise these intentions.

Considering the importance of the social factor in EU-policies, an interesting feature is to be mentioned. According to empirical researches, due to relevant changes in the last years, an “inconsistent Europeanism” is developing in Italian society. This consist in a strong, hence decreasing support for the political aspects of the integration process, while the Italians are becoming closer to the more realist, sceptical point of view as it concerns the economic issues.²¹ It is yet early to talk about an irreversible tendency, but in the light of the modification of Italian citizens' attitudes

²⁰ Carbone, M. – Quaglia, L. (2011), 161-178. o.

²¹ European Parliament (2012), 63-64. o.

due to economic crisis, especially in the case of a failed resolution of the European sovereign debt crisis, the eventual intensification of the „sovereignist” voices could alterate the country’s traditionally pro-integration EU-policy guidelines.

3.3. Economic parameters determining the promotion of Italian national interests: Strengths, Weaknesses, Opportunities, Threats

The attention to the mere numbers of public debt and GDP-growth rates is totally insufficient when examining Italy’s macroeconomic situation. We also have to include other economic factors (households, enterprises, banking sector) to get a holistic picture.

The following table intends to summarize the results of the SWOT-analysis carried out in order to identify the most important elements of the material background of Italy’s interest representation during the creation and reform of the Economic and Monetary Union.

Figure No. 2.: Results of the SWOT analysis for Italy’s macroeconomic situation

Strengths	Weaknesses
<p><i>Structure of public debt</i></p> <ul style="list-style-type: none"> - average residual maturity among the longest ones in Europe - high ratio of government securities – the debt in other currencies is negligible - decreasing exposure: only 40% in the hands of non-residents 	<p><i>High public debt (120% of GDP)</i></p> <ul style="list-style-type: none"> - the burden of interest payments limits the possibilities of fiscal policies - exposure to speculative attacks
<p><i>Financial situation of the private sector</i></p> <ul style="list-style-type: none"> - stock of household wealth one of the highest in the world - low household indebtedness - low indebtedness of enterprises - stability of banking sector: nearly total absence of toxic financial assets, derivatives - absence of “bubbles” i.e. in the real estate sector - low exposure to any sectors of PIGS-countries 	<p><i>Weak structural growth</i></p> <ul style="list-style-type: none"> - inflexible labour market - low employment rates - elderly society - decreasing international competitiveness (labour productivity) - high tax burden - high administrative burden for enterprises - high level of tax avoiding
<p><i>International trade</i></p> <ul style="list-style-type: none"> - second exporter country of the Eurozone 	<ul style="list-style-type: none"> - inappropriate level of R+D expenditures - the restrictive fiscal policy gives no margins for growth increasing investment programs
<p><i>Budgetary rigour during the financial crisis</i></p> <ul style="list-style-type: none"> - budget deficit (balance in 2013) and borrowing requirement among the lowest in the Eurozone - no precedence of bank bailouts - high stock of state property and participations - the budget can be stabilised durably by the fight against tax avoiding 	<ul style="list-style-type: none"> - weak utilisation ratio of EU regional policy sources - big regional development gaps - overregulation of economic sectors, exaggerated presence of the state in economy
<p><i>Structural reforms</i></p> <ul style="list-style-type: none"> - efficiency, competitiveness by removing obstacles for growth 	

Opportunities	Threats
<p><i>Public debt</i></p> <ul style="list-style-type: none"> - potential acquisitions of government securities by ECB, domestic banks and households – further diminution of foreign exposure - cuts of public debt by selling state participations, real estate tax - increasing international confidence due to budget discipline leads to the diminution of interests on public debt - resolution of the European sovereign debt crisis strengthening the community method (Eurobonds, ESM, extending competences of the ECB or any other stabilisation measure) improves the sustainability of public debt – liberating sources to growth stimulating investments 	<p><i>Euro-crisis</i></p> <ul style="list-style-type: none"> - presence of contagion effects – constant external pressure on Italian securities - high spread (increase of interest payments) weakens the growth potential of the whole economy - raise of interest rates and tightening credit markets can cause liquidity problems - persistent liquidity problems can turn in solvability problem in an extreme case
<p><i>International trade</i></p> <ul style="list-style-type: none"> - raising GDP through the growth of Italian export markets 	<p><i>Global recession</i></p> <ul style="list-style-type: none"> - tightening of export markets makes GDP-growth almost impossible

3.4. Italy and the premises of the Eurozone crisis

Since 2007 the global economic-financial crisis has revealed that the European supervision mechanisms were first unable to prevent and manage the crisis of the private economy and then that of the public sector.

Many authors²² identify the “original guilt” of the EMU in having created a single currency area among States of very diverging economic structure and development, without an appropriate convergence of the other side of economic policy, the fiscal policies.

Like the creation of the single currency, the reform started in 2010 of the relevant rules have turned out a typical example of national interest representation, illuminating the clear divergence between the specific pursuits of Member States according to their national interests.²³

The reform of the European economic governance is to be considered as a compromise, a lowest common multiple of the specific national interests of Member States, as well.

Concerning the creation of the economic and monetary integration before the 1990s, Italy has proven a clear affinity toward supranational solutions. The most important priority of Italian leaders has been to fully take part at European integration, without considering its costs.²⁴

²² pl. ISPI (2011), 4-5. o., Altomonte – Marzinotto - Villafranca (2011), 50-51. o., Bruni (2012), 41. o., Cangelosi (2012), 2. o., Di Taranto (2012), 176-183. o.

²³ Ferkelt (2010)

²⁴ Carbone (2011), 165. o.

So, in the whole bargaining process which has led to Maastricht, Italy has promoted a federalist-like, institutionalist position, agreed with the partial devolution of national competences to new institutions (i.e. the European Central Bank).

This attitude agrees with the traditionally pro-European trend of Italy's foreign policy, but at the same time, it has corresponded to the national interests of the country. Namely, due to its real or assumed weaknesses, Italy has been exposed to international speculative attacks on the financial markets. As a consequence, the Europeanisation of a large part of the monetary and economic policy offered a higher level of stability, protection for Italy, instead of keeping these functions on the domestic level.

The political elite saw reason that Italy would be able to promote its interests in the process of the creation of the EMU if it takes part at it from the beginning, so in order to match this goal, the government introduced budgetary correction measures never seen before.

This corresponded to the general Italian EU-policy conducted since the end of World War II according to which the country intended to take part at all sectoral policy and strengthened collaboration as a member of the „core” countries. Furthermore, the „German-type” monetary policy was supposed to benefit Italy by resulting in lower inflation and interest rates, tempering the burden of public debt.

As regards the developments of the Eurozone crisis, we have to stress that the reform of economic governance has brought undoubtable benefits in preventing future imbalances, but the still ongoing speculative attacks require creative, ad hoc solutions in the future, as well.

It is a paradoxical situation that the solution of the Eurocrisis consists in more competences on the Community level in terms of decision-making and institutions, but experience suggests that this can only happen respecting national interests. It is also important to state that the chosen institutional-legal decisions comply mostly with the intergovernmental approach (i.e. Fiscal Compact, awarding of ESM-sources)

The further development of EU policies even if the most successful ones like EMU can happen only if the national interests of Member States – which could be changed also by the circumstances, for example speculative attacks of the financial markets – make this evolution possible or even compulsory.

The national interests and the intergovernmental bargains will prevail as regards the reform of sanctioning mechanisms, fiscal union, eurobonds.

The above mentioned SWOT analysis has proven that the definitive resolution of the Eurozone crisis depends to a large extent on Italy's situation. As a member of the G-7 and third economic power of the EU it cannot be saved by the actual tools of the Community, its insolvency would inevitably lead to the end of common currency. That's why the realisation of Italian interests is essential for a reassuring closure of Eurozone crisis.

3.5. Italian interest representation in their reform process of the European economic governance

Italy has been characterised by low structural growth rates and deteriorating competency and purchase power already before 2008, when the international financial crisis arrived, but the most important problem of the country has been the fourth largest public debt in the world. These are the factors which have determined Italy's action during the ad hoc „calming” of Eurozone crisis, and the bargain process of economic governance reform, as well.

The high level of public debt is without any doubt a central vulnerability of the country which makes Italy particularly interested at the management of sovereign debt crises and the prevention of speculative attacks on the European level.²⁵ Practically this is the „internal” reason why Italy has been proving a very open position to offering special financial assistance to peripheric Member States even if the sums to pay and guarantees according the quota of Italy in these cases has been the multiple of the direct and indirect exposure of the country to these periheric Member States.

According to this principle, Italy supported the creation of **EFSF** as a stable European mechanism for crisis management and for the combatting of speculative attacks against certain weaker Member States or the Eurozone as a whole.

Its position has been positive also as regards the reinforcement of this crisis management instrument, it has not obstructed or questioned in any way its financial contribution to it. In order to weaken the speculative pressure, Italy proposed to enhance the flexibility of EFSF/ESM engagement, opposing the positions of Germany, which has insisted on a strict conditionality.

²⁵ Bonvicini – Colombo (2011), 54. o.

We can also consider as a measure aiming at the prevention of contagion effects the decision of the European Council, taken in May 2010 after the joint proposal of Italy and France,²⁶ to enable the **ECB** to buy government securities of the Member States on the secondary markets (SMP).

Regarding the content of the so called **Pact for Competitiveness** proposed by Germany and France, Italy adopted a positive standpoint as well. This decision is in line with the traditional Italian policy promoting each European initiative resulting in a closer economic policy coordination, the strengthening of the „European” option. Italy has welcomed the institution of the **European semester** on the same basis of consideration, as a first form of real fiscal policy coordination between Member States.²⁷ These initiatives were accepted by Italy also by its traditional feature of taking part in the „inner circle” of all forms and aspects of integration.

After the summer of 2011 characterised by considerable falls of stock exchange indexes in the whole EU it became evident that the markets aren't satisfied with the results of European crisis management achieved so far.

The German answer consisted in enforcing an evermore significant budgetary discipline of the Member States with the proposal of a new international treaty, the so called **Fiscal Compact**, adopted by 25 EU-members in March 2012. At the same time, Mediterranean Member States proposed an enhanced participation of the ECB in the resolution of Eurozone crisis and the strengthening of the „firewalls” of the EU.

The Italian position concerning the Fiscal Compact included the adequate consideration of „other relevant factors” and cyclical phases at the evaluation of excessive imbalances; that the coercive function of excessive debt procedure should not be enhanced compared to that already present in the Six Pack; that the action against macroeconomic imbalances should be connected to the full realisation of the internal market; that the crisis management funds of the Union should be intensified in terms of sources and competences according to the solidarity principle.²⁸ Furthermore, the Italian government intended to keep at least a perspective introduction of the eurobonds on the European agenda.

²⁶ Bruni (2011)

²⁷ MEF (2011a), III. o.

²⁸ Bruni (2012), 36. o.

Italy, a country otherwise traditionally preferring the Community method has not supported the strengthening automatic nature of the sanctions concerning the disrespect of **Stability and Growth Pact**, so in this case its national interests prevailed in putting emphasis on the maintenance of a political power of Member States in the decision making process. The Italian interest did not allow the position favouring the „European method”, namely to strengthen significantly the role of Community institutions.

Italy’s action is to be identified successful as regards the inclusion of „other relevant factors” to consider at the evaluation process in the macroeconomic imbalances. In this case, Italy was able to profit from one of its strengths among the macroeconomic factors, namely the low debt of the private sector and the high standards of household wealth, which constitute a domestic guarantee for the public debt.

On the other hand, Italy’s interest representation has not led to a success in the fields where it made „epochal” innovative initiatives of integration of fiscal policies and debt management. Among these the proposal for **eurobonds** has to be stressed, considered by Italian elites as the most efficient antibody against speculative attacks. Although the common benefits of the proposal are without any doubt considerable, it is evident that the most important beneficiary of the unification of sovereign bonds markets would be Italy, in terms of declining financing costs of its public debt. Besides the clear material reasons of this Italian proposal, we also have to mention other motivations. As a part of a real fiscal integration, the creation of eurobonds would mean a return to the Community method, which is practically a liberation from the „dictates” of the Berlin-Paris axis from the viewpoint of Italy.

The intensification of the speculative attacks in the second semester of 2011 resulted in political consequences, in the substitution of the Italian government. Although the new government lead by Mario Monti is a transitorial technical cabinet, it has high ambitions as regards the EU policy in general and the issue of the crisis management in particular.²⁹

The achievements of the government in terms of budgetary discipline and structural reforms improved the reputation and credibility of Italy in a short period of time.³⁰

Regarding the contents of the **European economic governance reform**, the action of the Monti government has been identical to that of its predecessors’.

²⁹ Il Sole 24 Ore (2011), 36. o.

³⁰ Bonvicini – Colombo (2012), 17. o.

It is still early to talk about a radical growth of influence by Italy, but we cannot ignore the realisation of Italian interests in a larger extent, i.e. according to the results of the June 2012 European Council (anti-spread mechanism, the ECB's role in European banking supervision, growth pack).³¹

Monti's efforts for enhancing Italian interests by a more inclusive practice in the **form of the decision making process** have had considerable results, as well.

In contrast to the almost exclusive Berlin-Paris axis in the past as regards preventive pacts, the preparatory consultations now are held on a broader basis.

Concerning the still **open issues** of European sovereign debt crisis, the Italian position is favourable to the strengthening of the flexibility of the EFSF/ESM, as well as the supervision of Member States' banks by the ECB, the integrated system of European bank deposit insurances and the creation of a fund managing banking crises. Each of these instruments enjoy the support of Italy because they help to prevent banking crises, indirectly to weaken the link between bankikg crises and sovereign debt problems, and in doing so, they contributre to decreasing the intensity of contagion effects.

Since among the bigger Member States Italy is the most exposed to these destructing effects due to its known weaknesses, the promotion of the Community method in these aspects is also a clear consequence of the country's particular domestic features and correspond to its national interests.

4. Conclusions

1. The attempt for an "exaggerated" integration in the past years (i.e. Constitutional Treaty) did not take in account the demands of the societies of Member States and the primary identity of these, so this process was destined to fail. Lacking European "people" for the time being a European political arena, a "polity" does not exist. Moreover, the scarce capacity of the EU to respond adequately to the Eurozone crisis has contributed to a further diminution of citizens' trust in the Union. In order to change this trend, it is essential to improve the "integration output", through practical, understandable results representing an added value perceptible for citizens as well.

³¹ De Felice (2012), 1. o.

2. The direction of the steps to take are made possible by compromises as a result of national interests also regarding the policy areas considered as success stories of integration (EMU, cohesion policy, single market). Given the high degree of diversity of Member States, there is an implicit tendency for the preservation and intensification of a Union of different velocities.
3. As in other sectorial policies, the further unification in economic policies, as regards the Economic and Monetary Union, is probable only if/when the Member States identify this as their own national interest.
4. The recurring Italian choice of the „Community” method in EU-policy making is always based on national interests, domestic attributes. Italy considers the integration as a leverage in strengthening its international influence and a factor for its economic modernisation. In the latter years, due to the economic crisis, there is a deterioration of traditionally pro-European attitudes of the Italian society towards European integration. An eventual enduring tendency of social delusion could bring modifications in the general pro-European policy of Italy, shifting the balance to a more souverenist position.
5. The apparently federalist-like proposals of Italy made during the European economic governance are also justified by internal features, national motivations. We can affirm that the clear Italian preference of the „Community method” is not based on idealistic reasons, but on enlightened geopolitical calculations and self-interest. That is, being the weakest among the bigger Member States it is more capable of promoting its national interests by stronger Community institutions which contribute to the reequilibration of the dominance of the Berlin-Paris axis in the decision making process.
6. Italy’s preference of the „Community method” is linked to the form of its decision making procedures, namely the tendency to rebalance the Berlin-Paris axis and the constant fear of its exclusion and devaluation. In the cases where the Italian interests have not corresponded to the „Community method” (obligatory pace for decreasing public debt set by objective numbers, the increase of automatic sanctions in the excessive deficit procedure of the Stability and Growth Pact), the dominance of this principle has not been very important for Italy either.
7. The interest representation of Italy in the reform of European economic governance resulted successful in the fields where it managed to put these in a European context, and it also

proved a credibility based on its domestic strengths. On the other hand, in policy fields where the Italian position was not able to prove the utility of its proposals for other Member States (i.e. eurobonds), it has not been successful.

8. The low structural potential for economic growth resulted in a „lost decade” for Italy in the 2000’s, a durable measure for breaking the link between low growth and high public debt has not yet been found. The internal capacity of the country for boosting economic growth (and therefore to decrease the interest payments of public debt) are reasonably limited, and as a consequence, Italy is trying to find a European solution for this dilemma. Its preference for the „Community method” as regards the Cohesion policy, the Small Business Act, the perfection of the single market are also justified by these national interests.
9. The speculation pressure arrived in Italy due to the missing results of European crisis management, but partly justified also with its own weaknesses. Hence, it cannot be treated equally with the PIGS countries, because of its specific strengths:
 - The aggregated debt of the country is considerably low, its numbers are approximately comparable to that of Germany,
 - The level of Italian households’ wealth is 4-5 times higher than the public debt, so it can also be considered as a „domestic guarantee” for the latter,
 - An important factor increasing the credibility and the possibilities of the realisation of Italian interest on the European level is the fact that the Italian governments managed to maintain a strict budgetary policy during the crisis (the budget balance will be reached in 2013, which is a unique result among Member States),
 - There were no financial bubbles (i.e. as regards the real estate markets) realised in Ireland, Spain or Portugal, Italy’s banking sector is stable, and contrary to other big Member States, it has got a minimal exposure to PIGS-countries.
10. The growing speculative pressure on the Italian government security markets resulted in domestic policy consequences. The primary task of the technical government headed by Mario Monti is to make decisions for the most important structural reforms in order to increase the growth capacity of the country. On the long run, Italy’s macroeconomic position and therefore its prestige and interest representation power depends largely on the outcomes of these reforms. The results of European crisis management are also an important factor regarding Italy’s development and the sustainability of its public debt. In this issue, the

preference of Italy to solutions meaning a further devolution of sovereignty on the European level largely correspond to Italian interests in terms of contributing to contrast speculation pressures and the contagion effects, and therefore to the stabilisation of the country. This statement is also true formulated in the opposite way: the possibilities of defeating the European sovereign debt crisis basically depend on the success of the reforms started by the Italian government. As a consequence, there is a high interdependency resulting, if „homeworks” are carried out properly, in the increase of Italy’s role in the EU decisionmaking. The intensification of Italy’s credibility and the support for supranational solutions leads not only to the further development of European integration, but increases the probability of the realisation of its own enlightened self-interests as well.

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