

Coronavirus: Is Europe losing Italy?

Furious at their plight being ignored and over resistance to coronabonds, Italians' sense of betrayal deepens

Miles Johnson in Rome, **Sam Fleming** in Brussels and **Guy Chazan** in Berlin APRIL 6 2020

A year ago Carlo Calenda ran in European parliamentary elections in Italy under the slogan “We are Europeans”, a rallying cry to defend his country’s place in the EU at a time of rising nationalism.

Now even Mr Calenda, a 46-year-old former minister and Italian permanent representative to the EU, is experiencing a crisis of faith in an idea he has spent a lifetime fighting for.

“This is an existential threat, I am not sure if we are going to make it,” he says. “You have to consider my party is one of the most pro-European parties in Italy and I now have members writing to me saying: ‘Why do we want to stay in the EU? It is useless.’”

As Italy faces its most severe crisis since the second world war, with more than 15,000 deaths from coronavirus and its economy on course to [suffer the deepest recession](#) in its modern history, there is a rising feeling among even its pro-European elite that the country is being abandoned by its neighbours.



Carlo Calenda, leader of the pro-European Action party, says members write to him saying: 'Why do we want to stay in the EU, it is useless' © Independent Photo Agency Srl / Alamy

“A massive, massive shift is happening in Italy. You have thousands of pro-Europeans moving to this position,” says Mr Calenda, who leads the recently formed liberal Action party.

Last month [Sergio Mattarella](#), Italy’s softly-spoken 78-year-old president, and the man its establishment has relied on to safeguard its constitution and international alliances, warned the future of Europe was at stake if [its institutions did not show solidarity](#) with their country.

“I hope that everyone fully understands, before it is too late, the seriousness of the threat to Europe,” he said in an evening television address beamed into the homes of millions of Italians.

Many in Rome now feel that unless bold action is taken by northern European countries, they risk Italy turning its back on the European project forever.

There are already signs that Italian faith in the EU has been damaged. In a survey conducted last month by Tecne, 67 per cent of respondents said they believed being part of the union was a disadvantage for their country, up from 47 per cent in November 2018.

Donald Tusk, the former European Council president, told the FT the situation today was much more worrying than during the euro crisis — both politically and economically.



Matteo Salvini, the anti-immigration League leader. Many believe bitterness felt from events over the past month could permanently alter the country's politics in his favour © Alessandro Di Meo/EPA

Southern European expectations of a rapid demonstration of solidarity from the rest of the EU early in the pandemic were not met, even if the bloc has subsequently ramped up its assistance including financial aid and equipment.

“I hope everything can be fixed, but the loss of reputation is huge,” says Mr Tusk, who is now president of the European People’s party, the centre-right political alliance. “We must save Italy, Spain and the whole of Europe and not be afraid of extraordinary measures. This is a state of emergency.”

Mr Tusk says the EU’s assistance for Italy and other hard-hit countries is vastly more substantial than that [from China and Russia](#), but he warns that “in politics perception can be more important than fact”.

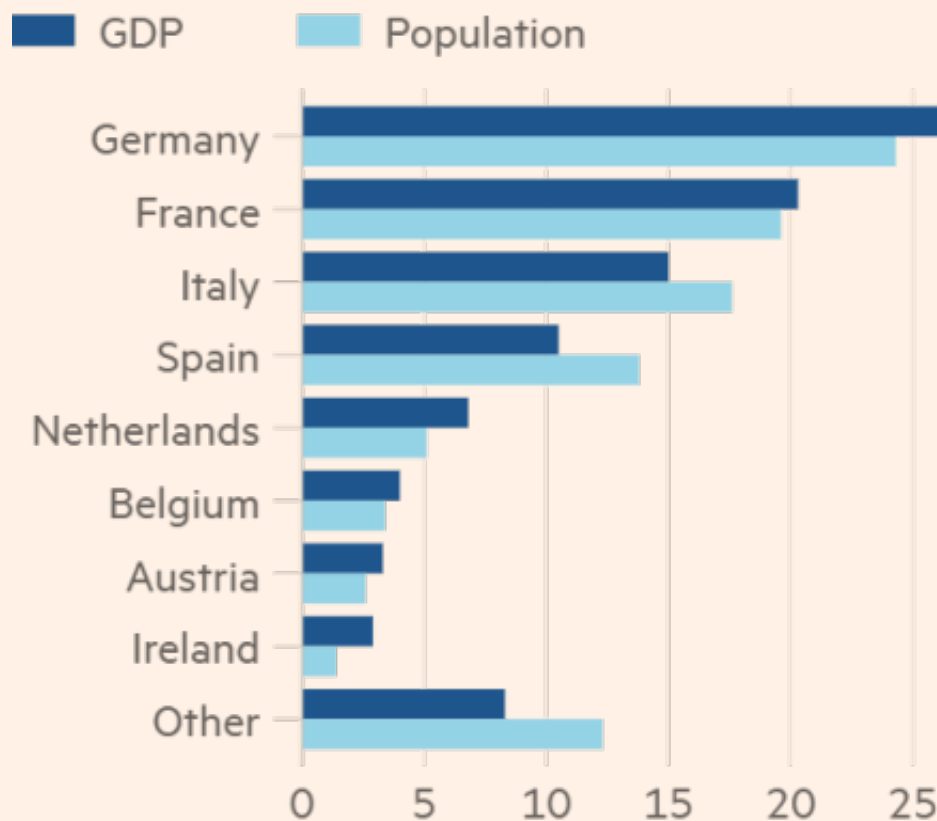
In 2018 Italy became the first founding member to elect a government hostile to the EU, with Matteo Salvini, the anti-immigration League leader and then deputy prime minister of the coalition government, raging against “the Brussels bunker”.

The following year that government fell, and Mr Salvini was banished to opposition, giving pro-Europeans hope that the nationalist threat had faded. But many believe bitterness felt from events over the past month could permanently alter the country’s politics in Mr Salvini’s favour.

“There was a feeling before that the political system had marginalised the anti-EU forces,” says Lorenzo Pregliasco, a pollster at YouTrend. “Now if pro-European party activists and politicians are no longer so sure how they feel, imagine what the voters think.”

Italy is an important part of the eurozone economy

Share of eurozone GDP and population in 2019 (%)



Source: Eurostat
© FT

At the core of the argument is a bitter divide over the extent to which euro area countries should be pursuing a far more unified economic response to the crisis. Finance ministers will meet on Tuesday to attempt to agree a package of measures aimed at marshalling greater Europe-wide fiscal firepower.

Italy is among the member states that are pushing for the euro area to be far more ambitious by collectively selling bonds to help fund the massive economic rebuilding efforts that lie ahead.

The discussions mark just the latest iteration of a longstanding dispute over collective fiscal action that economists call [debt mutualisation](#) — and which many see as the biggest missing element of the single currency.

The EU does have a rescue fund called the European Stability Mechanism which countries can use. But despite assurances to the contrary from the ESM's managing director, Klaus Regling, many Italians still fear lending from the institution would come with tough conditions attached and would stigmatise the country. It would feel to many that their country was being punished for a disaster that was outside of its control.



Sergio Mattarella, Italy's 78-year-old president, has warned that the future of Europe is at stake © Alex Kraus/Bloomberg

Roberto Gualtieri, Italy's finance minister, has said that Italian gross domestic product is likely to fall by 6 per cent this year. Other economists believe this may be a conservative estimate. With the country entering the crisis with a debt-to-GDP ratio already at 136 per cent, there is a real threat that Italy's debt reaches a level that brings into question its sustainability.

In March, with the virus already ripping through southern Europe, nine euro members led by France, Italy and Spain signed a joint letter pushing for so-called coronabonds — jointly issued debt backed by all euro countries including deep-pocketed Germany — to help pay for the recovery effort.

The depth of divisions over the topic was exposed at a tough EU leaders' video conference call in late March in which the Italian prime minister [Giuseppe Conte and his allies pushed hard](#) for the door to be opened to coronabonds.

Mr Conte said the euro area's bailout instruments had been developed for the last crisis and were ill-suited to the current symmetric shock hitting the entire continent. "What will we tell our citizens if Europe does not prove capable of a united, strong and cohesive reaction in the face of a symmetrical, unpredictable shock of this historical magnitude?" he asked.

Leaders eventually struck a compromise and issued a statement using vague language that effectively kicked deliberations in to Tuesday's eurogroup meeting of finance ministers.

But the truce did not last long. Ursula von der Leyen, the European Commission president and a former German defence minister, appeared to use dismissive language in an interview, describing coronabonds as a slogan and appearing to express sympathy with Germany's concerns about the idea.

The language provoked immediate rebukes from Mr Conte and Mr Gualtieri, forcing the commission to issue a late-night statement that vowed to leave open all options that are compatible with the EU treaty.

Ms Von der Leyen's shifting positions reflected in part sharp divisions among her commissioners as well as the EU as a whole over the idea of coronabonds.

While the discussion over which financial instruments can be used to help Italy is technical, the tone of the debate has become emotionally charged in both southern Europe and in the north, where the Netherlands has sided with Germany in [opposing coronabonds](#).



Donald Tusk: 'We must save Italy, Spain and the whole of Europe and not be afraid of extraordinary measures' © Oliver Hoslet/EPA

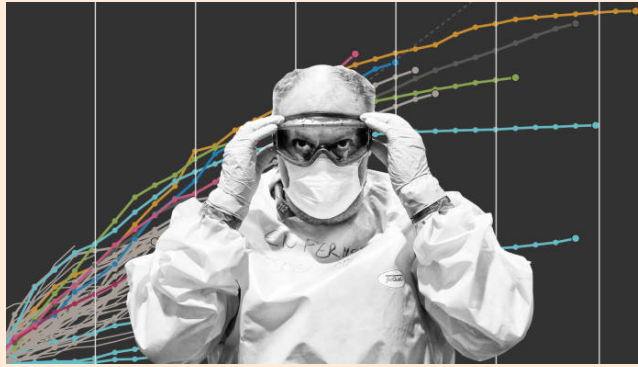
Mr Calenda last week took out a full-page advert in the German daily *Frankfurter Allgemeine Zeitung*, signed by himself and a number of leftwing mayors and governors from the regions worst-hit by the outbreak.

In it they attacked the Dutch position as “an example of a lack of ethics and solidarity”, called the country a tax haven and compared German reluctance to support joint European debt with the partial cancellation of Nazi war debts by European countries including Italy after the second world war.

“Germany could never have paid it,” the letter said. “Your place is with the Europe of institutions, of values of freedom and solidarity. Not following small national egoisms.”

“They shouldn’t be using such emotional arguments,” says Eckhardt Rehberg, a German MP in Chancellor Angela Merkel’s Christian Democratic Union. “Every country should ask itself whether it bears some responsibility for the situation it is in. Look at Italy’s health system. You cannot blame all your difficulties on Europe and Germany. As a German politician, I find that unfair.”

Editor’s note



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The current German-Italian tensions are part of a much longer dispute, stretching back to the eurozone sovereign debt crisis of 2010-12.

Even back then, many in southern Europe saw eurobonds as a potential solution. But Ms Merkel was always opposed, saying in 2012 that there would be no such instruments “as long as I live”. For the chancellor and her CDU party, the EU treaties were sacrosanct: and they expressly forbade the mutualisation of debt. The rule was clear: states cannot finance each other.

Yet in the eurozone more broadly, her reputation suffered. Southerners increasingly saw her as [Europe’s great disciplinarian](#). Posters appeared in Greece showing her with a Hitler moustache. She was depicted as a witch, a dominatrix or a wicked stepmother, and accused of trying to subjugate the whole continent.



A banner in Palermo, Sicily, asking for financial help during the lockdown © Tullio Puglia/Bloomberg

In Italy the hostility to her was fanned by the media empire of then prime minister Silvio Berlusconi. Alleged highly disparaging private comments about Ms Merkel by Mr Berlusconi, which he strongly denied making, were nonetheless reported in Italian and international media. In August 2012 the newspaper *Il Giornale*, owned by Mr Berlusconi's brother, had a front-page picture of Ms Merkel raising her hand in a vaguely fascist salute, accompanied by an article claiming Italy was "no longer in Europe, it is in the Fourth Reich".

The crisis has emboldened politicians on Italy's right who sense the mood in the country is shifting against Brussels, as well as becoming more anti-German.

"The EU has gone from doing absolutely nothing to some trying to profit from the difficulties we are facing," says Giorgia Meloni, leader of the far-right Brothers of Italy, which has made significant gains in opinion polls to become the second most popular [rightwing party after Mr Salvini's League](#).

"There are people who are trying to use the virus to speculate. There is a game to weaken Italy and buy its strategic assets," she told the FT. "While we are counting our dead, they are counting the risk of losing interest on their bonds."

Claudio Borghi, a League MP who has led a ferocious campaign against Italy accepting money from the ESM — arguing it would be tantamount to a surrender of sovereignty — this week posted an Italian Fascist era poster with a smiling German soldier extending his hand. The text reads “Germany is truly your friend”. Mr Borghi wrote: “Time goes on, but the tactics are always the same.”



Ursula von der Leyen, the European Commission president, initially appeared dismissive of the proposed coronabonds © Virginia Mayo/AP

Franziska Brantner, a German Green MP, says the Italians she has spoken to see themselves as “a laboratory for corona”, adding: “[They feel] Germany is just watching them and trying to learn from their experience. There is real bitterness among my pro-European friends in Italy. They’re saying what have we done to the Germans to make them treat us like this?”

Italy’s pro-Europeans are hoping that the mounting shock from the Covid-19 crisis will jolt recalcitrant northern European countries into making a large enough gesture of solidarity to repair the damage that has been done.

In recent days opponents of collective fiscal action have been on the defensive as the sheer scale of the economic slump has become clearer. In the Netherlands, the government of prime minister Mark Rutte last Wednesday proposed a solidarity fund worth €20bn, with cash transfers set to go straight to the coffers of Rome and Madrid to fund emergency medical spending.

His finance minister Wopke Hoekstra had been criticised in the south after he called on Brussels to investigate why some economies did not have fiscal buffers to see them through a crisis. Portugal's prime minister António Costa called the remarks "repulsive".

Mr Rutte's proposal would only fill a small part of the gap given the vertiginous public finance challenges facing Italy and Spain, but the very fact that a country that has traditionally been a vociferous opponent of any fiscal transfers between euro area members should make such a suggestion is indicative of the changing public mood.

Bruno Le Maire, France's finance minister, on Thursday laid out plans for an "exceptional and temporary" joint fund that would help countries kick-start their recoveries. This would issue bonds with the joint guarantee of all EU member states and be operated by the European Commission.

"Solidarity means to be able to pull together our resources to cope with the aftermath of the crisis," he said. "Let's avoid any ideological debates on eurobonds or coronabonds. There is one single political question: shall we stand together or not?"

For Mr Tusk there is now little time left for the EU's richest nations to come forward with bold and positive initiatives and avoid instilling any sense of humiliation in countries that needed help. "People are suffering now — it is not a political game," he says. "People have to feel that we are a real community and a real family in such a time."

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Former Italian prime minister Silvio Berlusconi strongly denied making alleged disparaging remarks about German chancellor Angela Merkel widely reported during the eurozone crisis and referred to in earlier versions of this article. No record of the bugged phone calls in which the remarks were alleged to have been made has ever been publicly revealed. The article was updated on April 7 to [clarify](#) these points.

Letter in response to this article:

When Italy's populists ask for solidarity, what they mean is money /
From Alessandro Ciravegna, London, UK

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