

Italy: The political implications of the parliamentary vote on the ESM resolution An Analysis

11 December 2020

Following the approval of the **parliamentary resolutions, with a vote that took place on December 9th**, giving Prime Minister Conte a mandate for the **European Council and Euro Summit**, with special regards to the reform of the **European Stability Mechanism Treaty**, Telos thought it could be useful to take a closer look at the **broader political implications** of the vote.

Executive summary:

- During the vote on the majority resolution which among other things endorsed the ESM reform agreed upon during the latest Eurogroup meeting, a total of 30 5-Star Movement MPs in both Houses of Parliament either voted against or refused to take part in the vote, and a total of 23 Forza Italia MPs did not take part in the vote.
- The vast majority of 5-Star Movement MPs who in recent days had expressed their firm opposition to the ESM reform eventually caved in for fear of triggering a government crisis, which would likely lead to snap elections where the party would suffer a resounding defeat.
- Thus, the vote shows that the ESM is not as vital an issue to the 5-Star Movement as many MPs claimed, although today 4 of them quit the party in protest, and it seems reasonable to assume that the ratification process of the ESM reform Treaty will also go relatively smoothly.
- **Overall, our impression is that the 5-Star Movement has now completed its U-turn on the ESM and on EU integration/EU policies altogether, with very few defections and with no serious repercussion on the stability of the current majority and the current Cabinet.** We can expect more defections if and when Parliament votes to ratify the Treaty in 2021, but the vast majority of 5SM members of Parliament has shown no serious concern about this radical change in their party's attitude towards what used to be one of the pillars of their platform.
- Forza Italia came out of the vote as a divided party, and it cannot be ruled out that its faction which did not take part in the vote in disagreement with the party's formal position might end up drifting apart in the longer term if Berlusconi remains consistently opposed to the ESM treaty reform
- However, while the vote left individual parties a certain degree of latitude to the extent that it does not have any immediate consequences, Forza Italia may be pressured by the European People's Party and potential additional defections from the 5-Star Movement to change its position during the ratification process of the ESM reform Treaty.

In further detail:

1. A brief breakdown of the vote

Now that both Houses of Parliament published the individual voting records, it is possible to confirm how many MPs voted in defiance of their party's position:

- in the Chamber of Deputies, **13 5-Star Movement MPs voted against** the majority resolution, while **10 did not take part in the vote**, and another **16 Forza Italia MPs also did not take part in the vote**;
- in the Senate, **2 5-Star Movement MPs voted against** the majority resolution, while **5 did not take part in the vote**, and another **7 Forza Italia MPs also did not take part in the vote**.

2. The 5-Star Movement caved in

As it turned out, 5-Star Movement defections ended up being much fewer than suggested by the letter recently addressed by 68 MPs to the party leadership expressing their opposition to the signing of the ESM reform Treaty. Most of them eventually caved in under **pressure from senior 5-Star Movement members** and the **looming threat of a government crisis** in case of

failure to pass the majority resolution, explicitly hinted at both by the Democratic Party and Italia Viva.

The 5-Star Movement eventually took a pragmatic approach essentially because **snap elections would mark a major debacle for the party**, which went from being Italy's largest party in the 2018 general election to currently polling at around 15% of the vote. What is more, following the recent approval of the constitutional reform reducing the number of MPs, **the next Parliament will consist of only 600 seats** (200 in the Senate + 400 in the Chamber of Deputies), significantly lowering one's chances of being elected or re-elected. On top of that, the ruling majority has struggled to pass its proposed proportional electoral reform, meaning that the current **mixed voting system** (2/3 proportional and 1/3 first-past-the-post) would force the 5-Star Movement either to negotiate a coalition agreement with the Democratic Party or to face the risk of a debacle in first-past-the-post races.

In this regard, the recent introduction by Prime Minister Conte of a **Legislative Decree redrawing electoral districts** following the abovementioned constitutional reform – the last remaining legislative step required to be able to hold a new general election – proved one more deterrent for defiant 5-Star Movement MPs.

The vote shows that **the ESM is not as vital an issue to the 5-Star Movement as many MPs claimed**, including those who have been vocally critical of the organisation and fell in line anyway: **today only 4 of them quit the party** in protest.

Granted, after Prime Minister Conte signs the ESM reform Treaty on 27 January 2021, **Parliament will still be called upon to ratify it and the Five Star Movement would still, theoretically, be in a position to block the ratification process, but in light of 9 December vote, it seems reasonable to assume that the 5SM leaders will once again spin the issue by asserting that any form of approval of the reform is not tantamount to an application for an ESM credit line**, which supposedly remains out of the question as long as they stay in government.

Overall, our impression is that the Five Star Movement has now completed its U-turn on the ESM and on EU integration/EU policies altogether, with very few defections and no serious repercussion on the stability of the current majority and the current Cabinet.

We can expect more defections if and when Parliament votes to ratify the Treaty in 2021, but the vast majority of 5SM members of Parliament has shown no serious concern about this radical change in their party's attitude towards what used to be one of the pillars of their platform.

3. Forza Italia remains a deeply divided party

Forza Italia came out of the vote as a divided party. While no Forza Italia MP openly sided with the majority, many of them refused to take part in the vote at all, in disagreement with the party's opposition to the ESM reform.

It is no coincidence that this faction of the party was led by **MP Renato Brunetta**, Forza Italia's chief economic official, as well as a former Cabinet Minister in the last Berlusconi Government and the leader of Forza Italia in the Chamber of Deputies in the previous parliamentary term. Brunetta has a long history of embracing mainstream economic policy, especially within the framework of European economic and monetary governance, largely based on the notion of the **EU as an "external constraint" to justify fiscal discipline**. In fact, this position seems broadly consistent with the ESM reform, which essentially goes in the same direction.

To be sure, the vote highlights that **this faction is a minority within Forza Italia, though not an insignificant one, and it cannot be ruled out that opposing views on such a key**

issue might have consequences in the longer term. It is no coincidence that during the parliamentary debate ahead of the vote on the resolutions, Forza Italia chose MP Valentino **Valentini**, an influential longtime Berlusconi loyalist with no special ties to European institutions, to speak on behalf of the party [Valentini is in fact the longtime adviser to Berlusconi on Russian affairs].

Nonetheless, it is worth pointing out that as significant as it was, this vote was only meant to give Prime Minister a mandate to endorse the political agreement reached during the latest Eurogroup and eventually sign the ESM reform Treaty. Under intense pressure from its right-wing Eurosceptic partners, Forza Italia leader Berlusconi eventually decided to stick with the rest of the opposition despite some reservations, with the goal of testing the dwindling parliamentary majority. By contrast, **the ratification process might well prompt a different response from Forza Italia**, especially if more 5-Star Movement MPs rebel against their party's position and the **European People's Party** steps in to push Berlusconi into supporting the ESM reform.

9 December

ESM: Majority resolution approved by the Lower and Upper House - A short recap of what happened

- The **Chamber of Deputies** approved, in the late morning, a resolution after Prime Minister Conte addressed it ahead of the European Council meeting and the Euro Summit scheduled for 10-11 December.

Among other things, the majority resolution also concerned European economic reforms, with special regard to the **European Stability Mechanism (ESM)**, which will be a key item on the agenda of the next Euro Summit, calling on the Government to:

- a. *"take note of the **early introduction of the common backstop to the Single Resolution Fund** for banking crises and of the new context of European fiscal policies ushered in by the agreement of the Multiannual Financial Framework, while reaffirming that **this reform cannot be considered as conclusive, in light of the 'package approach'** called for by Parliament";*
- b. *"**finalise the political agreement on the reform of the ESM Treaty reached during the latest Eurogroup**";*
- c. *"**advocate for a profound overhaul of the Stability and Growth Pact before its reintroduction, the implementation of the European Deposit Insurance Scheme, and a reform process aimed at going beyond the ESM's intergovernmental nature. Progress on these issues will be verified in view of the parliamentary ratification of the reform of the ESM Treaty**".*

The **majority resolution was passed with 314 votes in favour**, 239 votes against, and 9 abstentions.

A **separate vote** was held on each of the 3 paragraphs quoted above, referred to the ESM Treaty Reform: the paragraphs in question were passed with:

- Paragraph a [on the common backstop and the package approach]: 300 votes in favour, 256 against, 7 abstentions
- **Paragraph b [on the political agreement on the ESM Treaty reform]: 297 votes in favour**, 256 against, 7 abstentions
- Paragraph c [on the Stability Pact and the EDIS]: 300 votes in favour, 255 against, 8 abstentions.

Please note that several MPs did not take part in this vote: the total number of MPs taking part in the most important vote (on paragraph b) was 560 out of 630 members of the Lower House.

- Prime Minister Conte, in the afternoon, also addressed **the Senate**, where the ruling majority is significantly narrower than in the Chamber of Deputies.

At 9.15 pm the Senate approved a resolution identical to the one passed by the Chamber of Deputies in the morning.

The resolution was passed with 156 votes in favour, 129 against, and 4 abstentions.

Like in the Lower House, **only 289 Senators out of 320 took part in this vote.**