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Political Risks and Implications of the Italian Election

KEY POINTS

- Italy will go to the polls on 04 March 2018 to elect representatives in the Chamber of Deputies (lower house) and Senate (upper house).
- This election marks the return to the political scene of Silvio Berlusconi, though the former Prime Minister is currently banned from holding office.
- A coalition will be formed to run the country though there is much political uncertainty over what its structure may be.



Image: Italian Parliament Building in Rome

SITUATIONAL SUMMARY

Political: Italy will go to the polls on 04 March 2018 in legislative elections. Voters will elect the 630 members of the Chamber of Deputies and the 315 elective members (there are five more senators for life) of the Senate of the Republic for the 18th legislature for the Republic of Italy, since 1948. The two houses of the legislature are independent of one another and under the constitution, both houses hold the same amount of power. The age of voting for the Chamber of Deputies is 18, while it is 25 for the Senate. Italy has had more than 60 governments since the end of Second World War. The election was called after President Sergio Mattarella dissolved Parliament on 28 December 2017.



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Forming a Government

Italy has a fragmented political landscape and complicated electoral law in place which mixes proportional representation with first-past-the-post. It is hoped that the election would bring stability to Italian politics, something not experienced since Matteo Renzi stepped down as Prime Minister in 2016 after the failure of his reform agenda. However, none of the parties or coalitions look set to meet the required 40 per cent of the vote needed to form a new government. When new electoral laws were introduced in 2017, they were designed to help encourage coalition building but could realistically complicate the forming of the government.

The Italian election has seen the anti-establishment movement rise; a common characteristic of recent European elections. European leaders will be hoping that some form of centrist government will be formed. This may involve the two major coalitions joining together either in full or in part in some form of grand coalition. There are fears that a disjointed result will lead to a radical government. Moreover, the Five Star Movement has long ruled out going into coalition with any other party, but they have softened their rhetoric somewhat in recent months.

The Contenders*Centre-Right Coalition*

Commentators have pointed to recent polling to suggest that the only obvious government will be from the Centre-Right coalition. According to recent figures, it has a lead of around ten points over the Centre-Left coalition and the Five-Star Movement (this lead has fluctuated between six and 12 points over this election period). However, it is unclear if the coalition will win enough seats to govern. The Centre-Right coalition consists of four parties, the largest of which is Forza Italia and Lega Nord.

Forza Italia: Forza Italia (FI) is a fairly traditional pro-business, right-wing, conservative party, with populist tendencies. The party is led by Silvio Berlusconi. Berlusconi has been Prime Minister of Italy on three previous occasions – 2008-2011, 2001-2006, and 1994-1995. He is a controversial and polarising figure in Italy. Berlusconi himself is unable to seek public office until 2019 due to a tax evasion conviction. He was also accused of abuse of office and for paying for sex with an underage prostitute. If his Forza Italia Party does win the greatest share of the vote in the Centre-Right Coalition, Antonio Tajani will likely lead the government. FI is a revival of the former Forza Italia party but is much smaller after a succession of splits. So much so, FI is now a virtually equal partner with Lega Nord (LN) in the Centre-Right Coalition with both parties competing for third place in the election behind the Five Star Movement and Democratic Party.

Lega Nord: LN's heartland is in Northern and Central Italy. It has been accused of being a far-right and neo-fascist party. It is populist, Eurosceptic, and anti-immigration. LN is commonly compared with Front National in France, the Freedom Party in Austria, or Germany's Alternative für Deutschland. It was originally a pro-autonomy/pro-independence party for Italy's northern regions. As noted, LN is in a close-run battle for third with FI, polling around the 15-17 per cent mark. LN and FI reportedly have an agreement whereby the party with the greatest share of the vote in the coalition would fill the position of Prime Minister; the leader of FN is Matteo Salvini. Salvini has vowed to take Italy out of the Euro (though Berlusconi disagrees) and has taken LN to centre stage in Italian politics. In February of this year, a former local candidate for LN in Macerata in Central Italy, South of Ancona, was suspected of injuring six African migrants in a drive-by shooting. LN and FI are joined by other right-wing parties in the coalition, some with more extreme views.

Centre-Left Coalition

The Centre-Left Coalition is led by the Democratic Party (PD) and former Prime Minister Matteo Renzi. The government has been led by the PD since the 2013 election. Economists have pointed to reforms made by the PD-led government which have created jobs and recapitalised Italian banks. However, some of the left of the PD have split with Renzi, weakening his attempts to return to



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power. Commentators suggest that Paolo Gentiloni, a member the Democratic Party and former foreign minister, could return as a compromise choice for Prime Minister. Gentiloni took over from Renzi after his planned reforms were comfortably rejected by Italians in a nationwide referendum. Gentiloni is the most popular politician in the polls with approval rating of around 47 per cent. The Centre-Left Coalition is generally polling around the 25 to 30 per cent, while the PD is polling between 20 and 25 per cent. The PD reportedly has a message problem, with commentators suggesting that their political platform is unclear or poorly communicated.

The Five Star Movement

The Five Star Movement (M5S) is the most popular single party ahead of the 04 May vote. At present M5S is polling at similar numbers to the combined Centre-Left Coalition. The party was formed only in 2009 by comedian Beppe Grillo and, much like LN, is an anti-establishment party. They have railed against corruption and the outmoded political scene in Italy (as they see it). The Movement is Eurosceptic to an extent, and members have called for a tougher position on immigration. It has surpassed the PD in regional elections in the Rome and Italy since the 2013 general elections. M5S straddles the political spectrum, taking on positions from the left and right.

Issues

The primary issue in this election campaign, as the rise of the LN suggests, is the migration crisis which has shaken the European Union since 2015. The country's economic performance has also caused voter frustration.

The Migration Crisis

Italy's political scene has been rocked by the European migrant crisis and the country has borne the brunt of arrivals from North Africa. Over the past four years, Italy has housed more than 600,000 migrants with 180,000 arriving in 2016 alone. The Italian government made a controversial deal with militias in Libya to fight human trafficking which saw a slowdown in migration in 2017. Despite this, many Italian voters feel abandoned and ignored by the European Union. This has helped to fuel the rise of Euroscepticism and boosted the right and far-right of Italian politics; Italy has also seen a rise in violent incidents between migrants and Italian locals since elections in 2013.

The Economy

Italy was hit hard by the credit crunch and 2008-09 financial crisis. Unlike other leading global economies, Italy has struggled to recover. The economy shrunk by almost nine per cent in 2013, suffered a double-dip recession, and the country's debt skyrocketed to \$2.8 trillion; 130 per cent of the country's economy. Despite returning to growth in 2014, double-digit unemployment persists. Some blame the poor economic conditions on the EU and the Euro currency.

The Italian banking system has also not fully recovered from the 2008-09 economic crisis. Italian banks have been saddled with more than \$220 billion in bad loans. This has had the effect of a lack of lending and investment in the Italian economy. The attempts by Rome to rescue banking institutions has led to criticism from the EU, which has imposed rules against bank bailouts, and the Italian populous. There has been suggestion that the bailouts are an example of Italy's systemic relationship with corruption. Should banks begin to fail again, commentators have suggested that it may lead to a situation which is as bad or worse than the 2008-09 crisis and could impact weak banks across the European continent.

Consequences

This vote will have a significant impact not just on Italy but also has regional and global implications; Italy is the ninth largest economy in the world and the third largest in the Eurozone. The country is still struggling to overcome the economic crisis from the late 2000s. There are still low levels of economic growth, high unemployment, and an unstable banking sector. This election will determine the role which Italy plays in the European Union as the bloc deals with an increasingly aggressive Russia, problems of



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integration, and the migrant crisis which is ongoing. Without reforms, some worry that continued low growth or another recession could lead to a debt crisis that could threaten the eurozone and European project as whole. Without reforms regarding migration, the same outcomes may occur. Compared to the United Kingdom, Italy is far more intertwined with the European Union and EU bodies, meaning an Italian exit from the European Union could cause greater instability and a more cumbersome process that many have suggested Brexit will be.

SECURITY ADVICE

LOW POLITICAL RISK



It is recommended that all pre- and post-election gatherings are avoided. Political protest in Italy generally remain peaceful but visitors should remain wary of large-scale events, in case they turn violent. In recent times, far-left and far-right protesters have had confrontations with police, who have resorted to using tear gas, amongst other tactics, as means to break up the protests. Groups on opposite ends of the political spectrum have also clashed with each other. Travellers should familiarise themselves with their environment in Rome especially, so as to avoid hotspots that are likely to attract large crowds.

Most visits to Italy are trouble-free. The largest threat to travellers remains crimes of opportunity such as pickpocketing and petty theft. Italy is also in an active seismic zone; travellers should be prepared for potentially devastating earthquakes. Regular travellers to Italy should also make provisions for a period of potential political instability.

Solace Global would not advise clients of the need to use enhanced security measures when visiting Italy. Travellers are advised to use travel-tracking technology with an intelligence feed for all travel in the continent. This should enable a traveller to be alerted of any security updates within their vicinity, and to update others of their movements in case of an emergency.



Solace Global remains available to provide the full range of Travel Risk Management services to clients. Solace Global is also able to provide comprehensive crisis management, in-country journey management, tracking, response, and evacuation services.

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