

Italy's Chaos May Endanger The EU

WASHINGTON – Italy is once again the problem country within the European Union (EU) and beyond. And this time it may be a really huge problem. After the recent inconclusive political elections, the most improbable governmental coalition between the anti-system 5 Star party and the nationalist/xenophobic League party in the end could not happen on account of Paolo Savona, the openly anti-euro nominee placed by the two would-be coalition partners as Minister in charge of the Economy.

The president says no

Sergio Mattarella, the Italian president, argued that he could not swear in a cabinet in which this critical portfolio would be handed over to an openly anti-Euro economist. This move by the Italian president is border line unconstitutional. The Italian president usually approves the cabinet choices made by the parties that create a coalition government that has a parliamentary majority.

While taking this odd twist into account, without the president's approval of the proposed cabinet and lacking any new workable coalition, this means that Italy most likely will soon go to new political elections.

A care-taker government

In the meantime, president Mattarella gave the mandate to form a new coalition government to Carlo Cottarelli, a technocrat with IMF experience but zero political experience and backing. Clearly Cottarelli has no political mandate for any long term political solution. Assuming he can stitch something together, he will be the head of a care taker cabinet tasked to deal with day-to-day affairs, as the country prepares to go to new political elections.

This bad scenario: at first an improbable political path for Italy –an openly anti-European, populist, anti-immigrant coalition, without any credible economic or fiscal agenda–and now nothing except for fresh elections which may not yield better political outcomes, is seriously disheartening and potentially very disruptive for both Italy and the European Union. We should remember how just a short while ago the financial/fiscal/political mess in Greece for years kept all of Europe preoccupied.

Another Greece?

At the time, some speculated that the Greek crisis might have caused the collapse of the entire Euro edifice. Well, in the end, with the enormous combined financial back up from EU Headquarters in Brussels, the European Central Bank in Frankfurt, and the IMF in Washington, DC, super indebted and comatose Greece was kept alive –if barely.

Worse than Greece

Well, if the confused Italians really want to pursue the objective of exiting the Euro, this would be a lot worse than the Greek crisis. Unlike tiny Greece, Italy is the third largest economy within the Eurozone. Yet, size notwithstanding, the Italian economy is extremely fragile due to low productivity and lack of innovation on a scale that would produce any real champion that could effectively compete in the global arena.

Besides, the Italian people have to shoulder an astronomic public debt, (the second worst as a percentage of GDP within the Eurozone, after Greece, and third largest in the developed world after Japan), while the country's economic fundamentals are very weak. Assuming even a small rise in interest rates, debt service alone could become an unmanageable fiscal problem.

Blame game

But the Italians have the bad habit of not taking responsibility for their own mess. They take refuge in convenient conspiratorial theories whereby all their economic and fiscal problems have been caused by others.

The semi-official narrative is that the Germans try to impose their own will on Europe, including unwarranted fiscal discipline, on countries (like Italy) that believe that profligacy and debt are perfectly alright. Besides, many believe that the adoption of the Euro has caused constraints and burdens that the Italians do not like. You see, these days you cannot devalue your currency in the hope of regaining competitiveness for your exports.

The immigration crisis

Last but not least, (and here the Italians do have a valid point) , Italy's European partners have been looking mostly the other way when Rome repeatedly asked for help in dealing with the gigantic problem –in fact an emergency– of multi-year waves of illegal migration, mostly from Africa, into Italy.

Because of its geography, (Southern Italy and Sicily are fairly close to North Africa), Italy is the first port of call for thousands upon thousands of migrants from Northern and sub-Saharan Africa seeking a better life in Europe. For years they kept coming and there is no end to this migration. Semi-impooverished Italy for a number of years has been dealing all by itself with the massive and seemingly endless problem of welcoming and resettling hundreds of thousands –now several millions– of mostly poor, illiterate and unskilled African and Middle Eastern migrants.

Just imagine the cost of providing shelter, food, medical care and schooling for this helpless and expanding lot. And do not forget the obvious cultural/religious difficulties and consequent frictions caused by the attempt to “assimilate” poor African villagers, many of them Muslim, into the fabric

of what is at least nominally a predominantly Catholic society.

Anti-immigrant political parties

In fact, the political rise of the openly anti-immigrant and xenophobic League can be largely ascribed to the emotional reactions of millions of Italians who have seen their country transformed beyond recognition by the impact of millions of African newcomers who cannot possibly blend into the Italian social fabric.

That said, aside from this illegal immigration crisis, it is sadly obvious that most of Italy's problems are self-inflicted wounds. The real issue is not about having a dispassionate cost-benefit analysis over staying or not staying within the Eurozone.

The real issues

The real issue is a major, supposedly capitalistic, western economy that lost its competitive edge long ago. As *The Wall Street Journal*, put it (May 28, 2018):

"Lost in the debate is the reality that Italy's economic problems are mostly homegrown, with a 20-year erosion in productivity, a cumbersome bureaucracy and a dominant small-business sector that has stifled productive investment, making Italy one of Europe's sickest economies. According to Eurobarometer, 80% of Italians judged the state of their economy as "bad," with only Croats and Greeks reporting worse opinions."

So, here is the situation. Confronted with slow but steady economic decline, due to lack of competitiveness, the Italians are incapable or unwilling to do what it takes to take responsibility and change course.

Reforms in order to regain competitiveness

What's to be done? First of all, Italy should reform and seriously upgrade the entire edifice of public education in order to produce better educated new generations that could successfully compete with their counterparts in Northern Europe and across the world. Then labor markets and civil law procedures should be dramatically reformed in order to give employers and foreign investors the confidence they need in order to bet on the Italian economy. Firing workers is too difficult. Settling business disputes in court may take years.

Last but not least, there is the enormous challenge created by the twin and often intermingled cancers of endemic corruption and organized crime. It is hard to do business in a country in which kickbacks are the norm, while vast sectors of the economy and local politics are controlled by the Mafia, and its siblings: Camorra and 'Ndrangheta.

Fighting about the Euro and excessive German influence may be politically expedient, but it is just like charging the windmills. It will get Italy nowhere.

That said, I doubt that there is any appetite to see this serious political impasse as an opportunity to change course and start behaving in an adult way, that is: take responsibility and undertake serious reforms. The tendency to look for and find scapegoats abroad, while hoping on simple political fixes for gigantic economic problems, is deeply ingrained.

Stop right at the edge of the abyss

Still, if the past can offer any guidance, the Italians while messy and litigious, usually stop when they get right at the edge of the abyss. Confronted with the real possibility of a complete collapse, generally they retreat and agree to pay a huge economic price in order to steady the economy. However, once the emergency is gone and sheer survival is no longer in question, then the usual game of blame takes over again, with

a vengeance.

Italy could choose to undertake serious reforms, this way regaining economic competitiveness and credibility, becoming once again the destination of precious foreign investments.

But I would not count on wisdom and sobriety suddenly springing in this country of myopic leaders perennially fractured by parochial interests.

How Will Macron Govern France?

WASHINGTON – Emmanuel Macron's meteoric ascendance –literally from nothing prior to a short stint in the Hollande administration, to President of a major European country–is by itself a stunning political achievement. The very fact that obscure Macron saw an opening for himself as the leader of a brand new movement (he called it *En Marche!*) in a crowded field populated by seasoned politicians at least twice his age speaks volumes about Macron's political instincts.

He was lucky

That said, we also know that Macron was very lucky. The center

right party candidate, the Republican Francois Fillon, the favorite to win this presidential race according to most, suddenly imploded on account of the scandal related to fake staff jobs he offered to his wife and children. With Fillon sunk and a very weak Socialist party candidate running, Macron became the only credible alternative to Marine Le Pen, assuming that he could make it to the second round of the vote. Indeed there was a brief but all too real scare that grew as the first round got closer. It was all about Jean-Luc Melenchon, an unreconstructed Marxist who connected surprisingly well with the old French leftists (still many of them!) and with many young voters. Had Melenchon managed to overtake Macron in the first round, it would have been a disaster for Macron, the would-be new leader of a the newly reconstituted reformist center. (Imagine the scenario of a second ballot with Le Pen and Melenchon as the two finalists fighting for the French presidency).

Predictions were correct

In the end, as we now know, Macron managed to get to the second round, even though not by much. And then, after this critical first round semi-victory, everything happened according to most predictions. Macron won on May 7 by a large margin, (64%), while support for Marine Le Pen did not pass the symbolically significant 40% threshold. In fact she only got to 34%. Now she is defeated and humiliated, although still alive politically and –she says– willing to keep fighting.

Happy ending?

So, happy ending? Not quite. France and the world dodged a major bullet. A Le Pen presidency, at least at the start, would have been very disruptive, given her very negative views on Europe, the Euro, trade relations, and the NATO Alliance. Not to mention the heavy and disturbing baggage of xenophobia, racism, anti-Semitism, and more.

How to rejuvenate France

That said, while Macron's victory for sure is a precious reprieve, it is no guarantee that a severely weakened France, burdened by unaffordable social spending, unwieldy labor rules, and inefficient state owned corporations will become all of a sudden nimble, regain the enthusiasm needed to get out of the swamp of low growth and high unemployment; not to mention be able to overcome the unresolved issue of millions of (mostly Muslim) non assimilated immigrants, in many instance the breeding mix for radicalized youth who engage in acts of terror.

It is important to stress that Macron won on a positive message. He stated that France must embrace –not reject– globalization, foreign trade and strong relations with Europe. He forcefully argued that France is part of the global economy. Withdrawing behind protectionist walls is no solution.

Untested leader

All true. The unknown here is whether this new –and completely untested– young president (the youngest leader of France since Napoleon) will be able to galvanize his country, while at the same time gathering the necessary parliamentary support to pass critical labor and tax reforms, the minimal policy preconditions to create the enabling environment for French business and enterprise to flourish.

In order to secure these reforms Macron needs a major win at the forthcoming parliamentary elections. He needs a workable majority in the National Assembly in order to govern. Can his brand new political party repeat the leader's May 7 surprising victory?

The best choice?

Finally another somber consideration. The very fact that we

applaud Macron's victory as a major turning point in French and indeed European politics is in itself stunning. Macron is completely unknown, untested and inexperienced. Not that the establishment politicians inspire such great confidence.

However, the 64% obtained by this young new president is by itself a manifestation of a country adrift, grasping this modest straw (Macron) because this was the only way to avoid the abyss of a Le Pen victory.

When the French elevated General De Gaulle to the presidency, at least they knew they got a proven leader with a long, distinguished, and very public record. Today Emmanuel Macron is the new occupant of the same Elysee Palace once occupied by De Gaulle. The difference is that the French people who voted for Macron in large numbers have no clue as to how he will perform, because he has no real record.

Why Is Montenegro Joining NATO A Big Deal?

WASHINGTON – With the US Senate approving by a huge margin Montenegro entering NATO, the US-led security pact, (only 2 senators opposed), soon enough this small country, once a region of the former Yugoslavia, will join the western military alliance created on April 4, 1949 with the Treaty of Washington. In “normal” times, this tiny NATO enlargement should not be an event that would move the needle one way or the other.

Montenegro is small

Indeed, on the face of it, Montenegro NATO membership should

be a “non issue”. Hard to believe how a very small Balkan nation, with a population of 650,000, an army with only 2,000 soldiers, and a country GDP that is about the same size as the budget of the New York City police force, will alter the balance of forces in Europe.

A symbol

And yet, it is a sign of the times we live in that this issue of Montenegro and its accession into NATO somehow has become a big deal. Russia sees this step of Montenegro joining NATO as further evidence of a relentless eastward NATO expansion, most likely with the intent of encircling the Russian Federation, therefore creating a national security threat for Moscow.

Sending a message to Moscow

The US and other western countries instead want to portray the extension of NATO’s protection to this small Balkan nation as a manifestation of western political resolve. Russia is accused of trying to alter unilaterally the post war borders of Europe. Washington extending a helping hand to Montenegro, this way guaranteeing its security from possible external threats, supposedly would send a signal to Estonia, Poland and other NATO members bordering Russia: *“America is here to stay in Europe. No intention to leave. Abiding by the letter of the NATO Treaty, Washington pledges that it will stand by its allies, large and small, no matter what”*.

Adding more complexity to the Montenegro accession issue, it is clear that the country was and is divided on this matter. Pro NATO political forces have accused Russia of meddling.

Moscow and Washington should address distrust issues

Be that as it may, instead of using tiny Montenegro as a political symbol, it would be better for both Washington and Moscow to get together and seriously try to find common ground regarding legitimate security concerns. No, NATO is not about

to attack Russia. By the same token, NATO should recognize Russian concerns regarding ethnic Russians outside of the borders of the Russian Federation, and Moscow's historic connections with Slavic nations in Eastern Europe and the Balkans. The way forward should include ways which will enable Russia to feel more secure, while NATO countries can be convinced that Russia will use diplomacy, and not military force, (or subversion), to further its political interests in Eastern Europe and other border areas.

Find a way to improve East-West relations

Montenegro's accession to NATO will change nothing when it comes to the balance of forces in Europe. However, the very fact that we are even talking about this enlargement of the western alliance as a real problem, contributing to the further deterioration of East-West political relations, is indicative of the under currents of deep distrust between the US and Russia.

It should be in the interest of both Washington and Moscow to address this distrust.

Trump's Remarks On NATO

WASHINGTON – Republican presidential nominee Donald Trump made headlines in Europe when he declared that America would intervene to assist a European NATO under attack only if this ally has paid its full share of the bill for the common defense. This is unprecedented. No U.S. leader or aspiring leader has ever publicly questioned U.S. determination to intervene on behalf of a NATO member in case of hostile actions against it.

NATO's credibility at stake

NATO's credibility rests mostly on the U.S. unconditional commitment to defend Europe. If future U.S. policy indicates that this blanket commitment is subject to conditions, this may encourage aggression, or at least unfriendly actions on the part of Russia, always keen to exploit divisions between the U.S. and its European allies.

Here is what Article 5 of the NATO Treaty says: *The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognised by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.* [Emphasis added].

Unconditional pledge

It is clear that the NATO Treaty makes no mention of added conditionalities. It clearly stipulates that an attack against one NATO member shall be considered by all the others as an attack against all. Therefore, technically speaking, Trump's remarks are wrong, and frankly ill-advised. Indeed, Trump's glib remarks about circumstances that he would look at as president before deciding whether or not to come to the help of a European NATO country in peril are most inappropriate. The U.S. is bound to help a fellow NATO member because of a Treaty obligation. There is no gray area.

That said, Trump, while wrong on his interpretation of the Treaty, diplomacy and more, is actually right on substance. Let me explain.

Not paying for the common defense

In his usual inelegant but (sometimes) effective style, Trump pointed out what every U.S. defense official knows but will not say so bluntly, especially in public. It is a well-known fact that Europe is not paying its fair share of the common defense.

Ever since the end of the Cold War, European defense budgets have been (with very few exceptions) in free fall. The official pledge taken by all NATO countries to invest at least 2% of their GDP on defense has been broken by most of the Alliance members. There is no sign that all or at least most Europeans will soon be in compliance. Again, these are undisputed facts.

U.S. and NATO officials have repeatedly noted (albeit using muffled language) this huge gap between promises and actual defense spending. President Obama himself expressed his distress while contemplating European allies who do not spend even the bare minimum for the common security.

Trump said what most defense officials believe

Given all that, what Trump said is very much in line with what most members of the U.S. national security establishment know and say –but mostly in private meetings. The huge difference is that Trump publicly and bluntly said that America will not come to the rescue of delinquent members. And this is news.

Of course this unprecedented statement by someone who may be the next U.S. Commander in Chief come January 2017 made headlines, especially in the front line NATO countries in Eastern Europe that are directly facing Russia. (Think Latvia, Estonia, Lithuania and Poland). By saying to the Europeans something that amounts to "*First pay up, and then we shall see what I can do for you*" , Trump created nervousness and potentially contributed to enhancing instability in Eastern Europe. Given what he said, will Trump's America come to the

rescue of Estonia in case of an attack? May be not. His statement allowed all sorts of bad conjectures. This is why it was most ill-advised.

Pledges should be honored

That said, on the broader issue of lack of a European serious commitment to the common security, Trump is basically right. Throughout its long history that goes back to 1949, NATO has always been an unequal arrangement, with the U.S. doing the heavy lifting when it comes to defense spending.

But now we are at the point in which many European members of this old security pact contribute little to the common defense, some almost nothing; with the hope that they can get away with routinely unfulfilled pledges. This has to stop. Otherwise this old alliance turns into a joke.

Trump pointed out this huge gap between promises and actions. Again, really wrong on form; but right on substance.

Terrorism Is Not An Existential Threat

WASHINGTON – Sadly, there has been another terror attack. This time it took place in Munich, one of Germany's most important cities. Here is my take on this tragedy. It is alright for the news media to report the facts. What is not alright, in fact down right insane, is for every news channel to provide endless coverage of the event that quickly turns into wild speculation in the absence of hard facts.

Obsessive coverage

Indeed, all the networks kept the topic on the air by creating an endless loop in which there was no real news. The same skimpy facts were repeated again and again, in an obsessive fashion. In an equally obsessive fashion, viewers were treated with endless reruns of the same footage that showed scared people in Munich running away.

Uninformed commentary now part of the news

And it got a lot worse. In order to keep viewers interested, the news editors laced these non-reports from Munich with interviews with “experts” who knew absolutely nothing about the evolving situation in Germany. But supposedly they are “terrorism experts” who can opine on what is going on, even though they are totally in the dark regarding the key facts. As this “coverage” unfolded, nobody knew anything about the Munich shooter. Was he a German? Was he Middle Eastern? Is this about ISIL and jihad? Is this the work of extreme right militants? Or is it about a mentally disturbed person with no political agenda?

Ignorance is OK

But none of this matters. And so you could see on various TV channels a parade of retired U.S. Generals who were asked to offer their (supposedly insightful) opinion about an ongoing police action aimed at capturing a shooter in a German shopping mall about which they knew absolutely nothing. As if their military background would allow them to know what was happening and why.

And then add to the experts mix retired CIA and FBI agents, think tank people, and assorted others. One thing is clear. None of these people knew anything whatsoever about what happened in Munich. But this does not matter. Speculation, sometimes totally irresponsible, by experts is now considered an integral part of news coverage.

And it got really crazy. *“Let’s assume that these are ISIL inspired terrorists”*, said one. *“Well, in this case, this means that...blah, blah, blah”*. This is how the news media transformed a sad event whose causes were unknown (and that is very limited in scope) into yet another chapter of an unfolding global war waged by Terror against us that does not exist.

A global war that does not exist

Yes, the media want you to believe that this Munich attack must be part of a general war waged by Islamic fanatics against the West. Another terror attack signals that we are dealing with a ferocious enemy, determined to totally destroy us. And then the really stupid questions follow: *“In your opinion, what should governments do to keep us totally safe?”* As if there were an intelligent, cogent answer to such a broad question.

Terrorism is real

Terrorism is unfortunately real. Yes, innocent people across the world are being killed, and many more are potentially vulnerable. This is true. But by amplifying the news coverage of all these attacks the news media creates the false impression that there are thousands and thousands of terrorists ready to jump on us. They describe all this as an existential, truly overwhelming threat; when it is not.

A total of a few hundred people killed over a few months period across many countries is serious business. But these killings do not amount to an ongoing massive slaughter. By comparison, during WWI thousands of soldiers were killed in just a few hours in one of the many battles that were fought almost daily, over a number of years. Again, thousands of people get killed every year in America by criminals. But, somehow these deaths are not as important.

No perspective

I am not saying that terror-related killings should be ignored because they are not large enough to deserve attention. I am saying however that they should be looked at in perspective. Unless we see a real change in the momentum of these terror operations showing us that there is both willingness and operational ability to attack all Western (and other) countries from all angles on a regular basis, these terror attacks are not about to destroy our civilization. Of course we should deploy all our intelligence and police resources to deal with this threat. This is serious business. But we should leave its handling to law enforcement agencies and not panic.

World not coming to an end

However, this is not what the media tell us. Indeed, by providing truly over the top, excessive coverage and by allowing the wildest speculations about *“what other terrible things will happen next”* to be mixed with incessant news coverage the media give the public the impression that, on account of “Global Terrorism”, the world may be coming to an end.

This is just not true. Allowing this perception to be created by exaggerated coverage the media are creating fear, if not panic when we need perspective and calm. This is truly irresponsible. This distortion amounts to a huge disservice to Western societies which rely on the news media for balanced accounts in order to gain a reasonably accurate understanding about what is going on in the world.

Italy Overwhelmed by Poor

African Immigrants

WASHINGTON – Italy has two major demographic problems. Both of them carry bad outcomes. Italy is the destination of too many immigrants from poor countries in Africa and the Middle East; while its native population is shrinking due to extremely low fertility rates. In plain language: not enough new babies.

Gloomy picture

Here is the gloomy end game. Italy's population is progressively becoming more African/Middle Eastern. And this trend brings no economic gains, because most of the new residents are either illiterate or low skilled, while at the same time they are entitled to receiving costly social services.

Crisis point

Add to this social and political tensions caused by the new immigrants. Indeed, according to public officials, Italy has reached a crisis point when it comes to its ability to welcome and integrate immigrants arriving mostly from Africa and the Middle East. Piero Fassino, former Mayor of Turin, a major city in Italy's North West, recently stated that: *"In terms of numbers [of new immigrants] we are at the point of surpassing what can be managed by the public authorities. Unless we deal with it, this immigration problem may overwhelm us"*.

Political tensions

Among other issues, Fassino pointed out that immigrants come up on top of the waiting list for low-cost housing, because they usually have large families (unlike the Italians), and large families have a priority among those waiting for these units.

This way immigrants end up getting the housing originally

planned for low income Italians. And this unforeseen development clearly breeds strong anti-immigrant resentment.

Lowest fertility rates

And it gets worse. If we look at the never-ending immigration tidal wave in conjunction with low fertility rates among Italian women, then we have the elements of a demographic/political crisis. Italy now has the lowest number of new births per unit of population in the entire European Union. Simple math: fewer native Italians and more Africans permanently settled in Italy will transform the country's ethnic composition—rather rapidly.

Indeed, Italy is now at the point in which deaths have surpassed new births. This means a progressively shrinking native population. If we consider that in Italy, (like in most other developed countries), social services and pensions going to current recipients are paid for through contributions by active workers, it is obvious that the entire fabric of the Italian welfare state will soon become unsustainable. There will not be enough revenue to finance benefits. Simply stated: too many retirees, and not enough active workers paying into the system.

Immigrants do not add to the quality labor pool

From this perspective, the arrival of large numbers of new immigrants should be viewed as good news, no? More young people with jobs paying into the welfare system, should help re-balance it. Right?

Well, not really. Because these new immigrants are unskilled and mostly illiterate. These new arrivals have hard time get real jobs. They often become part of an informal, underground economy. To put it mildly, they do not add to the quality of Italian human capital. They are a net cost to the country.

No way out

Is there a way of this? Probably not. Italians do not have more children because of a changed culture in which family is no longer thought of as important, and in part because children are deemed to be too expensive for millions of struggling lower income Italians who can barely make ends meet.

Immigrants driven by poverty

At the same time, abject poverty will continue to drive hundreds of thousands of poor Africans out of their Continent. Same thing for Middle Eastern people trying to escape from civil wars, and political chaos in their native lands. Many of them end up in Italy because Italy is close to Africa, Syria, and Iraq. Once the new immigrants get there, hard to move them elsewhere.

So, here are the facts. Soon enough, Italy and others parts of Europe, especially Southern Europe, will look more like Africa and the Middle East.

Can Brexit Be Reversed?

WASHINGTON – Looking at the reactions of sadness and disbelief in Britain to the results of the Brexit vote, I am beginning to feel that the end of this England/EU tragedy (farce?) has not been written, yet. (On this, see also Gideon Rachman's reflections in [The Financial Times](#)). By that I mean that a new

London-Brussels compromise may be negotiated and struck that will allow Britain to stay in the EU, albeit with a few new qualifications regarding its membership.

What have we done?

I say this because the British are clearly not that happy about the outcome of their vote. Based on the widespread consternation now pervading the UK, (*"My God! What have we done?"*), my hunch is that many among those who voted Leave had no idea about they were doing, and of the dire consequences of a vote that would take Britain out of the EU.

Even worse, many truly believed all the lies told by the Leave leaders regarding all the British money earmarked for Brussels that from now on would stay in Great Britain, and about how wonderful everything would be, once the UK regained its "independence" from Brussels. Most of that talk was just brazen, totally irresponsible propaganda.

No triumph

Well, what do you know, in the aftermath of this clear victory, the language of the Leave leaders all of a sudden has become very nuanced, almost timid. *"Well, there will be some financial gains, but not too many."* *"Yes, we shall regain control over immigration, but not total."*

In other words, no atmosphere of triumph. In fact it looks like: *"And now, what do we do? Getting out of the EU looks a lot more complicated than we thought"* .

Looking at all this, many voters are getting the feeling that by voting for Brexit they bought a dream of a "new independence" that would make everybody rich that has no basis in reality.

No more Great Britain?

Besides, the Leave front probably did not consider adequately

the domestic political repercussions of the referendum outcome. With England in favor of leaving, while Scotland and Northern Ireland are strongly in favor of remaining, we have the elements of a major national dispute that may very well lead to the breakup of the United Kingdom. The possible end of Great Britain seems to be too much of a price to pay in the context of a vote that was supposed to assert British independence from Brussels.

Not a super majority

And, last but not least, while the 52% to 48% vote in favor of Brexit is clear, it is far from overwhelming. In other words, almost half the people in the UK voted to stay in the EU. And if you look at the actual number of votes cast, (only 72% of all voters participated in the referendum), in the end only 36% of the British citizens went for Brexit. A strong plurality, to be sure; but not a convincing majority.

Can this be undone?

Well, given all that, can something be done to reverse the outcome of this referendum? Something is indeed possible. It is not inconceivable that we can see in the coming weeks and months a fresh round of negotiations between London and Brussels aimed at reaching a new compromise that may satisfy a majority of British voters.

If we can assume a new arrangement whereby the UK gets a few more concessions from Brussels, especially on the number of EU immigrants it is willing to accept, it is entirely possible to have another referendum justified by the fact that the situation has changed, because now there is a new, more "favorable" UK-EU deal on the table.

If the victory for the Leave camp had been much more decisive, with a larger voter turnout, any idea of starting new negotiations leading to a new compromise and a new vote would be totally implausible. But the fact is that only 36% of the

voters affirmed their wish to leave the EU. And it seems that now many of them regret that vote.

Compromise, anybody?

Can there be a face-saving compromise? Imagine a new, more favorable (for the UK) deal followed by another referendum. Great Britain decides to stay in the EU on the basis of a new arrangement with Brussels. The Brexit camp can still claim victory because better terms were obtained on account of their successful agitation. This second act may not be easy. But it is entirely possible.

I still believe that the EU is mostly a turbocharged Chamber of Commerce with vain glorious and ill-defined political unification aspirations. And I still believe that this vote in the UK highlights the lack of genuine buy-in in the "Idea of Europe" on the part of large segments of European public opinion. But tearing the whole thing down without any plan whatsoever for a post-EU Great Britain is not the best way to move forward.

The EU is not the source of all problems

Here is the thing. The UK and other EU members have deep problems. But most of them do not stem from Brussels. They are rooted in large and frankly non affordable social programs, lack of labor mobility, low levels of investments and productivity, and declining fertility rates.

The notion sold to a majority of the British public before this referendum that the country's difficulties originate from its EU membership is false and totally misleading. True enough, Brussels does not help much. But, no, it is not the source of the widespread economic suffering affecting the UK and the rest of Europe. Therefore, getting out of Europe is no cure.

Brexit Should Force EU To Rethink Its Purpose

WASHINGTON – The most improbable is now reality. Great Britain opted out of Europe. What does this Brexit vote mean? it means as a minimum that the grandiose European Project that was supposed to have already created a “Continental Symphony” with all EU members playing harmoniously together, in order to praise the virtue of a strongly felt “European Unity” was and is in fact a dream.

The Brits do not buy it

Most British people do not buy any of this. This vote also means the end of David Cameron as British Prime Minister. He led the “Remain” campaign, and he lost, becoming now another political casualty in the broader war between old European political establishments and a restless public, deeply uncomfortable with the status quo.

The British do not see themselves as Europeans

Whatever the political, economic and trade consequences of this upset, as a minimum we know this: a majority (albeit slim) of British voters do not think of themselves as Europeans. The “Leave” camp claims that by severing these ties, the UK regains its full sovereignty. What does sovereignty mean to the average UK voter? Probably something akin to freedom from a vaguely defined foreign (Brussels based) interference.

Narrow victory

It is true that the “Leave” camp won by a narrow margin. But

this result in favor of Brexit was not supposed to happen. The UK is after all a leading member of the EU. Its voice matters on the Continent. And yet most British citizens feel that being in the EU is damaging their country.

Is this really true? Probably not. Hard to assess the net losses or benefits for the average British voters of a complicated web of treaties, agreements, regulations, and administrative procedures that binds Britain to the EU.

Vote driven by emotions

In the end, it is clear that most British people voted on the basis of emotions rather than a rational assessment of costs and advantages of EU membership. But emotions and gut feelings do matter when one determines his/her allegiance to any entity that has the aspiration of becoming more important than one's own Fatherland. The gut feeling here is mostly negative.

And now what?

That said, what will happen next? Who knows really. Before this vote, the Cameron Government made extremely dire predictions of economic losses, stagnation, unemployment and more in case of Brexit. But we do not know that for sure.

There will be a two-year window of time to plan for the exit. And while the disengagement from the horribly convoluted layers of European agreements may prove to be very complicated, I do not believe that this will doom the UK. I suspect that the necessary adjustments will be easier than anticipated.

And some basic things will not change. We are after all in a globalization era of mostly zero-tariff free trade. Finally, I do not believe that it is in the interest of the rest of the EU to make things too complicated, just for the pleasure of giving a hard time to the bizarre British.

Little Britain

True enough, since Scotland voted overwhelmingly in favor of “Remain”, we may very well see demands for a new referendum on Scottish independence. And this time it may succeed. Great Britain may very well cease to exist the way we know it today. Besides, Britain will have to sort the post Cameron era. Will Boris Johnson, former Mayor of London and leading “Leave” champion, become the next Prime Minister? Possible.

The future of Europe

But here is the most important consequence of this shocking referendum result. The unexpected vote in favor of Brexit will force –this is my hope– the rest of the EU members to have a serious debate about the current state and future prospects for the EU.

It is no secret that there is a strong anti EU sentiment also in other European countries, from France to Poland. If the UK survives this transition out of the EU without too much damage, others may be tempted to follow suit. Indeed, unless the EU begins to mean something really important for the average European, what is the compelling reason for staying in this arrangement?

Bureaucratic set up

Other European citizens may want to sever their ties to the EU because they also see the European Union mostly as an elitist affair managed by Brussels-based unelected technocrats who have no political mandate and no political mission. They are faceless functionaries who regulate everything, and inspire nothing.

Indeed, the anemic European Union grows little and in most key sectors it does not invest and innovate enough. For EU members, being together does not mean that the Union they belong to is much more significant and more vibrant than the

sum of its parts. The parts (with few exceptions) are weak, and the EU is also weak.

More countries to follow the UK?

I suspect that, given a chance to express their opinions, significant pluralities or even majorities of EU citizens would vote to follow the British example. The EU is an interesting experiment in free trade and building supra national institutions. But it is inefficient, it lacks coherence and –most fundamentally– it lacks a truly inspiring purpose that can be understood and embraced by the average citizen.

Unrealistic Plans To Stop African Migration Into Europe

WASHINGTON – How can Europe stop the endless tide of poor migrants arriving daily from Africa? Very simple, argues Matteo Renzi, Italy's Prime Minister. The EU will offer a "Migration Compact" to the poor African states. Europe will provide about 60 billion euro in fresh funds for new infrastructure and other worthy economic and social development projects that will dramatically improve economic conditions, and therefore opportunities at home for the African poor. In exchange, the African governments will promise to enact measures aimed at preventing this endless migration of the poor towards what they perceive as better places to live in Europe.

A good plan?

Sounds nice, doesn't it? Since we all understand that poverty

and lack of opportunity are the main drivers of this potentially endless migration, let's finance genuine economic growth and jobs in Africa, so that the poor will have an incentive to stay, rather than leave.

Yes, good plan indeed. Except that it is a really silly idea destined to fail. In fact it is so unrealistic that we can only call it dumb. I have no idea why this Migration Compact idea is even under consideration in Brussels; but it is obvious that it cannot be implemented. And even if it could be implemented, it would not produce the intended results: i.e. stop migration.

The numbers are daunting

First of all let's look at some numbers. Africa's total population is about 1.1 billion people, most of them poor. Even if only a small percentage want to emigrate to Europe, that is several million. Second point, this proposed EU fund would amount to about 60 billion Euro, to be disbursed over a number of years. 60 billion Euro sounds like a lot of money. But it isn't, given Africa's size and population and the prevailing horrible conditions when it comes to the insufficiency or complete lack of the basics: electricity, clean water, schools, hospitals, roads.

In other words, 60 billion Euro, while not negligible money, is simply not enough to move the migration needle. Third and crucial point, several decades of failed or under performing development assistance programs aimed at Africa provide ample evidence that it is impossible to plan, organize, manage and efficiently implement large-scale initiatives involving multiple partners with diverse agendas.

Mission impossible

And this Migration Compact mega project would combine all the problems encountered in earlier occasions. Let me name just a few. There will be a huge fund managed by a bureaucracy that

will be hampered by byzantine, made in the EU procedures, rather than focus on substance: i.e. funding projects. Add to this the need to create a Master Plan involving multiple backward countries that would identify projects to be funded and related time lines –all this with the full cooperation of chronically inefficient and usually corrupt African governments.

Then you would need the creation of a robust monitoring and evaluation system that would identify execution problems at every point of the continuum, (planning, project design, environmental impact assessments, buy-in by local communities, creation of project implementation units at the ministerial and local government level, and so on), and craft appropriate and timely corrective measures.

And, last but not least, you would also need the creation of a workable mechanism that would allow disbursements only to the government that are in full compliance with the rules of this Migration Compact. This means that if a government does not actively discourage migration, funding to its project would stop.

it will not work

Now, anybody who knows anything at all about the challenges involved in designing and implementing even modest development projects in Africa would tell you that this horrendously complicated mechanism will never work as intended.

Creating a Master Plan with so many stakeholders involved would take years. Many projects agreed upon, however worthy, would make no real difference in creating economic opportunity, and therefore would not create a real incentive for poor people to stay home. Disbursements would be messy and untimely. There would be a lot of waste due to poor planning and execution. There would be additional waste due to the lack of proper monitoring. And of course endemic corruption would

guarantee that a significant portion of all these new money would end up elsewhere. Last but not least, whatever they pledged to do, most African governments will not be willing or able to stop migrants. They simply do not have the resources to do this.

A bad idea

Anyway, you get the picture. This Migration Compact idea is a monumentally ill-advised plan. The fact that someone proposed it as a practical tool to address an endless migration crisis is bad enough. The fact that the EU is looking at it shows that in desperate times desperate people are willing to believe anything, including magic.

Endless migration wave

Here is the thing. Europe is unfortunately on the receiving end of a massive secular migration. Poor Africans want to go to Europe in the hope of finding a better life. They'll keep coming. However, slow growth Europe, unable as it is to take care of its own citizens, simply does not have the additional resources to receive and assimilate these illiterate masses. And yet, it has no solutions.

Having no solutions its leaders are inclined to debate and may be even approve the crazy dreams of a hapless Italian Prime Minister in charge of a country in which even garbage collection is often an insurmountable challenge.

Italian Prime Minister

Talking Nonsense

WASHINGTON – Yes, there is something to be said about optimistic political leaders who inspire their people to hang on and do the impossible, even when things do not look so good. Sometimes convincing leadership can perform miracles. Think of Winston Churchill during WWII, or Ronald Reagan in the 1980s.

The South comes back to life

Well, so what do we make of this statement by Italian Prime Minister Matteo Renzi during a recent visit to Naples? This is what Renzi said; *“If the South [of Italy] restarts, Italy will restart, this way becoming Europe’s locomotive”*. Think of that: Italy (11% unemployment, practically zero growth for a decade) transformed into Europe’s engine. And all this because of the South, (one of the most depressed regions within the EU), all of a sudden roaring into action. What do you know, in the blink of an eye Italy will be ahead of Germany!

Laughable

Is this sunny optimism or laughable stuff? Please pick the latter. The South of Italy has been and is a perennial tragedy of malinvestment, corruption, stupidity, apathy and desperation leading young people to emigrate. And please do not forget the almost complete dominance of organized crime, (Mafia, Camorra and N’drangheta), in practically all matters.

How The Economist sees it

If you want details, here is how The Economist put it a while ago:

“The south [of Italy] grew more slowly than the north before the financial crisis. But the main source of the divergence has been the south’s disastrous performance since then: its

economy contracted almost twice as fast as the north's in 2008-13—by 13% compared with 7%. The Mezzogiorno—eight southern regions including the islands of Sardinia and Sicily—has suffered sustained economic contraction for the past seven years. Unicredit, Italy's biggest bank, expects it to continue. [...]"

"Of the 943,000 Italians who became unemployed between 2007 and 2014, 70% were southerners. Italy's aggregate workforce contracted by 4% over that time; the south's, by 10.7%. **Employment in the south is lower than in any country in the European Union, at 40%**; [bold added] in the north, it is 64%. Female employment in southern Italy is just 33%, compared with 50% nationally; that makes Greece, at 43%, look good. **Unemployment last year was 21.7% in the south, compared with 13.6% nationally.** [bold added]. The share of northern and southern families living in absolute poverty grew from 3.3% and 5.8% respectively in 2007, to 5.8% and 12.6% in 2013."

"Downward pressure on demand is exacerbated by the south's lower birth rate and emigration northward and abroad. The average southern woman has 1.4 children, down from 2.2 in 1980. In the north, fertility has actually increased, from 1.4 in 1980 to 1.5 now. Net migration from south to north between 2001 and 2013 was more than 700,000 people, 70% of whom were aged between 15 and 34; more than a quarter were graduates. Marco Zigon of Getra, a Neapolitan manufacturer of electric transformers, says finding engineers in Naples, or ones willing to move there, is becoming ever harder. According to Istat, Italy's statistical body, over the next 50 years the south could lose 4.2m residents, a fifth of its population, to the north or abroad."

Add African immigrants to the mix

And let us not dwell on the dislocation and additional problems created by the tens of thousands of poor African immigrants who land in the South of Italy every year. They

cause huge frictions, while straining modest resources. And, by the way, youth unemployment in the South reaches 60% in some regions.

OK, now we have some context within which to place Renzi's optimistic comments. Think of it for a moment: *"If the South restarts"*. This is total and utter nonsense.

Stupid statements

Given the bleak picture presented above, talking about such a *"restart"* as if it were achievable, and practically around the corner, is a bit like saying *"In a little while, when Afghanistan will be a modern industrial economy"...*; or *"Next year, after Venezuela's economy will be back on track"...*; or *"in 2017, after all of Africa will have electricity and clean water"...* For any of these highly desirable scenarios to materialize, every sane observer knows that we are talking generations, even assuming good policies and strong perseverance over decades.

Yes, it would be nice if overnight, magically...*"Puffff"*...the South of Italy became a modern Region, this way energizing the rest of the country, leading Italy to unimaginable new heights.

This is not going to happen

But no, this is not going to happen. The South is trapped in its culture of short termism, thievery, corruption, organized crime, and unbelievable levels of maladministration. The notion that one or two initiatives, and a sprinkle of investments will trigger a systemic transformation of this perennial economic swamp is not just naive, it is frankly stupid.

I am not sure why the Italian Prime Minister said this. But I find it remarkable that nobody called him on this. Nobody pointed out how preposterous all this is. No media comments.

No requests for clarifications as to how this magic “restart” will materialize itself.