

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.

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.

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.

There Is No European Identity

WASHINGTON – For the outside world, the current political debate within Great Britain about staying in the European Union, EU, or leaving, depending on the outcome of a June referendum, looks like arcane stuff, and probably not that interesting. Another strange internal European thing that foreigners, and Americans in particular, do not understand much, and frankly do not care that much about.

What difference does it make?

In the end, what difference does it make to America if Britain, a much diminished second rate power, belongs or does not belong to an assorted group of medium, mediocre, and poor European countries tied together by a complicated web of trade

agreements?

Well, it probably does not make a huge difference to Americans.

Failure of the “Idea of Europe”

But this issue matters in Europe. And I am not referring here to the ripple effects of a British Exit, or “Brexit”, when it comes to trade between the UK and the rest of the EU, or the possible consequences on the City of London as a key global financial center, should Britain begin to operate outside EU banking and securities rules.

No, I am referring to something else. I am referring to this. The very fact that Britain is openly debating whether or not it is good for the country to stay in the European Union attest to the failure of the “Idea of Europe”.

The unfulfilled promise of a “European Union”

The very denomination “European Union” suggests a relevant and powerful new entity that is and will be involved in a lot more than agricultural subsidies and regulating the allowable size and shape of vegetables.

True, from the other side of the Atlantic, the EU looks mostly like an over complicated, and rather cumbersome arrangement among under performing economies, run by bureaucrats who seem intent on regulating everything.

A Big Project

But, in Europe, the expression “European Union” is supposed to have a strong meaning. In Europe, at least for some, the European Union is an unfolding “Big Project”. It is the plan to progressively unify almost 30 countries, eventually creating a United European Super State, (or something close to that), so that the new entity would be much more relevant than the sum of its individual parts, (the member states).

And this Big Project supposedly is the pull factor attracting so many applicants. The EU is the future; and they want to be part of it.

Well, this is the official, or semi-official narrative.

Lack of shared strategies

In practice, the picture is far less attractive. Cohesion and solidarity, let alone unity of purpose among members, is rather low. Getting to an agreement on practically anything within the EU involves an immensely laborious process aimed at reaching a consensus among almost 30 governments.

And when the focus is on major policy choices, common strategies, the EU members find watered down unity at the lowest possible common denominator. In simple terms, this means that whatever the EU declares, nobody listens to it, because it is usually just empty rhetoric.

Right now the EU is trying, with little success, to forge a common policy to face a major refugee and immigration crisis triggered in part by the civil war in Syria. It is obvious that there is very little common ground among member states.

Furthermore, there is no discernible European foreign policy; let alone security policies based on a genuine consensus on external threats and appropriate countermeasures. Threat perception in Portugal is not the same as threat perception in Greece or Poland.

Europe is not irrelevant

Do not get me wrong. I am not suggesting that the EU is inconsequential across the board. On matters of global trade, anti-trust, financial arrangements, and a lot more the EU is very consequential. And for foreign investors and exporters into the EU, the harmonization of rules within the EU, plus the existence of a pan-European market where the same norms

are applied across almost 30 countries, from Finland to Croatia, is a major advantage.

No European Identity

Still, all this notwithstanding, the EU failed in its ultimate goal: the creation of a genuine "European Identity" that successfully replaced or will soon replace national identities. If this shift had been accomplished, then the issue of Britain leaving Europe would have never come up. Nobody would want to leave a new Super State that all citizens strongly identify with and that brought about so many advantages to all its members.

What will Britain do?

And yet, the debate about leaving the EU is going on in Great Britain. In June there will be a referendum that will allow voters to settle this issue. My hunch is that eventually the British people will decide to stay in the EU.

Still, the very fact that no one dares to predict the outcome of this referendum is an indication that Britain is deeply divided on an issue that should have been settled decades ago. Other countries that are not planning any "In or Out" vote are also deeply divided on whether EU membership is a good thing or not. (Think of Poland, Denmark, Greece, and to a lesser extent France and Italy).

EU will survive; but it will stay weak

Here is the thing. With or without Britain, the complex inter-governmental arrangements that make up the European Union will survive.

But Europe will continue to be a rather weak hybrid in which some components of national sovereignty have been delegated to EU functionaries in Brussels, while others remain under the control of national political authorities. All these competing

authorities and jurisdictions created a recipe for confusion and weakness.

With or without quarrelsome Britain, forget about a strong Federal Europe. And, most of all, forget about a strong Europe playing a decisive role in world affairs. If the Europeans do not believe that much in Europe, why should the rest of the world take the EU seriously?

After The French Vote, Is This The End Of Europe?

WASHINGTON – The triumph at the polls for French regional elections of the right-wing National Front led by Marine Le Pen is to be taken very, very seriously. This is not just a knee-jerk reaction to the Paris shootings perpetrated by a small group of Islamic terrorists. This victory of the far right is an indication of a profound spiritual and moral crisis within France, a country that until yesterday was considered a true democracy, and a pillar of the EU.

The National Front

The National Front is now poised to get control over many French regions. Right now, based on the recent vote, it is the largest party in France, even though by a small margin. The Socialist Party is badly beaten, and almost dead. The “respectable” conservative party, the Republicans, is running second.

This electoral contest is not over yet. It is possible that in

the second round an improbable coalition of Socialists and Republicans may be able to stop the National Front wave.

Xenophobia and nationalism

Still, what we have now is that a very large segment of the French society voted for an openly xenophobic, anti-immigrant, anti-Muslim, anti Europe, and anti-Euro party.

Look, there is no depth to any of this. But there is a lot of emotional intensity. This is right-wing populism, with tinges of a regression to uncivilized barbarism. But this is unfortunately the way in which a despondent and frustrated French society is giving political expression to its despair.

The solution to all this

The citizens look at French economic decline, and at what they perceive as societal deterioration created by millions of mostly Muslim immigrants who cannot be assimilated. In fact, some of them turn out to be terrorists.

It is a bad mix. Economic decline, diminishing opportunities, mediocre leadership, and the perception that “the enemy within” will destroy us. Hence the popularity of an openly xenophobic, nationalist force that promises to fix all this –quickly and with harsh methods, if needed.

Civilized people will say that this is impossible. This madness cannot last. Common sense will have to prevail. The National Front will disappear soon, as it should. Well, the fact is that as France became weaker, the National Front got stronger. The politics of despair work for those who promise “solutions”, however unrealistic they may be.

Impact on Europe

Whatever the implications for France, from a European perspective this political development spells disaster. If you go back a few years broadly speaking there was some, although

usually tepid, support for increased European integration.

But now, with a decidedly anti-EU political force in a strong position in France, one of the key EU pillars, forget about any plans of further integration. Nothing important can happen within the EU without strong French support. All far-reaching initiatives are based on a prior agreement between France and Germany. The anti-EU National Front is now strong enough to make this agreement virtually impossible.

And bear in mind that the rise of the French National Front is not an isolated phenomenon. Indeed, if we review what is happening across Europe, we get an alarming picture.

Anti-EU sentiments on the rise

In Hungary there is Viktor Orban, a would be dictator who talks about the need for an illiberal democracy. In Italy you have the Lega Nord, a nationalist, northern secessionist party now led by Matteo Salvini, and "5 Stelle", a large anti-system party, led by Beppe Grillo. In Finland there are nationalists and xenophobes. In Denmark there is a growing anti-EU sentiment. In Greece you have the ultra right Golden Dawn party. In Poland the nationalists of the Law and Justice Party led by Jaroslaw Kaczynski just won the elections. Add to all this perennially undecided Great Britain that at some point will have to vote on whether to continue its membership in the EU or not.

And there is more. New parties on the left, like Syriza in Greece, led by Prime Minister Alexis Tsipras, and Podemos in Spain, while promoting a totally different political agenda, are certainly not pro-EU. Finally, consider the centrifugal impulses created by the strong support for independence in Catalonia and in Scotland, and "Europe" begins to look like a real political mess.

No real support for further EU integration

What does all this mean? It means that the ideological and moral glue that kept Europe together, weak as it was, has gotten a lot weaker in the past couple of years.

The economic crisis, the EU-imposed austerity on profligate states, high unemployment, lower standards of living, the endless stream of refugees from Africa, and now Syria, coupled with more Islamic terrorism, created a sense of existential threat.

Hence the popularity of anti-system political forces that promise strong measures to fix all this, quickly. Whatever their vacuous agendas, these now stronger parties on the right and on the left share an anti-EU bias.

Shaky EU foundations

Sure enough, there are strong, established, shared economic interests that keep Europe together. There is a large free trade area, a common currency, and a lot more. Yes, but “Europe” as a believable political entity does not exist.

At best, it is a “Supercharged Regional Chamber of Commerce”. This entity is held together by a myriad of agreements and binding rules. But these agreements are not understood or appreciated by the average European.

And now you have the emergence of powerful centrifugal forces that do not believe in the value of free trade and a common currency. They dream of rebuilding their own nations and protecting their economies. From their perspective, Europe is in fact a menace.

Yes, these are silly ideas. Regressing into protectionism in this era of globalization makes no sense. But it does not matter. These “political platforms”, such as they are, now have millions of believers.

A weaker Europe

So, is it over for the Brussels technocrats, and all the EU supra national institutions? No, it is not over. But forget about any new momentum leading to further European integration. Above all, forget about all dreams of any process that will lead to a strong and assertive United Federal Europe. This will probably never happen.

May be Marine Le Pen and her opposite numbers across Europe are not strong enough to destroy all that has been created since 1957.

But they seem strong enough to make whatever Europe there is even weaker, and even more ineffective.

EU Money To Stop African Migrants?

WASHINGTON – The EU-Africa Summit just held in Malta was supposed to lead to some kind of understanding between African countries and Europe on how to stop or at least reduce the endless flow of illegal economic migrants from Africa. Thousands of people sail across the Mediterranean, every day, in search of a better future in Europe. Many of them drown while trying.

Nothing done in Malta

Needless to say, nothing was accomplished. And it is easy to see why. The African countries have neither the interest nor the capability to stop their (desperate?) citizens from migrating to Europe.

In fact they have an interest in having more of their own

people in Europe. These migrants, once they get some work, send money back home. And this large remittances flow allows many of their poor relatives back home to survive. Indeed, this migration created the equivalent of economic welfare programs indirectly funded by European employers.

Therefore, forget about convincing African government about stemming the flow. They now have a vested interest in keeping this economic migration, (and the ensuing revenue stream), going.

That said, even if they really wanted to stop this migration, African leaders do not have the resources, the police forces, or anything akin to them, to stop people from going away.

European Trust Fund to stop migration?

Hard to believe that the EU leaders do not know this. Be that as it may, the Malta meeting was held. And the highlight of the gathering is the EU offer to African leaders of a brand new European Trust Fund of about US \$ 1.9 billion. This money will be used to implement poverty reduction measures.

This brilliant initiative is based on the idea that if the Africans were not so poor, they would stay home; and so they would not engage in perilous journeys to Europe with the goal of resettling there.

A couple of dollars per person will not do

Yes, of course, in principle this is true.

However, meaningful African economic development may take another 20 to 30 years. If anybody thinks that this Trust Fund will make any tangible difference, they should have their heads examined.

US \$ 1.9 billion sounds like a lot. But Africa has 1.1 billion people, (2013 figures), many of them poor, or very poor. (Two billion divided by 1 billion means two dollars per person).

This is a drop in the ocean. Besides, how will this Fund be administered? What kind of projects will be financed? What guarantees do EU leaders have that this money will be spent wisely?

All in all, this is a really stupid idea that will not affect the migration picture in any meaningful way.

The poor are mobile

Here is the harsh reality. In this era of globalization, the poor in Africa “know”, or are led to believe, that there are greener pastures elsewhere. They see themselves trapped in a cycle of perpetual poverty in their own slowly developing countries. (Others are driven away by conflict and destruction in the Middle East or civil war in Libya).

However, now, for the first time in their history, millions of Africa’s poor believe they have a choice. They can emigrate. And so they are willing to take a huge chance and travel to Europe, in most instances paying large fees to traffickers who arrange their travel. This is true of all African economic migrants.

People from Syria, Afghanistan, or Eritrea are a different case. They escape from war, destruction, or tyranny. But, whatever their individual motivations, all these people want to go to Europe because it is within geographic reach, and because they believe that somehow, once there, they can have a fresh start in a more hospitable environment. Right or wrong, it does not matter. This is what they believe, and this belief motivates them.

Can Europe make room for more Africans?

In principle, a 28 member strong European Union could make room for a few million immigrants. But this is not what most Europeans believe. The Europeans are hurting. Some EU economies do poorly, some of them barely have a pulse. The

general perception is that countries with high levels of unemployment (12.5% in Italy, above 20% in Spain and Greece) simply cannot afford to welcome hundreds of thousands (overtime millions) of destitute, needy, and illiterate economic migrants.

It is obvious that these people first of all need housing, clothing, food, medical care, and schools. Where is the money to take care of them? On top of that, many if not most of them are Muslim. Which is to say that you have to add religious and cultural differences to the issues negatively affecting rapid integration into the new societies.

If you are an average European looking at all this, you conclude that allowing more immigration is not a positive development likely to benefit Europe. Therefore, you protest loudly. At the next elections you are more likely to vote for a party with a strong anti-immigrant platform.

They keep coming

Bottom line, here is the thing. This seemingly endless migration problem from Africa (and war-torn Middle East) to Europe has no solution. Indeed, short of placing machine guns on the beaches of Sicily, with clear orders to shoot to kill all migrants landing there –and this will never happen, for obvious reasons– there is no way to end this flow of the poor trying to escape poverty. The attraction represented by “rich” Europe is too strong.

The desperate migrants “know” that, once they get to Europe, they are “safe”. Somehow, they will be taken care of. And, after that, some economic prospect, some kind of work, will materialize.

Offering Africa a couple of billion dollars hoping that this would help reduce the volume of this migration crisis is an idea born out of insanity, despair or sheer stupidity. Take your pick.

Endless Migration To Europe From Africa And The Middle East

WASHINGTON – The recent headlines and TV images about throngs of desperate Syrian families trying to board trains in Hungary that will hopefully take them to Germany would allow many if not most observers to believe that Europe is facing a dramatic but limited problem.

Just Syrian refugees

Right now, it seems that this is a sudden refugee crisis stemming from the horrible Syrian civil war. It would appear that most of the people trying to get to Europe are the victims of this prolonged conflict.

Besides, the European Union authorities and the member states governments, whatever their profound disagreements on a common refugee policy, talk in terms of precise numbers: 160,000 to be settled here, 20,000 there, and so on.

Because of this, the public may get the impression that, as difficult as all this is, this is a limited, manageable problem. There is a way for individual member states to be humane by accepting X number of Syrian refugees on their soil. After all this is done, the problem will be over.

A big migration

Well, not so. Not even remotely so.

It is of course true that –right now– the attention grabbing headline is Syria. But, unfortunately, the Syrian conflict and

the refugee crisis it created is just the latest chapter of a decades-long history of desperate people who try to get out of poverty and misery in their own countries, with the hope that life in Europe will be better.

Immigrants from Africa

For example, the African migrants from Ghana, Nigeria or Senegal who cross the Sahara Desert, and then board old and unsafe vessels that will sail to Italy, have absolutely nothing to do with the Syrian conflict. And yet they have been coming, and coming, for decades. The number of daily arrivals is not a tidal wave. But the point is that these people –most of them driven by economic necessity– keep coming –*every day*.

Needless to say, other conflicts, such as the Libyan civil war, have given new momentum to this exodus. However, the Nigerians or Senegalese who keep coming have nothing to do with chaos in Libya.

Poverty and wars drive this migration

So, here is the thing. In several African countries and in the Middle East there is a really bad combination of poverty, lack of economic opportunity, disease, political chaos, and bloody conflicts.

These factors, in different ways, create the incentives to migrate. And Europe is the target destination because of geographic proximity, historic ties, and because of a somewhat relaxed (or confused, if you prefer) policy regarding immigrants.

While policies vary from country to country, the general perception among the would-be immigrants is that, once you get there, you get to stay. Period.

What does all this mean?

Well, if this is so, then what do we make of this seemingly

unstoppable phenomenon? Very simple. On top of the millions who are already there, in the next few years there will be millions and millions new immigrants –legitimate refugees plus all the others– who will get to Europe simply because they believe that in Europe they will have a better life.

And what is the impact of this massive migration? The migrants who already got to Europe and settled there have transformed the countries where they have settled. Unfortunately, in most cases, not in a good way.

Impact

Simply stated, most host countries do not have the money and/or the resolve to foster a rapid integration process. Therefore, most immigrants end up living at the margin of society, with limited access to education, health care and work. From their perspective, this rather dismal existence as permanent underclass may be better than what they left behind in their home countries. But this is hardly optimal.

No improvement

I am very pessimistic about the chances to radically improve this picture. There is poverty and war in Africa and the Middle East, and (supposedly) better economic conditions in Europe. Therefore, the incentive to get to Europe is just too strong.

And, remember, this is not a limited crisis. The Syrian civil war at some point will end. But this is an endless migration that could stop only if and when conditions in the countries of origin of all these immigrants really improve, in a dramatic way.

And I would not bet on this happening any time soon.

In A Speech At The American University Obama Defended Iran Deal

WASHINGTON – On August 5, US President Barack Obama delivered a speech aimed at promoting his Iran nuclear deal at The American University in Washington, DC (just a short walking distance from where I live).

Get more Democrats on board

The point of this speech was to increase the support for this agreement among the Democrats in Congress. Right now the numbers do not look good. The Obama administration knows that most Republicans will vote against the agreement. But, in order to eliminate the specter of a veto-proof majority made out of Republicans and some Democrats, it needs a sufficient number of Democrats to be in favor. If Congress would have a veto-proof majority against adoption, the US would in fact reject the deal, this way embarrassing Obama.

Analogy with JFK speech?

Hence the American University speech. The venue has been chosen because it was at the same American University that President John F. Kennedy on June 10, 1963 (52 year ago) gave a landmark speech in defense of arms control negotiations with the Soviet Union. Obama tried to point out that if JFK could engage the Soviet Union at the height of the Cold War, America can do the same with Iran today.

I am not sure how this attempt at creating a cogent historic analogy with earlier chapters of the US nuclear weapons

negotiations history worked out. Obama chose the same venue selected by JFK in 1963. He quoted from that famous Commencement Address by JFK several times during his speech. Still, I very much doubt that most Americans –today– will be able to see the connection between US-Soviet relations 50 years ago and current US-Iran relations. US-Soviet arms control negotiations covering arcane subjects –negotiations that took place more than two generations ago– are ancient history for most Americans.

Nothing new

Beyond this long-shot attempt to link Obama's foreign and security policies to eternally revered (and Democratic Party icon) President Kennedy, the American University address did not reveal anything new. Obama defended the deal negotiated by Secretary of State John Kerry, and pointed out that his loud critics have yet to come with any alternative.

Obama's central point is that this agreement prevents Iran from obtaining a nuclear weapon. Even the proponents of a hard line recognize that any bombing campaign targeting Iranian nuclear facilities would at best delay Iran's nuclear program. Therefore, argues the President, this deal is better than any military action.

Will this work?

Will Obama's (Kennedy-like?) address sway some of the reluctant Democrats? Will his veto be sustained? Will his policy "win"? This is important. But, at this stage, it is mostly a US domestic politics issue.

Here is the thing. Whatever the Republicans (aided by some Democrats) in the US Congress say, as far as the world is concerned, clearly "this is a done deal". The UN Security Council endorsed it, unanimously. The European Union (28 countries) loves it because it is a precondition for going back to business with Iran. China and Russia are in favor, and

so on.

Even if the US Congress rejects it with a veto-proof majority, (because Obama lost support among some Democrats), what difference does it make in the real world?

Can anyone really believe that America, all by itself, will keep the sanctions against Iran –for ever? It is obvious that economic sanctions have a chance of working only if most countries enforce them.

The deal will not be renegotiated

In the end, no matter what happens to the agreement in the US Congress, this nuclear agreement train left the station. The entire world wants peace with Iran. And if “peace” means accepting an agreement that is mostly wishful thinking, (in as much as it is unenforceable), so be it. If this means accepting a stronger Iran in the Region, so be it. Renault, Siemens, ENI, Airbus and Total are keen on new business deals.

Quite frankly even if all Republicans (joined by a few Democrats) in Congress keep chanting that this a “bad deal”, they are in no position to force, not just Obama, but the entire international community, to change course so that we can get a better deal.

More And More Africans Flowing Into Europe

WASHINGTON – High minded European media chastise both EU governments and segments of public opinion for their myopic and ungenerous attitude regarding immigration.

There has to be room

The EU is a group of 28 countries with a total population now exceeding 500 million. Surely there must be some extra room for a few thousand refugees from the Middle East, North Africa and sub-Saharan Africa. EU member states inability to forge a workable policy consensus that would resolve a manageable problem is a bad indication.

After all, the same editorials intone, look at Turkey, Jordan and Lebanon. They have welcomed literally millions of Syrian refugees. If under resourced countries can do that, why is that bigger and more prosperous EU countries cannot do better with much, much smaller numbers of asylum seekers?

Not a self-contained issue

Yes, in principle these look like valid arguments. But they are not. They are not because they implicitly assume that this wave of migration from poor and conflict ridden countries to more prosperous Europe is a temporary phenomenon bound to end quite soon. In other words, this is presented by the media as a relatively manageable, self-contained issue; but it is not.

Indeed, while the number of "African Boat People" landing almost daily in Italy are not overwhelming, it is a constant flow: 500, 900, 1200 arrivals, almost every day. And this migration of the poor towards somewhat better off countries is essentially unstoppable.

Africa is poor

Much is said about Africa finally coming of age, with promising growth and more opportunity. However, the Continent remains extremely poor. Most Africans still lack the very basics. They have no electricity, no clean water, bad housing, at best inadequate health care facilities. And let's not talk about education opportunities leading to good jobs and fulfilling careers. All this may come, eventually. But not

now.

Add to this the perpetual political chaos in Libya and other North African countries, with consequent economic misery for millions. And to spice this up, consider the never-ending Syrian civil war, with Assad, ISIL, and assorted Syrian fighters fueling a horrible conflict that essentially destroyed the country, this way creating an immense refugee problem.

All these are the drivers of migration to Europe. It would take heroic optimism to believe that these are just temporary phenomena, coming soon to an end. Until the root causes of extreme poverty and conflict will be taken care of, this flow will go on, and on, for at least another decade, may be much longer.

Not just a few thousand people

So, let's clarify that the issue at hand is not just finding appropriate accommodation for a few thousand people landing in Sicily, or for the poor souls who are now camped in Calais, France, with the hope to be allowed to get to Great Britain. This is a vast population movement driven by poverty and wars, enabled by a variety of criminal gangs that take care of the travel arrangements.

Unless we can assume that soon enough Africa and the Middle East will offer education, economic opportunity, and security to all or most of their inhabitants, you can safely conclude that this slow but steady migration will continue.

Demographic changes

And, wait, there is more. This net inflow of poor, illiterate and mostly Muslim migrants has to be placed in the context of semi-impooverished Southern European countries that are the "port of entry" for the refugees. Greece, Italy and Spain are countries in economic decline. They have overstretched social

welfare programs, under performing economies, and declining populations.

The net addition of even a few thousand Africans, month after month, simply makes a bad situation worse. These mostly unskilled and illiterate Africans cannot possibly add to the national economy in any meaningful way. In fact, they become recipients of public assistance, this way adding to already unsustainable costs.

More and more Africans in Southern Europe

Last but not least, in the context of stagnant or declining indigenous EU countries populations, these African and Middle Eastern immigrants will soon begin to alter the demographic picture. The Italians have one of the lowest fertility rates in Europe. The immigrants keep arriving. Those who settle in Italy on balance tend to have higher fertility rates. This means a rapidly growing immigrant population, both in absolute and relative terms.

If these new immigrants were educated, capable and willing to contribute to the societies that welcome them, this would be great. But unfortunately this is not the case.

Given all this, the widespread anti-immigrant sentiment, even if ineffective because it cannot stop the flow, is not that difficult to understand.