



A Strategy for Southern Europe

SPECIALREPORT

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Contents

SR017 October 2013

Executive Summary Eirini Karamouzi	4
Contributors	6
The Making of Southern Europe: An Historical Overview Effie Pedaliu	8
Southern Europe's Role After the Arab Spring: Winning Back Voice and Access Sarah Wolff	15
Macroeconomic Policies That Will Help Southern Europe Paul De Grauwe	23
The Security of the Mediterranean Sea Michael Codner	29
Southern Europe Defence in Times of Austerity Nuno Severiano Teixeira and Ana Santos Pinto	36
Energy as a Source of Recovery in Southern European Economies Christopher Coats	46
Migration Policy in Southern Europe: Challenges, Constraints and Prospects Anna Triandafyllidou	54

➤ Executive Summary

Eirini Karamouzi

Over the last five years Southern Europe has experienced widespread economic, political and social upheaval of almost existential proportion. Greece, Italy, Spain and Portugal, stricken by the Eurozone crisis and the aftershocks of the Arab Spring, face uncertain futures. This report examines the challenges confronting Southern Europe and seeks to explore the potential benefits the countries of the region could gain if they cooperated more closely and developed common policy responses in the areas of migration, maritime security, energy and defence.

Through differing approaches, all contributors affirm the need for 'more Europe', but argue that further integration requires interconnected initiatives and holistic approaches. First, Southern European countries must overcome their reluctance to using the existing mechanisms of the EU, which offer significant benefits in the areas of maritime security, energy, defence and migration policy. In parallel, Northern European countries must avoid exacerbating the North-South divide and show a fuller appreciation of the wider benefits of a prosperous Southern Europe to the whole of the EU. They should facilitate processes whereby Southern European countries are able to 'help themselves'.

Pedaliu's historical analysis traces the formative stages of the evolution of 'Southern Europe' as a political entity over the last two centuries. She confirms the underlying premise of this report that the most recent crisis is yet another stage in the ongoing conceptual process of 'Southern Europeanisation'. Building on this discussion, Wolff argues that Southern Europe needs to build on its geographic advantages by reestablishing its influence in the Arab Mediterranean region, supporting genuine processes of democratisation, engaging with new political forces and encouraging further Southern Mediterranean integration.

De Grauwe underlines how the financial crisis in Southern Europe has transformed into a social and political problem. By making the case that austerity has reached its limits of efficacy, he argues that the Eurozone's leading members must adopt a more 'symmetric' macroeconomic policy. In practice, creditor nations should share the cost of adjustment by stimulating their economies so that the Southern periphery can reduce its external debt. Teixeira, Pinto and Codner delve into the security aspects of the financial crisis, focusing on defence spending and maritime security, respectively. In an era of austerity, 'doing more with less' has become imperative at both a national and European level. Codner goes a step further by highlighting Northern Europe's indirect dependence on Mediterranean maritime security and suggesting it should do more to support Southern Europe within the EU and NATO framework.

Coats discusses the energy potential of the region—a sector sometimes hailed as the saviour of Southern Europe's economies. Whilst he acknowledges that the geopolitical benefits of a possible energy role for Southern Europe are too significant to ignore, he concludes that the energy sector cannot be expected to drive the region's economic recovery for the foreseeable future.

The economic crisis and the Arab Spring shone a spotlight on the migration policies of the countries at the 'soft underbelly' of Europe. Triandafyllidou shows that despite facing similar challenges Southern European countries have not joined forces to manage migration flows. In a period of fiscal austerity, cooperation should not be limited to simply increasing the security of external borders, but should involve pragmatic approaches towards populations already settled in the region as the de-legalisation of long-established migrants may give rise to fundamental economic and social problems in the future. Regional migration policy thus needs to operate within an improved framework that respects the rights and the well-being of migrant populations in Europe.

The challenges facing Southern Europe have generated an urgent need for a holistic response across a range of specific policy areas highlighted in this report. The problems of Southern Europe are also the problems of the whole of Europe. Developing a common approach to the region's problems provides an opportunity for the EU to construct a new narrative and establish the foundations of a sustained North-South cooperation. Adopting such an approach is undoubtedly a long-term process. Yet, the possibilities for coordination would benefit the Eurozone and Europe as a whole, resulting in a more coherent and politically strengthened EU. This report provides a starting point. ■

Contributors

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➤ **A Strategy for
Southern Europe**

➤ The Making of Southern Europe: An Historical Overview

Effie Pedaliu

The 2008 euro crisis came hot on the heels of the global economic crisis that exploded in 2007. Almost overnight, Southern Europe became home to the profligate and the indolent.¹ The derogatory term PIGS, which had fallen into disuse soon after it was coined in the 1990s,² resurfaced to describe the economies and (at times) the people of Portugal, Italy, Greece and Spain.³ How the geopolitical region termed Southern Europe came about, and why Greece, Portugal and Spain joined the EEC has apparently become lost in the panic that gripped the EU. It is useful, therefore, to re-examine and reiterate how the current notion of a 'Southern European region' emerged in order to provide some depth and context to the current Eurozone debate.

From the late 1980s until the mid-1990s, several brilliant historians and political scientists tried to address the question of 'what is Southern Europe?' Most prominent among them were Roberto Aliboni,⁴ John Chipman,⁵ Edward Malefakis⁶ and Giulio Sapelli.⁷ Their work helped to categorise a region of Europe which had been largely overlooked in the historiography of the European continent. These academics raised the profile of the region and made it a discrete area of study in many universities. Their efforts were compromised, however, by the homogenisation brought about by closer European integration after the signing of the Schengen Treaty (1985), the introduction of the Single European Act (1986), the creation of the Eurozone and the horrors of 9/11. The emphasis for Europeans in the 1990s and 2000s became concentrated on 'ever' closer unity and a 'fortress Europe' mentality. Diversification became passé around 2004, a time when the EU was focused on its most challenging enlargement to date: the incorporation of countries of the former Soviet bloc. During this period of 'plenty' and European expansion, the essence of Southern Europe was once again mislaid.

In terms of geography, topography and climate Southern Europe stretches from Portugal to Turkey. It consists of Portugal, Spain, Southern France, Italy, Greece, Turkey, the island states of Malta and Cyprus and the Balkan states bound by the Adriatic and the Black Seas. Trying to define present-day Southern Europe as region is not an exercise that lends itself to consistency, and exact or even objective criteria are hard to come by. Borders can be fuzzy, as Christiansen, Petito and Tonra have shown.⁸

1 *The Washington Post*, 28 February 2010.

2 *Le Monde*, 24 April 1997.

3 *Newsweek Magazine*, 28 June 2008; *The Guardian*, 2 February 2010.

4 R. Aliboni, ed., *Southern European Security in the 1990s* (London: Pinter Publishers, 1992); R. Aliboni, 'Southern Europe and the United States: The Community Approach' in *Maelstrom: The United States, Southern Europe, and the Challenges of the Mediterranean*, ed. J. W. Holmes (Cambridge: World Peace Foundation, 1994); R. Aliboni, 'Riforme Economiche nel Mediterraneo: il Contesto Politico' in *Nuove Prospettive per la Cooperazione alto Sviluppo: I Processi di Integrazione Economica e Politica con i Paesi del Mediterraneo*, eds. G. Barba Navaretti and R. Faini (Bologna: Il Mulino, 1997), 167-89.

5 J. Chipman, ed., *NATO's Southern Allies: Internal and External Challenges* (London: Routledge, 1988).

6 E. Malefakis, *Southern Europe in the 19th and 20th Centuries: An Historical Overview* (Instituto Juan March), Working Paper 35, 1992, http://www.march.es/ceacs/publicaciones/working/archivos/1992_35_en.pdf; E. Malefakis, 'The Political and Socioeconomic Contours of Southern European History,' in *The Politics of Democratic Consolidation: Southern Europe in Comparative Perspective*, eds. R. Gunther, N. Diamandouros and H. Puhle (Baltimore: Johns Hopkins University Press, 1995), 33-76.

7 G. Sapelli, *Southern Europe Since 1945: Tradition and Modernity in Portugal, Spain, Italy, Greece and Turkey* (London: Longman, 1995).

8 T. Christiansen, F. Petito and B. Tonra, 'Fuzzy Politics Around Fuzzy Borders: The European Union's Near Abroad,' *Cooperation and Conflict* 35/4 (2000): 389-415.

Tangible and 'mental' maps do not always coincide. As Ellis and Esser point out, 'regions' and so by definition 'regional interests, need not have stable, clear and generally accepted frontiers'.⁹ Therefore, regional boundaries are fluid and drawing them often involves exclusion rather than inclusion. The exclusion does not always take place intentionally, but stems from the historical processes that have affected the socioeconomic and political development of certain regions to such a degree as to create collective memories, aspirations, security needs in some of the region's states to a greater degree than others.

In present day Southern Europe, the Cold War, decolonisation and European integration have been the major forces behind region-building.¹⁰ In this respect 'Southern Europe' is a new phenomenon that emerged in the 20th Century roughly at the same time that the categories Western Europe and Eastern Europe acquired increasing political currency, but the term has been used regularly only since the 1970s. The countries that make up Southern Europe today are Portugal, Spain, Italy and Greece. Turkey is excluded as it is not a member of the EU, as are Malta and Cyprus because they are not members of NATO. The rest of the Balkans states are excluded because the division of the world that ensued after the outbreak of the Cold War located these countries on the other side of the 'Iron Curtain'. This means that in developmental terms, they followed a different pattern dominated by the Soviet model.¹¹ France, according to Braudel had stopped facing South following 'the great barbarian invasions in the fifth century'.¹² France is also excluded because its high levels of industrialisation make it share more characteristics with the European North than the European South. Italy is included because the Mezzogiorno was absorbed into the Italian Kingdom after the unification of the country in the 1870s. Prince Klemens Wenzel von Metternich's snipe that 'Italy is a geographical expression'¹³ was acknowledged by the Liberal Italian politician Giovanni Giolitti who referred to it, in turn, as a 'hunchback'.¹⁴ In terms of industrialisation, the Italian North shares more characteristics with the European North than with the Italian South and the rest of Southern Europe.¹⁵ Portugal and Spain are included because of their incorporation into the Cold War Western security system and their membership of the EEC in 1986. For Greece, American ascendancy in the Mediterranean, the Truman Doctrine and the defeat of the Greek Communists in its civil war secured its place in the West. The country became recipient of ERP aid, a member of NATO, the European Council and by 1981 a fully-fledged member of the EEC.¹⁶

Post-1945 events affecting region-building did not occur on a sterile ground and were not purely top-down processes. No profound rupture with the past took place. The four countries had undergone similar experiences in that the major forces that defined the 19th Century touched and affected them all in similar ways. It was during the age of nationalism that Greece was liberated in 1821 and Italy unified in the 1860s and 1870s. The French Revolution and the Napoleonic wars affected all the countries of the Southern European coast, disrupting Mediterranean shipping and trade. These events unleashed an instability and trauma that shook their socio-economic and political foundations and created suspicion and animosity towards 'foreigners'.¹⁷

9 S. Ellis, R. Esser, J. Berdah and M. Xeznik, *Frontiers, Regions and Nations in Europe* (Pisa: Edizioni Plus - Pisa University Press, 2009).

10 E. Pedaliu, 'A Sea of Confusion: The Mediterranean and Détente, 1969-1974,' *Diplomatic History* 33/4 (2009): 735-50; E. Pedaliu, 'Fault Lines in Post War Mediterranean and the "Birth of Southern Europe", 1945-1979: An Overview,' in *Détente in Cold War Europe: Politics and Diplomacy in the Mediterranean and the Middle East*, eds. E. Calandri, D. Caviglia and A. Varsori (London: I. B. Tauris, 2013), 15-32.

11 R. Crampton, *Eastern Europe in the Twentieth Century-and After* (London: Routledge, 1997).

12 F. Braudel, *L'identité de la France. Les Hommes et les Choses* (Paris: Arthaud- Flammarion, 1986), 425-26.

13 H. Hearder, *Italy: A Short History* (Cambridge: Cambridge University Press, 2001).

14 A. De Grand, *The Hunchback's Tailor: Giovanni Giolitti and Liberal Italy: From the Challenge of Mass Politics to the Rise of Fascism, 1882-1922* (Westport: Praeger Publishers, 2001).

15 M. Blim, *Made in Italy: Small-Scale Industrialisation and its Consequences* (London: Greenwood Publishing Group, 1990); P. Malanima, and V. Zamagni, '150 Years of the Italian Economy, 1861-2010,' *Journal of Modern Italian Studies* 15/1 (2010): 1-20.

16 A. Gerolymatos, *Red Acropolis, Black Terror: The Greek Civil War and the Origins of Soviet-American Rivalry* (New York: Basic Books, 2004); J. Iatrides, ed., *Greece in the 1940s: A Nation in Crisis* (Hanover: University Press of New England, 1981); B. Kuniholm, *The Origins of the Cold War in the Near East: Great Power Conflict and Diplomacy in Iran, Turkey, and Greece* (Princeton: Princeton University Press, 1980); L. Wittner, *American Intervention in Greece* (New York: Columbia University Press, 1982); D. Close, ed., *The Greek Civil War, Studies of Polarization 1943-1950* (London: Routledge, 1993).

17 K. Galani, 'The Napoleonic Wars and the Disruption of Mediterranean Shipping and Trade: British, Greek and American Merchants in Livorno,' *The Historical Review/La Revue Historique* 7 (2010): 179-198; C. Esdaile, *Napoleon's Wars: An International History 1803-1815* (London: Penguin Press, 2007).

A deep cleavage opened up between liberalism and absolutism. From Portugal to Italy a period of turmoil ensued with revolutionary movements emerging triumphant in Naples, Portugal and Piedmont. In Greece the revolution against the Ottoman Empire began. These events highlighted the region's susceptibility to political contagion, prompting Metternich to convene a Congress of the Great Powers to ensure that the forces of counterrevolution prevailed.¹⁸

All these countries remained laggards in industrialisation and economic development. Throughout the 19th Century, their economies remained backward, underdeveloped and agrarian. When some economic development occurred towards the end of the 19th Century, it proved unsustainable because of scant natural resources and difficulties in communications. This legacy exacerbated social conflict and working class radicalisation. Similarly, social change did not keep pace with developments in industrial societies. Exclusive clientelistic and nepotistic networks remained in place and failed to transition to meritocratic systems. Weak and fragile democratic institutions became a common feature in all of the countries throughout the 19th and 20th Centuries. Their political systems exhibited a rigid dualism between those who favoured democratic forms of governance and those who favoured autocracy and executive choice. All experienced coups, authoritarian rule, dictatorships and fascism.¹⁹

The political fermentation that shared such similarities had occurred organically yet imperceptibly in this part of the world. The shared aims and norms that can lead to feelings of community in states and nations and the identification of individuals with each other were obscured by religious dogma, an abundant cultural diversity and, above all, by a lack of awareness of each other's commonalities (at least until after 1945). The patterns of interaction of the four countries with the wider Mediterranean world did not take place along East-West alignments, but through North-South coast-to-coast channels determined by intertwined commercial and colonial interests.²⁰ However, as Malefakis convincingly argues, a lack of awareness of commonalities and the existence of certain differing traits do not suffice to negate the existence of a common ground. 'Nations,' he says, 'need not be identical in all their myriad aspects for an identity to exist among them; it suffices that they resemble one another in significant ways for such an identity to be valid'.²¹

After the end of WWII, the new bipolarity of the international system created frameworks where interaction among the Southern European states became institutionalised, and this allowed for their shared behaviours to become intelligible to Southern Europeans and the wider world. This process was to be propelled by the rigid application of the policy of containment, the implementation of the Marshall Plan and the American decision to fortify the Northern Mediterranean littoral. By 1953, the countries of the Northern Mediterranean, from Portugal to Turkey, had become part of an American-centred security system either through membership of NATO or through bilateral treaties in the case of Franco Spain. These countries experienced extraordinary socio-economic change because of the forces of modernisation that the Cold War unleashed through the Marshall Plan. American economic aid brought economic growth and affluence, transforming Greece and Italy into modern consumer societies.²² Within this framework, the Southern European countries began to see each

18 M. Lyons, *Post-Revolutionary Europe, 1815-1856* (New York: Palgrave Macmillan, 2006); H. Schenk, *The Aftermath of the Napoleonic Wars: The Concert of Europe, an Experiment* (London: Kegan Paul, Trench, Trübner, 1947).

19 D. Aldcroft, *Europe's Third World. The European Periphery in the Interwar Years* (Aldershot: Ashgate, 2006); I. Berend and R. Gyorki, *The European Periphery and Industrialization, 1780-1914* (Cambridge: Cambridge University Press, 1982); S. Pamuk and J. Williamson, *Ottoman De-industrialization, 1800-1913: Assessing the Magnitude, Impact, and Response*, *Economic History Review* 64/1 (2011): 45-75 and 159-184; J. Williamson, *Globalization and the Poor Periphery before 1950* (Cambridge: The MIT Press, 2006); S. Eisenstadt and L. Roniger, *Patrons, Clients and Friends: Interpersonal Relations and the Structure of Trust in Society* (Cambridge: Cambridge University Press, 1984).

20 P. Mansel, *Levant: Splendour and Catastrophe on the Mediterranean* (London: John Murray, 2010); D. Abulafia, *The Great Sea: A Human History of the Mediterranean*; D. Abulafia, ed., *The Mediterranean in History* (London: Thames & Hudson, 2003).

21 E. Malefakis, 'The Political ...', in *The Politics of Democratic Consolidation, Southern Europe in Comparative Perspective*, eds. N. Diamandouros, H. Puhle and R. Gunther (Baltimore: Johns Hopkins University Press, 1995), 34.

22 D. Ellwood, *Rebuilding Europe: America and West European Reconstruction* (London, Longman, 1992); M. Hogan, 'American Marshall Planners and the Search for a European Neocapitalism,' *The American Historical Review* 90/1 (1985): 44-72; M. Leffler, 'The United States and the Strategic Dimensions of the Marshall Plan,' *Diplomatic History* 12/3 (1998): 77-306; J. Asselain, *Histoire économique de la France du XVIII^e siècle à nos jours* (Paris: Seuil, coll. Points Histoire, 1984). From 1959-62, the Italian economy grew on average at a rate of 6.3 percent per year. From 1950-1973 the Greek economy achieved average growth rates of 7 percent; the French economy's performance was equally impressive.

other's strategic value rather than simply focusing on traditional rivalries. At its creation in 1957, the EEC, another byproduct of the Marshall Plan, had France and Italy as founding members. Soon afterwards, Greece and Turkey gained EEC association status (in 1962 and 1963, respectively). A huge American cultural transfer to all these countries followed. Exposure to Hollywood films, rock 'n' roll, tourism and increasingly conspicuous consumption had a huge influence on the social mores and aspirations of the local populations.²³ In time, it created common cultural reference points augmented by the influences of decolonisation. At the same time, the demise of the Levant, the Arab-Israeli dispute and the rise of Arab nationalism in the Maghreb and the Mashreq brought to an abrupt end to intra-Mediterranean cultural exchanges and commercial activity that had existed for centuries and hardened the 'North-South' political and cultural divide across the sea.²⁴

During the 'high Cold War', the vast disparity of power between the US and its Southern European allies encouraged the latter to seek bilateralism and direct interaction with the hegemon to fulfil their needs. This stifled the emergence of regional multilateral networks. Later, during the periods of flexible response and détente, a series of developments conspired to undermine their trust in the US. American involvement in Vietnam and their neglect of Mediterranean problems sowed the seeds of discontent. The Harmel report of 1967 came as too little too late to address these concerns. These countries viewed détente as encouraging American inattention to the affairs of the basin and allowing the Soviets to build up their naval strength.²⁵ It threatened their security at a time when it was compromised by the side-effects of the Arab-Israeli conflict. Air-piracy, for example, became a major security concern for the Southern European nations. Terrorist attacks as a proportion of violent international crime had risen from 18 percent in 1968 to 49 percent in 1972.²⁶ Thus, the more involved the US became with superpower détente, the less convinced the Southern Europeans became of the détente process as a safeguard for their interests and security. Italy saw it had no role in the process.²⁷ The Greek, Spanish and Portuguese dictators openly opposed it.²⁸ The Southern European states experienced the superpower dialogue and détente as a centrifugal force that compounded the disruptive effects that decolonisation and the Cold War had wrought on the region. The Americans attempted to mask the accruing tensions but, from Lisbon to Ankara, disquiet and even resentment of American foreign policy emerged.²⁹

The ordinary people of the region also perceived détente as a harmful policy. The Nixon Administration had adopted a negative attitude towards any political evolution in Southern Europe and had no wish for détente to precipitate a redistribution of political power. Consequently, the US saw the three Southern European dictatorships as promoting stability in the region. The US tolerated the flagrant human rights abuses taking place in Greece, which coincided with the Portuguese colonial wars, and it covertly inhibited change in Italian domestic politics. The conservative American world view, however, coincided with a time of growing political radicalism, and soon the attention of European and US public opinion and politicians turned to the actions

23 V. de Grazia, *Irresistible Empire: America's Advance Through 20th-Century Europe* (Cambridge: Harvard University Press, 2005).

24 A. Kitroeff, *The Greeks in Egypt, 1919-1937: Ethnicity and Class* (London: Ithaca Press, 1989); F. Karanasou, 'The Greeks in Egypt from Mohammed Ali to Nasser' in *The Greek Diaspora in the 20th Century*, ed. R. Clogg (London: Macmillan, 1999).

25 FRUS, 1969-1976, Volume XXXIV *National Security Policy*, 1969-1972, docs 192 and 183; E. Pedaliu, 'A Sea of Confusion,' 735-41; E. Pedaliu, ' "Footnotes" as an Expression of Distrust? The U.S. and the NATO "Flanks" in the Last Two Decades of the Cold War' in *Trust, but Verify: The Politics of Uncertainty and the Transformation of the Cold War Order, 1969-1971*, ed. R. Kreis, M. Klimke and C. Ostermann, 2014 (forthcoming).

26 R. Carrere and P. Valat-Morio, 'La violence mondiale en 1973: Comparaison avec 1968-1972,' *Etudes polemologiques* 13 (1974): 72-85; D. Fromkin, 'The Strategy of Terrorism,' *Foreign Affairs* 53/4 (1975): 683; E. Mickolus, *Transnational Terrorism: A Chronology of Events, 1968-1979* (Westport: Greenwood Press, 1980).

27 E. Ortona, *Anni d'America*, Vol. 3, 1967-1975, (Bologna: Il Mulino, 1989), 55; M. Dassú, 'The Italian View' in *European Détente: A Re-Appraisal*, ed. R. Davy (London: Sage Publications, 1992), 117.

28 FRUS, 1969-76, I, *Foundations of Foreign Policy, 1969-1972*, Documents 39, 41, 71, 73; G. Bennett and K. Hamilton, eds., *Documents on British Policy Overseas Series III, Volume III, Détente in Europe, 1972-1976* (London: Whitehall History Publishing, 2001); C. de Gaulle, *Memoirs d'espoir* (Paris: Plon, 1971), 189; E. Kolodziej, *French International Policy under De Gaulle and Pompidou* (Ithaca: Cornell University Press, 1974), 490-1; F. Bozo, 'The French View' in *European Détente: A Re-Appraisal*, ed. R. Davy (London: Sage Publications, 1992), 64, 69.

29 E. Pedaliu, 'A Sea of Confusion,' 735-50; E. Pedaliu, 'Fault Lines in Post War Mediterranean,' 15-32.

of the Southern European dictators.³⁰ By the late 1960s and early 1970s, both the Council of Europe (CoE) and the EEC had joined the fight for the restoration of democracy and the upholding of human rights in Greece. The CoE eventually manoeuvred Greece into suspending itself from membership of the institution in 1969. The EEC froze Greece's 1962 association agreement and refused to countenance Spanish membership. These actions strengthened and augmented European political institutions at a time when the EEC was trying to develop its own distinctive European identity and led many Southern Europeans to perceive the EEC as a beacon of democracy.³¹ Their experience of dictatorship with the US had a profound long term effect on how the different political forces in these countries engaged with each other in the post-dictatorship period, but it also strengthened their determination to safeguard human rights and civil liberties. Thus, by the time the three dictatorships tumbled, the foundations had been laid for similar civic cultures to appear in all three countries.³²

When the 'third wave of democratisation'³³ began in April 1974 with the 'Carnation Revolution' in Portugal, the region again displayed its susceptibility to contagion. Greece and Spain began their transitions to democratisation within a few months and a year, respectively. Disillusion with US policies drove the three countries to look for political models and tutelage from the EEC rather than the US, a turn towards the EEC took place alongside rising anti-Americanism. For a while the southern flank seemed on the verge of unravelling, especially after the Turkish invasion of Cyprus, the Greek withdrawal from NATO and the revolutionary upheaval in Portugal. In response, the EEC willingly picked up the baton of stabilising the geostrategic community the Cold War and the US had created in the northern Mediterranean littoral. This action benefited the EEC as it gave it the major political role in international affairs that had hitherto eluded it and enabled it to exit the years of so-called 'euro-sclerosis'. The European solution to stabilising Southern Europe proved a profoundly strategic and political act by the EEC and by the leaderships of the three Southern countries. If the late 1970s had been a time of transition from dictatorial to democratic forms of government for Southern Europe, the 1980s were to be a period of democratic consolidation and integration into the EEC.³⁴

In Italy, the period of consolidation coincided with the stabilisation of its political system. Italy presented another problematic democracy in Southern Europe, and after the political traumas of 'gli anni di piombo' it entered a period of economic growth and political stability.³⁵ During this period all four countries had managed to consolidate their democracies so successfully that they withstood a host of disruptive events – the rise of the Left, 'pronunciamentos' against the Spanish Parliament, trials against terrorists in Italy, general elections (in all countries) that brought socialist parties to power, the euro-missiles crisis and the end of the Cold War.³⁶ Greece, Portugal and Spain underwent constitutional, judicial, political and economic reforms. The deeply democratic 'acquis' of the EEC served as a useful yardstick, as the three newer democracies viewed their full

30 NARA, Nixon Presidential Materials, NSC files, 109; *ibid.*, Italy, 694; *ibid.*, NSDM67, 296; *ibid.*, White House, Subject files, Italy, 41; FRUS, I, 1969-72, documents 71 and 72; DBPO, III, V, Documents 13 and 14; J. Miller, *The United States and the Making of Modern Greece: History and Power, 1950-1974* (Chapel Hill: University of North Carolina Press, 2009); R. Gualtieri, 'The Italian Political System and Détente,' *Journal of Modern Italian Studies* 9/4 (2004): 428-449; A. Nafpliotis, *Britain and the Greek Colonels: Accommodating the Junta in the Cold War* (London: I.B. Tauris, 2012); E. Pedaliu, 'Human Rights and Foreign Policy: Wilson and the Greek Dictators, 1967-1970,' *Diplomacy and Statecraft* 18/1 (2007): 205; E. Pedaliu, 'A Discordant Note: NATO and the Greek Junta, 1967-74,' *Diplomacy and Statecraft* 22/1 (2011): 101-20.

31 E. De Angelis, *The Political Discourse of the European Parliament, Enlargement and the Construction of a European Identity*, unpublished PhD Thesis, LSE, 2011; E. Karamouzi, *Greece, the EEC and the Cold War 1974-1979* (Basingstoke: Palgrave/Macmillan, 2014); A. Varsori, ed., *Alle origini del presente: L'Europa occidentale nella crisi degli anni Settanta* (Milano: Angeli, 2007); J. Checkel and P. Katzenstein, eds., *European Identity* (Cambridge: Cambridge University Press, 2009); A. Gfeller, 'Imagining European Identity: French Elites and the American Challenge in the Pompidou-Nixon Era,' *Contemporary European History* 19/2 (2010), 133-149.

32 Digital National Security Archive, 00566, 12/6/1970; E. Pedaliu, 'Human Rights and Foreign Policy,' 185-214.

33 S. Huntington, *The Third Wave, Democratization in the Late Twentieth Century* (London: University of Oklahoma Press, 1991).

34 M. del Pero, V. Gavin, F. Guirao and A. Varsori, eds., *Democrazie: L'Europa meridionale e la fine delle dittature* (Florence, Le Monnier, 2010); F. Bicchi, *European Foreign Policy Making toward the Mediterranean* (Basingstoke, Palgrave/Macmillan, 2007); A. Varsori, 'Crisis and Stabilization in Southern Europe during the 1970s: Western Strategy, European Instruments,' *Journal of European Integration History* 15/1 (2009): 5-14.

35 P. Ginsborg, *Italy and its Discontents 1980-2001: Family, Civil Society, State* (London: Penguin, 2003).

36 Gunther, Diamandouros and Puhle, *The Politics of Democratic Consolidation*, 1-32, 79 and 389; S. Rizas, *The Rise of the Left in Southern Europe: Anglo-American Responses* (London: Pickering and Chatto, 2012).

membership of the EEC as the litmus test of their break with the past.³⁷ The close cooperation between the US and the EU to achieve stability had also provided the security they craved. During the late 1980s and 1990s, the Southern European countries managed to overcome Glenn Snyder's two 'bads' of the Alliance security dilemma (abandonment and entrapment), and this delivered them from the ghosts of their past. Indeed, their common memories and shared experiences came together during this period. These welded into their very recent formative political experiences so as to promote a conscious region-building and a growing common identity.³⁸

Cooperation among the four Southern European countries did not begin until they became members of the EEC. They needed to learn to work together for their own good as well as the region's. Italy and Greece had regarded the incorporation of Spain and Portugal with suspicion. Greece in particular fought a rearguard action during the early 1980s to delay the integration of the two Iberian countries until it ensured that the adoption of the *Integrated Mediterranean Programme* made it the main beneficiary.³⁹ Thereafter, membership of the EEC institutionalised the four countries' interactions, which made them realise very quickly that their interests did not always coincide with the priorities set by their Northern colleagues. The post-Cold War American and EU inattention to the region brought them together to take common action to safeguard their interests. The main issue of concern for Southern Europe that led to the Euro-Mediterranean Partnership (the Barcelona process) in 1995 was security, in particular international terrorism and immigration from the Maghreb. The Southern Europeans found a European solution to their concerns by joining the bandwagon of 'fortress Europe'. They attempted, initially, through the Barcelona Declaration, to turn 'the Mediterranean basin into an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity'.⁴⁰ However, the process failed not because of lack of cooperation between the Southern European states but because of the failure of the Oslo Accords and the violent disintegration of Yugoslavia.⁴¹ Ironically, in this period of growth the undocumented migrants who had initially alarmed them became a convenient and cheap labour resource subsidising their own inflexible labour markets.

During these years the Southern European countries built up their economic systems and endured until the crisis of 2007-2008. Greece, Spain and Portugal had entered the European community with small public sectors in comparison to their Northern counterparts. Entry had offered them a choice. They could let the private sector and market forces meet the needs of growth along Thatcherite lines, or they could opt to maintain and enhance the economic and political roles of the public sector. All three opted for the latter choice. Their choices were neither challenged nor discouraged by the EEC or the EU. This economic model enabled them to develop, accelerate modernisation, build a welfare system, reduce social inequality, increase GDP and join the 'First World'.⁴² Their model and driver for growth, however, was not problem-free, as it prompted a widespread black market, tax evasion and a gigantic public sector that almost strangled private enterprise. The seeds of many of the problems that Southern Europe now faces were sown during these years.

37 J. Linz and A. Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe* (Baltimore, MD: Johns Hopkins University Press, 1996); N. Diamandouros and S. Larrabee, 'Democratisation in South-Eastern Europe: Theoretical Considerations and Evolving Trends,' in *Experimenting with Democracy: Regime Change in the Balkans*, eds. G. Pridham and T. Gallagher (London: Routledge, 2000), 24-64.

38 E. Malefakis, 'The Political ...,' 33-76; E. Pedaliu, 'Fault Lines in Post War Mediterranean,' 15-32.

39 R. Bideleux and R. Taylor, eds., *European Integration and Disintegration: East and West* (London: Routledge, 1996), 111-153.

40 http://www.barcelonaproject.ie/Barcelona_Declaration_online.htm.

41 R. Aliboni, 'European Union Security Perceptions and Policies towards the Mediterranean,' in *Mediterranean Security Into the Coming Millennium*, ed. S. Blank (Carlisle: Strategic Studies Institute, 1999); F. Bicchì, *European Foreign Policy Making toward the Mediterranean* (Basingstoke: Palgrave/Macmillan, 2007); G. Joffé, ed., *Perspectives on Development: The Euro-Mediterranean Partnership* (London: Frank Cass, 1999); M. Maresceau and E. Lannon, eds., *The EU's Enlargement and Mediterranean Strategies: A Comparative Analysis* (Basingstoke: Palgrave, 2001).

42 L. Morlino, 'Consolidation and Party Government in Southern Europe,' *International Political Science Review* 16/2 (1995): 145-167; M. Ferrera, 'Democratisation and Social Policy in Southern Europe: From Expansion to "Recalibration"', Working Paper, 2005 [http://www.unrind.org/80256B3C005BCCF9/\(httpAuxPages/3C777705E330316BC1256FFF005652AB/\\$file/dferrera2.pdf](http://www.unrind.org/80256B3C005BCCF9/(httpAuxPages/3C777705E330316BC1256FFF005652AB/$file/dferrera2.pdf); D. Sotiropoulos, 'The EU's impact on the Greek Welfare state: Europeanization on Paper?' *Journal of European Social Policy* 14/3 (2004): 267-284.

When the financial crisis struck, it impacted not only economies but also sparked North-South fragmentation in the EU which in turn prompted a further round of 'Southern-Europeanisation'. The economic crisis spilled over into the political, social and cultural affairs of Portugal, Spain, Italy and Greece with unintended consequences. It has made Southern Europeans reassess their beliefs and the way they have constructed their national and regional consciousness and identity over the past thirty years. It has also laid before them the significance and worth of the organic cohesion to the EU that they have achieved over the last forty years. The result has been a new type of region building – one missing until now – of feelings of solidarity and common destiny arising out of shared problems. This new regional identity and social awareness is being forged in part through the internet and social media and through the shared experiences of humiliation, unemployment, helplessness and disillusionment. However, these negative emotions have not been internalised as in the 19th Century, which precluded Southern Europeans from forging a regional identity. Now, technology has facilitated the externalisation of discontent and this has been manifested in a way that is transforming Southern European culture and society. The disaffection of citizens at the lack of 'communication and persuasion'⁴³ by the current Southern European governments, as they try to avert economic collapse, has not led to apathy and disengagement. On the contrary, Spanish 'indignados' type movements have spread rapidly throughout the region. This denotes not only a challenge to the national governments implementing austerity, but also a potential experiment in 'participatory and deliberative democracy'.⁴⁴

This is particularly significant for a region that always registered high levels of dissatisfaction with the way the democratic process has worked.⁴⁵ It has also further compromised the trust of Southern Europeans in EU institutions and in their own national politicians. They are by-passing the institutions of the state, which directly undermines the pivotal role of traditional political parties.⁴⁶ The recent Greek (2012) and the Italian (2013) general elections illustrate this tendency well, as large percentages of the votes cast went to parties of protest such as SYRIZA in Greece and the *Movimento 5 Stelle* in Italy rather than to mainstream parties..

The concepts of 'Southern European Syndrome' or 'Southern European exceptionalism' have in the past been evoked in relation to the low levels of trust shown by Southern Europeans towards political institutions. Such views were put forward by those who wanted to emphasise the cultural differences between the EU's North and South, and served certain political agendas. The evidence from the contemporary Northern European press, however, illustrates that low levels of trust do not limit themselves to Southern Europe.⁴⁷ Deep economic crises always lead to societal crises and the birth of new and different behaviours. Thus, what could be characterised as a 'Southern European syndrome' is coming about right now. It is based on the dualism between those who seek democratic solutions to the crisis and those who those who hark back to anachronistic and xenophobic solutions.

Southern Europe as a region did not emerge as a planned intellectual product or as a philosophical debate. It came from of a chain of events over the last two centuries and has gone through many formative stages. Currently, the region is undergoing another bout of 'regional deepening' that is being promoted from below. The role of the historian ends here. ■

43 G. Almond and S. Verba, *The Civic Culture. Political Attitudes and Democracy in Five Nations* (New Jersey: Princeton University Press, 1963); R. Inglehart, 'The Renaissance of Political Culture,' *American Political Science* 82/4 (1988): 1203-1230.

44 D. della Porta and L. Zamponi, 'Protest and Policing on October 15th, Global Day of Action,' *Policy and Society* 23/1(2012): 65–80; M. Kaldor, H. Moore and S. Selchow, *Global Civil Society 2012: Ten Years of Critical Reflection* (Basingstoke: Palgrave/Macmillan, 2012); *The Guardian*, 26 May 2011 and 14 November 2012; D. della Porta and M. Andretta, 'Protesting for Justice and Democracy: Italian Indignados?' *Contemporary Italian Politics* 5/1 (2013): 23-37.

45 R. Jowell and the Central Co-ordinating Team, *European Social Survey 2002/2003, Technical Report* (London: Centre for Comparative Social Surveys, City University, 2003); *ibid.*, 2005; *ibid.*, 2007.

46 J. Linz and A. Stepan, eds., *The Breakdown of Democratic Regimes* (Baltimore: Johns Hopkins University Press, 1978); M. Torcal, R. Gunther and J. Montero, 'Anti-Party Sentiments in Southern Europe,' in *Political Parties: Old Concepts and New Challenges*, eds. R. Gunther, J. R. Montero and J. Linz (Oxford: Oxford University Press, 2002).

47 M. Torcal and P. Magalhães, 'Political Culture in Southern Europe: Searching for Exceptionalism' (2009), 20. <http://www.pedro-magalhaes.org/PDFs/PoliticalCultureinSouthernEuropemarc.pdf>.

➤ Southern Europe's Role After the Arab Spring: Winning Back Voice and Access

Sarah Wolff

Fernand Braudel once characterised the Mediterranean, with its long history of intercultural exchange and trade, as a 'space in movement'.¹ In a dismaying reversal, the Mediterranean today is better known for having the deadliest stretches of water for crossing by migrants.² It suffers from a lack of mobility, a sweeping economic crisis in Southern European countries and difficult democratic transitions hampered by weak labour markets in the Arab Mediterranean countries.

This paper reflects on Southern Europe's economic, political and social crisis and its implications for the EU's approach to the Arab Spring. It argues that the economic crisis and related austerity measures in Southern Europe and the rise of the extreme-right and Euro-scepticism are merely acute versions of the crisis affecting Europe as a whole. The 'Southern European syndrome', characterised by high levels of corruption and lagging welfare state reform, has been overplayed.³ Moreover, Southern Europe needs to win back voice and access in the Arab Mediterranean region by supporting genuine processes of democratisation, engaging with new political forces and encouraging further Southern Mediterranean integration.⁴ To regain this crucial influence, Southern Europeans need to overcome fears of human mobility in the region and break away from the democratisation versus stability dilemma in their policies towards Arab countries. They must forge strong diplomatic and economic partnerships with Turkey and the Gulf countries. Furthermore, given their reduced defence budgets, they must review their contribution to NATO's approach to Mediterranean security and seek to address frozen conflicts such as Cyprus and the Western Sahara.

A EUROPEAN CRISIS, NOT A SOUTHERN EUROPEAN ONE

The crisis that hit Southern European countries affected not only their economies, but also their political systems and the very fabric of their societies. Unemployment is rampant in the region. In March 2013, unemployment reached 27.2 percent in Greece, 26.7 percent in Spain, 17.5 per cent in Portugal, 14.2 percent in Cyprus, 11.5 percent in Italy and 11 percent in France.⁵ Unemployment has most strongly affected the younger generations and migrants. In the last quarter of 2012, youth unemployment reached 57.9 percent in Greece, 55.2 percent in Spain, 38.4 percent in Portugal, 36.9 percent in Italy,

1 F. Braudel, *The Mediterranean and the Mediterranean World in the Age of Philip II*, Volume 1 (Berkeley: Berkeley University Press, 1996).

2 In 2011, according to UNHCR, 1,500 people drowned or went missing.

3 With respect to clientelism and corruption, this has been diffused in Southern Europe through the cartel parties. See J. Hopkins, *The Emergence and Convergence of the Cartel Party: Parties, State and Economy in Southern Europe*, 2013, <http://personal.lse.ac.uk/hopkin/hopkinpercent20sepercent20paperpercent202.pdf>.

4 'Arab Mediterranean countries' refers to Arab countries bordering the Mediterranean and Jordan, which form part of the Euro-Mediterranean Partnership, launched in 1995 in the aftermath of the Oslo Process.

5 Youth unemployment includes unemployed young people between 15 and 24 years old.

31.8 percent in Cyprus and 25.4 percent in France. In Spain, migration outflows outnumber inflows, an unprecedented phenomenon since the end of the Franco regime. Between January 2011 and September 2012, around 120,000 Spanish nationals emigrated within Europe and towards Morocco, Australia and other regions of the world.⁶

Southern Europe is also experiencing a disconcerting rise of extreme-right political movements. In Greece, the ultra-nationalist Golden Dawn won seven percent of the vote in the 2012 legislative elections, gaining 21 seats in the Greek Parliament. The party has been accused of violent attacks on migrants, and in September 2013 party offices across the country were raided and weapons confiscated, and a number of its leadership arrested.

In France, Marine Le Pen, the daughter of the founder of the extreme-right National Front, won 17.9 percent of the vote in the first round of presidential elections in May 2012. The results made the National Front the third-largest political force in France. She has sought to 'de-demonise' the extreme-right party by 'normalising' it and dropping its racist and anti-Semitic declarations. In April 2013, she held a 44 percent approval rate, which made her the fourth most popular French politician. The incongruously named 'French Spring' movement has also seen the rise of smaller activist groups linked to the extreme-right or conservative Catholicism such as the Nationalist Youth ('Jeunesses Nationalistes') and Civitas. Both groups made headlines by participating in violent demonstrations against same-sex marriages and adoptions.

Spain may appear to be an exception to the rise of the extreme-right, but conservative stances have helped in the election of the Partido Popular. Regional identities have also strengthened as the crisis severely affected Andalusia and Catalonia. Italy has seen the rise of the *Movimento 5 Stelle*, an anti-system and populist party. Together with the *Ligua del Norte*, the two parties have called for a referendum on Italy's EU membership, highlighting a crisis of trust in the EU.⁷

Indeed, Euro-scepticism is on the rise in Southern Europe, where governments have traditionally supported European integration. Rates of trust in the EU have decreased across Europe since the beginning of the crisis, but have done so most precipitously in Southern Europe. At the beginning of 2007, one out of two Europeans declared their trust in the EU. Today, only one third would make the same claim. Trust has fallen by 41 points in Spain and in Greece and Portugal by 33 points.⁸

It is important to remember that none of the phenomena discussed above is exclusive to Southern Europe. Poland and the UK register high levels of euro-scepticism, and even Germany shows signs of mistrust. In the local elections of May 2013, the UK Independence Party (UKIP) won 25 percent of the vote, and the populist Swedish Democrats and the Hungarian far-right will likely perform well in the 2014 European elections.

Northern Europe is also not much better off in terms of social unrest and integration. Suburban riots against the shortcomings of the 'Swedish model' hit Sweden in the spring of 2013, and a wave of riots hit London and other British cities in the summer of 2011.

6 'Casi 55.000 Españoles emigraron en Los Primeros Nueve Meses del Año,' *Huffington Post*, 15 October 2012.

7 See R. Dehousse, 'Europe At the Polls Lessons From The 2013 Italian Elections' *Notre Europe, Policy Paper* 92, 16 May 2013.

8 <http://lecercle.lesechos.fr/economie-societe/international/europe/221172014/attitudes-europeens-a-legard-leurope-degradation-uni>.

BEYOND THE 'SOUTHERN EUROPE SYNDROME'

Despite the gloomy picture of a Southern Europe ravaged by the crisis, there are signs of economic, political and social improvement. Greece has achieved the largest fiscal consolidation among OECD countries in decades and has attracted back some of the foreign investment that had fled over rumours of an exit from the Eurozone. The small Portuguese economy re-accessed financial markets this year, much to the relief of its credit institutions and the government'.⁹ Trade within the Mediterranean has also improved. In 2012, for instance, Algerian-EU imports and exports increased. The US remains the main country of export for Algeria, but Italy accounts for almost 16 percent of Algerian exports, Spain for over 10 percent and France for almost nine percent.¹⁰

In terms of compliance with EU legislation, Spain, Greece and Portugal achieved much and do not necessarily lag behind more established member states. When it comes to labour law, for instance, Southern European states adopted EU legislation on pregnant women and on the working time directive more swiftly than the EU-15 average.¹¹ Statistics debunk the myth of the stereotypical 'lazy' Southern Europe that works less and takes more holidays. On average, Greeks retire at 61.8 years (the same as in Germany) and Portuguese at 67 years. Similarly, days of annual holidays are the same in Greece and in Germany at 20 days.¹²

Southern Europe has also proven innovative in finding alternative ways of political mobilisation. Southern European youth voiced discontent with the current crisis and democratic practices through grassroots movements such as the Spanish 'indignados' or the Greek 'aganaktismemoi'. By relying on solidarity networks and bottom-up participatory processes, they brought back politics to the debate:¹³ 'The citizens were no longer mere voters and passive subjects to be managed by the political elite. They would no longer take their assigned passive role, but wanted a real say over their lives and the future of Spain'.¹⁴ These new political and social movements point to signs of health. They respond to the loss of power of national parliaments in favour of not only strong national executives, but also of supranational institutions such as the EU. This has contributed to a growing gap between elites and public opinion—as exemplified by rather low turnouts in recent national elections in Greece (62 percent), the UK (66 percent), Spain (69 percent) and Germany (71 percent), all which fall below the OECD average of 72 percent.¹³

FOREIGN POLICY: LOSING ACCESS, VOICE AND INFLUENCE IN THE ARAB REGION

The risk that Southern Europe's weakness may undermine EU policy towards the Arab world is nonetheless real. Southern Europe has always strongly advocated balancing EU aid between Eastern and Southern neighbours. It has fostered the spread of democracy, the rule of law and peace and prosperity in the Mediterranean through EU mechanisms, notably the Euro-Mediterranean Partnership (also known as the Barcelona Process). The Barcelona Process was conceived as a regional forum of cooperation that would spread political reform through democratisation, economic stability and a better understanding amongst people through cultural and social initiatives.

9 E. Alessandri, 'The Future Of Mediterranean Europe: Between The Euro Crisis and Arab Revolution. A Reflection On The Seventh Meeting Of The Mediterranean Strategy Group,' *The German Marshall Fund*, 16 April 2013.

10 Agence Europe, 'Algeria Trade with EU increases,' *Bulletin Quotidien Europe* 10784, 13 February 2013.

11 M. Hartlapp and S. Leiber, 'The Implementation of EU Social Policy: The "Southern Problem" Revisited,' *Journal of European Public Policy* 17/4: 468-486.

12 <http://www.spiegel.de/international/europe/the-myth-of-a-lazy-southern-europe-merkel-s-cliches-debunked-by-statistics-a-763618.html>.

13 <http://www.oecdbetterlifeindex.org/topics/civic-engagement/>.

However, stability and security soon took priority over democratisation, casting some doubts on the sincerity of Southern Europe's democratisation ambitions for its Arab neighbours. As the EU built a Schengen area of free movement for its citizens, it began to externalise its security practices to its Southern neighbours.¹⁴ Southern European states participated actively in the securitisation of their Arab neighbours to protect the stability of their own borders. Readmission agreements, bilaterally forged between two governments to facilitate the expulsion of irregular migrants back to their countries of origin, became the core of European countries' strategy to fight irregular migration. Bilateral patrolling intensified in the Mediterranean. Regular joint patrols carried out since 2004 by the Spanish Guardia Civil, the Moroccan Gendarmerie, the Italian Guardia di Finanza and Libyan authorities under Muammar Gaddafi intercepted irregular migrants crossing the Mediterranean. Migration helped Gaddafi find favour with Nicolas Sarkozy, Tony Blair and Silvio Berlusconi and become a solid partner in business, energy and security. European development aid was disbursed to strengthen the border management capacities of the Gaddafi regime, which was then in charge of patrolling the Mediterranean and intercepting migrants despite its non-compliance with the principle of non-refoulement (a principle of international asylum and refugee law that forbids a government to return victims to countries where they suffered persecution or torture). The successful case at the European Court of Human Rights lodged by 13 Eritrean nationals who were intercepted at sea by the Italian authorities south of Lampedusa and transferred back to Libya in 2009, confirmed that such practices breached the non-refoulement principle.¹⁵

Southern Europe also lacks unity and coherence as a regional group towards Southern Mediterranean countries. Over the years this had led to the simultaneous promotion of competing initiatives, with Spain pushing for the Barcelona Process, the European Commission for the European Neighbourhood Policy and France for a Union for the Mediterranean. France launched the latter in 2008 as an alternative to Turkish accession and as a response to ineffective EU democratic policies. It started from the assumption that cooperation in the Mediterranean should focus on technical areas such as solar energy or the de-pollution of the Mediterranean Sea. However, political and financial difficulties condemned it to perpetual limbo. The granting of an 'advanced status' to the least worst authoritarian regime of Morocco in 2008 with no conditionality whatsoever on democratisation or human rights revealed the incongruity of this framework. Most initiatives did not address the political, economic and social realities of the region.

THE ARAB SPRING AS A LITMUS TEST

The Arab Spring, with its thirst for a better life, more freedom and jobs, took the EU by surprise. It especially surprised France, which supported the Ben Ali regime in Tunisia until its final hours. Spanish reaction to the Tunisian revolution was also disappointing: 'The timidity and the reactive nature of the approach [by the Zapatero government] reveal[ed] apprehension about future uncertainty and a default position of non-interference'.¹⁶ This, despite Southern European diplomats' intimate knowledge of the region.

The general EU reaction to the Arab Spring confirmed the continuing primacy of security concerns. When the Arab Spring began, Southern European policy-makers and the media were more concerned by the influx of migrants than supporting the region in its democratic transitions. Ultimately, only five percent of the people displaced during the Arab Spring came to Europe, proving such fears to be unfounded. Reframing EU strategy centred mainly around two key European Commission communications, applying 'smart conditionality' and promising 'more money, more market and more mobility'.¹⁷ This approach looked more like a cautious

¹⁴ See S. Wolff, *The Mediterranean Dimension of EU Internal Security* (New York: Palgrave, 2012).

¹⁵ See *Hirsi Jamaa and Others v. Italy*, European Court of Human Rights, January 2012.

¹⁶ A. Echague, 'Time for Spain to lead the EU's Mediterranean policy,' *FRIDE Policy Brief*, 74, (2011).

¹⁷ European Commission, 'Joint Communication on a new response to a changing Neighborhood,' Brussels, 25 May 2011, European Commission, 'A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean,' 3 August 2011.

repackaging of previous policies and financial packages than a grand vision for the EU's role in the region. For instance, it took about thirteen years of negotiations for the EU to discuss limited visa facilitation incentives for Moroccan citizens. Visa liberalisation has been excluded since negotiations over a readmission agreement with Morocco began in 2000. The dire straits of the Arab economies require more than SMEs programmes or mobility partnerships that facilitate labour migration for privileged categories of citizens. Restrictive EU migratory policies have also turned away high-skilled migrants who prefer to go to the US, Canada or the Gulf countries. In 2010, a CADMUS research report confirmed that around 80 percent of Egyptians who had migrated to an OECD country in 2008 had eventually moved on to the US or Canada.¹⁸

Despite substantial efforts to mobilise the EU on the Arab Spring, Spain implemented major budget cuts in foreign affairs and related areas of activity:

'The country's foreign affairs budget plummeted 12 percent over 2010-2011, with 800 million euro sliced off its development aid budget. For 2012, Spain's new conservative government has cut the €85 million annual allocation to Morocco down to virtually nothing. The local embassy has had to refuse Moroccan requests for some governance assistance because Spanish officials and experts have no money even to pay for flights to Rabat. The government's focus on winning commercial contracts in Latin America entails aversion of resources away from the Mediterranean.'¹⁹

Similarly, Italy made severe budget cuts to its foreign aid in 2011, 'leaving only €158 million earmarked for such programs, the lowest figure in the past 20 years'.²⁰ The call for a Marshall Fund for the Arab Mediterranean countries by the then-Italian foreign minister Franco Frattini never went beyond rhetoric. Perhaps the most high profile initiative, the MENA Partnership for Democracy and Development, launched in December 2012, employs only three staff in its Tunis office, indicating the level of its support from the US State Department and other funders.

France has taken the lead in foreign-policy initiatives in the region. These include persuading Moscow to support EU positions on Syria, joint defence projects within NATO or CSDP to limit the effects of budget cuts, resisting US pressure on developing a European approach on the UN vote on Palestine and encouraging Turkey to adopt the European position towards the Syrian opposition.²¹

This scoreboard reveals the extent to which Southern European countries and the EU as a whole have lost the ability to influence their interlocutors in the Southern Mediterranean. One of the consistently weak points in Southern European diplomacy is the lack of engagement with political actors in Arab countries, including Islamist political parties. Northern Europe has proved more open and has engaged with Islamist political and civil society actors; Germany, the UK, Sweden and Norway have launched dialogues with Islamist actors.²² Such dialogues should nonetheless be more genuine and engage with new Arab interlocutors. Spain took the lead in establishing an intercultural and interreligious dialogue. In 2005, the UN launched the Alliance of Civilization initiative to 'improve understanding and cooperative relations among nations and peoples across cultures and religions' under the aegis of the Spanish and Turkish governments. The initiative aimed primarily to improve the relationship between the Western and Islamic worlds and epitomised the willingness to bridge the gap in the Mediterranean.²³ However, the Alliance of Civilization failed to bring forward any concrete actions. Southern European diplomats, with their knowledge of the

18 N. Sika, 'Highly-Skilled Migration Patterns and Development. The Case of Egypt,' *CARIM Analytic and Synthetic Notes*, 2010, <http://cadmus.eui.eu/bitstream/handle/1814/13454/?sequence=1>.

19 R. Youngs, 'Funding Arab Reform?', GMFUS Policy Brief, August 2012

20 A. Dessi and E. Greco, 'Damage Control : Italy and the European Financial Crisis in Southern Europe' in *Trouble Domestic And Foreign Policy Challenges of The Financial Crisis*, eds. T. Coulombis et al, Mediterranean Paper Series 2012, IAI and German Marshall Fund.

21 <http://www.ecfr.eu/scorecard/2013>.

22 K. Kausch, 'Plus ça change: Europe's Engagement with Moderate Islamists,' *FRIDE*, 2009.

23 T. Acimandoss et al., 'Islamist Mass Movements, External Actors and Political Change in the Arab World,' Centro Studi di Politica Internazionale, the International Institute for Democracy and Electoral Assistance (International IDEA) and Istituto Affari Internazionali (IAI), 2010.

region and close cultural links, could reach out to Arab civil society and new political actors. Grassroots movements should reach out to transnational links. Movements that arise from demonstrations on Taksim, Tahrir Square or the Puerta del Sol could enhance their exchanges. Southern Europe's support of Palestine's observer status in 2012 proved its engagement with the Middle East conflict and delineated a different strategy from the UK, Germany, Poland or the Netherlands, which all abstained in the vote.²⁴ Exchange amongst parliamentarians and political parties on democratic transitions and security sector reform could be fruitful and Spain, Greece and Portugal, which underwent democratic transitions not so long ago, could show the way. Other EU member states could also bring these assets forward. By mobilising common resources and overcoming fragmentation and sometimes nationalistic foreign policy, Southern European countries, under the upcoming Greek and Italian EU presidencies, could create momentum and seize the opportunity to lobby their EU counterparts for a grand strategy towards the region.

SEIZING THE MEDITERRANEAN OPPORTUNITY: AVENUES FOR FOREIGN AND SECURITY POLICIES

The Southern Mediterranean region faces incredible socio-economic and political challenges. The EU must support constitution making, separation of powers, smooth running of the judiciary, security sector reform and progress towards civil, human and socio-economic rights. This presents an immense challenge because these structural changes must happen in countries already facing the difficulties of urbanisation and desertification.

Europe urgently needs a grand strategy for Arab Mediterranean countries. Europeans have thus far focused on easy and measurable democratisation targets such as free and fair elections or women's rights. The EU should revise its strategy to reflect the reality that democratisation is a long-term endeavour and an end itself for third countries and their nationals rather than a means to promote EU security interests. Southern Europe can play a crucial role in this endeavour.

The lack of money in Southern Europe may hinder creativity. Southern European countries need to forge new alliances with Gulf countries and Turkey – crucial actors in the wider region. Turkey has had a business-friendly policy towards the Arab Mediterranean countries, promoting a 'zero-problems with neighbours' policy and lifting visa requirements for Maghreb and Mashreq countries. The Justice and Development Party is also being heralded as a source of inspiration for many Islamist parties in power in the Maghreb. Gulf countries have offered Egyptian workers opportunities for many years and have in the past 10 years, invested in the Maghreb in real estate, tourism, banking, insurance, finance and energy.²⁵ Gulf investment represents around one-fifth of foreign direct investment in Morocco. Still, Southern Europe has not established privileged links with Gulf countries except for recent Qatari investments in football clubs, luxury shops in France and cultural exchange.

The European External Action Service could help Southern countries pool together resources and enhance their collective efficiency within the European diplomatic service. Several national diplomats who hold positions in the EEAS could facilitate new opportunities for cooperation. Four out of seven EEAS Directors come from Southern Europe, and key special representatives for strategic regions either come from the region or have extensive experience of it (including Alexander Rondos for the Horn of Africa, Bernardino León for the Southern Mediterranean). Cyprus could make more effective use of its privileged position vis-à-vis the Middle East, as could Malta and Italy of their privileged positions vis-à-vis Libya. In short, Southern Europe has ample human capital within the EEAS with which to regain its influence.

²⁴ There was no common position amongst EU countries. The Czech Republic voted against, while Bulgaria, Estonia, Germany, Latvia, the Netherlands, Poland, Romania, the UK, Slovakia and Slovenia abstained.

²⁵ E. Woertz, 'Gulf-Maghreb Relations: Investing without Interfering,' *Opinión CIDOB*, 22 May 2013.

European efforts have come together in Egypt since June 2013. Reluctant to describe the ousting of President Mohamed Morsi as a 'military coup', the EU has not suspended its aid to Egypt and hopes to exert some leverage in a transition endangered by violence and polarisation in civil society. The EU has adopted a pragmatic stance. Special envoy Bernardino León has established intense diplomatic ties with the new government. Aside from a ban on small arms and a mediating role amongst Egyptian factions, the EU is nonetheless challenged by Gulf countries and needs to continue engaging in mediation.

Southern Europe is also a key element of US influence in the Mediterranean via NATO strategy. The US has concerns over the security situation in the Mediterranean, heightened by the possibility of a Southern European exit from the Eurozone that could affect the region's economic, social and political stability. Instability in the Sahel affects Southern Europe and its Arab Mediterranean partners. If Libya acted as a first test case for the EU's ability to lead on security crises in its own neighbourhood, instability in the Sahel will require the coordination of the AFRICOM and Europeans on a series of threats: organised crime, drug trafficking, AQMI and other jihadist groups in Mali and Boko Haram in Nigeria. Before Southern Europeans can enact such a strategy, they must overcome tensions such as those during the intervention in Libya, when Italy (usually a key actor in dealing with the country) found itself 'excluded from a high-level conference call between France, the UK, Germany, and the [US] to discuss plans for the NATO campaign'.²⁶ Southern Europeans could also reactivate the 5+5 alliance, a forum that brought together five southern EU member states (Italy, France, Spain, Portugal and Malta) and five Maghreb countries (Morocco, Algeria, Tunisia, Libya and Mauritania). Often seen as a competing security forum to the NATO Mediterranean dialogue, the 5+5 alliance could serve as a useful platform within NATO to advance security in the Mediterranean.²⁷ The EU has shown a renewed interest in the forum after events such as the attack on the Amenas gasfield in Algeria, insecurity in the Sahel and intervention in Mali.²⁸

Such a grand strategy would also require tackling frozen regional conflicts. Next to the Middle East peace process, which seems to have dropped from the European radar, Northern Cyprus is still a main bone of contention between Greece and Turkey. The discovery of new oil resources in the Eastern Mediterranean Sea will probably increase tensions in the coming years. Southern Europe also depends on the Southern energy road. This was debated during the adoption of EU sanctions on Libya in early 2011, in light of Italian energy dependence on the country. Southern Europe has also turned a blind eye to the conflict in the Western Sahara, which continues to poison Algerian-Moroccan relations. Spain's fisheries interests, France's friendly relationship with Morocco and the lack of security in the Sahel play against a resolution. The Western Sahara is for the moment a rather stable region due to a firm Moroccan military presence. This conflict hampers dialogue on security within the 5+5 forum. Economic prosperity is also suffering as Maghreb countries only trade three percent with each other.²⁹ Further efforts at mediating and helping to solve those frozen conflicts are in the interest of Southern Europe's stability. Given the planned defence restrictions in most European countries, it is also unlikely that France or other countries will wage unilateral interventions along the lines of the Malian one. Building trust amongst Southern Arab partners, supporting democratic transitions and reforming the security sector are parts of a broader jigsaw that will provide reliable partners and security to Southern Europe and the EU.

26 A. Dessi and E., 2012: 6.

27 For more on the 5+5 Western Mediterranean dialogue see:

http://www.ieee.es/en/Galerias/fichero/docs_marco/2012/DIEEEM07-2012_5x5_SegMed_RomeoNunez_ENGLISH.pdf.

28 'Maghreb: Euro-Maghrebi Talks,' *Agence Europe*, 17 July 2013.

29 *Agence Europe*, 11 February 2013.

RE-THINKING THE MEDITERRANEAN AS A SPACE IN MOVEMENT

The troubles experienced by Southern Europe are but an extreme version of those affecting Europe as a whole. The rise of the extreme-right, anti-immigrant sentiment, suburban riots and Euroscepticism pose challenges to all European governments.

The crisis has certainly hit Southern Europe severely. The region has focused most of its resources and efforts to its own domestic reforms. Already weakened before the crisis by the *realpolitik* ambitions of France in the region, and the UK-French defence alliance in Libya, Southern Europe failed to mobilise the Union during the Arab Spring. Finding new regional partners, thinking creatively about the pooling of resources within the EEAS and promoting Mediterranean security within NATO should nonetheless drive its political leaders.

Southern Europe holds trump cards crucial to reinventing the Mediterranean as a 'space in movement'. This reinvention requires a coalition of the willing that will pledge to work towards achieving human security in the Mediterranean basin and markets. But to succeed, Southern Europe needs to overcome the fear of further labour mobility and lead a coalition for visa facilitation for Northern Africa. The fragile Southern European welfare states have ageing societies, and entire sectors of Southern European economies have difficulties recruiting. In this context, migration can present an opportunity rather than a threat. Southern Europe thus needs to engage with new political forces in the Arab countries to ensure security and stability at its borders. This implies revising the traditional government-to-government approach and engaging with Islamist parties. Exchange of parliamentary and constitutional practices and democratisation experiences would benefit both. Many Spaniards have recently migrated to Morocco, and new market opportunities will open up throughout the Mediterranean. Supporting Maghreb economic integration in particular will benefit both shores of the Mediterranean, which will gain human capital, skills, knowledge and trade exchange. Only then will the Mediterranean once again become a 'space in movement.' ■

➤ Macroeconomic Policies That Will Help Southern Europe

Paul De Grauwe

Last year saw fundamental changes in the workings of the Eurozone. The most important change was the decision of the ECB, announced in July and enacted in September, to commit itself to unlimited purchases of Eurozone government bonds in the secondary market in times of crises. Surely, this constituted a regime change. Prior to this decision the Eurozone had been a fragile construction.

This fragility was the result of the fact that, when becoming members of the Eurozone, national governments lost their power to call in their own central bank in times of crises to pay out bondholders. Thus, bondholders could not be guaranteed that the cash would always be available to pay them out at maturity. This lack of guarantee could and did generate 'self-fulfilling' liquidity crises. The slightest doubts that a government may experience payment difficulties were sufficient to lead investors to massive sales of government bonds thereby precipitating a liquidity crisis.¹

This paper argues that the decision of the ECB to commit itself to unlimited purchases of government bonds has eliminated the existential fears about the future of the Eurozone and has stabilised financial markets. Second, regarding the question of whether financial stabilisation will be sufficient to save the Euro, this paper argues that new risks have arisen from the continuing deep recessions in Southern Eurozone countries (Greece, Italy, Portugal and Spain). Finally, it suggests how the macroeconomic policies should be redesigned in the Eurozone so as to reduce these new risks.

THE ECB AS THE LENDER OF LAST RESORT

The system needed a lender of last resort (LOLR). Last year, the ECB stepped in and committed itself to this role. Although the ECB prefers to call these operations 'Outright Monetary Transactions' (OMT), these are true lender of last resort operations. Whilst the ECB attached a number of conditions to the application of its OMT facility, in particular that countries should apply for it and commit themselves to further austerity programmes, the fact that it provided such a facility in which it committed itself to unlimited purchases of the bonds of troubled governments dramatically reduced the fragility of the system. It also took away the existential fear that gripped the Eurozone and that destabilised the system. Prior to the ECB's decision investors feared that the Eurozone might collapse. The new stand taken by the ECB reduced this existential fear that was destroying the Eurozone.

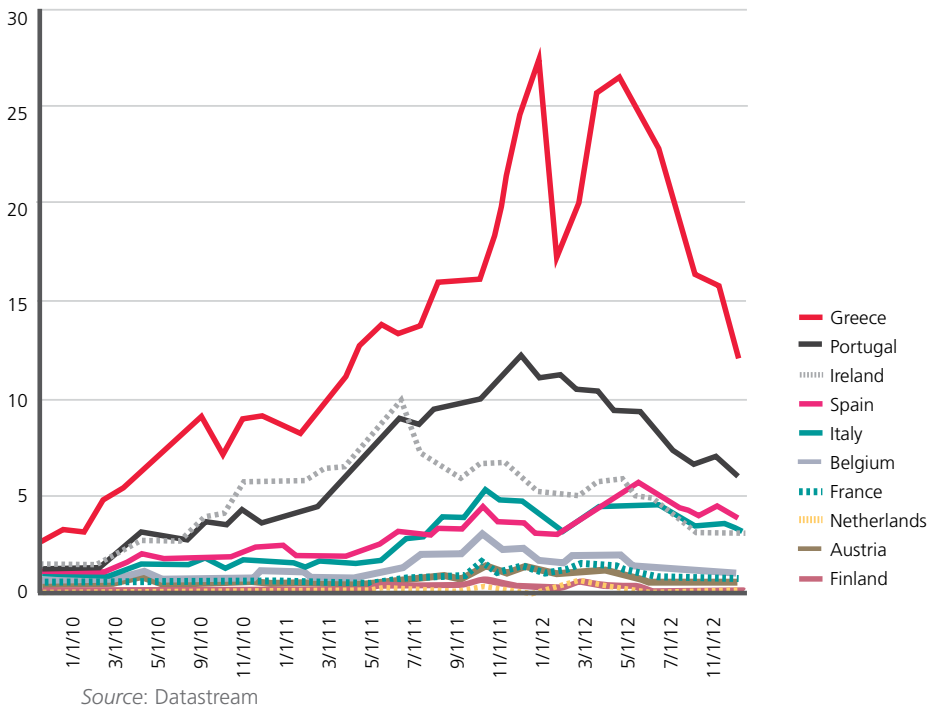
¹ P. De Grauwe, 'The Governance of a Fragile Eurozone,' CEPS Working Documents, Economic Policy, May 2011 <http://www.ceps.eu/book/governance-fragile-Eurozone>; P. De Grauwe, 'The European Central Bank: Lender of Last Resort in the Government Bond Markets?' CESifo Working Paper No. 3569, September 2011; P. De Grauwe, 'Towards a Less Punishing and More Forgiving Approach to the Eurozone Debt Crisis,' Centre for European Policy Studies, Commentary, 2011. <http://www.ceps.eu/book/less-punishing-more-forgiving-approach-debt-crisis-Eurozone>.

Figure 1 shows that the government bond market has pacified since July 2012. Thus the many critics, especially in the North of Europe, have been proven wrong. The ECB has made the right decision to become a lender of last resort, not only for banks but also for sovereigns, thereby re-establishing a stabilising force needed to protect the system from 'boom and bust' dynamics. This view was forcefully argued by a number of economists before the ECB decided to act.²

However, the credibility of the OMT-programme suffers because of continuing vehement criticism. This criticism culminated into the steps taken by the President of the Bundesbank calling on the German Constitutional Court to declare the OMT-programme illegal under German law. Such opposition explains why the ECB attached a number of conditions to its OMT-programme, conditions that are likely to reduce the effectiveness of that programme. First, the ECB will restrict its bond purchases to bonds with a maturity of three years or less. There is no good economic argument to impose such a restriction. In fact, it may even increase the fragility of the sovereigns. These will now have an incentive to issue bonds with shorter maturities than they would have done otherwise, making them more vulnerable to liquidity crises.

Second, the ECB has attached as a condition to the use of the OMT-programme that the countries concerned apply to the ESM (which may then subject these countries to additional austerity programmes). This creates the problem of pushing countries further into a recession as a condition to obtain relief from the ECB. It is difficult to understand the economic logic of such an approach, which appears to be the result of a moralistic approach to the problem, popular in the North of Europe, that wishes countries applying for support to be punished first for their sins.³

Figure 1. Spreads 10-year government bond rates in Eurozone



² P. De Grauwe, May 2011; P. De Grauwe, September 2011; C. Wyplosz, 'They Still Don't Get it,' *VoxEU*, October 2008, <http://www.voxeu.org/article/Eurozone-leaders-still-don-t-get-it>; M. Wolf, 'Be Bold Mario, Put out that Fire,' *Financial Times*, 25 October 2011.

³ P. De Grauwe, May 2011; P. De Grauwe, September 2011.

NEW RISKS FOR THE EUROZONE

From the previous analysis one can conclude that the ECB saved the Eurozone from imminent collapse during 2012. Does this mean that the Eurozone is saved? In the short and medium run, it does; in the long run, it does not. The greatest threat for the Eurozone today does not come from financial instability, but from the potential social and political instability resulting from the economic depression in which Southern European countries have been pushed into and that has led to increases in unemployment not seen since the Great Depression. In some Southern Eurozone countries the unemployment rate now stands far above 20 percent (in Greece, Spain and Portugal). The most dramatic development is the increase in youth unemployment that in Greece and Spain, which now stands above 50 percent and around 30-40 percent in Italy and Portugal. If not reversed soon, this situation may lead to social and political upheaval in societies that have become incapable of providing a future for their young citizens.

Thus, the most important development during 2012 is the change in the nature of the risks in the Eurozone. At the beginning of 2012, the risks were mainly financial, i.e. there was a risk that some governments may not find the cash to pay out the bondholders. The ECB solved that problem. At the start of 2013, the risk has become social and political. It is the risk that in some countries the continuing increase in unemployment and decline in real income leads desperate young people to start listening to politicians that promise them a better life outside the Eurozone.

There can be little doubt that part of the problem faced by Southern Eurozone countries relates to the poor functioning of their labour markets.⁴ For example, in these countries strong employment protection laws make it difficult for the young to enter the labour market. As a result, youth unemployment has become a severe structural problem. Still, these structural problems cannot explain the dramatic decline in economic growth in these countries and the equally dramatic increase in unemployment. This state of affairs is the result of a deep failure of macroeconomic management in the Eurozone.

FAILURES OF MACROECONOMIC MANAGEMENT IN THE EUROZONE

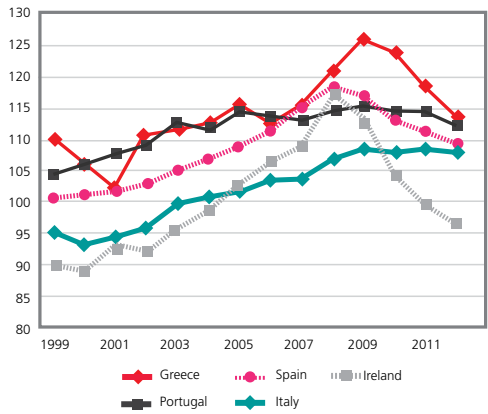
Financial markets have dictated macroeconomic policies in the Eurozone. The Southern European countries (as well as Ireland) have accumulated trade account deficits in the past, while the Northern Eurozone countries (Austria, Belgium, Finland, Germany, and the Netherlands) have built up trade account surpluses. As a result, these countries have become the debtors and the Northern countries the creditors in the system. This has forced the Southern countries to beg the Northern ones for financial support. The latter have reluctantly done so, but only after imposing tough austerity programmes pushing these countries into quick and deep spending cuts.

The recent explosion of government debt-to-GDP ratios makes spending cuts in the South inevitable, but these cuts were enforced too quickly and too drastically. More importantly, the Northern countries were not willing to offset the spending cuts in the South by increasing their own spending in order to stabilise growth in the Eurozone as a whole. The necessary austerity imposed on the Southern European countries could have been offset by demand stimulus in the Northern European countries. Instead, under the leadership of the European Commission, tight austerity was imposed on the debtor countries while the creditor countries continued to follow policies aimed at balancing the budget.

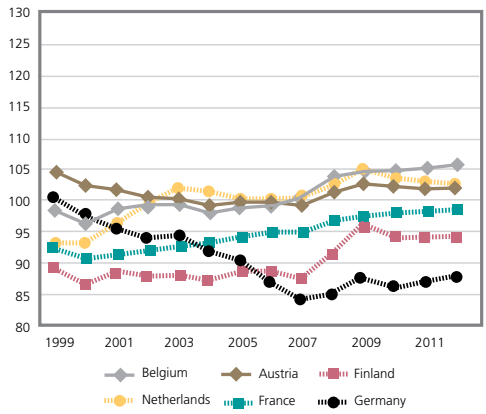
This has led to an asymmetric adjustment process where most of the adjustment has been done by the debtor nations. The latter countries have been forced to reduce wages and prices relative to the creditor countries (an 'internal devaluation') without compensating wage and price increases in the creditor countries ('internal revaluations').

4 T. Boeri and J. van Ours, *The Economics of Imperfect Labor Markets*, (Oxford Princeton University Press, 2008).

**Figure 2. Relative Unit Labour cost
(average 1970-2010=100)**



**Figure 3. Relative Unit Labour cost
(average 1970-2010=100)**



Source for Figures 2-4 : European Commission, AMECO

Figure 4. Growth of GDP in Eurozone

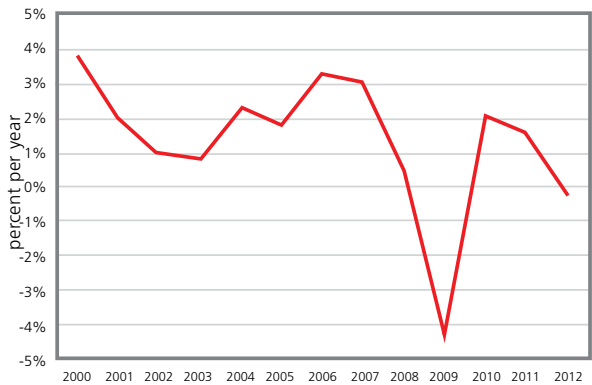


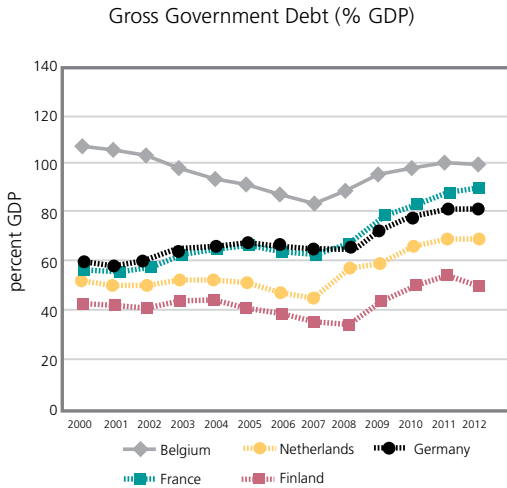
Figure 2 shows some evidence of the nature of this asymmetry. The figure shows the evolution of the relative unit labour costs of the debtor countries (using 1970-2010 period as the base period).⁵ Two features stand out. First, from 1999 until 2008-2009, one observes the strong increase of these countries' relative unit labour costs. Second, since 2008-2009, dramatic turnarounds of the relative unit labour costs have occurred (internal devaluations) in Ireland, Spain, Greece and to a lesser extent in Portugal and Italy.

These internal devaluations have come at a great cost in terms of lost output and employment in the debtor countries. As these internal devaluations are not yet completed (except possibly in Ireland), more losses in output and employment are to be expected.

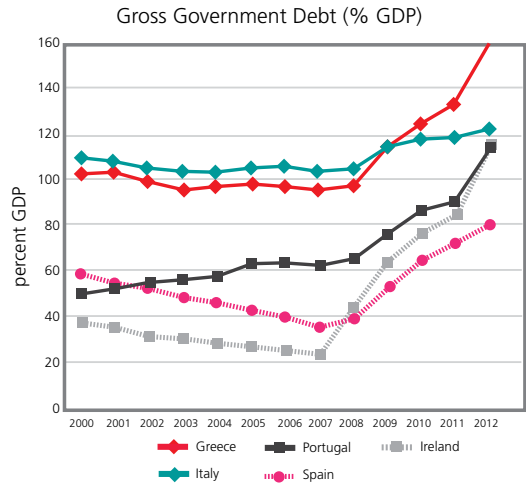
Is there evidence that such a process of internal revaluations is going on in the surplus countries? The answer is given in Figure 3, which presents the evolution of the relative unit labour costs in the creditor countries. One observes that these countries have had very little movement in these relative unit labour costs since 2008-2009.

⁵ The Relative unit labour cost of a country is defined as the ratio of the unit labour costs of that country and the average unit labour costs in the rest of the Eurozone. An increase in this ratio indicates that the country in question has seen its unit labour costs increase faster than in the rest of the Eurozone, and vice versa.

**Figure 5. Gross Government debt ratios
in creditor countries of the Eurozone**



**Figure 6. Gross Government debt ratios
in debtor countries of the Eurozone**



Source for Figures 5 and 6 : European Commission, AMECO

Thus, one can conclude that the debtor countries in the periphery almost exclusively bear the burden of the adjustments to the imbalances in the Eurozone. This creates a deflationary bias that explains the Eurozone's double-dip recession since 2012 (as seen in Figure 4).

As argued earlier, the risk is real that citizens in Southern European countries, subjected to prolonged deep economic downturns that have increased unemployment to levels not seen since the 1930s, may revolt and reject a system that promised to be an economic heaven.

TOWARD SYMMETRIC MACROECONOMIC POLICIES IN THE EUROZONE

How can macroeconomic management be organised in a way that will avoid a prolonged period of historically low growth that risks creating lost generations in the Southern member countries of the Eurozone?

The answer is that macroeconomic policies should be organised symmetrically. This symmetric approach should start from the different fiscal positions of the member countries of the Eurozone. Figures 5 and 6 show this difference. They present the government debt ratios of two groups of countries in the Eurozone, the debtor and the creditor countries. One observes from Figures 5 and 6 that while the debtor countries have failed to stabilise their government debt ratios (in fact they remain on an explosive path), the situation of the creditor countries is dramatically different. The latter countries have managed to stabilise these ratios. This opens a window of opportunity to introduce a rule that can contribute to more symmetry in the macroeconomic policies in the Eurozone.

Here is the proposed rule: the creditor countries that have stabilised their debt ratios should stop trying to balance their budgets now that the Eurozone is entering a new recession. Instead, they should stabilise their government debt ratios at the levels achieved in 2012. The implication of such this rule is that these countries can run small government budget deficits and at the same time keep their government debt levels constant. Germany in particular, which may achieve a balanced budget in 2013, could afford to have a budget deficit of close to 3 percent of GDP while keeping its debt to GDP ratio constant.⁶ This would provide a significant stimulus for the Eurozone as a whole.

⁶ I use the forecast of the nominal growth of GDP in Germany in 2013 (real growth plus inflation) made by the European Commission at the end of 2012. This forecast was 3.5 percent. This allows Germany to stabilise its debt to GDP ratio while running a budget deficit of 2.9 percent.

Such a stimulus would also make it easier to deal with the trade account imbalances between the North and the South of the Eurozone. The Northern countries could wind down the surpluses they have accumulated against the South by stimulating spending. This condition is necessary for the South to reduce its trade account deficits vis-à-vis the North.

Whether the symmetric rule proposed will be implemented very much depends on the German government and the European Commission. The latter should stand up against the 'dictatorship' of the creditor nations. As an alternative rule, the European Commission should convince the creditor countries that stabilising their government debt ratios is in theirs and the Eurozone's interests.

CONCLUSION

The austerity programmes imposed on Southern European countries are unsustainable, not only economically – because they led to unsustainably high levels of unemployment and unbearable economic misery – but also politically, because they subvert the national interests of Southern European countries to the interests of foreign countries (that is, the creditor nations of the North of Europe). No political system can survive if it is seen as serving foreign rather than national interests.

The source of the crisis is by now well-known. Southern European countries took on too much debt in the past. But these countries could only do this because banks in the North of Europe, especially in Germany, eagerly lent massive amounts of money. For every foolish debtor in the South there was a foolish creditor in the North.⁷

When the crash came, the inevitable conflict between debtor and creditors arose. For many debtors the debt burden had become too high. The creditor nations, however, insisted on full repayment. As if following a war, the victorious creditor countries imposed their conditions. They benefited from the support of European policymakers, in particular the European Commission and the European Central Bank. Together they designed a strategy of austerity for the debtor countries that only aimed to restore surpluses on the current accounts of these countries so that they could start repaying their debts.

Creditor nations apparently had no alternatives. Yet, there was of course an alternative, and a very reasonable one: since both the debtor and the creditor nations were responsible for the crisis, they could share the cost of adjustment. This would have implied, as was argued here, that the creditor nations stimulate their economies so that Southern European countries could reduce their external debt with less austerity. Up to now the Northern European countries have refused this course of action, thereby putting the future of the Eurozone at risk. ■

⁷ M. Blyth, *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press, 2013), 287.

➤ The Security of the Mediterranean Sea

Michael Codner

Regions of great instability surround the southern and eastern borders of the Mediterranean Sea. Syria's enduring crisis has implications for the stability and security of Lebanon, Jordan and Iraq. Israel is beleaguered with uncertainties over its future relationship with Palestine. The Maghreb has failed to attain stable governance since the Arab uprisings. Egypt has endured riots after the military removal of the Muslim Brotherhood government that bode ill for its stability. Libya's faces an uncertain future after the overthrow of Colonel Gaddafi. Mali's crisis that provoked the French intervention points to continuing instabilities in the Sahel region. At the same time, the Eurozone crisis has hit the northern side of the Mediterranean, and most Southern European states currently face an acute economic crisis. Fiscal austerity that comes with the crisis will likely further strain the already inadequate defence spending in Southern Europe and give rise to new security concerns.

In light of these issues, this paper addresses the range of possible emergent threats, challenges and responsibilities for European nations with Mediterranean coasts and (more generally) for the EU and NATO in the medium and long term. There is huge uncertainty in the levels of risk associated with threats and challenges of future Mediterranean security. Nonetheless, Southern European defence budgets will more than likely decline and maritime military capabilities in particular will diminish. This paper proposes greater integration of European maritime security capabilities through more coherent NATO and EU policies, forces and operational planning processes.

DEFINING MARITIME SECURITY

A comprehensive understanding of the definition of 'maritime security' is needed to tackle the complexities of Mediterranean security from a Southern European perspective. This approach involves the whole spectrum of security from combat in the context of a major war to the safety of people and assets in contexts related to human violence, crime or environmental protection. An exclusive definition will likely lead to conclusions on the capabilities needed to meet security challenges that will not make best use of resources. In particular, maritime platforms used for security (surface, air or subsurface) will be able to take on a wide range of roles across the security spectrum provided they are configured in agile and adaptable ways. A coherent and integrated approach amongst individual government departments is essential for Europe to make the best use of its limited maritime security.

Territorial defence and provisions for other high intensity combat obligations are on the most violent end of the security spectrum. Threats of this kind involving the Mediterranean will not likely cause concern for Europe in the near to medium term. However, Europe in the context of NATO and as a European geostrategic entity should have the capacity for high intensity combat to prevent an emergent or re-emergent malignant power from using the threat of military violence. The Mediterranean may not necessarily be the scene for deterrent posture, but the platforms delivering these deterrent capabilities could be used for other security roles and purposes.

One very topical and violent threat is that from missile attacks, whether ballistic, cruise, rocket or even nuclear. Attack from Iran is at present the defining threat scenario. The Mediterranean Sea is a key element of ballistic missile defence in the US' Phased Adaptive Approach (PAA), which focuses first and foremost on European security. A number of European nations either provide or intend to provide the territory, capabilities and funds to support PAA and NATO missile defence.¹ Turkey provides the land site in Malatya for the US radar. Italy, France and Spain could provide seaborne anti-ballistic missile capabilities. Iran's acquisition of nuclear missiles could cause other regional powers such as Saudi Arabia to acquire their own nuclear capabilities. Nuclear proliferation in a region prone to instability and revolution carries the threat of having nuclear weapons fall into the hands of factions opposed to the West. Turkey recently asked NATO for protection against missile and rocket attacks from Syria.² In this case the Allied response from the US, Germany and the Netherlands would come in the form of land-based Patriot systems.

During and since the Cold War, the US Sixth Fleet in the Mediterranean has assured NATO members that the US could protect them against major attacks on their territory or interests. The US, however, is losing its dominant role as a world maritime power and has priorities elsewhere. Washington has always put pressure on Europe to do more for its own security and will likely increase this pressure in the future.³ Of course, the US still has enduring military commitments in the region, most notably in Israel.

Terrorism could also involve extreme levels of violence against European nations. The Mediterranean has history predating 9/11 in this respect, with the 1985 hijacking of the cruise ship Achille Lauro by the Palestine Liberation Front. Terrorists could find a number of other ways use the sea to carry out threats, such as using explosives to damage vessels, passengers and crews or surrounding areas. They could also use vessels to transport explosives and other chemical, biological or nuclear materials, including fissile material, to use ashore.⁴

The sea could play an important role in the evacuation of European nationals from crisis areas. An *ad hoc* European structure based in Malta, for example, helped to coordinate evacuations in Lebanon War in 2008 and Libya in 2011. These examples did not involve high levels of combat. Still, a Non-Combatant Evacuation Operation (NEO) could be challenging because the task may emerge at short notice with limited intelligence and time for advanced planning. The uncertainty of where evacuations could take place requires preparing for combat to defend safe areas and conduct retreats. It is thus important to have the right military capabilities to dominate military escalation deployed from a sea base. Any NEO will almost inevitably be a coalition operation, but the partners will usually be those with numbers of nationals to be rescued. European governments cannot presume that the US will have a national responsibility or interest to lead or that larger nations will be expected by their electorates to protect their citizens. Southern European nations may have to take on this responsibility. This will require them to provide resources (for instance bases and military capabilities) for multinational operations in return for other nations' support for the evacuation of their civilians elsewhere in the world.

1 Ballistic missile attack was declared as a NATO Article V in the 2010 Lisbon Summit.

2 <http://euobserver.com/defence/116743>.

3 <http://www.economist.com/news/europe/21583679-only-big-country-europe-increasing-defence-spending-poland-wants-more-say>.

4 <http://www.nato.int/docu/review/2005/issue3/english/art4.html>.

The evolving nature of the government of the Russian Federation under President Putin poses problems of uncertainty of intent. The Kremlin clearly wants to maintain a presence in the region, but it is unclear where its foothold will be. In June 2013, Russia announced that it would permanently maintain about a dozen warships in the Mediterranean for its national security. The purpose of this deployment is unclear, but it is reminiscent of the Cold War strategy of establishing a global Soviet naval presence to counteract the maritime dominance of the West.

CONSTABULARY CHALLENGES

A holistic approach to the definition of maritime security requires addressing threats in the larger context of economic, political and social development. For instance, crises and wars may require European nations to take part in enforcement sanctions to prevent the movement of weapons (Bosnia 1992-1995, Libya 2011 and Syria at present) and in possible economic sanctions. These actions are essentially constabulary,⁵ but typically discharged by major surface combatants.⁶ Other predominantly constabulary maritime security operations include countering criminal activities, such as arms and narcotic trafficking. North Africa supplies cannabis through the Strait of Gibraltar, South America supplies cocaine through North Africa and Asia traffics heroin through weakly policed areas, such as the Balkans across the Adriatic Sea and the Black Sea.⁷

Piracy is presently not a problem in the Mediterranean because of the high levels of response capability and its deterrent effect, but Europe's dwindling commitment to maritime security capabilities coupled with instability in weak states in the Maghreb and Levant could raise this threat. The Mediterranean has major international trade routes between the Suez Canal and the Straits of Gibraltar and Bosphorus, and also to and from European seaports that moved some 27.6 percent of sea trade through European ports.⁸

Control of illegal immigration in Malta, Italy (especially in Lampedusa), Spain and Greece presents a huge constabulary security challenge.⁹ The recent uprisings, revolutions and instability in the Arab nations of the Southern Mediterranean have exacerbated this problem. Long term future security trends including climate change, water shortages, poverty and dispossession will prompt more movement of people toward wealthier and more liberal environments such as Europe. The maritime route is obvious, albeit dangerous.

Protection of fish stocks is a constabulary task often assigned to military naval forces, but is also outsourced or assigned to coastguard forces. The EU has a Common Fisheries Policy to protect stocks and regulate competition, but this must be enforced within nations' territorial seas and Exclusive Economic Zones (EEZ). This requirement is a significant consideration in developing a nation's military and constabulary capabilities.¹⁰

5 Allowing the minimum use of violence only as a last resort to enforce a law or sanction mandated by a legal authority.

6 In particular, destroyers and frigates.

7 B. Germond, *Maritime Security Cooperation in the Mediterranean: Towards a Comprehensive Approach*, http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=2&ved=0CElQFjAB&url=http%3A%2F%2Fkms2.isn.ethz.ch%2Fserviceengine%2FFiles%2FESDP%2F122729%2Fchaptersection_singledocument%2Fffd6db1b-3624-4844-b320-a69078d946a3%2Fen%2F9.pdf&ei=fKQNUo-Koi2hQfOk4HQCA&usg=AFQjCNGKJkFTC7IRJCQdBy9VSCzEf_ji0A&sig2=FglmZ3gonh4AsPb34ZGLfw.

8 European Union, *Mediterranean and Black Sea Coastal Region Statistics*, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Mediterranean_and_Black_Sea_coastal_region_statistics#Handling_of_seaborne_goods.

9 A. Gomes, 'Policy responses to people-trafficking in the Mediterranean,' *Maritime Security in the Mediterranean: Challenges and Policy Responses*, SDA Discussion Paper, June 2011.

10 http://www.iai.it/pdf/mediterraneo/GMF-IAI/Mediterranean-paper_03.pdf.

SEA CLAIMS, ACCESS AND COMPETITION FOR MARINE RESOURCES

Disputes over territorial seas and EEZs between European allies make achieving a coherent and integrated European approach to maritime security in the Mediterranean quite difficult. These disputes include those between Greece and Turkey in the Aegean Sea and islands along the Turkish coast, Croatia's claims to an ecological and fisheries protection zone in the Adriatic (an issue during its accession to the EU) and the current dispute between Spain and the UK over the sovereignty of Gibraltar that centres on an artificial reef created by the latter that allegedly affects Spanish fishing.¹¹

The discovery of large oil and gas resources in the Eastern Mediterranean has heightened disputes over EEZs. Northern Cyprus claims a portion of Cyprus' EEZ. Cyprus disputes the EEZ border with Turkey, and it also has an agreement with Israel over joint exploitation of EEZs. Lebanon, meanwhile, claims that this agreement overlaps its own EEZ.¹²

New disputes will likely emerge between European nations in the long term. New regimes in North Africa and the Levant could also make claims to territorial seas and EEZs currently disputed by other nations. Navies may have to conduct military Freedom of Navigation (FON) operations to prevent acceptance of these claims.¹³

BENIGN MARINE TASKS

One aspect of the broad definition of security is safety, which includes Search and Rescue (SAR). Governments have legal responsibilities for SAR within and beyond territorial seas. Of course, there must be a balance between government responsibility and commercial and private responsibility, particularly in the high seas as territorial seas have individual responsibilities associated with free use of the seas.

Governments need to regulate the movement of shipping through constrained passages in their territorial seas and in international straits in order to minimise the risk of collisions or groundings. Turkey has a particularly challenging responsibility in the Bosphorus and Dardanelles, which have very high levels of shipping.

Disasters that require maritime responses could be natural, man-made or even arise on land (for example, one that may require the rescue of an island community). Governments must factor in SAR in creating and sustaining maritime capabilities. The requirement does not have to be delivered by military or constabulary assets, but consideration of these roles may allow economies to plan capabilities.

Another government responsibility regarding safety is in environmental protection, such as dealing with oil spills. Military or constabulary platforms would not typically engage in the clean up, but they may play a role in the initial reporting and enforcement of disposal regulations.

Responsibilities and Expectation

Constabulary and benign tasks in internal waters, territorial seas and contiguous zones are largely the responsibilities of national governments. However, Europe as a whole faces security risks associated with illegal immigration and human trafficking, smuggling of narcotics and weapons and movement of terrorist resources. Whilst Southern Europe is largely a point of entry, much of the flow of people and goods end up

¹¹ <http://www.telegraph.co.uk/news/worldnews/europe/gibraltar/10250617/Spanish-fishermen-stage-Gibraltar-artificial-reef-protest.html>.

¹² N. Anzinger, 'Will the Eastern Mediterranean Become the Next Persian Gulf?' in *Middle Eastern Outlook*, American Enterprise Institute for Public Policy Research, 3 July 2013.

¹³ FON operations are a form of coercive naval diplomacy in which naval vessels of party deliberately enter the territorial seas claimed by another party to test the other party's response.

in other parts of the continent. Coastal nations should maintain levels of surveillance and interdiction appropriate for the size of their waters and national wealth. This may lead some nations to prioritise these responsibilities at the expense of other defence capabilities. Effective response in intercepting at sea or ashore depends on intelligence and operational information that likely originates hundreds of miles away from territorial seas. This information (and the surveillance required to generate it) comes from a wide range of multinational government sources and from systems overseen by multinational organisations such as the International Maritime Organisation or the commercial sector. There must be a fusion of multiple sources, whether national or multinational, as single sources are likely unreliable and incomplete. The need for effective surveillance direction and interception assets requires robust coordinated command and control arrangements to direct the various national and multi-national responders.

All of the coastal European states in the Mediterranean (including Turkey) are members of NATO which with the exception of Montenegro, Malta and Cyprus, is helpful for multinational inter-operability. NATO's role in maritime security mainly centres on integrating military tasks across the alliance and amongst partners. Since 9/11, NATO has taken on counter-terrorism as a task. Operation ACTIVE ENDEAVOUR in the Mediterranean has operated the Standing Naval Maritime Groups (SNMG) of frigates and destroyers. SNMG2 is specifically configured for the Mediterranean. NATO could assemble a maritime component of a NATO Response Force for major operations. NATO groups and forces draw on the same national assets that could be used for national, EU or other multinational operations.

The remaining maritime security tasks fall into the domain of the EU, which has the ability to integrate economic power and other constabulary and benign security capabilities. Turkey, Albania and Montenegro are the only coastal European nations that are not members of the EU. The EU has a number of structures for maritime security ostensibly fit for purpose. FRONTEX was established in 2004 for the large maritime role of managing the external borders of the Schengen area.¹⁴

As mentioned earlier, effective responses require good intelligence. This requires governments, the commercial sector and non-government entities to have sufficient levels of trust to engage in intelligence sharing. Information exchange does not present problems when an obvious common purpose exists, such as for disaster relief or countering piracy. However, a reluctance to share information may arise when commercial and other interests (such as border disputes) are involved. Even NATO and EU members have difficulties sharing intelligence, particularly that which comes from communications interceptions and national intelligence agencies.

CAPABILITIES

The EU is in the process of setting up a European Border Surveillance System (EUROSUR) through FRONTEX that will integrate information from National Coordination Centres in its first phase. It will then focus on 'creating a common information-sharing environment for all national and EU authorities involved in the maritime domain, and include elements as diverse as environmental protection, fisheries control and maritime safety as part of the EU's Integrated Maritime Policy'.¹⁵

NATO has command and control arrangements for the Mediterranean through the Allied Maritime Command Naples, a fully staffed, permanent, multinational operational command. In the past, EU military command and control for specific operations went through the operational headquarters of single nations. The EUNAVFOR model would be the obvious one for a major EU naval military operation in the Mediterranean.

¹⁴ The European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union. <http://fra.europa.eu/en/publication/2013/eu-solidarity-and-frontex-fundamental-rights-challenges>.

¹⁵ EU EUROSUR briefing note at <http://www.frontex.europa.eu/eurosur>.

For drug interdiction specifically, FRONTEX facilitates interdiction operations in the Western Mediterranean through CeCLAD(M)¹⁶ and in the Eastern Atlantic through MAOC(N)¹⁷ in Lisbon. No such centre exists for the Eastern Mediterranean.

Space systems and fixed-wing aircraft and helicopters provide surveillance and reconnaissance information for effective prevention and response. Helicopters also provide useful response platforms both for interdiction and rescue operations. Surface vessels are essential for long-term preventive, deterrence and interdiction operations including boarding operations and providing sea bases for helicopters. Table 1 illustrates the scale of capabilities available to European Mediterranean nations, including the UK (which has territorial responsibilities in the Sovereign Territories in Cyprus and Gibraltar). It compares figures for 2008 and 2012 to give an indication of the effects of the economic crisis on defence spending (although the full effects of budget cuts will not be obvious until capabilities require replacement).

Table 1. European Mediterranean Naval Platforms 2008 and 2012 (including UK)

	Carriers	Amphibious ships	Submarines	DD/FF	Corvettes	Amphibious craft	MCM	Patrol Craft	Coastguard &c	Totals
2008	5	23	45	97	13	167	90	191	326	787
2012	4	23	43	81	13	125	93	176	459	866

The table shows a decline in military platforms, but a considerable increase in inshore and coastal non-military platforms mainly by Italy and Turkey. The data provides sufficient evidence to establish a trend for the future. However, it does not indicate a focus away from high-end military capabilities toward more immediate challenges such as illegal immigration.¹⁸

MULTINATIONAL COHERENCE AND INTEGRATION

NATO attempts to coordinate its members’ forces planning, but it does not do so with the authority of the Cold War era, when (driven by a robust strategic concept) the Integrated Military Structure (IMS) interrogation process held nations accountable for their contributions to defence and flexible response.¹⁹ NATO forces planning also includes US capabilities, which provide the largest contribution in terms of scale. Thus, the process does not encourage the sustainment and development of specifically European capabilities, which are essential especially for Mediterranean maritime security where the balance between national responsibility and common contributions which is key. Notwithstanding an enduring US commitment to defence and security in the Mediterranean and its periphery, US military power will likely decline in the long term as its global security challenges and priorities develop. Moreover, NATO’s forces planning process does not factor in nations’ constabulary forces not owned by ministries of defence. There is thus no coherent approach to develop capabilities for maritime security across the full spectrum. C4ISR structures are specifically designed for military operations and do not typically coordinate non-military actors.²⁰

16 Centre de Coordination pour la Lutte Antidrogue en Méditerranée.
17 Maritime Analysis and Operations Centre (Narcotics).
18 International Institute for Strategic Studies (IIS), *Military Balance*, 2008 and 2012. DD/FF are destroyers and frigates. MCM are mine countermeasures vessels. ‘Coastguard &c’ refers to non-military owned coastal and offshore constabulary surface platforms.
19 MC14/3.
20 Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance. This is very much a military acronym but summarises neatly the challenges of integration and coordination across non-military government departments and multinationally.

The EU has made progress on developing C4ISR capabilities for maritime security. Still, the Common European Security and Defence Policy (CESDP) concept and processes do not stimulate robust military force planning. The EU can coordinate military and non-military assets and has the economic instrument of power, but Turkey – a major power in the Mediterranean – is not an EU member.

NATO and the EU have many opportunities to exploit for better maritime security. France's re-entry to the NATO IMS presents a pragmatic opportunity for a substantial integration of NATO and EU forces, operational planning processes and C4ISR activities. The demands for European maritime security in the Mediterranean and the urgency for its development provide a test case for such a development. As ever, the relationship between the EU and NATO and between the European Commission and European Council provide politically driven impediments.

Coherence, coordination and integration are typically best led by small groups of nations. There are two sets of relationships amongst the major European powers with Mediterranean concerns and interests that could help in this respect. One is the Weimar Plus Agreement, which includes France, Italy, Spain, Germany and Poland. Weimar prioritises challenges at the fringes of Europe. The other is the France-UK Lancaster House Treaties, which prioritises greater bilateral cooperation and coordination in forces planning, the conduct of operations and the creation of a Combined Joint Task Force. The 2013 maritime Exercise Corsican Lion has proven very successful. There are no similar arrangements to integrate Turkey, the other major power.

CONCLUSION

Effective maritime security in a region as complex as the Mediterranean requires well coordinated and integrated resources between government actors (including military, coastguard, search and rescue, border control and police) and nations with similar challenges and objectives. This paper has discussed the EU and NATO nations with responsibilities and interests in the region. Given that European defence budgets may decline in the coming years, efforts must target the integration of C4ISR and coordinated forces planning to make efficient use of financial resources. The most challenged nations have understood the priorities of illegal immigration and have increased constabulary capabilities for coastal and offshore activity. However, financial constraints will likely precipitate a decline in military maritime capabilities. If these nations lack the capabilities for action on the high seas, conventional deterrence will weaken. European nations will not have the means to take preventive and pre-emptive actions, particularly as reduced forces may need to meet demands outside the Mediterranean and may not be available for short-notice responses. Given the turmoil in the Levant and Maghreb and potential crises in the Gulf, Middle East and North Africa, European military and constabulary maritime capabilities will likely be put to the test (especially if the US is drawn to priorities elsewhere). In this scenario, the US would be the first to support greater integration between NATO and the EU in capability and operational planning and in the coordinated development of C4ISR capabilities. North European nations also need to recognise their indirect dependence on Mediterranean maritime security in a range of issues (including illegal immigration, counter-terrorism and secure maritime trade routes) and make the appropriate contributions. A successful approach to maritime security in the Mediterranean depends on these nations abilities to converge their outlooks and strategies. ■

➤ Southern Europe Defence in Times of Austerity

Nuno Severiano Teixeira and Ana Santos Pinto

The global economic and financial crisis that broke out in 2008 had a significant impact on European countries and, consequently, on their fiscal and budgetary decisions in various policy areas. Security and defence were no exception. Despite the fact that the international security context continues to require a proper response to a set of transnational and sub-national risks and threats, – including regional instability (mostly in the Middle East and North Africa), arms and nuclear proliferation, cyber-attacks, extremist and terrorist movements, organised crime and human trafficking and natural disasters – European countries adapted their budgets to an environment of economic crisis, namely by applying austerity measures to its defence structures.

With decreasing resources and constant (or even growing) needs, all European countries had to think of how to obtain better results at any level of spending – personnel, investment and operations/maintenance – and how to reduce the impact of major expenditure cuts. This took place on two levels: at the national level, by starting a process of adjustment and reform within the defence structure aimed at more efficient organisational arrangements; at the European level, by promoting better cooperation between countries (namely regarding common projects such as force generation and investment) both at the NATO and EU level. As an example of this international cooperation, the Atlantic Alliance started a comprehensive debate on a new way of thinking about generating modern defence capabilities, the so-called ‘smart defence’ concept. It aimed to encourage Allies to cooperate in developing, acquiring and maintaining military capabilities. The same has been done within the EU’s Common Security and Defence Policy (CSDP) through the promotion of the ‘pooling and sharing’ concept within the European Defence Agency (EDA) framework. Most EU countries, notably those who are also NATO members, must look for the best way to profit from the cooperation mechanisms within the two organisations.

The total military expenditure in Europe of 2011 remained nearly unchanged in real terms to that of 2010 at \$407 billion.¹ However, two-thirds of the countries in Western and Central Europe have cut military spending since 2008. At the national level, the evolution of defence budgets differed across Europe as seen in three main groups. The first corresponds to the countries that increased military spending resulting from a sustained economic growth. Poland, for example, increased its military spending by 12 percent between 2008 and 2011 as it sought to increase its deployable troops and become an even more active participant within the EU and NATO. Other countries also increased military spending in the same period: Turkey (10 percent), Sweden (seven percent) and Switzerland (seven percent). The second group includes the three major spenders in Western Europe (the UK, France and Germany). These countries have made small reductions in military spending since 2008, in each case by less than five percent in real terms. In 2010, however, the UK’s Strategic Defence and Security Review (SDSR)² proposed to reduce

1 Stockholm International Peace Research Institute, *Sipri Yearbook 2012 Armaments, Disarmament and International Security* (Oxford: Oxford University Press, 2012), 173–6.

2 ‘Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review,’ October 2010, <https://www.gov.uk/government/publications/the-strategic-defence-and-security-review-securing-britain-in-an-age-of-uncertainty>.

the UK's defence budget by 7.5 percent over four years. Germany plans to cut military expenditure by 10 percent by 2015. France, which presented its White Paper on Defence in 2013,³ plans to maintain spending more or less constant in real terms. The third group corresponds to the Southern European countries, which have made the largest cuts and have reduced their defence budgets by 10 to 25 percent since the beginning of the crisis.

Despite the budgetary constraints – and even if most countries spent less than 2 percent of GDP on defence prior to the economic crisis⁴ – the EU member-states remain the second largest defence spenders in the world.

DEFENCE SPENDING IN SOUTHERN EUROPE

In the context of the euro crisis, the Southern European countries are among the most affected. They faced serious sovereign problems in the wake of the banking crisis and a long period of economic recession. Like Ireland, Portugal and Greece had to ask for international financial assistance. Although Spain and Italy did not formally apply for assistance, they faced problems similar to Portugal and Greece: high deficits, rising debts and deep economic recessions. To fulfil the terms of the bailouts, or simply to restore the markets' confidence, all these countries took fiscal consolidation policies as the first priority and approved harsh austerity measures. These austerity programs have heavily affected not only the welfare state, but also the functions of sovereignty – above all, defence.

Since 2008, military expenditures have decreased significantly as Southern European cuts reached the highest levels in Europe. This trend had obvious effects on defence ministries and armed forces, in terms of personnel, investment and deployment.⁵

Still, political and budgetary options are not homogenous across Southern Europe. This stems in large part from the weight of defence industries in the Italian and Spanish economies compared to that of Portugal and Greece. Italy's military industrial base ranks fourth in Europe and fifth in the world,⁶ with Finmeccanica⁷ (its major defence company) accounting for \$24 billion and about 70,470 employees in 2011. The Spanish military industrial base ranks tenth in the world and sixth in Europe⁸ thanks in part to its stake in EADS, one of the leading global aircraft companies.⁹ This means that any major cut in military investment projects in Italy and Spain directly affects their national economies and aggravates the domestic economic

Table 1. Defence Spending (€ millions)

	2005	2006	2007	2008	2009	2010
Portugal	2532	2452	2403	2536	2671	2782
Spain	10500	11506	12219	12756	12196	11132
Italy	26964	26631	20932	22631	21946	21637
Greece	4956	5240	5579	6192	6023	4756

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

3 'White Paper on Defence 2013,' <http://www.defense.gouv.fr/actualites/articles/livre-blanc-2013>.
4 We should recall that all NATO members are committed to spending, at least, 2 percent of GDP in military expenditures.
5 The investment dimension of national defence budgets includes not only new equipment procurement and R&D expenditure, but also the modernisation processes of equipment already in use.
6 Stockholm International Peace Research Institute, 248.
7 Finmeccanica is one of the largest industrial and high-tech groups in Italy, the 8th major defence company in the world and the third in the EU (after the British BAE Systems and the European consortium EADS).
8 Stockholm International Peace Research Institute, 248.
9 According to the SIPRI Top 100 arms-producing and military services companies, Spain has three companies among the top 100 arms producing corporations in the world: EADS (21), Navantia (55) and Indra (94); <http://www.sipri.org/research/armaments/production/Top100>.

crisis environment. This disparity could explain why the Spanish and Italian governments chose to primarily reduce personnel and operations/maintenance programmes rather than investment programmes, whereas the Portuguese and Greek governments¹⁰ reduced defence expenditures across the board. It also accounts for their different approaches to international cooperation in defence industrial initiatives. Italy and Spain can use their industrial basis to participate and lead transnational cooperation projects; Portugal and Greece are limited to potential expertise niches. These differences, which support some of the budgetary constraint decisions, are thus important to defining each country's international strategy in security and defence issues.

Portugal

Portugal has shown relatively consistent military spending of around €2.5 billion since 2005. Between 2008 and 2010, the defence expenditure reached nearly €2.7 billion, or 1.6 percent of GDP. Since then, under strong pressure from austerity policies, military expenditure decreased by 11 percent in 2011 and by an additional 1.1 percent in 2012.¹¹ These cuts had immediate consequences as the Portuguese government launched a new reform of the defence and armed forces in the framework of the so-called 'reform of the state' process.

Regarding personnel, the Portuguese armed forces experienced substantial reductions in 2003 as Portugal changed from a military system based on conscription to one based on a professional army. In 2010, the three branches of the armed forces accounted for 38,000 troops. However, personnel expenditures still represented 78 percent of defence expenditures in 2011.¹² On-going reform aims to reduce the number of troops to 30,000 to optimise the defence budget structure.¹³

Investment spending decreased from €364 million in 2009 to €296 million in 2010. This meant a fall from 14 percent to 11 percent of military expenditures. The trend worsened in subsequent years as the Ministry of Defence was forced to find a solution to the ongoing military modernisation programs in order to meet budget targets and financial commitments with arm suppliers. It thus postponed payments to arm suppliers and froze or suspended programmes, some of which were already underway (for example, the NH90 helicopters and PANDUR II 8/8 armoured vehicles programmes).

The cuts have also had negative effects at the operational level, namely on the participation of the Portuguese armed forces in international peacekeeping missions. With slight fluctuations, the decreasing tendency of overseas deployment is similar to other Southern European countries. In 2008, Portugal had approximately 700 troops abroad; in 2011, it had approximately 600. In 2012, Portugal withdrew from UNIFIL (Lebanon) and reduced its presence by about 50 percent in ISAF (Afghanistan), yet established a naval presence in EUNAVFOR Atalanta (Somalia). In 2013, Portugal slightly decreased its military peace mission presence to about 550 troops.¹⁴

10 Neither Portugal nor Greece have any military company in SIPRI Top 100 arms-producing and military services companies.

11 J. Hackett, *The Military Balance 2013: The Annual Assessment of Global Military Capabilities and Defence Economics* (Oxford: Routledge, 2013), 96.

12 NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defence*. Communiqué PR/CP (2012) 047-REV1, 13 April 2012.

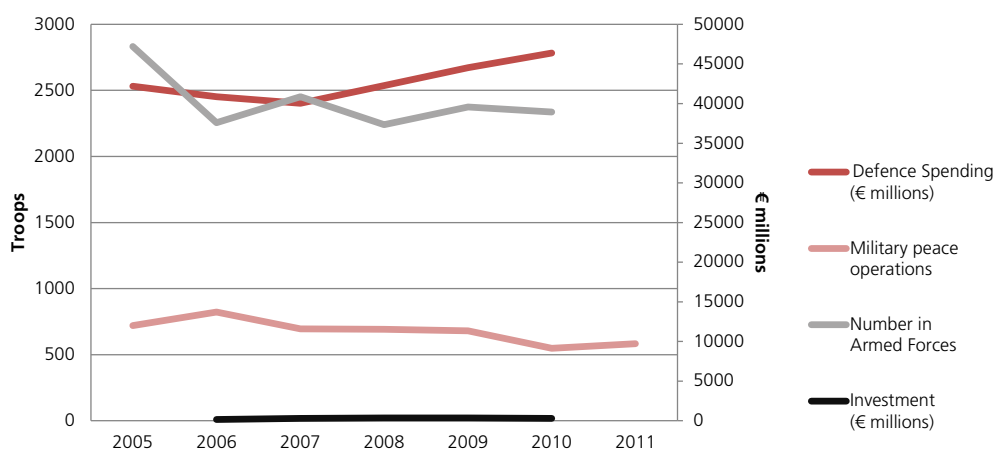
13 Instituto da Defesa Nacional, *A Defesa Nacional no contexto da reforma das funções de soberania do Estado*, January 2013, <http://www.idn.gov.pt/index.php?mod=008&cod=13032013x2>.

14 Estado-Maior-General das Forças Armadas, <http://www.emgfa.pt/pt/operacoes/mapa>.

Table 2. Portugal

	2005	2006	2007	2008	2009	2010	2011
Number in Armed Forces	47215	37577	40855	37346	39568	38927	
Defence Spending (€millions)	2532	2452	2403	2536	2671	2782	
Investment (€millions)		157	289	344	364	296	
Military peace operations	721	822	696	692	680	549	583

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

Figure 1. Portugal

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

Spain

Spain shows a larger and more abrupt reduction in military expenditures amongst the countries of Southern Europe. The reason for this is simple. During a period of economic growth, between 2000 and 2008, Spain developed a policy of international standing and exponentially increased its military spending by about 29 percent – amongst the highest levels in Western Europe. The crisis abruptly reversed this trend, prompting a fall in military spending by about 18 percent between 2008 and 2011 that reduced military spending to one percent of GDP.¹⁵

These cuts have had significant consequences on the Ministry of Defence and the armed forces. In terms of personnel, the cuts began with the civilian personnel of the Ministry of Defence and armed forces branches. Personnel expenditures are a large proportion of the defence budget, which in 2011 represented 65 percent of military expenditures.¹⁶ In 2008, the total number of troops in the armed forces reached 137,800. By 2010, this number had fallen to 129,700. This reduction trend continued in the following years, opening an ongoing debate on reducing manpower, in accordance with the necessary adjustments to changes in the force structure.¹⁷

¹⁵ Stockholm International Peace Research Institute, 178.

¹⁶ NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defence*. Communiqué PR/CP(2012)047-REV1, 13 April 2012.

¹⁷ J. Hackett, 95.

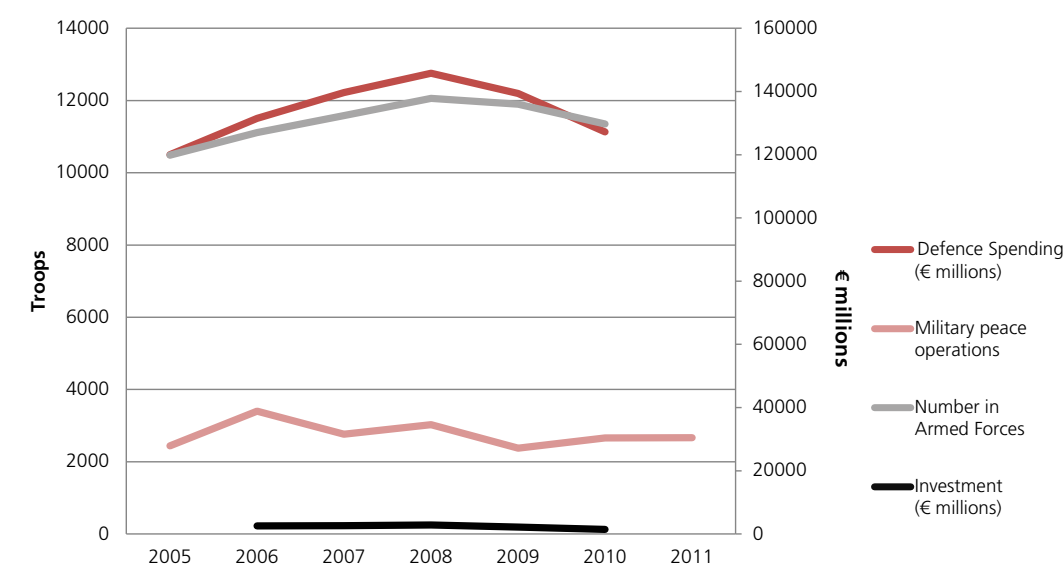
Secondly, the cuts have had consequences on investment. In 2000, Spain launched an ambitious military modernisation program with 19 new equipment programs for the three branches of the armed forces. The crisis prompted a reduction in such investment from €2.85 billion in 2008 to €1.4 billion euros in 2010 – a decline which deepened in the following years. These cuts have imposed heavy restrictions on compliance with the modernisation programs and their financial commitments, which amount to €26 billion.¹⁸ The solution proposed by the Spanish Ministry of Defence involved restructuring debts to arms suppliers and freezing or delaying some programs (such as the Typhoon aircraft and the A400M transport aircraft).¹⁹

Table 3. Spain

	2005	2006	2007	2008	2009	2010	2011
Number in Armed Forces	119832	127000	132400	137800	136000	129723	
Defence Spending (€ millions)	10500	11506	12219	12756	12196	11132	
Investment (€ millions)		2544	2644	2851	2208	1427	
Military peace operations	2442	3400	2762	3026	2378	2660	2662

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

Figure 2. Spain



Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

18 Stockholm International Peace Research Institute, 178.
19 J. Hackett, 95.

Finally, the spending cuts have affected military operations, as evidenced by the reduction in overseas deployment and commitment of Spanish armed forces to the international peacekeeping missions of NATO, EU and UN. Spain had some 3,400 military troops deployed in 2006, 3,000 in 2008 and 2,600 in 2011. This downward trend continued as it withdrew 50 percent of its troops from UNIFIL (Lebanon) and enhanced the planned withdrawal from ISAF (Afghanistan).

Italy

The economic and financial crisis had a direct impact on the Italian defence expenditures. SIPRI estimated a 16 percent real term drop in Italy's military spending between 2008 and 2011, with major cuts falling on operation/maintenance, a restriction on recruitment and a postponement of equipment programmes.²⁰ In 2008, Italy had a defence expenditure of €22.6 billion (1.4 percent of GDP). By 2010, the figure had dropped to €21 billion. However, the first major budget reduction occurred in 2006-2007, moving from a defence spending of €26.6 billion, in 2006, to €20.9 billion euros in the 2007.

The personnel of the Italian armed forces decreased from 307,000 troops in 2006 to 191,000 troops in 2010. Personnel costs represented 75 percent of defence expenditures in 2011.²¹ This prompted the Italian government to undertake a rationalisation process of defence expenditures in 2012, which included a proposal to cut troops by 30,000 during the next decade.

As for investment, the rationalisation proposal included the postponement of some procurement programmes. One example is the reduction in Italy's planned order for F-35 fighter jets, one of the world's costliest defence projects, from 131 to 90 aircrafts.²² Still, Italy remains the second largest EU partner after the UK in this transatlantic programme. Other major multinational procurement programmes such as Eurofighter, NH90 and FREMM have not yet been reviewed.²³

Regarding international missions, Italy has thus far tried to maintain its commitments intact. It maintained an average commitment of 6,700 military in peacekeeping operations in 2010-2012, with its main missions being ISAF (Afghanistan, 4,000 troops), UNIFIL (Lebanon, 1,150 troops) and KFOR (Kosovo, 869 troops).

Table 4. Italy

	2005	2006	2007	2008	2009	2010	2011
Number in Armed Forces	324984	307000	195268	186956	192186	191231	
Defence Spending (€millions)	26964	26631	20932	22631	21946	21637	
Investment (€millions)		2351	2936	3302	2545	3140	
Military peace operations	8425	6748	7951	5047	7884	6790	6729

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

²⁰ Stockholm International Peace Research Institute, 177.

²¹ NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defence*. Communiqué PR/CP(2012)047-REV1, 13 April 2012.

²² 'Italy Slashes Lockheed Martin F-35 Order in Defense Shakeup,' Bloomberg, 15 February 2012.

²³ The Italian example shows the impact of having a large national defence industry. Italy sacrifices the F-35 program, but retains the FREMM Frigate program and the NH-90, where its industry (Finnmeccanica and Fincantieri) is heavily involved.

Figure 3. Italy



Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

Greece

Greece is the second largest defence spender amongst the 27 NATO countries, after the US. It also has one of the highest ‘military burdens’ in the EU. Its military budget always exceeds 2 percent of GDP, and between 2008 and 2010 this budget decreased from 6,200 million euros to 4,750 million euros. Greece’s particular geostrategic context contributes to this fact. Greece has a strategic position in the Mediterranean. It has an Exclusive Economic Zone (EEZ) and has to patrol thousands of islands and porous borders to limit illegal immigration and organised crime. It also needs to promote stability in the Balkans, Black Sea and Eastern Mediterranean. As for its long-running tensions with Turkey,²⁴ relations have improved in recent years. The Greek defence budget for 2012 fell 16 percent in nominal terms, and it included plans for cuts in coming years as part of the austerity package.²⁵

Greece has also restructured its armed forces with regard to personnel. The new force structure for 2005-2020, which predicts a reduction in troops from 178,500 to 142,000 (mainly in the army) was approved at the end of 2003.²⁶ Greece reviews the definition of the force structure every five years. In 2010, it made major cuts in the number of troops, from 133,700 in 2008 to 124,200. More than 70 percent of the Greek budget relates to personnel costs, which account for around 3 percent of Greece’s total labour force. As a proportion of its economy, Greece spends more on its soldiers than any other EU member-state.²⁷

24 Namely, the Aegean Sea disputes (a complex of maritime, air, territorial and boundary disputes) and the conflict over Cyprus.
25 Stockholm International Peace Research Institute, 176.
26 It should be highlighted that in 2001 Greece ended the state of war and mobilisation of the armed forces resulting from the 1974 Turkish invasion of Cyprus.
27 NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defence*. Communiqué PR/CP(2012)047-REV1, 13 April 2012.

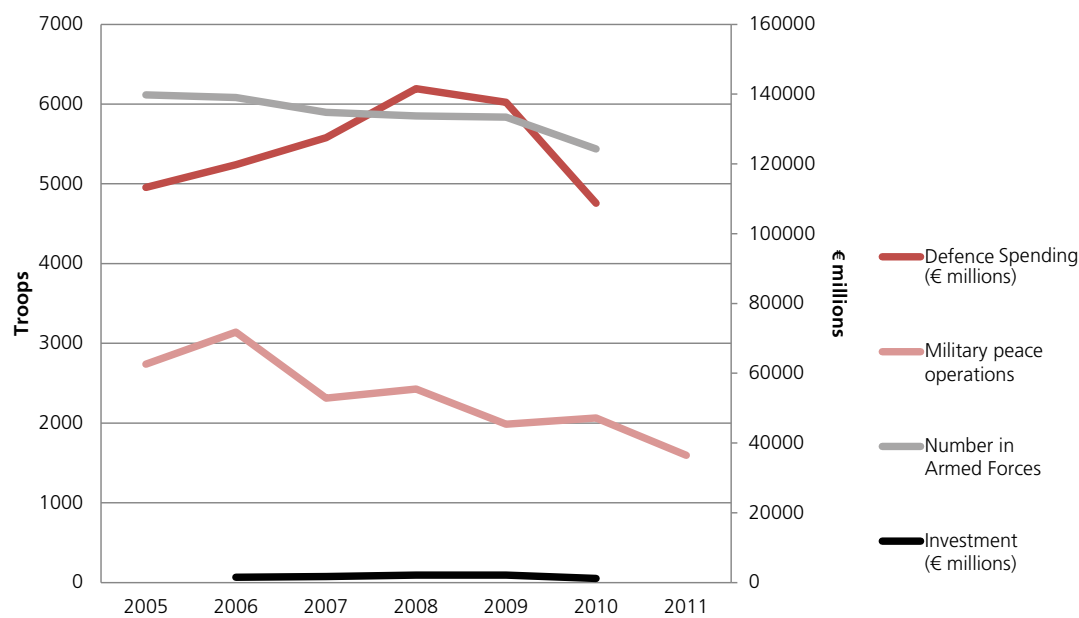
Greece has also reduced its presence in international missions. In 2011, the number of troops abroad fell from 2,400 in 2008 to 1,600. Cyprus houses the major Greek military contingent with a total of 1,150 troops. Greece has reduced the number of troops in other international missions, namely ISAF (Afghanistan, from 137 troops in 2008 to 12 troops in 2012), EUFOR (Bosnia-Herzegovina, from 45 troops in 2008 to 25 troops in 2012), KFOR (Kosovo, from 744 troops in 2008 to 152 troops in 2012) and UNIFIL (Lebanon, from 192 troops in 2008 to 51 troops in 2012).

Table 5. Greece

	2005	2006	2007	2008	2009	2010	2011
Number in Armed Forces	139809	138994	134759	133775	133385	124266	
Defence Spending (€ millions)	4956	5240	5579	6192	6023	4756	
Investment (€ millions)		1500	1707	2140	2133	1148	
Military peace operations		2740	3141	2313	2427	1985	1597

Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

Figure 4. Greece



Source: Information gathered by the authors according to the European Defence Agency (EDA) Defence Data Portal, available at <http://www.eda.europa.eu/info-hub/defence-data-portal>.

With regard to investment, Greece was one of the fourth-largest arms importers between 2003 and 2007, behind China, India and United Arab Emirates.²⁸ The Greek purchase of new military equipment is particularly high compared to the average of for EU countries (around 30 percent of defence expenditures), with France and Germany amongst the main suppliers.²⁹ The 2011-2015 Arms Procurement Plan has fallen by 70 percent, in comparison to that of 2006-2020.³⁰

According to this brief analysis, Southern European countries have dramatically cut military spending since 2008 in the midst of an economic crisis environment and austerity. This decrease implies not only a reduction in manpower, but also a decline in investment – with consequences for modernisation and acquisition of new military capabilities – and a diminished participation in international peacekeeping missions.

Since this reduction will not likely change (and may in fact fall even further) in the short term, one can expect consequences at two levels. At the national level, Southern European countries must carefully define their security and defence policy priorities regarding strategic objectives and international cooperation, either in terms of force generation or investment projects. At the international level, Southern European countries must limit their disposition to assume international military commitments within the organisations in which they participate (namely UN, NATO and EU), which will carry obvious consequences for their roles as international security providers.

A WAY OUT? A COMMON EUROPEAN RESPONSE

Despite national particularities, the four southern European countries have shown similar trends in their defence and armed forces sectors under austerity policies. The fall in defence expenditures presents the first trend. With the exception of Portugal, Southern European countries have reduced their defence expenditures in real terms over the past five years. The second trend is the overall reduction in manpower, both civilian and military. Whilst the international trend for reduced manpower stems from technological change, adjustment and modernisation of the armed forces structure and private sector contracting, the trend in Southern Europe has resulted mainly from the economic crisis. The third trend is the decrease of investment, procurement and R&D. All Southern European countries have frozen or suspended some of their military modernisation programmes, although to different degrees between the countries whose defence industries have an important impact on national economies (Italy and Spain) and the others (Portugal and Greece). The final trend is the reduction of military peacekeeping deployments. All Southern European countries decreased the number of troops in international missions, which carried consequences for these countries' contributions to international operations, both at NATO and EU level, and also reduced their role as international security providers.

The economic crisis, austerity measures, the reduction of military expenditures and the downgrading of the political priority defence can only be overcome by taking the context of crisis as an opportunity. And if this is true for the EU, it is even truer for Southern Europe. Taking advantage this opportunity could occur at two levels. At the national level, through the promotion of structural reforms of the defence and armed forces that allow for the same level of ambition, but that optimise resources – in other words, doing more with less. This would imply an improvement to the ratio between support and operational military, a rationalisation of available resources and a more balanced budgetary structure, with a reduction of personnel cost and an increase in investment, R&D and operations/maintenance expenditures. The reforms should have as a major objective to generate a more deployable armed forces, capable of responding to the current security and defence environment.

28 Until 2006, part of the Greek procurement expenditure was made under a legal and financial framework that allowed its non-inclusion in the public debt.

29 According to SIPRI, from 2000 to 2011, Germany accounted for 23 percent of Greece's total arms imports, next to the US and ahead of France, which was third at 12 percent.

30 Stockholm International Peace Research Institute, 176.

The current economic and financial crisis also constitutes an opportunity to deepen defence cooperation between EU member-states. At the European level, with the overall decrease of defence expenditures, defence cooperation should be seen as a way to improve capabilities in any level of spending, particularly in investment and force generation. In terms of investment, in the 2010, the EU member-states chose the 'pooling and sharing' path at the Ghent framework.³¹ This process is based on bilateral or multilateral initiatives among member-states, but outside the decision-making processes in CSDP framework (particularly 'permanent structured cooperation').³²

The 'pooling and sharing' project is a step in the right direction, but it is a long-term process that has yielded little or no practical results. Some preconditions are needed for the success of 'pooling and sharing' enterprise. First, all member-states that show political will to participate should be included. Second, those willing to participate should do so within the CSDP institutional framework. With both conditions met, there would be no substantial difference between 'pooling and sharing' and 'permanent structured cooperation', the specific cooperation mechanism for CSDP as defined in the Lisbon Treaty.³³ In this case why not go to the Lisbon Treaty and re-launch the 'permanent structured cooperation'? ■

31 Biscop, Sven and Coelmont, *Pooling & Sharing: from Slow March to Quick March?* Egmont Security Policy Brief No. 23, May 2011; B. Giegerich, 'Budget Crunch: Implications for European Defence,' *Survival* 52/4 (2010).

32 Article 42 (6) of the Treaty on European Union (TEU).

33 Teixeira, Nuno Severiano, *European Defense: Past Legacy, Present Changes, Future Challenges*. EUI Working Papers RSCAS 2012/03, January 2012.

➤ Energy as a Source of Recovery in Southern European Economies

Christopher Coats

As Southern Europe struggles towards recovery, a number of countries have put forth the idea of new energy development as a path forward. In a region not known for production or domestic potential, can oil, gas or renewable energy be the tools they are looking for?

Like much of the world, Southern European countries began experiencing a drastic economic downturn in 2008 – one that proved far deeper than many expected. Facing financial challenges similar to much of Europe in terms of credit availability and market confidence, Southern European countries also stumbled upon a number of additional economic hurdles. Whilst often grouped together in news reports under derisive acronyms (such as PIGS), the reasons for their economic contractions were varied, as must be their solutions.

In the years since, each country has attempted to craft a path to economic recovery. Few have made much progress, and some have even slipped back into double-dip recessions. Eurozone states across Europe have faced months of economic contraction, and Southern Europe has faced this even more acutely.¹

The blame for this prolonged slowdown has been widespread. Broadly, Southern Europe-based critics have taken aim at austerity-minded leadership in Brussels and Berlin. This criticism has targeted the spending cuts that European institutions and some fellow member states have called for in exchange for fiscal assistance for Southern Europe's banking systems or, in some cases, entire governments. Pointing to slow progress and increasingly high unemployment rates, these critics have insisted that long-term recovery will not come solely from reduced state spending, but must include new sources of growth.²

Meanwhile, fellow Eurozone states and the leadership of those financial institutions involved in trying to restore the Eurozone's economic well-being have taken issue with what they see as unwillingness by Southern European governments and economic actors to address foundational economic issues. This includes structural as well as institutional changes that they feel must be addressed before any significant, sustainable growth can occur.³

Throughout this period, each of these crisis-stricken countries have proposed the idea of developing domestic energy options to meet local needs and in some cases even serve as a source of revenue. Few have a history of energy sector involvement despite reports of substantial domestic potential. This would therefore be a new field of investment, whose short- and long-term economic potential remains unproven. With the region's energy security and economic future in question, these countries have explored a number of new energy options, including oil, gas, unconventional options (shale) and renewable solutions to domestic and export markets.

¹ 'European Economy guide - Taking Europe's Pulse,' *The Economist*, 18 July 2013. In addition to slower or negative growth, most of these countries have seen FDI reduced by about half since 2011.

² See Robert Boyer, 'The Four Fallacies of Contemporary Austerity Policies: The Lost Keynesian Legacy,' *Cambridge Journal of Economics* 31/1 (2012). See also Paul De Grauwe's contribution.

³ G. Rachman, 'Blame the Great Men for Europe's Crisis,' *Financial Times*, 1 October 2012.

This paper will explore how the current regional landscape has shaped energy policy and consider options available to Southern European countries, including traditional oil and gas, unconventional and renewable efforts. The fundamental question is whether these options can contribute to the region's immediate economic recovery or whether their impact is too long-term to be considered in a discussion of recovery. In addition to domestic production efforts, these cases will also include consideration of transport- and downstream roles, including potential refining efforts. For this discussion, Southern Europe includes Spain, Italy, Greece, Portugal and Cyprus.

SOUTHERN EUROPE'S ENERGY OPTIONS AND CONSTRAINTS

In the decade leading up to the 2008 financial crisis, most of Europe's southern states experienced significant growth and economic momentum, accompanied by faltering energy independence as progress necessitated foreign oil and gas.⁴ Limited domestic resources and an unwillingness to pursue those options due to environmental concerns exacerbated the situation, leading to a heavier focus on import options, including trans-Mediterranean pipelines and Liquefied Natural Gas plants.

According to data provided by the US Energy Information Administration, the economic progress of the decade also prompted a steady increase in energy imports. From 1998 to 2006, Italy's net natural gas imports climbed steadily from 1,028 to 2,720 billion cubic feet.⁵ Spain showed similar progress, increasing from 466 to 1,437 billion cubic feet of gas in 2008.⁶

Beginning in 2008, imports to the region decreased as a share total consumption due to a slowdown in industrial and consumer demand. This trend excluded Portugal, as its dependence on foreign natural gas continued to grow despite significant progress in renewable energy development.

Coupled with an EU push to reduce the role of Russian gas imports⁷ (European heads of state have committed to completing the integration and liberalisation of the internal European energy market by 2014), this import dependence spurred governments to cultivate expanded trade relationships with energy producing countries, occasionally putting them out of step with the rest of Europe. The most blatant example was perhaps that of Italy, where (under the guidance of then Prime Minister Silvio Berlusconi) energy firms invested billions towards expanding energy ties with Muammar Gaddafi's Libya.⁸

The delicate nature of this dependence became startlingly clear in early 2011, when protests erupted in Tunisia that toppled the long-standing government of Zine al-Abidine Ben Ali and started the domino effect later dubbed as the Arab Spring. As protests in Libya evolved into civil war, temporarily halting production and exports, Southern Europe felt the impact of the unrest. This was particularly true for the two largest economies, Spain and Italy, which look to Algeria for a third of their energy needs and Egypt and Libya for an additional 10 percent.

4 While Italy's growth rates were more modest than its regional its, their GDP growth still signaled a positive, if not record-setting growth pattern. According to the World Bank, Italy's GDP growth remained positive from 2004 through the beginning of the downturn in 2008.

5 EIA, Italy Energy Profile, <http://www.eia.gov/countries/country-data.cfm?fips=IT#ng>

6 EIA, Spain Energy Profile, <http://www.eia.gov/countries/country-data.cfm?fips=SP#ng>

7 G. Prodhan and K. Schaps, 'Update 3 – TAP to carry Azeri gas via Greece as Austria loses out,' *Reuters UK Edition*, 26 June 2013. The EU has long sought to reduce dependence on Russian gas reserves, especially following a pricing dispute with Ukraine in 2006. This effort has had its share of set-backs, most recently with the failure to create an alternative gas pipeline linking the European market to reserves in Azerbaijan in 2009. More recent efforts have proved more successful, such as the approval of the TAP pipeline project during the summer of 2013.

8 G. Dinmore and H. Saleh, 'Oil and Trade lure Berlusconi to Libyan talks,' *Financial Times*, 28 August 2009. Berlusconi also worked to expand Italy's resource base by pushing to reintroduce nuclear power to the mix after a 25 year absence. Italy had voted to ban nuclear development after the Chernobyl disaster in 1986. Berlusconi's plans to reintroduce development through a popular referendum collapsed almost as soon as news of Japan's Fukushima disaster reached Rome.

Algeria, currently Europe's third largest provider of natural gas, managed to avoid the kind of public action that led to the dissolution of governments in neighbouring countries.⁹ Nevertheless, regional instability did permeate its borders, specifically in regard to oil and gas facilities. This was exemplified by the January 2013 attack against a BP and Statoil gas facility at Al Amenas carried out by a militant group from Mali. The attack resulted in over 70 deaths and halted production.

Energy assets in both Algeria and Libya have also experienced delays due to protests by local community groups. Recognising the value placed on oil and gas production, these groups have begun to target local facilities and halt production and exports in an attempt to demand greater labour and political representation. These groups were especially visible in Libya during discussions on authority over the country's energy assets. With the majority of Libya's oil reserves situated in the eastern half of the country, groups from areas surrounding Benghazi have demanded greater local authority. One group even suggested the creation of a separate state. This pressure ultimately resulted in the decision to create a headquarters of the National Oil Corporation in Benghazi. Furthermore, militias hired to provide protection for energy facilities have spurred halts in production after clashing with competing groups over claims to project authority.

North Africa's energy sector has also been hindered by dwindling confidence amongst certain key foreign production partners. Algeria's production has suffered in recent years as foreign investors have found the local working environment increasingly inhospitable to outside energy actors.¹⁰ In the weeks following the January attack, several firms operating in the country expressed concern about the security of their employees.

CAN NEW ENERGY DEVELOPMENTS SAVE THE DAY?

The one glaring exception to this foreign dependence trend came with the rapid development of renewable energy options over the last decade. With strong state support, solar and wind development surged across southern Europe, led by vibrant markets in Spain and Portugal and an EU push towards sustainable development defined by renewable usage goals of 20 percent by 2020.¹¹ According to EIA data, Spain grew from a two percent usage of solar and wind in 2000 to about 20 percent in 2008, while Portugal grew from two percent to 15 percent from 2004 to 2009. Italy also increased renewable energy production as a share of total consumption, though with far less of a contribution from wind energy than its neighbours. The progress in Greece and Cyprus was less pronounced, with only moderate increases reported.

Unfortunately, reflecting a global downward trend, this pace of growth did not last. Governments found quick targets for spending cuts in the state subsidy systems for renewable energy as the 2008 crisis took hold. Such cuts slowed interest in the sector, making it a far less attractive investment and hindering future planning. However, in more drastic cases like that of Spain, cuts were more widespread and even applied retroactively. Spain went from being a global leader of solar development and installation to a pariah of foreign investors in a matter of months.¹² Early cuts resulted in legal action against Madrid from over a dozen investment funds with stakes in the country's solar market and may spur more before the end of the year.¹³ Leading investors have started to shun the Spanish energy market, which has lost all its original attractiveness as a consequence of the government cuts.

9 Behind Norway and Russia

10 S. Reed, 'Gas Field attack is a blow to Algeria's Faltering Energy Sector,' *New York Times*, 18 January 2013.

11 Energy: Targets by 2020, The European Commission, http://ec.europa.eu/energy/renewables/targets_en.htm

12 M. Roca, 'First Large Solar Plants Without Subsidy Sought in Spain,' *Reuters UK Edition*, 21 December 2012

13 K. Abiven, 'Spanish Downturn a Disaster for Green Energy,' *Expatica*, 24 June 2013.

The dependence on imported fossil fuels and the crisis of the fledgling renewable energy sector therefore play an unsteady and often burdensome role in Southern Europe. Time will tell whether new industry development could play a part in the region's immediate economic recovery.

Just as the reasons for each economy's challenges vary, so too does their particular energy situation and options for development. For this reason, it is worth exploring the choices and opportunities each country faces and how new energy will figure into a path towards recovery.

SPAIN

As the region's strongest economy over the decade leading up to the financial crisis of 2008, Spain's ability to weather its financial storm and find viable way forward has caused the most concern among fellow Eurozone member states.

The country's strong performance before the 2008 collapse spurred strong investment in new domestic production efforts and import options, including seven Liquefied Natural Gas regasification facilities. However, due to minimal access to a wider European gas grid, Spain could mostly only meet domestic needs. Much of its domestic energy momentum focused on solar and wind potential, complete with generous and ultimately unsustainable state subsidy programmes. As Spain's economic downturn extends into its sixth year, existing energy options have suffered. For example, a new pipeline connection to Algeria has experienced underutilisation due to faltering demand from Southern Europe.

Once heralded as the future of Spain's economic expansion, renewable energy has slowed as subsidy cuts became actions. Lawsuits and threats have hindered progress and have made investment in the Spanish market highly unpalatable to vital foreign partners. In addition to collective legal challenges by investment funds in 2012 and 2013, Madrid has also faced the threat of local lawsuits filed by solar production and installation associations.¹⁴

Parts of Northern Spain have begun to explore the possibility of shale exploration in the Cantabria region. However, while they previously avoided the kind of resistance to the controversial shale extraction process seen in Germany and France, local communities have begun to take action against the practices citing deep concerns about environmental impact.¹⁵ Earlier this year, the regional government of Cantabria voted to ban hydraulic fracturing or fracking.¹⁶

Even if Spain manages to navigate around such local protests by way of Madrid and to meet substantial early investment demands needed for shale extraction, it will still face the obstacle of inserting that output into a wider European marketplace. Planned expansions of the country's current transport systems via pipelines through the Pyrenees would rely on increasingly elusive structural funds from Brussels.¹⁷

14 'Foreign Investors Set to Sue Spain over Energy Reform,' *Reuters*, 1 February 2013.

15 G. Dinmore, 'Italy Moves to Overturn post-Macondo Oil Ban,' *Financial Times*, 19 June 2012. Environmental concerns have energised local opposition to energy development across the region since the Deepwater Horizon spill in the Gulf of Mexico in 2010. As time passes these groups are having a tougher time competing with the promise of domestic production. The Italian ban was eventually overturned.

16 P. Laya, 'Repsol Delays First Shale-Gas Project in Spain After Frack Ban,' *Bloomberg*, 4 July 2013. Fracking is the practice used to extract shale oil and gas by drilling down into deep set reserves compressed in shale rock, then horizontally across before shooting a high volume of treated water into the well to fracture the rock and allow the reserves to escape. The practice has attracted criticism in North America and Europe due to the potential environmental and structural impact.

17 M. McGrath, 'Trillion-euro shortfall facing EU energy sector – Lords Committee,' *BBC News – Science and Environment*, 2 May 2013. February 2013 marked the first EU budget proposal to present a reduction in spending, including less funds dedicated to regional energy infrastructure projects.

ITALY

Italy has faced a similar series of circumstances, but without the potential of developing future unconventional resources.¹⁸ It too saw a surge in solar and wind activity over the last decade thanks to government assistance programmes and has also introduced tariff reductions to the conversation as a part of the country's *Conto Energia V* energy plan, which implemented a spending cap on renewable support. Unlike Spain, the government did stop short of retroactive action.¹⁹

Despite the rigour of its renewable progress, it will not likely serve as anything more than a domestic contribution for the foreseeable future. This results in part from the technical limitations of transporting wind and solar energy to foreign markets and in larger part from Italy's heavy dependence on energy imports. Currently, the country looks abroad for about 80 percent of its energy needs, making the reduction of such dependence a priority for new energy development.²⁰

In addition to renewable projects, Italy's new energy options include refocusing official support for domestic oil and natural gas production. After reversing a ban on offshore drilling that was put into place following the Deepwater Horizon disaster in 2010, the Italian government announced plans to boost crude production by 150 percent in late 2012. While domestic efforts have steadily declined since 2005, Italy does sit on what is estimated to be Europe's third largest oil find with a little more than a half a billion barrels of proven reserves.²¹

The proposal was part of the country's first new energy plan in nearly two decades and was billed as part of a drive to reduce the country's energy bill by about \$18 billion. Despite such support, the path between proposals and an actual concrete effect on the country's economy in the form of import reduction or local jobs is long and full of obstacles. In addition to questions of financing and attracting needed foreign investment, Italy faces an unsteady political environment that makes necessary policy decisions all the more difficult to come by. Following its February 2013 election, Italy saw confidence in the government at a stunning low of five percent and in the Parliament at eight per cent.²² Successful exploration efforts will require a clear regulatory framework that the government has yet to make clear.

PORTUGAL

Aside from certain factors, Portugal shares an economic story similar to its Southern European neighbours, including a difficult adjustment period following its introduction into the European monetary union. One factor that sets it apart is its soaring private debt levels.²³ Its enthusiasm for renewable energy options is another. In 2005, Lisbon announced a far-reaching plan to move the country away from traditional hydrocarbons and vigorously towards Europe's sustainability goals.²⁴ Despite the considerable strain placed on consumer prices, which rose 15 percent over this period, these efforts proved successful as Portugal is now on track to provide domestic renewable options to cover about 60 percent of its electricity needs and about 31 percent of overall energy needs by 2020.

18 L. Moloney, 'Italy Won't Develop Shale Gas as Plans National Production Boost,' *4-Traders*, 3 July 2013. As for Italy's shale future, the government was quick to address any speculation with an assurance that the country has none to offer.

19 G. Wynn, 'EU Countries to Cut Renewable Support Further,' *Reuters*, 14 August 2013.

20 Eurostat, 'Net imports of Primary Energy, 2002 – 2010,' *European Commission – Energy Production and Imports*, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Net_imports_of_primary_energy_2002-2010.png&filetimestamp=20121012131900. According to Eurostat, Italy's dependence on imports to meet about 82 percent of its energy needs, while Spain looks abroad for about 75 percent, Greece 70 percent, Cyprus 99 percent and Malta 100 percent.

21 A. Migliaccio, 'Oil Fields Under Olive Groves Offer Italy Economic Boost,' *Bloomberg*, 30 May 2013. Norway (5.32 billion barrels) and the UK (3.12 billion barrels) dwarf Italy's reserves, but Italy has more onshore reserves than either, according to IEA data.

22 C. Bastasin, 'Italy's Post-Election Chaos Isn't What You Think,' *Reuters*, 3 January 2013.

23 'Presidential Intervention Plunges Portugal Into New Bailout Crisis,' *Reuters*, 12 July 2013.

24 E. Rosental, 'Beyond Fossil Fuels – Portugal Makes the Leap to Renewable Energy,' *New York Times*, 8 October 2010.

This effort kept in line with a wider EU push towards renewable energy options, but for Portugal this was a matter of necessity. As Portugal has no fossil fuel reserves to call its own, foreign energy imports pose an enormous financial burden on a population that has seen energy consumption rise steadily. Portuguese authorities have nonetheless tried to explore viable domestic energy options. For decades, the Portuguese government has invited firms to explore and test the country's potential, with a heavy focus on the Lusitanian Basin. More recently, it has begun to promote investigations into Portugal's unconventional (shale) potential. However, none of these efforts have led to a commercially viable discovery, keeping official estimates at zero.

In terms of new energy development and its impact on the country's still ailing economy, it would appear that traditional hydrocarbons will remain more of a burden to state and individual spending than a benefit. Portugal's energetic support for renewable options may ultimately prove beneficial for the wider economy in terms of gradually driving down dependence on expensive gas from North Africa and LNG imports from beyond.²⁵ However, the sector's impact on the country's growth prospects and ability to attract needed foreign interest is minimal considering Portugal's dismal investment environment and continued dependence on foreign energy resources.

GREECE

As the most volatile economy in Southern Europe, Greece has faced immense pressure from abroad to restructure its economic system in exchange for assistance. Throughout these discussions, the government has proposed the idea of introducing new energy development as a source of recovery, jobs and a way to establish itself as a provider for the wider European market. These proposals include the construction of a sprawling solar plant that would some day produce 10 GW of power and the opening of offshore areas to oil and gas exploration. Usually presented in the context of negotiating the country's access to financial support packages, these projects falter under closer scrutiny.

The solar plan, called Helios, came with an expected \$27 billion price tag and a decades-long time line to reach full capacity. After nearly six years of uncertainty and bailouts sought from abroad, the country's economy hardly seemed like a safe investment for the kind of sums needed to even begin to pay for such a large-scale project and local financing was all but impossible.

Building on the enthusiasm of the Eastern Mediterranean's recent discovery, which recently resulted in eight bids for oil and gas exploration in the western part of the country,²⁶ Greece made a push for exploration in the Aegean Sea. With Israel, Lebanon, Cyprus and Syria all now within reach of trillions of cubic feet of gas, the hope was that similar finds could be made in Greece. Despite a series of reports exploring the region's potential, however, little progress has been made outside of pledges for future licensing rounds. While this suggests the political will necessary to move forward, it also places actual revenues years out of reach.

In recent months, both the Greek leadership and the European Commission have publicly explored the idea of a European Exclusive Economic Zone in the Mediterranean, including a report exploring the subject by the European Commissioner for Maritime Affairs and Fisheries in July.²⁷ This process would clarify the country's claims to potential offshore reserves by elevating the discussion beyond national debate and into a European level discussion. While this approach has the potential to strengthen Athens' position against likely Turkish protests related to activity in the Aegean Sea, it is far from clear whether it will be enough to keep Ankara calm and supportive. A signal of how Turkey might respond to EU member state energy expansion can be found in their reaction to Cypriot efforts to expand their own offshore plans in the area.

25 C. Aston, 'Could Portugal Ever Run Entirely On Green Energy Again?' *BBC News*, 22 June 2012.

26 'Greece Receives 8 Bids for Oil, Gas Exploration,' *Reuters*, 2 July 2012.

27 Establishment of maritime zones, including Exclusive Economic Zones (EEZs), in the Mediterranean: speaking points; http://europa.eu/rapid/press-release_SPEECH-13-634_en.htm.

CYPRUS

While the effect of new energy development in the region on immediate economic recovery efforts appears hampered by extended timelines and limited impact beyond meeting some domestic needs, Cyprus offers one exception. Offshore natural gas reserves have produced revenue estimates far exceeding the country's modest economy. Faced with daunting pressure to restructure its financial system, Cyprus has the very real opportunity to build long-term growth on natural gas—especially after the discovery of natural gas in 'Block 12,' the so-called Aphrodite reserve, during drilling that took place from September 2011 to the end of that year.

Cyprus is one of a handful in the Eastern Mediterranean with a workable claim to one of the largest natural gas finds. In waters shared by Israel, Lebanon and to smaller degrees Syria and possibly Turkey, Cyprus has access to an estimated 50 to 60 trillion cubic feet of gas and 1.7 billion barrels of crude in waters off its south-eastern coast. If extracted and brought to market, the reserves could provide the country with as much as \$400 billion over the next several years. For a country that looked abroad for virtually all of its energy needs, this represents a transformative potential.

Progress nonetheless has challenges. Exploration efforts require foreign partnerships, which will be difficult to build considering the country's erratic financial landscape. Cypriot efforts have received some interest from abroad, led by Texas-based Noble Energy and more recently Italy's Eni, which has expressed interest in commencing with offshore exploration over the next year.

However, a significant hurdle to incorporating potential gas reserves into immediate recovery efforts can be found at home. The country's new political leadership has repeatedly made it clear that even if foreign investors are willing to overlook the dire challenges the country faces, future earnings will be kept where they are – in the future. In the weeks leading up to the February 2013 elections, then candidate Nikos Anastasiades insisted that while he supported the country's offshore exploration and exports, potential revenue should be kept out of reach until projects actually began producing. The country's current leadership expects this to occur no earlier than 2018 or 2019. Now President Anastasiades put this position to the test when now he had to deal with pressure from Russian creditors who suggested including future production agreements in discussions regarding the restructuring of an existing € 2.5 billion loan.

A TRANSPORT ROLE

Faced with limited domestic potential for extraction, a few countries have begun exploring the possibility of new energy roles not only as producers, but also as smaller parts of transport wholes. Over the last year, both Cyprus and Greece staked out claims for possible mid-stream roles for reserves from the Eastern Mediterranean and Azerbaijan.

Earlier this summer, a long-running competition for who would move gas from Azerbaijan finally came to an end when Azeri company SOCAR decided on the Trans-Adriatic Pipeline as the route into the European market. The EU-backed route will be run by Norway's Statoil, the Azeri state oil company SOCAR, BP, France's Total, Belgium's Fluxys, Germany's E.ON and Switzerland's Axpo, bringing an estimated 10 billion cubic metres into the European market in the short term, and potentially 20 billion cubic metres in the coming years.

More importantly for Greece, the project stands to bring in about €1.5 billion from the pipeline's construction, offering some relief for the lack of progress made by the country's privatisation push earlier this year. The lack of interest in the country's Public Gas Corporation (DEPA) produced a billion Euro hole in the government's

privatisation goal. The choice of the TAP option also offers Greece jobs at a time when it needs them most. On the same day that of the environmental assessment submission in May, the Associated Press reported that Greece's unemployment rate at hit a record high of 27.6 percent.

Still, while project proponents have hailed the decision as a sign of renewed confidence in the Greek economy and a step towards establishing the country as a reliable transport point of Eastern gas into the European market, others warned that much remains to be done before. Konstantinos Filis, research director of the Institute of International Relations at Panteion University in Athens told the Wall Street Journal earlier this year that 'TAP is very important for the country, but it is only an indirect investment.²⁸ Greece will move away from the vicious circle only if it implements reforms and adopts a flexible investment plan in order to make it attractive to foreign investments.'

The recent thawing of relations between Israel and Turkey has further hampered a possible transportation role in the case of Cyprus.²⁹ Once proposed as a likely candidate for handling some of Israel's downstream capacity in the form of LNG facilities or even Europe-bound pipelines, Cyprus may have to compete with Ankara for upcoming projects. If, however, any of the Mediterranean-bordering countries outline a transport role, it may be its only opportunity for support from the wider European community.

The EU's current approach to energy policy limits itself to issues of connectivity, energy security and the harmonisation of member states' fragmented markets, and it is unlikely that the EU will seek to incentivise new hydrocarbons exploration and production.' Instead, funding will likely be directed towards those projects that directly assist in securing the flow of energy resources into the European market, allowing some argument for new pipeline projects explored by Greece and Cyprus to qualify for financial support. A focus on grid connectivity could also assist new energy development projects overcome infrastructure obstacles currently hindering investment and foreign interest. However, the EU's weakened financial standing has made funds increasingly elusive, as seen by this year's budget proposal's first ever reduction in spending.

CONCLUSION

While Europe's Mediterranean states offer viable options for energy production to meet both domestic and export needs (including traditional, unconventional and renewable efforts), few offer the kind of benefits that could significantly assist region's immediate economic recovery. Even in cases where levels of output justify initial investments, domestic demand, extended project timelines and a lack of a viable transport infrastructure restrict the impact of the export market on short-term economic growth.

This is not to say that energy development has no future in Southern Europe in terms of meeting domestic demand, creating jobs and even serving as a driver of growth. Indeed, this is entirely possible as untapped reserves and the natural benefits of the Mediterranean region (plentiful sun and wind) could serve as strong sources of economic growth and stability for decades to come. It would serve the EU's broader resource and security goals to support further production efforts across Southern Europe through direct investment and finance assistance. However, these projects are unlikely to play a part in the discussions on how these economies will navigate the long path to recovery. ■

28 N. Stamouli and P. Pangalos, 'Greek PM Hails TAP Gas Pipeline Award,' *The Wall Street Journal*, June 28 2013, <http://online.wsj.com/article/SB10001424127887324328204578573123152385886.html>.

29 'Israel, America and Turkey, A Useful First Step,' *The Economist*, 30 March 2013. A US-brokered reconciliation effort was put into motion in March 2013 meant to help normalise relations between the two countries. Progress has been slow, though talks surrounding the effort continue.

➤ Migration Policy in Southern Europe: Challenges, Constraints and Prospects

Anna Triandafyllidou

The current economic crisis in Greece, Italy, Spain and Portugal has brought significant challenges to the area in terms of migration policy. This article discusses three main issues: migration and the labour market, the management of irregular migration and changes in public opinion over migration in the face of rising xenophobia and racism abetted by economic difficulties and political volatility.

Since the early 1990s, Southern Europe has changed from a migrant sending to a migrant hosting region. Greece, Italy and Spain registered positive net migration for the first time in the 1970s. After the late 1980s, Italy experienced massive migration inflows in the case of Italy. Greece and Spain did so in the early 1990s. The entry of Greece and Spain in the 1980s to the then European Community and their subsequent economic growth and political stability made them attractive destinations to migrants. These migration flows resulted mainly from the geopolitical restructuring of Europe in the post-1989 period and also from the general increase and diversification of global migration since the 1980s. In contrast to the post-WWII period, when migration from Asia and Africa was largely shaped by erstwhile colonial relations, recent migration has taken on new pathways. Southern Europe has become host to African and Asian migrants with whom the region had no special historical, geopolitical or cultural ties.

Moreover, Greece, Italy, Spain and Portugal are all situated at the 'soft underbelly' of the EU, which sits at the crossroads of several Mediterranean migration pathways from the global South to the European North. Italy and Greece are part of important Southern Mediterranean and Eastern European pathways from Asia and Africa to the EU (via Turkey, in the case of Greece; via Libya or Tunisia, in the case of Italy). Most importantly, the four countries all have large informal economies that have provided employment opportunities for immigrants. Originally considered stepping stones to other EU member states like France or Germany, these informal economic employment opportunities transformed Spain, Italy and Greece into becoming important destinations for migrants during the 1990s and 2000s.

Migration to Southern Europe proved to be massive. In the 1990s, the number of immigrants in Greece reached 700,000, which accounted for about seven percent of the population. During the same period, Italy took in nearly three million and Spain nearly one million migrants, accounting for 3-5 percent of their populations.¹ Inflows to Spain increased dramatically in the 2000s, reaching 5.7 million in 2012, accounting for 12 percent of the population.² In Italy, inflows reached five million, accounting for seven

1 C. Gonzalez-Enriquez, 'Spain,' M. Ambrosinni 'Italy' and R. Gropas and A. Triandafyllidou 'Greece' in *European Immigration: A Sourcebook* eds. A. Triandafyllidou and R. Gropas (Aldershot: Ashgate, 2007). Second edition forthcoming.

2 Instituto Nacional de Estadística, Cifras INE, no. 6/2012, 2013, www.ine.es.

percent of the population.³ In Greece, the immigrant population has now reached approximately 800,000 (excluding immigrants of ethnic Greek descent that entered the country under special preferential conditions), accounting for 7.5 percent of the population.

The share of intra-EU and non-EU immigration varies considerably among the three countries. In Greece, 60 percent of all migrants come from one neighbouring non-EU country, Albania. Bulgarians and Romanians come in at a distant second and third place (Albanians comprise approximately 500,000; Bulgarians and Romanians comprise approximately 40,000 each). Italy and Spain by contrast, are characterised by the diversity of nationality groups within their immigrant population. In these two countries, Romanian citizens have become, since 2010, the largest nationality group with approximately 800,000 in Spain (accounting for 12 percent of the immigrant population) and 900,000 in Italy (accounting for 20 percent of the immigrant population). The second largest ethnic group in Spain and third largest in Italy are Moroccans (800,000 in Spain and 500,000 in Italy, respectively). Other large groups in Italy include Albanians (approximately 500,000), Ukrainians and Chinese (approximately 300,000). In Spain, there is a predominance of Latin American nationalities, notably Ecuadorans (approximately 500,000) and Colombians (approximately 400,000). It also hosts British and German citizens (400,000 and 250,000, respectively). It is worth noting that in both Italy and Spain, the five largest groups mentioned above make up about 50 percent of the immigrant population.⁴

MIGRATION AND SOUTHERN EUROPEAN LABOUR MARKET DYNAMICS

Italy, Spain and Greece have important similarities and notable differences with regard to the integration of migrants into the labour market. Italy is a G8 economy and therefore much larger and more economically developed than the other two. Spain is the world's 12th largest economy. Greece is a relatively small economy with a structural trade deficit and a large public sector that accounts for about half of its GDP.

Nonetheless, the three countries share common features: their economies have structural imbalances, high unemployment rates among their own nationals – even in periods of high economic growth and large informal sectors. These features have attracted immigrants during the past two decades and have enabled both legal and undocumented immigrants to stay despite the existence of immigration controls and enforcement policies.

During the 1990s and 2000s, Greek, Italian and Spanish labour markets showed typical Southern European characteristics: relatively high levels of unemployed nationals (between 8 and 10 percent) coexisting with large numbers of economically active immigrants. The labour market in these three countries had high levels of segmentation with special employment niches occupied by migrant workers. The native population's living standards had increased in recent decades, and participation in tertiary and higher education was widespread. Young Greeks, Italians and Spaniards thus preferred to wait for employment that conformed to their skills (whilst financially supported by their families), rather than to take up what they considered to be low-prestige, low-skilled and low-paying jobs.

Several economic factors have reinforced the above dynamics: a construction boom, especially in Greece and Spain, largely financed through public projects and EU subsidies; a rise in private loans to families encouraging home ownership; the need for affordable care for the elderly and young children in all three countries; the abandonment of agricultural work by natives and the development in some areas of export-oriented labour intensive cultivation; the outsourcing of small repair work and other chores such as gardening and home care to the new and now affordable migrant labour force; the existence of family owned businesses in need of a flexible and informal labour force to work alongside family members, especially in traditional sectors where these firms could not afford local workers.

³ Caritas Dossier Statistico, 22nd edition, 2012, Rome.

⁴ A. Triandafyllidou, ed., *Addressing Cultural, Ethnic & Religious Diversity Challenges in Europe: A comparative overview of 15 European countries*, ACCEPT PLURALISM Project Report, 2012, <http://cadmus.eui.eu/handle/1814/19254>.

The onset of the crisis

The acute economic crisis affecting the three countries over the past few years has visibly altered the situation, particularly in Greece and Spain. This has led to significant budget cuts in welfare provisions, health and education. Unemployment has risen to spectacular heights, reaching nearly 25 percent among natives and exceeding 35 percent among immigrants in 2012. This stands in marked contrast to previous years, when the immigrant population enjoyed, up to 2008, nearly full unemployment. The crisis has hit immigrants especially hard, with heavy job losses in the rapidly shrinking construction sector compounded by natives returning to jobs that they had previously abandoned (such as low skill jobs in manufacturing, care work tourism and transport). Immigrants, who lack support networks and typically have lower qualifications than natives, have been less able to fend off the impacts of the crisis. According to the Spanish Poll on Living Conditions for 2013, 43.5 percent of immigrant families face the risk of poverty.⁵

As a consequence of the economic crisis, many immigrants have chosen to leave their host countries. The Spanish National Institute of Statistics cites that approximately 1.2 million immigrants have left the country since 2008. Yet, these have been outnumbered by new arrivals that have entered primarily through family reunification channels.⁶ Similarly in Greece, permits to stay declined by 150,000 between December 2010 and December 2012.⁷ It is unclear whether these migrants have left Greece or have remained in the country with an undocumented status. Albanian government sources estimate the number of returning Albanians as 15 to 20 percent of the Albanian population residing in Greece (approximately 75,000 people).⁸

Spain has experimented with a programme that encourages migrants to return to their countries of origin, albeit with little success. Under this scheme, migrants had the option to take their accumulated welfare payments in cash provided they did not return to Spain for at least five years. However, migrants did not consider this a particularly good option as the crisis had also hit their countries of origin. Furthermore, even long-settled migrants had accumulated few years of formal employment welfare benefits, which meant that the cash payments that they would take home were rather meagre. The Spanish programme was thus not particularly attractive and only a few thousand people registered to return to their countries of origin.

Like Spain, Greece has recently implemented programmes of voluntary assisted return managed by the International Organisation for Migration (IOM). Unlike the Spanish programme, the Greek programme only covers aliens staying illegally. Data shows that approximately 5,000 Pakistani citizens and 4,000 Afghani citizens currently participate in this programme, which oversees their transfer to their country of origin and provides a small payment of €300 to cover reintegration expenses.⁹

Italy faces a less dire situation, even considering the fact that the recession has drastically hit two important sectors of migrant employment – construction and manufacturing. The immigrant unemployment rate rose from 8.5 percent in 2008 to 12.1 percent in 2011, compared to eight percent for Italians. The risk of poverty increased at the same time, to the point where 42.2 percent of foreign families live below the poverty threshold.¹⁰ However, between 2007 and 2011 the number of immigrants in the Italian employment market increased as a percentage, from 6.5 percent to 10 percent, and as an absolute value by over 500,000

5 Instituto Nacional de Estadística, 2013, http://www.ine.es/ss/Satellite?L=es_ES&c=INEPublicacion_C&cid=1259924856416&p=1254735110672&pagename=ProductosYServicios%2FPYSLayout¶m1=PYSDetalleGratuitas.

6 C. Gonzalez Enriquez, 'Spain' in A. Triandafyllidou and R. Gropas, eds., (forthcoming).

7 Data obtained upon request by the Ministry of Interior, database on stay permits for third country nationals.

8 A. Triandafyllidou, 'Greece,' Report prepared for the OECD Network of International Migration Experts, 2012.

9 Data provided by the IOM Greece, upon request, see also A. Dimitriadi, *Migration from Afghanistan to third countries and Greece, IRMA project report*, June 2013; K. Yousef, *The vicious circle of irregular migration from Pakistan to Greece and back to Pakistan, IRMA project report*, June 2013, <http://irma.eliamep.gr/publications/background-reports/>.

10 Fondazione Leone Moressa, *Rapporto Annuale Sull'Economia dell'Immigrazione*. Edizione 2011, (Bologna: Il Mulino, 2011).

persons (excluding the sectors not considered by the national statistical service such as live-in care workers and seasonal labourers).¹¹ The resilience shown by the domestic and care sectors means that immigrant women in particular have defended themselves effectively against the effects of the recession, and that male involvement in domestic and care work has increased. Italy has yet to undertake programmes that encourage or assist migrants to return to their countries of origin.

What next?

While the economic prospects for Spain, Greece and Italy are gloomy, these countries are caught in a 'Catch-22' situation: their welfare payments and tax revenues are shrinking as unemployment rises. Their unemployment and family allowance payments are rising (despite the cuts) and an increasing number of both natives and immigrants are at risk of poverty. The question of migration thus becomes particularly difficult to address as the current policy of giving short-term stay permits leads to the de-legalisation of a number of long settled migrant families with children born in these countries. This affects the integration of immigrants into each country's social fabric. In Italy, for instance, the number of migrants under 18 years of age exceeds one million. Out of a migrant population of five million, this accounts for 8.5 percent of the school population. In Greek schools, 10 percent of students have immigrant backgrounds (whether born in Greece or abroad).¹² The harsh measures taken to deal with austerity have contributed to a fading economic and social solidarity with immigrants, a rise in xenophobia, racism and even racist violence. The only policy response to this difficult situation is to keep mainstreaming all services to migrants as normal welfare and unemployment services, and to emphasise that social solidarity is based on residence and tax compliance rather than on citizenship. Indeed, labour laws and welfare systems denote that socio-economic rights are based on residence and employment status rather than on ethnic origin. The state should also assist NGOs and migrant associations in providing relief and short-term assistance to families facing extreme hardship. For instance, measures such as subsidised school lunches launched in Greece last winter, helped families cope with the crisis and complemented assistance provided by NGOs.

Targeted programmes of re-training should address the labour market sectors particularly hit by the crisis, such as construction or manufacturing. Such programmes should not target specific populations, but rather specific categories of workers. Given the explosive situation in Spain and Greece in particular, it is important that socio-economic hardship does not lead to ethnic tensions.

MANAGING IRREGULAR MIGRATION

Regularisation programmes as a migration management policy

Despite facing very similar challenges with regard to migration flows, the three Southern European countries have not joined forces to tackle the problem. They have, however, adopted similar approaches based on regularisation programmes and a securitisation of migration. For a good part of the 1990s and 2000s, the three countries adopted regularisation programmes as their main policy for admitting immigrants. In other words, immigrants initially arrived without immigration papers – either because they did not need a tourist

¹¹ M. Ambrosini, 'Italy' in A. Triandafyllidou and R. Gropas, eds., (forthcoming).

¹² M. Ambrosini, 2011, op. cit; Caritas Dossier Statistico 2012.

visa because they entered with a tourist visa (not always genuine) or because they entered illegally. Once in the country, they found accommodation and employment easily. Only later would their status go on to become legal through regularisation programmes.

The survival and even the settlement of both legal and irregular immigrants has been directly or indirectly helped by the existence of immigrant and native networks (including NGOs) that have supported immigrant workers and their families. These networks have been crucial in helping immigrants to obtain accommodation, employment and access to basic social and economic services such as registering their children at school, opening a bank account, obtaining a business license, getting a mortgage or getting a phone line. In Italy and Spain, trade unions have played a special part in quickly developing immigration branches and have taken in immigrant workers, regardless of their status. In Greece, such informal integration work has been done by immigrant associations or NGOs rather than mainstream trade unions or political parties.

Most of the immigrants who have legal status today in Greece, Italy and Spain have been at some point in the past undocumented. After an initial undocumented period, these immigrants acquired legal residence papers through one of the large amnesty programmes implemented in each of these countries. Italy implemented a series of regularisation programmes in 1986, 1990, 1995, 1998, 2002, 2006 and a special programme for domestic workers in 2009 for a total of over three million migrants – the largest programme being that of 2002 with 700,000 applicants.¹³

Greece implemented regularisation programmes in 1998, 2001 and 2005 with a total of more than 900,000 applicants. However, no new regularisation programme has been implemented since 2005. Only in 2011 did new legislation allow migrants who can prove ties with and ten years in residence in Greece (both legal and illegal) to apply for a stay permit for exceptional/humanitarian reasons. In Spain, seven extraordinary regularisations in the last 25 years have taken place that legalised more than one million people. In addition, a large (and thus far unknown) number of people has acquired legal a status through the routine process of '*arraigo*'. This process requires demonstrating that one has put down roots in the country, such as proving that one has lived in Spain for more than three years, has not committed a serious crime and has ties such as family, employment and house rental.

The abandonment of regularisation programmes as an immigration management policy was also dictated by the European Pact on Immigration and Asylum, adopted by EU member states on 24 September 2008.¹⁴ While the Pact is neither a binding nor legal document, it has shaped the direction of the development of EU policy on asylum and migration. Strongly promoted by then president of France, Nicholas Sarkozy, the Pact provided a blueprint for the development of the Stockholm programme, which was adopted on 4 May 2010 and determined EU migration and asylum policy for 2010-2014.¹⁵

Following the adoption of the Pact, the three countries gradually developed a migration management policy to replace their original regularisation methods. Italy adopted the annual quota system, even though quotas were often used as mini-regularisation programmes and largely served migrants already in the country. Spain adopted the 'contingente' system, similar to the quota system, but in the early 2000s it opened up specific labour market sectors with a shortage of labour force to immigrant workers without a need for a market test.

13 M. Ambrosini, 'Italy,' in A. Triandafyllidou and R. Gropas, eds., (forthcoming).

14 European Pact on Immigration and Asylum, 24 September 2008, http://europa.eu/legislation_summaries/justice_freedom_security/free_movement_of_persons_asylum_immigration/jl0038_en.htm.

15 http://europa.eu/legislation_summaries/human_rights/fundamental_rights_within_european_union/jl0034_en.htm.

Since 2009, the dramatic rise of domestic unemployment has severely affected the sectors that require no prior authorisation to employ foreign workers. Greece has adopted an 'invitation' system, also very similar to the Italy's quotas system. This has proved effective only in regulating seasonal migration from neighbouring countries. In all other instances, immigrants have continued to arrive in Greece without legal documents and wait for a regularisation opportunity that has yet to arrive in the post-2005 period.

Pressing on southern Europe's borders and the securitisation of migration

Their geographical position along the Mediterranean borders of the EU means that Italy, Spain and Greece are disproportionately affected by irregular crossings at their land and sea borders compared to other major EU immigrant destinations. As a result, in the 1990s irregular frontier crossing was an important source of migration for all three countries. Spain was mainly affected by irregular entries through the Gibraltar strait, while Italy and Greece experienced massive inflows of Albanian citizens through the Otranto strait and the Epirus mountains, respectively. All three countries intensified their border controls in these 'hot' areas since the late 1990s and actively pursued the cooperation of the neighbouring source countries, albeit with varied results.

While Spain engaged in a proactive, comprehensive strategy that included intensified border controls over the Gibraltar straits and Canary islands, it also enlisted the cooperation of Morocco in managing irregular migration and signed readmission agreements with Morocco and several west African countries. This proactive 'fencing' and 'gatekeeping' strategy yielded good results. Gibraltar crossings came nearly to a halt and each year the apprehension of irregular migrants in the Canary Islands continues to lower significantly. Apprehensions at Spanish sea borders in 2010 were roughly at the same level as in 1999 (the year before the dramatic increase in inflows started), and 99 percent down from the 32,000 apprehensions registered in the crisis year of 2006.¹⁶ Yet, the success of these policies in a wider Mediterranean context remains to be determined as irregular migration flows and smuggling routes are usually not eliminated, but rather redirected.

During the 2000s, the main entry channel to Italy was the crossing from Tunisia and Libya to Sicily and Lampedusa. Sea patrols near Sicily, Lampedusa and the small island of Linosa were less effective because they detected boats carrying migrants too close to shore and had to bring them to harbour.

In 2003, Italy started to cooperate with Libya amid mounting concerns about the lawfulness of the Italian government's readmission practices. Readmissions to Libya took place in total neglect of the principle of non-refoulement, which forbids the return of a victim of persecution or torture to their persecutor, and without offering asylum to irregular migrants in need of protection should they arrive to Italy. Despite the harsh tactics of the Italian government, the path from Libya to Italy remained a preferred migrant smuggling route from sub-Saharan Africa to Italy and Europe until 2009. Nevertheless, the second phase of cooperation with Libya (which began in 2008) proved particularly effective, with unlawful border crossings from Libya to Lampedusa and Sicily between early 2009 and January 2011 nearly coming to a complete stop (less than a thousand apprehensions took place in 2010, compared to 36,000 in 2008). This new policy seriously compromised Italy's obligations with regard to asylum and was severely criticised by the UNHCR, which interrupted its operation on Italian soil during that period. Still, the Italian government considered it a success.¹⁷ In February 2012, the European Court of Human Rights condemned Italy for its 'push back' operations in 2009 in its decision in *Hirsi et al. vs Italy*.¹⁸

16 A. Triandafyllidou, 'Externalisation of EU Migration and Asylum Policies to the Islands. A Comparative Analysis between the Canary Islands, Malta, Lampedusa and the Aegean Islands,' *Journal of Ethnic and Migration Studies*, 40/2 (forthcoming, Spring 2014).

17 Ibid.

18 *Hirsi Jamaa v. Italy*, App. No. 27765/09 (Eur. Ct. H.R. Feb. 23, 2012).

In recent years, Greek-Turkish land and sea borders have been the main entry points for irregular migrants and asylum seekers from Asian and African countries. The period between 2007 and 2009 registered approximately 50,000 migrants per year. The largest nationality groups were Afghans, Iraqi Kurds, Somalis, Palestinians and Egyptians. The extensive length of the Greek islands' coastline and the proximity to Turkey have made policing extremely difficult. The points of approach from Turkey into Greece shift constantly. Arrivals are registered at almost any place along the eastern coast of Greece and most of the islands on the Eastern Aegean.

Between 2010 and 2012, Greece increased its enforcement efforts and sought the assistance of FRONTEX (the EU's agency for border management coordination) in managing irregular migration and asylum pressures on the Greek-Turkish borders. The effects of this increased effort did not become apparent until 2012, which registered a significant drop in the number of arrivals. In response to pressures from the EU for better border control,¹⁹ but also under the pressure of continuous arrivals of irregular migrants, Greece actively pursued a combination of policies at the border. It tightened border controls through Operation Shield ('Aspida') transferring 1,800 border guards in the region of Evros; it concluded the building of a border fence across the 12.5 km stretch used as the main entry point; and it increased passport controls and upgraded technologically the harbours of Patra and Igoumenitsa (the main exit points to Italy). It also pursued an aggressive internal policy of apprehension and detention. Daily police patrols known as 'sweeps' (operation 'Xenios Zeus') attempt to identify irregular migrants that are then detained for potential deportation.

While these policies reduced the arrivals from the Greek-Turkish land border, they transferred the problem to the sea borders at the Greek islands in the Aegean, leading to a new rise in apprehensions in 2012. Simultaneously, the internal 'sweeps' did not yield the expected outcome, since of the 65,767 people apprehended between August and December 2012 only 4,145 lacked legal documentation.²⁰

Irregular migration and asylum seeking pressures at southern Europe's southern borders further intensified after what has been since known as the 'Arab Spring'. Protests began in Tunisia and Algeria in December 2010, followed by protests in Lebanon, Yemen, Egypt, Syria and Morocco in early 2011. The geopolitical changes brought on by the Arab Spring led to the emergence of new 'mixed' migration flows generated by the regional crises. Economic migrants from Asian countries residing in the Maghreb and in the Gulf states, particularly Libya, became forced migrants and/or asylum seekers seeking refuge in neighbouring countries and in Europe. These mixed migration flows of forced migrants, asylum seekers and economic migrants gave rise to two issues: the effectiveness (or lack thereof) of institutional responses and mechanisms of border control already in place and the implications in terms of human rights and international law. Italy issued temporary stay permits to the 25,000 Tunisians in Lampedusa between January and April 2011 and treated the Sub-Saharan Africans fleeing Libya in subsequent months as asylum seekers. Nonetheless, Italy did not bear the brunt of the crisis as it received approximately 70,000 people – a far cry from the 700,000 Libyans that crossed to Egypt and Tunisia to seek temporary protection during the war.

While the situation in Tunisia, Egypt and Libya remains politically volatile, outflows of immigrants and asylum seekers have reduced to a trickle. Still, social and political unrest has continued. Syria has become the next focal point of the Arab Spring crisis, with one than one million Syrians seeking refuge in Lebanon and Turkey, and an increasing number migrating to Greece. The slightly more remote geographical location of this crisis has thus far limited its impact on irregular border crossings and asylum seeking that would directly Southern Europe.

19 Exemplified by a series of publications by Frontex and several European NGOs such as Pro Asyl and Human Rights Watch expressing serious concerns about the inhuman treatment of irregular migrants and asylum seekers in detention at the Greek-Turkish sea and land borders, debates in the European Parliament concerning the plight of asylum seekers in Greece and the temporary interruption of returns of asylum seekers to Greece under Dublin II regulation by several countries. See A. Triandafyllidou and A. Dimitriadi, Η διαχείριση του ασύλου στην Ευρώπη. Η αναθεώρηση του Δουβλίνου II και η περίπτωση της Ελλάδας [The management of asylum in Europe. The reform of Dublin II and the case of Greece], Public Law Applications (Εφαρμογές Δημόσιου Δικαίου), vol. 24, issue 1/2011, 22-26.

20 Data from the Greek police, 1 January 2013 <http://www.skai.gr/news/greece/article/220610/pano-apo-4100-allo-dapoi-ehoun-sullifthei-stin-epiheirisi-xenios-zeus/>; Human Rights Watch, http://www.hrw.org/sites/default/files/reports/greece0613_ForUpload.pdf

What next?

While the abandonment of regularisation programmes and increased enforcement efforts at the Southern European borders seem to be working (for example, irregular migration inflows at the EU's Mediterranean borders have fallen under control), the situation continues to be problematic.

Managing irregular migration remains difficult. Irregular migrants, especially from Asian and African countries continue to arrive in Greece, making the transit via Turkey the most travelled irregular border crossing corridor in Europe. Italy hosted an estimated 700,000 irregular migrants in 2008,²¹ but this number has decreased after the 2009 special regularisation programme. Spain's '*arraigo*' system has largely shielded it from irregular migration.

Nonetheless, all three countries currently face the de-legalisation of their long-term settled migrant populations, who are losing their stay permits because of extended periods of unemployment. The problem is particularly acute in Greece, where the stay permit renewal system does not allow for any period of unemployment. Long-term permits are only issued after 10 years of continuous legal residence.

The financial crisis also has a negative impact on the management of asylum. The most acute example is Greece, which has struggled to implement a new asylum system for over two years. Despite the availability of European funds, the new system for processing asylum applications only began to operate in late June 2013 – and to date only in Athens.

A continuous tacit regularisation system such as '*arraigo*', which considers the overall integration of the migrant in the host society, needs to be put in place in all three countries. This has two advantages. On one hand, it avoids large scale and much advertised regularisation programmes. On the other hand, it ensures that migrants (and their families) who have lived and worked in these countries would not fall into an irregular status as a result of their economic situation. Since returning to the country of origin is not always an option, allowing the creation of an undocumented migrant labour force in Southern Europe is not a wise policy option.

Data suggest that Greece did not renew 150,000 permits between 2009 and 2012. Italy did not renew some 200,000 permits between 2010 and 2012. Some 1.2 million immigrants left Spain between 2008 and 2012, but they were outnumbered by new arrivals through the family reunification channel. It is worth noting that the '*arraigo*' system in Spain has brought the irregular population to an all-time low of approximately three percent among the total immigrant population.²²

This on-going tacit regularisation provision was introduced in Greece in 2011, albeit only for people who have lived in the country for 10 years or more and who have held and lost their legal status. So far 1,150 people have received stay permits for exceptional reasons under this new provision.

Irregular migrants are unlikely to disappear and they can become easy targets for unscrupulous employers and migrant smugglers, especially at times of economic crisis. It is important to register and protect these vulnerable populations. Legalising and registering them allows for better policy planning in all domains (such as employment, health and education), and at the same times safeguards the rights of citizens and legal migrants.

21 F. Fasani, 'The quest for la dolce vita? Undocumented Migration in Italy,' in *Irregular Migration in Europe. Myths and Realities*, ed. A. Triandafyllidou, 2010, 167-185.

22 R. Gropas and A. Triandafyllidou, A., eds., (forthcoming), *Caritas Dossier Statistico*, 22nd edition, Rome, 2012.

PUBLIC OPINION

While public opinion on migration has never been particularly positive, it has recently soured. Irregular migration has moved to the forefront of the media agenda and has attracted negative attention in public discourse.

In Greece, the spectacular rise in the far right's electoral force has been particularly disconcerting. The past five years has seen two far right parties emerge as influential political actors. The People's Orthodox Rally (LAOS) is an extreme right-wing formation that won 5.6 percent of the vote in the 2009 national elections and 7.1 percent of the vote in the European Parliament elections. LAOS participated in the provisional coalition government that formed to deal with the crisis in November 2011, which legitimised its position in the Greek political system. In the 2012 elections, the party lost most voters who cast ballots for the far more extremist Golden Dawn, a nationalist far-right party whose members allegedly carry out hate crimes against immigrants, political opponents and ethnic minorities. Golden Dawn, with a clear racist and neo-Nazi political position, operates in troubled urban areas and offers 'security' to native residents, which involves attacking and terrifying immigrants and refugees. Golden Dawn gained one seat in the Athens municipal council (with 5.3 percent of the local vote) in November 2010. It gathered nearly 7 percent of the national vote in June 2012, allowing for 21 of its candidates to enter Parliament for the first time. Both parties have made migration a priority issue and their electoral agenda, and both owe their rise largely to their anti-immigrant and overtly racist discourse. Since 2009, extremist right-wing social and political actors have increased their use of hate speech, and have done so without repercussions. A recent unofficial report initiated by the UNHCR in Greece registered some 63 self-reported incidents of racist violent attacks –18 of which identified police officers as perpetrators. Recent reports by journalists suggest a notable (albeit tacit) police support for Golden Dawn. The UNHCR and a number of other NGOs have started a campaign to register racist attacks in Greece with the aim of raising the awareness of authorities.²³

In Italy, criminality and violent crimes have dominated migration-related news for a good part of the 2000s, culminating with the murder of a woman in Rome by a Romanian immigrant during an attempted sexual attack. The incident provoked a public outcry and led to demands for special laws for the protection of the security of citizens and the expulsion of 'illegals'. A comparative analysis of various surveys in Europe suggested that Italy held the greatest concerns about immigration, primarily with security.²⁴

In 2011, irregular migration again made headlines with the arrival of a large number of North Africa asylum seekers. Immigration took up six percent of Italian television news broadcasts, compared with the European average of two percent. Whilst European television news broadcasts as a whole do not handle migration in anxiogenic terms—the European average of anxiogenic news is 3.2 percent of all news about immigration—in Italy news broadcasts have an 'alarmist' content in 14 percent of all migration related news reports.²⁵

These racist and xenophobic attitudes have occasionally boiled over into physical violence. Examples include the mob violence against Roma gypsies in Naples in May 2008, the attacks on seasonal migrant workers in the small town of Rosarno in January 2010 and the attack on Bengali migrants in a bar in Rome in March 2010.²⁶

23 <http://www.unhcr.gr/1againstracism/category/racist-violence-recording-network/>.

24 G. Valtolina, 'I cittadini europei e l'immigrazione: gli italiani sono i più preoccupati [European citizens and immigrations: Italians are the most worried]', *Libertàcivili* 6 (November-December 2010): 92–102.

25 G. Valtolina, 'Gli italiani e l'immigrazione [The Italians and immigration]'. In: FONDAZIONE ISMU, *Diciassettesimo rapporto sulle migrazioni 2011*, (Milano: Franco Angeli, 2012), 155–168.

26 <http://www.hrw.org/reports/2011/03/20/everyday-intolerance-0>.

The political debate in Spain has also focused on irregular migrants, their rights and regularisation programmes. Both the Socialist party and the Partido Popular (which have alternated in leading the government since 1998) have promoted large regularisation programmes only to later undertake restrictive measures to avoid increases in irregular arrivals. The debate on the free access of irregular migrants to public health services attracted particular attention in 2012 when the ruling Partido Popular announced the withdrawal of this benefit and restricted free access to maternity, paediatric and urgent care services. The measure dominated public debate on immigration for months and provoked protests amongst immigrants associations, doctor organisations, leftist parties and some autonomous governments. The government eventually implemented the measure.²⁷

CONCLUSION

Southern Europe has developed a reactive rather than proactive framework for migration management. There is a general discrepancy between public rhetoric against illegal immigrants and repeated regularisation programmes. This discrepancy is explained by the conflicting realities that political elites face. On the one hand, political elites must respond to public opinion and electorates unprepared for immigration influxes and fearful of irregular immigrants. On the other hand, politicians face the reality of an economy that has a general culture tolerant of informal employment and where SMEs, family businesses and families employ illegal migrants (or informally employ legal migrants). These tensions have affected the way that migration policies have developed and the ways in which migrants have integrated in the labour market and within the social fabric of Southern European societies.

Border controls and pressures from asylum seekers have attracted media attention and have prompted increased policy efforts in recent years. Nonetheless, external factors, including global socio-economic disparities between the global North and the global South, as well as the recent political instability in North Africa and the Middle East, have made the management of irregular migration flows particularly challenging.

Increasing the securitisation of the external borders must go hand in hand with a pragmatic solution for the illegal migrants who live in these countries. Registering and legalising these migrants reinforces socio-economic stability. Keeping illegal migrants in the country without legalising their status creates dangerous illegitimate competition in the labour market and threatens the socio-economic rights of the native population and of legal migrants. Implementing expulsion is also a costly alternative and, as the analysis of the past experience of Spain, Italy and Greece shows, it cannot be effective as a stand-alone measure. Expulsions are an effective means for controlling irregular migration for migrants from neighbouring countries that have readmission agreements (such as Albania in the case of Italy or Greece, or Morocco in the case of Spain). They also work well when implemented towards more distant countries that have readmission agreements (such as West African countries for Spain, or Pakistan for Greece).²⁸ Forced or 'voluntary' repatriation is an important complement to migration control policies, but it cannot be the main or only measure, especially when it comes to populations who have lived in a country for a number of years. ■

27 The government declared that autonomous governments who wanted to continue offering free access to all medical services to irregular migrants could do so. Most (but not all) regions governed by the Popular Party restricted the offer of medical services to this group.

28 There is unfortunately no comprehensive study as yet of the cost of expulsions of irregular migrants in general, and particularly of those coming from Asian and African countries. Available data go back to 2004, when the repatriation of a Chinese citizen from Spain costed 6,750 euro, of an Ecuadorian 3,834 euro, and of a Senegalese 2,000 euro. C. Gonzalez Enriquez, 'Spain: Irregularity as a Rule,' in *Irregular Migration in Europe. Myths and Realities*, ed. A. Triandafyllidou (2010), 262.



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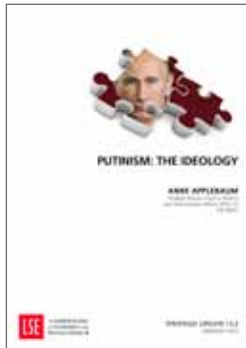
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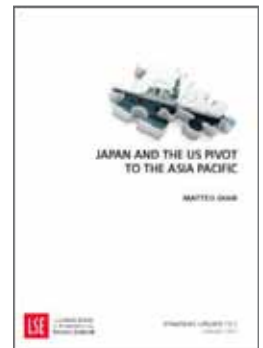


Back during the Cold War, when the politics of the Kremlin were opaque, journalists and analysts often became obsessed with the personality of the leader of Russia, speculating about his taste in whiskey or suits, tracking his wife's fashion sense or lack of it, hoping that would give them some clue about his policies. Times have changed, but the personality and beliefs of Vladimir Putin, the current Russian president, still matter just as much as those of his predecessors - if not more. In a state where authority is still vested in personalities, not in institutions, the Russian president's vision of his country, his understanding of its history, his training as a KGB officer and his personal experience of life in the Soviet Union now have an incalculable impact on Russian political life.

Anne Applebaum is Philippe Roman Chair in History and International Affairs 2012-13 at LSE IDEAS.

This paper analyses the consequences of the US pivot to Asia on the US-Japan alliance and on Japanese foreign and security policies. On the one hand, the US pivot is reassuring for Tokyo, since it seeks to 'rebalance' Chinese military ascendancy and to strengthen extended deterrence in the region. On the other hand, it contributes to the acceleration of the 'normalisation' of Japanese security policies, speeding the process of overcoming the institutional self-binding prescriptions that underpinned Japan's post-war pacifism.

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In this research report IDEAS explores the current euro crisis by looking at the debates preceding the conception of the euro. How can the early days of EU monetary cooperation help us understand today's predicament? And what lessons can we draw from them for the euro?

Emmanuel Mourlon-Druol was the Pinto Post-Doctoral Fellow at LSE IDEAS for the 2010-2011 academic year.



The economic and political position of Europe in the world is changing, particularly its relationships with China and the United States. The Eurozone crisis represents a strategic opportunity for Europe to rethink itself and become a more powerful united force.

The report, *Europe in an Asian Century*, explores how China looms large in Europe's recovery from the crisis and is increasingly interested in Europe's future for economic and wider strategic reasons. And as the US increasingly focuses on Asia, Europe is impelled to carve a role for itself beyond the old certainties of the transatlantic relationship. Europe therefore has a pivotal strategic opportunity to capitalise on these shifts in global power to lay claim to the same key status as China and the US. However, the UK's obstructionism will prevent Europe from achieving this.

The events of the Arab Spring were an inevitable surprise. In a region where political oppression and economic under-development were most keenly felt among a demographic bubble of well-educated youth, the classic conditions for revolution were met. However, few could have predicted the spark that would ignite a wave of protest across the region. The final outcome of the protests across the region is still uncertain, but more than a year on, events have settled into patterns sufficiently to allow an interim assessment of their success.

This report finds little evidence to suggest that future historians will rank the events of 2011 with those of 1848, or 1989. Simply too few of the fundamentals of social, economic and political organisation in the Arab world have been successfully contested by the protests. As 2011's Spring turns into 2012's summer, the answer to the question of whether there has been a power shift in the Middle East, is a decisive 'not yet'.



After nearly a decade in power, Turkey's Justice and Development Party (AKP) has grown increasingly confident in its foreign policy, prompting observers to wonder aloud whether the country might be leaving 'the West', forcing that group to confront the question 'who lost Turkey?'

This is to cast Turkey's role, and its emerging global strategy, in unhelpful binary terms. Turkey's emerging role reflects the changes in the world politics whereby power is becoming decentred and more diffuse, with established blocs replaced by more fluid arrangements that loosely bind states on the basis of shifting interests.



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