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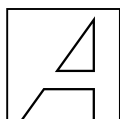
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EDITORIAL

Dear Readers,

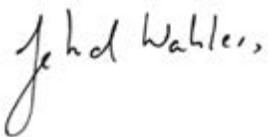
“Germans on a different continent”, this was part of a statement issued by the U.S. Pew Institute in connection with a survey published in May: 60 per cent of German respondents conveyed a basically positive attitude toward the European Union, while the European average was only 43 per cent. The study showed particularly clearly that the attitude of the French is increasingly diverging from that of the Germans and becoming more strongly aligned with the opinions from other countries in the south of the European Union. The worry that Germany and France might drift apart and that the political leaderships of the two countries might no longer be able to agree on joint positions is deepening in view of such surveys and not least in view of a noticeably tense political atmosphere.

Several decades of European integration have illustrated that without the Germans and the French taking joint steps the historic integration project stops in its tracks. When the European Community did take steps towards integration, it was usually because influential countries merged their ideas and added their political weight behind the implementation of those ideas – and these tended to be Germany and France. In the current debt crisis, there is yet again a need for this joint leadership from Berlin and Paris. Structural weaknesses of the economic and currency union have caused the eurozone to falter. This situation calls for effective sanctioning mechanisms and improved coordination in the area of economic policy. Efforts must be made to establish a culture of stability with binding rules. The governments in Germany and France are currently not yet agreed on how this can be achieved. But agreement is necessary in order to allow the weaknesses in the European system to be rectified.

There has already been some progress made at a national level in a number of countries. In the affected countries of

the eurozone, efforts to reduce debts and to implement initial, partly even far-reaching, structural reforms have begun to take effect. This is pointed out by the authors in this issue of the *International Reports*, who are reporting from France, Greece, Spain and Portugal. Between 2009 and 2012, the Greek governments have reduced primary government spending by over 22 per cent, writes Susanna Vogt in her report from Athens. The budget deficit has been reduced considerably, and spending ceilings were set for all departments. Pensions, wages and salaries have been cut. In Greece, all these measures had to be implemented against the will of large parts of the population. In response to the question what the best way to solve the economic problems of the country would be, a majority of 56 per cent of Greeks surveyed by the Pew Institute responded that the state should invest more to stimulate the economy. Only 37 per cent thought it was more important for the state to reduce its spending – the lowest figure amongst all surveyed nations, which must give cause for concern.

The French responded in an entirely different way: 82 per cent thought debt reduction was the most important task. This proportion was even higher than that of the surveyed Germans (69 per cent), and it shows that the French are definitely ready for the urgent reforms that France would need to undertake to reenergise its economy and that President Hollande has been reluctant to initiate to date, as Norbert Wagner reports in his article. It seems the Germans and the French are living on the same continent after all. If a substantive solution to the debt crisis does come about, which will no doubt have to involve an increasing level of integration in economic policy, this will once again have happened as a result of cooperation between the Germans and the French.



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UNDER PRESSURE

GREECE IN THE PROCESS OF ECONOMIC, POLITICAL AND SOCIAL REFORM

Susanna Vogt

Since 2010, Greece has found itself in the depths of the worst economic, political and social crisis of its recent history. The economic data is worrying – in its sixth year of recession, the country has seen its GDP shrink by over 25 per cent. More than 27 per cent of Greeks are out of work, and this figure has soared above 60 per cent in the under-25 age group. And at the same time the “birthplace of the European debt crisis” finds itself facing the need for major fiscal and structural adjustments. In order to save Greece from bankruptcy and prevent it from leaving the euro zone, its European partners and the International Monetary Fund (IMF) have provided two bailout loans totalling over 240 billion euros since 2010. These loans were conditional upon the introduction of a series of reforms with regard to the national debt, which hit 160 per cent of GDP at the height of the crisis, and a swathe of structural adjustments to the Greek economy and administration. These reforms were set out in two Memorandums of Understanding (MoU) agreed between the Greek government and the “Troika” made up of the European Commission, the European Central Bank (ECB) and the IMF.¹

1 | Cf. European Commission, “The Economic Adjustment Programme for Greece, Occasional Paper No. 61”, 59 et sqq., http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp61_en.pdf (accessed 18 Apr 2013); idem, “The Second Economic Adjustment Programme for Greece, Occasional Paper No. 94”, Mar 2012, 123 et sqq., http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp94_en.pdf (accessed 18 Apr 2013).

The measures that have become so necessary in Greece are unique among OECD members in their scope and the short time available for their implementation.² But they are the result of many decades of procrastination on reform. After this period of failure to make adjustments, Greece had lost so much of its competitiveness in comparison to the rest of Europe that at the height of the crisis its economy was the least developed in the whole of the euro area.³ The most alarming thing about this situation is the fact that Greece's economic crisis is closely bound up with a political crisis – which to some extent has also been at the root of the country's economic misery. Over the last four years, the situation has turned into a social crisis that will hold the country back for many years to come in terms of its capacity to act and shape policy. The Greek government will only be able to tackle this if it is in a position to develop a medium-term political, economic and social vision for the country's future as speedily as possible, despite these difficult conditions.

Over the last four years, the situation has turned into a social crisis that will hold the country back for many years to come in terms of its capacity to act and shape policy.

IF IT IS ALL JUST ABOUT REFORMS...

Since 2010, Greek politics has been dominated by one issue: the country's reform agenda. The consolidation of the national budget and the need to make structural adjustments to the economy and administration have swept all other domestic and foreign policy issues off the table. Whether it is a matter of general media reporting, announcements by government officials, public discussions, demonstrations or visits from foreign dignitaries – all government action and public debate has been focused solely on the reform measures. The same is true of the positions and programmes developed by the Greek political parties. The main difference is not whether they are on the right or the left, liberal or socialist, conservative or progressive. In year six of the crisis it continues to be about

2 | Cf. Organisation for Economic Co-operation and Development (OECD), "Greece: Review of the Central Administration", OECD Public Governance Reviews, OECD Publishing, 2011, 38 et sqq.

3 | Cf. Klaus Schwab, The Global Competitiveness Report 2012-2013, World Economic Forum 2012, 28 und 180 et sqq., http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf (accessed 18 Apr 2013).

whether they are “pro- or anti-*mnimonio*”, as the reform agreements in the form of Memoranda are known in Greek. Although the parties are slightly less polarised than in the run-up to the 2012 elections, they are still arguing about the depth and speed of the reforms that have to be made.



Syriza leader Alexis Tsipras (with Gregor Gysi of the German Links-partei): The refusal to accept reality on the part of the opponents of reform is striking. | Source: faction Die Linke in the Bundestag, flickr (CC BY-NC-SA).

After the second ballot in the 2012 parliamentary elections, for the first time a three-party coalition with a broad majority is responsible for governing the country. This has finally given rise to the political signal – overdue since 2010 – for cross-party cooperation on the reform process, something that is very unusual in Greece. Prior to this, all the politicians involved, whether in government or in opposition, had constantly and fundamentally questioned the sense of and the need for these reforms. Indeed, there are still difficulties, even within the coalition, as in the socialist PASOK and the leftist DIMAR there are two parties in government that continue to vehemently resist vital structural changes in the public sector. This refusal to accept reality on the part of the opponents of reform is striking. MPs belonging to Syriza, the opposition coalition of left-wing parties, which currently stands neck-on-neck with the conservative Nea Dimokratia in the polls, are still of the view that Greece’s civil service is not over-staffed and therefore no lay-offs are necessary.

From the onset, the Greek political parties have sought to generate political capital for their own ends from the reform debate. Until 2012, almost everyone involved in taking responsibility for the reform agenda had dodged the issue. This situation also had a very negative effect on public debate. The Greek media as well adopted a negative stance vis-à-vis the reforms and the credibility that was needed to sway the public towards accepting the difficult adjustments was soon lost. The three-party coalition now has to work hard to turn this situation around, as the kind of reform agenda that is facing Greece can only be pushed through if it has the backing and confidence of the Greek people.

...AND IN THE PAST TOO LITTLE HAS HAPPENED FOR TOO LONG

Behind the current party political disputes in Greece that are sometimes difficult to understand from an outsider's point of view and in light of the country's situation, there lies a recurring theme that has a long and historically well-founded tradition – that of looking after one's own voters. Today, this particularly means protecting large swathes of the public sector from lay-offs. This sector is the traditional supporter base of PASOK – a party that has now lost popular support and finds itself at 5.5 per cent in the polls after having an absolute majority in 2009. The system of favouring one's own electorate was widespread. The absence of an industrial base meant that supporters were given jobs in a civil service that had grown increasingly bloated over the course of the decades. The statistics show that this was particularly prevalent directly before or after elections.⁴ But now these voters have defected to the opposition Syriza party, which made strong gains during the election year of 2012.

The system of favouring one's own electorate was widespread. Supporters were given jobs in a civil service that had grown increasingly bloated, particularly directly before or after elections.

Since the Greek state came into existence in its present form, its political system has not functioned in the same way as other European countries.⁵ The structures that were

4 | Cf. Elisa Hübel, "Nepotismus bei Athens Metro", *Neue Zürcher Zeitung*, 18 Feb 2013.

5 | Cf. Heinz A. Richter, "Die politische Kultur Griechenlands: Zu den historischen Gründen eines fundamentalen Missverständens", *Die Politische Meinung*, 57, 2012, 3, 51-58.

introduced to Greece under Ottoman rule soon led to political personnel having a dual function that was a double-edged sword. The *muchtar* system that prevailed across the whole of the Ottoman Empire turned politicians into recipients of significant favours for giving the Ottomans loyal service, while at the same time acting as moneylenders to their wards. The close ties between the Orthodox Church and the state also gave a particular flavour to Greece's political culture. As the guardians of the Greek identity during the Ottoman era, the Church gained significant influence in politics while at the same time acting as tax collectors for its Ottoman rulers.

These developments weakened the Greek state, particularly in administrative terms, right from the start. They also led to the public sector becoming cost-intensively overblown, which in turn led to political and economic problems. For historical reasons, the Greek parties are today still in a weak position in terms of their political agendas, organisational structures and internal decision-making processes compared to European norms.

However, at the end of the 1990s Greece initially saw some quite different developments in terms of its economy. Between 1995 and 2000 the Greek economy grew rapidly and between 2000 and 2007 it even achieved annual growth rates of 4.2 per cent. But at the same time the country built up a current account deficit of 15 per cent of GDP (2008).⁶ Even before joining what was then the European Community and later the EU, and before adopting the euro, various ambitious plans for reform had failed – plans aimed at making tax collection more efficient and consolidating the budget. The decisions that were taken at the time were never put into practice due to a lack of political will to implement them and the inefficient structures of Greece's central administration. The resulting cost for the Greek economy and society was and remains high.

The established system of clientelism finally led the state to financial disaster. Spending was not subject to reasonable controls, the public debt grew by 5.5 per cent per annum between 2000 and 2008 and significantly exceeded

6 | Cf. OECD, n. 2, 36 et sqq.

GDP growth. In 2009 the deficit ratio reached 16 per cent of GDP. This money was used almost exclusively for consumption rather than investment. EU subsidies for structural and development projects also disappeared into the networks of parties and unions. The favourable interest rates received on the financial markets after Greece's entry to the euro zone were also used to fund more public expenditure and for doling out *rousfetia* (financial favours). While many euro zone countries were practising wage restraint, in the last decade alone unit labour costs in Greece have increased by 25 per cent. In the end, banks and private households joined in and large sections of the population found themselves enjoying unprecedented levels of prosperity – using borrowed money.

REFORMS – THE GLASS IS HALF-FULL

A great deal has happened in a short space of time since the situation escalated and the Greek government found itself forced to turn to its European partners and to the IMF in April 2010. The Greek state is required to radically reduce its deficit through cutting public spending, privatisations and taking steps to boost revenue. On the fiscal side, this undertaking may produce unparalleled successes in terms of consolidation. Public primary expenditure (without interest payments) fell by more than 22 per cent between 2009 and 2012 alone. The budget deficit as a percentage of GDP was reduced by a respectable nine per cent and the structural deficit by over 14 per cent. The structural primary balance is now at 4.4 per cent of GDP and hence for the first time in many years it is back in positive territory.⁷ Clear expenditure limits have been set for every ministry and they are to be monitored efficiently and transparently using new IT structures that are still to be introduced. Huge cuts to pensions and wages were introduced under the technocratic governments of Papadimos and Pikrammenos and continue to be implemented under the current Samaras administration. On average, every Greek has now seen their wages cut by 20 per cent. On the expenditure side, the

Public primary expenditure fell by more than 22 per cent. The budget deficit as a percentage of GDP was reduced by a respectable nine per cent, the structural deficit by over 14 per cent.

7 | Cf. Jürgen Matthes, "Griechenland: Silberstreif am Horizont?! Eine kurze Reformbilanz", Institut der deutschen Wirtschaft, Policy Paper, Apr 2013.

Greek reform programme has produced some significant successes, even if to date the effectiveness of the austerity measures taken is also threatened by the heavy interest burden on government borrowing. On the revenue side, consolidation efforts are also being made. Central government taxes are being raised at regular intervals, with VAT now being charged at 23 per cent after two increases. Excise duties on alcohol, petrol and tobacco have also been increased.

Major decisions have also been taken on the structural front. The pension age has been raised, the cost structure of pensions has been reformed and the possibility of early retirement for public sector workers has been abolished. Minimum wages have been reduced by an average of 22 per cent in the hope that this will lower entry barriers, particularly for young employees. Local wage agreements have been strengthened and the term of collective wage agreements has been limited to a maximum of three years. Redundancy payments have been reduced and the formerly very rigid rules on protecting employees against dismissal have been relaxed.

Deep recession leads to low government revenues while expenditure increases because of the high levels of unemployment. Central problem remain the reforms of the tax collection system.

But the Greek reform agenda has something of an Achilles' heel, particularly on the revenue side. The deep recession has led to low government revenues while expenditure has increased because of the high levels of unemployment. However, a central problem on the revenue side remains the urgent need to reform the tax collection system. The tax collection authorities are still not in a position – in terms of personnel and administration – to improve the flow of revenue into the public purse and in particular to prevent tax evasion and avoidance. In this respect, effective anti-corruption measures are the key. In the latest corruption index published by Transparency International, an organisation that measures corruption levels in public administration, Greece was ranked 94th out of 174 countries, on a par with Colombia and Djibouti and in last place among EU Member States.⁸

8 | Cf. Transparency International, "Corruption by Country. Corruption Perceptions Index (2012)", http://transparency.org/country#GRC_DataResearch (accessed 18 Apr 2013).

Despite the aforementioned substantial progress, Greece is still faced with a dizzying agenda. Along with a restructuring of the tax collection system to make it more efficient, the introduction of strong IT structures throughout the whole central administration is needed in order to meet the new demands for transparency and efficiency. The labour market must still be made more flexible and occupations that remain closed need to be opened up to competition. The collective bargaining system needs to be more closely tied in to general economic developments and productivity and broken down to local level – well removed from the blanket agreements with excessively long terms and the rigid wages and working hours that led to lay-offs in many companies when more flexible models such

as short-time work may have saved some of these jobs. Fragmented product markets also need to be opened up and measures taken to help increase competitiveness on prices.

The Greek education system has to be adapted to suit the demands of the new job market and it needs to have a greater vocational orientation.

The Greek education system must be adapted to suit the demands of the new job market that is to be created and it needs to have a greater vocational orientation – which should include the introduction of training courses with a strong vocational focus. The health sector is in tatters and needs a complete overhaul as publicly funded healthcare has become barely sustainable. The cost of prescription medication in particular has soared in Greece. In 2009 it was more expensive than in any other OECD country. Corruption and bureaucracy were also rife in this area and – without cost controls – this led to the public sector having billions of euros in unpaid bills.

Particularly in the private sector, these necessary structural reforms are directly linked to Greece's economic situation. The investment and privatisation proceeds that it was hoped would soon begin to flow have not materialised because of the country's unfavourable business climate. Greece regularly finds itself well down the list in the World Bank's *Doing Business* ranking – in 2013 it came in 78th out of 185 countries. At 11 places, this is certainly a substantial improvement on 2012, but it is still lagging well behind compared to the rest of Europe.⁹ This is made worse by

9 | Cf. World Bank, "Doing Business 2013. Smarter Regulations for Small and Medium-Size Enterprises", 2013, <http://doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Profiles/Country/GRC.pdf> (accessed 18 Apr 2013).

Major bureaucratic and financial hurdles continue to hamper companies' import and export activities. The introduction of one-stop-shops resulted in faster, more transparent processes.

complicated, time-consuming approval and registration procedures and by the administrative costs involved in setting up a company. Another contributing factor is the legal uncertainty caused by the opaque and long-drawn-out court proceedings in the event of disputes. Major bureaucratic and financial hurdles continue to hamper companies' import and export activities.

The introduction of so-called one-stop-shops has loosened some of the red tape and resulted in faster, more transparent processes, but it has so far done little to diminish the generally strong reticence on the part of investors. In addition, product markets that have become fragmented and cartelised due to lack of intensive competition have led to consumer prices in Greece not adjusting to the new wage level.

THE PUBLIC SECTOR – A MAJOR CONSTRUCTION SITE

After significant consolidation efforts on the expenditure side, the need for modernisation is now increasingly concentrated on Greece's public sector. It is both a burden on expenditure and a stumbling block to the implementation of vital reforms that have already been agreed for all other sectors. With its rigid structures and poorly-trained staff, Greece's public administration is still not in a position to manage and implement the reforms in an effective way. And because the administration itself is the target of calls for reform, there is often a lack of will and motivation to take the steps that are needed. It is true that cutbacks have meant that the public sector has had to accept 20 to 30 per cent cuts in real wages, but for a long time employees in major publicly-owned companies were spared such reductions. This was largely due to Greece's long and robust tradition of rigid union structures and their power to block reforms. Even in times of crisis, the unions have proven themselves to be anti-reform. They are trying to protect a moribund job market to the detriment of job-seekers, who at the moment in Greece tend to be mainly young and often very well-qualified workers.

The actual size of the civil service in Greece is a constant subject of debate. This is fuelled by the unclear inadequate data provided – something that is unusual for an

EU Member State. In 2008 Greece had a reported total of 392,000 civil servants, meaning that 7.9 per cent of the workforce was made up of civil servants, a

lower proportion than all other OECD countries except Japan. But the picture clearly changes when the whole of Greece's public sector is taken into account: When comparing the number of employees in state-owned companies, Greece is well ahead of all other

Comparing the number of employees in state-owned companies, Greece is well ahead of all other OECD members. In 2008 these employees made up 12.8 per cent of the Greek workforce, 692,000 employees in absolute terms.

OECD members. In 2008 these employees made up 12.8 per cent of the Greek workforce, corresponding to 692,000 employees in absolute terms.¹⁰ A survey carried out in 2010 reported that the number of public sector employees was approximately 768,000 (excluding public utilities), of whom 81 per cent had civil servant status.¹¹ What is more, the Greek public sector has an aging workforce: 38 per cent of public employees were over 50 years old in 2009.¹² This patchwork of different factors combined with the ever-stronger position of the unions in the public sector is having a negative impact, particularly on skilled young workers. Greek public administration is not only suffering as a result of overblown and fragmented staff structures but also because of the sub-optimal way these staff are distributed. Some departments have excessive numbers of (often poor-quality) staff, while other areas such as the tax authorities and courts urgently need new, motivated, well-qualified personnel.

The reforms stipulated by the Troika envisage a reduction of the public sector workforce to the tune of 150,000 staff by the end of 2015. Recent decisions taken at the end of April in the Greek parliament have set a course in this direction, but the government is still a long way from achieving the original targets that were agreed for 2013. Even the implementation of this plan, which requires professional evaluation of the workforce and clear strategic decisions on the personnel structure in ministries and important administrative departments, is currently posing a major organisational and logistical headache. Already, of every

10 | Cf. OECD, n. 2, 71 sqq.

11 | Cf. Jens Bastian, "Erfolg ist keine Überlebensgarantie für Griechenland: Bedingungen und Hürden bei der Umsetzung des griechischen Reformprogramms", *Südosteuropa-Mitteilungen*, 3, 2011, 5-22.

12 | Cf. OECD, n. 2, 72.

five jobs that disappear, in general only one is refilled, something that does not make sense in every sector. On top of this is the problem caused by the aforementioned political obstacles to creating a more efficient administrative structure, as it was precisely this structure that provided a reservoir for supplying the government's voters. There is also a clear sense of resentment among the Greek populace, who perceive the privileged treatment afforded to the public sector in the wake of the economic collapse in the private sector as a major social injustice they are no longer willing to accept. There is also public outcry over 2,000 civil servants who have not been laid off despite the fact that they are currently facing criminal proceedings. Overall, the image of Greece's public administration has

The damaged image of Greece's public administration, even shared by its own staff, fits seamlessly with the basic mistrust felt by the Greek people towards the state.

been badly damaged, its own staff agreeing on this fact in sharing the public's negative view of the civil service.¹³ This perception fits seamlessly with the basic mistrust felt by the Greek people towards the state and its institutions. The balancing act between their deep aversion for the state and a deep affection for their own nation, and their simultaneous exploitation of this same state as a welfare provider, may seem somewhat astounding, but as noted earlier, it is rooted in history.¹⁴

Above all, the Greek civil service needs clearly-defined functions and responsibilities, along with the ability to pursue strategic goals and the procedures necessary to achieve these goals and to put them into practice administration-wide – particularly at a time of such major change. Not only the instruments, but also the culture, of Greece's central administration have to date prevented the initiation, implementation and supervision of a coherent policy. The actions of the administration are distinguished by formalisation and excessive regulation. There is almost no coordination between ministries on joint areas of policy, and at best it is done in an ad-hoc manner based on individual initiatives with a lack of supporting structures. A compelling example of this is the fact that 83 per cent of ministerial and administrative offices have no meeting rooms.¹⁵ The formalisation of Greece's administration reduces the incentive

13 | Cf. *ibid.*, 79 et sqq.

14 | Cf. for more details Richter, n. 5.

15 | Cf. OECD, n. 2, 64.

for staff to take the initiative and act independently in order to create greater efficiency. Resources are wasted by tying up skilled staff in bureaucratic processes while their expertise is desperately needed elsewhere.

REFORMS DUE TO EXTERNAL PRESSURES – ARE THEY DESTINED TO FAIL?

The current process of modernisation and reform in Greece has largely been initiated by external pressures – and this is part of the problem. The measures that are still very much under the control of external agencies demonstrate the long-standing weakness of Greek politicians before the summer of 2012. They explain the massive resistance on the part of the Greek populace in the initial phase and the strong feeling of reform fatigue and lethargy that is now taking hold.

As lenders, the European Commission, ECB and IMF monitor the implementation of the required reforms by sending “Troika missions” to Athens every quarter. The next tranche of the loan is then paid out once these assessments have been completed. These missions continue to attract a great deal of public attention and media reporting. The external “controllers” are always regarded with suspicion and mistrust. A media circus ensues whenever the Troika representatives leave Athens because no agreement has been reached with the government. At least this means the public are taking a close interest in the required reforms, in their success or failure and the need for rectifications. But in the fourth year of this process it is clear that there is a sense of fatigue and chagrin on all sides.

A media circus ensues every time the Troika representatives leave Athens because no agreement has been reached. At least this means the public are taking a close interest in the required reforms.

From the outset, the reform process has been externally driven and this has remained the case in many areas. In Greece it is perceived and treated as a purely technocratic procedure that fails to take into account the country's losses. This is a very difficult situation, as the profound changes that Greece has already experienced and has yet to face cannot be pushed forward and properly implemented by a “deus ex machina”. Such a task must be a national undertaking that above all should be borne by a

broad political union that is in a position to carry along with them the national agencies involved and – above all – the Greek public. Unfortunately Greece has missed this opportunity. The difficult situation that has been fuelled by politicians and the media alike has not only cost a great deal of time and money but also compromised political credibility both within Greece and in the eyes of the international community. Politicians have failed to make it clear that demands for increased competitiveness are not just an EU requirement – let alone a solely German requirement – but are requirements that nowadays must be met by any country that wants to compete on the international stage.



Members of the European Parliament and representatives of the Troika discuss how to revive the Greek economy. | Source: Pietro Naj-Oleari, European Union, EP (CC BY-NC-ND).

So the ongoing commitment of Greece's EU partners should be appreciated all the more. During their missions to Athens they may have set strict criteria for measuring the progress of the reforms, but they have also offered a great deal of support and concessions. The work of the European Commission's Task Force for Greece should be particularly highlighted. As part of this initiative, Greece, the Netherlands and France in particular have been

involved in advising Greek ministries and authorities. Over 50 specialists from a number of EU Member States have demonstrated great expertise in advising the appropriate Greek institutions on practical reform processes in ten different policy areas.

As things stand, it is clear that the intense external pressure for reform and increased discipline has led to some real changes in Greece. Many people – including Greeks – believe such reforms would not have been possible without this pressure being exerted from outside.¹⁶ But for Greece this process is a delicate, psychological undertaking involving political and social mediation. This is something that the European lenders underestimated at the outset.

OUTLOOK

The three-party coalition under Prime Minister Antonis Samaras only has this one chance to set Greece's destiny on a positive course – and they are well aware of this fact, as are the majority of Greeks. This is what is holding together the coalition partners and the population as a whole, despite intense feelings of frustration and latent collective depression. It is extremely doubtful whether new elections will result in another pro-Europe signal as happened in June 2012. The opposition has an easy job and observers are all deeply concerned about the way extremism is gaining ground, particularly on the very right of the party spectrum. The political crisis is clearly materialising in the polls.

There is a general feeling that the country is in danger of being overburdened, not just economically but also socially and, ultimately, democratically. This was also the motivation behind Europe making concessions with regard to the timeframe. Now – after the very admirable cost savings that have been made – Greece has to take advantage of these concessions even more intensively and speedily in order to take critical steps on structural reform. The Greek people, who are personally affected by most of the

16 | Cf. Julia Amalia Heyer, "Der Winzer, der Müll und die Stadt", *Der Spiegel*, No. 7/2012, 13 Feb 2012, 86 et sqq., <http://spiegel.de/spiegel/print/d-83977246.html> (accessed 18 Apr 2013).

reforms, are above all waiting for their “reform dividends”. These particularly relate to basic questions of social justice in the fight against corruption and tax evasion. Structural reforms alone will be able to restore lasting confidence and hence credibility after the hugely painful cuts made in the fiscal area. Not just confidence on the part of its international partners in Greece as a borrower and investment location, but also and above all, confidence on the part of the Greek people in their government, institutions and political actors. In this respect, the Greek government has a long and difficult path ahead as it attempts to create growth, productivity and employment.

FRANCE 2013: TURNING POINT OR FAILURE?

Norbert Wagner

No doubt, this is not how President François Hollande had envisaged his first year in office: the economy stagnating, unemployment rising to record heights, trade unions on a collision course, failure to realise the reduction in the budget deficit that had been promised to the voters and EU partners. France is already being referred to as the “sick man of Europe”. It appears as though even the resolute decision to send troops to Mali and the hotly disputed legislation on gay marriage including adoption rights cannot revamp the image of the achievements of President Hollande and his government in the eyes of the French.



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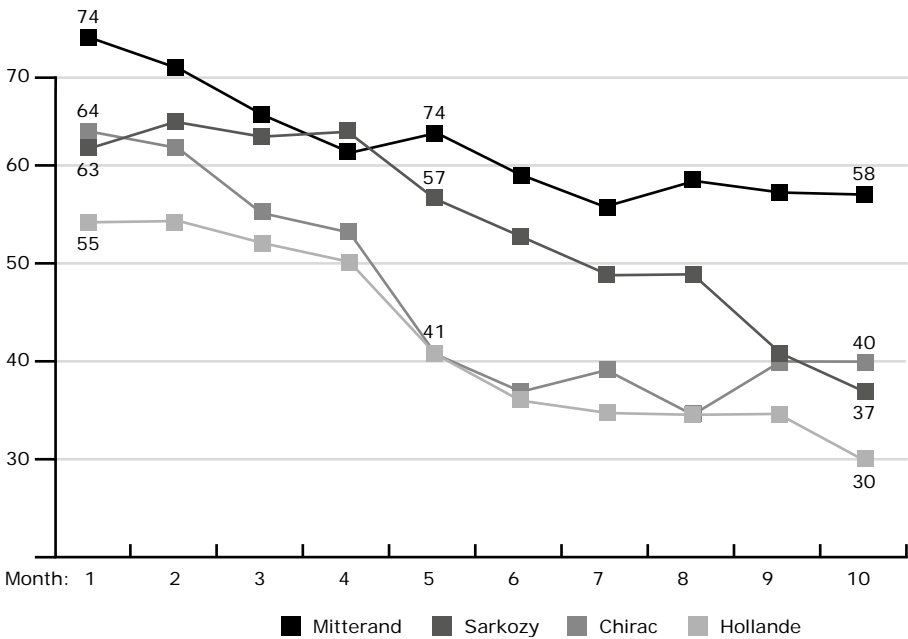
In a somewhat unguarded moment, Labour Minister Michel Sapin himself spoke of a totally bankrupt state (“C’est un État totalement en faillite”). Even though he had to tone his comments down a bit afterwards, the figures are disconcerting: The national debt in 2013 is 91.3 per cent of GDP, the budget deficit at least 3.7 per cent, and it will probably be well over three per cent in 2014 as well. The EU is even forecasting close to four per cent. The deficit in the pension funds will be 21.3 billion euros by 2017; unemployment (all categories) stands at 5.56 million, the trade deficit at 67 billion euros (2012) and government spending as a proportion of GDP at 56.3 per cent (2012).

And the negative development is set to continue. 75 per cent of the French populace declared in a survey carried out in March 2013¹ that they had “little confidence” where future economic development was concerned. In the period since January alone, this figure has risen by 16 percentage points, which means that confidence is at a low level

1 | “Baromètre de l’Economie Mars 2013”, *Bulletin de veille stratégique (BVA)*, Paris, 7 Mar 2013.

comparable to that after the collapse of Lehman Brothers in the autumn of 2008. For many of the respondents the current crisis is something that affects them personally: 37 per cent fear redundancies at their place of work. And the French have clear ideas about what should be done to reduce debt and the deficit: 54 per cent advocate a reduction in government spending, particularly through a reduction in the number of public sector employees. Only eight per cent think taxes and contributions should be increased.

Fig. 1
Approval ratings for French Presidents each after a ten month's term of office



Source: Albert Zennou, "Un record d'impopularité pour un président de la République", *Le Figaro*, 5 May 2013, <http://lefigaro.fr/politique/2013/03/04/01002-20130304ARTFIG00504-un-record-d-impopularite-pour-un-president-de-la-republique.php> (accessed 17 May 2013).

Never before in the Fifth Republic has a newly elected president crashed in the surveys as badly as François Hollande in the first few months of his term. Every president was made to contend with the gap between high expectations and the lows of reality at the beginning. But none had dropped down to a "confidence" level of just 30 per cent in national surveys within ten months of taking office.

Of course it is mainly the sympathisers of the centre-right parties who have “no confidence” in Hollande (92 per cent). But there is also a disappointed number amongst the supporters of the left (39 per cent). This includes 54 per cent of the followers of the extreme left, 46 per cent of the followers of the Greens and even 32 per cent of the followers of Hollande’s own party, Parti Socialiste (PS). These figures do not even take into account the impact of the scandal affecting Budget Minister Jérôme Cahuzac, who resigned recently; after having lied about the matter for some time, he ultimately admitted to having a bank account in Switzerland, in which he had hidden apparently untaxed earnings from his profession as a plastic surgeon and consultant.

There seems to be a sentiment among the people that these negative developments in France did not arise by sheer coincidence, but that Hollande and his government do not have the right formula or are using the wrong approach to combat the crisis. 54 per cent of the French population think the government’s reforms are not extensive enough. Added to this is the fact that the President is viewed as indecisive and the Prime Minister as overly cautious and that some ministers appear not to have quite grasped the seriousness of the situation.

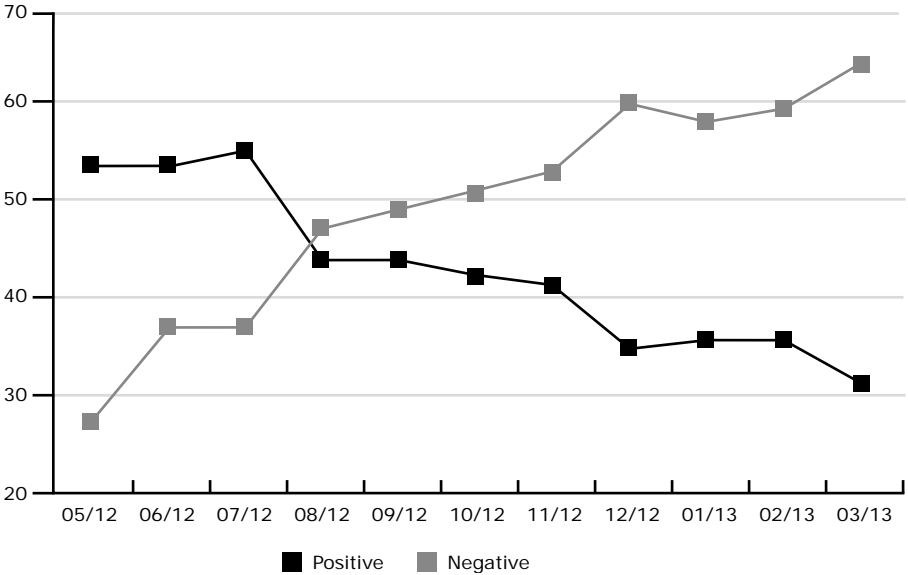
A majority believe that Hollande will not fulfil his promises, such as the aim of achieving a three per cent budget deficit or a reduction in unemployment.

But the French are not merely convinced that Hollande is using the wrong formulae or that his “reform zeal” does not go far enough. A majority also believe the President will not fulfil his promises, such as the aim of achieving a three per cent budget deficit, a reduction in unemployment or maintaining the level of contributions and taxes for middle income groups. Most do not believe he will succeed to do so either this year or by the end of his five-year term. Even supporters of Hollande, who believe he will fulfil his promises, do not expect this to happen by the end of 2013.

The assessment of Prime Minister Jean-Marc Ayrault demonstrates a similar curve. Consequently, observers are beginning to ask the question whether President Hollande and his government will be able to reverse this popularity slump by the end of the remaining four years. Because the disappointment reflects above all the mood amongst their

own voters and not so much an increasing mobilisation of the centre-right opposition comprising the UMP and UDI. The drop in popularity is predominantly an expression of criticism of President Hollande as a person and of his political style, but also of his politics. Large numbers of voters on the left are thus of the opinion that President Hollande is conducting poor politics. And the majority of the French think he is not conducting politics at all.²

Fig. 2
“How do you rate the work of François Hollande as President of the Republic?”, poll rating in per cent



Source: “Le baromètre de l’action politique”, IPSOS, *Le Point*, 11 Mar 2013, http://ipsos.fr/sites/default/files/attachments/rapport_barometre_politique_ipsos_lepoint_11_mars_2013.pdf (accessed 17 May 2013).

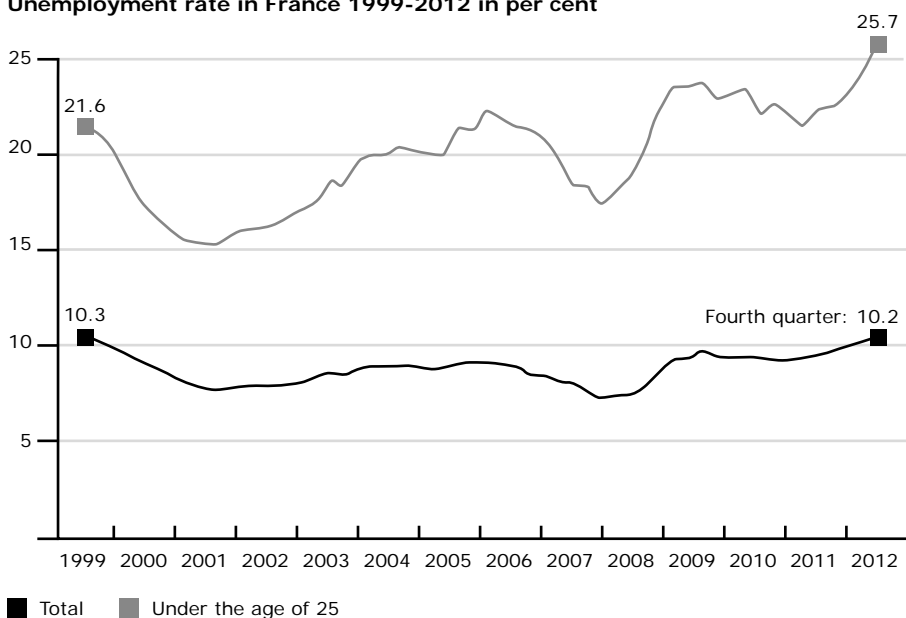
UNEMPLOYMENT

The greatest problem facing Hollande’s government is rising unemployment. In the fourth quarter of 2012, unemployment in France crossed the threshold of ten per cent. Including the overseas départements, the figure stood at 10.6 per cent (approximately three million). The worrying aspect is not just the absolute number of unemployed but also the rate of increase. The situation is even more

2 | Hervé Gattegno, *Le Point*, 13 Mar 2013.

serious if you take into account hidden unemployment. The national institute of statistics (INSEE) estimates the number of those who are out of work, but would like to work, at 3.7 million. According to the statistics of the employment agency (Pôle emploi), the figures are even higher. And this negative trend is continuing in 2013. By the end of February 2013, the number of people registered as unemployed was 3,187,700 (Pôle emploi, 26 March 2013), which equates to just under five million unemployed if one considers those who are unemployed or work very little. The percentage of unemployed is expected to rise to approximately eleven per cent by the end of 2013.

Fig. 3

Unemployment rate in France 1999-2012 in per cent

Source: "Au plus haut depuis le 2^e trimestre 1999", Insee, *Le Figaro*, 7 Mar 2013.

The situation is particularly drastic among the young (those under 25). Every fourth young person was unemployed in the fourth quarter of 2012. Never, since records began in 1975, has such a high unemployment rate been measured. Once again, the rate of increase is particularly worrying.

LABOUR MARKET POLICY

The measures the government has taken so far to combat unemployment have not shown an appreciable effect as yet, partly because their implementation is sluggish and partly because they do not reach the core of the problem.

New jobs are to be found in the commercial sector and the non-commercial sector, but particularly in local government institutions, associations and charitable organisations.

The Jobs of the Future programme (“emplois d’avenir”) targets young people between 16 and 25 who have poor qualifications or none at all. The new jobs are to be created in the commercial sector (*marchand*) and the non-commercial (*non-marchand*) sector, but particularly in local government institutions, associations and charitable organisations. The idea is that the jobs should be of social or environmental benefit or that the programme should provide numerous new jobs to open up job opportunities for young people for the long term.

An employer in the non-commercial sector will receive a state subsidy amounting to 75 per cent of the minimum wage (Smic: 9.43 euros an hour, 1,430 euros a month) for three years. But if the job is in the commercial sector, the subsidy drops to just 35 per cent of the minimum wage. The programme was launched on 1 November 2012. By the middle of March 2013, 10,000 corresponding contracts had been signed. The government has set a target of 100,000 *emplois d’avenir* to be created by the end of 2013.

A characteristic trait of French politics – and the “emplois d’avenir” programme represents another example illustrating this – is that it expects more from state intervention and from the state sector than from providing greater freedoms and from the private sector. There is virtually no other country that relies so strongly on publicly subsidised employment contracts (*contrats*), nor one that focuses so much on the public or non-commercial sector, although it should be common knowledge that someone who comes from a subsidised job in the public sector has much less chance of finding a “normal” job than someone who had a subsidised job in the private sector.



A poster by the programme “emplois d’avenir” that addresses young people with little or no qualification. | Source: Parti Socialiste (CC BY-NC-ND).

The *contrats de génération* are intended to provide incentives for companies to retain older employees and take on young people. Companies with fewer than 300 employees can receive 4,000 euros in state subsidies per employee for three years if they take on a young person (under 26) while keeping on an older employee over 57. The first generation contracts were signed at the beginning of March in the presence of President Hollande. The government’s target is 500,000 *contrats* by 2017. President Hollande also announced that it was his intention to reform vocational training. The government intends to submit a bill on this by the summer.

The government also has high hopes for the results of the negotiations between the social partners. It had suggested that the trade unions collaborate with the employers to find ways and means to bring greater flexibility to the French labour market. In January, the parties had agreed a

compromise (*accord national*), which was intended to give the companies greater flexibility while providing better protection to employees. The president of the employers' federation (MEDEF), Laurence Parisot, welcomed the result as "the beginning of a culture of compromise after decades of a philosophy of social antagonism". One condition for ratification by government and parliament is that at least three of the five trade unions accept the *accord national*. And that appears to be the case. However, the Confédération générale du travail (CGT, particularly radical) and the Force ouvrière (FO, communist in character, active particularly in the public sector), reject it as was to be expected.

The legislative process in the Assemblée Nationale began in March 2013. In April, the bill was passed to the Sénat. The expectation is that the law will enter into force before the summer recess. There are five points at the core of the bill:

- The possibility of wage cuts or working hour adjustments if the economy is weak: In return, the company provides employment guarantees. The agreement is made between the company and those trade unions that represent the majority of the workforce. Employees who are not in agreement can be made redundant "for economic reasons".
- Facilitating mobility within companies, taking into account the interests and personal/family circumstances of those affected: Employees who are not in agreement can be made redundant "for economic reasons".
- Strengthening of the co-determination of employee representatives in the management / supervisory board of the company: Companies with more than twelve board members must reserve at least two places on the management / supervisory board for employee representatives.
- Simplification of the process for making people redundant for economic reasons: As soon as trade unions or employees have agreed a social plan with the company or once the plan has been accepted by the works council, it can no longer be contested in a court of law.

- Improvements with respect to the payment of health insurance benefits.

It remains to be seen whether these measures will bring about the hoped-for turnaround. Even if they work well individually, they can only have a limited impact on the labour market as a whole. President Hollande promises an *inversion de la courbe du chômage* (reversal of the direction of unemployment development) by the end of 2013.

STRENGTH FOR REFORMS?

During the last few weeks and months, the Cour des Comptes (Court of Audit) has examined several aspects of the labour market and made it clear that considerably more strenuous reform efforts are required. This did not go down at all well with the socialist government majority. Because the President of the Cour des Comptes, Didier Migaud, is a former socialist representative of the Assemblée nationale, who had been put in this post by President Nicolas Sarkozy.

Although the French state spends over 50 billion euros a year on furthering employment, on unemployment benefits, on working incentives, on job creation and vocational training, the Cour des Comptes considers the results of the underlying policies disappointing. Mainly because the tools have not been adapted to the changing labour market. Due to complex and bureaucratic administrative processes, short-time benefits did not have the same effect in softening the impact of the 2009 crisis in France as they had in Germany, for example. According to the Cours des Comptes, the labour policies are generally failing to achieve their objectives and not benefiting those who have the greatest need, above all those with poor qualifications, who have the worst job opportunities.

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UNEMPLOYMENT INSURANCE

The system of unemployment insurance is also in urgent need of reform. Compared to other European countries, France holds a double record in this area: the shortest contribution period to benefit from unemployment insurance

combined with the highest possible unemployment benefits. In France, to be covered by unemployment insurance you only need to have paid contributions for four months during the previous 28-month period.

As soon as a French person is entitled to receive unemployment benefits, they can draw the highest amount within the EU, and they can do so for the longest period as well. The top rate is 6,165 euros a month compared to 2,296 euros in Germany, for instance. Depending on the contribution period, the period during which benefits are paid ranges from four months to three years.

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However, only 1,600 people received the maximum amount in 2010. In 2009, the average unemployment benefits was equivalent to 67.3 per cent of the person's last salary (Germany: 61.9 per cent). But contrary to comparable states, the payments made during the benefit period under the French employment insurance system are not on a sliding scale. There is therefore no great incentive to find another job quickly. Consequently, the unemployment insurance deficit has increased massively over recent years, from a total of 6.1 billion euros in 2009 to an expected 18.6 billion euros in 2013.

One promising object of reform, but also a particularly controversial tool in the arsenal of French labour market policy, is the unemployment insurance system for artists and technicians in theatre, film and television (*intermittents*). Any artists or technicians who worked for over 507 hours during a period of some ten months can benefit from this system. It entitles them to receive unemployment benefits for up to eight months. The amount depends on the earnings and the number of hours worked. With monthly earnings of 1,500 euros, a theatre technician would receive 9,088 euros during the eight months of unemployment. In 2010, the average benefits paid to *intermittents* was approximately 12,000 euros; but there was a wide spread. The ten per cent of benefit recipients at the top end received 40,000 euros on average, while the lowest ten per cent received just 5,000 euros on average.

Table 1

Comparison of unemployment rates and unemployment benefits in different European countries

	France	Spain	Germany	Italy
Contribution rate (in per cent of gross salary)	6.40	7.05	3.00	1.61
Minimal insurance term until entitle- ment to benefits	four months within the last 28 months	one year within the last six years	one year withing the last two years	two years within the last two years
Benefit period	four months up to three years	four months up to two years	six months up to two years	eight to 13 months
Monthly limits for benefits (in euros)	6,165.00	1,397.00	2,215.00	1,119.00
Unemployment rate (in per cent)	9.9	21.2	6.1	8.0

Source: Unedic, Eurostat, CAS, *Le Figaro*, 23 Jan 2013.

Not only is the insurance system for the *intermittents* of great advantage to the benefit recipients, it is also open to massive abuse in the judgement of the Cours des Comptes. Although the number of *intermittents* is not that large at some 109,000, their role within the French cultural sector gives them enormous potential to cause disruption, as several Ministers of Culture have experienced in the past. In 2003, it even got to the point that the Festival of Avignon was cancelled because of a strike by the *intermittents*, who were fighting for their privileged status.

Although it affects a relatively small number of people, the unemployment insurance of the *intermittents* has serious financial implications. In view of the precarious financial situation of the government budgets, France will not be able to avoid making savings in this system either. The *intermittents* represent one per cent of all people covered by unemployment insurance, but 3.5 per cent of those receiving benefits from the system, and they receive six per cent of the payments.

In 2011, unemployment benefits paid to *intermittents* totalled 1,270 million euros, while their contributions came only to 246 million euros. The deficit of the unemployment insurance for the *intermittents* was therefore over a billion euros – a structural deficit that has been on the balance sheet with at least this amount each year since 2003. In 2009, the deficit equalled almost the entire annual unemployment insurance deficit (1,050 million euros). In 2013, it will probably make up approximately a quarter of the entire deficit.

The criticism by the National Audit Office was based on its lack of understanding about the logic behind an insurance scheme.

At a hearing in the *Assemblée Nationale* at the end of February 2013, Labour Minister Michel Sapin rejected the idea that this system required reform. In his eyes, the criticism by the Cours des comptes demonstrated its lack of understanding about the logic behind an insurance scheme. The logic was that those who were most severely affected by unemployment were supported by those who did not have to fear unemployment. He gave the following assurance: “The government has no intention of calling the insurance system of the *intermittents* into question.” François Hollande had previously made a similar statement in the 2012 election. There has been no explanation to date from Minister Sapin as to how this stance tallies with the statement that France is bankrupt.

WAITING DAYS IN THE PUBLIC SECTOR

Occasionally, measures that have received less attention illustrate that the government is being held back noticeably in its reforming zeal by its political character. One case in point is the waiting day (unpaid sick day) in the public sector. There are three waiting days in the private sector. If an employee of a private company becomes ill, he or she receives sick pay at a reduced rate from the social insurance system; but where there are three waiting days, this only applies from day four.

In the public sector, the Sarkozy government introduced one waiting day for the first time in 2012. Of course the hope had been to make saving with this measure, but also to reduce the number of sick days, which is rather high in the public sector (22.6 days a year in 2011). In February

2013, the minister responsible for public sector employees announced without further ado that the waiting day was being abolished because the measure was “unjust, pointless, inefficient and humiliating”. Maybe the minister also intended to calm the explosive mood among public sector employees. Because just a few days previously, she had had to confirm that yet again there would be no inflation adjustment (*revalorisation du point d'indice salarial*) for public sector employees in 2013.

AMNESTY LAW

Another development illustrates the degree to which the country's left badgers President Hollande and his government and the low opinion it has of compromise and dialogue between the social partners. On 27 February, the left majority in the senate, including the votes of the PS senators, approved an amnesty put forward by the Communists (Front de Gauche) for all offences that were committed in the course of labour disputes, trade union activities and demonstrations. The amnesty means that all offences committed between 1 January 2007 and 1 February 2013, which are punishable with up to five years imprisonment, are to be exempted from prosecution. The document has now been submitted to the Assemblée Nationale for deliberation.

The French Justice Minister supports the initiative, while the Interior Minister is strongly against it. Considering the violent excesses, the wilful destruction and the vandalism, which unfortunately generally accompany labour disputes and demonstrations (for instance in the Goodyear case), the question is whether the left majority in the senate is aware of the message it is sending out with this legislative initiative. But maybe that is actually the intention.

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WHEN WILL THE TURNAROUND COME?

It is unlikely that President Hollande will bring about the turnaround with the existing half-hearted reforms. The reforming measures that have been planned to date and only partially implemented are not attacking the root

causes and/or do not go far enough. The government is basing its policies on optimistic expectations of growth and prioritising increasing taxes and contributions over spending cuts. The situation will probably have to become even worse before President Hollande will be forced to jettison his socialist economic philosophy and embark on some real reforms.



Flared tempers: While President Hollande and his government majority still think they can distract the public from the country's actual problems with projects such as "mariage pour tous", the time for a change in direction is yet to come. | Source: Nils Hamerlinck, flickr (CC BY-SA).

The furore about the draft of a new motion on Europe for a PS party conference in June, which was probably leaked into the public domain in early May on purpose, made very clear what the prospects of a speedy change of direction towards effective reforms are in France. In this text, the Socialists attempt to divert attention away from their own malaise and ineffectualness. Responsibility for the current difficulties in France and Europe is assigned to the conservative Europe, the Europe of strict austerity policies and Chancellor Merkel. In the Socialists' eyes, the common EU project is being damaged by an alliance between the ideas of the British Prime Minister inspired by Thatcher and the "egotistic intransigence of Chancellor Merkel".

The authors of the motion are not concerned with reforms. The motion is part of the infighting within the PS between those opposing reforms (Bartolone, Desir, Montebourg, Hamon, etc.) and the faction favouring reforms (Moscovici, Sapin, Ayrault). The fight within the government majority and the PS about which direction to take is in full swing. Germany and the Chancellor's austerity policy are also made a scapegoat, on which the blame for the entire plight of the French economic politics is heaped.

Following the extremely critical reactions by the public and in the media, the PS is now trying to backtrack. It was only a draft, it said, which was yet to be revised. But it would have been unusual for the draft not to have also been scrutinised in the Elysée Palace before publication. The group advocating a critical stance towards Germany or, more precisely, the austerity policies of the German government (the President of the Assemblée Nationale, Bartolone, even spoke of "confrontation") indicates it is not just the opinion of a fringe group of the government camp. It is true that President Hollande responded by reiterating that Germany and France had to work together, whatever the current economic situation, the people in government and the political sensitivities of the time. But the left is not hiding the fact that it is hoping for a change in government and in policies after the elections to the Bundestag this year and for a renunciation of the austerity policy afterwards.



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CRISIS IN THE IBERIAN PENINSULA

ECONOMIC AND INSTITUTIONAL REFORMS AND THE CALL FOR A POLITICAL SHIFT IN SPAIN AND PORTUGAL

Adriaan Kühn

Six years on from the current crisis, Spain and Portugal will continue to face the same challenges. Deficit reduction, slashing public debt, and shrinking public services stand at the forefront of the government agenda in both countries. The severe austerity programmes are accompanied by an unparalleled loss of institutional trust by citizens of the young southern European democracies.

Spain's economic situation remains serious – over five million unemployed, dramatic youth unemployment (one in two young people is unemployed), horrendous public debts, and lingering recession. The situation in their neighbouring country, Portugal, is progressing similarly in both the economic and political spheres. The important difference: Portugal is among those crisis-ridden countries depending on external assistance. In May 2011, a bailout package of over 78 billion euros kept the nation from bankruptcy. In return, Portugal made a pledge to the lenders – the tripartite committee comprising the European Commission, the European Central Bank, and the International Monetary Fund – in a memorandum of understanding to make comprehensive economic and institutional reforms. Although the Iberian nations are in the same boat, there are no discernible signs of solidarity. On the contrary, the Spanish prime minister continues to attempt to stress the differences to the Portuguese case.

SPAIN'S GOVERNMENT LACKS NEITHER THE WILL NOR THE POWER TO PUSH NECESSARY REFORMS

Spanish government bonds offer one of the few positive outlooks. Here, at least for the moment, the situation has improved. Incumbent Prime Minister Mariano Rajoy's administration's reform programme, which has been in place since December 2011, is proving effective. Meanwhile, the interest burden on Spanish debt securities has dropped to a bearable level. Should the risk premium for Spanish government bonds have remained at 649 points at the end of July 2012, the difference vis-à-vis the yield of ten-year German securities at the beginning of 2013 would only amount to half of this historic level.



Prime minister Mariano Rajoy in a parliamentary debate: The conservative government is open for in-depth reforms. | Source: Diego Crespo, La Moncloa Gobierno de España (CC BY-NC-ND).

The Spanish leader regards the friendlier financial market situation as an initial success, both domestically and internationally. At the beginning of his term, Rajoy had sent rather irritating signals to the European partners regarding Spain's intentions to possibly apply for ESFS assistance. At home, with a total of 30 billion euros disbursed to the Spanish Bank Rescue Fund Fondo de Reestructuración Ordenada Bancaria (FROB), intended to back the ailing credit institutes and liquidate them if necessary, Mariano Rajoy is triumphantly portrayed on the international stage – in doing so, Spain is affirming his political capacity. In reality the country would not have been able to fight

the liquidation of bankrupt small savings banks – legacies of the decaying property boom. The reform of the banking sector, devised with European assistance, compelled some banks to consolidate; others were nationalised.

Upon taking office, the Spanish government appeared to be immediately prepared to regulate public finances and to implement dramatic economic reforms. Rajoy's deputy and government spokesperson, Soraya Sáenz de Santamaría, announced drastic cuts in one of her first appearances. Nine billion euros had to be cut, above all in capital expenditures. In order to reduce the 2012 budget deficit from almost nine per cent of economic performance to the 5.3 per cent originally planned, observers assumed this would mean a reduction by approximately 36 billion euros. The next cost-cutting round followed in April 2012, with ten billion euros in cuts affecting healthcare and education. The largest austerity package to date was announced during the holiday month of July: spending cuts amounting to

65 billion euros until 2015. But over the past

Poor economic conditions have upset the government's ambitious plans. Spain's public debt is increasing.

year, poor economic conditions have upset the government's ambitious plans. Despite a spending reduction of more than 21 billion euros, the Spanish deficit exceeded the 6.3

per cent level re-negotiated with Brussels at nearly seven per cent.¹ Consequently, the public debt is increasing. In the third quarter of 2012, it amounted to 77.4 per cent of GDP according to Eurostat. Four years before, that number lay at 37 per cent of economic performance. However, achievements include Spanish local councils meanwhile having nearly balanced budgets, and the regional governments largely meeting their deficit goals. On the other hand, high unemployment is putting stress on social security. Compared with the previous year, their deficit doubled to one per cent of GDP.

The "harshest adjustments in the history of democracy", as Spanish newspapers call the latest austerity programme, stipulate cuts to care allowance and unemployment benefits, and raising the retirement age. All public sector

1 | According to information from the Spanish government, which does not take the bank rescue programmes into account. The European Commission expects a 2013 deficit of 6.7 per cent of GDP.

employees had their Christmas bonuses cancelled – thus nearly five billion euros were saved. Public employees had already been forced to accept salary losses, longer working days, the loss of paid annual leave, and a hiring freeze. In order to reduce new indebtedness for the current year to 4.5 per cent of GDP, the healthcare budget, along with the development aid budget, is falling by a quarter; the Ministry of Education and the Arts must make do with a fifth less money for cultural activities and a ten per cent cut in education spending; and support for community social spending is even being slashed by 40 per cent.



High unemployment and disenchantment with politics: Especially for young Spaniards the situation of their country is precarious. The frustration manifests itself in demonstrations. | Source: Popicinio, flickr (CC BY-NC-ND).

On the revenue side, a VAT increase to 21 per cent (three years ago, the rate was 16 per cent), raised income and business taxes, and higher student fees should relieve the strain on the national budget. Amnesty for tax evaders aims to entice Spanish economic exiles back into the country. There are fierce protests against the planned increase in school class sizes – the goal is to cut down on teachers –, and the introduction of a fee schedule for the justice system. So far, the labour market reforms adopted in February 2012 are having little impact. Despite liberalising Spanish labour standards, the number of unemployed is rising. Apparently companies are making use of lower

redundancy pay-outs accompanying contract termination rather than the option to offer flexible employment.

The privatisation of public enterprises is also stalling. The purchase of the lottery company contemplated by the previous socialist government is on hold for now because too little was offered for it. Whether or not the country's two largest airports, Madrid-Barajas and Barcelona-El Prat, will be opened separately for private investors alongside the (partial) privatisation of the airport operator AENA remains to be seen. The national railway company RENFE is also seeking private capital because they can only operate a fraction of their modern high-speed rail line profitably. Various local administrations are focusing on streamlining the none too transparent network of public companies.

The national railway company is seeking private capital because they can only operate a fraction of their modern high-speed rail line profitably.

The government is pursuing an ambitious plan for bureaucracy reduction on the regional level. The goal is to unravel the administrative entanglement between regions, provinces, and communities. In the future, goods and services should come from one source. The smallest communities must consolidate. Mayoral salaries in major cities are capped at 100,000 euros. The number of *asesores* (advisers), until now freely appointed by the communities, will now be regulated by a graduated system based on population, and will therefore be significantly reduced. Should a community not adhere to its budget constraints, the appropriate provincial administration may temporarily take over its responsibilities. The government estimates the savings possible from these measures to be over seven billion euros. Even before coming to a parliamentary debate, the socialist party has expressed strong resistance to the project.

Despite positive reports from the financial markets, it cannot be assumed the government is taking the bait to water down or even withdraw the drastic savings measures. Alongside the critical public financial situation, Rajoy's oft-repeated fear of losing Spanish budgetary authority, which would accompany a "rescue" of the fourth-largest euro national economy, is the main reason behind the executive's stability. They are clinging onto their reform agenda

in the face of growing resistance from trade unions, civil servants, and various trade associations. Spain is asking only for more time to fulfil the three per cent deficit criterion. On the international stage, Spanish EU diplomats are campaigning for an extension with reference to the successful austerity measures – instead of the January 2014 deadline, the national budget will have to satisfy the Euro Stability Pact guidelines twelve or 24 months later.

Spain's government lacks neither the will nor the power to push necessary reforms. In the national parliament, the Partido Popular (PP) possesses a secure absolute majority with 186 out of 350 seats. Within the faction, solidarity is high. Dissenters have so far not appeared. Furthermore, the PP rules the greater part of the Spanish

comunidades autónomas: 12 of the country's 17 autonomic communities' heads of government are in the party. Never before have the conservatives dominated the political system so greatly. Therefore it cannot be said that

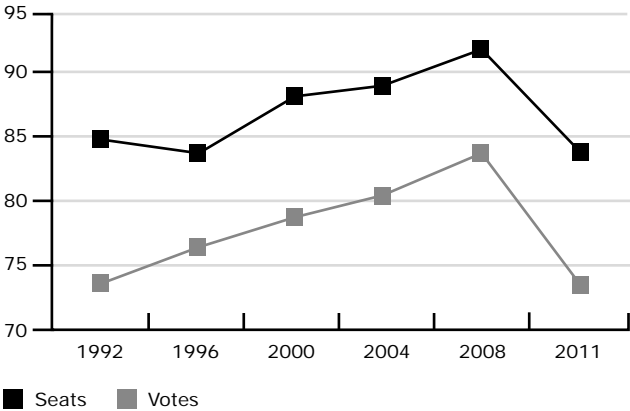
Never before have the conservatives dominated the political system so greatly. Therefore it cannot be said that party political reform bottlenecks exist in Spain.

party political reform bottlenecks ("blockade policy") exist in Spain. On the institutional level there are also no players whose veto could force the government to change course. And last but not least, the Constitutional Court (Tribunal Constitucional) plays a marginal role in political competition due to its protracted decision-making processes – at least it certainly does not play the role of "alternative legislature" as its German counterpart is sometimes portrayed. Spain's highest judicial authority, Consejo General del Poder Judicial (CGPJ), has been practically incapable of action for years because the two large parties could not agree with regard to filling the bench.

Given the government's dominance, the two general strikes called by Spanish trade unions in March and November 2012 were a sign of doubt rather than a demonstration of power. Two strikes within one year – that was a first in the history of the parliamentary monarchy. Despite considerable participation from sectors with a high rate of unionisation (civil service, transport, auto industry, and mining), calls for a demand-driven change in the government's economic policy are falling on deaf ears.

Spain's problem does not lie in the political system's ability to problem solve – this ability is great under the given political and institutional circumstances – but rather in its lack of ability to achieve consensus. Prime Minister Rajoy had anticipated this challenge in his inaugural address. He said, “The majority is an excellent instrument for enforcing decisions, but it is not necessarily the best for devising them. [...] Spaniards themselves, and not the government, must be the drivers of change, champions of reform, and actors in the [economic] recovery.”²

Fig. 1
Percentage of votes and seats allotted to PP and PSOE in the national parliament, 1993-2011, in per cent



Source: Own research according to data from the Spanish Ministry of the Interior.

Nevertheless, in the past, politics has failed to create a consensus. Since the turn of the century, polarisation and confrontation (*crispación*) have dominated the competition between parties.³ Spain's political culture at this stage is characterised by perpetual campaigning, deligitimisation of political opponents, and little to no existing willingness to

2 | Mariano Rajoy, “Discurso de Investidura del Presidente del PP”, Madrid, 19 Dec 2011, http://pp.es/file_upload/noticias/pdf/5909-20111219132408.pdf (accessed 1 Apr 2013).
3 | Jaime Balaguer and Alberto Sanz, “La segunda ola de la crispación: competición y polarización en la VIII legislatura”, in: *Elecciones Generales 2008*, José Ramón Montero and Ignacio Lago (eds.), Madrid, Centro de Investigaciones Sociológicas, 2010, 61-70; Walther L. Bernecker, “Politik zwischen Konsens und Konfrontation: Spanien im 21. Jahrhundert”, in: *Spanien heute*, idem (ed.), Frankfurt am Main, Vervuert, 2008, 85-109.

make concessions. This strategy was extremely successful for the dominating factions in the party system as measured by the electoral results.⁴ As opposed to the European trend, the Spanish mainstream parties could consistently enlarge their percentage of votes and seats up to 2008 (Fig. 1). The price for such (at any rate forfeited) gains for both of the large parties would be high if they did not succeed in producing an agreement on the need for economic reforms shared by the majority.

POLITICS IN SPAIN REMAIN POLARISED – CITIZENS ARE DEMANDING SOLIDARITY

The trend towards consolidation within the party system has halted for now due to the November 2011 parliamentary elections, which were marked by the crisis. The competition between the parties remained the same, however – confrontation and polarisation dominated the election campaign. Anyone who had hoped the most severe economic crisis in the young democracy's history would nudge the political elite into a change of heart was disappointed. Spain's politics remain caught in a self-made trap of polarisation.

Anyone who had hoped the most severe economic crisis in the young democracy's history would nudge the political elite into a change of heart was disappointed. Spain's politics remain trapped in a self-made pit of polarisation.

The PSOE/PP dualism has been paradoxically re-enacted in many policy fields. Both the socialists and the conservatives making up the government have shown that European partners can rely on agreement from Madrid. Both factions profess budget consolidation as the goal. In summary proceedings in September 2011, the PP and PSOE agreed to a constitutional amendment to include a "debt ceiling" in the Spanish constitution. In economic policy one

4 | Sociologist and former minister for education José María Maravall declares party tactics in favour of polarisation and confrontation strategies with the need for mobilisation. Because a majority of Spanish citizens would ideologically range from centre to centre-left, the conservatives aimed to discourage the "urban and educated" classes, who tend to vote for the Left, from voting. While the PP could rely on a loyal group of core voters, one would face a mobilisation problem at the other end of the political spectrum: the potential PSOE constituency disproportionately consisted of undecided voters. José María Maravall, *La confrontación política*, Taurus, Madrid, 2008.

still has to search out differences between the socialist and conservative agendas with a magnifying glass.⁵

In spite of this extensive agreement on the economic questions, on the opposition benches both parties behave as if they are the defenders of the Spanish welfare state – without considering the obvious challenges presented when devising constructive reform recommendations.

Conservatives and socialists are blaming one another for having exploited the welfare state. This promoted disenchantment with politics.

Demographic changes⁶ and the compatibility of family and work, for example, are issues accentuated by the economic crisis on the one hand, and almost completely eliminated from public debate on the other.

Conservatives and socialists are blaming one another for having exploited the welfare state. Rajoy's criticism of his predecessor José Luis Rodríguez Zapatero's (belatedly) initiated cutback programmes perhaps caused some of his voters to believe the austerity would see an end under a PP government. The attacks by the socialists on the route the Prime Minister has chosen suffer from a lack of credibility. By the end of 2011, they, as a government party, had the opportunity to practically form "alternative paths out of the crisis". In spite of this, the political debate was carried out in black and white terms. This promoted disenchantment with politics.

Political proposals and societal demands have seldom been so disparate in Spain's young history. In the sixth year of the economic crisis, the overwhelming majority of citizens had one specific request of politicians: they should show

5 | Lothar Witte, "Hintergrundinformationen. Spanien hat gewählt", Friedrich-Ebert-Stiftung Madrid, <http://library.fes.de/pdf-files/bueros/madrid/05787.pdf> (accessed 1 Apr 2013). An empirical analysis of the election agendas of both populist parties reaches the same conclusions, cf. Antonia Jiménez, "Competición política y representación democrática: la oferta electoral de los partidos", in: *Elecciones Generales 2004*, José Ramón Montero, Ignacio Lago and Mariano Torcal (eds.), Centro de Investigaciones Sociológicas, Madrid, 2007, 65-102.

6 | In December 2012, the National Institute of Statistics showed that the population was decreasing and ageing. The population will sink by one-tenth in the next forty years; by then, more than a third of Spaniards will already be over 64 years of age, "Proyecciones de Población 2012. Las tendencias demográficas actuales llevarían a España a perder una décima parte de su población en 40 años", Instituto Nacional de Estadística, press release, 4 Dec 2012, <http://ine.es/prensa/np744.pdf> (accessed 1 Apr 2013).

solidarity. According to a study by polling institute Metroscopia, nine out of ten people surveyed agree with the statement that a “a large, national pact to combat the crisis made by the most important parties” is “fairly” or “very necessary”. A full 76 per cent of those polled are certain: this remains a pipe dream. They do not believe consensus-oriented policies will be made in Madrid in the future. In current polls, PP and PSOE are losing further ground. With almost half of those eligible to vote participating in the election (a loss of nearly 20 per cent compared to the 2011 parliamentary elections), nearly half of their voters abandoned to governing party, who would come out with 22.5 per cent of the vote. The largest opposition party is suffering with negative results, as with the last elections, again losing eight points, and came out with 20 per cent of the vote. The post-communist Izquierda Unida (IU) was able to double its 2011 performance; the Unión Progreso y Democracia (UPyD), led by former socialist member of parliament, Rosa Díez, even tripled its outcome – both factions came in at approximately 15 per cent each. The remaining fifth of the votes was distributed amongst regional parties.⁷

CORRUPTION SCANDALS UNDERCUT ACCEPTANCE OF AUSTERITY PROGRAMMES

Alongside little willingness within the political elite to institute far-reaching initiatives, various corruption scandals thwarted the calls for austerity, while at the same time undercutting societal acceptance of the austerity programmes. No faction was spared by these discoveries. A tribunal convicted Catalan government coalition *Convergència i Unió* (CiU) of illegal party financing in January 2013, and they were ordered to pay back some 300,000 euros. In the socialist stronghold of Andalusia, the man in charge of millions in aid money for job placement schemes paid the money out to party members, family members, and friends. A director of Fundación Ideas, the foundation aligned with PSOE, increased his own pay by submitting forged invoices. The Gürtel case, in which suits and ties were distributed to politicians in return for public sector contracts, cost the president of the Generalitat Valenciana, Francisco Camps (PP), his office.

7 | Study results: “Barómetro Metroscopia”, *El País*; 13 Jan 2013, election poll: “Metroscopia Barómetro electoral mayo 2013”, 13 May 2013.

Allegations raised regarding the publication of a ledger, supposedly managed by former PP Treasurer Luis Bárcenas, are even more serious for the PP. According to the allegation, various members of the party leadership, among them Mariano Rajoy, have received money over the past ten years from an illicit party coffer.

Corruption cases have become part of daily life during the course of the economic recovery, and have mostly been limited to local administrations due to their role in allocating land for building and construction licensing procedures.

An overwhelming majority believe that politicians systematically cover up corruption cases. Yet instead of completely clarifying, political players are either getting involved in activism or populist schemes.

Over the course of the economic crisis, the citizens' tolerance threshold has sunk rapidly in the face of such offences. The latest revelations are dealing a severe blow to trust in the party state. An overwhelming majority of Spaniards believe that politicians systematically cover up corruption cases. An increasing number of people see their representatives as one of the problems the country suffers from, and not as a solution to their problems.⁸ Yet instead of completely clarifying, players in the political system are either getting involved in activism (Prime Minister Rajoy and Opposition Leader Alfredo Pérez Rubalcaba released their income tax returns) or populist schemes (members of Castilla-La Mancha's regional parliament are having their daily expense allowances slashed; they now only receive participation pay). During the debate on the state of the nation at the end of February, Mariano Rajoy pitched an anti-corruption pact to all of the parliamentary factions. Such a pact would, among other things, reform the law on political parties so that Spanish factions could be criminally prosecuted for violations – rather than only coming up against civil law, as has been the case up until now.⁹ It remains unsettled whether such measures can suppress the siege mentality that has so far been reliably displayed when a scandal has been exposed.

8 | Centro de Investigaciones Sociológicas (CIS), "Barómetro febrero 2013".

9 | Furthermore, a strengthening of the Tribunal de Cuentas (Court of Accounts) is planned – to whom the foundations aligned to the parties should now also be accountable –, as are regulations regarding contracts allocated to third parties by political parties, a reporting requirement for the salaries of party employees, a limitation of their entitlement benefits, and a reduction of their redundancy payments.

THE ECONOMIC CRISIS EXPOSES A CRISIS IN THE POLITICAL SYSTEM

The last time Spanish politics was guided by consensus was nearly forty years ago. The national media conjures up the “spirit of transition” more and more frequently,¹⁰ which made the transition to democracy possible after the death of Francisco Franco in 1975. Some commentators point out that the challenges then were even greater than they are today (the transition occurred during a period of economic recession, and democracy was further threatened by a military willing to stage a coup). If the Spanish transition to democracy, long regarded as exemplary, were to be criticised in the long-term for glossing over the social repercussions of the civil war and the Franco dictatorship, only the dominant figures of the party elite during the *transición* would find themselves in the line of fire. This would have been subject to large sections of the administration and intermediate system under (party) political control, and thus would have prevented the development of a functioning civil society serving as a balance for the party state.

Anyone who today demands that the institutional arrangements of Spanish democracy be rearranged no longer holds a minority opinion. The economic crisis exposes a crisis in the political system that began long before the economic turbulence.

A CALL FOR A “SECOND TRANSITION”

The call for a “second transition” is ubiquitous in Spain as of the beginning of 2013. The majority of current medial reform proposals have since aimed at breaking the dominance of the factional two-party system (*bipartidismo*), at weakening party leadership at the expense of their base, and at limiting party political access to public institutions.

Demands for a new electoral law are regularly heard in the run-up to national parliamentary elections. The Spanish system of proportional representation for constituencies of varying size (the provinces) puts small parties of national scope, such as Izquierda Unida or UPyD, at a

10 | For example Josep Ramoneda, “Una nueva transición”, *El País*, 27 Jan 2013.

disadvantage.¹¹ A reformed electoral law combines the hope of a balanced (“fair”) distribution of seats with the hope of a moderate fragmentation of the party system as a result. In contrast, both of the mainstream parties, as well as the regionalists, profit from the disproportional effects, so electoral law reform seems unlikely despite long-standing discussions.

In addition to various transparency requirements the parties must meet in the future following their corruption scandals, experts and academics are demanding a greater degree of democracy within the parties, and an increased “competition for minds” within the factions. One thought is to legally force the parties to hold yearly conventions (as of now they take place only every four years). Spain’s normal co-optation of political leadership by the top echelons of the party should thus be made more difficult. Primary elections are being considered by the PSOE for appointing their top candidates at the regional and national level in the future.

Advocates of a checks-and-balances system have high hopes for judicial reform. Political influence in Supreme Court and public prosecutor appointments should be hindered or barred. The Spanish judiciary could then function as a political restraint. Thoughts of reducing the bloated and inefficient (political) bureaucracy are better developed.

The role of the Senate has even been debated since the constitution was adopted in 1978. It has a reputation among the population as a pension fund for political personnel.

However, socialist opposition to a reform of local constitutions is muddying the prospects of restructuring Spanish autonomous communities – and thus the prospects of a consequent reduction of full-time political personnel. It is effective to defend their position. To the foreign observer, the functions of the provincial *diputaciones* or the government delegates (*delegación del gobierno*) themselves, including infrastructure, rarely appear to develop in the autonomous regions. The role of the Senate has even been debated since the constitution was adopted in 1978. Because it does not function as a representative for the Spanish regions, it has a reputation among the population as a pension fund for political personnel.

11 | Dieter Nohlen, *Wahlrecht und Parteiensystem*, 6th edition, Barbera Budrich Publishers, Opladen/Farmington Hills, 2009, 357-361.

The passionately led debates about recalibrating Spanish democracy are taking place on television and in opinion pieces in newspapers, but not in the political arena. There, one has to come to grips with the next problem in the economic crisis: the separatism growing stronger in the peripheral regions of the country.

A CRUCIAL TEST ON THE PERIPHERY

In autumn 2012, an informal coalition between PSOE and the PP came to an end in the Basque country, which the office of the prime minister had provided for socialist Patxi López as the first representative of a national

faction. López had opposed Rajoy's austerity plan. The radical left emerged from the election at the end of October 2012 as the victor, even though the conservative Nationalist Party was able to recapture the office of the *lehendakari*. The Basque Nationalists are intently following the developments in Catalonia.

The radical left emerged from the election at the end of October 2012 as the victor, even though the conservative Nationalist Party was able to recapture the office of the *lehendakari*.

A separatist U-turn by the governing Christian democrats in the northern Spanish region caused a political crisis on the national level. After two years in office, President Artur Mas announced new elections were to be held at the end of November 2011. The intended aim: an absolute majority for his *Convergència i Unió* in order to be able to prevent a referendum on the future of Catalonia as a "new state in Europe". The experiment backfired and the coalition lost twelve seats. The Republican Lefts (*Esquerra Republicana de Catalunya*, ERC) made substantial gains. They support Mas' plans for independence but want no part in his austerity plan. In the current legislative session, *Esquerra* is in the luxurious position of being able to support their agreeable government initiatives without having to take on political responsibility for them. The ERC declined cabinet participation.

There is apparently a connection between the economic crisis and the movements at the Spanish periphery. In Catalonia, which is productive, yet dependent on the rescue fund for the Spanish regions (*Fondo de Liquidez Autonómica*, FLA), discrimination is felt due to the way funds are distributed by the central government. Generalitat President Mas

tried to obtain similar privileges for Catalonia from Mariano Rajoy enjoyed by the Basque country and Navarra by raising taxes, before his transition to the separatist movement. So far, linguistic and cultural conflicts above all else have been fervidly slugged out between the two largest cities in the country. Now Barcelona supports the notion that without Spain, the economic situation in Catalonia would be better. A partly comical dispute has followed, in which both sides have positioned notable economists for their own purposes – depicting either a flourishing “new state in Europe” or the next candidate for European aid. Irrespective of the question of a Catalan mini-state’s chances of economic survival is the restrained reaction to the Generalitat’s international publicity campaign, which has so far been the greatest disappointment for supporters of independence. Not being directly admitted to the European Union after defecting from Spain is still too great a political risk for most Catalans.

In Spain’s multi-level system, an absolute majority on the national level leads to a polarisation of regional actors’ positions.

The real cause of the Catalan Christian democrats’ collision course, however, is the political situation after the most recent parliamentary elections. The ruling PP does not depend on their votes in the national parliament, unlike the previous socialist government and that of José María Aznar did in their first term of office. CiU is losing the political ability to act against the central government – but Catalan voters are evaluating the party by precisely this. In Spain’s multi-level system, an absolute majority on the national level leads to a polarisation of regional actors’ positions.¹²

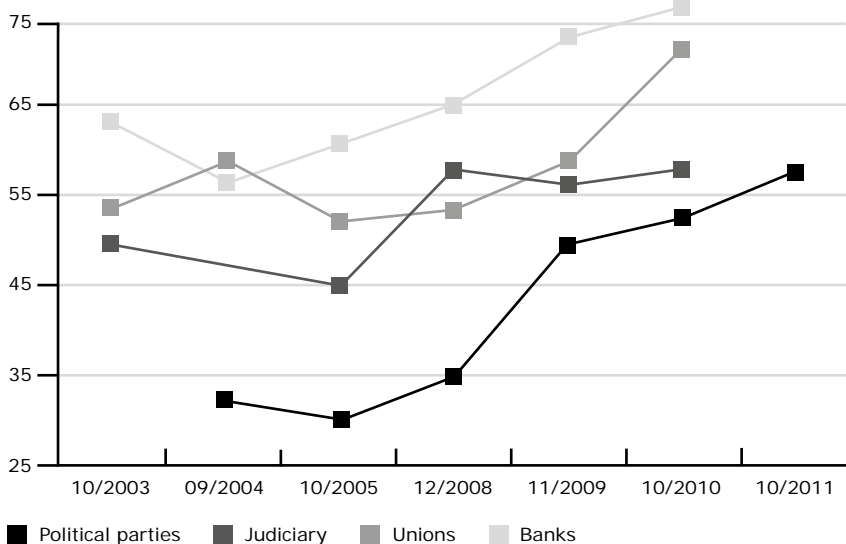
An updated conflict between the periphery and the centre does not only restrict power, which the government desperately requires to combat the economic plight. The socialists are even threatening to split over the Catalan question. The Catalan representatives broke with the socialist party line for the first time in Congress in a rather symbolic vote on “Catalonia’s right to decide”. The head of the PSOE had issued instructions to reject the proposal. It remains to be seen what consequences the Partit dels Socialistes de

12 | Former Basque president Juan José Ibarretxe’s similar plan was put forward during Aznar’s second term, when he commanded an absolute majority in parliament.

Catalunya's (PSC) solo effort will have alongside the fines imposed. A reorganisation of the relations between PSOE and its sister party is on the agenda. Opposition leader Rubalcaba's authority has certainly suffered. He could be tempted to opt for a tougher pace compared with that of the prime minister. The country would not be helped by this.

Fig. 2

Little or no trust in the following institutions and organisations survey results in per cent



Source: Own research according to data from the Centro de Investigaciones Sociológicas (CIS). Time series have been adjusted to political parties.

Spaniards' dwindling trust not only in politics, but also in organisations of the intermediary system and the media, does not appear to be alone in public opinion polls (see Fig. 2). In March 2012, Spanish youth first expressed their discontent through a week long occupation of the Puerta del Sol, one of the capital city's central squares, and demanded a "true democracy" (*democracia real ya*). All age groups gathered together around parliament in September of the same year. Images of massive demonstrations are a recent phenomenon in Spain. Citizens seemed to react in an almost resigned manner to the austerity requirements decreed by their government at ever decreasing

intervals. “Spaniards experienced the current economic crisis primarily like a kind of tsunami: unexpected, quick, and devastating.”¹³

In the meantime, the protest had been established. Yet, unlike in Greece, the economic crisis is not driving Spanish citizens into the arms of extremist factions. There are not very many fringe parties or populists, and they do not benefit from social discontent. However, protest voters and those disappointed in the PSOE aided in the success of IU in the parliamentary elections. So far they have not been able to focus on any of their own issues.

LONGING FOR THE CARNATION REVOLUTION IN PORTUGAL

Like their neighbours, the Portuguese also disposed of their socialist government during the course of the economic crisis after early elections. Although Prime Minister José Sócrates refuted the seriousness of the economic situation for a long time, the Partido Socialista (PS) refrained from replacing its leader. In the June 2011 parliamentary elections, it lost eight per cent of the vote and 23 seats. Pedro Passos Coelho's conservative Partido Social Democrata (PSD) experienced gains of a similar size, and now makes up the strongest faction in Portuguese parliament with 108 representatives. PSD and the right-wing conservative party Centro Democrático e Social – Partido Popular (CDS-PP), led by Paulo Portas, make up the government. The coalition commands a stable majority with 132

In the June 2011 parliamentary elections, voter participation was at an all-time low at 58 per cent. In the Bragança region and in the Azores, more than half of eligible voters stayed home.

of the 230 seats in the Assembleia da República. The communist/green electoral alliance, Coligação Democrática Unitária (CDU), remained the same with eight per cent of the vote; the Left Bloc (Bloco de Esquerda) even lost half its seats and came out with only eight representatives. Voter participation was at an all-time low at 58 per cent. In the Bragança region and in the Azores, more than half of eligible voters stayed home.

13 | José Juan Toharia, “La sanidad pública, intocable”, *El País*, 1 Dec 2012.

Portugal does not lack the will to launch structural reforms either – the tripartite committee is monitoring compliance with the measures laid down in the memorandum particularly closely. For 2012, the deficit was meant to be pushed down to 4.5 per cent of economic performance, and under three per cent for the current year. Education and social spending are being economised above all. Subsidies have been drastically reduced. VAT is now at 23 per cent, and reduced rates (for example in the catering industry) have been slashed further. Tax breaks have been eliminated for both businesses and private individuals. By 2014, the number of civil servants should be reduced by one per cent annually for the central government, and two per cent at the regional level. Various measures aim to increase efficiency (and therefore reduce costs) of public administration. There are plans to create a central tax authority, for example. Further government agencies must be consolidated. In addition, the number of local authorities should be markedly reduced from the 4,259 currently in place. Portugal has already fulfilled its responsibilities by privatising state-owned enterprises. The state holdings in the utility company EDP and in the electricity supplier REN were able to be sold to Chinese investors for nearly 3.3 billion euros. A French corporation paid a further three billion euros for the airport operator ANA. This allowed the threshold of over five billion euros set for privatisation revenue to be met.

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After seven visits so far, the tripartite committee ambassadors have only very little criticism for the Portuguese government. Prime Minister Passos Coelho displays a noticeable enthusiasm for reform. The austerity requirements have more than been met. The prime minister did not even flinch when two Catholic and two historical-political holidays were cancelled (Corpus Christi and Assumption Day, as well as Restoration of Independence Day and Republic Day, respectively). Trust is slowly returning to financial markets, and the plans for short-term government bonds are ready. The Constitutional Court decision at the beginning of April, which declares parts of the current budget plan unconstitutional, is certainly causing the conservative government coalition some headaches. Now nearly 1.3 billion euros must be cut from somewhere else.

Although the Portuguese curtailed their budget and faced the crisis on a national level in the most recent parliamentary elections, the government in particular and politics in general are under tremendous pressure. Falling wages will result in greater competitiveness for the country, but will also decrease the contentment of its citizens. For cabinet members, public appearances have turned into running the gauntlet. Most young demonstrators consistently resist any attempt at discourse or participation in discussions. In Portugal, as in Spain, the view is turning towards the past. In fact, posters calling for the military to stage a second Carnation Revolution are in the minority among the demonstrators. Yet the newfound popularity of a hit revolutionary song (Grândola, Vila Morena by José Afonso) demonstrates the current feelings of many Portuguese: a mix of nostalgia and an atmosphere of impending change.

As in Spain, social pressure is affecting the relationship between the government and the opposition. The Partido Socialista's new strongman, Secretary General José António Seguro, is distancing himself from the government's plans for reform. The Socialists had even abstained from the 2012 budgetary vote. One year later, the PS voted with the other opposition parties against the budget and the new cuts, amounting to four billion euros. Although his party is among the signatories of the memorandum, in an open letter to the institutions that make up the tripartite committee, Seguro demanded the agreement be revised. Portugal is "facing a social tragedy". The Portuguese would have made many sacrifices, but would not see the results expected. In fact, the country's macroeconomic figures continue to be in the red. The deficit fell markedly short of its goal last year, coming in at over six per cent of GDP, according to information from the National Statistical Institute. The unemployment rate is 17.5 per cent – and rising. Capital and migration flows between Portugal and its former colonies are reversing themselves during the course of the crisis. Most young and well-educated Portuguese are leaving the country for Angola, Brazil, and Mozambique. Foreign investments in Portugal are only increasing from south-west Africa. Since Angola's rise to become Africa's second-largest oil producer, the country has made large-scale investments in the Portuguese banking and energy sectors.

CONCLUSION

The political systems in the Iberian Peninsula are facing economic challenges that are second to none. After important economic reforms have been implemented, or at least initiated, to regain confidence in the financial markets, it is essential for those citizens of Spain and Portugal to regain confidence in their democracies. The outlook is not nearly as bleak as it is often made out to be. Extremists and anti-democrats are not finding success in spite of a difficult economic crisis in the Iberian Peninsula. The political decision-making process is still taking place in the parliaments of Madrid and Lisbon – not on the streets. This is a sign of stability for the young democracies. Until the structural reforms deliver economic results to both countries, political reforms are necessary to maintain this stability. The reform agenda is doomed to fail should the impression be arrived at by the citizens that the reform agenda is an elite project. However this is realised in practice, the political class may no longer ignore calls for greater dependability. Clientelism in politics and public administration must give way to a meritocracy, in which jobs are filled by virtue of qualification and motivation. This includes a comprehensive reduction of bureaucracy.

In order to implement such far-reaching projects, consensus between the large parties is indispensable. Therein lies what may be the greatest challenge for the time being, both in Spain and in Portugal. The political elite is being called on. There can be no continuation of the status quo.



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M23 REBELLION

A FURTHER CHAPTER IN THE VIOLENCE IN EASTERN CONGO

Steffen Krüger

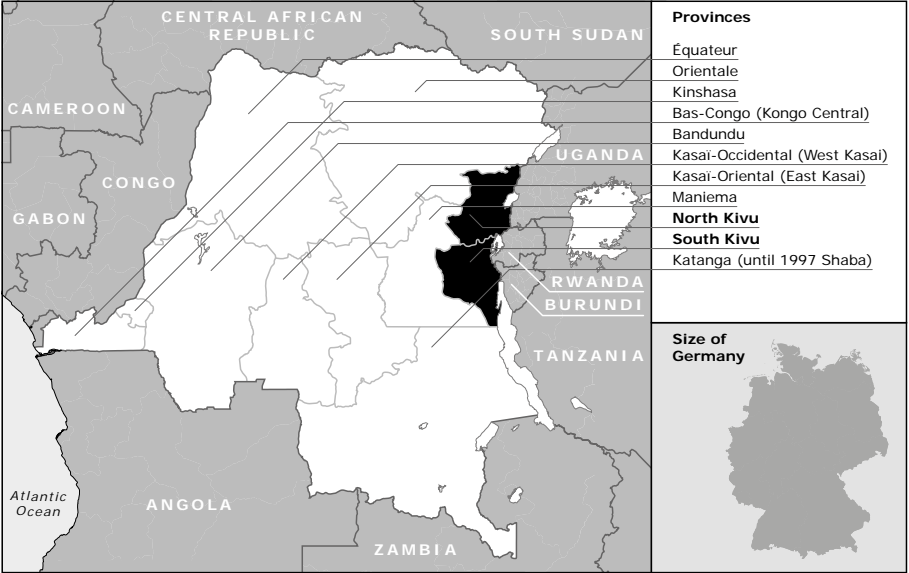
In recent years, the provinces of North Kivu and South Kivu in the east of the Democratic Republic of the Congo have once again become the epicentre of various conflicts in the African Great Lakes Region. The two provinces and their population of ten million were affected particularly strongly by the three Congo Wars between 1996 and 2006. For years they have been the scene of looting, indiscriminate killing and other crimes committed by various parties to the conflict. The region is very densely populated and rich in mineral resources. The reserves of gold, diamonds, tin, coltan¹ and other raw materials are worth hundreds of billions of euros.

In April 2012, the M23 Rebellion² began with the mutiny of 600 Congolese soldiers, bringing a new wave of violence and destruction to the region. Many women, children and men fell victim to the conflict and over 900,000 people had to flee their homes yet again. Nobody knows the precise figures because many are left to their own devices and have hardly any access to assistance. The fighting has now stopped, but the insecurity of not knowing whether a new conflict may break out remains. Various national and international actors have analysed the events during the past few months and discussed solutions for a lasting peace.

1 | Coltan is an ore, which is mainly processed to extract the metal tantalum. Tantalum is used in capacitors for laptops and mobile phones.

2 | M23 stands for 23 March 2009, the date of a peace agreement between the Congolese government and rebel groups, which has since failed.

Fig. 1
Provinces of the Democratic Republic of the Congo and conflict regions North and South Kivu



HOW THE M23 REBELLION CAME INTO BEING

The brutal killing of over 800,000 Tutsis and moderate Hutus within a few weeks in 1994 in the neighbouring state of Rwanda was a dramatic event. This genocide has been affecting the entire region ever since. It is also considered the origin of the M23 Rebellion.

The genocide was stopped by the Rwandan Patriotic Front (Front Populaire Rwandais, FPR), which is dominated by Tutsis.³ The FPR quickly took control of the country. Fearing reprisals, over two million Hutus subsequently fled to neighbouring (then) Zaire. These included approximately 25,000 armed Hutu militia members, who bore partial responsibility for the genocide in Rwanda and now threatened the Tutsi population in Zaire.

3 | The Rwandan Patriotic Front (FPR) was founded in Uganda in 1985 by descendants of Rwandan Tutsis. Between 1990 and 1994, the FPR conducted a guerrilla war against the Hutu dominated Rwandan army. From the military bases in southern Uganda, the militias attacked targets in northern Rwanda, successfully in most cases.

As the longtime (Zairian) dictator Mobutu Sese Seko supported the Hutu militias, the new Rwandan FPR government sent its own militias to Zaire and armed the Tutsis living there. During the subsequent twelve years, a total of three devastating wars took place in the region, one of which also involved the Hutu/Tutsi issue in the Congo.⁴ It was particularly the areas in eastern Congo on the border to Rwanda that bore the brunt of these conflicts.

In the Third Congo War⁵ from 2006 to 2009, the Congolese government fought against the rebel movement Congrès national pour la défense du peuple (CNDP). The CNDP was supported by the Rwandan government, particularly in the fight against the Hutu militia Forces Démocratiques de Libération du Rwanda (FDLR). Further CNDP objectives included the overthrow of the Congolese government and,

according to local experts, also the realisation of Rwanda's economic interests in the eastern region of the Congo, which is rich in mineral resources. The war ended with the rebels suddenly giving up after internal power struggles had weakened then CNDP noticeably. On 5 January 2009, the high-ranking

The Third Congo War ended with the rebels suddenly giving up after internal power struggles had weakened then CNDP noticeably. On 5 January 2009, the military leader of the CNDP announced that the then head of the CNDP had been deposed.

military leader of the CNDP Bosco Ntaganda⁶ announced that the former head of the CNDP, Laurent Nkunda, had been deposed. Ntaganda offered a truce and began negotiations with the Congolese government. In the ceasefire agreement between the two parties to the conflict, it was agreed that 6,200 CNDP rebels would be integrated into the regular Congolese armed forces Forces Armées de la République Démocratique du Congo (FARDC).⁷

4 | After Laurent Kabila had toppled the dictator Mobutu Sese Seko, Zaire was renamed the Democratic Republic of the Congo in 1997. The Congo and DR Congo are used as alternative names in this document. This is not to be confused with the Republic of the Congo or Congo-Brazzaville.

5 | The Third Congo War is also referred to as the Kivu War.

6 | Bosco Ntaganda, who is called the "Terminator" by his followers, has been pursued by the International Criminal Court (ICC) as a war criminal since 2006. The indictment relates to the recruitment and deployment of child soldiers.

7 | Ceasefire agreement of 16 Jan 2009. Besides the CNDP, members of 20 further militias were also integrated into the FARDC.

The two CNDP signatories, Bosco Ntaganda and Sultani Makenga, were made high-ranking generals within the Congolese military. However, they set up a parallel structure within the armed forces. Over the following months, the former CNDP rebels were deployed mainly to combat the Hutu militias (FDLR) in the DR Congo. This army operation was named Amani Leo. Following on from the ceasefire agreement, a peace agreement between the Congolese government and the CNDP was concluded in the provincial capital of Goma on 23 March 2009. Amongst others things, it was agreed that the CNDP would be approved as a political party, that political prisoners would be released and further political and economic measures of reconciliation would be expedited. In addition, the Congo government was to reform its army and democratise local government.⁸

However, apart from the sluggish integration of the CNDP rebels into the army, the Congolese government did not demonstrate much interest in implementing the agreed measures. In the 2011 national parliamentary elections, the CNDP party competed as a partner within the party alliance around President Joseph Kabila. The party has made little impact in public since it was founded. In spite of the Kabila party alliance winning the elections, it has achieved little in Congolese politics. The previously mentioned parallel CNDP structure within the Congolese military became increasingly powerful in the eastern Kivu provinces and was involved in the smuggling of gold and other raw materials. From 2012 onwards, the Congolese government tried to dismantle it step by step. To this end, the military mission Amani Leo, whose purpose had been to combat the FDLR militia, was terminated.

In April 2012, President Kabila announced that he would assist the international community in its efforts to arrest the indicted war criminal General Bosco Ntaganda. In response, the two CNDP signatories Ntaganda and Makenga, now FARDC generals, mutinied with the support of approximately 600 soldiers. The movement, which comprised mostly former CNDP rebels, called itself M23 after the date of the peace agreement of 23 March 2009, which had now failed.

8 | The agreement was also signed by former President Olsusegun Obasanjo (Nigeria) and by Benjamin William Mkapa (Tanzania) at the time.

BEGINNING OF THE M23 REBELLION

During the first few weeks, the M23 rebels were able to relatively quickly gain control of the Congolese areas near the borders with Uganda and Rwanda. This was due to the fact that M23 had a more efficient military setup and made strategic alliances with other rebel groups and because the rebellion was initially welcomed by the population. In spite of many promises and agreements, the

Demands of M23 for greater economic development in the Kivu provinces found favour with the impoverished local population.

government in Kinshasa had badly neglected the situation of the local population prior to that time and allowed criminal smuggling networks to operate freely. Some members of the government lined their pockets in the process. The demands of M23 for greater economic development in the Kivu provinces therefore found favour with the impoverished local population.

Following the example of other rebel groups, M23 set up its own government and financial system. In July 2012, Jean-Marie Runiga, who had previously coordinated the political activities of the CNDP, became head of the political wing. Runiga, a high-ranking member of a church of the awakening in Congo, formed a cabinet and arranged press conferences. Important sources of revenue included the occupied mines as well as tolls levied on roads and at border crossings to the neighbouring state of Uganda. Taxes were raised as well, but villages were also pillaged. M23 also raised funds from entry fees that foreign tourists had to pay in the occupied national parks.

Although the M23 rebellion did not reach anything like the numbers of its predecessor organisation the CNDP⁹, it was able to capture large areas in the North Kivu province and stand up to the Congolese army. In July 2012, the Congolese government concluded a truce with the M23 rebels. It was at this time that an expert report of the United Nations was published, which proved that Rwanda had supported

9 | The National Congress for the Defence of the People (CNDP) commanded over 6,000 to 8,000 men. According to estimates by MONUSCO, the M23 rebellion had around 600 men in May 2012 and 2,000 in November 2012.

the M23 rebels with logistics, equipment and even troops.¹⁰ The report explains that the M23 leaders had received direct instructions from Rwanda. The investigations focused on the Rwandan Defence Minister James Kabarebe, who had fought alongside Kabila against Mobutu in the 1990s. Besides economic interests, the Kivu provinces represent an important buffer zone for Rwanda in its efforts to protect itself against Hutu militias. The Rwandan government rejected these allegations vehemently.



M23 rebels in July 2012 in Bunagana. | Source: Peter Greste, Al Jazeera English (CC BY-SA).

A further accusation in the expert report was directed against Gabriel Amisi, General and Chief of Staff of the army. He was said to be acting as an arms dealer, who supplied various rebel groups from stocks of the Congolese army FARDC and had profiteered for a long time from the mines in the east of the country. He allegedly also supplied the M23 with arms and munitions. Because of these allegations, President Joseph Kabila suspended General Amisi on 22 November 2012.

10 | The final report was published in the letter by the Chairman of the UN Security Council. UN Security Council, "Letter dated 12 November 2012 from the Chair of the Security Council Committee established pursuant to resolution 1533 (2004) concerning the Democratic Republic of the Congo addressed to the President of the Security Council", S/2012/843, 15 Nov 2012, http://www.un.org/ga/search/view_doc.asp?symbol=S/2012/843 (accessed 12 Apr 2013).

CAPTURE OF THE PROVINCIAL CAPITAL OF GOMA

In spite of the truce, the fighting intensified again in the autumn of 2012. The M23 rebels were no longer able to maintain their stronghold on the region of Masisi in the north of North Kivu province, which is rich in mineral resources, and Uganda blocked a border crossing that had previously been an important source of income for M23. It became obvious that the rebels would march on the provincial capital of Goma. The city with a population of a million lies directly on the Rwandan border and is the government and administrative centre of the province of North Kivu as well as an important trading centre.

By 18 November, M23 forces had advanced to within a few kilometres of Goma. During the initial fighting, the rebels

suffered high losses. The gaps were filled by recruiting people from the occupied areas.

Efforts were made to attract former rebels and the numerous deserters with a monthly salary of approximately 150 U.S. dollars. But there was also some forced recruitment, including that of children and adolescents.

Particular efforts were made to attract former rebels and the numerous deserters with a monthly salary of approximately 150 U.S.

dollars. Some followed M23 voluntarily. But

there was also some forced recruitment, including that of children and adolescents.¹¹ The frontline FARDC positions were breached one by one and some city districts were taken. On 20 November, the entire city fell into the hands of the M23 rebels.

Human Rights Watch reports about 24 murders committed by M23, 21 of whom were civilian victims.¹² The rebels specifically targeted employees of the government and justice system. According to reports by Goma residents, civilians were wounded and many houses were ransacked or destroyed, including administrative and police buildings. Many people sought protection in refugee camps, which soon became overcrowded. As the Congolese army had

11 | In a report of 11 Sep 2012, the U.S. NGO Human Rights Watch illustrated the brutal recruiting methods of M23. "DR Congo: M23 Rebels Committing War Crimes", Human Rights Watch, 11 Sep 2012, <http://hrw.org/news/2012/09/11/dr-congo-m23-rebels-committing-war-crimes> (accessed 14 Apr 2013).

12 | "DR Congo: War Crimes by M23, Congolese Army", Human Rights Watch, 5 Feb 2013, <http://hrw.org/news/2013/02/05/dr-congo-war-crimes-m23-congolese-army> (accessed 12 Apr 2013).

destroyed the electricity supply to the water treatment plants, there were problems with the drinking water supply.



Families on the move to escape the current fighting between M23 rebels and the Congolese army. Refugee camps were soon overcrowded. | Source: Kate Holt, Oxfam (CC BY-NC-ND).

It is difficult to understand why both the Kinshasa government and the military leadership had underestimated the M23 rebellion for such a long time and how it was possible that a few hundred rebels were able to take a town with a population of a million within a few days. According to local experts, a number of poor military decisions were taken in addition to ignoring the lack of strength of the FARDC units stationed in Goma. Although some 1,500 soldiers of the UN peacekeeping mission MONUSCO¹³ were stationed in Goma when the rebels entered the city, they could not intervene in the conflict because of their mandate. At the time, their mandate, which had been determined in a resolution of the UN Security Council, was restricted to the protection of the civilian population and cooperation with the Congolese military forces FARDC. Once it became clear that the takeover of the city by M23 was imminent, the FARDC soldiers

13 | The peacekeeping mission MONUSCO (United Nations Organization Stabilization Mission in the Democratic Republic of the Congo) has been active in the Democratic Republic of the Congo since November 1999. The currently largest peacekeeping mission comprises close to 20,000 men and women. The majority are soldiers from India, Pakistan, Nepal, Uruguay and South Africa. In addition, there are some 300 police and 2,000 civilian experts. The annual budget of the mission is approx. 1.4 billion U.S. dollars.

fled and abandoned MONUSCO and the civilian population. MONUSCO was only able to conduct a few emergency operations to evacuate important Congolese government representatives. According to an assessment by the UN, further military intervention would only have cost more lives.

THE CRIMES COMMITTED BY THE CONGOLESE ARMY IN MINOVA

During the course of its retreat from the city of Goma, FARDC committed some of the worst atrocities in this conflict in the town of Minova. Minova is not far from Goma and was on FARDC's retreat path. During the retreat, the FARDC command structures broke down, some units disappeared for days and soldiers began looting. According to a MONUSCO report, a total of 126 cases of rape and two murders committed by the Congolese army in Minova were registered between 20 and 30 November.

During the retreat of the FARDC from Minova some units disappeared for days and soldiers began looting. A total of 126 cases of rape and two murders committed by the FARDC were registered.

One of the Congolese soldiers involved in the action described what happened in Minova in the British newspaper *The Guardian*: "Twenty-five of us gathered together and said we should rape 10 women each, and we did it, [...] I've raped 53 women. And children of five or six years old."¹⁴ It was not until the head of the Congolese army, Lieutenant General François Olenga, who had been appointed to the post very recently, and the military police took action that the assaults could be stopped.

Immediately afterwards, nine soldiers were arrested. Just two of them were arrested because of claims of rape, seven further soldiers were accused of looting. But apart from a half-hearted investigation of the events and empty promises, neither FARDC nor the Congolese government have taken any action to find those responsible for the crimes. Both the local population and the international community responded to this behaviour with outrage.

14 | Pete Jones, "Congo: We did whatever we wanted, says soldier who raped 53 women", *The Guardian*, 11 Apr 2013, <http://guardian.co.uk/world/2013/apr/11/congo-rapes-g8-soldier> (accessed 22 Apr 2013).

Raping women, children and in some cases men as well is frequently used as a weapon of war in order to do permanent physical and psychological damage to the enemy. But the example in Minova has also shown that even members of the perpetrators' own side can fall victim to rape. In the Congo, there is a widespread superstition amongst rebels and soldiers that having sexual intercourse with minors provides protection against being shot or contracting HIV. A number of national and international initiatives have been set up in the meantime to call attention to the problems. A few months after the incident, the actress Angelina Jolie and the British Foreign Secretary William Hague visited the area of conflict to gain a picture of the situation of women there. Hague pointed out that over 500,000 women had been raped since 1996. He added that the fact that only a very small proportion of the perpetrators had been brought to court only encouraged the culture of lawlessness.¹⁵

M23 WITHDRAWAL

On 1 December 2012, the M23 rebels left Goma and took up position approximately 20 kilometres north of the city.

This was followed by negotiations with the Congolese government in the Ugandan capital of Kampala. The M23 rebels' demands related predominantly to the fulfilment of the terms of the agreement of 23 March 2009. In addition, the M23 delegation demanded better protection of the political opposition as

The M23 rebels' demands related predominantly to the fulfilment of the terms of the agreement of 23 March 2009. In addition, the delegation demanded better protection of the political opposition.

well as proper investigation of the murders of opposition figures in the Congo, the release of political prisoners, the disbandment of the National Electoral Commission CENI as well as the convening of a new national assembly. The Congolese government, which was initially reluctant in its participation in the negotiations, demanded the disbandment of M23 and sought clarity about the role Rwanda had played in the conflict.

15 | William Hague, "William Hague Reflects on Preventing Sexual Violence – An Op-ed by Foreign Secretary William Hague", 11 Apr 2013, <http://gov.uk/government/world-location-news/william-hague-reflects-on-preventing-sexual-violence> (accessed 15 Apr 2013).

The negotiations were still continuing in April 2013. Although initial agreements had been reached, lasting solutions are not yet in sight. The Congolese side is playing for time to see how long M23 will continue to exist. In the meantime, the delegations have reduced in size as funds are dwindling.

At the same time, discussions between the states of the region have started as well within the African Union and at the International Conference on the Great Lakes Region (ICGLR¹⁶). The conflict with M23 has a definite regional component and there was a danger that the fighting might spread to the neighbouring countries of Rwanda and Uganda. In terms of content, the aim of the international conferences was to put a final end to the conflicts in the eastern DR Congo and to establish a dialogue between the affected states. As early as in the autumn of 2012, discussions were held on the idea of sending an international intervention force into the Kivu provinces. This intervention force, consisting of troops from the neighbouring states, was to disarm the rebel groups. But due to a lack of will on the part of the states, this initially remained on the drawing board.

On 24 February 2013, representatives from eleven ICGLR states met in the Ethiopian capital of Addis Ababa and concluded a Framework for Peace, Security, and Cooperation in the Democratic Republic of the Congo and the Region.¹⁷ Amongst other things, the signatory states declared that they would no longer interfere in conflicts in neighbouring states without prior consultation. The Congolese government, for its part, agreed to conduct important reforms in the areas of security, decentralisation, infrastructure development and improvement of the supply of basic services. Now, it is above all strategies and activities that are needed

16 | The ICGLR member states are Angola, Burundi, Central African Republic, Democratic Republic of the Congo, Kenya, Republic of Congo, Rwanda, Sudan, Tanzania, Uganda and Zambia. ICGLR website, <http://cigr.org/index.php> (accessed 18 Apr 2013); Charlotte Heyl, "The International Conference on the Great Lakes Region – An African CSCE?", *KAS International Reports*, 12/2010, 87 et sqq., http://kas.de/wf/doc/kas_21242-544-2-30.pdf (accessed 12 Apr 2013).

17 | The agreement was also approved by representatives of the United Nations, the African Union, the ICGLR and the Southern African Development Community (SADC).

to fill the agreement with substance. The signatories meet twice a year to discuss progress. UN Secretary General Ban Ki-Moon spoke of a historic moment and stated that the situation in the Democratic Republic of the Congo needed to remain on the international agenda.

No M23 representatives were invited to these meetings. In February 2013, infighting began between the two M23 leaders Makenga and Ntaganda. On 18 March, Ntaganda fled into the U.S. embassy in Kigali, ready to face justice at the International Criminal Court. His rival Makenga took over leadership of the rebels and is now negotiating with the Congolese government in Kampala. At the same time, pressure is mounting on Rwanda to stop supporting M23. Due to the allegations, the USA, the UK, Sweden, the Netherlands and Germany partly suspended their development cooperation with Rwanda in July and, respectively, August or delayed payments.

In February 2013, infighting began between the M23 leaders Makenga and Ntaganda. Ntaganda went to face justice at the International Criminal Court. His rival took over leadership of the rebels.

STARTING POINTS FOR A LONG-TERM SOLUTION

There have been some indications of progress in the Democratic Republic of the Congo over the last ten years. Since the end of the Third Congo War, the western and central parts of the country have been relatively stable. There have already been two elections, and a pluralistic party system as well as relatively free media have emerged. Excessive inflation has been stopped and the Congo is showing good economic growth. But since 2009, the Congolese government has not been able to bring about lasting peace in the east of the country. The fall of Goma and the events of the M23 Rebellion have shown that the Congolese population is dissatisfied with this situation. There have been reports on the matter in the newspapers in Kinshasa virtually every day. And opposition representatives have also been speaking openly against government policies in parliament and in the senate.

The framework agreement of 24 February has highlighted the importance of reforms in the Democratic Republic of the Congo. The security sector and decentralisation are particularly important in this context. The panicked retreat from Goma and the incidents in Minova have shown

that the Congolese army also urgently needs reforming. Experts assume that the FARDC comprises more than 120,000 soldiers and civilian labour. Thus it has one of the highest force levels in sub-Saharan Africa. During the M23 conflict, the dilapidated FARDC was in no state to take effective action against the well organised rebel groups. Many M23 rebels came from the ranks of the FARDC, but were still superior to their former comrades. The weekly magazine *Jeune Afrique* posed the blunt question "Why are the African armies so useless?"¹⁸, referring to the defeats of the Malian and Congolese armies in 2012. According to local experts, dissatisfaction within the army is very high. That might have a considerable impact on the security situation in the country.

Also urgently required are structural reforms to create an army that will act in the interests of the constitution and of the nation and not in the interests of individual actors. There is a need to eradicate problems such as parallel or incompetent command structures, training deficits, poor equipment and logistics, endemic corruption, delayed pay and lack of motivation. Although President Kabila announced important reforms for 2013 at the end of last year, he has provided no further details to date. MONUSCO, the EU, the Konrad-Adenauer-Stiftung and other organisations are collaborating on reforms with FARDC and with Congolese civil society. The KAS Country Programme Congo has been supporting the democratisation of the FARDC through political education for several years. It conducts seminars on democracy and the rule of law for officers in cooperation with the FARDC.

There have been demands for democratically legitimised and functioning local institutions to be established for a long time. But due to political rivalries, lack of motivation and funding there has been no visible progress.

The second area requiring reform is that of the decentralisation of state and administration in the Democratic Republic of the Congo. There have been demands for democratically legitimised and functioning local institutions to be established for a long time and they are already enshrined in the constitution. But due to political rivalries, lack of motivation and funding there has been no visible progress in this area. Many local government

18 | François Soudan, "Armées Africaines: Pourquoi sont-elles si nulles?", *Jeune Afrique*, 17 Dec 2012, http://jeuneafrique.com/Article/JA2709p026_033.xml0 (accessed 13 May 2013).

institutions are inefficient in their operation, have few funds, are corrupt and do not offer adequate services. In some parts of the country, state administration does not function at all or it has been replaced by informal structures. Successful decentralisation could be a way to reduce some of the considerable potential for conflict at local level. In other countries, where decentralisation processes have been conducted successfully, it has become clear that it is easier to integrate minorities, distribute resources and encourage citizens to take on more responsibility at a local level. In the DR Congo, there are still a number of projects that need to be tackled urgently. But there are also a few actions taken at international level that may help end the violence.

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To curb the illegal trade in raw materials, the United States passed a law in 2010 as part of its Wall Street reforms, which requires quoted companies to disclose whether their products have been manufactured using metals from areas of conflict. The European Union is currently making efforts to push through a similar directive. The United Nations, individual states and civil society organisations are putting increasing pressure on armies and rebels who subject women to violence. On 25 March 2013, for instance, the special envoy of the UN mission in the Congo, Roger Meece, presented the Congolese government with a seven-day ultimatum relating to the events in Minova: Either FARDC would conduct serious investigations culminating in the conviction of the guilty parties or the support by MONUSCO for the two affected FARDC battalions in the region would be stopped. On the basis of the allegations, at least ten responsible commanding officers were dismissed and handed over to the military jurisdiction. How many more soldiers and officers will be charged is not yet known.

On 18 October 2012, Rwanda was elected a non-permanent member of the UN Security Council for two years. Western governments partly resumed their development cooperation with Rwanda, which had previously been suspended, for several months, albeit subject to conditions. On 28 March 2013, the United Nations approved a new, far-reaching mandate for the MONUSCO peacekeeping

mission in the Congo in Resolution 2098 (2013).¹⁹ Not only has the mandate been extended by one year, its remit has also been significantly expanded. For the first time, the UN is sending in a 3,000 strong intervention force, which has the remit to neutralise and disarm armed rebel groups in the east of the country. This means that the United Nations is abandoning its principle of neutrality and actively intervening in the hostilities. According to the mandate, cooperation with the Congolese armed forces is not an absolute necessity. But experts agree that collaboration with the police and the judicial authorities should begin as soon as possible so that war criminals can be brought to justice.

The Congolese government is playing for time in the current negotiations with M23 in the hope that the rebellion will continue to disintegrate or that the intervention force will disarm M23.

Hopes are high among the Congolese population that the UN intervention force will bring about a swift resolution of the conflict. The Congolese government is playing for time in the current negotiations with M23

in the hope that the rebellion will continue to disintegrate or that the intervention force will disarm M23. But some security experts are starting to have doubts in the intervention force, and memories of failed missions of the past, namely ONUC (1960s in the Congo) and Restore Hope (early 1990s in Somalia), are resurfacing. Neither of these two missions was neutral either and they both became a pawn of different political interests. The mission is also short of time, the relevant troops need to be transferred to the Congo and gain experience in the field.

CONCLUSION

The fighting has stopped, but the danger is not over by any means. The likelihood that a new rebel movement will emerge, intent on profiting from the raw materials, is high. No fewer than eight states have intervened militarily in the Congo in the past 20 years. Over 20 militia groups conducted their malign activities; many of them continue doing so today. After almost 20 years of war and destruction, peace will not come to the eastern region of the Democratic Republic of the Congo overnight.

19 | Resolution 2098 (2013), UN Security Council, S/RES/2098 (2013), 28 Mar 2013, http://securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_res_2098.pdf (accessed 13 Apr 2013).

However, some developments give cause for hope. One Congolese war criminal has already been convicted by the International Criminal Court in The Hague, another has handed himself in. M23 has been weakened, not least due to international pressure, and the United Nations has created a framework agreement with its African partners, which can contribute to a lasting solution in the region. In a speech about the new strategy, the UN General Secretary said: "The people of the Democratic Republic of the Congo deserve to live normal lives and not to be subject to rape, abduction, exactions, fear or worse. [...] Let us offer the people of the Democratic Republic of the Congo not only hope, but a concrete engagement for the peace and stability they have so long deserved."²⁰

The regional framework agreement and the new intervention force of the UN mission represent important initiatives to stabilise the region. But their effectiveness depends above all on the extent to which the Government of the Democratic Republic of the Congo implements necessary reforms in the country.

20 | Minutes of the 6928th session of the UN Security Council, S/PV.6928, 5 Mar 2013, http://www.un.org/ga/search/view_doc.asp?symbol=S/PV.6928 (accessed 13 Apr 2013).



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SOUTH AFRICA AS PART OF THE BRICS GROUP

THE EMERGING COUNTRIES' GATEWAY TO THE AFRICAN CONTINENT

Marius Glitz

On 26 and 27 March 2013 South Africa hosted the summit of BRICS countries. The focus in the port city of Durban was on relations between the five emerging nations of Brazil, Russia, India, China and South Africa and other countries on the African continent. For its fifth summit the group, of which South Africa has been a member since 2011, accordingly adopted the slogan "BRICS and Africa – Partnership for Development, Integration and Industrialisation". South Africa used the opportunity to portray itself as the gateway to the African continent, in an attempt to change its image as an economic outsider within the group of rapidly growing emerging countries.

The BRICS countries now represent 40 per cent of the world's population and the cooperation between them therefore attracts considerable international attention. For some years the five emerging countries have aroused particular interest on account of their steady economic growth of up to ten per cent, with which they put the traditional western growth markets in the shade. The BRICS states have a combined gross national income (GNI) of some 14.9 billion U.S. dollars; during the last decade they have been responsible for 50 per cent of worldwide economic growth, and they have even weathered the international financial crisis of 2008 and beyond largely unscathed.

FROM BRIC TO BRICS

The acronym BRIC was coined in 2001 by Jim O'Neill, Chief Economist at the giant investment bank Goldman Sachs. In his paper "The world needs better economic BRICs"¹ he commented on the ten-year investment boom that was taking place in the emerging countries of Brazil, Russia, India and China.

In September 2006, the four emerging countries commenced high-level diplomatic talks in New York. In 2009 the leaders of the BRIC countries held their first summit in the Russian industrial city of Yekaterinburg. Three further summits followed: 2010 in Brasilia, 2011 in Sanya (China) and 2012 in New Delhi. In addition there were regular meetings of the ministers responsible for foreign and economic affairs, finance and trade, and other talks at ministerial level.



The President of South Africa, Jacob Zuma (r.), attended the BRICS summit as a full member for the first time in Sanya in April 2011. | Source: Government ZA (CC BY-ND).

On 21 September 2010 the BRIC foreign ministers agreed to invite South Africa to join the group. In April 2011, the President of South Africa, Jacob Zuma, attended the summit in Sanya as a full member. In the same year the BRICS Forum was set up as an international organisation

1 | Jim O'Neill, "Building Better Global Economic BRICs", *Goldman Sachs Global Economics Paper*, 66, 2011.

promoting commercial, political and cultural cooperation between the member states.

Items on the BRICS political agenda include reform of the UN, the IMF and the World Bank, action on climate change, energy security and food security, and attainment of the UN Millennium Development Goals (MDGs).² The range of international issues on which the BRICS states take a stand has grown steadily over the years and now includes matters of security: for example, the group has made known its views on international terrorism, the conflict in the Middle East, the security situation in North Africa, Afghanistan, Iran and Syria. Western military operations in fragile states come under heavy criticism, usually on the grounds that the BRICS – citing the sovereignty of individual states enshrined in international law – support non-intervention in national affairs.

The subject on which there is the greatest political consensus within BRICS is its desire to see a progressive shift away from what the group sees as a western-dominated world order towards a multi-polar one. The largest emerg-

ing countries do not regard themselves as

The BRICS are demanding a greater say within the UN as well as in the international financial institutions World Bank and the IMF.

being simply at an intermediate stage of development, somewhere between the centre and the periphery; instead their vision is of “a new model for global relations, one that

overrides the old East-West and North-South barriers”.³ As part of this approach the BRICS are demanding a greater say within the UN, the World Bank and the IMF. For example, since the start of the financial crisis the economically troubled West has been more than ever reliant on capital from the major emerging countries; the BRICS are using this fact to press for the reforms to the world financial system that they would like to see.

As yet, however, the BRICS have not been able to agree on a new monetary regime as an alternative to the traditional Bretton Woods system. At the fifth summit held in Durban,

2 | Cf. Fifth BRICS Summit, “About BRICS”, <http://brics5.co.za/about-brics> (accessed 7 Mar 2013).

3 | Vadim Lukov, “A global forum for the new generation. The role of the BRICS and the prospects for the future”, BRICS Information Centre, University of Toronto, 24 Jan 2012, <http://www.brics.utoronto.ca/analysis/Lukov-Global-Forum.html> (accessed 16 Apr 2013).

South Africa, the group's declaration of its intention to establish its own development bank as its first permanent institution was therefore awaited with interest. The idea of setting up a joint bank to finance social development and infrastructure projects was first put forward at the New Delhi summit in 2012. However, it is uncertain whether the bank, to which each of the five countries is likely to contribute ten billion U.S. dollars in start-up capital,⁴ will be able to drive forward reform of the international financial institutions.

THE OUTCOMES OF THE FIFTH BRICS SUMMIT: AMBITIOUS PROJECTS STILL LACKING IN DEFINITION

South Africa's hosting of the fifth summit this year completed the cycle of rotating chairmanship within BRICS. This was the first time the representatives of the most important emerging countries had met on the African continent. By the time the two-day meeting ended some landmark decisions had been taken, but observers were left unclear about exactly how they would be implemented.

Among the key steps was the expected declaration on the founding of a BRICS development bank. The South African Finance Minister, Pravin Gordhan, announced on the first day of the summit that agreement had been reached on setting up a joint bank to finance infrastructure projects in emerging and developing countries. In the eyes of many observers the BRICS development bank represents at long last the first concrete step in the process of providing the group of five with an institutional framework. Although the BRICS bank with its probable start-up capital of 50 billion U.S. dollars will complement⁵ rather than replace the traditional Bretton Woods institutions, it is likely that it will be more effectively attuned to the needs of developing countries. As yet, however, the BRICS countries have been unable to agree on the bank's location,

In the eyes of many observers the BRICS development bank represents at long last the first concrete step in the process of providing the group of five with an institutional framework.

4 | Cf. Jaibal Naduvath and Samir Saran, "Thinking the Russian choice: BRICS v/s OECD", South African Foreign Policy Initiative (SAFPI), 29 Jan 2013, <http://safpi.org/news/article/2013/thinking-russian-choice-brics-vs-oecd> (accessed 16 Apr 2013).

5 | Cf. Simon Freemantle and Jeremy Stevens, "The BRICS development bank. Cautious optimism", *Standard Bank Africa Macro, EM10 & Africa*, 25 Feb 2013, 2.

the allocation of voting rights or the precise organisational structure. Disagreement on the regional priority of investment projects is also to be expected. In particular, India and South Africa are likely to compete for loans for the infrastructure development that both urgently need.

Many representatives of the BRICS states are of the view that – unlike in the IMF and the World Bank – voting rights should be distributed equally among the lenders and that in consequence all five countries should contribute equally to the bank's start-up capital. South Africa, however, is questioning whether it is even in a position to make a capital contribution of ten billion U.S. dollars, which represents about 2.5 per cent of its national budget. The Chinese economy is 22 times larger than the South African one, which means that China would need to pay only about 0.12 per cent of its national budget.⁶

It must be assumed that it will take some years to set up a functioning BRICS development bank. As an immediate step, the group therefore agreed to set up a joint currency reserve of 100 billion U.S. dollars to maintain members' financial flexibility at times of economic crisis. The BRICS countries also agreed to set up a joint economic council to promote investment between the partner countries. In addition, China and Brazil signed a bilateral swap agreement worth 30 billion U.S. dollars per year⁷ to reduce their dependency on the U.S. dollar in exchange transactions. On the fringe of the meeting China and South Africa consolidated their bilateral trade relations. Before the BRICS summit China's President Xi Jinping met with Jacob Zuma in Pretoria for bilateral talks. One-third of China's trade with Africa arises from its partnership with South Africa, making China South Africa's largest business partner. And South Africa and Russia declared their wish to set up an organisation along the lines of the Organization of Petroleum-Exporting Countries (OPEC) to coordinate their platinum and palladium exports.⁸ All the decisions taken at the summit send out clear signals about the group's desire to reduce its economic dependence on the West.

6 | Cf. *ibid.*, 3.

7 | Cf. Mariam Isa, "Gordhan signals progress as Brics bank takes shape", *Business Day*, 27 Mar 2013, 13.

8 | Cf. Dineo Faku, "SA, Russia plan to sew up world platinum market", *The Star*, Business Report, 28 Mar 2013, 17.

AN ASSOCIATION OF RIVALS

A South African political scientist recently commented to a representative of the Brazilian embassy in Pretoria in words to the effect that "The only thing that unites us is that both our countries are striving for greater political recognition at international level. Otherwise I regard us as rivals."⁹ Experts agree that to a large extent the BRICS countries have differing economic and political interests. The five emerging countries have not yet managed to subordinate their national interests to common goals. The BRICS are often most readily compared with the G8 group. They do not yet have institutional backup in the form of a permanent secretariat and, as in the G8, the annual rotation of the chairmanship exerts a strong influence on the group's political agenda.¹⁰

At political level Brazil and the nuclear power India are particularly keen to have a permanent seat on the United Nations Security Council (UNSC). China, by contrast, would like to challenge the USA's leadership role in a bipolar world order.¹¹ In addition the military rivals India and China are caught up in an arms race as they seek to secure their strategic interests. Border disputes and India's granting of asylum to the Dalai Lama have for decades led to repeated periods of diplomatic chill between the two countries. This highlights the fragile cohesion of BRICS.

The BRICS countries also differ in their fundamentally disparate models of government and in their economic power. China is now the world's second-largest economy after the USA and is more powerful than all the other BRICS countries combined. Brazil has the seventh-largest GNI in the world, while Russia and India follow in ninth and tenth places respectively. South Africa, by contrast, is far down the scale. This is reflected in the fact that 85 per cent of

China is now the world's second-largest economy after the USA and is more powerful than all the other BRICS countries combined.

9 | Discussion the SAIIA media briefing on the BRICS Summit 2013 of the South African Institutes of International Affairs (SAIIA), 19 Feb 2013.

10 | Cf. Catherine Grant-Makokera, "5th Annual BRICS Summit. Not a new case of club diplomacy", SAIIA, 20 Mar 2013, <http://saiia.org.za/feature/5th-annual-brics-summit-not-a-new-case-of-club-diplomacy.html> (accessed 17 Apr 2013).

11 | Cf. Andrea Spalinger, "Die Brics-Staaten ringen um Einfluss", *Neue Zürcher Zeitung*, 30 Mar 2012.

intra-BRICS trade involves China, which accounts for 55 per cent of total BRICS GNI.¹² China is also by far the largest destination for exports from the other four countries, which consist almost entirely of unprocessed commodities. It is the only one of the five to have an internationally competitive export trade in processed industrial goods. Overall there is scope for expanding the trade between BRICS. Each of the BRICS members still has closer economic ties with the USA and Europe than with its partners within the group of five.¹³

Russia, which has the largest per-capita income among the BRICS, is also in some respects the odd one out among the emerging countries. Russia is the largest country in the world in terms of area and has a relatively sophisticated social system that puts it on a par with some industrialised countries. The fact that Russia is now a firm candidate for membership of the western Organisation for Economic Cooperation and Development (OECD) conflicts with the joint interests of the BRICS countries.¹⁴

SOUTH AFRICA'S INTERESTS WITHIN BRICS: ON THE SEARCH FOR RECOGNITION AS A REGIONAL LEADER

South Africa's membership of BRICS has been controversial from the start. When Pretoria was invited to join the BRIC group in December 2010, it was already regarded as an outsider among the new group of five. Economically the country at the southern tip of Africa is by far the weakest member of BRICS. In the past ten years

Economically South Africa is by far the weakest member of BRICS. The country is now experiencing "deindustrialisation".

South Africa's trade with the other four emerging countries has increased tenfold, from 3.2 billion U.S. dollars to the current figure of 37 billion U.S. dollars per year.¹⁵ But South Africa still accounts for only 2.8 per cent of intra-BRICS trade and just 2.6 per cent of combined GNI. The country is also struggling to maintain its economic growth

12 | Cf. Simon Freemantle and Jeremy Stevens, "BRICS trade is flourishing, and Africa remains a pivot", *Standard Bank Africa Macro, EM10 & Africa*, 12 Feb 2013, 1.

13 | Cf. Ian Bremmer, "United by a Catchy Acronym", *The New York Times*, 30 Nov 2012, <http://nytimes.com/2012/12/01/opinion/united-by-a-catchy-acronym.html> (accessed 14 May 2013).

14 | Cf. Naduvath and Saran, n. 4.

15 | Cf. Freemantle and Stevens, n. 12, 3.

rate of three per cent. And foreign investors lost confidence in South Africa after the Marikana miners' strike last year, with the result that the country is now experiencing "deindustrialisation".¹⁶ In terms of population and territorial size South Africa also ranks behind its four partners.

South Africa is using its membership of the group of the most powerful emerging countries mainly as a forum to add weight to its foreign policy interests.¹⁷ The South African government hopes that its membership of BRICS will lead to greater international appreciation of its self-appointed role as a pioneer of African development. In addition, since the end of apartheid South Africa has regarded itself with ever-increasing confidence as the advocate of the global South on the international stage. It was for this reason, and to promote African interests more strongly within the BRICS group, that President Zuma invited a number of African leaders to Durban at the time of this year's summit. Within BRICS the South African government has always been particularly eager to present the country as the gateway to the African continent for international investors, and it was this that led to Pretoria joining the group of states.

South Africa can look back on a tradition of internationally oriented statesmen from Jan Smuts to Thabo Mbeki.¹⁸ Mbeki, the second democratically elected president of South Africa, called in his statement on foreign policy for an "African Renaissance" that would establish South Africa as an important international player. Under Mbeki's government Pretoria took its place as a member and key driver of a number of international institutions such as the G20 and the UN. At the start of the twenty-first century the country on the Cape played an important part in the founding of the African Union (AU) and the New Partnership for Africa's Development (NEPAD). Pretoria was also an initiator of the African Peer Review Mechanism (APRM), a system for mutual review of the governance of African countries; it has been involved in a number of peace operations on the continent and has attempted – albeit with modest success – to

16 | Chris Alden and Maxi Schoeman, "South Africa in the company of giants. The search for leadership in a transforming global order", *International Affairs*, 89, 2013 1, 111–129, here: 121.

17 | Cf. *ibid.*, 115.

18 | Cf. *ibid.*, 112 et seq.

mediate in various internal African conflicts. According to the Minister of International Relations and Cooperation, Maite Nkoana-Mashabane, South Africa plans to do even more to promote regional integration in the context of the AU.¹⁹ The appointment of Nkosazana Dlamini-Zuma as chairperson of the African Union Commission in July 2012 means that a South African now heads the most important organisation of African states.



Nkosazana Dlamini-Zuma signs an agreement with the World Bank. The chairperson of the African Union Commission is a South African. | Source: Sarah Farhat, World Bank (CC BY-NC-ND).

However, the main problem of South Africa's foreign policy is that the country is pursuing too many different objectives simultaneously and lacks any distinct foreign policy focus.²⁰ In addition, some policies – according to the South African human rights activist Mamphela Ramphele – are inconsistent with the principles of universal human rights on which the South African constitution is based.²¹ For example, Pretoria has so far remained largely silent on

19 | Cf. Maite Nkoana-Mashabane, "Brics empowers all of Africa", SAFPI, 17 Jan 2013, <http://safpi.org/news/article/2013/nkoana-mashabane-brics-empowers-all-africa> (accessed 17 Apr 2013).

20 | Cf. Narnia Bohler-Muller, "Nuanced balancing act. South Africa's national and international interests and its 'Africa Agenda'", SAIIA Occasional Paper, 120, 2012, 5.

21 | Cf. Mamphela Ramphele, "Rekindling the South African dream", speech marking the launch of the political platform Agang, Johannesburg, 18 Feb 2013.

the issue of flagrant human rights abuses in neighbouring Zimbabwe.

Geostrategically, the focus of South Africa's interests lies in the first instance on the African continent, primarily in its immediate neighbourhood. South Africa conducts almost 80 per cent of its African trade within the Southern African Development Community (SADC).²² This means that – particularly with its immediate neighbours – Pretoria finds itself performing a difficult balancing act as it strives for economic dominance while seeking integration.

On account of its economic power, South Africa has long been regarded in Southern African Development Community as the driver of regional integration.

On account of its economic power, South Africa has long been regarded in SADC as the driver of regional integration – while still remaining saddled with its reputation of aggressive apartheid-era dominance.

South Africa's trade with the BRICS states grew by 29 per cent in 2011 alone.²³ Pretoria sees its value for BRICS as stemming in particular from its wealth of mineral resources and its infrastructure, which in African terms is first class. For South Africa the BRICS partnership therefore opens up important opportunities for tackling the obstacles that hinder its own development.

BRICS AS THE DRIVING FORCE FOR DEVELOPMENT IN SUB-SAHARAN AFRICA?

One of South Africa's particular concerns was to use the fifth summit to place African interests firmly on the BRICS agenda. The country deftly presented itself as a bridge-builder between BRICS and Africa. Following the two-day summit of the major powers, President Zuma invited 15 African leaders and representatives of the eight African regional organisations and the AU to a BRICS Leaders Africa Dialogue Forum Retreat entitled "Unlocking Africa's potential: BRICS and Africa Cooperation on Infrastructure".²⁴

22 | Cf. Freemantle and Stevens, n. 12, 5.

23 | Cf. Fifth BRICS Summit, "South Africa in BRICS", <http://brics5.co.za/about-brics/south-africa-in-brics> (accessed 7 Mar 2013).

24 | "Statement by President Jacob Zuma on the eve of the hosting of the 5th BRICS Summit at Sefako Makgatho Presidential Guest House, Pretoria", South African Government Information, 25 Mar 2013, <http://info.gov.za/speech/DynamicAction?pageid=461&sid=35246&tid=102699> (accessed 2 Apr 2013).

African intellectuals are increasingly criticising the involvement of BRICS on the continent as nothing but calculated *realpolitik*.

In the year of the 50th anniversary of the founding of the Organisation of African Unity (OAU), the African leaders were looking to Pretoria to present a strategy that would enable them to enter into partnership with the BRICS countries on an equal footing. African intellectuals are increasingly criticising the involvement of BRICS on the continent as nothing but calculated *realpolitik*. Before the meeting in Durban the Governor of the Central Bank of Nigeria, Lamido Sanusi, warned his fellow Africans against the dominance of the BRICS states: "Africa must shake off its romantic view of China and accept Beijing is a competitor as much as a partner and capable of the same exploitative practices as the old colonial powers."²⁵

After decades of economic marginalisation, companies all over the world are finding new hope in the growing markets of sub-Saharan Africa, where a number of countries are becoming popular investment destinations. Drawing on the image of the Asian tiger states, reference is already being made to the aspiring lion states of Africa. Emerging countries, with BRICS at their head, are already some way ahead of the West in the search for investment opportunities in Africa.

Here again China is taking the lead. Since the start of the millennium China has stepped up its economic involvement in sub-Saharan Africa, triggering a new race for resources. It is on resources that the economic growth of the BRICS countries is built. In addition, the growth of the urban middle class in Africa is creating new markets for industrial products from the five emerging countries.

BRICS trade with Africa in 2012 was worth 340 billion U.S. dollars – more than the value of trade within the BRICS group. China is responsible for 60 per cent of trade between BRICS and Africa.²⁶ The BRICS countries are now the largest new investors in Africa and are thereby boosting the economic and political importance of the continent internationally. But are they also contributing to sustainable development?

25 | "Africa told to be wary of Chinese exploitation", *Risk Africa Magazine*, <http://riskafrica.com/africa-told-to-be-wary-of-chinese-exploitation> (accessed 3 Apr 2013).

26 | Cf. Freemantle and Stevens, n. 12, 4.

The BRICS countries have similar interests in Africa in connection with securing resources, developing infrastructure and opening up agricultural land; consequently, they are usually in competition with each other. In BRICS-Africa relations, therefore, countries have typically gone it alone, or bilateral agreements have been struck between the individual emerging countries and their African partners. It is noticeable that in the process economic interests are often blended with development activities. Three examples of South-South cooperation featuring China, Brazil and India will now be described.

The establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000 institutionalised China's relations with the African states. Since then there have been four more meetings at ministerial level for the purpose of promoting political dialogue and economic cooperation. With its funding of the AU's new conference and office building in the Ethiopian capital Addis Ababa, China is also presenting itself as a donor of development aid.

Contrary to what is often assumed, Chinese economic interests in Africa are no longer entirely controlled by the state. The China-Africa Development Fund (CADF), set up in 2007, uses its capital of five billion U.S. dollars to support private Chinese investors in Africa.²⁷ In addition, more and more families from the steadily growing Chinese expat community south of the Sahara are setting up small businesses. And China is adding a skilful "soft power" component to its economic links with Africa: it is setting up Confucius Institutes and awarding scholarships to Chinese universities as a means of ensuring that Chinese culture and language spread to the black continent.²⁸

The China-Africa Development Fund, set up in 2007, uses its capital of five billion U.S. dollars to support private Chinese investors in Africa.

Speaking in Tanzania in East Africa on one of his first foreign visits, China's President, Xi Jinping, emphasised his country's interest in strengthening its economic links with Africa. The BRICS summit in Durban was the first multi-national meeting he attended after his inauguration. This

27 | Cf. Tristan McConnell, "Is China building a new Africa?", KPMG High growth markets, 10/2011, 10-18, here: 18.

28 | Cf. Markus M. Haefliger, "Chinas 'soft power' in Afrika", *Neue Zürcher Zeitung*, 5 Jan 2013.

highlights the importance to the Asiatic economic giant of the first official meeting of the emerging countries to be held on African soil.

Brazil was one of the driving forces behind the founding of the Africa-South America Strategic Partnership. The most recent Africa-South America Summit (ASA III) – the third since 2006 – was held in Malabo, Equatorial Guinea in February 2013. Brazil also cultivates its partnership with Africa through the India-Brazil-South Africa Dialogue Forum (IBSA), which was set up in 2003.

Brazilian companies such as the oil drilling giant Petrobras, the mining group Vale and the construction conglomerate Odebrecht are already among the largest private-sector employers in some African countries.

The volume of trade between Brazil and Africa grew between 2003 and 2008 from twelve to 26 billion U.S. dollars.²⁹ Brazilian companies such as the oil drilling giant Petrobras, the mining group Vale and the construction conglomerate Odebrecht are already among the largest private-sector employers in some African countries. Brazil, the largest country in Latin America, focuses on cooperation with lusophone parts of Africa, with which it shares a common linguistic and cultural heritage. Many Africans became aware of the former Brazilian president, Luiz Inácio Lula da Silva, as a result of his extensive “travelling diplomacy”.³⁰ During his time in office between 2003 and 2010 Lula flew to Africa at least once a year and drove forward a substantial expansion of diplomatic missions on the continent. There are now Brazilian diplomats in 34 African countries. As a former Portuguese colony and the country with the second-largest black population in the world (after Nigeria), Brazil draws on its shared cultural roots with Africa and sees itself as having an obligation to make reparations for the horrors of slavery. Lula’s successor, President Dilma Rousseff, is continuing her predecessor’s policy on Africa. Brazil hopes that its clear political involvement will lead African countries to support it in its striving for a permanent seat on the United Nations Security Council.

29 | Cf. Dana de la Fontaine and Jurek Seifert, “Die Afrikapolitik Brasiliens. Was steckt hinter der Süd-Süd-Kooperation?”, in: Franziska Stehnken et al. (eds.), *Afrika und externe Akteure. Partner auf Augenhöhe?, Weltregionen im Wandel*, Vol. 8, Nomos, Baden-Baden, 2010, 157-174, here: 166.

30 | Ibid., 162.

In the area of development aid, too, Brazil is increasing its presence on the black continent. About 55 per cent of Brazil's expenditure on development is now targeted at Africa.³¹ Brazil is particularly active in those areas of development cooperation in which it has achieved a notable degree of success on its own territory – namely agriculture, education and health.³²

India, another BRICS country, is also looking at ways to put its relations with Africa on an institutional footing. From 8 to 9 April 2008 the Indian government hosted the India-Africa Forum Summit in New Delhi. In 2010 the Africa-India Plan of Action (2010-2013) was launched in the Indian capital; through this scheme the Asian regional power provided generous loans to Least Developed Countries (LDC) in Africa.

Trade between Africa and India has increased sixfold in the last five years, rising to nearly 70 billion U.S. dollars.³³ India aims to become the counterbalance to China in Africa. India and Africa can look back on a shared his-

tory of anti-colonialism and a striving for independence in the Non-Aligned Movement. Since the start of the new millennium there has been a noticeable increase in Indian business interest in the continent, which is not unrelated to India's growing self-confidence in matters of foreign affairs. Indo-African relations are no longer governed by ideological determinants: India's economic and strategic interests are now coming to the fore.³⁴ Indian companies such as the car manufacturers Mahindra and Tata already have a strong presence in the African market. In addition, India offers IT services of a professional quality which even China cannot yet rival.

Since the start of the new millennium there has been a noticeable increase in Indian business interest in Africa, not unrelated to India's growing self-confidence in matters of foreign affairs.

31 | Cf. Hannah Edinger and Simon Schaefer, "Der Jaguar im Schafspelz?", *Afrikapost*, 4, 2012, 31-32.

32 | Cf. Lidia Cabral and Julia Weinstock, "Brazil. An emerging aid player. Lessons on emerging donors, and South-South and trilateral cooperation", ODI Briefing Paper, 64, 2010, 2.

33 | Cf. Donald Kaberuka, "Africa and India: a shared past, a common future", SAFPI, 5 Feb 2013, <http://safpi.org/news/article/2013/africa-and-india-shared-past-common-future> (accessed 17 Apr 2013).

34 | Cf. Arndt Michael, "Die indische Afrikapolitik. Die Wirtschaftliche und sicherheitspolitische Wiederentdeckung des afrikanischen Kontinents im 21. Jahrhundert", in: Stehnen et al. (eds.), n. 29, 139-155, here: 139.

India's trade relations are primarily with Nigeria, Sudan, South Africa and other African countries with a substantial Indian diaspora, including Kenya, Tanzania and Mauritius.³⁵ In the field of security policy New Delhi expresses interest in the Indian Ocean and contributes forces to a number of UN peacekeeping missions on the African continent.

On account of their rapid economic upswing in recent years, the BRICS are regarded by economists worldwide as something of a marvel and in academic circles they are already being studied as a model of development for other countries. The Chinese Beijing Consensus³⁶ provides many developing countries with an alternative development model to the market-friendly Washington Consensus of the global financial institutions. Under the Lula administration Brazil achieved remarkable success in reducing income inequality and improving health care and education through its social programmes Bolsa Família and Brasil Sem Miséria. China has lifted millions of people out of absolute poverty by creating jobs.

With their rising expenditure on development projects, Brazil and China, the former recipients of development aid, are increasingly competing with the traditional western players.

The involvement of the BRICS countries in sub-Saharan Africa contains elements of classical South-South cooperation schemes that reduce the dependence of the countries of the global South on the western industrialised nations.³⁷ As new donors the BRICS, in addition to pursuing their economic interests, are in the process of changing the international image of development cooperation. With their rising expenditure on development projects (Brazil and India each spend a billion U.S. dollars annually, while China spends two million)³⁸ the former recipients of development aid are increasingly competing with the traditional western players.

In sub-Saharan Africa the BRICS operate as partners on an equal footing. In a manner that contrasts with the western donor-recipient relationship that predominated for

35 | Cf. *ibid.*, 145.

36 | Cf. Christina Stolte and Dana de la Fontaine, "Neue externe Akteure in Afrika", *GIGA Focus Afrika*, 7, 2012, 5, http://giga-hamburg.de/dl/download.php?d=/content/publikationen/pdf/gf_afrika_1207.pdf (accessed 14 May 2013).

37 | Cf. de la Fontaine and Seifert, n. 29, 157.

38 | Cf. Cabral and Weinstock, n. 32, 1.

centuries, the five emerging countries make use of the fact that they are unencumbered by any historical baggage as colonialists and in some cases have been European overseas

territories themselves. To the delight of many African rulers, the BRICS place high priority on non-intervention in the internal affairs of their trading partners. Unlike western countries, they often do not impose any rigorous link between development cooperation and economic relations on the one hand and unwelcome conditions relating to good governance, human rights and environmental standards on the other.

To the delight of many African rulers, the BRICS place high priority on non-intervention in the internal affairs of their trading partners.

However, it must not be forgotten that the BRICS are first and foremost pursuing their own development interests. At their summit in New Delhi last year, the five partners agreed ten common development priorities for their countries: these include job creation, clean and sustainable energy, food security, reduction of income inequality and attention to the problems of urbanisation.

The benefits for Africa lie mainly in access to affordable technology, loans and new commodity markets in the BRICS countries. This is already enabling some African countries to improve their negotiating position vis-à-vis their traditional western economic partners. At the same time, however, trade relations between BRICS and Africa are also creating some new dependencies. A particular problem is the fact that African countries have as yet no coherent strategy for cooperation with the BRICS group. There is a pressing need for partnership strategies to be drawn up with the involvement of the international African organisations, in particular the AU.

CONCLUSION AND OUTLOOK

The BRICS are widely regarded as epitomising the heightened self-confidence of the global South and the shift in the global political equilibrium that has resulted from their economic rise. At the fifth BRICS summit in Durban in March, decisions on the further expansion of relations between the five major emerging countries and Africa were therefore eagerly awaited. Despite some landmark decisions, the overall impression was disillusioning. Loose agreements

such as that on the establishment of a joint development bank must now be negotiated in more detail before further steps to implement them can follow.

In relation to Africa all the BRICS countries are pursuing their own strategic interests in the fields of securing resource supplies and opening up new markets. As a result the five emerging countries are tending to compete with each other rather than subordinate their interests to common goals. Nevertheless, in economic circles the development activities of the BRICS countries in Africa, which are always also in their own economic interest, are already beginning to change the international image of Africa as the hopeless continent.

The benefit the African countries derive from their partnership with BRICS arises mainly from the diversification of their markets. Nevertheless, there is still little difference between the structure of trade with the BRICS countries and trade with the classical western partners: in both cases unprocessed raw materials are exchanged for services and industrial products.

South Africa regards its membership of BRICS mainly as an opportunity to consolidate international acceptance of its role as a regional leader in Africa. In March this year Pretoria had the opportunity to be seen in its self-appointed role as advocate of African interests. Even within Africa this position is not uncontested and it is not accepted unconditionally by South Africa's neighbours. All eyes are now looking to Pretoria to come up with a comprehensive BRICS strategy that takes the interests of other African countries into account.³⁹ Equally, South Africa must derive benefit for itself from the BRICS partnership and ensure that its role as gateway to the African continent is not exploited by the other, more powerful BRICS countries. It was after all South Africa's regional importance that enabled the economic outsider on the Cape to become a member of the exclusive club of emerging countries.

39 | Cf. Lynley Donnelly, "Brics: SA needs a strategy that works for Africa", *Mail & Guardian*, 26 Mar 2013, <http://mg.co.za/article/2013-03-26-brics-sa-needs-a-strategy-that-works-for-africa> (accessed 14 May 2013).

MIGRATION PATTERNS IN LATIN AMERICA AND THE CASE OF CHILE

Edgardo Riveros Marín

In the past several decades, the number of migrants worldwide has doubled.¹ In 2005, the United Nations pegged the figure at 190 million,² which equates to roughly three per cent of the world's population.³ The phenomenon of migration is particularly multifaceted in Latin America. The subcontinent is highly heterogeneous with respect to demography, income distribution, and migration flows.⁴ According to some estimates,⁵ 25 million Latin Americans migrated in 2005 – a figure that translates to 13 per cent of migrants worldwide and to four per cent of Latin America's total population.



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- 1 | Patrick Taran and Eduardo Geronimi, "Globalización y migraciones laborales: importancia de la protección", *Perspectiva sobre migraciones laborales. Programa de Migraciones Internacionales*, International Labour Organization (ILO), 3.
- 2 | Daniel Villafuerte Solís, "Migración y desarrollo en la era de la globalización", *Comercio Exterior*, Vol. 56, No. 12, Dec 2006, 1027.
- 3 | Andrés Solimano, "Migraciones internacionales en la era de las crisis y la globalización: implicancias para América Latina", 1; cf. idem, "International Migration in an Age of Crisis and Globalization. Historical and Recent Experiences", Cambridge University Press, Jul 2010.
- 4 | "Migración y Políticas Sociales en América Latina", Konrad-Adenauer-Stiftung, Regionalprogramm Soziale Ordnungspolitik in Lateinamerika (SOPLA), 2010; cf. here especially Marcela Perticara, "Introducción del Estudio Migración y Políticas Sociales en América Latina", 9, <http://kas.de/sopla/de/publications/16856> (accessed 15 May 2013).
- 5 | "International Migration, Human Rights and Development in Latin America and the Caribbean", 36, Comisión Económica para América Latina y el Caribe (CEPAL), CEPAL conference, 20-24 Mar 2006, [http://www.eclac.org/publicaciones/xml/4/24024/DGI-2303\(SES.31-11\)-Migration-web.pdf](http://www.eclac.org/publicaciones/xml/4/24024/DGI-2303(SES.31-11)-Migration-web.pdf) (accessed 15 May 2013).

The country with the largest number of emigrants is Mexico, followed by Caribbean states and Colombia, with eight and 15 per cent, respectively.⁶ There has been an observable expansion and diversification of countries to which emigrants are attracted. A considerable number of them

Since the 1990s, a growing number of migrants have been moving to Europe, Spain in particular, as well as to Canada.

continue to gravitate towards the United States, with Mexico and Guatemala serving as important way stations.⁷ In 2009, roughly 20.5 million migrants (two-thirds of all Latin American migrants) selected the United States as their destination, of which 50 per cent were Mexicans. This number comprises roughly half of all U.S. immigration.⁸ As a result, immigrants from Latin America constitute the largest ethnic minority in the United States. However, since the 1990s, a growing number of migrants have been moving to Europe (Spain in particular) as well as to Canada.⁹

Beyond emigration to North America, internal migration within Latin America is also of great importance. At least 70 per cent of immigrants – and 90 per cent of those in Argentina and Chile – originate from other (typically neighbouring) Latin American countries.¹⁰ Nations that absorb net inflows of immigrants include Argentina, Venezuela, and Costa Rica, as well as Chile, Mexico, and Brazil in more recent years. The “First Report of the Continuous Reporting System on International Migration in the Americas” (Sistema Continuo de Reportes sobre Migración Internacional en las Américas, SICREMI)¹¹ identified Argentina and Chile as the countries with the highest immigration rates in Latin America, with five and three immigrants per 1,000 inhabitants, respectively.

6 | “Migración internacional en las Américas”, OECD/CEPAL/OAS, SICREMI, 2011, VIII, IX, X, 17, 24 and 56 et seq.

7 | Cf. SOPLA, n. 4. The ramifications of the most recent economic crisis, in particular with respect to Europe, were beyond the scope of this paper.

8 | Ibid., 60. This statistic does not take offspring into account. Cf. “Notas sobre migración internacional y desarrollo: América Latina y el Caribe y la Unión Europea”, CEPAL, Brüssel, 2009.

9 | N. 6, 59. Insufficient data remains a constant challenge to the research pertaining to migration tendencies and patterns (both in Latin America and globally).

10 | Ibid., 15 et seq.

11 | Ibid., 25.

Chile is currently experiencing a phase of immigration that began in the 1990s after democratic rule had been restored. This phase has been characterised by an increase in immigration from Peru, which has been more substantial than migration from other Latin American countries such as Argentina, whence the majority of immigrants previously came. The case of Chile is emblematic of the social, political, and legal challenges that are associated with migration.

CAUSES OF EMIGRATION

The primary causes of emigration are economic conditions and the labour market.¹²

Economic growth in target countries, which manifests itself in a better quality of life, generates demand for labour, whereas stagnant or declining economic growth in home countries prompts emigration. Research indicates that income is not the only factor in decisions to emigrate: other factors such as the likelihood of finding stable employment, the availability of financing for businesses, and long-term insurance coverage are considered, as well.¹³

Economic growth in target countries generates demand for labour, whereas stagnant or declining economic growth in home countries prompts emigration.

12 | Andrés Solimano, "Migraciones internacionales y mercado de trabajo globalizado: la experiencia latinoamericana", 3, 15 and 18. Updated version of the text presented at the conference for cross-border migration at ECLAC's headquarters in Santiago, Chile from 20 to 22 Nov 2002. A different version was presented by the ILO in 2002 at the "Panorama of Labour". The content of the document rests on the work of the same author: "International labor markets, Globalization and Migration: issues and evidence for Latin America" (2002c), sponsored by the ILO, and "Development cycles, political regimes and international Migration: Argentina in the 20th century" (2002b), from CEPAL and WIDER. In order to appraise the differences in income among migrants from Europe in the so-called New World, see T. J. Hatton and J. G. Williamson, *The age of mass Migration. Causes and economic impact*, Oxford University Press, Oxford, 1998, Kap. 3 and 4.

13 | Stephen Castles, *Migración internacional a comienzos del siglo XXI: tendencias y problemas mundiales*, 20 et seq.; cf. Oded Stark, *The Migration of Labour*, Basil Blackwell, Cambridge, 1999.

In general, the decision to emigrate is tied to the prospect of residing temporarily in the target country.¹⁴ In such instances, the aims of the immigrant coincide with the interests of the host country, which seeks to meet the demands of the labour market without having to negotiate the social and fiscal consequences that accompany permanent re-locations. These circumstances have given rise to the concepts of legal temporary migration and circular migration. The U.S. policy of granting temporary worker visas for the length of employment is one such example.¹⁵ 90 per cent of the ID cards attesting to permanent resident status (Green Cards) issued annually in the United States are allocated to employees who already have similar temporary visas.¹⁶

High unemployment in a particular country, especially during an acute crisis, coupled with a simultaneous demand for manpower in an economically prosperous country, provides the impetus for emigration.

Additional economic causes of migration are unemployment and the vicissitudes of the job market.¹⁷ High unemployment in a particular country, especially during an acute crisis, coupled with a simultaneous demand for man-

power in an economically prosperous country (whether on account of the generally propitious domestic conditions or on account of the need to replace labour that has itself emigrated), provides the impetus for emigration.¹⁸ The

14 | The terms “permanent resident” and “transient resident” have unique definitions. The former refers to “a person that obtained a residence permit upon entry in the target country or entered the country as a temporary resident and later became a permanent resident”. This definition refers only to legal immigrants. The term “transient resident” refers to anyone who “enters the target country with a residence permit that cannot be renewed (or, if so, only a limited basis)”. This applies, inter alia, to students, employees who switch jobs, technicians, exchange program participants, tourists, seasonal workers and asylum applicants. Cf. n. 6, 6 and 80.

15 | Barry Mirkin, *La Migración Internacional en el Hemisferio Occidental: un estudio exploratorio*, Scalabrini International Migration Network, New York, 2011, 24.

16 | Ibid.; cf. also D. Papademetriou, D. Meissner, M. Rosenblum and M. Sumption, *Aligning Temporary Immigration Visas with US Labor Market Needs: The Case for Provisional Visas*, Migration Policy Institute, Washington D.C., 2009.

17 | Cf. Mirkin, n. 15, 27.

18 | Taran and Geronimi ascertain that there are situations in which “[T]here are certain lines of work for domestic labourers that are not even considered on account of low wages, dangerous working conditions, limited social prestige, and because of alternatives such as state support and unemployment insurance”, n. 1, 4.

latter factor – demand for labour in the host country – is sufficient to attract migration flows.¹⁹



Hope for a better life: South American migrants in the Mexican province Tenoisique. Mexico serves for many as a passageway to the USA. | Source: Marilyn Alvarado Leyva, Repositorio Península, flickr (CC BY-NC-SA).

The same principles apply in reverse. Two outcomes emerge when the demand for labour diminishes on account of declining economic growth or an economic crisis:

1. The country loses its attractiveness for potential immigrants and the migration influxes cease.
2. Immigrants who have not had enough time to establish themselves in their host countries are forced to return home or move on to a third country.

Spain illustrates the point. In 2012, the number of foreigners in the country fell by 205,788, according to data supplied by the National Institute of Statistics (INE). This is the first time since 1996 that the country's population has declined.²⁰ Spain has been hit hard by the economic crisis; in March 2013, it had an unemployment rate of 26.3 per cent. Without a doubt, this is the reason for the massive wave of emigration that transpired. By that same month of March, 125,486 people had left the country. The majority of these emigrants are Ecuadorians, Colombians, and Peruvians, i.e. individuals from countries that dealt with

19 | Solimano, n. 12, 19.

20 | *El Mercurio*, Santiago de Chile, 23 Apr 2013, A14.

large-scale emigration in the past and have also benefited from dynamic economic growth in recent years. In the same time period, only 90,639 Europeans left Spain, primarily Romanians, which represented the largest group of immigrants in the Iberian country.²¹ The overwhelming majority of returning migrants go back to Latin America for the reasons listed above, but also because linguistic and cultural barriers complicate immigration into European countries that remain less adversely impacted by the current economic crisis.

Contacts provide a certain sense of security, afford access to information, and minimise risks and uncertainties. The term “migrant chain” was coined to describe this phenomenon.

The decision to emigrate is not only motivated by economic factors; contacts in the host country also play a large role. They provide a certain sense of security, afford access to information, and minimise risks and uncertainties. The term “migrant chain” was coined to describe this phenomenon.²² Emigrants are cognizant that their social status in their host countries will not necessarily correspond to their status in their home countries.²³

In addition to emigrants who move of their own accord, many migrants are forced to resettle as a result of political causes or natural disasters. Migrations for these reasons are common in some parts of the world, and their progressions depend on the willingness of host countries to absorb them. In order to prevent the conditions of affected individuals from deteriorating further on account of arbitrary policies and discrimination in host countries, the office of the United Nations High Commissioner for Refugees was created for such cases, and the statuses for refugees have

21 | Ibid.

22 | Claudia Mora, “Estratificación Social y Migración Intrarregional: Algunas caracterizaciones de la experiencia migratoria en Latinoamérica”, *Revista Universo*, No. 24, Vol. 1, Universidad de Talca, 2009, 132.

23 | María Skoczek, “Globalización y migraciones a caballo de los siglos XX y XXI”, *ACTAS L. de V.*, Vol. 27, 2004, 49; cf. also Verónica Cano and Magdalena Soffia, “Los estudios sobre migración internacional en Chile: apuntes y comentarios para una agenda de investigación actualizada”, Centro Latinoamericano y Caribeño de Demografía, in: *Papeles de Población*, No. 61. CIEAP/UAEM, Aug-Sep 2009, 150; Villafuerte Solís, n. 2, 1038.

been defined accordingly.²⁴ The number of refugees worldwide is nearly 16.3 million.²⁵

The phenomenon of migration is closely related to alarming criminal activity such as human trafficking, which is becoming increasingly prevalent in areas where people cross

borders in large numbers.²⁶ According to recent estimates, roughly 800,000 individuals are transported between various countries, often for the purposes of sexual exploitation. This type of activity does occur in Latin America, although the majority of victims hail from countries in Southeast Asia or from former republics of the Soviet Union.

According to recent estimates, roughly 800,000 individuals are transported between various countries, often for the purposes of sexual exploitation.

WHO ARE THE MIGRANTS?

The diverse descriptions of migrants reflect the significant differences among them. On the one hand, there are those who have attained high levels of education; on the other hand, there are those who lack any formal education or degree. There are also those who fall somewhere in the middle, predominantly postgraduates, as well as skilled workers, apprentices, and trainees. The common denominator that binds all of these migrants in search of a better life together is their working age.

The levels of educational attainment and socioeconomic backgrounds of migrants influence the conditions surrounding their emigration, the opportunities for – and difficulties of – obtaining entry in their target countries (visa, work permits, entry requirements), as well as the ease with which they integrate into society. What emerges is a “dual representation of migrants”: Individuals that integrate without any problems are contrasted with those whose

24 | The United Nations High Commissioner for Refugees has the mandate to protect refugees and internally displaced persons from persecution or from conflict and finds sustainable solutions to assist their repatriation or resettlement to a third country. The office was created by resolution 428 of the United Nations General Assembly on 14 Dec 1950. It assumed its responsibilities in January 1951.

25 | Mirkin, n. 15, 24.

26 | Ibid., 26 et seq.

encounter more friction.²⁷ It's clear that the international labour market is characterised by segmentation: highly qualified and affluent individuals benefit from high mobility and low hurdles, whereas those with limited financial means and fewer qualifications are confronted with hindrances and restrictions.²⁸

These conditions lead to what has been described as a *brain drain*, which occurs when skilled labour emigrates, i.e. when a large group of individuals with technical skills or knowledge decide to leave their home country. This trend is worrisome because it jeopardises development prospects at home and because sectors such as health care,

education, technology, and engineering may

suffer from a paucity of labour. It becomes all the more worrisome when the migrating persons in question lose interest in an eventual homecoming, thereby rendering the loss permanent. Smaller economies are disproportionately affected. In the case of Latin America, the

number of emigrating skilled labourers in 2000 amounted to over one million; some countries lost five to ten per cent of this group to countries overseas.²⁹

In the case of Latin America, the number of emigrating skilled labourers in 2000 amounted to over one million. Some countries lost five to ten per cent of this group to countries overseas.

The lot of those with fewer qualifications is rather different. From the onset, they face greater difficulties obtaining work visas and residence permits because their profiles do not match the criteria of their target countries. They often face existential threats to their livelihoods, a condition

27 | Carolina Stefoni, "Ley y política migratoria en Chile. La ambivalencia en la comprensión del migrante", in: Bela Feldman-Bianco, Liliana Rivera Sánchez, Carolina Stefoni and Marta Inés Villa Martínez, *La construcción social del sujeto migrante en América Latina. Prácticas, representaciones y categorías*, Consejo Latinoamericano de Ciencias Sociales (CLACSO), FLACSO, Universidad Alberto Hurtado, 2011, 84 et sqq., http://desarrollo.sociologia.uahurtado.cl/wp-content/uploads/2012/01/c.stefoni_Ley_y_politica_migratoria_en_Chile.pdf (accessed 15 May 2013).

28 | Solimano, n. 12, 5 and 23. With respect to the study by the U.S. research foundation, the author makes a distinction, as the majority of foreigners who earned doctorates between 1990 and 1991 came from India and China; in 1995, 79 and 88 per cent of them still worked in the country, respectively. Of the original group of South Koreans, only 11 per cent remained, particularly those who obtained doctorates in the fields of science and engineering. Cf. also, n. 6, 25 and 27.

29 | N. 6, 25 and 27.

that is linked to their lack of documentation and access to state-sponsored insurance programs, and which can lead to exploitation and discrimination. In the workplace, unskilled and uneducated workers are forced to rely on luck or strokes of serendipity to lead them to jobs as construction workers, house cleaners, janitors, or landscapers. They have small incomes and generally put up with poorer working conditions than those who are better qualified.³⁰



Immigrants harvesting cucumbers in the USA: Often irregular migration is accepted, all the more, as it brings advantages for employers. | Source: Laura Elizabeth Pohl, Bread for the World, flickr (CC BY-NC).

IRREGULAR MIGRATION

Unauthorised entry into a country or failure to abide by the restrictions associated with lawful entry can create irregular circumstances for migrants. Although the term “illegal” is still in use in some countries, “irregular” is more descriptive in these situations. There are cases in which migrants enter a host country surreptitiously and cases in which migrants use fraudulent ID’s or visas to obtain entry. The latter examples are criminal acts, to which the term illegal applies much more readily than irregular, at least from an administrative point of view. It is imperative to make the distinction between the two terms in order to prevent government officials from treating them as the same thing in spite of widely different circumstances.³¹

30 | Cf. Perticara, n. 4, 11; cf. also Solimano, n. 12, 8.

31 | Ibid., 12.

The number of irregular migrants worldwide has been estimated to be 50 million.³² The vast majority of them, or 10.8 million, reside in the United States;³³ 50 per cent of them are Mexicans and more than 20 per cent come from Latin American countries. The figure above represents about 3.5

In the USA, there has been an observable decrease in the rate of immigration. Among Mexicans, the number of irregular immigrants fell from 500,000 to under 150,000 per year.

per cent of the total U.S. population; it also represents about 28 per cent of the U.S. population born outside of the United States.³⁴ Over the past several years, however, there has been an observable decrease in the rate of immigration. The data has been corroborated by the finding that the number of immigrants without paperwork entering the United States dropped from an average of 850,000 annually between 2000 and 2005 to an average of 300,000 annually between 2007 and 2009.³⁵ Among Mexicans, the number of irregular immigrants fell from 500,000 to under 150,000 per year.

The economic crisis, which also left its mark on the United States, led to high levels of unemployment among Latin American workers, although it did not induce them to return to their countries of origin. These immigrants from Latin American have become "a relatively stable variable in both the labour market and in American society, and it's likely that employers will rely on them once again as an accessible and readily available source of manpower as soon as the economy recovers".³⁶

Whatever the magnitude of illegal immigration in the United States, its appearance in Latin America deserves special attention. The phenomenon is prominent in countries that facilitate it, i.e. those with a shared language and an expansive informal economy. In contrast to the United

32 | Numbers according to Mirkin, n. 15, 26. He references work done by Joseph Chamie, "Mind the Gap: Public and Government Views on Migration Diverge", 16 Oct 2009, <http://yaleglobal.yale.edu/content/mind-gap-public-and-government-views-migration-diverge> (accessed 7 May 2013).

33 | Ibid. The text refers to data from Jeffrey Passel and Vera D. Cohn, "A Portrait of Unauthorized Immigrants in the United States", Pew Hispanic Center, Washington D.C., 2009.

34 | Ibid.

35 | Ibid. The comparison is made on the basis on numbers provided by Jeffrey Passel and Vera D. Cohn, "U.S. unauthorized Immigration flows are down sharply since mid-decade", Pew Hispanic Center Report, Washington D.C., 1 Sep 2010.

36 | N. 6, 13 et seq.

States, the disparities in incomes in Latin America are less pronounced, as economic profits are generally lower.³⁷

Irregular residence is often tacitly condoned,

especially if employers accrue benefits as a result – often at the expense of migrating labourers.³⁸ Conditions can become particu-

larly precarious for migrants who no longer possess valid residence permits; they often

find themselves without access to public health facilities or federal assistance; their mobility within the country is often compromised, leading to family fragmentation.³⁹

Conditions can become particularly precarious for migrants who no longer possess valid residence permits. They often find themselves without access to public health facilities.

Although fewer women than men migrate (around 46 per cent) on a global scale, the share of women as a percentage of total migrants has grown gradually since 1960. Among migrants from certain regions (highly developed regions such as Europe, North America, and Oceania), women already constitute a majority.⁴⁰ The reason for the increase rests on the notion of economic and social change as an enabler of individual choice. Whereas migration has historically been considered as an “essentially male and primarily economic phenomenon”, this understanding no longer applies in view of increased female migration today.⁴¹ The same is true with respect to older studies of migration that assumed that “decisions to emigrate are masculine prerogatives and that female migration stemmed from the desire to bring families together”.⁴² Nonetheless, the threats that female migrants face in the form of workplace discrimination or the loss of rights and basic liberties should not be underestimated.⁴³

37 | Ibid., 14. A closer analysis of the factors that cause migration among Latin American countries was carried out by Guillermo Vuletin, “Measuring the informal economy in Latin America and the Caribbean”, IMF Working Paper WP/08/102, International Monetary Fund (IMF), Washington D.C., 2008.

38 | Solimano, n. 12, 10 et seq.

39 | Cf. Stefoni, n. 25, 9.

40 | Cf. n. 6, 70.

41 | Ibid.; Mora, n. 21, 132.

42 | Silvia Pedraza, “Women and Migration: The Social Consequences of Gender”, *Annual Review of Sociology*, Vol. 17, 1991.

43 | More on this point in the SICREMI-Study, n. 6, 71.

REMITTANCES: NATURE, SIGNIFICANCE, AND CONSEQUENCES

When considered over a longer time frame and from a global point of view, money transfers or remittances from migrants to their families back home have increased.

This trend is particularly evident in Latin America, where, according to estimates, the value of remit-

According to estimates, the value of remittances has doubled every five years in Latin America since 1980. The extent of money transfers contracts during recessionary phases.

tances has doubled every five years since 1980. In 2009, 20 per cent of all income earned in developed countries (57 billion U.S. dollars) was passed along to countries

in Latin America.⁴⁴ The extent of money transfers contracts during recessionary phases. The impact of business cycles becomes apparent when figures from 2008 and 2009 are compared.⁴⁵ As mentioned above, the amount of remittances totalled 57 billion U.S. dollars in 2009, whereas the figure was closer to 68 billion U.S. dollars in 2008. That indicates that money transfers to Latin American and Caribbean countries dropped over twelve per cent within a single year. The available data for 2010 suggests a modest rebound; 58 billion U.S. dollars was transferred. The countries that registered the largest decreases in remittances between 2008 and 2010 include Colombia (-19 per cent), Brasil (-16 per cent), and Mexico (-15 per cent). Bolivia, Jamaica, and Honduras (-7 per cent) also experienced considerable declines.⁴⁶

It is worth pointing out that there are also remittances from Spain. In 2009, 2.3 million Latin Americans lived there. The country's level of unemployment (26 per cent in 2010) had adverse effects on working conditions, creating a ripple effect on spending habits. Remittances from Ecuadorians living in Spain, for example, decreased 27 per cent between 2007 and 2010.⁴⁷ The Banco de España in 2008 reported a decrease of eight per cent in transfer payments to Latin America as a whole.⁴⁸

44 | N. 4, 11.

45 | Ibid.; Mirkin, n. 15; cf. also World Bank, "Outlook for Remittance Flows in 2009-2011", *Migration and Development Brief*, 12, 2010.

46 | N. 6, 22.

47 | Ibid., 23.

48 | Peticara, n. 4, 12.

Because of the falling level of remittances, consumption has declined in migrants' countries of origin. Less investments were made in the productive capacities of small and medium enterprises. The same applies for the education and health care sectors. Furthermore, people are saving less. The ultimate severity of the financial crisis, however, depended on several local factors, including poverty levels and the relative sizes of the home and target economies.⁴⁹

Although remittances clearly demonstrate positive effects, there are also negative consequences. Money transfers certainly do not negate the loss of human capital, as the case of Uruguay illustrates.⁵⁰ Another consequence is the potential development of a "culture of dependency", which can erode habits of saving, hard work, and entrepreneurship among recipients of such transfers.⁵¹

INTERNATIONAL COOPERATION

The international nature of migration requires bilateral and multilateral responses. Countries in North and Latin America have signed over 140 bilateral treaties with one another. In the time period between 1991 and 2000 alone, the number of agreements reached 67, of which 28 were between Latin American countries; 37 were signed with countries outside of the region.⁵² A glimpse of multilateral cooperation was on display in 2006 when the UN organised the "High Level Dialogue on International Migration and Development", which led to the creation of a global forum that has taken place annually ever since. One notable contribution brought up at the forum is the idea to draft model legislation that could serve as a template for individual countries.

Countries in North and Latin America have signed over 140 bilateral agreements concerning migration. In the 1990s alone, the number reached 67.

With respect to the activities of regionally- and internationally-focused organisations, there is a broad spectrum of initiatives managed by the European Union, the

49 | Cf. Solimano, n. 3, 11; cf. also Peticara, n. 4, 11.

50 | Cf. Cristen Davalas, Cecilia Plottier and Sebastián Torres, "'Fuga de Cerebros': El caso Uruguayo", in: SOPLA, n. 4, 281 et sqq.

51 | Solimano, n. 3, 11.

52 | Ibid., 35. The author relies on numbers provided by the International Labour Organization: "ILO Migration Survey 2003: Country summaries", Geneva, 2004.

The EU has launched a number of initiatives to catalyse cooperation and discussions with developing economies.

Ibero-American Summit, the Southern Common Market (MERCOSUR), and the Caribbean Community (CARICOM).⁵³ The European Union has launched a number of initiatives to catalyse cooperation and discussions with developing economies. In 2008, under its auspices in Lima, the fourth summit between Latin American states and the EU featured a discussion on the "Dimensions of Cross-Border Migration and its Relationship to Development". In 2009, cooperation between the European Development Fund (EDF) and countries in Africa, the Caribbean, and the Pacific region was solidified with the aim of creating an instrument to observe and analyse questions related to both migration and to the strengthening of institutions and civil society; the goal is to generate more fruitful discussions about the challenges of migration.

ONE EXAMPLE: MIGRATION IN CHILE⁵⁴

Over the course of the 20th century and to this day, examples of both planned development and spontaneous immigration are readily discernable in Chile's history.⁵⁵ According to estimates, 358,344 immigrants lived in the country in 2009, comprising a mere 2.08 per cent of Chile's total population. Yet the figure represents an increase of 91 per cent over the course of seven years.⁵⁶ One particularly important aspect of the increase relates to Peruvian immigrants, the largest group of immigrants in Chile. The data available between the two uprisings (1992-2002) indicates that the size of their group increased by 394 per cent. In comparison, immigration from Argentina rose by 26 per cent over the same period. Roughly 190,000 Peruvian natives live in Chile; together, they comprise 37 per cent of all immigrants in Chile.

53 | Ibid., 36.

54 | Parts of this chapter were composed for joint publications with Peruvian and Chilean academics that were commissioned by the Konrad Adenauer Foundation and supported by the Institute for International Studies at the University of Chile and the Catholic University of Peru.

55 | Cano and Soffia describe the essential research on migration in Chile, in the course of which they explain various historical milestones. Cano and Soffia, n. 22, 129-167.

56 | Cf. Jorge Martínez Pizarro, "Breve examen de la inmigración en Chile según los datos generales del censo 2002", CELADE/CEPAL, 2003.

The marked increase of immigration from Peru is ascribed to several causes, including economic reasons (in particular, the quest for better pay). Neither country has visa requirements with respect to the other; in fact, personal identification cards or passports generally suffice. Because a Peruvian minority already resides in the country, established networks in Chile offer opportunities

for other immigrants to get plugged in. Research studies, including those conducted by FLASCO,⁵⁷ indicate that 86 per cent of all immigrants in Santiago found their first jobs through a friend or a relative. With respect

to the division among gender, 56.8 per cent

of Peruvian immigrants are women, most of whom work as household assistants; 72 per cent of all Peruvian immigrants are young people of working age; 20 per cent of them are skilled labourers or technicians. With respect to the geographical distribution of immigrants, 78 per cent of them live in the greater Santiago area; 16 per cent of them live in the northern part of the country; and only one per cent of them live in the southern part of the country.⁵⁸

56.8 per cent of Peruvian immigrants are women, most of whom work as household assistants. 72 per cent are young people of working age, 20 per cent are skilled labourers or technicians.

In the relationship between Chile and Peru, the topic of migration is always on the agenda. This creates challenges for the Chilean legislative process. Swift course corrections are required to resolve questions concerning migrant statuses, as the laws in Chile do not yet conform to applicable international agreements.⁵⁹ The prevailing directives (D.L. 1.094 of 1975 and D.S. 597 of 1984) are still based on an ideological foundation that reflects neither democratic politics nor democratic jurisprudence; the overriding goal of national security and the expansive conception of sovereignty of the era coloured the directives, leading to a degree of despotism in their application.⁶⁰ The rationale for these directives gave rise to a radicalised perception

57 | Feldman-Bianco et al., n. 27.

58 | Cf. Moisés Hernández Sánchez, "La migración peruana en Chile y su influencia en la relación bilateral durante el gobierno de Michelle Bachelet (2006-2010)", master's thesis in international studies, Institute for International Studies, Universidad de Chile, Jan 2011.

59 | Cf. Stefoni, n. 27, 79.

60 | Macarena Machín Álvarez, "Los derechos humanos y la migración en Chile: Desafíos y oportunidades para la convivencia intercultural", Nov 2011, 14.

of immigrants, which in turn nurtured suspicions that approached a burden of proof in reverse.⁶¹

Chile's entry requirements are supplemented by a complex visa system, resulting in a considerable number of illegal residents in the country. Recent democratic governments, operating under a different set of assumptions than their predecessors (who wrote the laws that remain in effect to this day), have addressed the situation periodically with various measures. What resulted in practice was "amnesty" for migrants. This happened initially in 1997 and entailed the legalisation of 40,000 immigrants from Chile, of which 50 per cent received permits for permanent residence. The second measure went into effect in October 2007⁶² and applied mainly to 45,000 Peruvian immigrants.

In the same spirit, measures have been devised to improve the conditions of immigrants in areas such as health care and education in order to respect their rights.

In the field of health care, the 2004 program for pregnant women is especially important because it grants every woman the right to medical assistance, pregnancy support, and delivery care without regard to her legal status.

In the field of education, the newsletter "The Adaptation, State, and Exercise of the Rights of Students with Immigrant Backgrounds at Educational Facilities" made an outstanding contribution. In the field of health care, the 2004 program for pregnant women is espe-

cially important because it grants every woman the right to medical assistance, pregnancy support, and delivery care without regard to her legal status. Another important program⁶³ is the 2007 agreement of cooperation established between the health and interior ministries (based on international treaties that Chile has ratified) that confers the same level of publicly-provided health care on all foreigners under the age of 18 without regard for the legal status of their parents or legal guardians.

The overhaul of the visa system was intended to produce a re-examination of the policy of extending visas – a policy that often yields indefinite residence permits. The status granted to immigrants who are contractually bound to their place of residence, i.e. those who have travelled into the country or live in the country to complete an assignment

61 | Cf. Stefoni, n. 27, 6.

62 | Cf. Resolución Exenta 36.339, 21 Oct 2007.

63 | Cf. Stefoni, n. 27, 15.

for an employer, deserves special consideration. These types of visas are valid for a maximum of two years and also apply to the closest family members of the recipient.⁶⁴ A chief concern in these cases is that the right to remain in the country hinges on the employment contract. Under current law, the visa becomes invalid as soon as the contract expires, and must be reported to the relevant agencies (Departamento de Migración y Extranjería del Ministerio del Interior, DEM) within 15 days. The importance of revisiting these requirements arises from the fact that they can create situations in which employers take advantage of their employees. (Indefinite residence permits can only be obtained after the applicant has spent two years in the country). Employers frequently take advantage of the fact that their employees depend on their contracts not only for their incomes, but also for their right to remain in the country.

When reforming this body of regulations, suspicions need to be cast aside to focus on the best ways to assimilate immigrants. Doing so would provide opportunities to strengthen relationships among Latin American states, particularly among neighbours. The creation of a new legal framework in Chile should aspire to implement regulations that are impervious to business cycles, thereby ensuring continuity regardless of which way the wind is blowing in the nation's capital.

The creation of a new legal framework in Chile should aspire to implement regulations that are impervious to business cycles, thereby ensuring continuity regardless of which way the wind is blowing in the nation's capital.

In spite of the weaknesses of the laws in effect today, there are some positive aspects. Notably, immigrants have the opportunity to participate politically and to vote in Chile. The republic's constitution sets forth that immigrants who have lived in the country for more than five years have a right to vote, provided they fulfil the criteria that apply to other Chileans: They must be at least 18 years of age and must have no history of serious criminal convictions.⁶⁵ It's worth mentioning that there have been some changes to the way Chilean citizenship can be acquired. The

64 | Cf. Article 23 of D. L. 1,094.

65 | Cf. Article 13, first paragraph and 14, first paragraph of the constitution of the Republic of Chile. Cf. also articles 60 and 62 of the organic constitutional laws on the subject of popular referendums, No. 18,700, of 6 May 1988, amended by law No. 20,568, of 31 Jan 2012.

heavy-handed administrative methods enabled by the constitution of 1833 gave way to greater flexibility under the current iteration of the constitution, which was introduced after reforms in 2005. The constitution of 1980 stipulated that foreigners who wished to naturalise had to relinquish any other citizenship – a stipulation that was also mandated by the constitution of 1925. The most recent constitutional reform, however, eliminated the precondition that previous citizenship be renounced, requiring only that the acquisition of Chilean citizenship conform to current laws. In order to obtain Chilean citizenship, a foreigner must satisfy the following prerequisites: He must be at least 21 (or 18 if one of his parents is Chilean); he must have lived in the country continuously for at least five years (a period of time that is pegged to the date his visa was first issued); he must possess an unrestricted residence permit; he must not have a criminal record and must not be standing trial; and he must be capable of making his own living.

Persons who were born in Chile to parents who are residing illegally in Chile do not automatically receive Chilean citizenship.

The status of individuals who were born in Chile to parents who are residing illegally in Chile remains unresolved; they are considered “transient residents”. They do not automatically receive Chilean citizenship because Article 10, Section 1 of the constitution reads: “Persons born in the territory, with the exception of those children of foreigners who are in Chile serving their government, as *well as those children of transient foreigners*. However, all may opt for the Chilean nationality” (emphasis mine).

Lastly, it must be stressed that Chile is fully integrated in the international judicial system that promulgates, recognises, and protects human rights. As part of this approach, it has adopted of the Universal Declaration of Human Rights and its stated principles, and ratified the International Covenant on Economic, Social, and Cultural Rights; voluntary commitments; the American Convention on Human Rights; notable agreements on the rights of women and children; and the United Nations Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families. The principles defined by these international agreements are important reference points for Chile in its efforts to craft a modern immigration policy.

CONCLUDING THOUGHTS

Globalisation adds a new dimension to the phenomenon of migration. It reveals the indispensability of coordinated political action to gradually complement the measures that individual states have already enacted. This approach involves the challenge of identifying mutually shared principles to serve as the foundation for shared policy. It's all the more necessary in view of the relationship between migration and human rights and the emerging inter- and supranational norms that govern them. Globalisation has produced a paradoxical outcome: standardised rules and regulations have facilitated the flow of goods, capital, and services while similar guidelines regulating the flow of people have remained elusive. It is an outcome that demands a response.⁶⁶

66 | Solimano, n. 3, 1.

