

review

*of economic conditions
in Italy*



FOCUS

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Security, immigration and development assistance: an integrated approach

Renato Brunetta*, Giovanni Tria and Antonio Preto*****

The European Union's security and immigration policy requires a set of actions coordinated between the Union and individual Member States, plus a consistent policy of development cooperation within the framework of European Neighbourhood Policy (ENP). This article takes a look at the European approach in these policy areas. After considering the economic and social causes of international migration, it dwells on the prospective "migratory pressure" on Europe, which is expected to be strong, especially from the southern shores of the Mediterranean. The authors stress the essential role of European Neighbourhood Policy, which must promote development and democracy in the countries bordering on the Union. It is necessary to create an area of stability and security within which to achieve negotiated regulation of migratory flows. It is argued that the financial resources for ENP are inadequate and that a decisive role will be played by bilateral aid to the bordering countries from EU Member States. Nevertheless, the authors observe that these resources are subject to the budgetary constraints of the Stability and Growth Pact and accordingly recommend that development assistance should also be treated as investment in stability and security, the benefits of which will be reflected in diminished future costs for individual European countries. The authors therefore call for the application of the "golden rule" to this expenditure, treating it on a par with investment and R&D spending for purposes of calculating government deficits.

1. Introduction

Two subjects certain to figure high on the agenda of the recently installed European Commission will certainly be the issue of security,

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with defense against terrorism, and that of governing immigration, with its domestic and international ramifications. At first glance the two issues might appear to be unrelated, but looking at their causes and effects we see that there are a good many points of contact. Certainly both are related to the problems of the development and the political, economic and social security of the poorest areas of the world.

The main factors behind emigration – and hence often illegal immigration – are: slow economic growth, unfair distribution of income, rapid population growth and overpopulation, high unemployment, armed conflict and ethnic cleansing, the violation of human rights, persecution, natural disasters (and ecological deterioration in general), and, not least, misgovernment. The same factors, together with oppression, abuse of power, forced relocation of people and lack of education, are what fuels international terrorism.

The link between irregular immigration and security is closer still, considering the significant risk that terrorists may mingle in with the immigrants who cross Europe's borders illegally every day in search of a better life. The two questions must thus be dealt with together; in addition to specific policies we must focus on the various possible solutions to get at the underlying causes.

Closer cooperation with the international organizations, and in particular the United Nations, is thus essential.¹ At the same time it is necessary to maintain the closest possible cooperation with the United States and other partner countries. The battle against terrorism and illegal immigration has to be central to the political dialogue with all other countries. Both these themes require a set of coordinated actions at European level, with the active involvement of the Member States, which nevertheless hold essential powers in the matter.

In any event, apart from differences on many aspects of security and immigration policy, the EU and its Member States concur that these problems cannot be dealt with in strictly military or law-enforcement terms and that development cooperation policies are needed to create an area of stability around Europe.

2. The legal framework for immigration and security policy

As to legislation on immigration, although the Treaty of Amsterdam, signed in 1997 and in effect since May 1999, in many cases retained the intergovernmental nature of immigration policies (powers remaining with the Member States and their regional and local authorities), a unanimous vote by the EU Council established that starting 1 May 2004 such matters as asylum, refugee status, and the protection of refugees would be decided at Community level (i.e., would be subject to co-decision with the European Parliament at the exclusive proposal of the Commission),² provided that in the meantime a minimum legal and regulatory framework had been created.

This framework is what is now in place. The scoreboard on progress in the creation of a European Area of Freedom, Security and Justice shows that common rules are in place on asylum, refugees, visas, the promotion of balance between the efforts of the various Member States, adjustment to disequilibria (including the institution of a European Fund for Refugees) and the creation of a network of liaison officers for immigration.³

On security too, progress has been made. Under the principle of mutual recognition of court decisions, in addition to measures concerning arrest warrants, the freezing of assets or probatory confiscation, there are also provisions defining the crime of terrorism and laying down common rules to prevent and repress it.⁴

¹ Article 67(2) of the EC Treaty. Declaration 5 concerning Article 67, annexed to the Treaty of Nice, offers elements for interpreting this article, with a precise political commitment to subject the measures envisaged under Article 62(3) and 63(3b) – relating respectively to freedom of movement of third-country citizens for a period of not longer than three months and illegal immigration – to the co-decision procedure. The European Council, at its meeting of 5 November 2004, adopted a series of orientations. Taking account of the Commission's assessment and the strong convictions voiced by the European Parliament, it called on the Council to take a decision based on Article 67(2) of the European Treaty immediately after formal consultation with the European Parliament and in any case no later than 1 April 2005, in order to apply the procedure referred to in Article 251 of the Treaty to all the measures envisaged in Title IV for strengthening freedom under the Treaty of Nice, save illegal immigration.

² Com (2003) 812 (01). Communication from the Commission to the Council and the European Parliament: "Biannual update of the Scoreboard to review progress on the creation of an area of FREEDOM, SECURITY AND JUSTICE" in the European Union (second half of 2003).

³ Framework decision of the Council of 13 June 2002 (2002/475/JHA) defining crimes of terrorism, crimes connected with terrorist activities and terrorist organizations.

⁴ As decided in the provisions of the UN Charter and the obligations of Security Council Resolution 1373/2001.

Specific measures have also been passed to limit the activity of individual terrorists and groups both nationally and internationally.⁵ They are accompanied with the necessary tools for cooperation between the courts and police forces of all Member States.⁶ Article III-275 of the Constitutional Treaty provides that: "The Union shall establish police cooperation involving all the Member States' competent authorities, including police, customs and other specialised law enforcement services in relation to the prevention, detection and investigation of criminal offences."⁷ This cooperation involves the handling of information of common interest, training and the interchange of staff and equipment, and the use of common investigation techniques. The cooperation agreement between Europol and Eurojust is the latest piece of the system.⁸

The European Constitutional Treaty also provides that these policies be coordinated (especially for the fight against terrorism) and that they become an integral part of the EU system as concurrent powers of the Union and the Member States. Decisions will be taken by majority vote (in principle), with the full participation of the European Parliament; they will be based on shared principles such as subsidiarity, solidarity and fair sharing of responsibilities among Members. The European Council reserves the power to decide unanimously only on the major orientations of legislative and operative planning. In these areas, moreover, Member countries can already go further in integration through "reinforced cooperation".⁹

⁵ Common Council position 2004/500/CFSP (EC Regulation 871/2004), 17 May 2004, which revised Common Position 2001/931/CFSP on the implementation of specific measures to combat terrorism and which abrogated Common position 2004/309/CFSP, Council Regulation 871/2004/EC of 20 April 2004 concerning the introduction of some new functions in the Schengen information system, including the fight against terrorism, Council Decision 2004/306/EC of 2 April 2004, which implements Article 2(3) of Regulation 2580/2001/EC concerning specific restrictive measures against specific persons and organizations for the purpose of combating terrorism and which abrogates Decision 2003/902/EC.

⁶ Council Decision 2003/48/JHA, 19 December 2002, on implementation of specific measures for police and judicial cooperation to combat terrorism under Article 4 of Common position 2001/931/CFSP.

⁷ Treaty Establishing a European Constitution. Part III, Title III: Internal policies and actions. Chapter IV: Area of Freedom, Security and Justice. Section V: Police Cooperation.

⁸ Signed 9 June 2004 at the Eurojust headquarters in the Hague.

⁹ European Constitution, Part I, Title V: Exercise of the powers of the Union. Chapter III: Reinforced cooperation.

3. The integrated approach

Just days after the terrorist attacks in New York and Washington on 11 September 2001, the European Council devised an integrated system to combat terrorism comprising all the tools provided by European law, including common foreign and security policy. The other instruments envisaged by the Treaty, such as development and cooperation policy and trade policy, must be coordinated and mobilized to guarantee the security of European citizens.

At the initiative of Italy, then holding the rotating presidency, the European Council of 12 and 13 December 2003 adopted a European security strategy; following the attack of 11 March 2004 in Madrid, the strategy was further refined at the European Council of 25 March,¹⁰ which focused on the "fight against terrorism". A series of strategic objectives are to be implemented:

- deepen the international consensus and enhance international efforts to combat terrorism;
- maximize capacity within EU bodies and Member States to detect, investigate and prosecute terrorists and prevent terrorist attacks;
- protect the security of international transport and ensure effective systems of border control;
- address the factors which contribute to support for, and recruitment into, terrorism;
- target actions under EU external relations towards priority Third Countries where counter-terrorist capacity or commitment to combating terrorism needs to be enhanced.

In June the European Council asked the Commission to make concrete proposals before the end of the year on how to attain these objectives most effectively.

This vision has been endorsed by the European Parliament, which in a resolution of 24 October 2002 defends the idea of global security and emphasizes the importance of conflict prevention as the main guideline for foreign policy action. This position was confirmed on 1 April 2004 in the conviction that international terrorism must be resolutely combated not only by military means but also by addressing

¹⁰ Brussels, 25 March 2004: "Declaration on combating terrorism."

the root causes of the modern world's enormous political, social, economic and environmental problems.

As to immigration, both the Council and the Parliament have consistently taken the same approach, which the Commission has laid out organically in its significantly entitled Communication of December 2002: "Integrating migration issues in the European Union's relations with third countries". This is the "root causes approach" set out back in the 1970s by trade unions and advocates of Third World rights, who coined the slogan "Let's help them at home." The approach has now won converts in various parts of the political spectrum.

4. The governance of the system

To rationalize resource utilization while achieving the objectives set by Council and Parliament, the Commission supplemented immigration issues with a series of Community programmes covering the entire globe. Emigration is a new area of intervention for EU development cooperation. But this is not enough. Radical simplification of the panoply of instruments is essential. Policy must dominate its instruments; not, as has been the case until now, the other way around. Sound financial planning implies adaptation of resources to needs. All means of action must be used to work concretely for the objectives: national action, Community action, the coordination of public spending.

The European institutions – first of all the Commission – will have the task of making sure that a combination of appropriate instruments is mobilized at the right time. This means not only centralizing spending by the Community but also selecting objectives at the proper level under subsidiarity. Sometimes national action is more effective, sometimes sharing resources at European level can produce significant savings for national budgets.

The fight against illegal immigration, in fact, carries heavy costs that cannot be allowed to weigh solely on the countries most immediately involved. Italy, for instance, is the country most exposed to seaborne immigration (coming mainly from Tunisia and Libya). In 2003 a total of 8,355 foreigners were identified and 284 arrested, and 85 vessels were

seized.¹¹ The problem cannot be dealt with only bilaterally (as in the agreement between Italy and Libya), given that it is transnational and European in nature, as we see by the high percentage of immigrants who merely transit through Italy on their way to other European destinations.

The battle against illegal immigration and for border control must thus be made one of the major themes of European foreign policy, to be tackled in the framework of cooperation with the developing countries, most especially those of the Mediterranean and the Balkans. By virtue of this fact and as a result of the determined action of the Italian government, the Salonika summit in June 2003 definitively adopted the principle that illegal immigration is a European problem to be dealt with using Community instruments and resources, and that the cost of administering external borders cannot be borne exclusively by the countries that have such borders. On security, under the "solidarity clause"¹² in the Constitution,¹³ "The Union and its Member States shall act jointly in a spirit of solidarity if a Member State is the object of a terrorist attack or the victim of a natural or man-made disaster."¹⁴

The Italian government nevertheless has also worked to reach agreements with all of Italy's bordering countries and neighbours. These agreements turn on the exchange of operational information to combat the criminal groups that organize and exploit illegal immigration.

Italy has signed agreements with 40 countries for police cooperation in general and has already assigned liaison officers to many of them. Italian embassies have staff with consulting tasks on the issue of visas and the acquisition of information that can help in combating illegal immigration

¹¹ Guardia di Finanza, "Second Rapporto Annuale 2003 – Fiamme Gialle."

¹² European Constitution, Part I, Title V, Exercise of the powers of the Union, Chapter II, Specific provisions, Article 1-43.

¹³ Specifically: "The Union shall mobilise all the instruments at its disposal, including the military resources made available by the Member States, to:

(a) prevent the terrorist threat in the territory of the Member States;

protect democratic institutions and the civilian population from any terrorist attack;

assist a Member State in its territory, at the request of its political authorities, in the event of a terrorist attack;

(b) assist a Member State in its territory, at the request of its political authorities, in the event of a natural or man-made disaster."

and terrorism. Lately, collaboration has been initiated with such countries as Germany and Spain, with exchanges of liaison officers in particular border zones where oversight and interdiction action is heaviest.

5. The financial resources for governing immigration

5.1. *The financial prospects for 2000-2006.* For 2000-2006, the EU has allocated €934 million to objectives connected with immigration in the framework of EU foreign policy, including €442 million for the handling of migratory flows. In addition there is €59.6 million under internal affairs policies. Most of this (€40 million) is allotted to the European Fund for Refugees and the rest is divided between emergency, integration, training and cooperation in the field of justice (the Argo¹⁴ and Odysseus¹⁵ programmes).

As envisaged in an Italian feasibility study on European border policing, seventeen operational projects were completed – financed in part by Argo funds – to strengthen cooperation in border controls. Other initiatives included the creation of specialized centres for land, sea and air frontiers and the institution of a network of immigration liaison officers in non-EU countries. These initiatives will be realized under the coordination of a joint unit composed of heads of border police, pending the possible creation of a new operative structure, the agency for coordination and management of external borders.¹⁶

At Salonika, additional prospects for financing action on immigration and border control were opened up. In the three years from 2004 to 2006 a total of €140 million will be available, with another €50 million envisaged for projects in the countries of origin and transit of illegal immigrants.

The integration of development cooperation with the battle against illegal immigration is the essential principle underlying the Community's new Aeneas programme, strongly advocated by the

Italian government and quickly approved with the joint commitment of Council, Parliament and Commission during the Italian presidency.¹⁷ The programme, using the legal bases laid down in the Treaty for cooperation and development (Article 179, Article 182A), assigns €250 million between 2004 and 2008 for technical and financial assistance to help non-EU countries in improving the management of migration, voluntary returns, effective performance of readmission obligations, and the fight against illegal emigration.

5.2 *The financial prospects, 2007-2013.* In a Communication on 10 February 2004 entitled "Building our common future – Policy challenges and budgetary means of the Enlarged Union, 2007-2013,"¹⁸ the Commission set out ways to make the utilization of resources for security and immigration – this now having been made one of the three top priorities for the enlarged Union over the period – more effective and rational. The Commission called for a substantial increase in funds for the area of freedom, security and justice as part of a specific new portfolio on "European citizenship."¹⁹

The Commission proposes to work through two framework programmes, which should reduce the present fragmentation and produce a consistent, shared approach to the two policies. Immigration policy, inspired by the principle of solidarity, should result in greater sharing of responsibilities between states: effective, long-term management of migratory flows, the fight against illegal immigration, and the integration of legal immigrants, who should share in the resources made available by the European Social Fund.

Most of the funds allocated to "Citizenship, freedom, security and justice" – €19 billion in the period from 2007 through 2013 (*Table 1*) – should go to immigration, including the refinancing of the Fund for Refugees expiring at the end of 2004.

The European Parliament (which together with the Council determines the EU budget), in a resolution on the financial outlook passed on 14

¹⁴ Council Decision 2002/463/EC of 13 June 2002 instituting an action programme for administrative cooperation in the areas of external borders, visas, asylum and immigration.

¹⁵ Programme for training, exchanges and cooperation in the fields of asylum, immigration and the crossing of external borders, adopted 19 March 1998 by the Council (Joint action 98/244/JHA published in *OJEC* L 99, 31 March 1998).

¹⁶ Conclusions of the JHA Council, 27-28 November 2003, Brussels, 2548th session.

¹⁷ *OJEC* No. 47, L 80, 18 March 2004, published Regulation EC 491/2004 of 10 March 2004, instituting a programme of technical and financial assistance for third countries in the areas of immigration and asylum.

¹⁸ COM(2004) 101 final – not published in *OJEC*.

¹⁹ COM(2004) 101 of 10 February 2004.

April 2004, endorsed the Commission's priorities on security and immigration. It reaffirmed that the Union must shoulder greater responsibilities in the international fight against organized crime and terrorism. But credibility as an international actor requires lasting commitment and external action globally conceived. Top priorities will certainly be the countries geographically near the enlarged Union, but also relations with the Arab world. The new neighbourhood policy must be designed to extend the area of prosperity to the South and the East of the Union, intensifying the "Barcelona process," which already comprises a strategy for political and economic reform in the associated countries of the Mediterranean.

6. Immigration policy and development cooperation

How does development cooperation fit into policies for the government of migratory flows? And why is it so particularly relevant to Europe?

The need to regulate migration, i.e. to limit undesired immigration, obviously arises from the perception of a "migratory pressure" resulting in a non-EU labour supply outweighing the demand in the European job market or with a mix of skills that does not match the demand. "Migratory pressure" includes not only potential immigrant workers but also the potential inflow due to family reunification and to refugees. Although the objection is raised that illegal or, more generally, irregular immigration itself is evidence of an unsatisfied demand for immigrant workers, the fact remains that it is difficult to regulate these flows in such a way as to make them compatible with security and with the guarantees for the rights of foreign workers.

The economic literature on the causes of migration identifies a set of

Table 1 – Appropriations, 2007 – 2013
(millions of euros at 2004 prices)

Appropriation	2007	2008	2009	2010	2011	2012	2013	2007/ 2013
Citizenship, Freedom, Security and Justice	1,630	2,015	2,330	2,645	2,970	3,295	3,620	18,505

Source: COM(2004), final, Brussels, 12 March 2004.

fundamental factors: *i*) the per capita income differential between sending and receiving countries; *ii*) absolute poverty in the countries of origin; *iii*) the population of foreign workers already present in the host country; *iv*) population pressure; *v*) political instability in the sending countries; and *vi*) policies for governing immigration.

The impact of immigration policies is what distinguishes the concept of migratory pressure, which refers to the migratory flows that would occur in the absence of constraints, from the measurement of immigration export, i.e. actual migratory flows in the presence of programmes to govern them. The relationship between development and emigration mainly involves migratory pressure, although policies regulating immigration do in turn have an impact on the economic development of the sending countries.

Let us summarize the main theoretical and empirical findings on the first two causal factors in emigration. Many studies (Hatton and Williamson, 1998 and 2002; Massery, 1988; Stalker, 2000) have shown that emigration from the poorest countries is positively correlated with their level of economic development. This seems to conflict with the idea that the main economic motive for emigration is the perceptible income gap between the emigrant's home and host countries. But the fact is that the relationship between economic development and emigration is a bell-shaped curve. We can distinguish two opposite effects, namely "absolute poverty" and "relative poverty".

In very poor countries emigration is blocked by the lack of the resources or knowledge needed to finance and organize emigration. This "absolute poverty" trap prevents any powerful drive for emigration, except possibly to neighbouring countries among populations living near the border and thus having greater cultural and linguistic affinity. Also, the degree of backwardness is reflected in the education and training of the labour force, this too making it less likely that there will be major migration to the rich countries, where there is no job market for people whose skills or schooling are below a certain threshold. Given the regulation of immigration on the part of the host countries, the incapacity to absorb underskilled migrants is reflected in a limitation of actual migration.

In the poorest countries, therefore, the negative effect of "absolute

poverty" thus outweighs the positive effect of the income differential (relative poverty).

The consequence is that an increase in per capita incomes produces a stronger drive to emigrate, by easing the constraints due to "absolute poverty". This effect then outweighs the opposite effect of the narrowing of the income gap between domestic income and expected income abroad (the diminution of relative poverty), which nevertheless remains very substantial. Only in a subsequent stage of development in lower income countries does the reduction in relative poverty due to the narrowing of the income gap come to prevail over the stimulus to emigration due to the reduction in absolute poverty and so reduce emigration. Furthermore, the correlation between average income and education increases the probability that the composition of the labour force coming from the poor countries will match the demand in the rich ones, which strengthens the positive correlation between migratory pressure and actual migratory flows in the presence of policy to regulate immigration.

How will these factors affect the migratory pressure on Europe in the next few decades? The answer is fraught with consequences. For it is migratory pressure that will determine the dimensions of the challenge that immigration policy faces and, depending on the relative effectiveness of that policy, also the volume of irregular immigration.

The enlargement of the Union does not portend massive internal migratory flows from the new to the old Member States. Most of the new members, in fact, have moved from net emigration in 1990 to net immigration in 2002, essentially for demographic reasons. In 2002 only Latvia, Lithuania and Poland still had net emigration, while the Czech Republic, Estonia and Hungary – despite immigration – had declining populations.

The rate of net immigration from other countries is a different matter. At present most immigration to northern and northwestern Europe is for reasons of family reunification (in Sweden over 70 per cent of new residence permits are for this reason), so the size of these flows is correlated with the immigrant population already present. The rest is due mainly to requests for asylum. Labour migration is still prevalent in Austria, Germany, France, Italy and Spain, with a high proportion of irregular immigration.

It is hard to predict flows from Africa towards Europe, but considering the future course of the causal factors it is fairly certain that migratory pressures will intensify. As demographic causes are fundamental, a first uncertainty is the course of the AIDS epidemic and its impact on population growth in sub-Saharan Africa. Nevertheless, the other factors driving emigration should strengthen. First, if policies for development and the reduction of poverty are successful, the absolute poverty constraint limiting emigration due to income differentials will be relieved. This factor for an increase in migratory pressure will be especially strong in Africa; similarly, the number of potential emigrants from the poorer regions of China and from central and southeast Asia will increase. For Asia, however, it is likely that economic development will also begin to affect the relative poverty of these countries and thus diminish the pressure to emigrate; this sort of catching up is less likely for sub-Saharan Africa.

In the relatively more developed countries of North Africa there will continue to be strong migratory pressure towards Europe, above all for demographic reasons. These Mediterranean countries will also begin to be affected by immigration from poorer African countries. The growth of this "South-South" migration from one developing nation to another, due to their different paces of development, will mark the decades to come. This clearly poses the problem of the potential political and social destabilization of the countries bordering on the European Union, making it harder to regulate migration to the EU and the overall security of its borders.

Taken together, these phenomena will necessitate effective policy to alleviate the fundamental economic causes of migratory pressure. This implies that immigration policies must necessarily be sustained by more general policies of development cooperation. Yet while this awareness runs throughout all the Community documents, there seems to be great difficulty in translating it into action.

7. European neighbourhood policy

The enlargement of the European Union has increased its geopolitical

and economic importance in Europe and worldwide, while at the same time working a substantial change in its relations with neighbouring countries, both to the East (Russia and the CIS) and along the southern shore of the Mediterranean. The Union's capability to guarantee security, stability and growth internally will increasingly interact with the need for enhanced cooperation with bordering countries to promote stability and development there as well. The new central European Member States and those slated for accession in the near future, as we have seen, by reason of their demographic situation will not produce substantial net emigration; rather, most of them will be lands of immigration. The new borders of Europe are thus shifting eastwards, towards countries that for many years to come will be potential sources of migratory flows due to economic factors and political and social instability. We have also examined expectations for future migratory flows from Europe's southern neighbours, from and within Africa.

The European Union has about the same total population as its European and Mediterranean neighbours combined but an enormously higher per capita GDP. At purchasing power parity, the average income of the 25 EU members is four times as great as that of its neighbours (Sapir Report, July 2003).²⁰ The implications for migratory flows are evident.

To come to grips with the new geopolitical scenario, in March 2003 the Commission presented its paper on "Wider Europe – Neighbourhood: A new framework for relations with our Eastern and Southern Neighbours".²¹ The report lays the bases of policy on relations between the EU and its new neighbours in the European Neighbourhood Policy (ENP). The focus is on relations with countries that are not candidates for membership (like Bulgaria, Romania and Turkey) or potential candidates (Albania and the ex-Yugoslav republics – save Slovenia which is already a member – plus Norway, Iceland, Switzerland and Liechtenstein), in other words, relations with neighbouring countries

that have no prospects of EU membership. In Europe, this means Ukraine and Moldova; Belarus was suspended because of its now-collapsed regime, while Russia is associated via the so-called Four Common Areas agreement signed at the St. Petersburg summit.²²

In the Mediterranean the Neighbourhood Policy touches on the countries of the Euro-Mediterranean Partnership (the Barcelona process) that are neither members nor candidates (Morocco, Algeria, Tunisia, Egypt, Israel, Jordan, the Palestinian Authority, Lebanon and Syria). Further afield, the Policy concerns the southern Caucasus (Armenia, Azerbaijan and Georgia).

It is not easy to judge a policy when it is still at the stage of statement of principles and general objectives; such statements are always affected by the need to gain consensus from a range of countries without jarring national interests that cannot always be reconciled with one another.

However, the progressive formulation of principles and objectives of European Neighbourhood Policy has demonstrated a strong point that is worth underscoring. Despite the tribute paid to the constant affirmation of shared European values as the basis of neighbourhood policy, the central objective has been posed clearly enough, perhaps because of the dramatic events that the Western world has experienced. The neighbourhood policy must serve to create a security belt around the enlarged Union.

This aim requires that the neighbouring countries not see themselves either as those kept outside "Fortress Europe" (the countries of eastern Europe) or as the vanguard of a geopolitical area whose interests conflict with Europe's (those of the Middle East and North Africa). Instead, they must see enlarged Europe as an opportunity for economic and social growth. This will require an extraordinary effort on the part of the EU to foster economic development in the countries bordering on the Union and to sustain, together with economic growth, the reduction of poverty and the reinforcement of fair and democratic institutions.

²⁰ "An agenda for a growing Europe: Making the EU economic system deliver," Report of an Independent High-level Study Group established on the initiative of the President of the European Commission, Chairman, André Sapir, members Philippe Aghion, Giuseppe Bertola, Martin Hellwig, Jean Pisani-Ferry, Dariusz Rosati, José Vinals, Helen Wallace.

²¹ COM(2003) 104 – 2003/2018 (INI).

²² Economic area; Area of Freedom, security and justice; External security area; Research, education and culture area.

8. The new European Neighbourhood and Partnership Instrument to finance ENP

Are the financial resources envisaged sufficient to achieve these ambitious policy objectives? To answer, we must analyze the financial instruments provided in terms of quality – i.e. their functional relationship to the objectives – and in terms of quantity. This evaluation requires some observations on the complex set of activities involving technical assistance and development cooperation conducted by EU members in the countries covered by the ENP both bilaterally and multilaterally.

The main problems with the use of present cooperation instruments to develop and implement neighbourhood programmes spring from the fact that funding for programmes within EU member countries is strictly separate from the funds for programmes in non-member countries. The Structural Funds cannot be used outside EU Member States, while funds for external cooperation cannot be used within the EU. This is an obstacle to financing programmes involving actions in adjacent regions in member and non-member countries.

A new organism will be created: the *European Neighbourhood and Partnership Instrument* (ENPI). As described in the proposed Regulation,²³ the new Instrument is a profound innovation for the Community. It replaces all the old programmes, both issue-oriented and geographically directed, for the countries included in the ENP, and above all its cross-border cooperation component will finance joint programmes involving bordering regions belonging to member and non-member countries.

This option was chosen over two possible alternatives: *i)* reinforcing coordination of internal and external financial instruments; and *ii)* extending the content and the geographical coverage of existing instruments, such as INTERREG,²⁴ to include the funding of joint programmes.

²³ Proposal for A Regulation of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument (September 2004).

²⁴ The Community's INTERREG initiative is a financial instrument for cross-border and international cooperation among member countries and bordering countries. INTERREG funds can nevertheless be used inside EU member countries.

The new instrument is therefore very broad in scope as regards the ENP countries. It can finance multi-country programmes that benefit both partner and member countries to promote cross-border and inter-regional cooperation. The cross-border component implies that the instrument has a twofold nature, serving purposes of both foreign policy and of economic and social cohesion (i.e., internal objectives). The ENPI should be evaluated on basis of its potential to serve the general purpose of ENP, not just its ability to attain specific objectives.²⁵

From this standpoint the overall objective will certainly be served by the principle of "differentiation" that is to inspire the ENP and its implementation via the ENPI. This means pragmatic acceptance of forms of cooperation that vary depending on the closeness of each partner country's relations with the EU, its level of economic development, and how well its institutions correspond to the principles inspiring those of the EU member countries. This implies that the offer of cooperation must constitute an incentive to base the area's stability on those principles, but with a healthy dose of pragmatism if the overall objective necessarily means involving all bordering countries in European security policy.

The new *European Neighbourhood and Partnership Instrument* has three key features.

First. It is not issue-oriented. This means funding can go to any programme involving the partner countries to foster development and integration both regionally within the bordering areas and with the EU itself.

Second. From the standpoint of eligibility for funding, the range of coverage is ample. The list of eligible entities, organizations and public and private institutions (Article 14 of the Regulation) is lengthy indeed: Member States and partner states, regions, European agencies, international organizations and all public and private actors, including "local citizens' groups". This creates opportunities but also problems.

Third. Unlike previous cooperation tools, it brings together in a single instrument spending for programmes in both member and non-

²⁵ The proposed Regulation of the ENPI sets out no fewer than 17 specific objectives but states expressly that the list is not exhaustive.

member countries. However, it retains the pre-existing principle of co-financing and partnership.

Together, these characteristics make the ENPI potentially most flexible, which should attenuate the dirigiste approach that would appear to form part of the DNA of Community policies, with all the negative consequences.

However, greater discretion in assigning funds should go together with greater capacity to analyze the impact of the programmes funded. Rigorous impact analysis, both *ex ante* and *ex post*, is no obstacle to far-reaching decentralization of responsibility to national or regional institutions but should be the premise for it, permitting a corresponding diminution of the role of Community structures not only in management but also in the selection of programmes and projects. The Community institutions should make only the most general policy choices on territorial allocation, under the Action Plans, for those are decisions that are more accountable politically, to democratic representative institutions at European and national level. This approach is desirable insofar as what is involved is no mere programme of technical assistance for development but a policy whose broad foreign and national security policy objectives cannot be consigned to merely technical management.

Given the general objectives of ENP, we are not so optimistic as to think that the programmes it funds can make up for the lack of a true European foreign policy. Hopefully, however, European institutions will demonstrate sufficient cohesion in applying neighbourhood policy at least as regards the goal of common security.

9. The financial resources for ENP: an evaluation of the ENPI

The total amount of assistance to ENP partners via the MEDA and TACIS²⁶ programmes amounted to €3,716.1 million from 2000 through 2003.²⁷ For 2004-2006 an increase of €255 million is envisaged for external assistance using these same instruments and another €700

million via INTERREG. The financial commitment envisaged for the entire period 2007-2013 under the ENPI should amount to about €14,929 billion. Actually, commitments on an accrual basis for the years 2007-2012 total €11,926 billion, while payments for the period are projected at €6,300 billion. The rest of the amount is to be spent from 2013 on (Table 2). Given these data, it is hard to make a precise estimate of how appropriations for aid to developing countries will increase by comparison with the past as a result of European Neighbourhood Policy. At the same time, the smallness of actual expected outlays in the first few years of the new instrument may be due to the fact that those same years will also see payments deriving from commitments undertaken during the transitional period of years past. In any case the amounts are modest, in sharp contrast with ENP's grand objectives.

In view of its overall strategic aim the effectiveness of ENP will not depend only on the specific financial instrument developed by the Commission or the amount of resources administered but on the overall consistency of cooperation by EU countries with these partner countries. This action depends both on the policy of the European Commission and the amount of resources made available and on the bilateral action of member countries and their own funding of cooperation. What has been the total EU contribution to date, summing Commission appropriations and bilateral aid from member countries, to the ENP partner countries? OECD estimates put the net official aid disbursement of the Commission to the ENP partner countries at €6,203 million in the period 1997-2002 (about the same as the ENPI budget for 2007-2012).²⁸ These funds accounted for less than 13 per cent of total official aid disbursements to those countries by all OECD Development Assistance Committee (DAC) members and from

Table 2 - ENPI: Commitments and expected payments, 2007-2013 (millions of euros)

	2007	2008	2009	2010	2011	2012	2013 and after	Total
Commitments	1,433	1,569	1,877	2,083	2,322	2,642	3,003	14,929
Payments	263	495	819	1,200	1,601	1,922	8,629	14,929

²⁶ The MEDA programme is for cooperation with the Mediterranean countries; TACIS concerns Europe's bordering countries.

²⁷ European Commission, *Strategy Paper and Country Report*, Annex (May 2004).

²⁸ OECD, *Geographical Distribution of Financial Flows to Aid Recipients, 1998-2002, 2004*.

multilateral agencies. And this overall ratio conceals very substantial differences in the incidence of Commission aid in different countries. Between 1997 and 2002, for instance, the EC as such accounted for more than 40 per cent of total official aid disbursement to Tunisia and Morocco, never more than 20 per cent to any other country, save Algeria in 2001 and 2002.

Over the same period outlays by EU member countries accounted for about 20 per cent of all official aid to ENP partner countries (*Table 3*). However, the bilateral technical assistance from EU to partner countries diminished steadily, from €1,902 million in 1997 to €1,347 million in 2002 (a cut of 30 per cent). The figure for the whole six years was €9,713.3 million. Overall, therefore, there was a decline in aggregate EU disbursements in the last three years compared with the first three.

What do these unimpressive aid figures tell us?

First, they say that the Commission's technical assistance affected the policies of only a few ENP partner countries. For if the fundamental objective is political, and not just to contribute to economic development, then the quantity of aid – both absolutely and relative to that provided by other donors – is a crucial factor in its political effectiveness. Especially when other countries provide aid with purposes that are not always congruent, and sometimes in outright conflict, with those of Europe.

Second, it is evident that the bilateral aid from EU members has outweighed that provided by the Commission, so the contribution of individual member countries is decisive in determining the overall financial commitment of Europe to the Neighbourhood Policy. This bilateral aid has decreased, however, which threatens the effectiveness of the Commission's efforts to provide adequate resources.

At the same time, Europe's difficulty in following up on policy declarations with practical action is observable in the EU's development cooperation policy more generally. To be sure, economic development does not depend only on the amount of aid funding. The quality of institutions and rules is essential to attracting foreign investment and achieving economic take-off. But the fact remains that development assistance to improve the health and education of the population and to build adequate institutions does require sufficient funds.

The United Nations has set the objective of increasing the official aid

disbursements of the rich countries to 0.7 per cent of the GDP as the indispensable minimum for pursuing its so-called millennium development goals, the UN's targets to begin improving the living conditions of much of humankind – first of all, to cut world poverty in half. To achieve these goals by 2015 as called for – and reaffirmed in 2002 in the final declaration at the Monterrey Conference (18–22 March 2002) – the OECD calculates that all the rich countries belonging to the Development Assistance Committee must raise the ratio of aid to GDP

Table 3 – Official development assistance from EU Commission and member countries
(millions of dollars)

Country	1997	1998	1999	2000	2001	2002	Total 2000-2002
Algeria	34	244.8	11.4	52.5	97.8	82.7	233
Armenia	11.3	21.3	21.6	12.1	10.2	28.9	51.2
Azerbaijan	22	26.2	21.8	20.1	12.8	22.4	55.3
Belarus	6.7	3.9	6.0	1.5	3.2	1.3	6.0
Egypt	197	189.8	150.9	72.5	71	91.2	234.7
Georgia	21.5	24.2	27.7	13.8	23.5	10.9	48.2
Israel	10.0	10.1	3.5	-0.8	23.4	4.2	26.8
Jordan	86.9	49.3	14	80.5	44.6	75.5	200.6
Lebanon	21.8	66.7	16.1	36.1	9.1	25.1	70.3
Libya	0	0	0	0	0	0	0
Moldova	7.2	6.9	8.7	5.3	4.6	11.3	21.2
Morocco	199	235.6	303.8	117.3	132	274.3	523.6
Palestinian A.	117.2	81.5	14.6	62.5	118.5	170.9	351.9
Russian Federation	139.7	105.3	182.4	97.2	98	114.1	309.3
Syria	9.6	11.1	2.6	2.1	4.4	9.7	16.2
Tunisia	137.7	73.4	158.1	70.7	189.8	287	547.5
Ukraine	5.7	97.8	70.8	71.7	97.4	58.5	227.6
Total EC	1,027.3	1,247.9	1,014	715.1	940.3	1,268	6,212.6
Total EU members	1,902	1,855.10	1,537.3	1,521.4	1,550.1	1,347.4	9,713.3
EC + EU members	2,929.3	3,103	2,551.3	2,236.5	2,490.4	2,615.4	15,925.9
Total	7,381.1	7,688.7	9,955.9	7,312.5	6,731.9	8,728.4	47,798.5
EC/(EC+EU members)	0.35	0.40	0.40	0.32	0.38	0.48	0.39
EU/Total	0.14	0.16	0.10	0.10	0.14	0.15	0.13
EU/Total	0.26	0.24	0.15	0.21	0.23	0.15	0.20

Source: Based on OECD data.

by 0.01 percentage point each year from 2000 to 2012. Allocating 0.7 per cent of these countries' GDP to foreign aid would seem a modest enough objective, but looking at the figures on actual bilateral and multilateral aid disbursed, it turns out to be quite utopian.

According to the OECD, the 22 industrial countries belonging to the Committee allocated just 0.22-0.23 per cent of GDP in 2001-2002 to development aid. Italy's contribution was 0.15 per cent (€1,816.68 million) in 2001, 0.20 per cent (€2,481.26 million) in 2002 and 0.17 per cent (€2,153.32 million) in 2003. The country has underwritten the Barcelona objective of 0.33 per cent by 2006 and pledged to increase its official development assistance. Germany, France and Spain contribute a bit more (on the average in 2001-2002, respectively 0.27, 0.35 and 0.28 per cent of their GDP). Only some North European countries have already attained the 0.7 per cent goal. Turning to the composition of the aid, we see that Italian contributions via bilateral agreements accounted for 27 per cent of the total in 2001, 43 per cent in 2002 and 43.6 per cent in 2003, while in France, Germany and Spain the bilateral component exceeds 60 per cent. This may mean that while Italy honours its commitments to multilateral development agencies, it is not in a position to provide adequate resources to fund its own independent, bilateral aid programmes (Table 4).

Table 4 – Italian official development assistance
(millions of euros)

Assistance	2001	2002	2003
BILATERAL	493.79	1,068.06	939.33
Grants	609.65	1,149.36	996.72
Loans	-115.86	-81.30	-57.39
MULTILATERAL	1,322.89	1,413.20	1,213.99
World Bank	281.94	138.88	33.28
Regional development banks	84.58	49.28	29.62
EEC budget	582.20	616.32	555.37
Fed	108.92	196.14	278.77
Contributions to int'l orgs.	265.25	412.58	316.94
TOTAL	1,816.68	2,481.26	2,153.32
Total as % of GDP	0.15%	0.20%	0.17%

Source: OECD.

10. The "golden rule" and development assistance

Clearly, European security and immigration policies to regulate migratory flows need to be sustained by development cooperation policy, which can be considered to perform a "preventive" function.

The data show first that the EU's funding of development assistance has diminished precisely in the years when it should have risen, especially its assistance to the countries bordering on the Union; second that the future appropriations envisaged by the Commission indicate no significant increase; and third, that in any event Community appropriations cannot make up for the decline in bilateral aid.

Obviously, we are not unaware that *one* factor behind these figures is the budgetary problems of the main European countries as they grapple with the fiscal constraints of the Stability and Growth Pact. For this reason we hold that the problem needs to be dealt with at European level, in discussing the revision of the Pact.²⁹ It might be objected that all public expenditure must take account of the Pact's budgetary constraints, so that the problem is the quintessentially political one of choosing the destination of limited resources, not that of deficit financing of all "worthy" expenses. This is clearly true, but it is also true that there is a strict economic logic behind borrowing to fund spending on net investment in infrastructure, human capital and research. In fact, the advocates of a European "golden rule" exempting those items from the Stability Pact budget balance are not proponents of fiscal laxity.

The economic logic underlying the "golden rule" is based on the recognition that investment spending brings benefits over time, so there is no reason to make only current taxpayers foot the bill for expenditures from which tomorrow's taxpayers too will benefit; hence the idea that only depreciation should count towards the calculation of the deficit on current account and thus have to be covered out of tax revenue and not out of borrowing.

But what, one might ask, does the "golden rule" have to do with development assistance? In our view, the connections are many. To be

²⁹ R. Brunetta and G. Tria, "The Stability and Growth Pact: The fiscal rules need changing", *Review of Economic Conditions in Italy*, No. 2, 2003.

effective, ENP requires that the member countries make an extraordinary financial effort to sustain the development of Europe's partner countries, reduce poverty and strengthen fair and democratic institutions. The current costs of such a policy would nevertheless reduce future economic and social costs for security and immigration, which would otherwise be steadily increasing, especially if the migratory pressure were not effectively curbed by acting on its root economic causes.

It follows that like domestic investment in infrastructure and research, investment in development assistance too has benefits spread out over time and should be defrayed by future as well as present taxpayers. In addition, unlike other public expenditure, foreign aid spending does not sustain domestic demand and thus cannot generate inflationary strains.

For these reasons we think that strengthening ENP, in the EU agenda, must be considered in the context of the hoped-for revision of the Stability and Growth Pact; national cofinancing of ENP programmes and bilateral aid³⁹ should be exempted from the Pact's budget constraints.

The need to increase development assistance funding was forcefully argued by the British Chancellor of the Exchequer, Gordon Brown, in his proposal to institute a new "International Finance Facility" to securitize future aid flows so as to concentrate aid expenditure in just the next few years. This would permit donors to fund special initiatives in the developing countries, such as the fight against AIDS, and guarantee a regular flow of development finance. Failing such dependability, it is hard for the developing countries to commit to major long-term programmes.

What does securitizing future aid mean? To do it, there must be precise commitments on the part of donor countries on the amount of future aid; those countries must accordingly become the guarantors of last resort of the development bond issues. And doesn't this amount, in essence, to new debt, which would also raise the problem of its accounting entry in national budgets? Whatever the technical instrument for implementing it, therefore, the problem of separating

foreign aid spending from the cyclical fiscal policy constraints on donor countries arises.

11. Conclusion

Security and immigration policies require a major revision, both qualitative and quantitative, in the financing of development assistance, which must become an integral part of the European agenda. To meet this challenge the Union must avoid the "emergency" approach and instead institute forms of governance that reward integration of various policies and institutions and combine the external and internal dimensions of assistance.

European Neighbourhood Policy (ENP) should be one of the fundamental areas of cooperation between the Union, Member States and neighbouring countries to achieve common security and development goals. This policy requires financial resources at both Community and national level. In a word, this will require a revision of the Stability and Growth Pact to recognize the special importance of development assistance expenditure and accord such spending special treatment in the process of evaluating current budget deficits.

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³⁹ That is, programmes recognized by the Commission as in keeping with the principles, objectives and priorities of the Action Plans and agreements subscribed by the partner countries with the Commission.