The Eurozone Crisis

European sovereign debt: Reverse migration post colonization

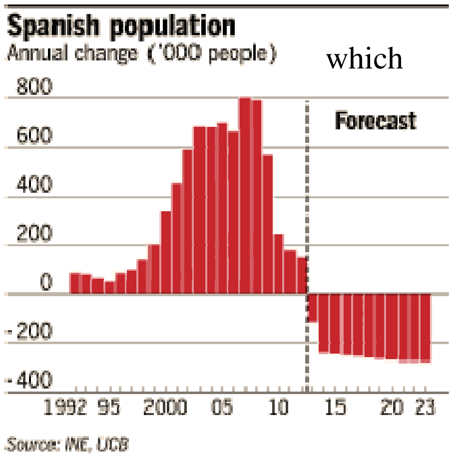
ECB president Mario Draghi dropped a bombshell on 22 January, 2015 after he made the announcement that the European Central Bank will inject at least 1.1 trillion euros into the ailing eurozone economy, in what is called Quantitative Easing (QE); a move that sunk the euro to an 11-year low against the U.S. dollar. European sovereign debt among member states soared; the euro suffered from deflation; the economies stalled or contracted; austerity in the public sector resulted in mass redundancies; the private sector hired fewer people; businesses streamlined their operations; consumer spending was down; inflation on goods deflated the purchasing power; the housing market was stagnant and unemployment continued to rise, particularly youth unemployment. The dwindling state of disarray in the eurozone hit rock bottom with Greece, Spain, Italy, Ireland, Portugal, Cyprus, and more to follow, all failing to meet their growth targets. Things had gotten so bad with the economic turmoil that, in 2011, a new phenomenon had begun—reverse migration.

In Portugal, around one in ten university graduates migrate to the former Portuguese colonies, to places like Angola, Mozambique, Brazil or East Timor. A song by a band called Deolinda debuted their song "Parva Que Sou" (what a fool I am) in 2011 about their peers' lack of prospects for the future. Overnight, the song became an anthem for their generation. Many young people in Portugal then started to realize that they were not alone in their worries about finding a secure job that paid enough. Via Facebook, they called for a day of protest on 12 March, 2011, and some 300,000 people gathered at an organized parade to voice their frustration. The Republic of Angola is the second largest oil producer in Africa. Its capital city, Luanda, is a popular settlement hub. The Republic of Mozambique is an emerging African economy, which is in large part due to the discoveries of substantial gas fields in the Indian Ocean. East Timor, too, is one such developing economy, with oil and gas exploration treaties signed with Australia. Sectors covering information technology, telecommunications, trade and commerce, and other developments in Africa also lure young Portuguese graduates to emigrate. A factor for which African companies hire the Portuguese is that European professionals are treated as a more attractive proposition to their African counterparts, when viewed in the context of training undergone at faculties with higher standards of education. In Brazil, Portuguese migrants are also settling there, following a long colonial tradition going back to the late 15th century. Brazil's economy has, between 2013-2014, grown at twice the expected rate, thus attracting a lot of interest from migrant job seekers.

Since the nascent European monetary standard was ushered in across the ECB zone in 1999 and the euro replaced the Spanish peseta in Spain, an aura of prosperity, driven by the sudden economic boom, generated a horde of people from abroad; particularly from Latin America, as well as pensioners, retirees and investors from Europe looking to buy second homes. Ostensibly, a property boom ensued, that years later had turned to bust following the issuance of swathes of illegally-built homes tendered to buyers. A decade-long period house price surge suddenly seized abruptly, rendering masses of people and businesses alike debt-ridden and bankrupt. Spain's migrant communities were among the hardest hit. The collapsed housing bubble and the mass exodus which was to come all had a detrimental impact on retail sales, fuelling mass-unemployment.

Spain was once, much to the benefit of its economy, one of Europe's largest recipient of migrants. The pattern changed from 2007 onwards. Thousands of foreign nationals have returned back home, and, worse still, scores of Spanish nationals have left their country. Spain suffers from an exceptionally low birth rate, and has thus relied on its migrant population to compensate. One-fifth of children are born to a mother from a foreign country. With one of the world's lowest birth rates, and an increasingly ageing population whose ratio is incrementally out of sync with that of the labour force, the unfolding pattern suggests that Spain—despite the lingering unemployment crisis—is in need of millions of new migrants to sustain its badly overstretched pension system. Another problem is the towering debt load, which is already on track to exceed 100% of gross domestic product. To illustrate the extent to which the eurozone is failing, the Italian debt is in excess of 130% of GDP, whereas the debt of Greece surpasses 175%.

Spain's statistics bureau, Instituto Nacional de Estadística (INE), depicts the booming trend which the 90s brought. The population peaked up until 2007, when the housing market was at its strongest, after which came the housing crash that coincided with the subprime mortgage crisis in the United States and triggered a worldwide recession of substantive proportions. Foreign migrants returning back to Latin America form the core of the people leaving Spain. Hundreds of thousands of Spaniards have left for European countries, namely the UK, Germany, France and Switzerland, which accounted for 30% in 2012.



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Spain looks set for a so called 'brain drain' effect, with consequences that could extend beyond just economic performances. The void of young Spanish graduates and skilled professionals alike, such as doctors, nurses, teachers, scientists, et cetera leaving their country could impact the welfare, potential and livelihood of generations to come. In neighbouring France, the economic situation appears better, but French sovereign debt is almost on a par with Spain, standing currently at the present time at 93.5% of GDP. The French socialist government, led by President Francois Hollande, took on the task of tackling the dire French debt to GDP ratio, raising taxes and divesting from public services in unprecedented austerity measures which left many taxpayers demoralized. In addition to income tax, an array of taxable contributions under the fiscal policy are:

- sécurité sociale
- cotisation d'allocations familiales (CAF)
- cotisation foncière des entreprises (CFE)
- contribution sociale généralisée (CSG)
- contribution pour le remboursement de la dette sociale (CRDS)
- contribution sociale sur l'impôt sur les sociétés (IS)
- contribution économique territoriale (CET)
- impôts sur le patrimoine (ISF)

The list is unexhausted. To make ends meet, some sole traders and firms evade paying what they should, either by not declaring all their income or by setting up shop in tax havens outside of France, like Andorra, Switzerland or Liechtenstein (excl. Monaco).

At the lower end of the tier, demotivated people who find sustenance and shelter from their relatives opt not to work for meagre wages; and either sit it out or retrain. Others migrate to countries with more attractive tax rates. Popular options for French expats are the French speaking countries of Belgium, Switzerland and the French-Canadian province of Quebec, a former colony. Estimated figures account for one hundred and fifty thousand French people residing in Quebec, on a continuous upward trend. Over in Italy, 37% of youth do not have employment. In Spain, every one out of two youths below the age of twenty five is unemployed. In Greece, the situation is more intense.

Europe is regressing. Reforms undertaken since the onset of the supranational union, and henceforth, to the present-day federalization of a Europe with a single currency, with open borders, with a council, a president, a pseudo-constitution (Lisbon Treaty), a parliament, and so on modeled on a 'United States of Europe' concept have failed to deliver the results that were once envisioned. Today's Europe is fragmented between two camps—the Eurosceptics versus the Europhiles. Widespread dissent is fermenting among the people of Europe. Nationalist far-right political parties are gaining ground in the polls, in France, Hungary, Austria, Sweden, Greece, the Netherlands, and more. The United Kingdom held its referendum on the 23rd of June, 2016 on opting in or out of the European Union, with the leave camp marginally winning it, 51.9% to 48.1%. Greece, the true litmus test, may default and leave the union. Were it to leave, it could spell the end for the European project.