# War dominates the European Union summit in Berlin

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As the heads of state of the 15 EU countries met in the German capital Berlin last Wednesday, the crisis of the European Union was painfully evident.

Even prior to the meeting the main theme of the assembly, "Agenda 2000", designed to introduce new rules for the finance and structure of the EU, had been the source of considerable controversy. Then in the week before the meeting the resignation of the entire EU Commission took place. Finally, immediately prior to their consultations, the European heads of state gave the green light for a NATO military offensive in Kosovo.

The first joint document of the summit consisted of an appeal to Yugoslav President Slobodan Milosevic, but any hopes that he would back down at the last minute quickly faded. On the evening of the first day of discussions, as NATO bombers flew over the Balkans, it was clear that the policy of the EU with respect to Kosovo had palpably failed. All attempts to resolve the crisis peacefully and the notion that it would be possible to prevent the war through a threatening gesture collapsed.

Not only the course, but the cost, of this war is totally unpredictable, and can very quickly reach the total of billions of dollars. While the European government heads quarrel about a few hundred millions in budget cuts, the war creates a new financial deficit of unknown dimensions and consequences.

At the same time the war throws a glaring light on the international relation of forces. The first European summit meeting since the introduction of the euro, involving its challenge to the dollar as a world currency, has been overshadowed by a military operation in which the American government is calling the tune. The military action against a sovereign country without any sort of UN mandate serves to intimidate and deter anybody who steps out of line and questions American dominance, under conditions of the US-European "banana war" and increasing economic conflicts in many areas.

The profound changes and political transformation taking place at present in Europe made itself felt in every aspect of the Berlin EU summit. The Agenda 2000 "reform package" is designed to establish the financial framework for the community in the period from the year 2000 to 2006, while creating the conditions for acceptance into the Community of a number of East European countries. The EU Commission which has just resigned had a budget of 711 billion euros allotted for this period. Far and away the largest part of this sum is planned for agricultural subsidies, which are due to be slashed.

After months of conflict the EU agricultural ministers had agreed on a "Basis for future agricultural policy" and agreed on cuts, leading to vigorous protests by farmers in many European countries. However even when these cuts are imposed the planned costs exceed the framework agreed by the EU finance ministers by the sum of 7 billion euros.

France in particular has assumed a pose of stubborn resistance. While the social democratic governing parties in other countries are not so dependent on the votes of the farmers, French President Jacques Chirac, as leader of a Gaullist party and a former agriculture minister, is forced to take into account the influential farmer organisations in his country.

When German Chancellor Gerhard Schröder attempted to find a compromise last Friday in Paris he was opposed by Chirac, who declared that the German proposals were "neither sufficient nor satisfactory" and added: "To put it plainly, the differences between us remain".

Nevertheless there is basic agreement that the subsidies for agriculture have to be reduced. Otherwise the acceptance as new members of the community of a number of East European countries, with a very backward agricultural sector, would be completely impossible.

A second point of conflict was the "Structure and Cohesion Fund" for economically undeveloped regions. Here it was also proposed to restrict the criteria for awarding subsidies and reducing the amount of money made available. Those countries who were the biggest beneficiaries of such structural subsidies--above all Portugal, Spain, Greece and Ireland--opposed the plans for cuts.

A further hurdle in the way of agreement to "Agenda 2000" were the contribution payments. A number of countries--Austria, Sweden, the Netherlands and above all Germany--demanded a reduction of their contributions. It was chancellor Schröder himself who set the ball rolling. For several months he has loudly complained at EU meetings that it was no longer acceptable that Germany paid Brussels nearly 22 billion marks a year more than it received in the form of agricultural and structural help.

As the government chiefs appeared before for television cameras Friday morning, following a sleepless night, they announced: "Agreement on all points!" However a closer examination shows that the fundamental problems remain completely unresolved and have only been put off. "How can you argue over milk quotas when there is a war going on?" questioned the Austrian chancellor Victor Klima on the eve of the summit, adding: "The bombs have united and brought us together".

In the main nearly everything has stayed at it was. France was able to impose a small change to the compromise on agriculture in favour of its farmers--describing the measure as a "considerable success". Portugal was able to defend its subsidies from the structure and cohesion fund--at least for two more years. There will be no substantial reduction to the contributions paid by Germany, Austria, Sweden and the Netherlands, although for the future a "fairer redistribution of the burden" has been agreed. And Great Britain retains--at least for the moment--the discount of 4 billion euros on its contribution which was negotiated by the former Prime Minister Margaret Thatcher. This compromise was made in the hope that it would assist Tony Blair in creating a pro-European mood in his country.

Nevertheless the agreement to the "Agenda 2000" means a new stage in European development. Up until now the European Community served to coordinate the activities of the various national governments of Europe primarily with regard to economic questions. Custom and trade restrictions were dismantled while tariff and legal regulations were unified. The European Bank of Investment, seated in Luxembourg, functioned as the bank of the European Union and directed investment.

With the introduction of the euro as the common currency at the beginning of the year, the European governments have made a further qualitative step towards collaboration, with the aim of strengthening themselves on the world market against their American and Japanese rivals. Above all this requires the transformation of the EU into a much more tightly organised "European government", accountable to the great powers in Europe.

The former European Commission was stamped by the old relations and had to go. Already at the beginning of the summit Germany, France and Great Britain agreed to chose Romano Prodi, the former Italian prime minister, as the new president of the European Commission. The smaller EU countries had to fall into line.

The extent to which the great powers in Europe were able to dominate the summit was demonstrated in the way in which the consultations were organised. Chancellor Schröder led the so called A Team consisting of France, Great Britain, the Netherlands, Sweden, Italy and Spain. The "rest" had to be content with being part of a B Team led by an obviously overtaxed German foreign minister Joschka Fischer. "Just because we are a small country, it doesn't mean you can deal with us like this," complained the Belgium finance minister, Jean-Jacques Viseur.

The selection of Prodi is no accident. In just two years, between 1996 and 1998, he carried out drastic cuts in social welfare in Italy. As chairman of a so-called "left alliance" consisting of 13 parties, he was able to assemble considerable experience in dealing with social democrats and those parties which emerged following the collapse of Stalinism. Under his leadership the future EU Commission has the task of imposing a broad program of cuts in all areas of social welfare.

The Maastricht Treaty, agreed in the autumn of 1993, which introduced the establishment of the currency union, led to drastic cuts and considerable social conflict. Since then conservative governments have been replaced by social democrats in nearly all European countries. Unemployment has continued to grow and according to official figures now numbers 20 million throughout Europe.

With the slogan "Create Jobs," the European countries propose to use mass unemployment to enforce drastic reductions in jobs and incomes. The demand for the "alignment of social standards" conceals the coordinated activity of the European governments to cut social welfare further and introduce low-wage labour on a wide-scale.

In this connection the resignation of the German finance minister Oskar Lafontaine played a not insignificant role in the further direction of Europe. Together with the French finance minister Dominique Strauss-Kahn, Lafontaine defended a policy aimed at softening the worst consequences of an unhindered market economy and retaining at least basic elements of social security. The alternative, he feared, would be a complete social breakdown .

With his resignation, the axis of Germany's European politics has now shifted from Paris to London. In an arrangement with Chancellor Schröder, Tony Blair posed at the summit as a reformer of the EU and used every opportunity to call for an "Americanisation" of European economic and social policy. Overshadowed by war, the EU meeting in Berlin augurs a new period of acute social conflicts and profound political instability in Europe.