Wider European upheavals will follow NATO attack on Yugoslavia

8 May 1999

The US/NATO war against Yugoslavia will bring long term consequences affecting relations beyond Eastern Europe and Russia. The war can trigger a series of events that could destabilize Western Europe, break up the NATO alliance and produce mass upheavals.

On January 1 the new European currency, the euro, went into effect signaling the economic unity of 11 European countries. Since then, a series of significant developments have taken place which point to the emergence of an economic Western Europe as a superpower.

In few years from now, a united Europe will be in a position to challenge the US dollar and US finance and industrial capital all over the globe, if and only if plans for economic integration are materialized.

Financial markets are expecting what perhaps could be the largest wave of mergers and acquisitions (M&A) in history, as the euro and a single monetary policy make possible the consolidation of European industry. A prime example of this M&A frenzy is the announced merger for $82 billion between Deutsche Telekom and Telecom Italia.

This follows the acquisition of Paribas by Societe Generale, both large French banks. There were even threats of a further consolidation when the largest French bank--Banque National de Paris--tried to take over Paribas and Societe General, a move designed to create a single French giant bank.

Similar negotiations are taking place in Frankfurt and Milan, each with its own plan to develop new and very ambitious financial services to compete with Wall Street and the City of London.

In addition to a large consolidation of European industrial and financial capital there are other significant changes in European day-to-day economic life. For instance, the "less developed" country members of the new European Union are experiencing interest rates which in fact are lower than in the US.

This has created a large expectation among the middle class and layers of the working class who have access to "cheap" credit and the opportunity to purchase a house by taking mortgages with interest rates in the single digits and comparable to those in the US.

The war in the Balkans puts the plan of European economic integration in great jeopardy. With the prolongation of the war Italy has a good deal to lose. Not only has it become home to US/NATO military in the war against Yugoslavia, but in case of a massive exodus out of the Balkans, it would be the first country to suffer an influx of hundreds of thousands, if not millions, of people.

To use market language, such events would bring instability and increase Italian risk vs. other, more stable countries in Europe. Under the previous system of independent currencies and monetary policy, the markets would penalize Italy by raising interest rates and selling the lira. Today, they cannot do that, since the lira and Italian rates are tied up to the euro in the same way a "quarter" is tied up to the dollar.

In other words, a crisis in Italy would be transmitted to the rest of the European Union. Because of the euro, Paris and Berlin are as close to events in Yugoslavia as the Italian coast in the Adriatic is. The expectations raised by the euro among Europeans could very quickly turn into disappointment and frustration, feeding into old intra-European nationalist rivalry.

As US/NATO forces conduct war against Yugoslavia, on the commercial front, the US is at war with its European NATO allies, today over bananas and tomorrow over who knows what.

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