Whatever happened to “new” Europe?

Britain and new eastern EU members at loggerheads over budget

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The collapse of the June 16-17 European Union budgetary summit in Brussels was accompanied by the dismal scene of Europe’s newest and poorest members pleading for a last-minute compromise that would allow some of the aid due to them to be paid. Reliant on the EU for billions of euros in funds, the ex-Stalinist eastern European countries offered to forgo part of their portion of the 2007-2013 budget in order to facilitate some agreement between the main powers France, Germany and Britain.

The crisis erupted following the demand from then-EU President and Luxembourg Prime Minister Jean-Claude Juncker, that Britain forfeit at least part of its 5.1-billion-euro annual rebate from the EU budget for 2007-2013 in order to finance the integration of the 10 states that joined the EU last year. British Prime Minister Tony Blair responded to this with an attack on the EU’s Common Agricultural Policy (CAP) and its main beneficiary, France. Blair took the opportunity to launch a more general assault on “old” Europe and what he considers the unacceptable slowness of France, Germany and the EU in general to force through the most aggressive free market reforms.

In his conflict with French President Jacques Chirac, Blair found himself at odds with the elites of the eastern EU states that on many other matters are his natural allies. Polish Prime Minister Marek Belka implored his British counterpart, “If you prevent a compromise, you will no longer be our star.”

Blair, who has positioned himself as the free-marketer-in-chief of Europe, was apparently taken aback when the right-wing, anti-tax, anti-welfare elites of eastern Europe attacked him for his spoiling tactics at the summit.

That “new” Europe, as it was dubbed by US Defence Secretary Donald Rumsfeld, has not proved to be such a reliable base of support for Blair’s efforts on behalf of Washington to weaken the Franco-German core of Europe is not surprising. In the first place, the significance of “new” Europe to Washington was not its political cohesiveness, but that the poor east European states could be easily bought and manipulated.

For this same reason, however, the ex-Stalinist countries were never going to agree to Blair’s wrecking the EU budget and attacks on agricultural spending, because this would seriously endanger the EU financial assistance, primarily drawn from German contributions, on which their weak economies depend.

Instead, Britain found backing at the summit from Holland, Sweden and Finland, all large per-head net contributors to the EU budget that are reluctant to pay more into the European pot as they endeavour to cut their own domestic public spending.

Also in Blair’s corner over the budget was Spain, currently the largest beneficiary of EU money, receiving 8.7 billion euros annually.

Prime Minister Jose Luis Zapatero, who has reoriented Spain back towards the Franco-German core of the EU and somewhat away from his conservative predecessor Jose Maria Aznar’s alliance with America and Britain, feared that a budget designed to facilitate the EU’s eastward expansion threatens both Spain’s receipt of EU monies and its position as Europe’s main cheap-labour platform.

The new EU members were enraged with Blair’s intransigent position of insisting on a cut in EU farm subsidies as the price for removing part of its annual rebate from the European budget. Referring to Britain, Belka criticised “national egoism” on display at the summit, parroting Chirac who had earlier said the “egoism of two or three rich countries” was responsible for the breakdown.

Czech Finance Minister Bohuslav Sobotka said that the EU newcomers should not be held responsible for the summit’s failure, but rather the “immoral and ungrounded” British rebate.

Following the summit, there has been a flurry of activity as the continent’s leaders attempt to find some way out of the impasse. On June 27, German Foreign Minister Joschka Fischer and his French counterpart Philippe Douste-Blazy met in Warsaw with Polish Foreign Minister Adam Rotfeld. There were reports that UK minister of state for Europe, Douglas Alexander, had been invited to join the meeting, but that the British had shown little interest in attending.

To break the current deadlock, Polish Commissioner Danuta Huebner proposed calling an extraordinary EU summit, again echoing a proposal by Chirac. “I hope there would be a compromise if there was an additional summit organised by Luxembourg,” Huebner told the *Berliner Zeitung*. The Polish government has insisted that, if there is no compromise over the 2007-2013 EU budget, Poland could not agree to a makeshift budget. “We would lose at least half of the structural funds,” said EU Affairs Minister Jaroslaw Pietras.

The differences the eastern member states now have with their “star” are not over Blair’s demands that the EU destroy the last vestiges of the post-war social gains of the working class—the ex-Stalinist bureaucrats in Warsaw, Prague, Tallinn, etc., have seen to this task themselves. The differences have come about because the British leader is destabilising the macroeconomic policies of the expanded EU.

Britain’s *Observer* newspaper, on June 19, warned that while the stalled budget “would have relatively little impact on the rich countries,” the entrant states of the east would suffer acutely. A delay in implementing the budget even until next year “would hit the likes of Poland and Slovakia because they would not be able to draw up spending plans for vital projects” such as transport infrastructure.

Since the accession of Ireland in 1973, and throughout the 1980s and 1990s after Spain, Portugal and Greece joined the then-European Economic Community, the main European powers have paid for expansion with large sums of regional development aid. The purpose of these funds was to create adequate infrastructure in impoverished areas to allow big business to locate there and exploit low-wage labour. These inflows of cash also served to ameliorate class tensions across Europe, stabilising the basis of European capitalism.

The 10 relatively poor countries that entered the EU last year were expecting a broadly similar deal. Poland expects 60 billion euros in the 2007-2013 budget. The five poorest regions in the EU, which also have the highest rates of unemployment, are in the east of the country. These areas, which are largely agricultural and have suffered a collapse in their heavy industry, have attracted almost no inward investment but were to receive an additional 900 million euros in aid over the lifetime of the contested budget. The situation is similar for the other new members, with the Czech Republic expecting around 17 billion euros and neighbouring Slovakia in line for over 8.5 billion euros in subsidies.

Without an agreement on the 2007-2013 budget, the new EU states will be left with current funding arrangements that are worth a fraction of what was on the table at the Brussels summit. Such is the impoverishment of public finances in these countries, after 15 years of brutal economic "shock therapy"—overseen by the European development bank and the International Monetary Fund—that no significant infrastructure projects could even be contemplated without EU money. The deadlocked state of EU finances means that money that has already been allocated for major projects in the East is now frozen, threatening to throw the plans of the region's governments into disarray.

Poland's Economy Minister Krystyna Gurbiel told the *Guardian*, on June 23: "It is a serious delay and it means that we shall have less time to implement the projects.... I am afraid that if the decisions are not taken shortly, by 2007 we will not be able to continue support for enterprises very much needed in Poland."

Etele Baráth, Hungary's Europe minister, told the newspaper that it was "not just a question of money. For us it is very important to know how much, for what goal, when and what way we can use the money. It is important we are well prepared for 2007-13. It is a bit of a shock. We have lost a lot of time."

Also problematic to the east European states is the British government's attack on the CAP. While France is, and would remain, the main beneficiary of the CAP, the new members also stood to gain. Agriculture still accounts for a very large number of jobs in the region, but is inefficient compared to agribusiness-dominated Western farming.

The farming areas of Poland, the Baltic states and Slovakia are some of the poorest and most economically vulnerable in the EU, and the increased competition from the richer members will greatly exacerbate this. In Hungary, there have been large and angry protests by farmers, whose livelihoods are becoming extremely precarious. Minister of Agriculture Imre Nemeth was recently forced to resign.

While the limited CAP money due to be allocated for eastern Europe for 2007-2013 would be largely swallowed up by the wealthiest farmers, it would have also subsidised a layer of the rural petty bourgeoisie. This in turn would help solidify a base of social support for the region's governments as they continue their attacks on the working class.

Krystyna Gurbiel, again in the *Guardian*, commented, "For us the CAP is very important. Our farmers are getting much lower subsidies than the farmers in the older EU member states. So we cannot agree to a solution that will hit our farmers. That is a very difficult issue for Poland."

Hungary's Etele Baráth added, "It will be difficult [to reach a budget agreement during the British presidency]. Between France and Britain there is a big gulf over CAP."

There have been some warmer opinions expressed regarding Blair's agenda for Europe. The foreign minister of the Czech Republic, Cyril Sovbod, has suggested that many of the reforms proposed by Britain were valid, a view shared *in theory* by most of the elites of the ex-Stalinist countries but only to the extent that this doesn't interfere with the flow of EU cash into their coffers. The British stance cannot but threaten the existence of the EU as it currently stands, and therefore damage the fundamental economic interests of the accession countries.

The crisis over the European constitution, rejected by the French and Dutch voters, has combined with the impasse over the budget to weaken public confidence in the EU in the East. A poll in the Czech Republic published by the Stem agency on June 17 showed 52 percent against the constitution to 48 percent for. The Czech government has dropped plans for a referendum, as have Estonia and Poland. Polish Prime Minister Marek Belka stated that he was worried "that the coincidence of the lack of a budget compromise and the referendum results, plus the slowdown in the ratification process, will create an atmosphere of doom and gloom in the European Union."

"Doom and gloom," indeed. Five decades after France, Germany, the Benelux countries and Italy formed the European Coal and Steel Community, the forerunner of the EU, the new entrants have found themselves in a union that is in danger of unravelling.

EU plans to incorporate Romania and Bulgaria in 2007, as well as to begin preparations for the possible membership of Croatia, Turkey and the Ukraine, have also been dealt a serious blow. Austrian Chancellor Wolfgang Schuessel, who will take over the EU presidency in January following Blair's term in office, said that he is "convinced that the European Commission will postpone Bulgaria and Romania's accession by one year."

The prospect of admitting Bulgaria, Romania, Ukraine, Turkey and Croatia—all far poorer than the current crop of new entrants and with a combined population of more than 150 million—is increasingly remote. German Christian Democrat MEP and the Chairman of the Committee on Foreign Affairs of the European Parliament, Elmar Brok, put it bluntly: "We will choke if we let Ukraine in."

Even the countries furthest along the road to membership, Romania and Bulgaria, are extremely poor and would require huge sums in aid to bring their economies and infrastructure just up to the standard of the Czech Republic.

Suggesting an alternative route for aspirants to the EU, Europe's commissioner for economic and monetary affairs, former Spanish Socialist leader Joaquin Almunia, recently suggested that the EU might reach an agreement with Ukraine on associated membership in 2008. He stated that implementation of an EU-Ukraine bilateral plan should not depend on the negative results in the referendums on the draft EU constitution in France and the Netherlands.

This cheaper and less politically unifying form of European association—little more than a free trade agreement—is just what London and Washington envisage, not just for the lands to the EU's East but for the EU itself.

The post-war European unification project was predicated on the ability of the continent's powers—under conditions where they faced a common enemy in the form of the USSR, combined with the revolutionary threat from an organised and militant working class—to ameliorate national divisions in order to stabilise European capitalism. While the European project was largely successful in allowing the continent's bourgeoisies to regroup and expand their global positions following the wars and depression of the first half of the twentieth century, the liquidation of the Soviet Union and the subsequent turn by America to militarism and an aggressive assertion of its interests in Europe and internationally has set the stage for a return to old antagonisms.

Whatever the outcome of the current budget crisis, the divisions it has exposed presage future inter-imperialist conflicts in Europe—in which alliances will be made and broken according to the temporary needs of increasingly divergent national elites.

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