European Union in crisis

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Today's meeting of European government heads in Brussels takes place under conditions of a deepening crisis of the European Union.

At the centre of the growing tensions between Berlin, Paris and London is the question of how to react to the international financial crisis and global recession. While the French and British governments, together with European Union Commission president, José Manuel Barroso, are urging a large-scale economic stimulus programme, the German government has made it clear that it opposes making large sums of money available for such a programme.

German Finance Minister Peer Steinbrück has said he rejects an approach based on "bailing one's way out of a recession with state money." French President Nicolas Sarkozy, British Prime Minister Gordon Brown and Barroso met in London at the start of the week without inviting German Chancellor Angela Merkel, in an attempt to increase pressure on the German government.

The growing rift between Germany and France is particularly ominous from the standpoint of the stability of the European Union. Since the inception of the drive for European integration on capitalist foundations in the decade that followed the Second World War, the German-French alliance has been the linchpin of the project.

Behind the crisis of the EU are the devastating consequences for Europe of the international economic crisis. The prognosis for the economic situation in the EU has worsened from month to month. A joint forecast of 10 European research institutes reckoned on a decrease of gross domestic product (GDP) across the continent of 0.4 percent in 2009 and a major rise in unemployment. The researchers did not rule out a significantly worse development.

Most European Union countries are already in recession. In Germany, GDP rose in the first quarter of 2008 by 5.7 percent, then declined in the second quarter by around 1.7 percent, and fell another 2.1 percent in the third. The Organisation for Economic Cooperation and Development (OECD) forecasts a significant growth of unemployment over the next two years.

The differences of opinion in Brussels are not limited to the extent and form of an economic stimulus programme. The entire project of European unification threatens to break apart under the pressure of the crisis. Even the EU common currency is coming increasingly under pressure.

Since January, the euro has fallen approximately 13 percent in relation to the US dollar. Compared to its highest level of US$1.60 in the spring of this year, the euro has lost more than 20 percent, with its exchange rate sinking at one point below US$1.25.

Under these conditions, all the unresolved historical problems in Europe are re-emerging.

The European dilemma consists in the fact that while the present financial and economic crisis requires much closer cooperation between European nations, such cooperation is becoming increasingly difficult and even impossible. The historic economic decline of the US—expressed in the current economic crisis and the country's gigantic indebtedness—not only intensifies the conflicts between the US and Europe, it also exacerbates tensions between European nations.

The project of European unification began with the Rome Treaty 50 years ago, and from the start was closely bound up with US supremacy in the Western Alliance. The US at the time supported close economic and political cooperation between Western European states. A unified European market for trade in goods, services, labour and capital benefited American companies investing and selling their goods across the continent. At the same time, a unified Western Europe served as a political and military bulwark against the Soviet Union.

The collapse of the Soviet Union and Warsaw Pact radically changed the situation. European powers, and in particular Germany, saw an opportunity to overcome the political and economic dominance of America and emerge as rivals, if not equals, of the US.

The establishment of the European Union in 1992, the expansion of the European Union into Eastern Europe and the introduction of a common currency were all aimed at serving this purpose. The euro was planned as a rival to the dollar and as an alternative world currency. At its meeting in Lisbon in 2000, the European Union even put forward its goal "of becoming the most competitive and dynamic knowledge-based marketing area in the world by 2010"—i.e., overtaking the US.

For its part, the US used its powerful position in Europe to encourage intra-European conflicts. This became clear during the Iraq war, when then-US Defence Secretary Donald Rumsfeld sought to divide the continent into "old" and "new" Europe.

At the same time, social and national conflicts have rapidly intensified in Europe, with social decline accelerating rapidly in the last five to six years.

An important factor in this respect was the extension of the EU into Eastern Europe. In a short period, European companies were able to take advantage of a huge reserve of low-paid, highly trained workers just across the border, who have been systematically used to drive down wages and the standard of living in the rest of Europe.

The wage differentials within the European Union are enormous. One working hour in Scandinavia, Germany, Great Britain and France costs between €25 and €30; in Poland, €5; in the Baltic states and Slovakia, €4; and in Bulgaria, which joined the EU at the start of the year €1.40.

These wage differentials exist within a small geographical area. It is just 100 kilometres from the German capital to the Polish border, and just over 1,000 kilometres to the Latvian capital of Riga. Across a distance of 1,000 kilometres, there exists a wage differential of more than 90 percent.

To maintain the EU and joint currency under these conditions, the German government is seeking to defend the EU stability pact, which has formed the backbone of Germany's European strategy since the beginning of the 1990s.

At that time, Chancellor Helmut Kohl and his finance minister, Theo Waigel, insisted on binding the introduction of the euro to tight financial criteria requiring every European government to maintain a strict budgetary policy, while ensuring that the European Central Bank (EZB) could operate free of political control. Annual new debt incurred by EU member nations was limited to a maximum of 3 percent of GDP and total debt to 60 percent of GDP.

The stability pact was aimed at guaranteeing the stability of the euro and enabling it to compete with the dollar. This, in turn, would increase the dominant position of the German economy in Europe, based on Germany's powerful export industries, which profited from a stable currency.

In light of the current economic crisis and global recession, the common economic and monetary edifice of the EU is being torn apart. Every individual European government is trying to save its own industry and economy. Conflicts between European governments are increasing over a myriad of issues. The common currency could collapse under the weight of these conflicts.

All of the unresolved questions that twice between 1914 and 1945 transformed Europe into a heap of rubble are re-emerging with renewed intensity: Who is to dominate Europe? How can a reunited Germany be kept in check? Will the "hereditary enmity" between France and Germany erupt once again? How can smaller member states protect their interests against the major European players? How can Poland prevent itself being crushed between Germany and Russia?

European governments are observing one another with growing distrust. The only form of cooperation at present is directed against the working class in the form of new attacks on social conditions and rights, coupled with the establishment of more-authoritarian forms of rule.

The European Union Commission has become synonymous with deregulation, "free market" liberalisation and the destruction of employee rights. Instead of conciliating social and regional differences, the EU is intensifying them.

The EU bureaucratic colossus, comprising an army of 40,000 functionaries centred in Brussels, is not subject to any genuine democratic control and is at the beck and call of an equally large army of business lobbyists. The EU bureaucracy is increasingly emerging as a direct tool of the most powerful sections of European capital.

No one summed up better the current dilemma of Europe than Leon Trotsky, who wrote in 1915 in his essay *The Programme of Peace*: "A halfway complete and consistent economic unification of Europe *coming from the top* by means of an agreement of the capitalist governments is sheer Utopia. Here, the matter can go no further than partial compromises and half-measures. Hence it is that *the economic unification of Europe*, which offers colossal advantages to producer and consumer alike, and in general to the whole cultural development, becomes the revolutionary task of the European proletariat in its struggle against imperialist protectionism and its instrument—militarism."

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