

# What lies behind the tensions with the US?

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This weekend's European election takes place under conditions of fierce domestic and international tensions. Germany's conflicts with France, on the one hand, and the US, on the other, are intensifying at a point in which national conflicts within Europe threaten to blow the European Union apart.

Differences between Berlin and Washington are mounting over how to deal with the international financial and economic crisis. Germany's Chancellor Angela Merkel attacked the US government Tuesday with unusual vehemence. Addressing an audience of economic representatives in Berlin, Merkel declared that she looked "with great scepticism" upon the powers ceded to the American Federal Bank as a consequence of the economic crisis. She also criticised the Bank of England. The American and British financial press reacted indignantly. The London *Financial Times* headlined: "Merkel mauls central banks", while the *Wall Street Journal* called Merkel's public criticism "unusual".

What is behind this conflict?

Despite its negative effects, leading political circles in Germany saw the international financial crisis as an opportunity to shake off the supremacy of Wall Street and the City of London. Despite its best efforts, the financial centre of Frankfurt was never able to seriously compete with London and New York. The strength of the German economy has been its export industries, but it is precisely this sector that has been hit hard by the crisis of the financial markets. There was already increasing resistance in Germany to the activities of international hedge funds, which had bought up a number of German companies. When the collapse of Lehman Brothers then dragged a number of German banks into the abyss and plunged the world economy into recession, the conclusion in Germany was clear—the crisis was "made in America".

But any hopes that Washington would adopt a more modest role in response to the crisis and be more inclined under the newly elected President Obama to cooperate with the Europeans as equals have been dashed. The crisis

has only made American capitalism redouble its efforts to solve its problems at the expense of the rest of the world.

The incredible sums that the Obama administration has made available to stimulate Wall Street have destroyed any hopes of re-organizing the financial markets, while feeding fears of uncontrollable inflation, which would have devastating consequences for Germany's export industries. It was this fear that Merkel articulated in her speech in Berlin.

She accused the governments in Washington and London of injecting trillions of dollars into financial institutions with the intention of restoring them to their traditional positions of power, prior to the introduction of any new regulations on international financial markets. She "very clearly" saw the danger that the financial markets' regaining power would make their regulation more difficult. Merkel continued, "All those who emerge somewhat strengthened out of the crisis will try to resist future restrictions." She noted with concern that banks already had an outstanding new arena for speculation, "namely the shifting back and forth of government credits," because states had expended so much money on their rescue.

The *Süddeutsche Zeitung* commented that in many capitals "the realisation was growing that the financial crisis had been unleashed by distortions on the US property market, but that its real origin, is very different: the years of overly generous monetary policy, in particular, by the US".

The German and the French governments, which are in a similar situation, are reacting to American pressure by seeking to realise—with increasing aggression—their own imperialist interests. Two days before her Berlin speech, Chancellor Merkel joined French President Nicholas Sarkozy in penning an article entitled "Ten theses for a strong European Union". This article culminates in the demand: "Europe must play a leading role in the world".

The anti-American slant of the theses begins with its analysis of the causes of the international financial and economic crisis. "The (free market) liberalisation without

rules failed. This failure led to the severe crisis we find ourselves in now,” the article states. “The model that we want is a responsible market economy that favours both entrepreneur and employee, not the speculator; a market economy based on long-term investments, not on returning a fast profit”.

These are two conservative politicians who enjoy close relations with the highest business circles and can by no means be accused of harbouring any sympathy for socialism. Their attack on the market, speculation and profit can only be understood as an attack on American capitalism.

Merkel and Sarkozy call for a “real European regulation in the financial sector” and a “fair world trade on the basis of mutuality”. In the event of a failure of the Doha round of world trade negotiations, they threaten to go it alone with “the adoption of a provisional European solution”.

This is followed by an unconditional commitment to a greater international role for European capitalism: “Europe must favour the emergence of strong European industries and enterprises. It must ensure the development of European enterprises which can play in the first league worldwide; and our policies for strengthening the competitive ability of the European economy must support this effort”.

The conflict with the US is also transforming the European Union. Under American pressure, centrifugal forces are growing on the European continent, threatening to break the EU apart. There are a host of indications that extreme nationalist and chauvinist forces will emerge strengthened from the European election.

In Holland, where the population voted on Thursday, the anti-Muslim “Freedom Party”, led by the right-wing populist Geert Wilders, obtained second place. Winning 16 percent of the vote, it trailed not far behind the Christian Democrats led by Prime Minister Jan Peter Balkenende, who won 20 percent. The social-democratic Labour Party placed third, with just 13 percent.

In Great Britain, the anti-EU United Kingdom Independence Party is expected to win more support than the governing Labour Party, which confronts an electoral debacle. The conservative Tory party, which is likely to form the next British government, is currently negotiating with extreme nationalist groups, such as the Polish Law and Justice Party (PiS) led by the Kaczynski brothers, on the formation of a new parliamentary group in the European parliament. In the coming legislative period, the Tory party plans to quit the European Peoples Party,

which includes all the major conservative parties endorsing the European Union. A Euro-sceptic government in Great Britain—one of the four largest member countries—would place in doubt the very existence of the European Union.

These right-wing forces do not have mass support. They are able to profit from the extremely low electoral turnout of around 30 percent and the decline of the social-democratic parties, which have led the way in attacks on the working population for years. Nevertheless such extreme right forces represent a real danger. The break-up of Europe into competing nation states and regions would have devastating social and political consequences. It would evoke all of the nationalist abominations that plagued Europe in the first half of the 20<sup>th</sup> Century and were recently on display in the Balkans.

The working population cannot and should not defend the European Union. The EU is a tool of European capitalist interests. The more aggressively it seeks to extend its influence abroad the more sharply it attacks the working class inside Europe itself. It plays a key role in the dismantling of social and democratic rights. The current social catastrophe in Eastern Europe is largely a product of EU policies. The anger and outrage reflected in the huge levels of voter abstention are directed against the EU and its institutions. Right-wing forces, however, are seeking to exploit this anger and divert it into chauvinist channels.

The working population cannot remain indifferent or passive in the face of this development. They must seize the initiative to unite Europe on a socialist basis. The defence of social and democratic rights must be bound up with the struggle for an international socialist program and the realisation of the United Socialist States of Europe. This is the perspective put forward by the Socialist Equality Party (PSG), the German section of the Fourth International. A vote for the PSG this Sunday is a first step towards developing an international socialist party throughout Europe.

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