Brussels summit intensifies national conflicts in Europe

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29 October 2011

Following the euro summit on Wednesday, those taking part sought to outdo each other in singing its praises.

Adopting the pose of a world saviour, President Nicolas Sarkozy addressed the French people on television and declared: “Without the decision yesterday, the world would have been plunged into disaster. The euro is the heart of Europe, if the euro explodes, Europe would have been blown apart.” Now, however, based on the wise decisions of Brussels, we are “shifting into a new world.”

German Chancellor Angela Merkel was equally jubilant when she appeared before the press. She allowed herself to be lauded as the conqueror of the banks, which she had forced into making a “historic renunciation”.

None of this is true. Even if one disregards the fact that almost all of the details of the agreements made in Brussels remain unclear and must be determined in weeks of negotiations, the deal stuck at the summit will only serve to deepen the current crisis.

At the root of the debt crisis is a more fundamental problem. Despite having founded a European Union, Europe remains divided into separate states with each ruling elite intent on pursuing its own national interests. Under pressure from the international financial crisis, national conflicts are intensifying and the EU is breaking apart.

The economic data speaks for itself. Rather than ameliorating national antagonisms, the introduction of the single currency has only increased them. There are huge deviations in trade balances, labour productivity, average income, purchasing power and inflation within the 27 EU member states, and the 17 nations in the euro zone. While countries with a strong industrial base such as Germany enjoy high trade surpluses, the economies of weaker countries are imploding due to intense European competition. The huge indebtedness of Greece is largely due to this development.

The summit on Wednesday, however, did nothing to alleviate these growing economic conflicts. Instead what predominated were the most aggressive national interests. Nothing was left of the facade of equality and democracy that the EU seeks to maintain. Germany and France demonstratively set the tone, with Germany playing first and France second fiddle.

Chancellor Merkel and President Sarkozy had met before the summit several times to determine the course and outcome of the summit. When negotiations with the banks were deadlocked on Wednesday night, Merkel and Sarkozy intervened personally to force a decision. The other members of the monetary union could only nod their heads, while the remaining EU members were reduced to mere spectators.

Greece was forced to yield its fiscal sovereignty at the summit and allow its spending to be permanently monitored by the troika. Previously, checks had been made every three months. Italy was also committed to new, drastic cost-cutting measures.

The attempts by France, and especially Germany, to dictate terms to other countries inevitably provoked a nationalist backlash. Nationalist movements are already stirring in many European countries. Germany’s efforts to re-organise Europe in the last century have already reduced the continent twice to ruins.

The most astute observers were quite able to identify the significance of the aggressive attitude struck by Merkel and Sarkozy.

On Friday the *Süddeutsche Zeitung* commented: “The power structure in the European Union has shifted permanently,” it stated. The crisis has divided the EU “into zones of different power and influence.” Germany was determining “the pace and the methods of crisis management.” France, which had “long dominated the European Union,” had “slipped to second place behind Germany.”

At the same time a hierarchy has been established within the euro zone: “Those like the Greeks or the Portuguese already hanging on the drip-feed of the bailout fund have no other choice but to submit to the dictates of donors”... others, like Italy, “which still stand on their own two legs but may soon need help” are no better off. Italy no longer plays “any role in shaping the present and the future of the continent.”

The largest divide in the EU has opened up “between the countries that have the euro, and those who do not have it.” The latter played only a peripheral role and are now mere onlookers when it comes to the development of Europe.

The *Financial Times* warned of a throwback to the times of rival European nation-states: “The euro’s troubles have been a proxy for a deeper crisis of integration. ... Perhaps the latest effort of euro zone leaders will stabilise the euro. But they have not addressed the deeper malaise. Behind grandiloquent talk of European solidarity once lay a more serious recognition that national interests were best pursued by co-operation. More Europe meant more France ... and more Germany, and more Italy and so on. The euro crisis has seen the process recast as a zero sum game. What Greece, Portugal, Spain or Italy stood to gain, Germany, the Netherlands and others must lose. This way lies the return to Westphalian Europe.”

In 1648, at the end of the Thirty Years’ War, treaties were signed in the Westphalian cities of Münster and Osnabrück which laid the foundation for the European system of sovereign nation states. A return to this system also means a return to the political, economic and military conflicts that plagued Europe for three hundred years.

The resurgence of national interests in Europe is inseparably connected with fierce attacks on the social and democratic rights of the working class. This development was continued at the Brussels summit.

Political circles and the media have sought to present the deal reached in Brussels for a 50 percent debt reduction for Greece as a blow to the banks. This is aimed at assuaging the growing opposition to the banks, currently reflected in the Occupy Wall Street movement, amongst others. The reality is very different. This is demonstrated by the fact that one day after the summit, the share prices of banks soared by up to 15 per cent.

There are several reasons for this reaction. In recent trading Greek bonds have been sold at just 40 percent of their face value. As a result of the 50 percent “haircut”, the banks lose far less than they had previously when selling off their bonds. Investors who acquired Greek equities recently will even be able to make a healthy profit. The long-term bonds that Greece offers early next year to replace its old ones are significantly more secure, because they are guaranteed up to about 30 percent by the euro rescue fund EFSF.

In addition, only a small share of Greek securities are held by private investors—which in turn are mostly Greek banks. In order to prevent the collapse of Greek banks, the EFSF plans to invest €30 billion. Greek pension funds are also heavily affected by the debt reduction. They will no longer be able to pay out current pensions unless they are propped up with tens of billions of euros.

The Greek government debt will in fact be cut by just 30 percent since the European Central Bank, the European Investment Bank and other public institutions that hold large amounts of Greek government bonds are not involved. Even according to the optimistic calculations of the EU, Greece will reduce its total debt to 120 percent of GDP by 2020. The country’s drastic austerity programs continue to remain in force and will be imposed with even more fervour. The debt reduction will do nothing to improve the situation for the struggling Greek population.

The de facto insolvency of Greece also serves as a lever to tighten up the austerity measures in Spain, Italy, France and ultimately Germany.

However one looks at it: in the final analysis it is the working class and social spending which are hit by the crisis measures, while the banks can rely on support from public funds. The recent EU summit marks just another phase of the redistribution of income and wealth from the bottom of society to the top.

There is, however, growing opposition. But this opposition needs a political program. It must consciously break with the trade unions, social democracy and their pseudo-left supporters, which subordinate working people to the national interests of their respective ruling classes.

European workers and youth must not allow themselves to be divided by burgeoning nationalism. The future lies in their unity. The defence of social and democratic rights is inextricably linked to the struggle for a workers’ government and the United Socialist States of Europe. This is the policy advocated by the *World Socialist Web Site* and the International Committee of the Fourth International.

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