

Divisions rise inside EU at summit between Germany, France and Italy

Alex Lantier
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German Chancellor Angela Merkel, French President François Hollande and Italian Prime Minister Matteo Renzi met yesterday for a summit off the Italian island of Ventotene.

This was a reprise of the June 27 crisis summit that brought Merkel, Hollande and Renzi together in Berlin shortly after Britain voted to leave the European Union (EU). After the Berlin summit, where they called for broad new economic “reforms” attacking the working class and a united EU military policy, they were determined to show unity and halt further disintegration of the EU. They assembled again yesterday to prepare next month’s EU summit in Bratislava.

“Many thought that after Brexit, Europe was over,” Renzi declared as he opened the summit’s joint press conference, on the flight deck of the aircraft carrier *Garibaldi*. “But it is not, and we want to write a new page in the future.”

In fact, even before Britain invokes Article 50 of the Lisbon Treaty to begin formally negotiating the terms of its exit from the EU, the EU is on the verge of a new explosion. At Ventotene, the three largest euro zone economies faced a broad range of urgent crises: the rapidly escalating war in Syria and the Middle East, the immigrant crisis and terror attacks in Europe, and the rising danger of a historic European banking collapse centered in Italy. However, they failed to unite around any common proposals, save more attacks on the working class and migrants’ democratic rights.

“Much symbolism but nothing concrete,” the Swiss *Neue Zürcher Zeitung* concluded about the summit. It mocked the three countries’ “empty declarations of solidarity and fulsome praise of the European project” and wrote: “Their ideas broadly clash, so everything stayed at the level of generous promises.”

Renzi, who is fighting to avert a run on Italy’s banks

and to keep office amid the deepening slump of the Italian economy, pledged: “We will also talk about economic issues. We want strong measures, quality investments accompanied by structural reforms, investing in Manufacturing 4.0 and renewable energy. We have to focus on the youth.”

Renzi’s proposals were stillborn, however. In the run-up to the summit, Merkel downplayed Renzi’s calls for looser rules on state budget deficits, and Hollande’s calls for the EU to back the formation of a €315 billion investment firm. Such policies—which would lessen the pressure for social cuts by somewhat slowing the unfolding Italian fiscal crisis, and fund limited economic projects for Germany’s European competitors—face significant opposition in Berlin.

While Merkel stated in her remarks that the EU’s “stability pact gives many opportunities for flexibility” on budgetary issues, it is clear that Italy’s over €300 billion in bad debts cannot be painlessly absorbed by another EU bank bailout. Italy’s economy has ground to a halt, stagnating in the second trimester of 2016. As tax returns collapse, Italy faces a new state budget crisis that threatens to trigger a bank run.

Berlin is opposed, however, to yet another attempt to paper over all these crises with massive “quantitative easing,” that is, by printing euros at the European Central Bank.

New EU rules require depositors and creditors to contribute to paying the costs of a bank failure. As a result, many Italian savers who put their savings in smaller banks that went bust have already been ruined. With major Italian banks like UniCredit and Monti dei Paschi di Siena now in turn facing life-threatening financial crises, the conflicts inside the euro zone over how to handle the winding down of bad debts in Italy is set to take on explosive forms—possibly leading to a

decision by the Italian government to leave the EU and the euro currency.

It is unclear what such a decision would mean for France, which has hundreds of billions of euros invested in Italy, and whether Paris could itself under these conditions remain in the euro.

“As we trend into the second half of the year, the situation in Italy, and its spill-over for the rest of Europe, will continue to be one of the biggest macro-political risks we are concerned about,” Federico Santi, a London-based analyst at Eurasia Group, told *Market Watch*.

The crisis has the potential to trigger yet another exit from the EU. Renzi’s popularity has been undermined by his austerity measures, and he also faces a political challenge from the anti-euro and anti-EU Five-Star Movement (M5S), which has called for a referendum on exit from the euro. Particularly if Renzi’s proposed November referendum modifying the powers of the Italian Senate fails, and if he steps down as he has pledged to do, the result could be the coming to power of another anti-EU government in Italy.

Merkel, Hollande and Renzi tried to cover over the financial conflicts emerging from the crisis of European capitalism by aggressive, reactionary calls for a build-up of European military and intelligence agencies, as well as crackdowns on refugees and immigrants.

“Europe needs to better ensure its own defense, and must also be practical. We need to better protect European borders and share more intelligence information. We also want more coordination, more facilities, and more resources in the defense sector,” Hollande said. He also gave the thanks of the EU to the crew of the *Garibaldi*, the flagship of Operation Sofia—the navy patrols that force African migrant ships fleeing across the Mediterranean towards Europe to return to Africa.

Mentioning the escalating war in Syria and the refugee crisis, Merkel said, “We should do more for the internal and external security” of the EU. She also praised EU collaboration with other countries to block refugees from traveling to Europe: “We will discuss migrants and control of the coastlines, but we need collaboration from neighboring countries. Collaboration with Turkey is a good thing; otherwise we cannot win the fight against people traffickers. But we also need help from the migrants’ countries of

origin.”

In this context, the decision of Merkel, Hollande and Renzi to visit the grave on Ventotene of Altiero Spinelli only further highlighted the EU’s historic bankruptcy. While in prison during World War II on the orders of Italian fascist dictator Benito Mussolini, Spinelli helped draft the so-called Ventotene Manifesto—a founding document of the movement to build the EU—calling for a federal Europe without national states.

Spinelli’s manifesto is a generally counterrevolutionary document, reflecting his membership in the Stalinist Italian Communist Party (PCI) in the 1920s and 1930s, and the PCI’s opposition to socialist revolution and the political independence of the working class. Insisting that capitalist businessmen play a lead role in the reconstruction of postwar Europe, the manifesto attacks “workers, trained on the issue of class, who therefore cannot see anything but their own demands.”

Spinelli later worked with the PCI during its “Euro-communist” turn of the 1970s, which prepared the PCI’s support for the Kremlin’s restoration of capitalism in the USSR and the PCI majority’s subsequent transformation into Renzi’s pro-austerity Democratic Party (PD).

What the entire period of nearly 75 years since the drafting of the document has shown, in fact, is the deeply rooted inability of European capitalism to overcome the national divisions in Europe, as this crisis-ridden summit made clear.



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