Merkel and Macron’s European bailout: €500 billion for trade war and austerity

Peter Schwarz
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In a carefully choreographed video press conference on Monday, French President Emmanuel Macron and German Chancellor Angela Merkel announced a joint proposal for a €500 billion fund for “Europe’s economic recovery after the coronavirus crisis.”

The sum will be borrowed by the EU Commission in the form of long-term bonds and repaid by the member states over a 20-year period according to their share of the EU budget. In contrast to the €540 billion package agreed to by the EU states in April, rather than loans, the latest fund will consist of subsidies that do not need to be repaid.

Merkel and Macron praised the proposal as an act of European solidarity. Merkel stated that France and Germany were standing up for “the European idea” with an “extraordinary, unique effort.” French Finance Minister Bruno Le Maire described it as an “historic step” for France, Germany and the entire EU.

Praise was also forthcoming from the *Financial Times* and *Le Monde*. The British financial daily described it as a “significant breakthrough in the striving for solidarity between the EU states.” The French daily applauded it as a “small revolution for Europe.”

Italian Prime Minister Giuseppe Conte welcomed the proposal as a “good start” that could still be “expanded” financially. EU Commission President Ursula Von der Leyen, who was clearly involved in consultations on the proposal, also supported it.

The only opposition came from the so-called “thrifty four”—Austria, Denmark, the Netherlands and Sweden. Austrian Chancellor Sebastian Kurz said that he wished to show solidarity with the states hit especially hard by the crisis. “However, we think loans are the correct approach, not subsidies,” he added.

In Germany, the proposal was backed by the governing Christian Democrats (CDU), Christian Social Union (CSU) and Social Democrats (SPD), as well as the opposition Greens and Left Party. Left Party parliamentary group leader Dietmar Bartsch described the plan as “correct in principle” and urged it to be implemented “only by and for the states who move forward” to realise it if it proves impossible to reach unanimous agreement.

The reality is that the proposal has nothing to do with “solidarity”—neither with the countries hit particularly hard by the coronavirus, nor with the millions of workers and small businesspeople who have lost their incomes, livelihoods and even their lives. After weeks of disputes about how the programme should be financed, Merkel and Macron “got our act together,” as Merkel put it at the press conference, because they view the coronavirus crisis as an opportunity to strengthen their countries’ position in the world market and reorganise the European economy in the interests of the major corporations and at the expense of the working class.

As the proposal was presented, Merkel explicitly advocated for the EU’s own businesses to be “strengthened on the world market.” The EU is already funding “strategic projects,” such as the production of computer chips and battery cells. These efforts will now be intensified with the investments to overcome the crisis, she said. Like other countries, an effort will be made to create “global champions.”

The text of the joint proposal also makes this explicitly clear. The €500 billion programme is just one of various proposals contained within it. The first point is the striving for “strategic health sovereignty.” “We strive for a strategically positioned European health care industry,” states the document, “which will upgrade the European dimension of health care and

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reduce EU dependency."

Point 4, "Enhancing EU economic and industrial resilience and sovereignty and give a new impulse to the single market," makes clear that this goes hand in hand with trade war measures directed against economic rivals, above all China.

"A restart of the European economy and adapting it to the challenges of the future requires a resilient and sovereign economy and industrial base as well as a strong single market," it states. It vows to "strengthen EU and national investment screening towards non-EU investors in strategic sectors (including health—pharmaceuticals, biotech, etc.), while at the same time encouraging investments (re)located in the EU." The strengthening of the single market also requires "the full functioning of the Schengen Area ... (by) strengthening common external borders."

Europe's competition regulations should also be "modernized," which in plain language means that the fusion of major corporations to form European "champions" will no longer be blocked on the basis of EU competition rules, as occurred last year with the failed merger of the train subsidiaries of Siemens and Alstom. In "key areas," such as "digital, energy, capital markets," accelerated legislative processes should ensure "a fully functioning internal market."

The "strengthening of the EU's economic resiliency" is bound up with savage attacks on wages, jobs and social rights. The joint proposal states that the €500 billion fund will be allocated by the EU Commission "on the basis of EU budget programmes and in line with European priorities." "It will enhance the resilience, convergence and competitiveness of the European economies," continues the document.

These are code words for the widespread destruction of social rights and achievements. Already during the euro debt crisis, "Merkel wanted to force the crisis countries to make cuts through 'reform agreements'—she's returning to that now in the coronavirus crisis," remarked the conservative magazine *Cicero*. The EU Commission in Brussels, which would be responsible for allocating the funds and enforcing the conditions associated with them, "has long been waiting for an opportunity to impose its liberal economic recommendations."

To mobilise support for these neoliberal "reforms," they are being sold as a "Green Deal." "Now is the time to boost the modernization of European economy and its business models. In this spirit, we reaffirm the European Green Deal as the EU's new growth strategy," the document cynically declares.

The advocates of eurobonds have stressed that for the first time, the German government has shifted from its principle of refusing to accept common European debt. But it is paying a modest price for this. Firstly, it is liable only for a quarter of the €500 billion total that will be paid back through the EU budget. Even at current levels, the top-up and Germany's existing budget contribution would amount to a mere €7 billion per year. However, it is more likely that the EU budget will be cut back elsewhere, such as on spending for social or cultural affairs.

In contrast to the vast sums funnelled into the coffers of the major German banks and corporations, this is a modest sum. The EU Commission has calculated that more than half of the coronavirus assistance measures adopted to date in Europe come from Germany. The French bailout measures account for 17 percent, Italy's for 15.5 percent, and Poland's for 2.5 percent.

Germany's ruling elite fully expects to be able to strengthen its hegemonic position in Europe due to the coronavirus crisis. A few billion euros per year is therefore small change in order to resist the collapse of the EU.

The German-French proposal will deepen the national and social tensions within Europe. Only a unified offensive of the working class can prevent the relapse of the continent into nationalism, barbarism and war. Its goal must be the establishment of the United Socialist States of Europe. It must fight for the expropriation without compensation of the major corporations and banks and their transformation into democratically controlled public utilities. The billions now flowing into the accounts of the banks and super-rich must be deployed to combat the consequences for health care and society produced by the coronavirus pandemic.

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