EU at the Crossroads

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For several years, Europe has been at a crossroads. The way forward concerns first the EU and the Eurozone, but of course also the countries outside the confederation, above all, Russia and Britain.

Deep, unresolved, internal contradictions are driving the EU, becoming particularly apparent as a result of the pandemic and economic crisis. The two main rivals in global competition, China and the USA, are, irrespective of their own internal contradictions, states that function as ideal total capitalists of a social total capital. The EU, on the other hand, although it has taken important steps towards economic integration, remains a confederation of states to this day.

Tendencies towards economic and even social integration go hand in hand with centrifugal ones that repeatedly call its continued existence into question: the persisting antagonisms between the leading powers of the EU; the inequality within the Union itself between the dominant imperialist economies and their semi-colonial periphery, whose subordinate position would be confirmed by further unification.

World economic development

The pandemic, and the global recession it stimulated, hit the EU and the Eurozone extremely hard. The global economy was hit full force by the Corona pandemic. The World Bank estimates that global GDP fell by 4.3 per cent in 2020 compared to 2019. By comparison, in 2009, at the height of the last major crisis, the decline was around 0.07 per cent. This illustrates the dramatic scale of the current development. In October 2020, the IMF forecast a recovery of 5.2 percent for 2021, but that was conditional on there being a “favourable” course of the pandemic. Even the World Bank's more cautious January 2021 estimate of around 4 percent could prove to be quite optimistic.

In a direct comparison of the three major economic blocs China, the USA and the Eurozone, the latter two must expect the greatest losses. China recovered from the economic slump in the first half of the year much faster than the global economy and in 2020 was the only imperialist economy to achieve year-on-year growth of 2.3 percent. This was largely due to government stimulus helping not only Chinese business but also the activities of important Western corporations (such as Daimler or Siemens). But this recovery and growth of the Chinese economy of 6-7 percent in 2021 will be far from sufficient to pull the global economy as a whole out of the crisis. It will, however, lead to a further shift in the global balance of economic power.

And the EU?

The EU's November 2020 autumn forecast expects GDP to contract by 7.8 percent in 2020. In real terms, this will be even worse due to the second wave of the pandemic. The EU economy is forecast to grow by 4.1 percent in 2021 and by 3 percent in 2022, with a slightly more favourable average for the eurozone countries. Output in the EU or euro area is not expected to reach its end-2019 level until 2022.
The development of the pandemic and the crisis has at the same time increased inequality within the EU. Public debt increased by around 15 percent to almost 94 percent of GDP in 2020, and even to almost 102 percent in the Eurozone, mainly due to the enormous debt burden of Southern Europe, which will continue to increase. It is expected that Italy will break the 160 percent mark in the course of 2021, Greece even the 200 percent mark. The massive increase in government debt is also accompanied by an increase in corporate and household debt. Of course, all this affects the different countries, capital groups, companies and social classes extremely unequally.

Certain large corporations and financial capitals, which are already more competitive, are also at a more favourable starting point and will emerge stronger. Countries like Germany are in a position to bear the costs of the crisis to some extent by passing them on to their own working class, petty bourgeoisie and middle classes, but also to weaker competitors in the EU and on the world market due to the strength of their export capital.

What pleases some individual capitalists, however, also proves to be a cause for concern from the point of view of the longer-term interests of German capital as a whole. Economic and social inequality is also driving the EU itself to breaking point - and with it the unity of the area essentially dominated by German capital.

Even before the crisis, the Union was weakened by Brexit, which will be economically detrimental in 2021. The last-minute agreement with Britain, while favourable for the EU as compared to British imperialism, should not hide the short-term economic weakening, increase in transaction costs, etc. Even if the EU and Britain will remain important trading partners, the economic importance of the island for continental Europe will almost certainly decline. In part, the EU will even speculate on an outflow of capital from Britain and a strengthening of continental European centres of finance capital vis-à-vis the City of London.

Internal political contradictions

The pandemic also highlighted the internal contradictions in the EU. Thus, in the first, as well as more recently in the second, wave, borders between states of the community were closed. The nation states acted more against each other than with each other. This also interrupted economic connections and made it more difficult for Europe to fight the pandemic. These internal contradictions also became apparent in the negotiations on the EU's debt policy and the so-called "Coronabonds" as well as on the EU budget.

At the same time, 2020 also led to important changes in EU policy on key economic issues. The introduction of common debt and the further expansion of the role of the ECB, which in extreme cases can buy up bad loans and government securities as a last resort, express a change of strategy in EU financial policy and to some extent also in economic policy. This results above all from a political change of direction by German imperialism, which in the last crisis categorically rejected any "community debt" (Eurobonds), especially towards Greece.

In the face of the crisis and the EU's further lagging behind in global competition and in the struggle for the redvision of the world, the German government swung to the course of France and the demands of Italy. Merkel and Macron symbolically presented a plan for the introduction of EU bonds and a Europe-wide policy to fight the pandemic and stabilise the economy. In addition, the ECB continues to pursue a policy of "cheap money". The expansion of the money supply is intended to stimulate the economy or at least prevent it from sinking further.

The introduction of Eurobonds is presented as a kind of "special case" by the German government as well as by the representatives of a rigorous neoliberal course from the CDU/CSU and FDP. But it marks much
more, namely an essential step towards deepening the EU under German hegemony in alliance with France and also Italy. Ironically, this may have become easier after Britain's departure. In any case, the combination of Brexit, the EU's lagging behind, national isolation in the first phase of the fight against the pandemic, the extent of the economic crisis and the deepening of intra-imperialist rivalry with the USA and China has led to a significant change in the strategy of German imperialism and thus also of the EU.

Of course, it remains open to what extent this will be extended to other economic fields and to a programme of restructuring the core sectors of European industrial and financial capital. Whether this is sold as a "digitalisation pact" or with the misleading name "Green New Deal", or under another label, is ultimately irrelevant. What is crucial is to create European conglomerates and monopolies that can take on their Chinese and US competitors.

This economic objective of creating a European financial capital, which of course should continue to be dominated by the leading national capitals, especially German, requires political, state intervention and support, which in turn is inextricably linked to the political future of the EU.

How its political and military weakness can and should be overcome is therefore another issue that German imperialism, its allies and the EU Commission must, and want to, tackle. In all fields, we can already identify serious initiatives whose foundation stone is to be laid in the current crisis. How far these will go will largely depend on the question of the internal balance of power, on political leadership and on the class struggle in the individual countries as well as on the continent as a whole.

Shift in the balance of power

In any case, the last year has highlighted an important shift in the European balance of power, which is directly linked to the German change of strategy, but which itself is by no means without contradictions and may well be called into question again.

In the disputes of 2020, the Berlin-Paris axis was revived. Germany adopted important proposals from France that had been put on the back burner for years. Without the collapse of the European economy in the spring and the spectre of an Italian collapse that could easily have brought that of the euro with it, Macron's demands might have continued to fall on deaf ears.

In any case, the changes in EU debt and budget policy have reduced the dangers of sovereign default and bankruptcy. They represent an important partial step towards deepening economic integration, which, however, remains piecemeal and will only reproduce the internal contradictions on a higher level if it is not complemented by a European, much more coordinated and centralised, economic policy. To this end, the EU Commission has also launched several programmes and many more declarations of intent. But these developments are by no means yet completed or even secured. They will be put to the test in 2021 and in the following years - both in terms of economic crisis and internal political conflicts in the EU.

Moreover, if the EU is to prove itself not only as a huge economic area but also as a vehicle for successful world order competition by German and French imperialism, this will have to be accompanied by even more difficult steps towards common foreign policy and military intervention.

In order to understand the conflicts in the EU more precisely, it makes sense to take a closer look at the different groups of states.

a) The three major imperialist powers of the EU: Germany, France and Italy.

These three basically form its political and economic core. If one of them were to break away, it would
almost certainly be the end of the euro and the EU as we know it, unlike the departure of Britain. Even if
the three are by no means omnipotent and have to take into account smaller imperialist states such as
Spain, but also the Netherlands, Sweden or Austria on the one hand, and populist "dissenters" from
Eastern Europe on the other, more than they would like, nothing would work without this troika.

Economically, German imperialism is the leading power among the three and the current crisis and
pandemic have made this clear once again. Basically, French and Italian capital (and their governments)
must also accept that German imperialism is, and will remain, the undisputed economic leader in Europe.
In the triad, Germany acts as creditor, Italy, but also France, as debtors. This has to be balanced. While
the debtors call for further support, the creditor does not want to become the paymaster of its allies, who
are, after all, still rivals as well.

However, these three states are not only linked by a centuries-long rivalry, they also represent the core
area of a European capitalist economic area, which itself emerged over a long period and can most likely
form something like the germ of a total European capital (including the Benelux states, Spain or small
imperialist economies like Austria and Denmark).

While Germany is the undisputed leading power, it cannot lead the EU on its own or on the basis of its
economic superiority alone, let alone forge it into an imperialist bloc that can take on the USA and China.
In this respect, Berlin's axis with Paris (and also with Rome) is a strategic alliance, not only, nor even
primarily, a debtor-creditor relationship. Economics is the lever with which German imperialism can dictate
certain conditions to its partners. In the end, however, it will have to pay for the partnership. That is in its
own overriding strategic interest.

While Germany can rely on economic dominance, French imperialism has greater military power and
combat experience, its own nuclear weapons and a more important position in international politics.
However, French imperialism is sometimes too big for its own boots, which means that it itself needs
reliable, strategic partners who can also economically underpin its geopolitical and military ambitions.

Italy undoubtedly represents the weakest part of the three, both economically and meanwhile probably also
militarily. At the same time, while it does have important industrial and financial capital, it forms the
weakest part of the imperialist core of the EU and Eurozone. Therefore, its importance for the future of the
EU should not be underestimated. For the Berlin-Paris axis, the integration of Rome is indispensable if the
goal of strengthening the EU and forming it into a bloc capable of global power is to be realised.

In the past year, the commonalities of the three countries have become more apparent, certainly helped by
the current coalition government in Italy. The leadership personnel of important European institutions
reflect such a coming together: von der Leyen (CDU, Germany) as chair of the EU Commission, Sassoli
(DP, Italy) as speaker of the EU Parliament, Lagarde (France) as president of the Central Bank.

All three states have in common that without a powerful EU, without a strategic alliance policy, their
imperialist interests will encounter decisive problems regionally and globally. We can therefore expect the
two to want to secure their policy in the longer term by unification of European economic and foreign
policy and rearmament at the European level (whereby the longer-term relationship with NATO and the
USA remains unresolved for the time being and is also the biggest open question).

Politically, the three states are not only trying to balance their interests, but they also have to consolidate
the basis for stable cooperation that extends beyond election periods and changes of government. In this
context, right-wing populism and nationalist "anti-EU forces" in the bourgeois parties pose the greatest
threat politically in all countries, albeit with varying degrees of strength. The recent government crisis in
Italy, Merz’s good showing in the election for the CDU presidency and the rise of right-wing populist parties such as the Lega, the RN and the AfD illustrate this. They stand ready as a political alternative, should the course towards a deepening of the EU fail or should larger parts of the capital of the respective countries fear that they themselves will be undercut in the imperial reorganisation of Europe and opt for a special national path.

However, they are relying on different strategies as a defence against the right, in their respective countries. In Italy and Germany, the governments are trying to rely on coalitions of "national consensus", integrating the social democratic parties and the trade unions on the one hand, but also the Greens (and above them parts of the environmental movement) on the other. In Italy, even populist currents (Five Star) were included, which conversely also shows that these supposed opponents of the elite can be quite flexible in the hour of need and become saviours of the establishment themselves. In France, Macron also gave government posts to former conservatives, Greens and social democrats. But he also relies on an electoral party tailored purely for him as president, which has few roots in French society.

At the European level, this policy is supported by a kind of "grand coalition" in the EU Parliament, ranging from conservatives to liberals, greens and social democrats.

b) Economically and politically aligned countries

Around the core countries of the EU are those that largely go along with the three (provided they themselves have united politics), only occasionally representing dissenting views. These include Luxembourg and Belgium as well as Spain and Portugal. Ireland and Greece are also effectively in this camp at present. Luxembourg and Belgium in particular are closely linked to German and French imperialism, often acting precisely as their mouthpiece and representatives of a European "total capitalism".

c) "Frugal" smaller imperialist states.

This group includes, for example, the Netherlands, Austria, Sweden, Denmark, Finland. These countries are also often closely tied to the German economic cycle and the EU economy, but at the same time try to drive up the price of their consent in the reorganisation of the EU. Unlike the larger imperialist powers, which see the EU in terms of world power competition (albeit against the immediate, conflicting interests of individual capitals) to these states, and thus also to the most diverse government constellations, the expense of propping up the EU, taking on debts or for massive rearmament and the creation of a greater military intervention capability, appear above all as costs. They are happy to take the advantages of imperialist world domination - but it should cost them as little as possible.

d) Eastern European countries

The countries of Eastern Europe were integrated into the world market dominated by Western imperialist capital only much later, that is, after 1990, as extended production lines and reservoirs of investment and labour for Central and Western Europe. The restoration of capitalism led to a far-reaching de-industrialisation and de-proletarianisation of societies in the context of "shock therapies", mass unemployment and indebtedness. The working class suffered a decisive historical defeat, the workers' movement was extremely weakened and is still far weaker in Eastern Europe than in the countries of Western and Southern Europe.

These economies were thus massively restructured in the interests of Western and, above all, German capital. From an economic point of view, many are now semi-colonies of German imperialism (not simply of the EU). On the other hand, especially with the governments in Poland and Hungary, their blatant right-wing nationalism and populism form an obstacle to the EU and its further capitalist integration.
Ironically, the growth of right-wing populism is also rooted in the destruction of the economy, the fragmentation of the working class, the precarious emergence of a petty bourgeoisie that itself ekes out a more unstable existence than in the West. All this forms an additional breeding ground for populist, "anti-European" forces.

On the economic level, these countries, even those, like Poland and Hungary, which are ruled by staunch right-wing populists, are quite compliant states. Contrary to their nationalist rhetoric, their governments do not erect obstacles to Western investment and regularly adapt labour and tax laws to the wishes of foreign corporations.

However, the countries of Eastern Europe, above all Hungary and Poland, do openly question greater legal unification of the EU due to attacks on the rule of law and a European coordinated refugee policy. In doing so, they collide with a longer-term goal of the leading EU powers, even if they are certainly looking for compromises with Poland and Hungary as long as the EU itself is still swimming in troubled waters. At the same time, the EU, or the parties of European "democracy", are keen to build a unification of opposition forces against Orbán or Kaczyński.

Outlook

A look at these conditions and the intensified global competition shows that 2021 will be a decisive year not only for the future of the EU and the class struggle.

In the coming months, the impact of the pandemic and the economic crisis will take centre stage. As in Germany, the policy of the EU as well as all its nation states is shaped by the fact that health policy should not harm the "economy", that is, profits, too much. Therefore, throughout Europe, policy follows a zigzag course that overburdens or threatens to overburden the health systems and, at the same time, imposes all the burdens of the pandemic on the population. While private contacts and leisure time are restricted, the lockdown all over Europe ends at the factory gate. Therefore, of course, schools are to remain open.

At the same time, the bill for the national debt and the crisis will be presented to the working class as well as to large parts of the petty bourgeoisie and the middle classes in the form of threatened austerity programmes, cuts and layoffs. Already, in 2020, the unemployment rate in the euro area rose from an average of 7.5 percent to 8.3 percent. In 2021 it is expected to rise to 9.4 percent. For 2022, a rate of 8.9 percent is forecast. The figures for the EU as a whole look somewhat better, but they follow the same curve. In any case, these examples, as well as the changing European strategy of German imperialism, show that the workers' movement and the left should oppose capital with their own European action programme.

The workers' movement, however, either remains in complete accommodation to the informal grand coalition at EU level of conservatives, liberals, greens and social democrats, which in effect takes the trade unions in tow. Or they remain fixated on the national level or even dream of withdrawals and "independence" for their country. Those who indulge in such fantasies should only look to Britain, where the working class has to pay for the reactionary, nationalist Brexit.

The political state of the trade unions, the reformist parties, but also the so-called "radical left" is illustrated by the fact that during the pandemic, during the deepest recession since the Second World War, until the Zero Covid campaign, there was not a single (!) major, unified initiative for a common, Europe-wide policy in the interest of the working class.

This campaign is a concrete step towards building a Europe-wide movement to fight both the pandemic
and the passing on of the costs of the crisis to the masses. It should therefore be supported by the whole left and be developed from a petition campaign into a Europe-wide action alliance. In this way, a real force can also be created to build a Europe-wide unity and coordination against attacks by the corporations, the governments and the EU Commission, a concrete step to oppose the Europe of capital with a Europe of the workers.

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