Europe's family squabbles

The sharp divisions that exist within the European Union family

Illustration by Peter Schrank

Every unhappy family is, as Tolstoy said, unhappy in its own way. The same goes for rows within the European Union. And, as with any extended family, you need to know your history to understand why minor rows turn into nasty fights. Behind each stand-off lies years of accrued grudges and slights.

Right now the air is filled with talk of divisions between long-standing EU members and more recent arrivals from the ex-communist block. There is both less and more to this fighting rhetoric than at first appears. As the economic crisis deepens, the European ship is “rocking”, and “they’re going to start throwing the weaker passengers overboard,” Poland’s prime minister, Donald Tusk, thundered recently. Mr Tusk is so concerned about solidarity that he has invited eight other ex-communist countries to a pre-summit meeting on March 1st, hours before all 27 EU heads of government assemble in Brussels.

Certainly, east-west divisions yawn wide right now. Ask east European ministers what the summit on March 1st is for, and they talk of the need to defend single-market rules, open labour markets and competition. Many still seethe over suggestions by Nicolas Sarkozy, France’s president, that state aid for French carmakers should depend on a pledge to keep jobs in France.

This week Mr Sarkozy was in Rome with the Italian prime minister, Silvio Berlusconi. Italy and France would present a common vision at the March 1st summit, Mr Sarkozy vowed. Both believe that competition rules should support the creation of European industrial champions, and not the wholesale offshoring of jobs. America was “rightly” defending its industry. Perhaps Europe should do the same, said the French president.

In similar vein, Germany’s employment minister, Olaf Scholz, assured the newspaper Bild that “now is not the time” for Germany to scrap its legal restrictions on workers moving freely in from countries that joined the EU in 2004 and 2007. “Jobs are under threat,” said Mr Scholz, without explaining how making life harder for migrant Poles would offset plunging industrial output. On February 23rd EU foreign ministers failed to agree upon a European Commission plan to spend €5 billion ($6.4 billion) on infrastructure, notably connections for European energy grids. Southern countries such as Spain, Portugal and Greece objected that the list was

skewed towards projects in the east. And Robert Zoellick, the World Bank boss, has fretted publicly that 20-year-old divisions within Europe could reopen unless west European governments back international plans to recapitalise eastern Europe's banks, and stop encouraging their banks to pull money back from struggling branches and subsidiaries.

As with many family disputes, not every threat is equally serious. Mr Zoellick is right to worry about wobbly banks and the need for western Europe to recapitalise them. But Mr Sarkozy is isolated in his Gallic enthusiasm for a European industrial policy. France is not about to ban domestic firms from making cars in eastern Europe. Consumers are turning to the smallest, most economical Peugeots and Renaults, and those models are profitable only when made in eastern factories. Germany admits large numbers of eastern workers under quota schemes. On energy, older EU members point out that they have spent years diversifying away from Russian gas, eg, by building terminals to receive liquefied natural gas, while most ex-communist newcomers have done nothing, despite much nagging. But the big row over the commission's energy-infrastructure scheme is actually about finance: big net contributors like Germany, Britain and the Netherlands object to a wheeze to divert money unspent in 2008.

Yet some other grudges are even deeper than they appear. The newcomers are more liberal economically than the pre-enlargement EU, on average, and more Atlanticist. Across the region, painfully young ministers, many new graduates from American universities, spent the 1990s slashing corporate-tax rates, promoting flat taxes and deregulation. In parts of western Europe that has brought charges of "fiscal and social dumping". Less admirably, some newcomers have not cleaned up corrupt administrations and justice systems.

The ties that bind

In a family, ties of interdependence can trump even wide differences. That may yet prove true in the EU. The headlines are about western Europe's exposure to tottering banks in the east: banks from Austria, Sweden, Italy and Greece have invested hefty sums from the Baltic to the Balkans. A prompt bail-out could solve this problem. But it will not cure opposition to enlargement. Austrian voters are among the most hostile, thanks to what one Austrian diplomat admits has been "disastrous" communication of enlargement's benefits. Yet if Austrian banks were not on the hook for hundreds of billions of euros, public opinion might be happy to see eastern neighbours simply go bust. As it is, the Austrian government is pressing for rescue plans to extend even beyond countries in the euro. Similar calls can be heard from Sweden and Finland, which have invested heavily in the Baltics.

The most serious division now may be between countries inside the EU and countries outside. Ukraine and Russia face a grim 2009, economically. Yet both seem headed for a fresh row over gas, possibly this spring, says Vaclav Bartuska, a Czech ambassador who acted as an EU negotiator with the Russians and Ukrainians in January. Both countries believe they had a "good crisis", scoring points off each other. They fail to see how disastrous their timing was, since one or both may yet need international help. "If Russia and Ukraine fell off the end of the Earth, many in western Europe would cheer," says Mr Bartuska.

Europe can expect much unhappiness this year. Interdependence will cause some, as economies pull each other down. But the same ties may persuade Europeans to avert a graver peril: the notion that they can safely refuse to help one another out.

The Economist, New York, 26 fev. 2009, Europe, online. Disponível em <www.economist.com>. Acesso em: 11 mar. 2009.