Traveling Through Multiple Europes

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By Adriano Bosoni

Europe is overcrowded with people and with nations. Six decades ago, the need to suppress the dangerous forces of nationalism led to the unprecedented political, economic and social experiment now known as the European Union. The hundreds of thousands of EU citizens working across the Continent and the lack of border controls between member states show that the experiment has been successful in many ways. However, rising nationalism, pervasively high unemployment and a growing sense of frustration with governing elites also highlight the serious limitations of the European project. Over the past 12 months, I have traveled extensively throughout Europe, observing firsthand how the global economic crisis is reawakening dormant trends along the Continent's traditional fault lines.

The crisis is having an uneven effect on EU member states because the eurozone locks countries with different levels of economic development into the same currency union. Europe’s geography helps explain these differences: Countries in the south have traditionally dealt with high capital costs and low capital-generation capacity, while countries in the north have seen the opposite.

In December, I drove from Barcelona to Madrid. The endless succession of mountains along the route encapsulates Spain's traditional struggle against geography: Merely moving people and goods from point to point on the Iberian Peninsula has always posed formidable challenges for governments and traders. This rugged geography also led to the development of small pockets of populations with strong national identities, creating tension between Madrid and the Basque Country as well as Catalonia. Spain has traditionally been a resource-poor country that has had to look to the Atlantic to find wealth while frequently resorting to violence to secure unity.

In contrast, most of Germany is flat. In May, I drove north along the Rhine, one of the country's major economic arteries. The river and its tributaries have blessed all of the people living near them, bringing incalculable wealth to trading cities such as Frankfurt and Cologne. The same holds true for the two other major German waterways, the Elbe and the Danube. But wealth does not necessarily mean peace. Both sides of the Rhine host multiple castles and fortifications, a reminder of the state of fragmentation that defined the Germanic world for centuries. The lack of any real physical borders to the east and west also helps explain Germany's historical conflict with its neighbors.

Highways in Spain and Germany highlight a more significant difference. During my journey between Barcelona and
Madrid, I barely saw any cars, let alone trucks. At times, it was hard to believe I was traveling between the two major cities in the eurozone's fourth-largest economy. By contrast, Germany's autobahns are crowded with vehicles going from one point to another. The same geography that made Germany a place of conflict also explains its economic power: Germany is the center of Europe from almost every possible point of view.

The farther one moves from Germany, the more evident the crisis becomes. Traveling by train from Thessaloniki to Athens lets one see Greece's complex geography firsthand. Greece is a rugged country with narrow coastal plains that swiftly give way to mountains. Complicating matters, the country has some 6,000 islands and islets, only a handful of which are inhabited. Greece's extremely fragmented geography and its strategic position on the eastern Mediterranean helps explain why it has struggled throughout history to get anything done. Developing an integrated economy and collecting taxes has proven difficult, especially while repelling a never-ending series of invasions.

Walking down the streets of Athens reveals that this is where the crisis struck first and has had the deepest impact. The city's downtown is full of closed shops with broken windows, graffiti and other signs of long-term neglect. In Athens, I saw far more police than in any other major European city. But at no time did I feel unsafe. Police are not out in force because of crime but because of social unrest. Though Greece is relatively tranquil these days, the social situation is still a ticking time bomb.

At the other end of the Continent, Portugal looks similar. I arrived in early October, excited by recent figures showing a drop in unemployment and an improvement in the economic outlook. What I found, however, was a place where only tourism seemed to be working while everything else remained static. Lisbon and Oporto are bittersweet places where magnificent monuments and spectacular views coexist with poverty and economic depression. Though Lisbon ended its rescue program with the European Union and International Monetary Fund early this year, for many Portuguese, life remains hard.

**Talking Politics Across the Continent**

Whenever I'm in a foreign country, I make an effort to visit bookstores because the books people read and write offer insights into the social mood. Bookstores in Southern Europe are a reminder that the Continent's economic problems have become political ones too. The gap between voters and traditional elites keeps widening as people are becoming increasingly tired of the policies designed by Brussels and backed by domestic politicians.

Perusing the shelves, I saw numerous books with significant anti-austerity and anti-establishment themes, which in some cases took an anti-German flavor. In an Oporto bookstore, among the bestsellers was a book called *We Are Not Germans*, while a Rome bookstore had a book called *It's Not Worth a Lira*, a plea to leave the euro and return to Italy's old currency, that appeared to be quite popular.

Southern Europeans fear and admire Germany at the same time. On one hand, Germany is seen as a country where everything works and governments are efficient. On the other hand, it is also seen as a hegemon that doesn't understand or care about the situation in the nations it is trying to lead.

Europe's economic crisis is particularly puzzling for the center-left. Social Democrats have traditionally embraced the process of European integration because it offers economic prosperity based on big welfare states and strong labor legislation. But this model is in crisis in many countries, and even center-left governments are applying spending cuts under pressure from the European Union.

In Italy, I had dinner with a former union leader as the center-left's Matteo Renzi -- who had just been appointed prime minister -- was proposing reforms in several areas, including labor. "I don't like the direction Renzi is going," the former union leader told me, "but I will vote for the Democratic Party again because it's either them or the (anti-system) Five Star Movement." While conservative forces are moving to the right and nationalist forces are gaining strength, the center-left is
going through an identity crisis that is generating frictions within the parties and confusing their traditional voters -- something French President Francois Hollande is learning the hard way.

In Athens, a journalist told me she did not share the views of the neo-Nazi Golden Dawn party, but at least it had never been involved in a corruption scandal like those that have traditionally surrounded the country's mainstream parties. Along with the concept of democracy, Ancient Greece also developed the concept of kleptocracy. Whenever you talk with Greeks about politics, a word comes to their mouths almost immediately: "kleptes," which literally means "thieves." Most Southern Europeans have similar views of their governments. And while there is a big gap between what people say in conversations and the way they vote, these anti-establishment sentiments are not going away anytime soon – and will keep threatening the survival of the European Union.

A Continent of Expatriates

While the economic and political impact of the crisis is evident in Southern Europe, its demographic consequences will take longer to be noticed but will probably be deeper. Before the current downturn, these countries had some of the lowest fertility rates in Europe, which, combined with rising life expectancy, led to an aging and shrinking population. The crisis made things worse because it generated high waves of emigration.

In the short run, emigration helps reduce the pain of the crisis because there are fewer people competing for jobs and more people sending remittances home. In the long run, however, it creates fiscal and economic challenges for the countries that see a decline in their labor forces. The economic crisis is returning Southern European countries to their traditional roles as places of emigration, where the young leave and the old are left behind.

But emigration is also problematic for the receiving countries. The rising number of refugees coming from Northern Africa and the Middle East is generating concerns in countries including Spain and Italy as well as Austria and Sweden. At the same time, immigrants from Eastern Europe are pushing Germany and the United Kingdom to find bureaucratic means to discourage them. In early January, an old lady in Frankfurt asked me where I was from. When I told her I was Argentinian-Italian, she smiled at me. She thought about her words and, after a while, said, "Italians are fine. It's Romanians and Bulgarians I'm worried about."

The irony is that the same process that is creating political and social tensions in Europe's core is helping to mitigate the negative effects of a demographic change. In Germany, I met many expatriates from across Europe, most of whom work at English-speaking companies with large Pan-European staffs. European enterprises can pick their employees from a pool of highly skilled workers from across the Continent without having to file significant amounts of paperwork. While the pressure to limit immigration is gaining momentum in Europe, I also expect businessmen to fight it.

The View From Outside the Eurozone

The economic crisis is not only leading to friction within the eurozone, it's also fragmenting the wider European Union. With Europe's main powers focused on the problems within the currency union, many of the newest EU members are feeling isolated. The re-emergence of a more aggressive Russia is complicating matters for these new members.

Of all the places I visited this year, Poland is probably the most interesting for the simple reason that its concerns are different from those of Western Europe. I visited Warsaw in May to attend a conference marking the 25th anniversary of the end of communism and the 10th anniversary of Polish EU membership. The timing was also interesting because the crisis in Ukraine was heating up, making the Poles increasingly nervous about Russian moves in Central Europe.

I found that Poland was a country confident about its economic strength but worried about its future. History has given the Poles a deep understanding of geopolitics and too many reasons to be worried about the events beyond their borders. I visited Warsaw a few days before the arrival of U.S. President Barack Obama. The excitement caused by his visit was a
confirmation of Poland's strategy of developing closer ties with the United States to help it cope with a politically fragmented European Union and a hesitant NATO. The Poles are proud of being members of the European Union, but they are not completely confident that Brussels will come to their rescue should the crisis with Russia escalate.

One Europe, Too Many Europes

Strasbourg is an excellent place to reflect on Europe because it is a synthesis of everything that is great and tragic about the Continent. The city looks German but feels French -- because it's both. Crossing the Rhine from Baden-Baden to Strasbourg and seeing that there are no border controls, and nothing to indicate that you've moved from Germany to France but a small sign that reads "French republic," is normal for anyone who was born in the past 30 years. But from a French king's order to his men to "burn the Palatinate" in the late 1680s to a German leader's invasion of France in the early 1940s, having peace between the countries east and west of the Rhine is an anomaly rather than the norm.

Six decades after the creation of the European Union, this is still the key relationship to watch. The crisis has now reached a point where its two main players are under extreme pressure. Germany joined the eurozone under the assumption that no bailouts would be given to nations in distress and no monetization of debt would take place. France joined the eurozone under the assumption that it would remain the political leader of Europe. The crisis has put all the promises and agreements that supported the Franco-German unity in doubt.

Europeanists believe that things would be much better if the European Union became a true federation. They are probably right. The question is how to accomplish this. As Germany learned during its unification in the 1870s and confirmed during its reunification in the 1990s, building a large united political unity out of smaller entities requires the redistribution of money and power. But what should come first, money or reforms? The European Union is currently seeing the worst of both worlds: A monetary union without a fiscal union. In other words, it has sovereign states that don't control their currencies and supranational institutions that don't control fiscal policy.

We tend to think of Europe as a cohesive unit because there is an entity called the European Union that has headquarters in Brussels and is represented across the Continent. To a certain extent, this perception is correct. But if anything, the crisis serves as a reminder of Europe's perennial state of fragmentation, which is the consequence of history and geography. These divisions led to the current crisis and will hamper any attempts to solve it.

Editor's Note: Writing in George Friedman's stead this week is Europe Analyst Adriano Bosoni.
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