

European Union summit in Brussels: The EU prepares for Obama

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Global Research, November 11, 2008

WSWS.org 10 November 2008

Region: [Europe](#)

Theme: [Global Economy](#)

On Friday, the 27 government leaders of the European Union (EU) met for a special summit in Brussels. The invitation had been extended by French President Nicolas Sarkozy, who currently holds the presidency of the European Council. It marked the seventh summit meeting since France took over the presidency in July.

The official aim of the meeting was to draw up a common European position for the world economic summit that is taking place next weekend in Washington. This gathering of the so-called G-20, comprising the old industrialised countries (the G-8) and newly industrialised countries such as China, India, Brazil and Mexico, will discuss proposals to confront the international financial crisis.

If one is to believe the host of Friday's meeting, Sarkozy, the EU reached a common position in Brussels. "We held very comprehensive discussions, and I can say that Europe has a very detailed point of view," he said at the end of the summit. "We will be defending a common position, a vision for restructuring our financial system."

However, if one examines the concrete results of the summit, it becomes clear that they do not go further than a series of vague and superficial proposals to better supervise the international financial markets. The meeting agreed on five guidelines that the Europeans will be advocating in Washington.

First, the rating agencies that evaluate the credit-worthiness of financial firms should be regulated and supervised. Second, accounting standards should be harmonised worldwide. Third, all banks, funds and other financial instruments should be subject to "appropriate rules," and this should also apply to tax havens. Fourth, "codes of conduct" should be established to avoid "excessive risk-taking" in the financial sector. And fifth, the International Monetary Fund (IMF) should oversee these new global rules and become the "axis of a renewed international system."

Precisely how the IMF should do this remains unclear. This question caused sharp disputes in the run-up to the summit. French proposals for the IMF to direct international economic policy met with vigorous opposition in Germany and Britain. Swedish Prime Minister Fredrik Reinfeldt also warned against "over-regulating our economy once again."

The German newspaper *Die Welt* warned that Sarkozy's proposals would lead to the "primacy of politics in economic questions" and said they represented an attack on the "independence of the European Central Bank in monetary policy."

The same newspaper summed up the Brussels meeting with the words: "The Europeans are

not exactly staking their claim to play a leading role in the building of a new world financial order from a position of strength. The differences of opinion are still too great within the union, and are barely covered over by the newly found unity around a common negotiating position.”

More important than the vague proposals to regulate the financial markets was the demand of the Brussels gathering for a new world financial summit to be held in 100 days in order to formulate concrete measures following the discussion at next weekend’s meeting. By that time, the newly elected President Barack Obama will have been in office for one month. The European heads of government are obviously less concerned with making agreements with the outgoing Bush administration than with determining whether the new administration is prepared to make any concessions.

Even before the Washington meeting, Bush has warned against over-regulation of the international markets and called on the participants not to use the crisis “as an excuse for restricting the free market or for new commercial barriers.” In contrast, Obama after his election victory, telephoned several European leaders and promised joint action regarding the financial crisis. At least this is how German government spokespersons have interpreted a 15-minute discussion between Obama and Chancellor Angela Merkel.

However, the Europeans are not prepared simply to wait for the change of administrations in the US. They are far from sure whether politics in the US will fundamentally change under Obama. They are seeking to use the transition period to strengthen their own position. Asked whether it would not be better to wait until Obama takes office on January 20, President Sarkozy responded that the economic crisis was so serious that the world “cannot wait, not even for the world’s largest economy.”

Speculation over a new international financial order, a “Bretton Woods II,” which has been circulating in the European media for weeks must be seen in this context. The 1944 Bretton Woods agreement established the foundations of the post-war financial order.

The agreement was based on the economic and political supremacy of the United States. The present financial crisis, which began in the US, is interpreted in Europe to a large extent as signalling the end of this supremacy. A new financial order, it is said, must be established on a multilateral basis and take more strongly into consideration the interests of newly industrialised countries such as China, India and Brazil—and, above all, Europe.

Thus, the weekly *Die Zeit* regards the financial crisis as a “rare opportunity to reshape the global economy.” The newspaper writes in its November 6 edition: “This time an order should arise which does not simply serve the old powers of the West, but also the emerging economies in Asia, Latin America and the Gulf, and which makes it possible for the state to re-conquer some of the terrain that it abandoned to the market.... The outlines of a new world order are coming to the fore.” The article adds that states should “cooperate more closely” and that the new, global problems require “a new, global steering committee.”

The same article warns that the crisis not only offers an opportunity to shape the global economy, but also the danger that each individual country “pursues its own interests at the expense of the others.” It asks anxiously, “Which will prevail in the end?”

If one considers the facts presented by *Die Zeit* itself, the answer to this question is clear: The belief that a new and stable economic order will emerge from the present crisis is a pipe

dream. All the experiences of the twentieth century argue that the replacement of one great power by another power or group of powers—i.e., the supplanting of US supremacy by a new order placing Europe and the emerging markets on an equal footing, as *Die Zeit* proposes—cannot proceed peacefully.

The faint-hearted proposal of the Brussels summit to eliminate some of the worst speculative excrescences from the international financial markets comes at a time when the crisis has already spread into the real economy. According to the IMF, the entire world economy is sinking into a recession for the first time since the Second World War. However, when the survival of whole branches of industry and financial interests in the hundreds of billions of dollars are at stake, there cannot be any peaceful agreement between rival capitalist states.

As far as hopes in Obama are concerned, in the few days since his election he has left no doubt that he is committed to defending the most powerful financial and economic interests in the US. He has surrounded himself with advisors who come from the same circles that have ruled the US for decades.

Europe itself is torn by conflicts. *Die Zeit* describes some of the disputes raging in the run-up to the Washington summit. “Already it appears that some states could break away in order to secure an advantage for themselves,” the newspaper writes. Britain is suspected of favouring a bigger role for the IMF “because the country enjoys much influence in it and because the financial services industry is particularly important for the country.” *Die Zeit* quotes an insider who said: “They’re only concerned about protecting the City of London.”

The newspaper sums up the situation in the European Union in the following way: “The EU states are clear that they can have international weight only if they come to an agreement. But because Germany fears for its own influence, and France has, for a long time, produced only populist proposals, there is great resistance to any institutionalisation of collaboration.”

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