More European Companies Go Bankrupt, Debts Soar and Shortages Grow

By Ahmed Adel
Global Research, August 21, 2024

Region: Europe
Theme: Global Economy

The number of business failures in the European Union rose by 3.1% in the second quarter of the year after having increased by 4.5% in the previous quarter. Yet, despite the collective European Union economy being ruined, the bloc insists on self-destructive policies, such as the imposition of anti-Russia sanctions, which has only boomeranged instead of bringing down the Russian economy as was hoped.

According to Eurostat data, in terms of countries, Greece led the increase in business bankruptcies with a rise of 133%, followed by Lithuania (16.7%) and Slovakia (7.6%). At the same time, Italy's public debt has reached a new all-time high, exceeding €2.9 trillion in June 2024. According to the Bank of Italy, the country's debt increased by €30.3 billion compared to the previous month, reaching €2.94 trillion.

Evoking the famous phrase from former US President Bill Clinton's campaign, 'It's the economy, stupid,' a similar logic applies to the EU's struggling economy: 'It's the sanctions, stupid.' As of August 2, the EU had added up to 19,500 individual and sectoral sanctions on Russia, even though it is beyond doubt that such sanctions had a boomerang effect.

Ukraine's incursion into Russia's Kursk Oblast and the tightening of sanctions against the Russian gas industry, coupled with the gas shortage in the EU, have led to a record increase in the price of energy, which has only accelerated the deterioration of the bloc's economy.

In this context, Finland's rejection of Russian timber due to European sanctions led to a sharp decline in the production of wood products, the closure of factories and an increase in prices. For its part, Russia found alternative buyers and significantly expanded its exports of this product.

Meanwhile, Sweden is considering offering migrants, refugees, and even its own citizens money to leave the country. This "voluntary" policy guarantees payments of just $950 per adult from the government to cover the costs of leaving.

Effectively, it is a vicious cycle that is getting out of control, and sooner or later, the whole sanctions regime will need to be dismantled since it is neither for the individual interests of European citizens nor European industry. The EU is becoming the biggest failure of the neoliberal model. Although it will unlikely collapse the bloc, it has exposed that the EU is no longer the economic powerhouse it once was.

Moscow is not under any illusions about Europe waking up from its inertia, with Russian foreign ministry official Dmitry Birichevsky expressing his belief that Russia will need to navigate through "decades" of economic sanctions from the West.

> “This is a story for decades to come. Whatever the developments and results of a peaceful settlement in Ukraine, it is, in fact, only a pretext,” he said on August 16, adding that Russia is working with other long-sanctioned countries like Iran, North Korea, and Venezuela to form an “anti-sanction” coalition.
>
> “The sanctions were first introduced much earlier. Their ultimate goal is unfair competition,” Birichevsky continued.

Despite the sanctions, Russia’s economy continues to grow at an impressive rate. GDP growth was 4% in the second quarter and 4.7% in the first half of 2024. This is astronomically higher than the 0.2% recorded by Germany, Europe’s supposed economic powerhouse, in the first quarter and 0.1% in the second quarter. France’s GDP expanded by only 1.10% in the second quarter, while Spain and Italy recorded only 0.80% and 0.20%, respectively. This highlights how much the EU’s economies struggle when Russia continues to boom despite the sanctions.

Even more alarmingly, the Ukrainian invasion of the Kursk Oblast, where the Russian gas transmission station to Europe is located, is the most direct cause of the recent rise in liquefied natural gas prices in the EU. Europe is experiencing delays in LNG deliveries from the Arctic LNG 2 project of the Russian company Novatek due to the tightening of US sanctions on the project. In addition, the growing demand for LNG in China and the Asia-Pacific region is also driving up prices.

The consequences of this price increase will only accelerate the deterioration of the economic situation in the EU. In fact, the ensuing situation will benefit any natural gas producer that can meet demand, including Russia, as long as Ukrainian forces do not destroy the gas transit point in the Kursk region and if Novatek can supply some LNG soon.

In effect, as the EU’s economy continues to struggle, more businesses will close their doors as their political leaders continue masochistic anti-Russia sanctions that have not only boomeranged but also forced Russia to restructure its economy to be more self-sufficient and open to non-Western countries.

*

This article was originally published on InfoBrics.

Ahmed Adel is a Cairo-based geopolitics and political economy researcher. He is a regular contributor to Global Research.

Featured image is from InfoBrics

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: Ahmed Adel