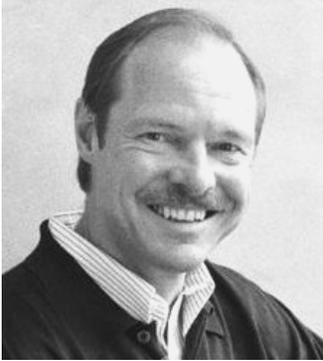


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Perspectives

Today's Europe: Down On America, Unhappy With Germany and France



I spent the past few weeks on planet Europe...each year a strikingly different place from the year before. The museums, palaces and medieval towns are still the same, but attitudes are rapidly changing and no one can be sure in what direction.

When I think of America, I see a linear pattern of progress. Economically, politically and technologically, the US is driven by a degree of confidence that baffles outsiders and, quite often, leads to accomplishments that are admired and aped by others. Even in the realm of social policy, arguably America's weakest spot, Europe's attempts at better solutions have failed. In the end, the old world's challenge is not to become irrelevant. It's a tough spot to be in.

What are the topics *du jour* in Europe? Undeniably, two issues dominate: Iraq and the War On Terrorism make up one, and the deepening divisions within the European Union the other.

Surprising Viewpoints on Iraq and Al Qaida

On the Iraq/Al Qaida front, the stream of bad news keeps swelling and Europe's media are shamelessly gloating. Yet despite the blatant anti-Americanism on television and in much of the print press, I came across some unexpectedly cogent and original viewpoints. An editorial in Germany's *Die Welt* described how America got blindsided by its belief that military superiority could serve as an infallible instrument to enforce its political will without considering that military superiority was partly an outgrowth of an American weakness: the dramatic shortage in Western society of time and willingness to sacrifice.

That's worth contemplating. What is being suggested is that US military power can force an immediate victory almost anywhere, anytime. But a battle won is not a war decided. For that to happen, a lasting political commitment is necessary and that is one thing tactical superiority can't guarantee. What struck me about this article was its scholarly detachedness. US publications are too close to the conflict to see it in broad perspective; a dispassionate viewpoint is usually found abroad.

But reading newspaper editorials, no matter erudite, can never make up for the real thing. And that is what awaited me in Granada's *Albayzín*, where I noticed a Moroccan storekeeper bent over a magazine spread, weeping. The *Albayzín* is the Muslim quarter, Granada is in Spain, and the Arab man was crying over the recent atrocities committed in Turkey. I listened to him for a while, as he told me of sadness and frustration. "Most of my friends can't recognize Al Qaida's path as erroneous", he explained. "Not only have they pitched Muslim against Muslim, but they've assured an outcome where the world will hate all things Islamic." The poignancy of having this discussion in Granada, the frontier of a showdown between Christians and Muslims that lasted half a millennium, escaped me until later. For the moment, what really hit me was the extent to which Osama and his disciples have succeeded in dividing the Islamic world.

Muslim Struggle

It's been easy to chart developments in the post-9/11 world in the Western world. The chasm between the US and key European countries is still growing and there is vibrant debate within America as to how foreign policy should be conducted. That Muslims have similar discussions is not news, but evidence of it has been largely anecdotal. Listening to Hassan, my Moroccan acquaintance, jolted me into realizing what momentum the struggle for truth has reached in the Muslim world.

Hassan considers himself Arab, but he's hoping to become a Spanish citizen. His small shop, he assured me, is just a means to save up money to go to university. Since his future depends on what happens in Spain, I thought I'd ask him whether the Spanish government was on the right track siding with the United States. As most informed people, he's conflicted. "I listened to President Bush explain how he wants to bring democracy to the Middle East, but I can't believe him." When I asked him why, he said, "Look at what happened in Riyadh. A bomb goes off and America sends hundreds of advisors to tell *Al Saud* [the ruling House of Saud] how to stay in power. That's not supporting democracy. The Saudi people don't want these despots." Hassan's conclusion? "Al Qaida must be destroyed," he said. "But America must be truthful. Otherwise, it will fail."

Geopolitics are a cynical business and I suspect many of you will be tempted to dismiss Hassan's views as overly idealistic or even sentimental. My own view is that this young Arab shopkeeper summed up in very few words what matters most right now.

Europe's Internal Brawls

The second widely discussed issue in Europe is that of internal divisions. The advantages and limitations of the European Union are being discussed like never before. Soul searching is always a constructive process, but what's wrong with this discussion is that it's only taking place in one part of Europe: in the rich countries that are paying huge subsidies to their poorer neighbors. In Germany, where I first landed and from where I left, there's a lot of discontent. The support of Europe's less prosperous nations is taking a huge toll on the standard of living in what was the continent's most potent economy and is now a mere shadow of its former self.

In Southern Spain, on the other hand, I met Martin and his wife Karen, who'd just moved there from London. They love the new Europe. Their two small children, they believe, will enormously benefit from the EU's open space concept, within which anyone can move and work anywhere. "Our children will be world citizens--multi-lingual and tolerant," they said—all courtesy the European Union. Besides, they like having left London's pollution, long commutes and exorbitant housing prices behind.

Evidence of the EU's popularity was visible everywhere. The massive transfer payments received by Spain are poured into countless infra-structural projects, many of them seemingly superfluous. Seeing a two-mile stretch of road with two or three unnecessary bridges, roundabouts or other construction features is not uncommon. In one of the villages we stayed at, there was a great deal of commotion one morning. My wife inquired and was told that ramps were going to be built, to make it possible for wheelchairs to navigate up and down the curbs. A couple of hours later, construction workers carrying buckets arrived on the scene; in them, they carried rocks which were placed by hand at the curb in regular intervals. In their wake was a crew that brought cement, which was poured over the rocks to create—ramps! I visualized how the same process would have been administered in Berlin, Copenhagen or The Hague. No doubt, surveyors would have arrived first, engineers would consider the angle of each ramp and the construction would likely have involved reinforced steel bars. And there's no doubt that the Spaniards (and the Italians, Greeks and Portuguese) know that and bill Brussels accordingly. Well, people in Europe's centre and north are starting to resent it.

The Stability Pact as Catalyst of Discontent

It's interesting that the row that's erupted is not about transfer payments; despite being frustrated, maybe the Europeans at the paying end have simply accepted them as reality. No, the catalyst for the latest spat is French and German non-conformance with the "stability pact". Paris and Berlin, who were the most instrumental in drawing up the pact's provisions, have been violating it by running excessive budget deficits. Worse, since being challenged by other European nations, the two trespassers argued that they should not be paying any of the prescribed fines. Interest fines recently demanded by EU officials would have been in the billions. A few days ago, the matter was finally resolved; Germany and France were let go without any penalties.

I've never thought that the stability pact made much sense or could be sustained (just like I doubt that many other of the EU's brainchildren can be upheld), but that is now irrelevant. What matters is that letting Germany and France off the hook further divides an already deeply split Europe. Spain, Finland and the Netherlands are particularly incensed. As the Dutch Finance Minister recently commented, his country thought they were joining a "good treaty", but now it sees that the treaty is not being followed. Some predict that the Netherlands, and others, will actually pull out of the Euro currency block. There is also a growing view that several aspiring EU members, such as Poland, will join the Union but not adopt its currency, much as Britain and Sweden did.

It's also interesting to follow events in Switzerland, where the government and much of the media have moped over their citizenship's refusal to join the EU. Now, a new wave of Euro-skepticism is emerging. The *Neue Zuercher Zeitung*, the country's most eminent newspaper, now views Europe the way Donald Rumsfeld did not long ago, when he drew a comparison between the old, tired and ineffective Europe of France and Germany and the new vibrant Europe, exemplified by countries such as Spain, Finland and Poland. "Those who believed historical needs and common understanding would guarantee that the European Union would be a domain of law, in which each member state would be equal, have to accept a new reality," says the paper in a recent editorial. The writer concludes that what's happening is that the two nations who depict themselves as Europe's leaders are making their manifest economic incompetence into a European standard. "The EU's concept and past practice of integration, as well as sense and purpose of European unification are in danger."

Sense of Hopelessness

As in previous years, I left Europe with an overwhelming sense of hopelessness. The key issues of the day are being discussed, but conclusions are almost always absent. People seem to realize that a lot more is wrong than right, but no one talks about remedies. Instead, there is a frantic hunt for scapegoats. Many blame the immigrants and almost all agree that they'll never want to become like America. When asked what's so wrong with America, Europeans come up with an emotional hodge-podge of skewed facts. If Europe were a person, it would quickly be diagnosed as an incurable delusive; unwilling to search for the root causes of its troubles and unable to consider the truth.

The truth, of course, is that Europe's socialist-interventionist system, on which the continent staked all, is working considerably less well than America's free market system, which Europe's power complex has pooh-poohed with such intensity and for so many years that adopting it now would signal its immediate end. And who wants to voluntarily give up power?

Meanwhile, the continent's woes are likely to worsen considerably, as its demographic profile steadily deteriorates. Currently, the five largest European economies spend some 15% of Gross Domestic Product on social benefits for the elderly and find it difficult to do so. In the next 25 years, due to the rapid aging of Europe's population, this ratio will climb to 30%. One option Europe faces is to simply reduce the benefits, but that's unlikely to happen, because the elderly will also control the vote. More likely, governments will have to pay for it by raising taxes. If that were done, taxes as a percentage of GDP would sky-rocket to around 55%. Because America's fertility rate makes for a much more favorable demographic composition, US taxes would rise to about 43%. But the US has a huge advantage: it can cut back on defense spending to mitigate the negative impact from an aging population. There is no such "pot of gold" Europe can resort to.

In summary, Europe's future looks bleak. For the moment, everyone's hopes are pinned on the economic recovery which looks increasingly real. Even so, the scope of Europe's growth pales in comparison to that of the United States, Canada, Australia, China and even Japan. Moreover, the same old structural problems that have held Europe back before are sure to make themselves felt again: an inflexible labor market and consequent limits to productivity are the key impediments, but there are countless other manifestations of interventionism that will hamper progress. There is also the problem of the rising Euro which will hurt Europe's notoriously export dependent manufacturers, especially vis-à-vis North America, which is the most important foreign market.

Poor Europe, then. With its economy destined to underperform, a once proud social systems in tatters and politically marginalized, the continent looks in rough shape. Yet despite these gloomy realities, I'd like to end my article on a humorous note.

On a Humorous Note

After all, even in the new Europe, some things are the way they always were. When I visited the Spain 30 years ago, it appeared that the same Dutch hippie who traded translation services for food was always a few days ahead of me. Wherever I went, menus listed Baby Beef Liver as "Baby Feet Liver". Human shortcomings have since been replaced with the inadequacy of translation programs. On last month's visit, I came across these jewels on Spanish menus:

Creaking Sack of Haddock
Beef with Fungus Sauce
Grilled Quail Breast with Leg 51

I can recommend them all!