

Geopolitical Dislocation and Worldwide Economic Chaos: Profiling Euroland “After the Crisis”

By [Global Europe Anticipation Bulletin \(GEAB\)](#)

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The current geopolitical dislocation, largely anticipated by LEAP/E2020 since February of 2009 (GEAB No. 32), has resulted in a global fragmentation than will accelerate over the course of next year, amidst global recession. The end of the leadership of traditional powers will bring about global chaos in 2013, with the “world after” beginning to emerge.

It will be a somber year for the United States, as it loses its status as the sole superpower and finds itself unable to influence the construction of a new global governance. For if all players are desperately seeking a way to gain the upper hand in the game, only those countries and regions prepared for the shockwaves can even hope to influence the emergence of the “world after.”

Alliances of any kind (CELAC, UNASUR, MERCOSUR, ALBA, CAN, ALADI, NAFTA, OAS, AU, NEPAD, SADC, COMESA, ECOWAS, UEMOA, CEMAC, the Arab League, EU, EFTA, ASEAN, APT, EAC, BRICS, CASSH, Eurasian Union, etc.) all reflect such attempts, but they are all more or less advanced, more or less homogenous, and more or less resistant to the coming storm.

Euroland, born in the crisis and strengthening with each wave like a tidal power plant, Asia, and South America are better equipped to become the big winners in the “reshuffled” world, while the old powers, like the United States, the United Kingdom, Israel, Japan, etc., are failing to adapt to the multi-polar, post-crisis world and find themselves utterly destitute. There is an extraordinary open world game afoot, one providing numerous opportunities to those willing to seize them. This is evident in the Middle East, where populations are taking the opportunity to change the region in accordance with their aspirations; in the BRICS, where their advancing pawns approach declining powers; and in Europe, where each attack by the crisis creates the energy to adapt to the challenges of tomorrow.

The economic situation (recession) and geopolitics (major tensions in the Middle East, but also in Asia (1), etc.) make 2013 a difficult and dangerous period, with mishaps likely, making stable regions that benefit from this state of affairs more attractive by comparison. Everything is relative, of course, but global violence in 2013 figures to make Euroland one of the few havens of peace, stability, and comfort... and for investors it will be one of the few regions offering some visibility for the future (2). This will create a powerful engine for exiting the European crisis in 2013.

A rapprochement of Euroland with BRICS, another future-bearer group of countries, would weigh in favor of the necessary (3) reforms in global governance. The next G20 summit in September in St. Petersburg, outside of Western influence for the first time, is the last opportunity to address issues paramount to global governance, including the international

monetary system's reform. For in 2014, the best-adapted regions are already making their way in the "world after".



Shares of global middle-class consumption, 2000-2050 – Source: Business Insider/OCDE

In this GEAB issue No. 70, our team will analyze this fragmentation and restructuring, starting with the catalyst of these current tensions: the Middle East. A large part is devoted to Europe, via Euroland, pursuing its entry into the "world after." To understand these Euroland developments, one must understand those in one of its key players, Germany, and we therefore conduct a comprehensive study of the German political landscape and the upcoming 2013 elections. We also present our assessments of country risks and the yearly evaluation of our 2012 anticipations, before giving our recommendations and GlobalEuromètre results. In this GEAB public communiqué No. 65, our team has chosen to present its analysis of the Euroland.

Profiling Euroland in the world after the crisis

The media war against the Euro was useful inasmuch as it forced the Eurozone to implement the reforms necessary to overcome the crisis. There was, of course, no revolution here, playing as we are by the "rules of the game" (4), that is to say without scaring the markets. No thundering statements, but compromises (5) and solid actions made after lengthy discussions. And gradually the structures have come into place that strengthen the Eurozone. The contrast with US inaction is striking.

This should not obscure the many problems in Greece and Spain, for example; no one said it would be painless to recover from the bursting of the housing bubble and a historic global systemic crisis; as a matter of fact these countries could benefit more from technical assistance and expertise from other European countries. But overall, the situation is improving, the new Greek debt restructuring has been successful (6), deficits are reduced in Greece and Spain (7), Italy was put back on track by Monti (8), the Anglo-Saxon media themselves no longer speak of an eventual Greek exit from the Eurozone, and more recently the US media has even begun praising European progress... (9)

Let there be no mistake: 2013 will be difficult for a Europe in recession. But whether it is through the banking union which will begin functioning in early 2014, through increased political integration or through the European Stability Mechanism, the independence of Euroland states is affirmed (10). One sees it in disagreements with the IMF on Greece (11): by 2015, the European Stability Mechanism will have sufficient credibility and skills to let the IMF deal with developing countries (or save the US or UK) and concentrate only on European problems.

This decoupling from the institutions of the "world before" and from the United States allows Euroland to engage in the constructive dynamic of adaptation to the "world after", through custom-made tools. Visible signs of the decoupling and independence of Euroland, despite criticism, are the solutions to the crisis, ones at odds with those practiced in the US. It is indeed "austerity" (12) that prevails in Europe, and avoids the faltering evident in the US budget. Euroland's resistance also involves the pooling of public debt. With the launch of "project bonds" (13) to finance EU infrastructure projects, increased pooling is underway, and the way is open for Eurobonds.

A weakened German Chancellor, after the 2013 elections (as we shall see), has little discretion to refuse the Eurobonds requested by the SPD, which will be in the coalition government. Since only the voice of the Germans was lacking on the subject, aside from the banking union, 2014 will be the year of Eurobonds.

Despite the approach of the elections, Angela Merkel has already yielded on the subject of Greek debt (14), a sensitive issue for Germans; but it is of course in her interest to ensure the proper functioning of the Eurozone, a large outlet for the country's exports. Finally, far from being the foil that the Anglo-Saxon media would make it out to be, the Eurozone is attractive despite the crisis: Poland wants to become a member (15), regional separatists do not envisage an exit from the Euro (16)... Another sign of the fact that it belongs to the "world after" landscape and that it is a zone with visibility within the crisis: it provides shelter to members states from geopolitical tensions.

Euroland : en route towards political union

Thus, with the progress that has been accomplished, and despite a slight recession in 2013, in the view of LEAP/E2020, the end of next year will mark the end of Euroland's crisis. The worldwide tempest of 2013 will cause disruptions but will not destabilize Euroland, which will find itself well anchored and increasingly sturdy. Though they may not yet be entirely visible, the mechanisms allowing an exit from the current crisis will be set in place starting in 2013, and will gain strength throughout the year, allowing for a clear recovery in 2014. However, for the relief from crisis to last, necessary democratization must be undertaken. This is, furthermore, what the European Parliament (17) is requesting. Paradoxically, the latter is aided by the marginalization of the traditional national parties: in France, the UMP has exploded (18), as predicted in GEAB n°64; in the United Kingdom, Ukip is casting a shadow on the Tories (19); in Germany, the CSU and the CDU are also bogged down in "their" scandals (20)...

This marginalization can be explained by the increasing integration in Euroland: it has become evident to everyone that henceforth the real power is situated at the European, rather than national, level. Therefore it is only natural that the parties are Europeanizing, and Barroso has asked political parties to put forward in the European elections a "principal candidate" for all countries (21), which is a real revolution after 30 years of total deafness to the issue of democratization (22) on the part of European institutions! These 2014 elections, therefore, will consequently be the catalyst for the emergence of Euroland. One word on the Erasmus program, which is now threatened by budgetary shortfalls as a result of austerity measures.

Some politicians no longer have much political sense!! In a full-on crisis of the Euro, which has no doubt been managed efficiently, but contrary to any democratic principle, and by means of rigorous policies that are at times quite painful for the population, and within a context of endemic unemployment, particularly high among the young, the one and only positive European reference, i.e. the Erasmus program, is going to lose not only its financial means (23) but also its name (24)... If a considerable reform of this 20 year-old student mobility program is necessary in order for it to adapt to the immense European stakes of the 21st (25) century, its name must quite obviously be preserved (why drop off the winning team) and its budget must be sufficiently augmented to guarantee its longevity through the new budgetary period that will run from 2014 to 2020, therefore long past the end of the crisis. Show some vision, for goodness sake!



Number of students participating in Erasmus each year; the ambition of 3 million students over the years – Source: Europa.eu

However, national political ambitions are of course always in play, and European advances are evaluated in light of the balance of power between nations. In giving back to France the voice that Nicolas Sarkozy, totally in step with Merkel, caused it to lose, the arrival of François Hollande, has allowed other voices to be heard, has broken the polarization of the Franco-German block against the rest of Europe, and has in brief reopened European debate, and it was certainly time. But the economic powerhouse that is Germany, in comparison notably with the current dreariness of the French economy, confers upon Angela Merkel considerable influence. In the next section we will analyze the future of German politics, and namely the federal elections that will be held in Autumn 2013.

From here on, the Chancellor will be campaigning and will avoid any unnecessary risks and any proposition that could displease the electorate. In this difficult year, the other heads of state will have to succeed in convincing a hesitant Chancellor. To a lesser extent, the situation will continue afterwards as well, for Angela Merkel will be on even more fragile ground after the elections. In this regard, the unblocking of multilateral discussions in Europe is a positive sign.

Notes:

(1) For example, the launch of the North Korean missile (source: [The Guardian](#), 13/12/2012), or the Sino-Japanese disputes over contested islands (see for example [Le Monde](#), 13/12/2012).

(2) In this present world chaos, Euroland presents many similarities with Switzerland during the European wars of the last century.

(3) “Necessary”, since, as determined by the Euro-BRICS seminar held on September 27-28 in Cannes, by LEAP and MGIMO, without renovated global governance that harmoniously integrates the diverse new global powers, the chaos of 2013 will lead to a multipolar world consisting of opposed blocs, an immense geopolitical danger.

(4) While slowly changing those rules, so that they are no longer just those of the markets: the banking regulations, supervision of credit rating agencies, etc.

(5) As anticipated by LEAP/E2020, the election of François Hollande in France has renewed debates and discussions in Europe. This contrasts with Sarkozy, who blindly followed Merkel, and frustrated those other countries not part of the Franco-German “engine”. The arrival of a new government was experienced by all other Europeans as a relief and a breath of fresh air.

(6) Source: [Le Monde](#), 13/12/2012

(7) Sources : [Greek Reporter](#) (11/12/2012) et [Business Standard](#) (05/12/2012)

(8) Monti figures to remain influential despite the theatrics of Berlusconi, who has little chance of being elected. Source: [Le Nouvel Observateur](#), 11/12/2012.

(9) See for example [Bloomberg](#) (11/12/2012), [CNBC](#) (23/11/2012), [FoxBusiness](#) (28/11/2012), etc.

(10) The US media has spoken of it themselves: [CNBC](#) (26/11/2012) titled The Euro Zone Is 'Shaping Up Quite Well' recounts a story of progress in Euroland.

(11) Source: [Der Spiegel](#), 21/11/2012

(12) Austerity remains measured in many countries; in others, it is to get the same effect as monetary devaluation, which the rules of the Eurozone cannot allow.

(13) Source: [European Parliament](#), 05/07/2012

(14) Source: [Le Monde](#), 03/12/2012

(15) Source: [Le Monde](#), 30/11/2012

(16) This is also part of what may explain the difference between polls and the last minute results in Catalonia: just before the election the debate focused on the potential exiting from Europe of the new sovereign region (source [elPeriodico](#), 22/11/2012); together, the CiU and ERC separatist parties then lost a seat in contrast to the stated fears of a tidal wave of separatism.

(17) Source: [RTBF](#), 20/11/2012.

(18) Source: [Le Figaro](#), 26/11/2012.

(19) Source: [The Guardian](#), 26/11/2012.

(20) See infra.

(21) Source: [Euractiv](#), 17/09/2012.

(22) We know of what we speak: for almost the past 30 years, the democratization of the European Union was the warhorse of our Director of Studies and of Strategy, Franck Biancheri, who passed away this past October 30, and who led a very uneven battle against the European and national political and institutional systems that were completely reluctant towards any change in this area. Six years ago, seeing the clouds building on the horizon for the oncoming global crisis, Franck Biancheri knew that at last he held the tool for this democratization: the crisis itself would allow the project of political integration to move forward, by creating a new engine for European construction, lightened from the United Kingdom and therefore adapted to advance a new political union: Euroland.

(23) Source: [Le Monde](#), 05/10/2012

(24) The grouping together of different European educational programs (Comenius, Leonardo, Erasmus, etc.) at first led to the name of "Erasmus for all" then to "Yes for Europe". Apparently there are Europeans in Brussels who find that for a European educational program, the name of the great Dutch humanist of the 15th century isn't good enough... They wanted at least a "Yes for Europe" and perhaps even a "Yeah-rope"!! It is

essential that such saboteurs of Europe be swiftly brought to reason...

(25) In 2003, Franck Biancheri, who was also one the fathers of Erasmus, wrote, for example, this article entitled : « Erasmus... et après ? » (Erasmus. . . and then what ?), [Europe 2020](#).

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