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www.afgazad.com

afgazad@gmail.com

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Sergio Ferrari

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Uncertain European economic outlook: In times of crisis, the right to fish

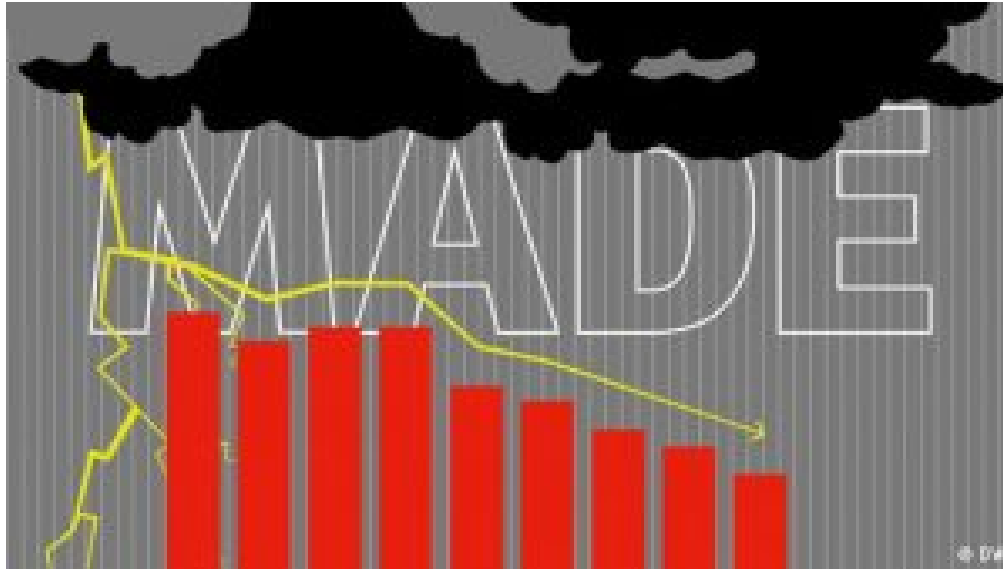
Dark prospects for the decaying European locomotive in the framework of a new world political reality where everywhere the economic-financial crises open wide the doors of power to right-wing, adventurous and opportunistic projects... The great six-day strike called by doctors in Great Britain and which began in the early hours of 2024 shows a path of resistance and not resignation.



Germany in recession in the last two quarters of 2023 Photomontage Expansion

The outlook for 2024 is not good for Germany, the main European power and fourth in the world behind the United States, China and Japan. A year of relative lethargy also threatens the European economy.

The German locomotive moves less forward. It no longer sweeps as usual and radiates concern in the Old World. And despite the fact that the most optimistic forecasts project an increase of 0.9% in the German Gross Domestic Product (GDP) for the coming months, there are no significant signs of "dynamic growth" as conceptualized by experts.



Made in Deutschland. Made in Germany The crisis of the industrial sector

Although the final figures for the 2023 balance sheet are not yet known, it is clear that the German economy will be at the bottom of the pack when it comes to growth among the 38 nations that make up [the Organisation for Economic Co-operation and Development](#) (OECD). Something not seen for the last two decades and that dates back to the turbulence of the late 90s after the reunification of the two Germans.

Already at the end of November 2023, the OECD forecast a reduction in growth expectations for Europe for both last year (0.6%) and this year (1.2%). If these forecasts are confirmed, Europe will be the region among the advanced economies that will take the longest to recover, while the United States shows some resilience (with a forecast of 2.4% for 2023 and 1.5% for the current year). Far behind, behind China and India, both at the forefront of growth in 2023 and with similar or higher levels in 2024: 4%, the former, and more than 6% the latter.

Europe, caboose

The situation is clearly less favourable for the Old Continent. In the euro zone, growth in 2023, according to the OECD, would reach just a meagre 0.6% (three tenths of a percentage point less than what had been estimated in June last year). This is a direct reflection of the fall in activity in a key country such as Germany (-0.1%) and of the far

from sensational figures in France (0.9%) and Italy (0.7%). The "positive" surprise in the eurozone in 2023 was Spain, with a GDP increase of 2.4%, the highest among its peers.



The late November projections had [to reduce the growth prospects of European Union countries for 2024 due to the](#) impact of high financing costs and the high level of uncertainty. A meager 0.9% is now projected and, according to experts, we will have to wait until 2025 to see a slightly more encouraging rate, around 1.5%.

Outside the European Union but still within the continent, the signs also do not indicate optimal results for the United Kingdom, with an economic expansion of just 0.7% in 2024 and a projection of 1.2% by 2025.

According to the most optimistic analyses, such as that of the Bankinter Economy and Finance Blog, ["after a weak end to 2023, we are entering a phase of soft growth"](#). The site assesses that Europe has already gone through its two worst quarters: the third and fourth quarters of 2023.

Germany in crisis mode

The worrisome economic reality of "technical recession" facing Germany is closely linked to geopolitical factors, among others. An analysis published by Deutsche Welle, Germany's leading foreign news outlet, in late December states that "quiet times for German foreign policy are over" and that in 2024 ["Berlin must find answers to two wars, an increasingly aggressive China and a convulsive world order"](#).



Trade unions mobilised permanently in 2023 in Germany to avoid losses in social gains.

Photo: Verdi Syndicate

The article emphasizes that "probably no foreign policy event in recent decades has challenged Germany and Europe as much as Russia's invasion of Ukraine in February 2022."

Since the beginning of this conflict, Berlin has secured extensive military aid to Ukraine. However, almost two years later, there has still been no significant progress in Ukrainian military efforts to reconquer its occupied territories.

Western countries' military cooperation with Kiev is crumbling, mainly in Europe and the United States, i.e. the members of the North Atlantic Treaty Organization (NATO). This is mainly due to the high cost of such aid, the negative impact on its own finances and the lack of concrete military successes. The prolongation of the conflict seems to work against Ukraine, which is exhausted, and also against its NATO allies, no less tired by that conflict and the impact on their own economies. All this without going into the thorny issue of who is going to pay for the reconstruction of Ukraine – which aspires to join the European Union – once the conflict is over. The bill for this war will be very salty for Western Europe.

Germany, which for several decades has depended on cheap gas from Russia, has been forced to pay very high prices since this latest war. This is particularly true when compared to France, which has abundant nuclear power, and the United States, which has its own natural gas reserves. Gas consumed in Germany at the beginning of 2023 cost three to five times more than in the United States, while its electricity was four times more expensive than in France. German industry is paying a significant price as a result of this abnormal energy situation: a bill that is almost 40% more onerous than before the war and with an obvious drop in competitiveness at the international level. Economic analysts

estimated that by the end of 2023 this conflict would represent about 160,000 million euros for Germany, or 4% of its GDP.



German support for Ukraine is one of the causes of Germany's current crisis. UN Photo. According to Spain's El País Agenda, the German economy is characterised by the importance of its industrial sector, which in 2021 accounted for almost 27% of its GDP, compared to just over 22% for the euro zone. This share has remained fairly stable over the last 20 years, with the exception of a drop linked to the 2008 crisis and [now affected by the ongoing war between Russia and Ukraine](#).

On rain, wet: the new and explosive conflict opened from the beginning of October in Palestine adds unexpected problems for Germany and its European allies, who almost without exception have taken sides in favor of Israel. And in some cases, they even provide military support. As *Deutsche Welle's* analysis points out, Germany is trying to strike a balance. Thus, for example, its Chancellor [Olaf Scholz](#) argues that Israel's security constitutes a "[raison d'état](#)" for Germany. Through its active solidarity with Israel, Germany seeks to distance itself from the heavy trauma of its [National Socialist past](#).



Olaf Scholz's support for Ukraine in its war against Russia has a negative impact on the German economy and its falling growth. Photo: Government of Germany.

As for the German-China relationship, it is much more tense today than the one promoted by Chancellor Angela Merkel between 2005 and 2021. While Merkel treated the Chinese government "with kid gloves" (according to Deutsche Welle's analysis), the current Scholz government considers China to be a "competing partner and systemic rival" of the European Union. A rhetorical stance that did not prevent China from being, for the seventh consecutive year, Germany's main trading partner in 2022. For example, the German corporation Volkswagen, the largest producer of European cars, places 40% of its production in China.

Internal political fracture in Germany

If Germany's finances are not doing well, the internal political climate does not seem to be doing any better either. The latest chapter in the crisis of the Social Democratic, Green and Liberal parties of the government coalition led by Olaf Scholz was triggered in November when the German Constitutional Court disavowed the redirection of 60 billion euros (more than \$65 billion) of unused credits during the pandemic that the government intended to allocate to green investments and support for industry. According to the Court, such a reallocation of expenditure violated the country's strict budgetary rules. The reversal imposed by the German justice system inevitably resulted in deep political tension, as well as a budget hole of 17 billion euros (\$18.6 billion) by 2024. The government had no alternative but to drastically revise its budgets for 2023 and 2024.

In parallel to this complex German political-financial situation, and as recent polls show, there is a rapid and consistent consolidation of far-right political forces, which could win elections next September in three eastern states: Brandenburg, Saxony and Thuringia. On the other hand, it should not be forgotten that three months earlier, in June, the German electorate will elect at the ballot box – as will in fact happen in the other countries of the European Union – their deputies to the new European Parliament.



German unions mobilise again in 2024 for wage negotiations

Dark prospects for the decaying European locomotive in the framework of a new world political reality where everywhere the economic-financial crises open wide the doors of power to right-wing, adventurous and opportunist projects. However, the scenarios are dynamic and in many of the countries of Western Europe the main trade union centres and social movements anticipate mobilisations. The great six-day strike called by doctors in Great Britain and which began in the early hours of 2024 shows a path of resistance and not resignation.

Sergio Ferrari from Bern for La Pluma, January 8, 2024

Edited by [Maria Piedad Ossaba](#)

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