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## The Real Risk For Europe is Social



Over the past few weeks, we have seen social unrest reappear throughout Europe. This is often spontaneous and not instigated by the trade unions. While there were expectations that the fragile recovery would generate jobs, it appears obvious that unemployment will remain very high for the foreseeable future.

In Greece, the trade unions are organizing resistance to the austerity program prepared by the Government. Initiated by civil servants, it now spreads more widely. Greeks perceive the actions of the Euro Zone and the European Central Bank -and in particular German resistance to bailing out Greece- as justified as they are to be imposed by draconian European authorities and the faceless "Brussels". To make matters worse, Greeks are asking for "reparations" for Nazi destructions and killings.

The terms of the next bond issue are being closely watched: the spread between German and Greek bonds amounts to 220 basis points, far from Prime Minister Papandreou's "expectations" to benefit from the same conditions as the countries of the Euro Zone. Greece is paralyzed today by a general strike. And we will see what happens when the politicians try to reduce Greece's outrageous military expenses.

Europe's leading Airline, Lufthansa, saw its pilot strike. In the face of a huge public reaction accusing the pilots of making a "strike of riches", the strike was cut to one day instead of three. Germany is not used to seeing its flagship company react that way!

In France, where strikes have become "preemptive," the highly-paid French Air Traffic Controllers the best paid in Europe strikes regularly (preferably during hot vacations times) - are going back on strike. Their claim? They reject the merger with other European Air Traffic Controllers. It is as if the Massachusetts ATCs were going on strike

to avoid merging with the New York ones. Europe is right to integrate those activities, and blackmail has become French ATC's favorite game.

British Airways cabin staff is also announcing its own strike.

In Belgium, GM announced the closure of its Opel operations and Carrefour made severe cuts in its retail operations. It is the country's fate to suffer closures by foreign owners who control most of the country's corporations as a result of its abysmal social system. It became even more obvious when Belgian train drivers, after a dramatic train accident that killed 19 and wounded 160, decided to go on strike for security. Even fights between communities resumed over the nature of the accident. In Belgium, the third generation of "unemployed" is cashing benefits because they are better off not working rather than accepting low-paying jobs.

The resistance throughout Europe to the extension of the start of pension benefits by a year or two is palatable and the topic is the subject of forceful negotiations. Spain is going on strike this week because the age for pension is proposed to move from 65 to 67. The age of 65 was fixed 60 years ago, when 65 was the equivalent of 75 today.

Europe cannot afford to maintain its current system. It is definitely over. Their huge budget deficits are mostly due to these unaffordable expenses. The solution to Europe's public deficit will require revisiting some of the elements of its social solidarity. Future pension payments are unfunded in countries where demography decreases.

Will European Governments have the leadership, the ability and the political will to restore a sensible balance between social contribution and costs? This is definitely the core issue. The debt problem is, to a certain extent, an expression of Europe's tendency to live beyond its means. After a financial crisis and stimulus packages, most European countries no longer have the means to finance their social system. Historically, these circumstances have led to serious social turmoil.

The challenge is huge and potentially disturbing for European growth in a situation where consumer spending was reduced by 2.5 % in January. Hard times ahead will require