

European leaders fear civil unrest over economy

By Peter O'Neil, Europe Correspondent, Canwest News Service
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PARIS — Europe, Canada's second-largest trading partner and top global ally after the U.S., is getting pounded by a tidal wave of bad economic news that has prompted warnings of a frightening hike in civil unrest.

Europe's top politicians are so rattled by the prospect of growing protests that they have arranged an emergency leaders' summit in March to deal with growing tensions, the Daily Telegraph reported Thursday.

The latest spate of grim economic news here Thursday included a plunge in consumer spending in France, tumbling factory orders in the United Kingdom, predictions of an even deeper recession this year in Germany, and continued concern about the impact of billion-dollar bailouts of the continent's troubled banking system.

Politicians are warily eyeing the public mood that led earlier this week to riot police being forced to rescue Iceland Prime Minister Geir Haarde, whose limousine was pelted by eggs and drink cans hurled by protesters.

Iceland's government will almost certainly fall in coming days, London School of Economics professor Robert Wade told Canwest News Service Thursday.

"The situation is very tense and very unstable," said Wade, who has just returned from a visit to Iceland where he spoke to about 1,000 people about the crisis.

Thousands of protesters have participated in sometimes-violent street demonstrations in Bulgaria, Hungary, Latvia, Lithuania and Greece in recent weeks.

French President Nicolas Sarkozy has warned that Europe could face the kind of demonstrations that paralyzed several capitals in the spring of 1968.

But one analyst said Thursday that the comparison could be an understatement.

"I think fears have moved beyond chic academic protests a la May 1968 in Paris," said Fredrik Erixon of the Brussels-based European Centre for International Political Economy.

A more apt comparison for Iceland and some of the Baltic countries could be the French Revolution of 1789, he warned.

"Ordinary people have seen a sharp fall in their living standards. Savings and wealth for the middle classes have been wiped out," he wrote in an e-mail.

"Iceland's crash in 2008 will go down in history as one of the fastest decline in wealth the world has ever seen. Few things trigger radical change and revolution as people losing wealth in a way which is felt to be deeply unfair."

The Daily Telegraph, citing an unidentified senior European Union official, said the March summit of leaders would look at ways of dealing with soaring unrest.

Stock exchanges in London, Paris and Frankfurt all lost ground Thursday during a day dominated by negative economic reports.

The International Monetary Fund, for instance, predicted a "sizable" and "possibly extended" recession in Germany this year.

The IMF, revising downward a previous prediction, said Germany's economy is expected to contract by 2.5 per cent.

"The economic downturn in Europe is hurting Canadian exporters, especially given that increases in bilateral trade have been pronounced over the past few years," according to Jason Langrish, director of the Canada-Europe Roundtable for Business.

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