

Chinese, who cancelled a planned EU-China summit. His cosiness with Dmitry Medvedev, the Russian president, has also taken him off in a strange direction. The Americans were taken aback when Mr Sarkozy declared that their planned anti-missile shield, to be deployed in the Czech Republic and Poland, would "bring nothing to European security". Mr Sarkozy is now pushing an idea backed by Moscow to hold a summit next year with the Russians to rethink Europe's "economic and securi-

ty architecture", a proposal seen by many EU countries as a Russian ploy to weaken NATO in Europe.

Some are even wondering if Mr Sarkozy has ditched his Atlanticism and discovered his inner Gaullism, returning to a traditional French indulgence of Russia and outspoken hostility towards America. It cannot help that, according to insiders, Mr Sarkozy was especially cross that Mr Obama did not meet him when he was in America for a G20 gathering last month.

German neo-Nazis

A stabbing pain

BERLIN

An attack on a police chief revives fears of the far right

ALLOIS MANNICHL, police chief of Passau, in Bavaria, pursues neo-Nazis to great lengths. A group recently buried a leader in a coffin draped with the swastika. Mr Mannichl had it dug up. On December 13th they took their revenge. Crying "you will not trample the graves of our comrades any more, you leftist pig," somebody stabbed and almost killed Mr Mannichl at the door of his house in Fürstzell, near Passau. This brazen attack on a senior policeman brings a "completely new dimension" to violence by right-wing extremists, declared Bavaria's interior minister, Joachim Herrmann.

Germany's far right is a variegated but worrying fringe that pursues its xenophobic aims through electoral politics and sometimes murderous violence, fuelled by self-glorifying demonstrations and "hatecore" music. It is stronger in the east than in the west. The National

Democratic Party of Germany (NPD) has seats in two east German state legislatures (another far right party has deputies in Brandenburg) and does well in local elections. It won 5% of the vote in Saxony's local election in June, getting 25% in one town. The far right got 2.5% of the vote in Bavaria's election in September.

The Bundesamt für Verfassungsschutz, Germany's domestic intelligence agency, reckons that some 31,000 people belong to 180 far-right organisations around the country. But many more are thought to share some of their attitudes. A fifth of Germans—and nearly 40% of Bavarians—dislike foreigners, down from a quarter two years ago.

Far-right violence in Bavaria is mostly low-level thuggery by young skinheads. They and others were responsible for 82 violent crimes in 2007, nearly twice as many as in 2006; but the rate subsided in the first half of 2008. The police have so far been spared. Now some wonder if the far right may produce its version of the Baader-Meinhof gang, which conducted a reign of terror against prominent Germans in the 1970s. This seems far-fetched. But the stabbing of Mr Mannichl has renewed calls for the banning of the NPD, which has ties to a number of even less savoury groups.

Thanks largely to Mr Mannichl, the neo-Nazi scene in Passau, a town of 50,000 at the confluence of the Danube and two other rivers, is a weedy affair. There are no cells in Passau itself, says Karl Synek, a Green member of the town council. Two or three meet in the neighbourhood in the few bars and cafés whose owners tolerate them, including a caf in Fürstzell. But Passau is a "white spot" on the map where far-right groups are trying to gain a foothold with help from allies on the other side of the border with Austria, says Mr Synek. With luck, a recovered Mr Mannichl will soon return to Passau's defences.

CLOO17



Where to put neo-Nazi rubbish

In some ways, Mr Sarkozy is a prisoner of his own impulsiveness, as well as of his tendency to over-personalise diplomatic relations. He has bottomless faith in his ability to persuade others. Hence his efforts, however naive, to accommodate Russia. Mr Sarkozy seems to think that he has an avuncular influence over Mr Medvedev, ten years his junior, and that he can build a grown-up relationship on this.

Yet the best bet is that Mr Sarkozy's underlying instincts remain broadly pro-American. He has sent extra troops to join NATO's force in Afghanistan. Next April he plans to return France to NATO's integrated military command, when he co-hosts the alliance's 60th anniversary meeting. This is one platform that he will exploit to prolong his international prominence.

Indeed, it is hard to see Mr Sarkozy taking a back seat after he hands the EU presidency to the Czechs. Despite German hostility, he has not given up hopes of presiding over meetings of countries in the euro, which conveniently excludes the Czechs. He also has his Club Med forum. And in any case, he is unlikely to be deterred by diplomatic niceties. After a speech to the European Parliament this week, he stated that he would naturally "be taking initiatives" next year. Mr Sarkozy may be about to see the last of the EU presidency; but the EU has by no means seen the last of Mr Sarkozy. ■

Latvia's troubled economy

Baltic brink

Latvia has chosen economic torture over complete collapse

ONE of the more dramatic and controversial financial rescues in modern European history has been taking shape in Latvia over the past three weeks, led by officials from the International Monetary Fund and backed by neighbouring countries, the European Union and other institutions. Latvia's central bank has burned through €1 billion (\$1.4 billion), around a fifth of its reserves, since mid-October to defend the national currency, the lat. This is pegged to the euro in an arrangement similar to a currency board, but with an even bigger lump of foreign currency to back local money in circulation. As a stop-gap measure, the Swedish and Danish central banks this week offered a combined €500m in short-term swap facilities, allowing the central bank to keep exchanging lats for euros. The IMF-led bail-out—so far agreed only in outline—is likely to amount to over €7 billion, with contributions from the Fund, Nordic countries and

Into t
GDP, %

-12.4
-10.0
-7.0

Current
balance

Sources:

► Latvia's

The
value its
sial insic
debacle
its curre
But end
tricky, n
independ
trenched
fit. And
Some 8
and firm
other fo

The
age that
where. S
own the
could fin
fering. A
still sma
ing. In l
ment la
SKr1.5 tr
about it

A La
likely to
tonia an
precario
weeks
country
this we
Estonia
their cu
acc-acc
east Eur

The
ed dem
both th
tion. A
growth
ernmer
omy), L
tion in
spending

Correction
29th), we
through a
Rosnet se
Gunvor. Of
legal comp