Germany revolts against Maastricht dictatorship

by Rainer Apel

For more than three years after the signing of the treaty on the European Monetary Union (EMU) in the Dutch city of Maastricht, in February 1992, it seemed as if the road toward supranationalism, and the total loss of national economic and financial sovereignty of the signatory governments, had been cleared—with no hope for a change of course. But in the late autumn of 1995, France was rocked by a nationwide strike wave that went directly against the Maastricht agreements, after the French government began using the agreement to justify its drastic fiscal austerity program. This put the first big question marks over the future of the signed accords. Big corporate and banking collapses, continually rising unemployment rates, farmers' protests, and other forms of social unrest have made news headlines ever since that November-December 1995, when millions of French workers and public sector employees went out on strike.

And now, even Germany, a country whose social calm and political silence seemed unmatched among all European Union nations, has seen an upsurge of labor protests, culminating in an unprecedented, nationwide campaign against austerity, and a protest rally of over 300,000 workers in Bonn on June 15—one of the biggest protest events in postwar Germany.

The very economic reality which the monetarism-minded authors of the EMU wanted to neglect in 1992, has now reentered the political stage with a vengeance. And the pro-EMU governments are finding it increasingly difficult to implement the criteria for monetary and budgetary stability which they had agreed upon back in 1992.

Because of all this unrest and social and economic reality, the word has gone out that the original 1992 Maastricht agreements—which, according to the solemnly agreed EU timetable, are to go into full effect in January 1999—will have to be rewritten and adjusted to the realities of 1996, 1997, and 1998. The governments and central bankers, as well as the private-sector bankers, keep emphasizing that the original treaty and timetable will not be altered; but most analysts of the European Union scene take it for granted now that these will be altered, and that in the coming weeks, we will learn how and where the governments want to insert the changes.

But now, a new factor has entered the stage: an open revolt in Germany against the EMU framework as such. This means that it is no longer certain whether the 1992 agreements themselves will even survive to 1998 and the EMU inauguration in January 1999. Having a debate in Germany about the European Union is very important, because the Germans are, after all, the biggest contributor of EU financing, with a share of about 26%. The German government is already under strong domestic pressure to reduce that share, and sentiments against "that Europe" of the EMU are building among the German population.

The broken promise of eastern development

The open revolt in Germany comes in response to a series of assaults by the EU Commission, which, since the collapse this spring of Vulkan, Germany's biggest shipbuilding complex, has begun to call into question the legitimacy of state aid to industrial companies. This Commission move especially targets companies in the five eastern states of Germany, which are still suffering from the collapse of the former socialist state-sector system, and from the restructuring of the entire economies since the unification of the two German states in October 1990. Over the past few weeks, the EU Commission has been "ordering" those eastern companies to pay back credits which had been granted to them by state governments, arguing that such government credits are in "violation of the free movement of goods and services." SKET in Magdeburg, Saxony Anhalt, eastern Germany's biggest machine-builder, has been told so by Brussels, as have Werkstoff-Union in Lippendorf and Volkswagen in Mosel (both in Saxony), and other companies.

Germans, especially those in the eastern states that have been directly affected by these demands from Brussels, have come to the conclusion that the Commission is not only "overdoing it," but has fired the opening shots in a broad-front economic war against all German industry. The Commission's actions are not even consistent with the letter of its own charter, since it violates a passage in the European Union Treaty. Article 92, section 2, contains explicit exceptions from the otherwise binding competition rules of the Commission, and states that such state aid is permissible, if and when it is "granted to the economy of certain areas of the Federal Republic of Germany affected by the division of Germany, insofar as such aid is required in order to compensate for the economic disadvantages caused by that division." This clause originated with the first European Community treaties of 1957, when Germany was divided and in the midst of the Cold War, and was carried over into the 1992 EMU Treaty of Maastricht, more than a year after the unification of Germany.

And indeed, most of the investments made in the eastern states of Germany since 1990, have been based on some form of state aid, while also, ironically, most of the brutal deregulation policies carried out against the former East German state-sector industry along free-market rules, by the Treuhand agency in Berlin, could not have been carried out, had the state not granted some compensation to investors and to those who lost their jobs in this "transformation" process.

All of this is not only known to the EU Commission, but it has been done with the full consent of the Commission members. The new offensive of the Commission against state aid, therefore, threatens to destroy those few industrial companies that have been able to survive the Treuhand agency's deregulation and privatization policy of the last five years. And this is what propelled the government of the state of Saxony, which is affected by this threat in two major cases—namely, Volkswagen-Mosel and Werkstoff-Union—into action. The state government of Saxony solemnly resolved not to pay any attention to Brussels, and went ahead and granted 142 million deutschemarks in state aid to the Volkswagen management, for its planned new DM 780 million foundry in Mosel—a project which will create 23,000 new jobs in one of Germany's highest areas of unemployment.

Boycott of the European Union threatened

This act of rebellion is something quite unprecedented in the usually pro-Brussels-minded Germany, and the harsh statements coming from Saxony against the Brussels Eurocrats have been even more unprecedented. In several interviews, Saxony Economics Minister Kajo Schommer lashed out against the "Euro-dictatorship" which wants to rule all of Europe by decrees, but which is not subject to any parliamentary control, nor is it even properly elected, but merely appointed. In an interview with the leading economics weekly in Germany, *Wirtschaftswoche,* Schommer said on Aug. 1: "What we are doing under German law in terms of industrial support, is entirely our own business, and that of the federal government, but not that of the Commission." He warned the Commission to stop interfering, otherwise "the State of Saxony will not continue to approve of Maastricht III [the full European monetary union] or other European treaties. And all other governors of the new [German] states would then be obliged to join the Saxony position, to secure the future of their own states."

In effect, Schommer was threatening to launch a full-scale boycott of the EU.

On Aug. 5, the state governor of Saxony, Kurt Biedenkopf, struck out in the same direction, in an interview with *Der Spiegel,* Germany's leading political weekly. He warned that the ongoing campaign of the Eurocrats against Germany's industry will backfire against Brussels. He declared that the Commission's acts were in violation the pro-German clauses in Article 92 of the EU treaty. Had these clauses not been carried over into the 1992 EMU Maastricht II agreements, "Saxony would never have accepted Maastricht II," he said.

Biedenkopf warned that should the EU Commission stick to its policy of "punitive actions" against traditional industrial regions of Germany like that in Saxony, "a debate would begin in Germany about fundamentals on the tasks and limitations of the Commission and the EU. This would be waged, then, against the background of Maastricht II." The direction that debate would then take, would be to grant the European Parliament control over the Commission. Biedenkopf said he preferred not to speak of a "Euro-Dictatorship," as his economics minister Schommer had, but "a government that is subject to control by the parliament, definitely would not have acted in the way that the EU Commission has done now, against Saxony."

Biedenkopf's warning must be taken very seriously, indeed. A leading figure in the Christian Democratic Party of Germany's Chancellor Helmut Kohl, he has often been named as a potential successor to Kohl, and he and Schommer speak for the generation of Germany's elites that will shape policies in the early 21st century.

It is also a sign of how much political leaders can change in a time of crisis: Before the reunification of Germany, Kurt Biedenkopf was one of West Germany's leading "Atlanticists," an outspoken member of the Trilateral Commission, who worked hard to prevent Germany's re-emergence as a sovereign nation-state.

The new policies will not be very favorable to the supranational Eurocrats, but will return to the principle of the nation-state and of economic-financial sovereignty. Keeping in mind that the reality of the world economic depression, it is not difficult to forecast that the anti-EU revolt will soon also spill over against other supranational institutions, such as the International Monetary Fund.