Maastricht Anti-Growth Pact Castrated by European Leaders

by Rainer Apel

The March 22-23 summit in Brussels, of the European Union's 25 heads of state and government, endorsed the "reform" of the EU supranational Maastricht "Stability Pact," as agreed to by the Eurozone Finance Ministers on March 20. The Pact, the key cause of the years-long depression of the European economies, should have been abolished, which would have restored national sovereignty in economic decision-making. But although not abolished, the Pact was softened up and diluted to such an extent that it has been castrated, even though it is not "fully dead."

The real-life test for overcoming the "Pact" would have been a vast, publicly financed investment program, as envisaged by the 1994 Delors Plan, the 2003 Tremonti Plan, or the LaRouche movement's Eurasian Land-Bridge package, which in Germany alone would generate approximately 10 million new, productive jobs. Nothing in that direction emerged from the latest EU summit.

Maastricht 'Pact' Has Been Faltering

Two years ago, Italian Minister of Economics and Finance Giulio Tremonti proposed to launch large-scale cross-border and national infrastructure projects, the funding of which was not to be under the tight budget control of the Maastricht watchdogs. The "Tremonti Plan" as it was called then, was not supported by the governments of the two largest member countries of the EU, France and Germany, which went public with their own proposals. Their "alternate plans" stressed the (German) scientific and (French) military sectors of the economy, for which they also proposed investment projects outside of the Maastricht system. The Tremonti Plan was buried, after several weeks of intense discussion, under the influence of the strong monetarist supremacy in the EU financial institutions, but the French and German plans continued to be enough of a nuisance to the EU bureaucracy to sound alarm bells that "France and Germany intend to undermine Maastricht."

The governments of France and Germany indeed made a first move against the Maastricht system, when in November 2003, they vetoed fiscal sanctions that were threatened against them by the EU Commission, for disrespecting the Pact's 3% GDP rule for new borrowings, which decrees that a country's deficit cannot grow by more than 3% of GDP. This affair already showed that the Pact was on the way out. The majority of economics editorials in the European media carried almost daily warnings that France and Germany were out to destroy the Pact.

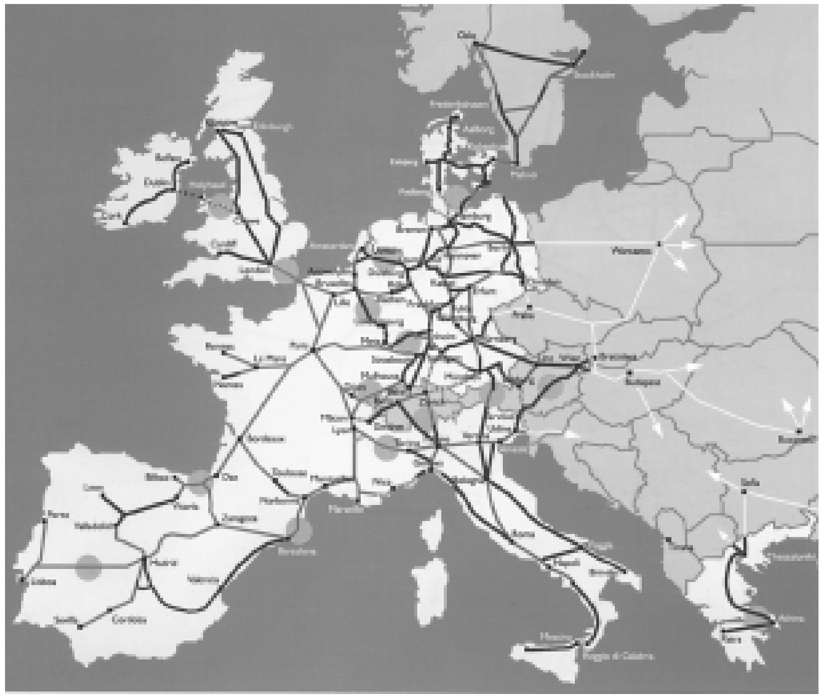
Since the end of 2003, Europe has been characterized by intense efforts to keep the Maastricht system somehow intact, even though at the same time, the virus of disloyalty to it kept spreading. In March 2005, 12 out of 25 EU member states already were above the Pact's 3% of GDP rule; another six or seven states were expected to become "violators" because of the generally worsening fiscal situation in the EU, before the end of the year; only six countries were still respecting the rule. It is most revealing that none of the major countries of the EU respects the Pact any longer, and it is just as indicative that immediately preceding the March 22-23 EU summit, the governments of the five leading national economies (Britain, France, Germany, Italy, Spain) agreed to block any sanctions initiative which might be launched by the EU Commission, against any of the five governments. This agreement was an unwritten one, but leaks to the media about it did not fail to have their impact on the decisions of the Brussels Summit.

Coup de Grâce for Maastricht Stability Pact

The summit's *Presidential Conclusions* contain some important points, reflecting major input from French President Chirac—notably his economic advisor Jean-Louis Beffa—and German Chancellor Schröder.

The EU *Presidential Conclusions* emphasize:

The Delors Plan for Trans-European High-Speed Rail



The 1994 Delors Plan represented a step toward the kind of infrastructure development the European Union requires. But still, the EU is doing nothing in this direction.

• The objective of a 3% GDP public/private investment in Research and Development (R&D). It also notes the special importance of the "European space program" and the International Tokamak Energy Reactor fusion reactor project (ITER is the experimental step between today's studies of plasma physics and tomorrow's electricity-producing fusion power plants), and calls for the creation of a "European Technology Institute."

• The "need for a solid industrial fabric" and the "necessary pursuit of an active industrial policy."

• The "need for efficient infrastructure," pointing to "priority projects in the fields of transport and energy networks." The document adds that "infrastructure investment will boost growth and bring greater economic, social, and environmental cohesion."

• That "small and medium-sized enterprises" play a key role for growth and employment, participate in developing the industrial fabric," pointing out that they are also key for R&D-driven technological innovation.

• That the EU-wide internal market for services must be compatible with "preserving the European social model" and "maintaining the present level of social protection." This draws a line of defense against the EU Commission's plans (the Bolkestein Directive, named after a former Commission member) to go for full deregulation of the service sectors in Europe.

• The "need for respecting the prerogatives of national governments in determining their structural and budgetary policies," emphasizing "the national ownership of the fiscal framework."

All these are, so far, mere declarations of intent, but they result in a neutralization of the Pact to the extent that hysterical protests by leading neo-liberal media, politicians, "experts," and the European Central Bank continue to dominate the summit coverage even two weeks later.

At this point, the situation is still in flux, and anything could happen, including the dumping of the draconian "stability pact" altogether.

Both Chirac and Schröder, who govern countries with more than 10% unemployment—which keeps rising—face a major political-social backlash against the past years' neo-liberal policies promoted by the EU Commission. Schröder faces elections in the most populous state of Germany, North Rhine-Westphalia (20% of the national electorate) on May 22. Its outcome will decide whether his government in Berlin will survive or not.

On May 29, Chirac faces the referendum on the EU Constitution in France, where the opposition to it was already at 52%, at the time of the Brussels Summit, and keeps increasing by almost 2% every few weeks. Both governments are being forced to take note of the fact that the domestic price of staying loyal to the Pact is getting too high.

In both instances, voters may "punish" the incumbent government for mass unemployment, shrinking wages, and austerity "reforms." It is, therefore, not out of the question that the governments of France and Germany will use some of the maneuvering room gained against the Pact at the Brussels Summit, to launch national programs of special conjunctural incentives—which would not solve the economic crisis, but would be enough to show that something could be achieved, if the Pact were abandoned.

It is interesting that one of the leading German neo-cons, Bavarian State Governor Edmund Stoiber, failed to rally a "no" by the European conservative parties at a special gathering in Brussels, on the eve of the summit: None of the other conservative leaders wanted to join Stoiber, in his all-out denunciation of the summit document castrating the Maastricht Pact. The best thing that France, Germany, and other EU member states can do now, is not to wait, but utilize the acute frustration of the population, and go ahead with the kind of investment programs which the summit document permits them to launch. It would be a first step in the direction of a better economic and fiscal policy.