

The collapse of the Maastricht Treaty: What will Europe do now?

by Poul Rasmussen

The rejection of the Maastricht Treaty on European Union by the Danish voters in the referendum of June 2 has thrown all of Europe into crisis. Decades of preparations and six years of negotiations and planning of a European Community (EC) political and economic strategy have been thrown out of the window. As *EIR* has emphasized, this is a very good thing, since the treaty would have stripped the nations of Europe of the very sovereign powers they urgently require to solve the economic crisis (see *EIR*, May 22, 1992, "European Union: the Monster of Maastricht").

Now, a number of far-reaching and important questions concerning the future of Europe have to be answered, very quickly.

First of all, is the Maastricht Treaty dead or alive? Technically and legally speaking, it is definitely dead. According to the Treaty of Rome, the legal foundation of the EC, any amendment to the original treaty has to be agreed upon by all member states. Therefore, the Danish "no" vote makes the Maastricht Treaty null and void.

But within hours of the Danish "no," German Chancellor Helmut Kohl and French President François Mitterrand issued a joint statement assuring the world that the "Maastricht process" would continue as scheduled, and that any renegotiation of the treaty was totally out of the question. At the European Community foreign ministers' meeting in Oslo on June 3, less than 12 hours after the Danish referendum, the ministers from the 11 other member states issued a strongly worded statement confirming that the Maastricht Treaty would be ratified and implemented on schedule, leaving Denmark behind.

In other words, the EC's bureaucracy in Brussels is claiming that the Danish rejection did not change a thing, except to isolate the Kingdom of Denmark from the rest of the European Community. But it's not that simple. The British *Sunday Times* on June 7 quoted a high-level German diplomat attending the ministers' meeting in Oslo, "The response of EC ministers is a hopeless bluff. The problem is not a Danish problem—it's our problem."

Not only would an implementation of the Maastricht Treaty in contemptuous disregard of the Danish referendum be a serious breach of international law, but the Danish "no"

vote sparked such opposition to the treaty in all the other member nations, that any attempt to ram the treaty down the throats of European citizens would now be a highly risky political adventure. At this point, the governments of France, Germany, and Great Britain lack the political strength to do so.

The Danish "no" has also unleashed confusion in the ranks of the British elite. The anti-Maastricht faction, comprised of both Tory and Labour members of Parliament, claims a majority large enough to kill the treaty when it comes up for a vote in the Parliament this fall. While Prime Minister John Major, about to inherit the chairmanship of the Europe Community on July 1, attempts to keep the Maastricht house of cards from collapsing, two of his ministers have joined the anti-Maastricht ranks. Queen Elizabeth confirmed her support for the pro-Maastricht forces in a speech in France on June 9, where she said that Great Britain's place is in the "heart of Europe." Her intervention occurred at a time when the Royal Family is under attack due to scandals concerning Prince Charles and Princess Diana.

Vote was not against Europe

Despite all declarations to the contrary, some kind of a replacement for the Maastricht Treaty has to be found. And it has to be found very quickly, otherwise Europe will go into an unprecedented political and economic tailspin.

On June 9, the British government proposed to amend the treaty in such a way that it would satisfy the Danish population. Danish Minister of Economic Affairs Anders Fogh Rasmussen politely rejected the British offer, stating that a simple amendment would not suffice. Nevertheless, on June 10, the German government signaled that the British suggestion ought to be looked into. The process of changing the Maastricht Treaty has begun, all denials to the contrary.

Some are wishfully thinking that the problem could be dispensed with by having a second Danish referendum. But the Danish Constitution simply does not allow for a question to be put to a referendum twice. There have to be serious changes in the treaty if a second referendum is to be held.

But even were it possible, a second referendum would not be much help for the Maastricht partisans. A Gallup poll



German mining and energy workers protesting against layoffs in July 1991. The sign reads: "Send [Economics Minister] Mølleman to the unemployment line, not the workers!" Danish and German economists are warning that the Maastricht Treaty will lead to massive unemployment and poverty.

commissioned by the Danish newspaper *Berlingske Tidende* a couple of days after the June 2 referendum still showed 51% "nay" and 49% "yea." The poll also showed that 81% of the Danish population favored strong political and economic collaboration among the nations of Europe. The Danish vote was clearly not a vote against Europe, but specifically against the kind of European Union formulated by the Maastricht Treaty.

During the weeks leading up to the Danish referendum, the text of the Maastricht Treaty came under close scrutiny. Several hundred thousand copies of the Danish translation were circulated by the government, and people actually read it. Not everyone could understand all the legal mumbo-jumbo, but the Danish people voted on it, and they rejected it.

Killing the ghost of Locarno

Since the process of reformulating the political and economic program for Europe has already begun, it would be prudent to take a closer look at the flaws of the Maastricht Treaty itself, and from there to point to alternatives for Europe.

On May 8, a Danish member of the Trilateral Commission, former minister of social welfare, and the "shadow government" minister of foreign affairs of the Social Democratic Party, Ritt Bjerregaard, wrote a commentary in the Danish newspaper *Politiken* (see excerpts in *EIR*, May 22). It was titled "Ghosts on the Map of Europe," and it dealt with two historic treaties, the Rapallo Treaty of 1922 between Germany and the Soviet Union, and the Locarno Treaty of

1925 among Germany, Poland, Czechoslovakia, Italy, France, Belgium and Great Britain. According to the arguments of Bjerregaard, it would be in the best interests of Denmark to support the Maastricht Treaty as the historical continuation of the Locarno Treaty.

A closer look at the Locarno Treaty shines light on some of the major political flaws of the Maastricht Treaty today.

The Locarno Treaty was an attempt to correct some of the security problems of Europe left unsolved by the Treaty of Versailles in 1919 and the League of Nations Covenant. Although German Minister of Foreign Affairs Gustav Stresemann and his French colleague, Aristide Briand, both got the Nobel Peace Prize for their work on the Locarno Treaty, its real architect was Gen. J. Smuts, a leading member of the British Round Table, according to British historian Carroll Quigley. As Quigley wrote: "The British believed that the peace of eastern Europe and that of western Europe were quite separate things and that it was their concern to maintain peace in the west, but that any effort to extend this to eastern Europe would merely involve the West in 'every little squabble' of these continually squabbling 'backward' peoples. . . . The Locarno Pacts of 1925 were the first concrete achievement of this British point of view, as we shall see."

The major flaw of the Maastricht Treaty was exactly that of Locarno. Making a closed club of rich nations in the European Union would simply repeat the Locarno folly of trying to secure western peace and prosperity without dealing with the problems of eastern Europe and the former Soviet Union. This was and is a very dangerous illusion. The Maastricht Treaty was rushed through ministerial meetings in December 1991 in order to, as quickly as possible, raise a new iron curtain between the rich nations of the West and the poor nations of the East.

Any replacement of the Maastricht Treaty must remedy this dangerous folly. Political and economic collaboration in Europe must include *all* of Europe. The ghost of Locarno must be killed. Any new treaty must be based directly on East-West collaboration.

An economic disaster

From an economic standpoint, there were very serious flaws in the entire matrix of the Maastricht Treaty which included the European Union, the European Central Bank, and the European Monetary Union. In the leading Danish economics magazine *Boersens Nyhedsmagasinet* of May 14, two Danish economists issued serious warnings about the European Monetary Union. Vice Director of the Bank of Jutland (Jyske Bank) Anders Dam warned that the monetary union had been created too hastily and on false presumptions. He was seconded by the director of the Hafnia Investment Bank, Peter Wendt, who said, "There is simply no economic theory backing up the creation of the Monetary Union."

Neither Dam nor Wendt could accept eliminating the concept of national economic policy made necessary by

granting all economic powers to technocrats in a Central European Bank. Both of them feared massive unemployment as a result, and, as Dam pointed out, this would start in the economically weaker nations, but it would quickly spread to the rest of Europe. Also, Dam said that there is absolutely no economic foundation for the idea of eliminating national currencies. The only thing gained would be saving a little money by not having to exchange European currencies. The price for this small saving, would be the elimination of the concept of national economics, Dam said.

On June 11, a group of leading German economists, including the veteran reformer Klaus Schiller, came out with a list of similar arguments.

The overall economic and political perspective of the Maastricht Treaty was totally wrong. Reading Section IV, "The Economic and Monetary Policy," makes it clear that the method is an iron-handed financial policy like that of the International Monetary Fund. Article 104, Section 1, would prohibit the proposed European Central Bank and the existing national banks from allowing any deficit spending on the part of national governments, counties, municipalities, or other public authorities. In the case of an eventual budget deficit, Article 104 equips the European Council with the authority to impose penalties, including fines and the rescinding of credits, to teach the offending nation to "behave" itself. It is exactly that kind of policy which would have led to mass unemployment and poverty in large sections of Europe.

Principles of national economics

With the entire Maastricht process in shambles, the question is now, what shall be done instead? First of all, any "grand experiment" of dissolving national economies must be stopped. And it should not be replaced with any British proposal for a "European free trade zone" either.

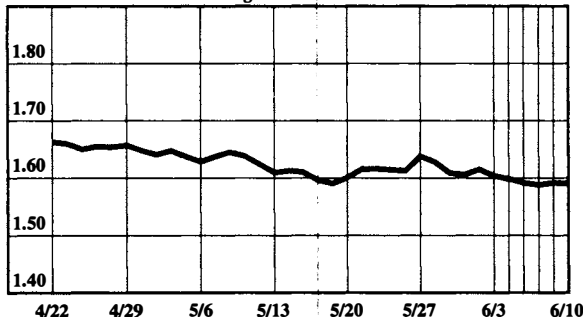
Instead, there must be collaboration among sovereign nation states, what Charles de Gaulle called the "Europe of the Fatherlands," and common economic policies must rest upon the principles of national economics. This means that the principles of building a national economy, as described by great economists like the German Friedrich List and the Americans Henry C. and Mathew Carey, must be applied to any future accords of the European Community. Lyndon LaRouche's Paris-Berlin-Vienna Productive Triangle of infrastructure and energy development, proposed just after the fall of the Berlin Wall, can be the basis of such cooperation.

If done in this way, the European Community of the future, which would include both east and west, would have concrete infrastructure projects and other physical economic projects as the central issue of collaboration. Instead of an EC Commission imposing its oligarchical will upon the individual nations by dictating the color of sun glasses or the length of bananas, governments of sovereign nations would be collaborating on economic policies in order to increase the productive power of labor.

Currency Rates

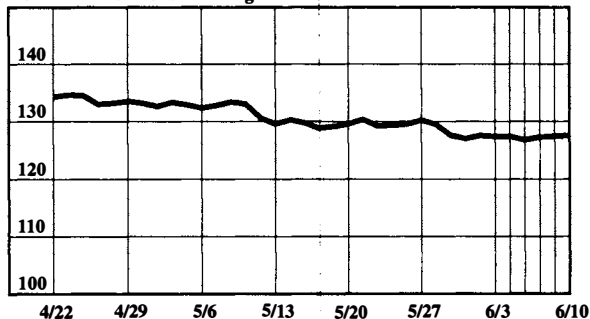
The dollar in deutschemarks

New York late afternoon fixing



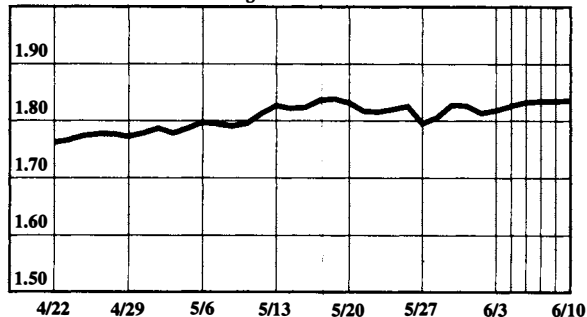
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

