Amsterdam summit leaves EU economic debate wide open

by Rainer Apel

The European Union summit in Amsterdam on June 16-17, which was to ratify the timetable for the much-ballyhooed "single currency," was characterized by the counterposition of the German government's avidness for penny-pinching, and the eagerness of the new French government to seriously address the rising unemployment throughout Europe. The two documents on employment that came out of the summit, which envisioned a more active role of the 15 member governments and of the European Investment Bank (EIB) in turning the tide of joblessness, were an ultimately foul compromise, with formulations left so vague that governments can interpret their mandate any way they choose. Bonn, of course, interprets the Amsterdam documents as "non-binding" and "requiring no additional money." The Germans take the stand that the EIB will operate within its given funding, and spend no extra money for employment programs.

As far as Bonn is concerned, the other document, on the monetary Stability Pact, is the most important result of the Amsterdam summit.

The French government, under its new, Socialist Prime Minister Lionel Jospin, is convinced that the Amsterdam documents leave room for additional funding of labor market incentives, and that the door has been opened for economic alternatives to the hitherto predominantly monetarist outlook of the EU, that a mandate has been passed for an effective strategy to combat unemployment, which has left close to 20 million Europeans without work. The view from Paris is that the commitment to foster employment is at least as important for Europe, as the one for monetary stability.

The two opposite positions in Bonn and Paris are indicative that the debate over economic priorities is continuing in Europe, even if the government of German Chancellor Helmut Kohl prefers not to take public notice of that fact. The intensity of the renewed debate was highlighted by the summit between Kohl and Jospin in Poitiers, France, on June 13. There, Jospin presented the German chancellor with a proposal to revive the original Delors Plan of 1993 as the centerpiece of the war against mass unemployment, leaving the Christian Democratic chancellor highly embarrassed. A report on Poitiers in the June 14 *International Herald Tribune* described their confrontation, and other sources have corroborated the report. The *Tribune* wrote that the new French government "was reported to be seeking some kind of measure that would reactivate a [European] Community decision made in 1994 at a summit meeting in Essen, Germany, that provided a framework for vast Europe-wide infrastructure projects."

"At a news conference, Mr. Jospin made indirect reference to the projects, and a French aide said later that they were included in a package of proposals Mr. Kohl said he had received from Paris last night. But the chancellor seemed to brush the public works idea away. 'I don't think much of the idea to spend money twice that we don't even have once,' " the *Tribune* reported.

With that stubborn position, the chancellor and his government marched into Amsterdam three days later. Now, the other EU governments—most of them like Britain's, socialist-led monetarists—share the monetarism of the budget-minded Germans, which explains the weak commitment of the summiteers to increasing employment. The French could not have squeezed more concessions than they did, given the circumstances. But, time is working in favor of the French position, to allocate more funding and effort to fight unemployment, via great projects that create many new jobs at one time. In Poitiers, Jospin made clear to Kohl that he, Jospin, is in the stronger position: Jospin, after all, has just won a landslide election, whereas Kohl cannot be sure he can win reelection in September 1998, and it is not even a given that his Christian Democratic Union will nominate him to run for chancellor again. Kohl's European policies have come under strong attack from inside his CDU, and even more so from inside the CDU's strong Bavarian wing, the Christian Social Union.

Therefore, if Kohl and the other EU heads of government who do not agree with Jospin, are rejoicing over the fact that they could force a postponement in the debate about unemployment and project-funding, until the autumn, when a special employment summit is scheduled, it is a pyrrhic victory. A few weeks from now, unemployment throughout the European Union will far exceed the current 20 million, sparking renewed social-political turmoil in Europe, even without a banking crash. There will be new mass protests against budget austerity, there will be new strike waves, there will be much more openness to new concepts for economic and financial strategies. The new openings in France are already having an effect beyond its borders: In the German labor movement, there is again interest in the almost-buried, original Delors Plan of 1993 for public infrastructure development projects, that could create 15 million new jobs. There is also an open letter by 331 economists from throughout Europe, which endorses a revival of the Delors Plan, that has been covered in some of the leading dailies in EU member-nations.

Who is 'against' and who is 'for'?

And, in a most spectacular development in France, the Bâtiments Travaux Publics (BTP), the umbrella organization of some 6,000 French firms engaged in public sector projects, placed a front-page ad in the Paris daily *Le Monde* on June 17. Entitled, "Against or For," the ad lists under large type: "They were 'against,' " referring to the Greens and others who agitated against major projects, including new highways, the TGV high-speed rail line from Paris to Lyons, nuclear power plants, and certain airports. Under similar large type, "They are 'for,' " it enumerates the "16 million people who drive the superhighway of the sun, the 20 million who take the Paris-Lyons TGV, the 48 million who utilize nuclear electricity, and the 91 million who use the airports."

The ad says: "Who wants, therefore, to stop the development of infrastructure projects that generate social progress and jobs? . . . Surely not the 60 million users of these projects . . . surely not the 3 million wage-earners of the BTP nexus and their families."

Such a full-page ad is truly unusual, and it also sends a warning to the minority Green party, Jospin's coalition partner, not to try to sabotage (the way their Green party colleagues in Germany do) any efficient policy for the creation of new jobs in the public works sector. Against the background of this promising development, one can be optimistic that by late autumn, when the EU governments hold their meeting on unemployment, a political environment will be there to promote better policies.

It is very important, for the Europeans, not to get bogged down within the narrow confines of the resolutions and programs that have already been passed. None of these programs can achieve anything, and all of them are badly underfunded. This is also the main reason that, even with the best of intentions, the Amsterdam documents cannot achieve anything, because they will not receive any funding. The EIB, which the Amsterdam summit mandated to work out increased activities against unemployment, depends on allocations by the EU finance ministers, who have, in past years, only slowed down and/or killed any such programs.

New credit institutions needed

What Europe needs, is a return to the spirit of 1989, of the optimism which brought down the Iron Curtain, and, for the first time since the end of World War II, presented all of Europe with the challenge and opportunity to begin with an ambitious crash program for economic reconstruction. As postwar Europe had the Marshall Plan and the specific banking institutions that were built around it, like the German Reconstruction Bank (founded in 1948) to generate productive credits for rebuilding Europe's industry, the Europe of today needs new banking institutions to provide credits for great projects that offer the potential of creating jobs for Europe's 20 million unemployed.

Putting to one side, for the moment, the distraction of the insane British adventure of the 1990-91 Gulf War against Iraq, the broad, international campaign that was built around the 1989 proposal by Lyndon H. LaRouche for a mobilization of the European industry through a "Paris-Berlin-Vienna Productive Triangle" had an immense impact for two to three years. LaRouche's call for transcontinental rail, road, energy, and urban development projects that could create millions of new jobs, was in the hands of every influential political, economic, and scientific institution of Europe, in the hands of labor union and party leaders, industrial managers, and even bankers.

The impact was such that, in 1992, after the end of the Gulf War and the opening bloody phases of the Balkans war, a group of experts around Jacques Delors, then president of the European Commission in Brussels, began working on a design for a Europe-wide program for infrastructure development. In the summer of 1993, the basic outlines of the design, which was called "The Delors White Paper," were presented to the EU governments, and they contained a bombshell: In addition to the 26 top-priority projects, and another 28 that were given lower priority—which were a provocation to the European elites in themselves—the Delors White Paper included a proposal for the creation of a state-guaranteed credit facility that would be empowered to collect the capital for the projects. This aimed at long-term, low-interest loans, that would break the credit blockade imposed by a private banking sector fixated on short-term profits, and by the penny-pinchers among the government bureaucrats obsessed with balancing their budgets.

That was the Delors Plan of 1993, the closest approximation of LaRouche's "Productive Triangle," and it suffered the same fate—unceremoniously rejected by the European elites. Instead, the June 1994 EU summit in Edinburgh passed a mandate for a toothless new institution, called the European Investment Fund (EIF), based in Luxembourg, which had no power to make loans, but could only sign guarantees for loans from "somewhere else, preferably, the private banking sector." To date, the EIF has guaranteed loans in the range of 1.7 billion European Currency Units (roughly $2 billion) for EU infrastructure projects that require at least 50 times that much.

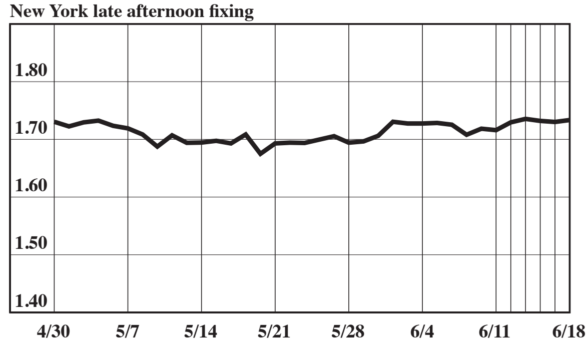
It is very important, therefore, to see the new Jospin government making repeated references to the "*original* Delors Plan of 1993." Jospin called for its revival, as did French Budget Minister Christian Sautter and European Affairs Minister Pierre Moscovici; and, it is worth noting that Jospin's chief of cabinet, Jean-Pierre Jouyet, used to be deputy chief of cabinet for Delors at the time the Delors Plan of 1993 was worked out. Immediately after the Amsterdam summit, while the other governments were patting themselves on the back that "the French had been not so wild, actually," Moscovici issued a statement that the documents signed at that summit still had to be ratified by the national parliaments, and were not certain to get the approval of the people—the French, especially.

For reasons that are only too understandable, Moscovici's remarks stirred up quite some discomfort on "the other side." The other 14 EU governments are still playing with their old hand, long after a new deck has been shuffled and dealt—and more cards will be added, between now and the autumn.

Currency Rates

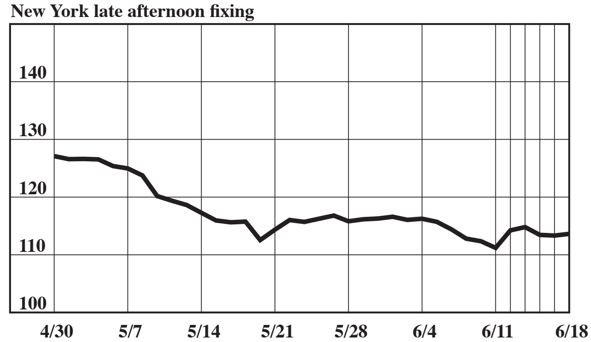
The dollar in deutschemarks

New York late afternoon fixing



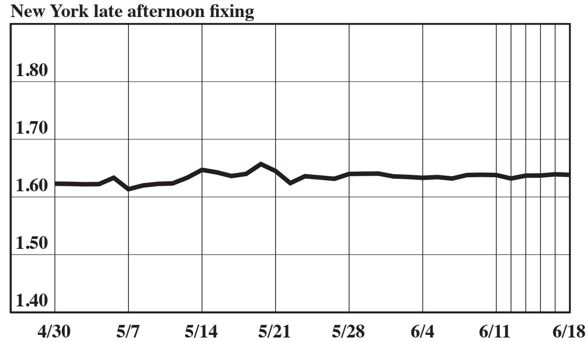
The dollar in yen

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