

# Will Europe Survive The Collapse of the Euro System?

by Helga Zepp-LaRouche

June 2—While the Greek crisis is coming to a head, maybe this week, but certainly in the remaining weeks of June, the idea of a unified European Union (EU) has become as full of holes as the proverbial swiss cheese. As this article is being published, ultimatums are flying.

No matter whether Greece suspends payment on the 300 million euros it owes the IMF this Friday, June 5, because it cannot accept further austerity measures demanded by the Troika, such as raising taxes in the range of 3.5 billion euros and further cuts in social services; or whether the European Central Bank, German Chancellor Angela Merkel and French President François Hollande at the last moment propose a somewhat less brutal austerity program; either way, within the current EU logic there is no way out, either for Greece, or for the EU.

Because after June 5, further payments by Greece come due: on June 12, 350 million euros; on June 16, 600 million; on June 19, 345 million; and then, altogether Greece has a debt of 350 billion (!) to the European Central Bank (ECB). If the proverbial miracle does not occur, such as the creditors agreeing to the European debt conference demanded by Greece—the chances of which are currently totally impossible—the policy of the EU will drive Greece into insolvency. At that point, and not at the end of the 30-day grace period, which theoretically exists before Greece technically enters definite insolvency, there is a threat of a general collapse of the European banks, and, as a result of the derivatives exposure and swap-arrangements between the ECB and the Fed, a collapse of the American financial sector as well.

The faction of those who swear that a “Grexit” would be bearable, even somewhat “prediscounted,” such as IMF head Christine Lagarde and occasionally German Finance Minister Wolfgang Schäuble, insists at the same time on compliance with the draconian austerity pact, because they fear that a concession by the Troika would have a signal effect on the other countries which have been forced to their knees by brutal austerity pacts, such as Spain, Portugal, Italy, and even France. Behind this view lies the calculation that it would be better for Greece, having returned to the drachma and having been reduced to beggary, to serve as a horrifying example for the other potential candidates for leaving the euro, rather than to accept a weakening of fiscal discipline, and with it, the end of the euro.

Panicked warnings have come especially from the



The Kremlin

*Greek Prime Minister Alexis Tsipras meets Russian President Putin in the Kremlin April 8, in the midst of Greece's showdown with the European Union.*

United States, such as the one from U.S. Treasury Secretary Jack Lew, that a Grexit would have dramatic consequences for the world financial system. Paul Krugman warned in a June 1 article in the *New York Times* with the headline “That 1914 Feeling,” that the inability of the Europeans to solve the Greek crisis is an eerie reminder of the miscalculations leading to the First World War—Krugman quoted, as he said, the latest book by Christopher Clark about the background of the First World War, *The Sleepwalkers*. Krugman then compares the errors of judgment, even the enthusiasm, with which the Europeans leapt over the cliff in 1914, with the nonchalance today about Greece. Does Krugman, in using this ominous metaphor, know more than he dares to write?

### **Eurozone Fracturing**

Italian Finance Minister Pier Carlo Padoan reflected another variant on Fantasy-Island thinking, when he went so far as to rave that after a Grexit, the Euro-Zone will be a totally different entity (namely one from which countries can simply walk out), but that such a Grexit would be a welcome development which would expedite the further integration of Europe.

Apparently Mr. Padoan doesn't often read newspapers. British Prime Minister David Cameron lodged a complaint with Hollande and Merkel, that Great Britain's membership in the EU could only survive Britain's upcoming referendum if the EU Treaty were changed, and gave back more autonomy to the states. And Mrs. Merkel, in apparent affinity with Cameron and realizing that the EU would not survive a “Brexit,” even promised to be open to renegotiating the EU Treaty. The notion that, under current circumstances, the twenty-eight EU member states could agree on a new EU Treaty, suffers from a horribly far-reaching lack of reality.

Not only was the Lisbon Treaty of 2007 only adopted through conspiratorial maneuvers—everything was decided on the level of the European parliament behind closed doors, and the members of the Euro parliament from the different nations were given a modified text of the constitution that was rejected in 2005 in France and Holland, which had been turned into a mere treaty that was not subject to a referendum,—but in such an incomprehensible form that almost nobody read it. Ever since, the EU has been hated for its lack of transparency, its arrogance, and its policies favoring the

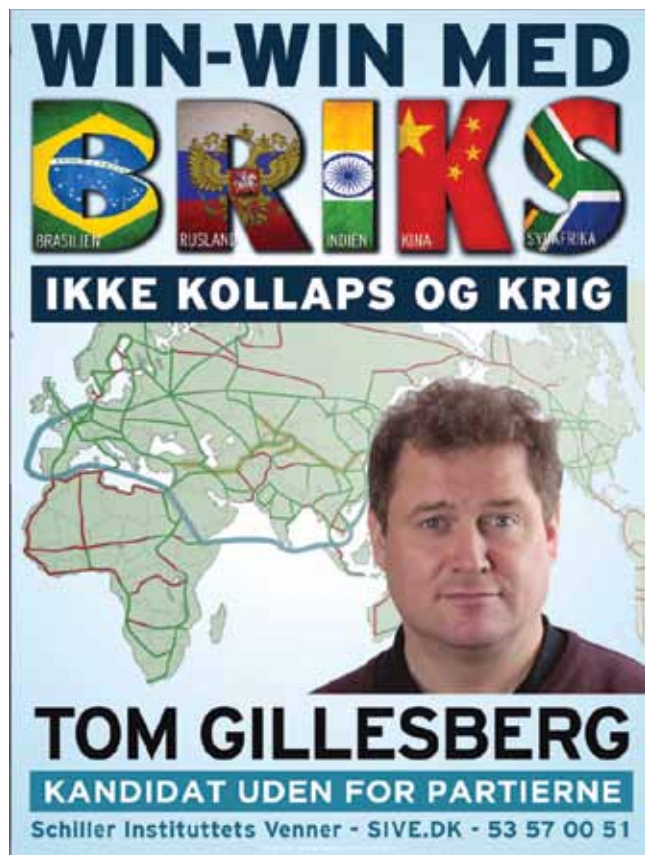
bankers at the expense of the general welfare,—by the greater part of the population, and this is not only in the southern European states.

The much-vaunted unity of Europe has the consistency of Swiss cheese. The EU bureaucrats and technocrats want a United States of Europe as quickly as possible. Great Britain wants more autonomy, because otherwise Scotland's independence, and not only that, would turn it into Little Britain. Great Britain, Scandinavia, and the Baltic states have degenerated into truly hysterical warmongering against Russia, while the Czech Republic, Slovakia, Hungary, and Greece openly demand an end to the sanctions against Russia.

Two former German Chancellors, Helmut Schmidt and Gerhard Schröder, are extremely critical of Merkel, because she has, for the second time, disinvited Russian President Putin from the Group of Seven Summit; so are Eckard Cordes, the chairman of the Committee on Eastern European Economic Relations, as well as the German Association of Machine-Builders (the VDMA), and the German Mittelstand. The fact that German machinery exports to Russia collapsed in the first quarter by around 28%, while U.S. exports to Russia increased around 17%, strengthens the suspicion many Germans have that the sanctions forced through by the United States and Great Britain not only have the goal of regime change in Russia, but that the old Anglo-American geopolitical impulse has also been directed against Germany.

People in America don't have the slightest inkling of how the NSA affair, in all its aspects—from the tapping of Mrs. Merkel's cell phone, to industrial espionage and the total spying on the population—has eroded the German-American relationship. The fact that the NSA and BND (the German Federal Intelligence Service) together have monitored and spied not only on private industry, but also on politicians in France, Austria and Belgium, is a fission fungus in Europe. Merkel's famous statement—“Spying among friends is not permitted”—has become a synonym for the realization that this is obviously not a matter among friends, but the pursuit of war against a specific population.

If you soberly consider the real situation in the EU today, you can only conclude that the euro was clearly, from the beginning, a failed experiment: Not only that the Eurozone was never an ideal currency sphere,—it



*The BRICS alternative to the EU is presented in this election campaign poster of Tom Gillesberg, running for the Danish Parliament.*

was totally obvious that no currency union could exist between states as different as highly industrialized Germany, versus agrarian states such as Greece or Portugal. But the evil intention from the side of Margaret Thatcher, François Mitterrand, and George Bush Sr. in 1989, to impose the euro on Germany for geopolitical reasons, as the price for German reunification, would have to take its revenge. At least in the case of Mitterrand, an adviser and eminence grise of the Socialist Party, Jacques Attali, reported that Mitterrand threatened former German Chancellor Kohl with war, if Kohl were not ready to give up the Deutschmark. All three—Thatcher, Mitterrand, and Bush—were agreed that Germany must be checked, and wedged into the straitjacket of the Maastricht Treaty, in order to weaken its economy and thus to prevent it from building up an independent economic relationship with Russia,—something which was always a thorn in the eye of the Imperial powers, especially since the Rapallo Treaty of 1923,—

and against which they would even resort to political assassination.

It is remarkable that Helmut Schmidt has recently identified the trigger for the Ukraine crisis, which he sees now threatening to develop into a “hot war,” as the Maastricht Treaty, through which the foundation for the expansion of the EU toward the East was laid, without regard for Russia and history. “EU membership was offered to countries like Ukraine or remote Georgia, to turn them in the direction of the West.” Former French President Valérie Giscard d’Estaing, a political contemporary of Schmidt, attested several days ago to many historical facts showing that Crimea has never belonged to Ukraine.

### **Will There Be a Break?**

The disillusionment, if not the frustration, of the citizens of various European nations with the EU has reached seismic proportions. Far from strengthening and uniting Europe, the discord among nations is greater than at any time since the Second World War. The initial feeling of a “democracy deficit” has expanded into the widely prevalent feeling that democracy in Europe is dead. (Indicative of the mood in Germany is the [latest satire](#) of “The Institution” of May 26.

Among an ever-larger part of the European population, frustration over the mediocre quality of the politicians has solidified. The Euro-skeptic parties are winning in droves, as shown in the recent elections in Spain, Italy, Austria, and Great Britain. Whether it’s Merkel with her policy of little steps, or Hollande, with his catastrophic poll ratings—these so-called leading personalities are seen at best as crisis-managers, who gossip about events without developing the slightest vision for the future, or presenting serious solutions to the multiplying crises.

For this reason, as well as the growing fear of a great war, which threatens to develop out of the provocations by NATO and the U.S. against Russia and China—the policy of the New Silk Road of China, and especially the offer of Chinese President Xi Jinping for an inclusive “Win-Win Policy,” is gaining ever greater attraction. If Churchill’s dictum were true, that in politics there are no friends—which is obviously confirmed by the NSA—but only interests, then the interests of Europe are better served by working together with the nations of the BRICS.