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The Uncertain Fate of the Olive Growing Countries and the Euro

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The debt crisis continuous to overwhelm Europe, and the prospects for countries most entrenched in debt, including Portugal, Italy, Greece, Spain, and Ireland, are dismal. Worse, whether these countries voluntarily leave or are coerced to leave, it is conceivable that Germany may opt to go solo. The not-so-popular George Soros argues that the euro crisis is far worse than earlier estimations, suggesting that it could eventually end up dissolving the EU.

In a Berlin speech in late April, Soros indicated that the EU crisis casts a shadow on the global economy, a consequence of its own political evolution. He argues that the Maastricht Treaty, which led to the creation of the euro, and created what was commonly referred to as the pillar structure of the European Union, was fundamentally flawed, as it established a *monetary* union without a *political* one. In essence, the euro was launched without any real democratic consultation or approval, intended by world leaders as political glue in the march towards pan-European sovereignty.

Whereas global analysts and the main stream media seem to overlook much of this threat to the world's second largest reserve currency, the more immediate concern is the possibility that Germany will abdicate from the EU, causing the Euro to plummet, which could subsequently trigger a major international monetary crisis. The EU may survive with a few less olive growers such as Portugal and Greece, but certainly not without the solid backing of Germany.

While the world watches with hopeful expectations for the first time in history, the synchronicity of the central banks of Europe, UK, China, India, Japan and the US printing fresh money and increasing the base supplies of their respective countries, we seem to forget important historic facts about Germany and the Euro zone. Namely, Germany was never sanguine about the euro from the onset. In fact, most Europeans were not. I view it more as a quid pro quo case, whereby Germans accepted the euro in exchange for France's support of Germany's post Cold War re-unification. Trading the Deutsche Mark for the euro, by itself, did not equate logically.

EU's dire situation provides Germany with an opportunity to augment its political influence in the region, and a return on its investment of the euro, by way of financial rescue packages to olive growers. However, if such efforts fail, as is likely the case, Germany will have no compelling reason to remain with the EU, since Europeans are already becoming resentful of Germany and the EU. History has

shown us time and again that austerity breeds political disgust, particularly when imposed by outside powers. A pro-German government in Holland has already fallen in local elections, and President Sarkozy lost ground in his reelection campaign, and eventually recently lost the elections, precisely due to his perceived support of German policy. Then there are the German people who resist the idea of seeing their hard earned money squandered on people who refuse to tighten their belts.

Notwithstanding, the central bank's printing of money and Germany's financial packages are not ameliorating the situation. On the contrary, the olive growers are not alone, with many other countries already in recession, including Slovenia, Italy, the Czech Republic, Ireland, Denmark, Netherlands, Belgium, and the UK. Whether the euro endures, Europe, and especially the olive growing countries are facing a long period of economic stagnation. We have witnessed Latin American countries suffer a similar fate in the early 80s, and Japan, which has been in stagnation for almost a quarter century. While they have survived, the Euro zone situation is graver, as the EU is not a single country but rather a union of many, and the lingering deflationary debt trap threatens to destroy a still nascent political union.

Only when a friendlier monetary policy and a milder fiscal austerity is proposed, will the euro remain strong, which will weaken the Euro zone's exports competitiveness, and drag the recession to even lower levels, while forcing more Euro zone countries to restructure their debts, which may cause some of them to ultimately exit the euro.

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