

# The end of Anglo-Saxon globalisation and the future of Euro-Atlantic integration

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In this article the future of the Euro-Atlantic relationship will be analysed, looking in depth at the fault lines that appeared during the new global depression that started in 2008. This depression is a turning point not only for Western but also for global capitalism. Financial globalisation that took off in the 1970s and first caused major financial crises in the periphery, now disrupts the heartland of global capitalism. The current depression means the end of the claim to superiority of Anglo-Saxon casino capitalism and it highlighted the emergence of powerful new global economic players. It means the end of a unipolar world, and the strengthening of regional blocs. It also questions a global financial architecture centred around Wall Street and the City of London.

In the USA, and also in the UK, a financial oligarchy is still in power and threatens the global economy. An eventual resurgent EU needs to distance itself from the USA in many respects, trying to define and defend its own interests. In a multipolar world the EU needs to balance its foreign relations and diminish its dependence on the USA. The EU can only strengthen if a core EU emerges that leaves behind those EU countries that are closely tied to the US and that prevent a strong EU to develop.

European identities will be strengthened, especially in view of the need to formulate policies towards the growing Muslim minorities within its borders and the challenge to cope with the very different cultures some new EU entrants brought into the EU. In this process also differences with US culture will be highlighted. The US will become more inward looking, preoccupied with integrating its minorities and stifling social unrest. For the USA, Europe will further loose in significance.

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The EU, more than the US, can show the world a way forward in tackling environmental challenges and the quest for sustainable social and economic development.

However, in the short term the EU will be preoccupied with centrifugal forces and managing crises in its immediate neighbourhood. US led NATO will become outdated and insignificant.

## Anglo-Saxon globalisation

Economic globalisation, that started in the 1970s, was very much an opening up of the world economy for Anglo-Saxon capitalism. A surge in global liquidity after the OPEC oil price explosion and the growing size of pension funds, provided an impetus for the relaxation of capital controls in the developed capitalist world that started in the USA and the UK. Also, a series of developing countries took up massive debt during the times of cheap money. After the US sharply raised interest rates (1981), indebted developing countries were threatened with default and the IMF stood by while imposing the Washington Consensus. This implied privatisation, deregulation and opening up the economy for foreign capital. It also meant the furthering of export led growth. Relaxation of capital controls started to spread over the world and this financial globalisation was the trigger for what is now commonly known as economic globalisation. The Anglo-Saxon type of liberal capitalism was propagated as a model that fits all.<sup>1</sup> Economic globalisation

was not an inevitable outcome of natural economic development but US led.

It meant the massive avoidance of taxes by the spread and growth of off-shore financial centres. Everywhere it meant weakening of trade unions, abolishing of subsidies for the poor and the pushing back of the developmental state. It meant turning the trend in the developing world towards state managed capitalism and the developmental state into a trend towards deregulated capitalism that is open to foreign penetration. Economic globalisation allowed the massive relocation of industry from developed to the newly industrializing countries.

After the Asian financial crisis (1997), that the IMF triggered and deepened, Asian countries drafted the conclusion not to rely anymore on the IMF and to avoid at any cost foreign debts (see Stiglitz, 2002). It led to structural current account surpluses. On the other hand the USA was printing dollars and running large current account deficits. Increasingly, the global trade became a game in which the US produces dollars and the rest of the world produces real goods dollars can buy. US capital did not de-industrialise as it invested abroad but the USA as a country did, which process has important consequences for the future role of the US as a hegemonic power.

Increasingly the USA and the UK, or to be more precise, Wall Street and the City of London, became the financial centre of the world, i.e the centre of the neural network that constitutes the world economy. Wall Street and the City of London became so integrated that we can speak about the New Wall Street System (see Gowan, 2009).

While introducing 'financial innovations', it sucked the world economy of liquidity.

Everywhere in the world, the elite channelled its surplus money towards the banks in the tax paradises, London and New York. Global Financial Integrity estimated that during 2002-2006 the illegal capital transfers from the developing world increased yearly by 18.2 per cent to reach in 2006 an amount of between 859 and 1060 billion dollars. The IMF did nothing against this.

Off shore capital increased from 7 billion dollar in 1963 to 50 billion dollars in 1973, 475 billion dollars in 1979 till 6 trillion dollars in 1990. In 2008 it increased, according to the Tax Justice Network, to 11 trillion dollars. These tax paradises were part of the New Wall Street System, recycling their money to the big banks in London and New York. The New Wall Street System transformed into the global Las Vegas. Gambling was made possible by deregulation, bribing policy makers, auditors and rating agencies.

London got a boost during the 1970s when it became a major centre for recycling petrodollars and became an outpost for US banks and companies after the US abolished capital controls. This was also related to the fact that remaining US restrictions on interest ceilings did not apply in London. American banks overseas assets increased from 80 billion dollars in 1976 to 300 billion dollars in 1981, with most of their lending out of London (Hutton, 2002, p. 191). Six major US banks, partly operating from London, held the bulk of the financial derivatives market. London and New York are the world's truly global financial centres. Also, London and New York are the major centres of corporate headquarters. The predominance of London in the hierarchy of European financial centres contrasts with the meagre performance of the British economy in European perspective.<sup>2</sup>

In 2001, the UK and the USA together accounted for 39 per cent of cross-border bank lending (20 and 19 per cent respectively), 73 per cent of equities turn over (44 and 29 per cent respectively), 47 per cent of foreign exchange dealings (31 and 16 per cent respectively), 63 per cent of fund management (13 and 50 per cent respectively) and 71 per cent of corporate finance (11 per cent and 60 per cent respectively).<sup>3</sup> In 2007 42.5 per cent of derivatives trading was localised in Great Britain, 24 per cent

in the USA. Credit related derivatives trade was for 40 per cent in the USA and 37 per cent in London (Gowan, 2009, p. 16). The IMF estimated that out of a total of 4 trillion of toxic assets worldwide, those tied to the US stood at 2.2 trillion (*Huffington Post*, 8 April 2009). But the IMF estimates that European banks have more bad assets than US banks.

Looking at external positions of banks (in all currencies vis-à-vis all sectors, September 2008) the UK comes, with respect to assets, on the first place with 6403 billion dollars while the USA on second place with 2924 billion dollars. If we include British dependencies, like Cayman Islands, Guernsey, Isle of Man and Jersey, Great Britain comes up to 8927 billion pounds, that accounts for 27 per cents of global assets (website of Bank for International Settlements).

In 1970 currency transactions were valued at 18 billion dollar a day, in 2000 this increased to 1000 dollar and in April 2007 it amounted to 3.2 trillion dollar a day. In 1970 only 20 per cent of currency transactions were speculative in nature, nowadays it is 98 per cent. The value of currency transactions, most of which takes place in New York and London, is now 100 times the value of trade in goods and services.

On top of this, the USA and the UK received the bulk of foreign direct investment.<sup>4</sup>

### The emergence of the New Wall street system

From the New Wall Street System funny money, in the form of financial derivatives, expanded like a bubble. Financial services became the major export product of the USA and the UK. The financial industry exploded in size. By 2007, it accounted in the USA for 42 per cent of corporate profits.<sup>5</sup> In the USA the financial sector took in 2007 12.2 per cent of value added in the USA for its account, against 11.7 per cent for industry.

One of the financial innovations was the hedge funds that were not regulated at all and did not pay taxes. It was not only part of the shadow banking system, having access to massive amounts of cheap money, it also allowed the buying up, with borrowed

money, of enterprises in the real economy, restructure them, split them up and sell them for a hefty profit. In this process enterprises were usually loaded with debt. Almost all hedge funds, that are seen by many as locusts and had a big role in the triggering of the new global depression, are located in the USA and the UK. The UK is host to 80 per cent of European hedge funds (*The Guardian*, 31 August 2009).

The trend of financialization and marketization of economic life world-wide favoured those countries that were ahead with these trends. American bank's share of the world financial services market has doubled over the last twenty years (*The Economist*, 22 March 2008). The deal value for global mergers and acquisitions was during the first half of 2002 for the USA 186 billion dollars, for the UK 80 billion dollars, for Germany 43 billion dollars, for France 29 billion dollars, for Italy 23 billion dollars and for Japan and Canada 22 billion dollars.<sup>6</sup> Among the major winners of financial globalization was organised crime that expanded enormously and made extensive use of deregulation in international banking (See Glenny, M., 2008).

Also in the telecom and software sectors the US asserted its dominance. In the New Economy, the USA has become the major hub through which most electronic communications are channelled. For example, intra-European electronic communications are channelled through the USA. In Asia more than 93 per cent of Internet traffic is channelled through the USA (1999). This provides the US companies that control communication networks with huge receipts, but also poses security problems for US competitors.<sup>7</sup> US corporations have the advantage of being backed by a powerful state while the clout of the EU and Japan in supporting interests of their corporations in the international arena is much smaller. The US was the major mover behind telecom deregulation all over the world. It became a requirement of World Bank and IMF in structural adjustment programmes. The US Telecoms act, deregulating telecommunications, was a trigger for a Telecoms boom that generated \$ 1000 billion all over the world, and later even more in losses when prices for Telecom shares dropped. By 2001, 62 per cent of global information technology business originated in the USA



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and American companies owned 75 per cent of the global software market. Almost all commercial satellites are US owned. Obviously, the US was the winner in the battle over information society.

After the demise of the Soviet empire the marketization and the unification of the world economy under US auspices was facilitated by the fact that the US became the only super power. In some respects the world became unipolar.

After the end of the Cold War the USA emerged as the only superpower and dominated world affairs more than any other global power has done. In 1997 Zbigniew Brzezinski, national security advisor to President Carter and one of the architects of NATO expansion wrote that '*The brutal fact is that Western Europe, and increasingly also Central Europe, remains largely an American protectorate, with its allied states reminiscent of ancient vassals*' (Brzezinski, 1997, p. 59).

In the New World Order, with the USA in its epicenter, economic and military power are closely intertwined. The Bush administration seems to take the British Empire

as an example. One of President Bush's closest advisors, Haage, quoted J. Gallagher and R. Robinson (*The Imperialism of Free Trade*): '*Imperialism is a continued reality of economic expansion in modern times. Those who associated imperialism primarily with colonies and colonialism and who took therefore the scramble for Africa in late 19th century colonial expansion as the basis for a general model of imperialism, were wrong. British imperialism throughout the 19th century remained essentially the same in its inner logic despite the concentration on expanding free trade in one period and on annexing colonies in another.*'<sup>8</sup> '*British policy followed the principle of extending control informally if possible and formally if necessary. To label the one method 'anti-imperialist' and the other 'imperialist' is to ignore the fact that whatever the method British interests were steadily safeguarded and extended. The usual summing up of the policy of free trade empire as 'trade not rule' should read 'trade with informal control if possible; trade with rule when necessary'*'<sup>9</sup>.

The USA profits enormously from its dominant position in the world economy. Therefore Henry Kissinger could say that '*the basic challenge is that what is called globalization is really another name for*

*the dominant role of the United States*'<sup>10</sup>. The gains of being the world's hegemonic power by far outweighs the burdens.<sup>11</sup> The US current account deficit that refers to the balance of trade in goods and services, is gigantic if compared with deficits of other countries. The Central Banks of the world changed dollars for US Treasury Bonds that means an 'I Owe You' that probably never will be paid back (See Hudson, M. 2003).

American economic power is also used to force trading partners to comply with American foreign policy objectives.<sup>12</sup> American intelligence sources are used to help American corporations. World-wide eavesdropping in the framework of the Echelon program in which the US secret services co-operate with the secret services of the UK, Australia, New Zealand and Canada, also involves industrial espionage in the EU.<sup>13</sup> EU ministers allowed the USA on 30 November 2009 to track down EU bank transactions, using the database of the Society for Worldwide Interbank Financial Telecommunication based in the EU, in the framework of the war against terror. However, it also allows the USA to spy on all corporate and private financial transactions (*EU Observer*, 4 February 2010).

Gradually the nations of the North have become integrated in a single military system, loosely grouped around the United States. The USA calls the shots and the Anglo-Saxon countries are the closest allies and the first to assist the USA in combat actions.<sup>14</sup> This integration process accelerated after the demise of the Soviet Union and the terrorist attack on the United States (11 September 2001) that led to a broad anti-terrorist coalition around the USA.

Nowadays, US spending on defence equals that of the defence budgets of the next 15 highest spending countries combined.<sup>15</sup> Defence spending in the USA increased from 48 billion dollars in 1982 to 607 billion dollars in 2008 and 664 billion dollars in 2010.

The USA used its power not to create a stable institutional infrastructure that could regulate conflicts but imposed its will on the institutions of global economic governance while ignoring the interests of major parts of the world. This was clearly visible in the role of the IMF and the USA in triggering the Asian financial crisis and the way the World Trade Organisation operated. NATO expanded eastwards and militarised relations with the new Russia while Russia was humiliated.<sup>16</sup> It started to include countries with unsettled territorial disputes and unresolved ethnic national claims although this is precluded by NATO rules. NATO started to operate out of area while increasingly functioning as an instrument of US power. This was especially visible in Afghanistan where no clear EU interests are at stake.

However, the USA is less able to control developments in NATO and EU countries are reluctant to follow the USA outside the Atlantic area.<sup>17</sup> There are enhanced security risks within NATO as, increasingly, not very democratic nations are becoming member that are willing to gamble at the cost of international security.

### The credit crisis signalled the beginning of the end of US hegemony

The unfolding of the credit crisis highlighted the dominance of financial capital especially in the USA and the UK. It showed how the centre of global capitalism was rotten. Trillions of dollars have been poured into an insolvent banking system,

without any transparency and without getting anything in return. In the US, junk derivatives are bought with tax payers money, in the process of which banks and hedge funds make hefty profits. In this way they are twice rewarded for their irresponsible behaviour. Moreover, the regulation of the financial sector is hardly tightened (this practise has been criticized by French President Sarkozy and German Chancellor Merkel).

The new US administration under Obama seems to act fully in accordance with the interests of Wall Street, not Main Street. It means the strengthening of a system that is parasitic on the real economy. This will inevitably deepen the depression. This crisis is comparable to the financial crises in peripheral countries, like Argentine. Also in Argentine the weight of the financial sector, including pressure of the IMF, prevented the solution of the crisis.

The transformation of funny money into real money will create a new bubble that will feed inflation and will lead to a dollar crisis. This and a possible default of the USA will lead to an accelerated demise of US global power. It may turn the USA into an inward looking power. A dollar crisis might also give interesting investment opportunities for outsiders in the US but it is likely that US government will prevent a take-over of US industry by foreigners.

A dollar crisis might also mean the strengthening of the present trend of regionalisation of the world economy and a subsequent consolidation of a multipolar world. The US will lose the privilege to have the world's currency and cannot afford anymore borrowing from the rest of the world in exchange for printing real money.

The International Monetary Fund, World Bank and World Trade Organization will become irrelevant and increasing protectionism will above all affect interregional trade, less the trade within the major regional blocs (Latin America, East Asia, NAFTA and EU).<sup>18</sup> The US empire is already overstretched and the US will be forced to withdraw from Afghanistan, Pakistan and Iraq.

However, for a long time to come the US will be the only preeminent power. But US power was above all based on soft and

economic power, not military power. The limits of US military power have been shown in Iraq and Afghanistan. Although for a long time to come the US will lead in some key technologies, such as biotechnology and nanotechnology, this lead will gradually erode as the emerging regional powers will also invest in science and technology. US society might face a big crisis because of lasting high unemployment levels and associated mass poverty (one out of eight US citizens is now receiving food aid). The USA, with its weak social safety net, does not have the instruments to prevent the emergence of a huge underclass with associated crime. In the USA an oligarchy emerged that is insensitive for society's problems. While the 0.1 per cent richest got 2.9 per cent national income in 1985 they got 7.5 per cent of national income in 2005 (*Le Monde Diplomatique*, March 2009, p.18). One per cent of US citizens take 20 per cent of national income (*Le Monde Diplomatique*, November 2008, p. 1).

US competitiveness has also been undermined by the decades long neglect of the infrastructure, education and healthcare. According to Leslie Gelb, president emeritus of the US Council of Foreign Relations, '*A decline starts with weakening fundamentals in the US. First among them is that the country's economy, infrastructure, public schools and political system have been allowed to deteriorate*' (Gelb, 2009, p. 56).<sup>19</sup>

In the long term the US will transform from a country in which white-protestant Anglo-Saxon culture is dominant towards a coloured, predominantly Hispanic, multilingual and catholic country.<sup>20</sup> This trend will also feed into the consolidation of a pan-American sphere of influence. But the USA also will have to face the challenge of dealing with failed states in its immediate environment, to begin with Mexico.

The importance of Latin America and East Asia will increase for the USA, while the links with Europe will further weaken. The continued support for Israel and the policy of the USA to undermine any potential regional hegemonic power in the wider Middle East will further weaken its position in the region but will also highlight diverging interests with the EU that is interested in

stability on its borders and peaceful relations with its Muslim minorities.

### The end of neo-liberal Europe and the renaissance of core Europe

The credit crisis showed the weakness of the European project. EU countries devised increasingly diverging responses to the crisis, in this process even undermining the Euro. The EU Commission remained inactive. The illusion of the euro project was that a common currency might be possible without a common economic policy. This was already evident for Italy that after the introduction of the euro could not anymore restore its competitiveness by devaluations. Upward wage pressure was in Italy higher than in other euro countries with the result of higher inflation in Italy. It means that Italian products and Italy as such is becoming too expensive. Also, within the EU and the euro area, unfair competition remained despite the common market,

for instance in the sphere of taxation policy. The eurozone also allowed free riding with some euro countries running too large government budget deficits and unsustainable state debts. The crisis around Greece (2010), that cheated Eurostat, showed the moral hazard problem within the eurozone.

Instead of stimulating growth, as was promised during the 1990s, the euro hampered growth. The EU countries that did not introduce the Euro, did much better in terms of economic growth and unemployment (*Le Monde Diplomatique*, February 2009, p. 7).

In response to the crisis, the monetarist guidelines surrounding the introduction of the euro, such as balanced budgets and reducing inflation, were abandoned overnight. It also appeared that some countries within the eurozone, like Ireland and The Netherlands, went much further in deregulating the financial sector than others with

the consequence that the banking crisis affected the eurozone in a very differentiated way. The semi-integrated financial model in the euro-area proved to be insufficient to deal with major disturbances in an era in which a number of financial giants operate cross-border without adequate cross border regulation. However, the trend in the EU was less instead of more shared sovereignty. Pleading for more powers for the EU means losing votes as has been shown in the elections for the European Parliament (7 June 2009) when eurosceptic parties won. In the wording of Scharpf (2006), a problem solving gap appeared in the EU which may undermine legitimacy in the EU and its member states. The global depression showed that monetary union cannot be achieved without political union.

The global depression also deepened divisions within the EU, especially between the old and the new Europe, the latter more open to the casino capitalism and US in-



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fluence while the old Europe more sticking to the remnants of the welfare state. It is also a divide about the rationale of the EU, between the EU conceived basically as an extended free market and a EU of shared sovereignty. In this process the French-German axis re-emerged again although it is obvious that this axis is less powerful in the EU of 27 compared to the EU 9 of the 1970s. Merkel and Sarkozy distanced themselves from Anglo-Saxon capitalism when writing that '*the model that we want is a responsible market economy that favours both entrepreneur and employee, not the speculator, a market economy based upon long term investment, not on returning a fast profit*' (*Die Welt am Sonntag*, 31 May 2009).

In its response to the economic crisis the EU showed its weakness by not providing a common response. Governments are increasingly focussing on national crisis management. In the words of Joschka Fischer, former German foreign minister, '*the EU is increasingly seen as a framework for asserting national interests, rather than an aim in itself*' (*The Guardian*, 30 May 2009). Especially in the post 1989 generation he notices an indifference towards the ideals of a European destiny. Even in Germany the EU is no longer seen as the key project in national politics.

The free market conception of the EU also received a boost with the entry of a series of Central European countries. Many of these countries were willing to follow the US while not even consulting the EU in major foreign policy decisions, such as the instalment of the US anti-missile shield, US bases and secret US prisons. Some of these countries do not follow the EU rules in many other aspects. Especially Romania and Bulgaria are clan states rather than market economies where organised crime and politics are intertwined.<sup>21</sup> Cooperation in the framework of the EU proved to be extremely difficult. It gradually appeared that countries where the rule of law is absent, can not be integrated into the EU.

A complicating factor is that in most new EU entrants the economic boom after 2000 relied very much on borrowed money while most of these countries are much more affected by the global economic crisis than the core EU countries. Much of East

Central Europe is heading for a prolonged economic crisis with associated social unrest.<sup>22</sup>

This means that the process of EU enlargement will come to a standstill. It also means that in view of divergent interests within the EU and the complicated decision making procedures, progress within the EU can only be achieved if a smaller group of EU countries, preferably in the context of the euro area, goes ahead with integration, forming a core EU that can draw the rest of the EU out of immobility.

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Another fundamental trend visible in most EU countries is the growing problem of non-integrated ethnic minorities from other civilisations. It seems that the original optimism about the automatic integration of these minorities, especially the second and third generations, has been misplaced. Increasingly, these minorities constitute a new underclass while retaining and reinforcing anti-European attitudes. This has led to a clash of cultures within the EU. But also between EU countries a clash of cultures occurred. For instance, between some new entrants that saw the EU primarily as a source of funding and less as a community of shared interests and destinies and the old member states that have a more cooperative attitude towards diverging interests and policies.

These clash of cultures will feed the growing awareness of the assets of European and Western civilisation but will, most likely, also feed reactionary nationalism and xenophobia.

The clash of cultures was, among others, visible in the row about the Mohammed cartoons published in a Danish newspaper. Even secularist Turkey demanded apologies from the Danish Prime Minister Rasmussen that he refused to give because, rightly, he was saying that as a Prime Minister he can not apologise for something a newspaper has written. Turkey almost

blocked the appointment of Rasmussen as secretary general of NATO. It again highlighted the deep divisions with the Muslim world on how state and society should relate to each other.

Another basic trend has crystallized over the past two decades: the EU is surrounded by an arc of crisis. The socio-economic divide with the countries neighbouring the EU, has deepened and many of these states became increasingly ungovernable. Some countries, such as Bosnia Herzegovina and Kosovo, became failed states where organised crime and politics are not distinguishable. In view of this developing crisis the EU has no other choice than toughening its visa regime while better policing its borders. Apart from that it has to develop a powerful neighbourhood policy. In many ways, the EU has to distance itself from some of its member states that do not comply with EU rules. It has to resist pressure of the USA and some EU states to let failed or almost failed states in the EU under the pretext that it would stabilize the situation in those countries.<sup>23</sup>

Generally, the world is faced with the phenomenon of a proliferation of drowning nations, accelerated by the new global depression that affected peripheral countries much more than core countries, at a moment that US power is in accelerated decline and other powers are increasingly introvert, preoccupied with the solution of crisis situations at home. It is obvious that in this situation the EU should focus at stability in its immediate neighbourhood.

The EU has interests in this arc of crisis that are very much divergent from the interests of US led NATO (see for this Hart and Dimes, 2009). This became especially apparent in the policy with regard to Russia that was treated by the USA and NATO as a defeated power. Relations with Russia became militarized with the eastward expansion of NATO. A number of new NATO members and countries that have been promised membership thought that they could punch Russia in the nose and then hide behind the USA. This was evident in the Georgian-Russian war that Georgia provoked and that became a Russia-USA proxy war. Therefore the eastward expansion of NATO has been called by George Kennan the worst foreign policy mistake by

the USA since the end of the Cold War.<sup>24</sup> And also in the Middle East the US lead was misguided. As Leslie Gelb (2009) noticed, G.W. Bush ‘rushed blindly into the Iraq war without hard evidence and fought it for years without a clue – no information, no plans, just prideful boasting’. And the EU followed Bush. Also, NATO drew a number of EU countries into the unwinnable war in Afghanistan, where no vital EU interests are at stake, while neglecting the gradual disintegration of Pakistan with its nuclear weapons targeted at India. Also, in its basic treaty the EU submits the EU foreign and defence policies to NATO.

Therefore the EU has to develop quickly its own defence force and strengthen its capabilities in the sphere of foreign policy. It is obvious that this can only happen while excluding the UK and some other EU countries on its periphery. This can only occur after a purifying crisis within the EU. Also, the EU core that wants to move forward has to strengthen support for the EU among its population. Euroscepticism increased after the EU became increasingly associated with unpopular policies such as privatisation of public services, deregulation and lack of support for a social Europe. Too much the EU wanted to emulate the US model that is now deeply discredited. This disenchantment with the EU was reflected in the rejection of the EU basic treaty in two of the EU founder countries (France and The Netherlands). The EU project can only be re-launched if people feel the EU represents their interests.<sup>25</sup> But the centre left, that in principle could have offered a social democratic vision of a European future, has been discredited after its embrace of high finance and heedless globalization.

### The role of the UK and some other opponents of a strong Europe

The UK always acted as a brake on European integration. Traditionally, British leaders felt closer to the US, and the US-British alliance (the privileged relationship) was seen as a guarantee for the security of the UK which has been traditionally challenged from mainland Europe. With the development of the New Wall Street System since the early 1980s, the economic alliance has been strengthened very much. Concomitantly the alliance in foreign policies

developed with the UK unconditionally following every move of the US.

Britain also diverged from mainstream Europe in its radical socio-economic reforms, since 1979, that moved Britain closer to the United States. Also in defence matters Britain moved closer to the USA while France and Germany kept some distance towards the United States. In fact, the UK acted like a Trojan horse for the USA in Europe.

In his speech to the Confederation of British industry, Gordon Brown said that ‘Europe’s economic future depends on an ever-deeper and closer economic relationship with the USA’ (*The Independent*, 17 November 2003). The British government persistently dismissed calls by the European Commission for harmonisation of corporation tax. It prevented tougher regulation of the financial sector and protected, on the EU level, the interests of hedge funds. Brown attacked Europe as ‘*inward looking, inflexible and sclerotic*’. In Brown’s view, the ‘varieties of capitalism’ debate has been conclusively resolved in favour of the US business model. Mr Barroso, the president of the EU commission said (to Brown) ‘*You cannot go to a beefeaters’ club and say you are a vegetarian.*’ (*The Independent*, 6 July 2006).<sup>26</sup> Both Gordon Brown and Tony Blair moved in the direction of the idea that the old vision of an integrated social Europe is now bust, and the challenge is to embrace open markets, not raise walls.

Developments in the EU very much went into the direction the UK wanted while getting many more same minded allies in continental Europe. A divide between the new and the old Europe developed that became first manifest in the preparation of the Iraq war. In the EU the bloc of countries that does not want a strong EU but a loose group of countries centred around a common market, became stronger with the enlargements since 2004. Also, since the Iraq war, the EU more closely followed US policies, especially visible in the wider Middle East. The EU slowed down the integration in the sphere of defence and foreign policies. Instead, the European security system became NATO-centred while excluding the non-NATO EU member states. The EU also became more neoliberal and pursued social, fiscal and ecological dumping policies.

Therefore, the new EU 27 is solidly pro-US while the core of the old EU has retained a relative independence with regard to the US. The new Europe is highly integrated with the US in a common economic, political and military system, herewith acting as a brake for the unification of Europe on the basis of common European interests. Under US pressure, centrifugal forces are growing in the EU.

This is rather odd given the new opportunities Europe got after the fall of the Iron Curtain. For the first time in history, Europe can be united and strong. Unlike during the Cold War, there is no need to seek shelter in the shadow of the USA. Also the challenges that ask for an independent EU, are greater than ever before.<sup>27</sup> But the willingness to be strong and united is very weak. The EU misses strong and visionary leadership. Also, the EU still clings to a neo-liberal world view, with its belief in self-regulating markets, that has become totally discredited with the collapse of the financial system while refusing to work on a social and regulated market economy.

The USA will try to strengthen the inner circle of the informal US empire, consisting out of the Anglo-Saxon countries.

### Weaknesses of Western civilisation exposed

The new global depression not only affects the economic sphere. It exposes major weaknesses of affected societies and questions major values underpinning the policies of the past decades. It is a crisis of globalisation and a collapse of a neo-liberal worldview.

In the USA the unbridled greed of the elite will be questioned as will be the hedonism that was so much furthered by consumer society and the credit economy. It will also question the hyper-individualism and the demise of the state and the public good. It will bring on the agenda the question of what a society is and what a good society is.

Due to the lack of a social safety net, a substantial part of the US population will

be trapped in depravity. US society will be undermined from within. The problem is that short-sighted Wall Street still dictates government policies. However, although both the Democratic and Republican parties are captured by financial capital, American democracy could be powerful enough to mobilize the anger of the population with regard to the looting of the nation's resources and channel it in the direction of a rejuvenation of the US political system, leading to the end of dominance of financial capital.

In most EU countries a rudimentary welfare state has been maintained and interest representation is still better developed than in the USA, although eroded, while the state has been less broken down than in the USA. Therefore, the EU has better instruments to cope with the phenomenon of impoverishment and lumpenisation of part of the population, especially the ethnic minorities. But at the same time we see a xenophobic and nationalist turn in politics that undermines the strengthening of the EU. Therefore, initially a further fragmentation of the EU is likely. However, the trend can be reversed if a core EU centred around the French-German axis, can revive the federalist ideas of the founders of European integration.

During the Cold War a rather cohesive system, through Euro-Atlantic integration, held the West together. Socio-economic competition from the East helped, indirectly, to support the welfare state in Western Europe. After the end of the Cold War the West as a community of values and common interests gradually disintegrated while unipolar US policies failed to create a new international structure that could adequately accommodate the interests of other powers than the USA. Several authors compared this situation with the 1920s when the victorious powers of World War I failed to create a fair peace and ignored the Soviet Union (see The Twenty Year Crisis, E.H. Carr). The same systemic flaws are recognizable in the New International Order that the USA helped to create. NATO and the international institutions of economic governance played a very negative role here, one-sidedly looking at Western interests. James Sherr described NATO as overextended, overburdened and apprehensive. 'For 8 years the US embodied the

'arrogance of power' and none of its wisdom. The events of 9/11 have not only taken NATO out of area but into the global arena and possibly out of its depth' (Zerkalo Nedly, 11 April 2009).

Many in Western Europe believe that a community of values can sustain a strong Euro-Atlantic partnership. But is it common values rather than common interests that underpin alliances? And what about the European states, with common values, that fought each other for centuries? Moreover, it seems that with respect to values Europe and the United States are drifting apart. Americans oppose state interference and high taxes while most Europeans accept state managed capitalism. Most Americans are more eager to go to war than Europeans who have seen so many wars on their territory. Individualism is more pronounced in the USA. With respects to the advance of science and technology, Europeans are more inclined to use the precautionary principle. Europeans are more inclined to support multilateralism and more aware of global environmental problems.

With respect to the most pressing global problems Europeans tend to have a different approach than Americans. The same can be said with respect to differences between Europeans on the one hand and Latin Americans and East Asians on the other hand.

## Conclusion

The international order that emerged during 1945-1950 reflected the power configuration at that time. On the Western side it included NATO and the institutions of global economic governance that were all US led. Economic globalisation, that was enabled by the liberalisation of capital markets under the aegis of IMF and World Bank, strengthened the New Wall Street system, centred around Wall Street and the City of London. *The New Great Depression marks the end of the claim to superiority of the Anglo-Saxon economic model and accelerates the relative decline of the USA.* Regional economic blocs will likely be strengthened while US dominated institutions, including NATO, will weaken. The New Great Depression showed major weaknesses in the EU. Firstly, it showed that monetary integration cannot be

accomplished without political union while the recent trend was towards a minimal shared sovereignty. Secondly, it showed the widely diverging responses to the economic crisis and the inability, in the present decision making framework, to formulate a common anti-crisis policy. Thirdly, it showed that part of the EU, i.e. the UK, is integrated in the New Wall Street system and that therefore the EU is deeply divided in the midst. A European renaissance is only possible if a core EU, preferably around the euro area, is consolidating itself outside the current EU decision making framework.

The NATO has gone out of area since 9/11 while divergent interests within NATO became increasingly apparent. NATO seems to be outdated and a common EU defence and security policy is more needed than ever before. In a multipolar world the EU needs to develop balanced relations with all major powers and should not become hostage to US interests. This is especially visible in its relations with Russia and with the wider Middle East.

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(10 February 2010)

**Notes:**

<sup>1</sup> The international financial institutions never put it this way. They presume to just propagate sound economic policies. However, their policy prescriptions usually reflect dominant practices in the liberal Anglo-Saxon economies. For example, the IMF has a core set of international standards for corporate governance that emphasise share holders value, as practised in the Anglo-Saxon countries.

<sup>2</sup> The dominant players in the City of London are now foreign owned. The London affiliates typically occupy central positions within their corporate systems, often having managerial responsibilities. Two thirds of all banks in London are foreign, nearly half of them established after 1980.

<sup>3</sup> *The Observer*, 6 January 2002, taken from the Corporation of London report.

<sup>4</sup> According to UNCTAD, received Foreign Direct Investment in the USA was, in 2008, 2093 billion dollars, in the UK 1347 bn \$, Hong Kong 1184 bn \$, France 1026 bn \$, Belgium 748 bn \$, The Netherlands 673 bn \$; Germany 629 bn \$, Spain 537 bn \$, Canada 520 bn \$ and Italy 364 bn \$

<sup>5</sup> *The Economist*, 22 March 2008. In 1985 the percentage was 12 per cent; in 2000 25 per cent.

<sup>6</sup> *The Economist*, 6 July 2002.

<sup>7</sup> See *Manière de Voir*, Nr 46, July/August 1999 (“Revolution dans la Communication”), p. 58. Since the late 1990s US dominance over Internet traffic diminished, especially after the Patriot Act (USA) was passed that made overseas corporations more distrustful over US intentions. Investments have been made to build intraregional networks that make it less likely that Internet traffic flows through the USA.

<sup>8</sup> Quoted in Foster, J.B. (2003), p.3.

<sup>9</sup> Ibidem.

<sup>10</sup> Lecture at Trinity College, Dublin, quoted in Gindin, S. (2002), p. 1.

<sup>11</sup> Above account sheds some light about the US claim that it has a disproportionate share of the burden of defending the Atlantic community. Indeed, USA military spending as a percentage of GDP is higher than most of its NATO allies.

Defence spending per person was, in 2000, 898 dollars in the USA, 468 dollars in Great Britain, 365 dollars in France 245 dollars in Germany and 176 dollars in Italy (*The Observer*, 10 February 2002). But, the benefits of being a hegemonic power are usually not mentioned. Moreover, in this respect it should also be recalled that with NATO military operations, like in the former Yugoslavia, there is a division of labour: the USA deploys relatively more military hardware, but the European NATO allies pay relatively more, especially if taking into account the aftermath of military actions. In the case of the former Yugoslavia, the EU countries bear almost all costs of reconstruction. The same pattern emerged with the war in Afghanistan.

<sup>12</sup> For example, foreign companies are sued in US courts for doing business with expropriated properties in Cuba. American influence is also used to impose decisions in international financial institutions, like the IMF, in pursuit of political goals. For example, when the USA persuaded Pakistan to help the USA in its attack on Afghanistan after the terrorist attack on the World Trade Center and the Pentagon (11 September 2001), it promised Pakistan new IMF loans.

<sup>13</sup> *The Guardian*, 24 February 2001. Later, other countries, like Germany, became third country participants but these countries have very limited access to the Echelon network. Telephone and electronic communications intercepted in North Yorkshire are immediately transferred to the USA. A report written for the European Parliament estimated that the Echelon eavesdropping helped American companies to obtain European orders to an amount of 26.7 billion dollars between 1993 and 2000 (*De Volkskrant*, 26 January 2001).

The Clinton administration decided that US secret services should support US enterprises in their negotiations abroad. According to a European Parliament report, published in 2001, America's National Security Agency (NSA) intercepted faxes and phone calls between Airbus, Saudi Arabian Airlines and the Saudi government in early 1994. The NSA found that Airbus agents were offering bribes to a Saudi official to secure a lion's share for Airbus in modernising Saudi Arabian Airlines' fleet. The planes were in a \$6 billion deal that Edouard Balladur, France's then prime minister, had hoped to clinch on a visit to Saudi Arabia in January 1994. He went home empty-handed and Boeing and McDonnell Douglas could make a deal after an intervention of President Clinton with King Fahd. The point is of course that US companies are bribing as well. But they cannot be so easily caught. The French government advises enterprises that

negotiate contracts above 1 million dollars not to use mobile phones and e-mail, given above mentioned interceptions by the Anglo-Saxons.

<sup>14</sup> After the end of the Gulf War, it was the UK and the USA that continued to bomb Iraq. In Afghanistan (2001), apart from US forces, military from the UK, Canada and Australia were engaged in combat operations. During the second Gulf War (2003) it was the USA, the UK and Australia that attacked Iraq.

<sup>15</sup> *The Guardian*, 6 February 2002.

<sup>16</sup> According to William Pfaff (*Tribune Media Services*, 29 May 2009) ‘Under pressure from Americans apparently eager to humiliate Russia, the NATO governments were persuaded to offer Georgia eventual membership in the alliance, which Georgia's reckless president, Mikhail Saakashvili, took as authority to attack and try to seize autonomous South Ossetia, provoking a short and sharp war with Russia, which Saakashvili lost. Yet Washington has tended to behave toward (Russia) in an antagonistic manner while demanding cooperation (which it has often received) on matters of concern to the US.’

<sup>17</sup> According to ex UK minister for Europe Dennis MacShane under the Obama administration ‘The US has de facto abandoned the idea of asking Europe to go to war while the American administration re-Americanizes the conflict in Afghanistan.’ ‘The conflict retransformed in a two-tier operation that involved a political component and a overwhelmingly American combat force’. According to MacShane America's job is ‘forcing peace’, while the job of the Europeans is ‘maintaining peace’ (*International Herald Tribune*, 6 June 2009).

<sup>18</sup> China has a lower representation quote in the IMF than Switzerland or Belgium. Thirteen ASEAN countries created a fund of 90 billion dollars to assist ASEAN countries in difficulties (*De Volkskrant*, 3 May 2009).

<sup>19</sup> According to S. Abramsky ‘California, so cash strapped, because of decades of anti-tax revolts and irresponsible, unfunded spending mandates that it can't pay even its basic bills and is hoping to sell off priced public lands and buildings to plug just a tiny fraction of its deficit’ (*The Guardian*, 28 May 2009). California has, mid 2009, an unemployment rate of 11 per cent and millions more in poverty.

<sup>20</sup> Demographic analysis shows that in 2050 half of the US population will be black, Hispanic and Asian. Whereas Hispanics account now for 14 per cent of the population, they will attain 29 per cent in 2050, the percentage of blacks will remain at 13 per cent while that of Asians will rise from 5 to 9 per cent (*USA Today*, 2 December 2008).

<sup>21</sup> ‘Other countries have the mafia’, said Atanas Atanasov, a member of Parliament and a former counterintelligence chief who is a magnet for leaked documents exposing corruption. ‘*In Bulgaria, the mafia has the country.*’ (*International Herald Tribune*, 5 October 2008)

<sup>22</sup> For example, Latvia, that saw the largest GDP fall in Europe during 2009, faces an unemployment rate of 17 per cent, while youth unemployment is 33,6 per cent (June 2009, Eurostat). Ninety per cent of debt in the country is denominated in foreign currencies. Public sector wages will be cut by 20 per cent.

<sup>23</sup> Recently, the USA, under the Obama administration, has stepped up efforts to integrate Turkey, Bosnia and Herzegovina into Euro-Atlantic structures. Deputy Assistant to the US Secretary of State Stuart Jones declared that ‘*Americans are not satisfied with the Brussels leadership in the Balkans*’ and criticized a number of European countries that are calling for a delay in the accession of more Balkan states in the EU and NATO. US Congress passed a resolution on Bosnia and Herzegovina into the Euro-Atlantic community, saying, among others, that ‘*the full incorporation of Bosnia and Herzegovina into the Euro-Atlantic community is in the national interest of the US and important for the stabilization of South-Eastern Europe*’. Europeans were shocked by the appointment of a new US special envoy to the Balkans region (such an envoy only exist, so far, for Iraq and Afghanistan) (see Mitchell, 2009).

<sup>24</sup> Washington profile, April 2009 ([www.wash-profile.org](http://www.wash-profile.org)), interview with Stephen Cohen.

<sup>25</sup> For the elections for the European Parliament, June 2009, in The Netherlands, one of the EU founder nations and traditionally one the fiercest supports of EU integration, only 36 per cent of the voters turned up while above all EU sceptic parties gained.

<sup>26</sup> Chris Patten, then British EU Commissioner, claimed Mr Brown had ‘*made extremely negative speeches about Europe, giving the impression that the rest of Europe is having to depend on food parcels in comparison with the great economic miracle in the UK*’ (*The Guardian*, 22 June 2004).

<sup>27</sup> For example, a re-regulation of EU financial services is blocked by the UK (*The Independent*, 10 June 2009).