

Europe on rations: the Afghan war and the dilemma of European capitalism

Part 1

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On January 1, a new currency was introduced in twelve European countries. Instead of paying in pesetas, liras, drachmas, francs and marks, approximately 300 million Europeans are now using one common currency, the euro.

The euro-zone stretches from Portugal, Spain, Italy and Greece in the south through France, Belgium, Luxembourg, Holland, Germany and Austria in the centre, to Finland in the north. Out of the present 15 members of the European Union only Britain, Denmark and Sweden have not joined it.

The introduction of the euro represents a major step towards the economic unification of the continent, and in this sense is undoubtedly progressive. At first sight, there seems to be little connection between this step and the present war in Afghanistan. Looked at in a broader historical context, however, both events are closely interconnected. They both relate to the issue that has become the focus of international politics over the last 10 years: the struggle for global hegemony, for world power, for a re-division of the world, which has erupted once again between the major powers after the collapse of the Soviet Union.

Three years ago, when the euro was introduced as a virtual currency and the exchange rates between the European currencies were fixed, numerous articles in international policy magazines discussed the significance of this step. They inevitably arrived at the conclusion that the euro was the biggest challenge to the economic and, as a result, political hegemony of the United States of America since the 1920s, when the dollar replaced sterling as the leading international currency.

One American economist, C. Fred Bergsten, for example, wrote in *Foreign Affairs*: "The launch of the euro offers the prospect of a new bipolar international economic order that could replace America's hegemony since World War II.... The euro is likely to challenge the international financial dominance of the dollar." [1]

And a German colleague remarked in a publication of the Friedrich Ebert Foundation that European Monetary Union was "the potentially most serious challenge for the future supremacy of the USA. With the euro, the dollar gets a serious rival for the first time in 70 years." [2]

American capital is not passively submitting to this challenge to its hegemony. It makes use of its military superiority to counteract the challenge to its dominant economic position. This is the underlying logic of the repeated eruptions of American militarism over the last 10 years, which have found their momentary climax in the present war in Afghanistan.

What we can see here are the seeds of a conflict that will increasingly dominate future political developments. Looked at from the basic facts of world economy, a clash of American and European interests is inevitable—even though only a few politicians and commentators would publicly acknowledge this at present. And the struggle for geopolitical influence and economic interests will more and more assume openly militaristic forms.

We cannot predict what forms these conflicts will take—an alliance of all European powers, with or without Russia, against America; a renewed fracturing of Europe under the weight of American pressure; an alliance of Europe with America against China, Russia or India. But we can say for certain there will be no peaceful solution to these conflicts.

Of course we do not see this in a fatalistic way. A third world war is only inevitable if the working class is unable to resist it. The very processes that are setting American and European capital against each other and producing military eruptions on a scale not seen since 1945 also intensify social tensions to the extreme and produce political shake-ups that affect millions of people, bring them into motion and turn them towards politics. It is our task to provide them with an orientation. The unification of the international working class on the basis of a socialist programme is the only viable answer to the threat of another imperialist war.

Central to this task is the struggle against any trace of nationalism and chauvinism. This is of particular importance in Europe, where, because it finds itself in a somewhat weaker position, chauvinism directed against America can easily be cloaked in left-wing terminology.

Our answer to the eruption of US militarism is not to appeal to the European governments to resist it. We are not contrasting cultured and reasonable European statesmanship with the cowboy methods of the Texan George W. Bush. Europe, compared with the United States, may be in the weaker position at present. But history has demonstrated that the European bourgeoisie—and the German bourgeoisie in particular—are capable of the most barbaric crimes in the attempt to overcome this disadvantage.

We understand that the present eruption of US imperialism is the result of the insoluble contradictions of the capitalist system as a whole.

The rise of the United States to the dominant economic and political power dates back to the first half of the previous century. Towards the end of the nineteenth century, America underwent a rapid industrial and economic development. Its national borders, as broad as they were, soon became too narrow to sustain its economic growth. The United States embarked on the path of imperialist expansion—first in the Caribbean, South America and the Pacific, then in Europe. The First World War marked the beginning of its hegemony over the old continent.

The war raised America, lowered Europe and laid bare an abrupt shift of

the world axis. While the European powers had destroyed and ruined each other, America came out of the war richer and more powerful than before. It assumed the role of the principal factory, the principal depot for commodities and the central banker of the world, which had previously belonged to Europe, above all to England.

America's political hegemony was based on its economic hegemony. It possessed 60 percent of the world's gold and produced between one and two thirds of the world's major commodities—80 percent of the world's cars, 70 percent of the world's oil and 60 percent of iron and steel were produced on American soil.

Europe, ruined by the war and fragmented by numerous borders, was dependent on American loans and at the same time ailing under its pressure. There was no way out of this impasse under capitalism. Because the workers movement was paralysed by the crisis of its leadership, European capitalism developed the disease known as fascism. The task of fascism was twofold: to smash the workers movement and to pave a way out of the capitalist dead end by means of military force. Germany, which had failed to reorganise Europe in 1918, tried it again in 1941—and failed once more.

The economic reserves of the United States proved strong enough to sustain the social crisis at home by means of the New Deal and to intervene decisively in the war against Nazi Germany and Japan. The main burden of the war was carried by the Soviet Union, which, despite the treacherous role of Stalinism, mobilised all the heroism of its people in the struggle against fascism. But for its final outcome, American money, soldiers and weapons played a decisive role.

After the war the economic, military and political hegemony of the US was as strong, if not stronger, than before. However, in order to avoid social revolution in Europe and to contain the Soviet Union, as well as in the interest of its own commodity and capital exports, the US was obliged to assist its European and Japanese rivals and to help them rebuild their economies.

By the end of the 1960s, the US had largely lost its hegemonic position in the sphere of production and trade. The economic performance of the European Union was about equal to that of the US, as was its share of world trade. Japan produced and exported about half as much. This has—if one disregards temporary fluctuations—remained so ever since.

The changed relation of forces in the world economy found its most dramatic political expression when US President Richard Nixon, in a one-sided act, cancelled the Bretton Woods monetary agreement in August 1971. The agreement, signed at the end of the war, had formed the basis of the post-war economic system and had secured American hegemony.

With the beginning of détente with the Soviet Union, tensions between Europe and America increased considerably. Sections within the German bourgeoisie, particularly within the Social Democratic Party (SPD), saw a chance to attain more independence from the US by establishing closer links with Moscow and East Berlin.

In 1973, fierce arguments over a New Atlantic Charter extended over an entire year. US Secretary of State Henry Kissinger insisted that future American security guarantees to Europe be tied to European concessions in the economic sphere. Finally, in the Atlantic Declaration of June 1974, the European members of the Alliance accepted such a link. They pledged to ensure "their security relations are strengthened by harmonious relations on the political and economical field."^[3]

The pressure exerted by the US at that time gave a big impulse to European integration.

As long as it did not challenge American hegemony, the US had encouraged European integration in order to avoid a repetition of the social convulsions and political crises of the 1920s, and because the removal of borders and tariffs made it easier for American commodities and capital to penetrate the continent. Now major sections of the European bourgeoisie began to see European integration as a means of counteracting

American hegemony.

During the 1970s the integration of Europe made considerable progress. France gave up its resistance to British membership. The number of members rose from nine to twelve and finally to fifteen. The European Economic Community was transformed into the European Community with increased jurisdiction over many fields. First attempts to link European currencies closely together were made.

French President Valéry Giscard d'Estaing and German Chancellor Helmut Schmidt, who both considered themselves to be economic experts, played the leading role in this.

However, there was a definite limit on how far the conflict with the US could be driven. Despite the policy of détente, the antagonism with the Soviet Union was still the dominant factor in world politics. The European bourgeoisie needed America for its military defence. The US was still seen as the "benevolent hegemon", in that its military hegemony was considered to be in Europe's own interest.

The disintegration and final collapse of the Soviet Union removed this limit and fundamentally changed the relation between America and Europe.

On the one hand, considerable sections of the American ruling elite looked upon the demise of the Soviet Union as a chance to establish unchallenged global hegemony. "The claim for hegemonic leadership, limited to the Western world until 1990, was expanded into the claim for global rule," as one German historian commented.^[4]

On the other hand, the European elite no longer saw any need to subordinate itself to the hegemony of the US. "The integration of Europe into American hegemony had been tied to the conflict with the Soviet Union and was futile after its end," the same author wrote. The European bourgeoisie demanded "Gleichberechtigung"—equality with its transatlantic partner—a demand with which the US was not prepared to comply.

Almost immediately a series of conflicts developed that have not been resolved to this day.

On the *economic* level, Europe challenged the US on the one field where it still maintained a dominant position: the role of the dollar as the world's main currency.

Since the Second World War, the dollar has been more important than any other single currency as a store of value, a medium of exchange and unit of account for official and private users.

As late as in the middle 1990s, the weight of the dollar on the international markets was more than twice as much as the contribution made by the American economy to the world's GNP and trade. In 1995 the dollar served as the invoicing currency for almost 50 percent of world trade and even a third of all inter-European trade. The dollar was the currency of denomination of 77 percent of international bank loans, 40 percent of international bond issues and 44 percent of European currency deposits; 62 percent of global currency reserves were held in dollars, compared to 26 percent in European Union currencies.

The dominant role of the dollar brought considerable advantages to US capital. It facilitated the attraction of international assets and investments, US authorities had a larger range of fiscal policy options, and foreign governments themselves had an interest in the stability of the dollar.

In December 1991, the very month the Soviet Union was formally dissolved, the heads of states and governments of the European Union met in Maastricht and mounted a major challenge to the dollar. They decided to establish a European Monetary Union by 1999.

The driving forces behind this decision were French President François Mitterrand and German Chancellor Helmut Kohl.

For Mitterrand, monetary union was a means to keep Germany under control, after reunification had made it by far the biggest and economically strongest power in Europe. Kohl, on the other hand, was confident that monetary union would allow Germany to play a dominant

role in Europe. As a disciple of Konrad Adenauer [first chancellor of the Federal Republic of Germany (West Germany)], he feared that Germany might once again be isolated and was eager to integrate it closely with its European neighbours. Both Mitterrand and Kohl agreed that monetary union was necessary to challenge the dominant role of the dollar.

In contrast to many other long-term projects decided by the European Union, Monetary Union was implemented on time. As planned in Maastricht, the euro technically replaced most EU currencies in January 1999. Three years later, at the beginning of January 2002, banknotes and coins were replaced and the euro became a physical reality for the European population.

This step has vast political implications. As one German observer remarked: "This markedly changes the distribution of power within the Atlantic Alliance. If the European Union announced in Maastricht was only a concept up to now, it has now become reality in an important sector. Its 12 members have not only left the dollar zone, they have also built the euro into a second leading world currency.... The emancipation of Western Europe from dependence on the US has reached a new quality. This was clearly registered in Washington." [5]

On the *military* level, it is much more difficult for Europe to challenge American hegemony. Here the American advantage is outstanding.

With \$283 billion, its contribution to total NATO expenditures is 50 percent higher than that of all the European NATO members taken together. It spends 3.1 percent of its GNP for military purposes, compared to the 2.2 percent European average and just 1.5 percent in Germany.

These figures, however, do not reflect the real relationship of forces. According to a study of the US Department of Defense, the efficiency of the European NATO forces is only one tenth of their American counterpart. The reason for this is that every European country has its own command structures and finances its own research and development. Most expenditure goes into salaries and wages. Europe keeps 2.3 million troops under arms—many of them poorly trained conscripts. America in contrast maintains only 1.4 million professional soldiers. As a result, the US spends only 39 percent of its military budget on salaries and wages—in Germany it is 60 percent, in Portugal 79 percent. Conversely, the amount spent for military hardware per soldier in the US is three times as high as in Germany or the European average.

Accordingly, European efforts on military reform have concentrated on building joint command structures, developing joint weapons programmes independent of American arms manufacturers (like the new Airbus military transport plane), reducing the number of troops and transforming conscript armies into highly trained professional armies.

This is a costly and protracted project, which is difficult to achieve under conditions where all European governments struggle with huge budget deficits and where military expenditure is highly unpopular—particularly when it accompanied by massive cuts social in social services. What is more, the European bourgeoisie finds it very hard to arrive at a common agenda on how it should proceed. Inter-European rivalries—particularly between Germany, France and Britain—still play a major role and tend to be exacerbated whenever the US exerts pressure on Europe.

Since 1990, numerous decisions have been taken and partly implemented, aimed at giving Europe an independent military and political role on the world stage. The most important was undoubtedly the Maastricht treaty signed in 1992. It not only provided for a European Monetary Union, but also for a common foreign policy. And in the long term it envisages the formation of a political union.

In the same year, the German-French brigade, established somewhat earlier, was transformed into an all-European corps, and the Western European Union—an idle relic from the post-war period—was revived and established as a defence component of the European Union. The aim of both measures was—as Mitterrand and Kohl explained in a joint

statement—"to provide the European Union with the means for independent military action." [6]

The US government, supported by Britain, initially firmly resisted any such project for European military independence. The former President Bush explicitly opposed plans to transform the WEU into the defence arm of the European Union and to make the Euro-corps the heart of an independent European military structure.

A diplomatic note, sent in February 1991 by the US government, stated bluntly: "In our view, efforts to construct a European pillar by redefining and limiting NATO's role, by weakening its structure, or by creating a monolithic bloc of certain members would be misguided. We would hope such efforts would be resisted firmly."

Another US government document, the "Defence Planning Guidance for the Fiscal Years 1994 to 1999", stated: "While the United States supports the goal of European integration, we must seek to prevent the emergence of European-only security arrangements which would undermine NATO, particularly the Alliance's integrated command structure." [7]

The Clinton administration took a somewhat more conciliatory attitude. A compromise was reached when France agreed to join the integrated NATO military structure in return for a stronger role for its European component. In 1994 the Brussels NATO summit gave the green light to a restructuring of the alliance that would allow for independent military activities by the European members, under the auspices of the WEU. There was, however, an important condition: such activities had to be decided unanimously by the NATO council. This gave the US veto power.

The European governments were not ready to resign themselves to this state of affairs. In the Amsterdam treaty of 1997, the EU concretised its plans to develop a common foreign and security policy. The implementation of this decision was facilitated by a turnaround in the British position. While the British government had previously blocked all French and German initiatives for a more independent military role, Prime Minister Tony Blair gave his explicit support to an autonomous role of the European military during the French-British summit at St. Malo in December 1998.

The joint statement agreed by Blair and French President Jacques Chirac read: "The Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them and the readiness to do so, in order to respond to international crises."

The background for the change in the British position was the Kosovo war, which became a turning point and catalyst for the European efforts toward military independence.

According to one European commentator, the US "used the occasion, to definitively implement US-dominated NATO as the only security power in Europe and to relegate its rivals". "In the war with Serbia," he complained, "the European military was deliberately displayed as hopelessly backward, inefficient and old-fashioned. The warfare against Serbia was not decided upon in the Allied headquarters of the air force in Ramstein, but in the American Pentagon and passed on to NATO for implementation. The Allies were not even informed about the missions of American long-range bombers." [8]

The European Union reacted to this "humiliation", as the above quoted author calls it, at its Cologne summit in June 1999. It decided on a number of concrete steps to establish its own armed forces. It intends to establish a Euro-corps of 50,000 to 60,000 troops that will be ready by 2003. The Euro-corps will be independent and on the same technical level as the American forces.

The decisions of the Cologne summit, further concretised at the Helsinki summit in the same year and the Feira summit in June 2000, mark a turning point in transatlantic relations: the transformation of military partners into military competitors. The political intention of this step is quite obvious. It aims to create a "new balance" between America and Europe on the basis of "real equality"—as the German defence minister

Rudolf Scharping put it.[9]

Developments after the Cologne summit in 1999 and after the establishment of the euro seem to indicate that European attempts to challenge American hegemony have not achieved very much. The euro did not fulfil the expectations placed upon it. Instead of rising against the dollar, as many experts on both side of the Atlantic had predicted, it has lost a quarter of its value since it was introduced three years ago. The dollar proved to be far stronger than the euro in attracting international capital flows. But this is certainly not a sign of the inherent strength of the American economy, which rests on extremely fragile foundations. It cannot be excluded that in case of a sharp crisis in America the euro will substantially rise again. Nevertheless, its initial fall points to the enormous contradictions and problems of European capitalism, which will intensify when the conflict with America escalates.

On the military level, the Afghan war—as the war against Serbia before it—has once again exposed the inferiority of the European military to the American war machine.

It would be an exaggeration to claim that the only purpose of this war was to weaken America's European rivals, to counteract the European challenge to American hegemony. But it was certainly one of its major objectives.

This is obvious when we look at the key strategic aims of the American war effort: control over the world's most important energy resources and the establishment of military bases in a region, which—according to Zbigniew Brzezinski—is the key to world power in the twenty-first century. But also in a more immediate sense, this war has undermined European efforts to challenge America. It has caught Europe on the wrong foot.

Attempts to establish a common European foreign policy fell to pieces once the war had started. The names of Javier Solana, who had been appointed representative for European foreign policy after the Kosovo war, and Chris Patten, its commissioner for foreign affairs, disappeared from the headlines. The conduct of foreign policy was firmly back in the hands of London, Paris and Berlin. In particular the rush by Blair to unconditionally support the Bush administration frustrated any chance of a common European response.

Eventually all European governments declared their more or less unconditional support for the course taken by the US government. Behind this reaction was a mixture of intimidation by the aggressive stance taken by the US, and the fear that they might be completely left out of the Great Game for Oil and strategic influence if they did not themselves participate in the war.

To be continued

Notes:

1. C. Fred Bergsten (Director of the Institute for International Economics), *America and Europe: Clash of the Titans*, *Foreign Affairs*, March/April 1999

2. Hans-Joachim Spranger, *Der Euro und die transatlantischen Beziehungen: Eine geo-ökonomische Perspektive*, *International Politics and Society* 2/1999 (Friedrich Ebert Stiftung)

3. Vergl. Werner Link, *Europäische Sicherheitspolitik*, *Merkur* Sept./Okt. 2000, pp. 919

4. Ernst-Otto Czempel, *Nicht von gleich zu gleich?*, *Merkur* Sept./Okt. 2000, pp. 905-06

5. *ibid.* S. 909

6. Erklärung von La Rochelle, 22. Mai 1992, nach Link, *ibid.*, pp. 922

7. Zitiert nach *ibid.*, pp. 922

8. Ernst-Otto Czempel, *ibid.*, pp. 909

9. *ibid.* pp. 924



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