Citing COVID-19 spread, EU denies US citizens entry to Europe

Alex Lantier
29 June 2020

In a devastating blow to the prestige of the United States, the European Union ruled Friday night that it would deny US citizens entry to Europe due to concerns over COVID-19. Shock and disbelief are mounting as the United States, the world's wealthiest and most powerful country, continues to register by far the world's highest toll in coronavirus cases and deaths, and the US government aggressively opposes health measures critical to stopping the pandemic.

With over 2.6 million cases and 130,000 deaths, the US has defunded the World Health Organization (WHO) and repudiated confinement policies key to halting the virus. Even as COVID-19 is tearing through factories and working class communities, President Donald Trump is calling for a limit on testing. At an election rally last week in Tulsa, Oklahoma, he said: "When you do testing to that extent, you're going to find more people, you're going to find more cases… So I said to my people, 'Slow the testing down, please.' They test and they test!"

Such comments, evincing utter contempt for the health and well-being of the public, are rapidly undermining Washington's position overseas, with far-reaching implications.

EU officials presented a short list of countries where COVID-19 is not spreading any more rapidly than in Europe, and whose nationals are therefore allowed to enter the EU. These include Australia, Canada, New Zealand, South Korea, Japan, Rwanda, Thailand, Uruguay, Algeria, Morocco, Tunisia, Georgia, Montenegro and Serbia. Chinese travelers are also to be allowed into the EU if Chinese officials allow European travelers into China. However, US citizens will not be admitted.

As the decision was being prepared, details of the discussions were leaked to the *New York Times*. It published a concerned article making clear that what was involved in this decision was far more than whether or not American tourists will be able to sight-see in Europe this summer.

Noting that the EU decision "would lump American visitors in with Russians and Brazilians as unwelcome," the *Times* called it "a stinging blow to American prestige in the world and a repudiation of Trump's handling of the virus in the United States." However, the *Times* did not treat the matter simply as one of public health or wounded national pride. It added that such a decision "would have significant economic, cultural and geopolitical ramifications."

In its article, the French daily *Le Monde* made clear that the EU had taken the decision, bucking US pressure, to send a signal. Without naming the United States, it wrote: "Will this decision have political consequences? While certain pressures were undoubtedly brought to bear and certain EU countries clearly had difficulty conceiving of banning certain nationalities, for economic, strategic and tourist reasons, a decision to make a 'strong commitment' was taken, diplomats said."

What is driving the policy of Washington's imperialist rivals in Europe is not primarily concern for the impact of Trump's policies on the population's health and well-being. They were, in fact, recklessly ordering tens of millions of European workers back to work amid the pandemic even as they took the decision to exclude US citizens from Europe. Rather, the pandemic is intensifying a ruthless struggle between the major powers for the division of profits in the world economy.

Washington's response to the pandemic has consisted of multitrillion-dollar bailouts for the super-rich and contempt for workers' health and lives. This spring, the Federal Reserve pledged to print trillions of dollars to be injected into the US banking system, while the US government borrowed more trillions to finance deficit spending to avoid taxing the wealthy. These bailouts sent US stock markets soaring, even as US economic activity collapsed and the pandemic spread.

These measures provoked visible anger from ostensible US allies in Europe. In London, *Financial Times* columnist Gideon Rachman declared in an April 13 column titled "Coronavirus and the threat to US supremacy" that "the US response to coronavirus may test the world's faith in the dollar."

Rachman wrote: "The $2 trillion dollar stimulus package just passed means that the US national debt, which has already risen sharply in the Trump years, will surge still further. Meanwhile, the Federal Reserve's balance sheet is also expanding hugely as it buys up not just Treasury bonds but also corporate debt. If a 'Third World' country was behaving like this, wise heads in Washington would be warning that a crisis lay just around the corner. There must be a risk that even the US currency will eventually lose the world's confidence."

The American bourgeoisie's ability to bail out its own wealthy despite the truly catastrophic results of its policies is not unlimited. These policies produce social anger in the international working class, but also explosive tensions with other major powers. These tensions are bound up with the US dollar's role as the world reserve currency—kept and used by other countries for international transactions in the trading of goods, services and financial assets.

This role was enshrined in the Bretton Woods financial system set up in 1944, at the end of World War II, from which US capitalism emerged as the dominant economic power. Its then-highly competitive industry had survived the war, which had been fought on other countries' soil. The US controlled half of world industrial production. It also had a massive gold reserve to back up the dollar's value. Holders of dollars could buy gold for $35 per ounce. After the world war, dollars were strong and stable, and many countries wanted to hold them so they could purchase sought-after US products.

As US imperialism's rivals regained strength, however, the dollar provoked growing opposition. In 1965, then-French Finance Minister Valéry Giscard d'Estaing denounced the "exorbitant privilege" granted to the United States by the fact that its national currency was the world reserve currency.

The US financial system can purchase vast wealth on world markets by printing dollars not backed by real value extracted from the labor of the working class—until the bill eventually comes due. Or, as US economist Barry Eichengreen explains: "It costs only a few cents for the [US] Bureau of Engraving and Printing to produce a $100 bill, but other countries have to pony up $100 of actual goods in order to obtain one."

This "exorbitant privilege" has long underlain bitter inter-imperialist rivalries. In the 1960s, French and European officials began withdrawing gold from America as they earned dollars, prompting US President Richard Nixon to end dollar-gold convertibility in 1971. When European officials complained that rapid rises in price levels in America were being transmitted via the dollar to their economies, US Treasury Secretary John Connally bluntly told them that the dollar "is our currency, but your problem."

The pandemic has brought these contradictions of world capitalism to a new, malignant intensity. Since 1971, America's industrial and financial position has relentlessly eroded. Particularly since the Stalinist dissolution of the Soviet Union in 1991, the US economy has been undermined by the waste of trillions of dollars on bloody and destructive Middle East wars. The dollar still serves as the reserve currency, not because most of the world's industrial or financial assets are American, or because the world needs dollars to buy US exports, but for lack of an alternative.

Now, however, in the pandemic, Washington's financial recklessness is reaching new heights. It is using its "exorbitant privilege" to print unprecedented quantities of dollars while borrowing trillions from overseas, while Trump threatens to default on US debts to China—and potentially other foreign creditors. Ruling circles in Europe and in Asia are responding with calls to devise an alternative to the dollar, which risks provoking an explosive political or military reaction from Washington.

Two days after Rachman published his *Financial Times* column, the heads of government of Italy, Portugal, France, Germany, the Netherlands and Spain in Europe, and Ethiopia, Rwanda, Mali, Kenya, South Africa, Senegal, Egypt and the Democratic Republic of the Congo in Africa issued a joint statement in the *Financial Times*. It called on the International Monetary Fund (IMF) to create so-called Special Drawing Rights (SDRs), based not on the dollar, but a basket of several national currencies, to finance African spending to fight the pandemic.

They wrote, "To support this process and provide additional liquidity for the procurement of basic commodities and essential medical supplies, the IMF must decide immediately on the allocation of special drawing rights." They called upon "the WHO, together with the World Bank, the ADB [Asian Development Bank] and other relevant health organizations… to devise a joint action plan on the basis of their respective mandates, to carry out relevant actions."

US Treasury Secretary Steven Mnuchin vetoed the proposal at the IMF the day after, however, claiming that SDRs are "not an effective tool to respond to urgent needs."

Of particular significance is the geopolitical impact of China's rising economic weight. The EU's participation in China's Asian Infrastructure Investment Bank (AIIB), financing Chinese investments across Eurasia, has led to speculation of a rapid collapse of the US dollar.

Last year, Denmark's Saxo Bank released a report that the AIIB could launch "a new reserve asset, called the Asian Drawing Right, or ADR, with 1 ADR equivalent to 2 US dollars, making the ADR the world's largest currency unit." In this scenario, denominating Eurasian trade in ADRs could "quickly take a sizable chunk of global trade away from the US dollar, leaving the United States ever shorter of the inflows it needs to fund its double-digit deficits." The bank added, "The US dollar will lose 20 percent against the ADR within months and 30 percent against gold."

Such scenarios cast a sharp light on the financial interests that have underlain three decades of US wars to dominate regions of the Middle East and Central Asia vital to the control of the Eurasian landmass.

All such scenarios are, naturally, hypotheticals. However, the fact that they are being made and discussed points to the explosive political conflicts emerging amid the pandemic and the greatest economic crisis since the 1930s Great Depression. It is a warning that a catastrophic collapse in relations between the major powers is a real and growing possibility, hastening the outbreak of a new world war unless a revolutionary movement is built in the international working class to stop it.