

CHALLENGES IN TRANSATLANTIC RELATIONS

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Since World War II the most important ally of the western European countries is the United States of America. However, it is also the country which poses a challenge to the European Union, even though Brussels uses it as a prototype of decision making. In the beginning it was important to form a group of countries which can play an important role to stop the expansion of communism on the western part of the continent. After giving the Marshall-aid, Washington formed the North-Atlantic Treaty Organization in order to create a military cover and protect the American investments. The USA also supported the European integration process but never let the member countries form their own EU army even if there was and there still is a need for one. Only 6 of the 28 EU member states is not the member of the NATO. Besides the non-existing army, there are important success stories like the common currency, which became too important at global level and started to endanger the position of the US dollar as a global currency. This is the reason why a propaganda campaign was going on against the euro and the Eurozone in the English speaking media where British and American journalists were talking about the crisis of Greece, instilling that the EU is weak as well. Furthermore, they were also reporting that Ireland, Italy, Portugal and Spain are facing severe problems. Using such soft power instruments, people all around the world started to believe that the European currency is not stable and it is rather unreasonable to keep it. In all these actions Great Britain played a substantial role, because they are the closest ally of the USA in the EU. They appear, however, to be going too far with their referendum and Washington is trying to convince London to stay in. The reason is evident, their economies, their companies are connected to each other to a great extent and without the British membership there would be less American influence on the decisions of Brussels. And last but not least some words must be said about the Transatlantic Trade and Investment Partnership which is under negotiation.

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United States of America as a strategic partner

After the end of World War II, in March 1947, the United States of America decided through the Truman doctrine about the global strategic presence saying that the duty of the USA is to stop the expansion of communism all around the world. The civil war was going on in Greece when the British Government announced Washington that "as of 31 March, it would no longer provide military and economic assistance to the Greek Government in its civil war against the Greek Communist Party. Truman asked Congress to support the Greek Government against the Communists. He also asked Congress to provide assistance for Turkey, since that nation, too, had previously been dependent on British aid."⁶ He said "it must be the policy of the United States to support free people who are

⁶ <https://history.state.gov/milestones/1945-1952/truman-doctrine> Download: 07.04.2016

resisting attempted subjugation by armed minorities or by outside pressures."⁷

At the time, the U.S. Government believed that the Soviet Union supported the Greek Communist war effort and worried that if the Communists prevailed in the Greek civil war, the Soviets would ultimately influence Greek policy.

The Truman Doctrine became the basic principle of the US foreign policy of the cold war era, and led, in 1949, to the formation of North Atlantic Treaty Organization, which is the most important military alliance of our age.

Three months later after Truman's speech the Marshall plan was declared by Secretary of State George Marshall at Harvard University. "In June 1947, Marshall made a visit to Europe to see what was needed. He left thinking Europe was so poor that the whole of Europe was about to turn Communist. Marshall and Truman asked Congress for \$17 billion to fund the European Recovery Programme nicknamed **the Marshall Plan** - to get the economy of Europe going again. Congress at first hesitated, but agreed in March 1948 when Czechoslovakia turned Communist."⁸

Sixteen countries joined the program and got the assistance they required, state by state, with administrative and technical assistance provided through the Economic Cooperation Administration (ECA) of the United States. They received nearly \$13 billion in aid, which was basically shipments of food, staples, fuel and machinery from the United States and later led to American investment in industrial capacity of Europe. Funding finished in 1951. Marshall Plan countries were supported in their economic recovery. From 1948 through 1952 European economies grew at an unexpected rate. Trade relations led to the formation of the North Atlantic Treaty Organization. "Economic prosperity led by coal and steel industries helped to shape what we know now as the European Union."⁹

After Bretton Woods's conference (1944) US dollar started to become a global reserve currency. It not only aided European countries which started to pay with it in their trade transactions but other states as well in other continents. Forty-four countries were present at the conference and agreed to keep their currencies fixed to dollar, and dollar was fixed to gold. The British Pound lost its importance as the British Empire started to collapse after the war. In the Eastern Block the Council for Mutual Economic Assistance was formed but the soviet ruble never became important between the communist countries. They have been using the transferable ruble which was an artificial currency, an accounting unit and means of payment in joint international accounts of countries that are members of the COMECON. No other countries accepted it.

Nixon ended the convertibility of US dollar to gold in August 1971 because the US governments spent too much on military foreign aid and "European and Japanese exports become more competitive with US exports."¹⁰ His decision shocked the Western European governments and they were already planning the common currency for the common market. The Werner-plan was destroyed by the Nixon shock and the first oil crisis. But the

⁷ http://avalon.law.yale.edu/20th_century/trudoc.asp Download: 07.04.2016

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<http://www.bbc.co.uk/schools/gcsebitesize/history/mwh/ir2/trumandoctrineandmarshallplanrev1.shtml> Download 7 April 2016

⁹ <http://marshallfoundation.org/marshall/the-marshall-plan/history-marshall-plan/> Download 7 April 2016

¹⁰ <http://www.federalreservehistory.org/Events/DetailView/33> Download: 7 April 2016

integration was going further: decision about the European Monetary System was taken in December 1977. The EMS started in March 1979 and contained the European Exchange Rate Mechanism (ERM), the European Currency Unit (ECU) and the European Monetary Cooperation Fund (EMCF). The ECU was a limited common currency, not an independent currency but a unit of account, a basket of the currencies of the European Community member states. This was followed by the creation of the Economic and Monetary Union "and was later enshrined in The Treaty on European Union (the Maastricht Treaty)." ¹¹ The euro was introduced in the EU by 1 of January 2002.

Euro versus US dollar

As the official website of the European Union says:

"Within the euro area, the single currency, the euro, is the means by which governments, companies and individuals make and receive payments for goods and services. It is also used to store and create wealth for the future as savings and investments. However, the size, stability and strength of the euro-area economy – the world's second largest after the United States – make the euro increasingly attractive beyond its borders, too." ¹² Basically the EU member countries and citizens started to save and invest mostly in euro. So the position of the US dollar has become less important in the old continent after 2002.

"Public and private sectors in third countries acquire and use the euro for many purposes including for trade or as currency reserves. For this reason, today, the euro is the second most important international currency after the US dollar." ¹³ The widespread use of the euro in the international financial and monetary system demonstrates its global presence:

The euro is widely used, alongside with the US dollar, as an important reserve currency to hold for monetary emergencies. In 2015, more than one-fifth of the global foreign exchange holdings were being held in euros. " ¹⁴ In these lines it is also visible that the US dollar lost from its positions and more and more countries and people prefer the European currency. This also affects their trade and monetary policies. Russia, for example, reserved more euro than dollars last year as Bloomberg quote Bank of Russia. ¹⁵

"The euro is also the second most actively traded currency in foreign exchange markets. It is a counterpart in around 33% of all daily transactions, globally." It shows that there is high trust in the European currency and a high need for it.

"The euro is widely used to issue government and corporate debt worldwide. In 2015, the share of euro denominated debt in the global markets was around 40%, on par with the role of the US dollar in the international debt market." This is also a clear message from the several governments that their confidence is strong about the Eurozone and its economy.

"The euro is also gaining momentum as currency used for invoicing and paying in international trade, not only between the euro area and third countries but also between third countries. It is used as trade invoicing currency for more than 50% of all euro area

¹¹ http://ec.europa.eu/economy_finance/euro/emu/index_en.htm

¹² http://ec.europa.eu/economy_finance/euro/emu/index_en.htm

¹³ <https://www.ecb.europa.eu/pub/pdf/other/euro-international-role-201507.en.pdf>

¹⁴ http://ec.europa.eu/economy_finance/euro/emu/index_en.htm

¹⁵ <http://www.bloomberg.com/news/articles/2015-05-12/euro-passes-dollar-in-russian-reserves-for-first-time-since-2008>

imports, and for more than 65% of all euro area exports. "As the presence of the euro in the international trade is growing, the global role of the EU is getting higher and higher. Brussels and Frankfurt can influence the economies of the third world countries.

"Several countries manage their currencies by linking them to the euro, which acts as an anchor or reference currency." In this way governments start to depend on the decisions of the European Central Bank. They are interested to work together with the EU:

"The status of the euro as a global currency, combined with the size and economic weight of the euro area, is leading international economic organizations, such as the IMF and the G7, increasingly to view the euro-area economy as one entity. This gives the European Union a stronger voice in the world." The position of the EU member states in such organizations is more and more important and they can gain more power inside the international institutions.

"To benefit from this stronger position, and to contribute effectively to international financial stability, the euro area is speaking with one voice more and more in important economic fora. This is done through close coordination between the euro-area Member States, as well as the European Central Bank and the European Commission during international economic meetings. "

"A number of third countries and regions are even more closely linked to the euro. The stable monetary system behind the euro makes it an attractive 'anchor' currency for them, particularly for those that have special institutional arrangements with the EU, such as preferential trade agreements. By linking their currency to the euro they bring more certainty and stability to their national economies. "

"The euro is also widely used in third countries and regions neighboring the euro area, for example in South-eastern Europe, while some other countries – Andorra, Monaco, San Marino and the Vatican City – use the euro as their official currency by virtue of specific monetary agreements with the EU, and may issue their own euro coins within certain quantitative limits. "¹⁶

And not just the US dollar lost its position as a reserve currency but the British pound as well. So it is quite understandable why the propaganda against the euro and Eurozone was so active in the last few years. There were many reports in the Anglo-Saxon media about the problems of Greece, Italy, Portugal, Ireland and Spain. But the common currency did not become less popular, did not lose the trust. It became stronger than before and the US dollar with the British pound lost not just from their value but also from their popularity among third world countries and citizens.

La Manche is wider than the Atlantic Ocean

After so many discussions with Greece about its debt, the EU had to deal more with the refugee's crises and terrorist attacks. In Britain after the referendum about Scotland, the Conservative leaders are also facing the popularity of Nigel Farage and his Independence Party. This is the reason why Prime Minister David Cameron started its campaign about the British membership reform in the EU. They are competing for the votes and criticizing the EU and its rules. Cameron would like to reduce the social expenses and has discussions with European leaders. President of the European Council, Donald Tusk has got even open letter from him¹⁷ and some of their negotiations is also done in front of the

¹⁶ http://ec.europa.eu/economy_finance/euro/world/index_en.htm

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475679/Donald_Tusk_letter.pdf

media.¹⁸

Since London is still an important international finance center, the interest of the bankers of the City has to be respected by the Prime Minister of Britain. As latest researches say the Brexit would be a loss not only for the British banks, companies and state but also to the Americans. US president Barack Obama visited Britain in April 2016 and asked Cameron and other leaders to stay inside. The British economy is very much connected to the American economy and it is a key issue for the American politicians and companies to have a strong ally inside the EU because through London they can influence more the decisions of Brussels. The La Manche is wider than the Atlantic Ocean as some people say, but the US wants to keep the EU close to them. The Brexit could weaken the NATO as US Lieutenant General Ben Hodges head of the US Army in Europe said.¹⁹

NATO membership of EU countries

As we can see not only soft power techniques are used to keep the EU weak but the United States does everything to keep the European countries under military control. Already in the fifties there were plans about a European army but it remained a plan. Nowadays only 6 out of 28 EU members is not NATO member, but they joined some of the military projects of the USA like Iraq or Afghanistan.

The aim of the USA was to protect the members against the Soviet Union or from other enemies forming the NATO. But it is also an important organ to control the allied countries and influence even their home policy. Of course the British politicians are not happy when high rank US officers are criticizing their plans but they have to think about these worries. The US military presence is based on protecting the American investments in Europe, so it is very much connected to the economic questions.

[NATO Secretary General Jens Stoltenberg](#) said “a strong European Union with a strong Britain is good for NATO” and “a strong EU will also make sure that NATO has a strong partner... when we are facing the same security threats... For NATO it is important to have a strong Europe – and a strong Britain in a strong Europe contributes to stability. It underlines the importance of us working together, staying together.”.²⁰

European Commission leader Jean-Claude Juncker mentioned several times during the refugee crisis in 2015 that the EU has to have an army to protect its territory but nothing was done about it yet.

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<http://www.consilium.europa.eu/en/press/press-releases/2016/02/02-letter-tusk-proposal-new-settlement-uk/>

¹⁹ <http://www.bbc.com/news/uk-politics-eu-referendum-35808955> 15 March 2016. Download: 15 April 2016

²⁰ <http://www.bbc.com/news/uk-politics-35461278> 1 February 2016. Download: 15 April 2016

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Negotiations are going on since 2013 about the free trade agreement with the USA. Leaders in Washington and Brussels are hoping that it will bring more property for both parties, but there are too many interest groups and it is difficult to make good compromises. The European Commission published documents on 21 March 2016 about the ongoing talks of Round 12.²¹

The question is that in the long run what kind of results will come through this free trade cooperation and how the EU will deal with the other above mentioned challenges.

²¹ <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1477> 21 March 2016 Download: 15 April 2016