

## The United States - European Union Broken Consensus

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First Draft (Please do not quote)

### *Introduction*

Donald Trump's approach during the American presidential campaign but also his statements during the first few months of his mandate, have sparked the public debate over US Administration opposition to EU policies - even its legitimacy. Through these positions it is Germany – cornerstone of the Union and the euro zone – which is being particularly targeted. Ted Mulloch, Donald Trump's likely EU ambassador voiced his headline-catching position against the EU. Let's not forget D. Trump's statements that he prefers dealing bilaterally with European countries on a one-to-one basis pressing Merkel for a swift trade deal during her visit to the White House. As well as his interview with the German *Bild* and the *Times* of London on January 2017 in which he advocated the break-up of the European Union calling it a vehicle for Germany.

How can these positions be interpreted? Are they merely bluster or do they indicate a radical change in the US attitude towards the EU who no longer fits with their interests? Most observers tend to ascribe the new president's vigorous hostility towards the EU to a personality trait, to his lack of experience in international affairs or even to the lack of strategy in Foreign Policy. It is also implied that 'normality' will prevail again at the end of his mandate, one way or another. In this paper, we want to argue that Trump's positions regarding the EU are not indicative of a departure from the US objectives in European politics. The new president in his idiosyncratic manners expresses his vision of the EU and his notion of American policy for Europe which are not that different from the previous administration. These approaches are indicative of the progressive alienation of the two poles of the West and the differentiation of their interests. These changes start at the extinction of the common 'enemy' that was the USSR. It gathers strength at the turn of the century following the German's economic growth which coincided with the demise of US hegemony now contended by Russia and China.

This paper is in three parts. The first one takes stock of the relationship between the United-States and Europe in the days of the European Economic Community (EEC). The relationship was founded on common economic projects and strategic objectives. The second part analyses the transatlantic relationship since the European currency union which marks the beginning of a divergence of interests and a growing alienation between Europe and the

United-States. The third part presents the principal breaking indices of the US/EU consensus.

### **I/ United States /EEC: common economic projects and strategic objectives**

The European monetary unification, as the European construction process itself, has a strong geopolitical dimension. The United States supported and even inspired the European economic integration as its success was underpinning US containment strategy of the USSR. They even made it a condition of rolling out of the Marshall Plan. The European Economic Community itself is the result of a Franco-German compromise: France's acceptance of the Common Market (CM) – a German and Dutch proposal which met initially with French Industrialists Association's disapproval – in exchange for Germany's agreement of the Common Agricultural Policy and the integration of French African colonies into the CM.

Until the 1980s, Europe of the CM at America's behest – chiefly military – played its role as the shop window for the market economy to the Soviet block. US capital profited greatly from the CM: attracted by the unification and the enlargement of the market, American investors flocked in. The collapse of the Soviet block (1991) will bear heavy geopolitical consequences in Europe. The extinction of the common 'enemy' paved the way to the weakening of Western unity whereas German reunification (1990) initiated changes to the balance of transatlantic economic power in favour of Germany. The American elite took some time to size up fully the consequences to American interests of the URSS collapse. The dilapidated state of the Russian economy and government in the Yeltsin years, the weakness of China and the problems posed in Germany by the integration of East Germany allowed for theories to blossom like that of The End of History (F. Fukuyama) or that of the American superpower particularity ('The alternative to the unipolarity of the world is chaos' Ch. Krauthammer).

It is in this context that the French project of a currency union is born. In the eyes of the French, the single currency would anchor a unified Germany to Europe. It would allow France to elude the Bundesbank and the German monetary policy ascendance in the European Monetary System framework. It would enhance the emergence of a 'European Powerhouse'. The United States approved of the single currency project. Contrary to what the narrative of the emergence of a 'European Powerhouse' had led to believe, the European project for a currency union is not perceived as a threat to the interests of the United States. The absence of a common European defence policy and maintaining the EU under the military umbrella of NATO left the emergence of a 'European Powerhouse' as a pipe dream. Besides, the imminent integration of East European countries to the EU for which France and Germany had committed themselves, would jeopardise– by reinforcing disparities within the Union – any further integration. Finally: institutionalisation – without requiring reciprocity – of full freedom of capital which throws Europe into the deep end of

financial globalisation, constituted an added guaranty of keeping the EU under American supremacy.

## ***2/ United States/European Union: differentiation of interests and growing alienation***

The evolution of the EU contradicts France's narrative on the emergence of a 'European Powerhouse', but the European monetary unification shored up Germany's power. As the first European power it has seen its might increase considerably since the introduction of the single currency. It also becomes the second largest exporting country in the world after China but before the United States whose world export share decreased by nearly a third between 1997 and 2013. Finally the consolidation of its economic power enhances the weight of Germany in the decisional process and European economic policies guidelines.

Hostile positions from the new American administration towards the European Union (EU) are hardly surprising. After the initial honeymoon between the US and the EU during Bush Senior's presidency and Bill Clinton's first mandate, disagreements and friction between both partners are mounting up. These disagreements and friction which characterise mainly the relationship between dominant European nations – Germany, France – and the United States are tell-tell signs of a progressive alienation of interest between both jurisdictions and reflect a trend towards the emancipation of these nations from American supervision.

The alienation is primarily aimed at the unilateralism of American politics in the Bush Junior era and his tenet on preventive strikes embodied by the Iraq war in 2003. Chirac, Schröder and Putin had stated their opposition against American intervention in Iraq and their declarations are still present in our memory as is that of D. Rumsfeld who remarked cuttingly that only the 'Old' Europe – as opposed to the 'New' Europe – challenges the US intervention. It is during this war that, for the first time, Eastern Europe countries and the heart of Europe voice so vividly their misgivings on the relationship between Europe and the United States.

The divergence of interest concerns also the policy to adopt with regards to Russia.

After the collapse of the USSR, the US objective is to maintain its own superpower status. This power is, however, essentially military. At an economic level the power is more diffuse. New powerhouses emerge with whom the US need to contend. The US geostrategic priority is therefore to manage the emergence of new regional powerhouses to protect its hegemony.

Concerning Russia, and particularly since the election of V. Putin, the US maintains their containment strategy conceived by Kennan against the USSR in 1945. For the United States,

though Russia is no longer a communist country or poses a global challenge to their interests, its reemergence should be prevented.

Russia's substantial demographic, economic and military resources combined with its geographic position – astride the two continents of Europe and Asia and its proximity to Europe's heartland – could constitute a threat to the American powerhouse. In his book *The Grand Chessboard* Z. Brzezinski, adviser to President Carter and B. Clinton underlines the importance of Europe in relation to the American determination for preserving its world influence. G. Friedman, well known American geopolitician, founder of Stratfor goes even further: "... since World War II and the Cold War the US has a single rigid imperative. No European hegemon (alluding to Russia) could be allowed to dominate the Continent, as a united Europe was the only thing that might threaten national security".

The containment policy is two fold. On the one hand there is the military on the other the economy. The first one rests on essentially the expansion of NATO into the European countries formally in the Eastern bloc. This expansion taking place in the 90s (Czech Republic, Hungary, Poland) and in the 2000s (Bulgaria, Estonia, the Baltic States, Romania, Slovenia, Albania and Croatia) is contrary to the promises made by the Americans during the disintegration of the Soviet Union. The US even endeavoured to integrate Georgia and Armenia in NATO, an integration to which Europe was opposed. More recently and particularly since the Ukrainian crisis and the Russian annexation of Crimea, the US tries to promote a direct military relationship with East European countries: joint military exercises with the Baltic States, Poland and Romania; threatens to install intercontinental missile bases in Poland. This policy – which echoes the natural suspicion of most of the East European countries elite towards their Russian neighbour – creates tensions in the relationship between the EU and Russia.

As for the economic fold of the American strategy the objective is to prevent the deepening of the economic relations between Russia and the EU particularly in the field of energy. A major objective of the American energy policy is to open up the oil fields of the Caspian Sea and Central Asia by facilitating the construction of new gas and oil pipelines circumventing Russia. The US also seek to promote exports of their shale gas in the EU. Whereas the economic interest of the EU – economic proximity, complementarities of the production facilities and the interest of European businesses – drive economic ties with Russia. The Nord Stream pipeline running under the Baltic which transports Russian gas into Germany is the perfect example.

The EU's economic policies represent – as graphically stated by Trump – another source of disgruntlement for the American administration over the past few years. The American discord was exposed during the Greek crisis. The Americans begrudge the deflationist policies led by the European Authorities and through them Germany and its hegemony in Europe. This not only stokes up unemployment and weakens growth in Europe but also

limits, according to them, American exports capabilities to the EU. It contributes directly to the worsening of the US trade deficit. The American administration expressed repeatedly its opposition to the management policy of the public debt crisis, particularly that of the Greek debt arguing that it drives countries into a cul-de-sac whilst increasing the risk of recession in Europe. Donald Trump adds another accusation to the conventional criticism of the American Authorities, that of a scheme to lower the Euro's exchange rate. According to him, this would constitute an unfair advantage for European exports, in particular German ones, as well as worsening the American trade deficit. The accusation of scheming to lower the European currency exchange rate is unsubstantiated. Trumps' criticisms however aim at the structural and constitutive character of the euro zone: its significant disparity. It is true that the disparity in development amongst Member States in the euro zone could well drag down the Euro. Undoubtedly, without the single currency, the appreciation of Germany's own currency would jeopardise its exports.

Finally, we observe a growing defiance from the US towards Germany, EU's key country.

This defiance is motivated first – as mentioned previously – by the role Germany plays in the direction of European economic policies which are considered as imperilling American commercial interests. This opposition is also motivated by its energy policy which leads, principally through Nord Stream, to the strengthening of German energy ties with Russia. Doubling the capacity of Nord Stream after 2019 can only reinforce this reliance. Last but not least, it is the explosion of the American trade deficit with Germany which draws in the most acute criticisms from the American authorities. This deficit is seen as a consequence of a perceived aggressive German trade policy. The balance for US/Germany trade represents the second largest American foreign deficit after that of China and is mirrored by the first German commercial surplus.

Nevertheless, the US is not just concerned by the mismatch of their trade exchanges with Germany. What equally, if not more, concerns them is the strengthening of Germany as an economic powerhouse and the consequences it would have on The Old Continent's strategic choices and foreign policy. Developers of American foreign policy, pupils of Realism, could not measure the value of the role played by the balance of powers. They can only agree with the analysis of the historian Thucydides, considered as the father of Realism, that preventive strikes – which needs to be understood in a much broader sense than that of military – are very important in the maintaining of the dominant power's position.

Confronted with the saturation of the European market and the weak progression of the North American trade channels Germany is now turning to third markets, principally China which welcomes German business. The Belt and Road initiative opens new horizons. The Chinese investment volume explodes. Then, there's the Russian market. Sanctions against Russia, initiated by the US, stymie progress on this market. But here again, perspectives of expansion on the long term are favourable. Realistically, Germany has no interest in endorsing systematically the US adversary policy towards China and Russia on the cusp (for

the first one) and gathering pace (for the latter) since Obama's mandate. The consolidation of Germany's economic power linked to the its divergence of interests could assist in the loosening of the US hold over Europe even more so when the collapse of the Soviet Union depreciates the value of the US military umbrella. Germany becoming a member of the Asian Infrastructure Bank (AIIB) despite US objections, as did other European powers including France and the UK, is quite significant.

The US perceives the EU as the bedrock of Germany's power. The single market in particular is considered as an undue privilege allowing Germany to consolidate its market power in Europe and reinforce its business competitiveness. The restrictive nature of European economic policies is exposed not only because it hinders the import of US goods but also because it reinforces development disparities in Europe to the advantage of Germany which progressively arises as the undisputed and indisputable hegemon of Europe. This hegemon has however distinctive characteristics: an economic behemoth but a military dwarf. The US fears a possible Russo-German rapprochement which would marry the military puissance of one to the economic might of the other and could enhance the role of Russia in Europe and to the detriment of American influence.

This question brings us naturally to take stock of the most significant changes of US policy towards Europe which are leading to a breakdown in the US/EU consensus.

### ***3/ En route to a breakdown in the US/EU consensus?***

Three major elements would tend to show that the growing differentiation of interest between the US and the EU is leading to a break down in the consensus. The first element resides in the lessons that can be drawn from the US/EU negotiations with regards to the transatlantic partnership agreement (TTIP). The second is the American policy in Ukraine. Finally the third one is what one could coin a US economic war against large European companies and more specifically the German ones. Therefore, D. Trump's obvious hostility towards the EU is not just linked to his personality or to his lack of experience but reflects a profound and durable change in US policy; a change which had already been implemented well before his election.

The launching of the negotiations for a Transatlantic Treaty (TTIP 2003) inspired by the US constitutes the first indication that the EU now contradicts their interests. TTIP is intended to:

- Eliminate existing tariffs between the two blocs,
- Promote "regulatory convergence"/mutual "recognition of regulations" and,
- Foster investment liberalization and protection of investor's rights (Investors/State Dispute Settlement, ISDS).

Once signed, the Transatlantic Treaty would see the dissolution of the single market into one large transatlantic market and would be the nail in the coffin of the united Europe

project. The unification of markets in Europe (Common market and Single market) constitutes indeed the starting point for the European integration process and the basis for the single currency. The need to stabilize the single market was also a major argument in favour of the European monetary unification project. “Regulatory convergence” and “regulatory cooperation” would put EU regulatory initiatives under severe pressure from the US. Given the asymmetry of power US/EU, they would favour the expansion of American regulations and standards in Europe which would constitute an unfair advantage for American businesses. Lastly, “regulatory convergence” and ISDS would further weaken the power of European states, the driving force for European integration.

The second indication for this alienation between the US and the EU resides in the US policy towards the Ukrainian crisis. In 2013 the US saw in the Ukrainian crisis an opportunity to counter Russia by hitting a sore spot, that of its border security and at the same time forcing their European partners to comply with US policy to systematically oppose Russia.

Responsibilities are shared in the outbreak of the Ukrainian crisis. The Ukrainians were profoundly divided on a Free Trade Agreement with the EU which led to the Maiden protests. These protests led to a change of regime and the annexation of Crimea by Russia. It is necessary however to mention that an eastward expansion of the EU had been one of the promises made to the US during the launch of the European single currency project. For the EU itself, the integration of Ukraine – unlike the integration of Poland, the Czech Republic and Hungary – does not represent a major economic interest. Nor does it represent a strategic one whereas it does for Russia. According to certain analysts, “after the end of the Cold War the US falsely expected the EU and Germany to step up their responsibility for Eastern Europe”. Therefore, ... “the Association Agreement was pursued as a technical endeavor instead of a political one”. (Charlotte Beck, *The Perils of Responsibility: Germany’s new foreign policy and the Ukraine crisis*, 6 June 2014, Heinrich Böll Stiftung). It is worth noting that the EU and Germany tried to curb US enthusiasm when they wanted to actively support a regime change, regardless of constitutional legalities, the risk to national cohesion and Russia’s hostility. This also provoked the well known reaction of Victoria Nuland (US Assistant Secretary of State for Europe and Eurasian Affairs) against the EU. The breach opened by the events in the Ukraine allowed the US to intensify their military presence in Eastern Europe.

The war in Ukraine and its consequences worsen the EU divide between:

- European countries that support maintaining sanctions against Russia, as well as Ukraine’s entry to the EU and the countries opposing them
- Countries comprising the military cordon sanitaire which the US is establishing on the EU Eastern frontiers and the other EU countries.

These oppositions mark an additional divide – of a strategic interest – in the heart of the EU. This split is added to those already in place: the economic split (between « coral » and « peripheral » EU countries) and the institutional divide (between Britain and the rest of the EU countries).

The US policy in the Ukraine shows very clearly that the systematic opposition to Russia is an absolute priority for the US. This policy is opposed to the interests of most of the Member States of the EU, particularly for France and Germany. It is not the agreement concluded between the US and the EU on Russian sanctions (which Germany and the majority of EU Member States were initially against) which would lure us into believing that the US/EU differentiation of interest is not a reality. Indeed, the US/EU power imbalance (Brzezinski considers Europe as an American protectorate) makes it difficult to express opposition to US strategic interests.

The improvement of EU's relationship with Russia resonates more and more favourably amongst the eurozone countries. This is partly due to the unpopularity of the incumbent American president but also of the US policy, especially towards the EU. Interestingly, in Germany a number of well known Germans including G. Schröder and the former president R. Herzog signed a petition calling for the German government to “integrate rather than exclude Russia”. Finally, according to some analysts, “the *Westbindung* is now a choice rather than a necessity and it has weakened in the 25 years since reunification. As a result, it is now possible to imagine a post-western foreign policy emerging in the long term despite Germany's response to the Ukrainian crisis rather than because of it”. (E. Pond and H; Kundnani, “Germany's Real Role in the Ukraine Crisis”. *Foreign Affairs*, March/April, 2015 Issue).

The German press recently highlighted the positions of Ch. Lindner, Head of the German Liberal Party, who is being eyed-up as the next Minister for Foreign Affairs for the next German government, about « the cautious shaping of a new *Ostpolitik* that will ignore the unresolved Ukrainian crisis and refocus on reaching out to Russia, without changing the current sanctions regime but also without overzealous enforcement”.

In August 2017 a new law was passed in the US which imposes new sanctions against Russia – as well as against Iran and North Korea – much heavier than the previous ones, for its “interference” in the American presidential elections. These sanctions target key Russian industries such as railways, shipping, metals and mining. They also have in their sight larger foreign businesses which principally participate in projects to promote Russian energy resources such as the new Nord Stream II pipeline. Many European groups already engaged in Russian energy projects may have to pay heavy fines (the French company Engie, the German companies Uniper – ex-EON – and Wintershall (BASF), the Austrian OMV and the Anglo-Dutch Shell etc.).



This leads us to analyse another major element of the break in the US/EU consensus: US policy on sanctions against European businesses – particularly since 2013 – for having breached American law or regulation on corruption, money laundering, tax fraud ... but also for similar deeds which took place in foreign countries. Alstom, for instance is being prosecuted for bribery of public officials ... Iranians. Moreover, legal proceedings are taking place as Alstom is negotiating with the American company General Electric (GE) over the selling of its strategic energy assets.

It is true that the sanctions regime is dealt with an even hand to all; American companies included. Nevertheless it targets mainly European companies. The most prominent ones being Volkswagen, Alstom, Deutsche Bank, BNP, Crédit Agricole, HSBC, Shell.... A French Parliament Report (October 2016) notes that there is no comparison between the fines apportioned to American companies and those dealt to European businesses (Rapport d'information sur l'extraterritorialité de la législation américaine déposé à l'Assemblée Nationale Française le 5 octobre 2016). Ten out of the seventeen prosecuted under Foreign Corrupt Practices are European, as are fourteen out of fifteen companies brought to trial for violations of the legislation against money laundering. The report finds also that European banks have paid “several tens of billions of \$ in just a few years, representing a significant drawdown on European companies to be pocketed by US public finances”.

The sanction policy against European companies is indicative of a desire to promote US power using the law as a foreign policy tool and an instrument for the promotion of its own economic interests. This policy also shows that the US perceives now the European powerhouses more as adversaries and threats than as allies and friends.

The question of sanctions against European companies has been carefully dealt with by European governments and authorities in Brussels until 2016. The European press has also avoided presenting the real issues and impact they would bear on future transatlantic relations. Sanctions voted in August 2017 had a chilling effect. Their heavy discriminatory and protectionist character is highly criticized by European governments and by Brussels who are threatening to retaliate. France made its move in December 2016. The Sapin II law makes the trading in influence of foreign public officials an offense. As in the US, the French courts will be able to sue foreign companies having all or part of their activities in France for acts of corruption abroad. The reaction of the European authorities is to retaliate and that deepens the US/EU chasm and favours the return to protectionism.

### ***Conclusion***

This study has enabled us to demonstrate that the hostility displayed by the new American president towards the EU is not indicative of a recent break in US policy. In fact, it reflects a

progressive divergence of interest between the US and the EU that emerged since the collapse of the Soviet Union. The break in the US/EU consensus should also have a major impact on the Atlantic Alliance.

This break in consensus is profound and durable. It is indeed difficult to challenge German competition – given the loss of competitiveness of American goods – without questioning the principal of free-trade. However, free-trade cannot be challenged without, in the end, questioning the globalisation of production and financial globalisation. Disputing financial globalisation would severely damage American interests in the world.

A US review of its Russian policy seems unlikely given the US/Russia rivalry in Europe and the strategic importance of the Old Continent to US interests. Even more so when US power is challenged in Asia: to US woes in Afghanistan, Iraq and Syria are added failures of American policy in Central Asian countries, the brutal change in the Philippines' alliance, America's most faithful ally in the region, Pakistan rapprochement with China, India's membership to the AIIB (Asian Infrastructure Investment Bank) despite territorial disputes with its Chinese neighbours. Finally, Obama's pivot to Asia was long-fused and the Transpacific Partnership Project abandoned.

As a matter of fact, Russian interests are not only at loggerheads with the US over Europe, but also (partly) in Syria, the second direct Russian battlefield – after Europe – against forces supported by the US.

Finally, Russia's capability to offer trade-offs for US concessions in Europe seems limited.

All these elements make a US change of strategy towards Russia implausible. Nevertheless, it seems unlikely that the EU would remain stolid at a worsening of US sanctions against Russia. Especially after the US law of August 2017 sanctions against Russia and European companies are intertwined and would make new sanctions hard to defend before public opinion.

Up to now, points and risks of rupture are essentially found at the periphery of the euro zone (Brexit...), but the risks of rupture do exist within the euro zone too. Greece is not out of the woods yet. In Italy where some parties are expressing their Europhobia, the outcome of the legislative elections of 2018 is uncertain. In addition, the umbilical cord between the Italian government and the banks – whose situation is seen as vulnerable - has not been severed yet.

It is rather difficult to forecast the evolution of the EU in the current situation given the number of uncertainties. Negotiations between Member States, considered as crucial, will take place after the new German government is formed and will give a clearer vision of EU perspectives.

***References to be completed***