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The End of the Atlantic Project: Slamming the Brakes on the Neoliberal Order

By Omar Kassem
June 28, 2016

Britain isn't leaving the EU any time soon as confusion grips parliament. Angela Merkel will see to that. Make no mistake though, Britain voting to 'leave' on a high 72% turnout in the Brexit referendum is a devastating blow to the current international order, the entire structure of which will have to change. The British public has Molotov cocktailed the Westminster and Washington élites.

As Britain enters the unknown, it is in a seriously bad financial condition. This is *déjà vu* for lame-duck Prime Minister David Cameron as Sterling experiences the largest one-day fall since Nixon dumped Bretton Woods in 1971.

These are echoes of 'Black Wednesday', when Cameron was there as Norman Lamont's aide, on the fateful day in 1992 that Sterling crashed out of the European Exchange Rate Mechanism (ERM). The ERM was the system of unification of European exchanges which preceded the launch of the Euro. Then as now he was stalked by a ghoulish Soros.

Cameron didn't announce the Brexit referendum out of any concern for the British public's increasing unease at the globalizing effects of EU neoliberal policies. The massive flow of cheap East European labour to Britain might have led to the rapid rise of a whole new political party

(UK Independence Party=UKIP). But he was only concerned about internal party politics, because his right-wingers risked his 2015 parliamentary majority. They wanted to leave the EU and so were promised a referendum in the last election campaign as the price of cooperation.

Britain's anti-democracy

Cameron couldn't care less about the rise of UKIP, because the British 'first-past-the-post' electoral system has been rigged since the eighteenth century to concentrate votes in the hands of the two main establishment parties. In the twentieth century Labour took over from the Liberals as the second party, but the Conservatives have always been there.

Liberal leader Nick Clegg had a chance to bring democracy to Britain in 2010, when changes in Scottish politics meant that neither of the two main parties achieved an absolute parliamentary majority. As a coalition sweetener Gordon Brown offered Clegg the Liberal party's historic policy objective on a plate: a national referendum on a proportional representation voting system (PR). Instead, Clegg went into coalition with Cameron, who was dead set against PR. Whilst in coalition Clegg also broke all other pledges to his supporters, thus completing the total destruction of his party. We will never hear from them again.

As it was, in 2015, the 'first-past-the-post' system gave Cameron 330 seats in Parliament on 36% of the vote, and UKIP just 1 seat on nearly 13% of the vote. So really Cameron was right not to care about any populist challenges. But when Cameron, and organiser of the Brexit campaign George Osborne, granted this latest referendum to their right-wingers, they were essentially giving the British Public a straight PR one man/woman, one vote: a strange act, given that they have never won, and could never win, anything that way.

But they had a plan to make it work: Project Fear. This had worked in scuttling prospects for Scottish Independence in 2014. Obama, David Petraeus, Jens Stoltenberg the NATO Chief were all wheeled out to warn of the dire consequences of an exit from the EU. Meanwhile a whole raft of military generals threatened the British public with Putin, as the IMF, IBRD, OECD, EU, ECB filled the airwaves with dark forebodings if Britain ever left the EU. Treasury cranked out numbers from its economic model to show that every single British household would lose £4387.25 p.a. (or something like that) if it happened.

As things became tight, ex-PM Gordon Brown was wheeled out. Blair is no longer of any use. The smell of death rises from his political corpse as the date for the publication of the Chilcot enquiry into the Iraq War approaches. Current Labour leader Jeremy Corbyn, in the 'Remain' camp for tactical reasons, wasn't prepared to put himself out.

But then we had David and Victoria Beckham, Benedict Cumberbatch, Jude Law, J.K. Rowling (who was an integral part of the previous Scottish Project Fear, not to mention the anti-DBS campaign), etc..., Arsene Wenger, Gary Lineker, Simon Cowell, ex-Top Gear presenter Jeremy Clarkson, etc..., Elton John, Bob Geldof, Florence Welch, not forgetting Paloma Faith, all singing the praises of the EU. Just to cover all bases, Cameron finally threatened the British public with WWII if they voted 'leave'.

There was no plan in the case of a vote to ‘leave’, not from Cameron, or indeed from the ‘leave’ campaigners themselves, Boris Johnson and Michael Gove. Cameron’s buddy, Osborne, did have a plan though, which was announced as polls began to move the wrong way: swingeing tax rises in the event of ‘leave’.

As we now know, none of this impressed the British public in the least, and the rest is history.

Neoliberalism and the economic consequences of Mrs Thatcher

It is a mistake to think that merely having an independent sovereign currency puts Britain in a league above all those European states currently being crucified on the cross of the EURO. The country has to be productive for this to mean anything.

The collapse of Sterling on the news of Brexit is not a mere hissy fit on the part of the bankers. It is based on the fact that Britain now has a crushing balance of *payments* deficit well over 5.2% of GDP. Funding this has required massive cumulative foreign borrowing in recent years.

With Thatcher, the country developed a perpetual trade deficit: “The government of Mrs Thatcher will go down in history as the first British administration to preside over the transformation of Britain’s net trade balance on manufactured goods. For the first time *since the Tudors* ruled England we find ourselves in deficit on that account” (Kaldor 1983: Foreword by Shore). Thatcher closed whole industries down specifically in order to destroy the trade unions, and instituted the monetarist policies that took Sterling to levels that annihilated much of the country’s remaining export potential.

Most of post-war de-industrialization process took place in the early part of the Thatcher era (Rowthorn, Coutts 2013: 16).

Thatcher looked to banking and the commercial services sector to make sure the looming trade deficit didn’t translate into a payments deficit. In 1986, Bankers were granted the regulatory soft touch in London well before Bill Clinton helped the US Congress ditch Glass-Steagall in 1999, encouraging City of London earnings and capital inflows as Wall Street downstreamed its illegal business to the British capital. Fortuitously, North Sea oil and gas had just begun pumping and helping the trade side of things along, so there would be some real growth to assure the funding of interest payments on the occasional borrowings needed.

None of these elements remain in the picture any longer. The trade deficit has widened as oil and gas reserves have dwindled, while the anti-labour vision has assured the dominance of labour-saving over labour-enhancing technology over time, so hitting productivity and therefore competitiveness. All of the earnings that used to cover the country’s trade deficits have collapsed.

This has been due to privatisation mania and the massive sale of London property to foreigners, contributing to a staggering £615bn drop in the UK’s earning assets between 2000 and 2010. Public utilities and infrastructure are owned by amongst others, French, German, Spanish and Australian conglomerates which repatriate earnings back home, leaving virtually nothing in the

public domain – not even (more recently) the Post Office. Earnings have also dropped because quantitative easing since 2008 has pushed financial sector investment yields to almost nothing.

Most especially, however, the widening payments deficit has been made worse by Britain's increasing EU contribution, because of the way it is calculated as a percentage of non-EU imports. This poison-pill was concocted by Georges Pompidou in the early 1970s, when he saw that import-addicted Britain's membership could no longer be resisted.

Sterling like the EURO is at the mercy of the bankers

In other words, all of Britain's accounts are in deficit, and its earnings capacity shot to pieces. Meanwhile neoliberal economics makes *any* mention of a balance of payments 'deficit' unfashionable. It becomes a non-problem in the context of the neoliberal creed that the banks will create whatever new money is necessary to cover the tab. So how is any of this different from the vast debt-generating imbalances of the EURO?

The original conception of the EURO in the 1992 Maastricht Treaty made monetary policy a joint policy of the EU states through the European Central Bank (ECB), while fiscal or budgetary policy remained the individual responsibility of each member state (Bell and Nell 2003: 159-69). No event was conceived in the document that would trigger a breakdown in the payments system. So the Treaty did not give the ECB a position of lender of last resort. Furthermore, the bankers on the Delors Committee who drafted the Treaty, did not provide a framework for regulating and supervising Europe's financial institutions. In this way, by preventing the central banks of the individual member states in the EURO from monetising their debts, the bankers assured their profitability and control of the system (Ingham 2004: 190).

It is not difficult to see how a policy of prioritising sound money and tight budgets appealed to Germany's monetary experts. It is harder to see why Jacques Delors and behind him, François Mitterrand, proposed the EURO to the Germans in the first place, given customary French profligacy. The French were not about to abide by German parameters. In fact, they were intent on the EURO precisely in order to force a looser monetary policy on Europe. The deception was accepted by the Germans at the time, because Chancellor Helmut Kohl was under the influence of a coalition of politicians who saw the EURO as a political rather than economic project (Dyson and Featherstone 1999: 280).

This deception is the root of Europe's current chaotic state as the ECB under Mario Draghi breaks all previous rules to save the bankers' hides.

Britain would have been part of the EURO if Prime Minister John Major, Norman Lamont and their advisers at the Bank of England hadn't overvalued Sterling with respect to the Deutschmark, for it to crash out of the ERM on 'Black Wednesday'. However, that is small comfort given the parlous state of Britain's dwindling finances today, with a City of London to depend on which resorts to systemic fraud and money laundering to survive, acquiring for the country the indictment of 'most corrupt country on earth' from Mafia experts.

European producers need Britain: bankers need Britain's rising debt like a hole in the head

The reason Britain *has* a large trade deficit in the first place is because of exports from the EU nations. Italy and Spain stand to be destroyed if they can't send their agricultural produce to Britain, especially since the new international order is barring them from sending the stuff over to Russia because of sanctions. Their banks are teetering on the edge.

But it isn't just Southern Europe that will suffer. Mark Kerber, representing German business, impatient with the posturing of token EU democrats and vacuous apparatchiks, says there must be an immediate free trade deal with Britain, immediately upon Brexit.

Confident of a 'remain' vote, Cameron didn't actually specify any legal trigger in the referendum document in the case of a 'leave' vote. Merkel wants to keep it that way for the time being.

Haunted by what Kerber's demands might mean in terms of all the resurgent nationalisms across Europe, Merkel also hears Nicola Sturgeon promising a new referendum on Scottish independence, which by extension promises a Catalonian torpedo into Spain's already very leaky hull. With the FED and the ECB having to finance Mark Carney's latest monetary tsunami at the Bank of England, it is inconceivable that a Brexit project will be financed that risks Spain's own debt sliding into the Atlantic like La Palma's mountainsides. Bye bye Wall Street?

Obama is bound to be on the phone, for this and other reasons. His support for the 'remain' camp wasn't an idle favour for an embattled Cameron. Britain is formally the US fifth column in Europe, which is why Charles de Gaulle kept Britain out of the EEC for so long. British Labour minister Ernest Bevin proposed NATO in 1949 as a way of keeping Europe within the US sphere of influence. When the idea was first floated that Britain should join the EEC, however, JFK saw the benefits saying that: "London could offset the eccentricities of policy in Paris and Bonn" (Schlesinger 2002: 845).

More recently, Britain was at the forefront of the operation to absorb Eastern Europe into the EU, after the American invasion and the dismemberment of Yugoslavia, together with the push to include Turkey, in the drive to encircle Russia.

The drive towards Russia: Turkey will accede to the EU 'in the year 3000'

While the 'leave' campaign won by a margin of 52-48 overall, Boston (Lincolnshire) residents voted 'leave' by a margin of 75-25. The Borough of Boston is home to one of the largest concentrations of Polish people in Britain at some 5% of the population, without counting the five other East European nationalities that live there (for which I can't find data). This may not seem strange in an American context, but these are new and distinct cultures suddenly arriving en masse into the sleepy British countryside.

The thing is about Cameron's spectacular own-goal on his immigration pledges is that EU expansion eastwards towards Russia, and the policy of free movement of East European peoples was actually a *British* policy more than it was a policy of the other EU states, even Germany.

Britain is in partnership with the US on this: it was all part of the move eastwards towards Ukraine and Russia.

So no one paid attention to Cameron's embarrassed heat of the moment disavowals of his previous aggressive support of Turkish entry into the EU.

The rise and rise of Recep Tayyip Erdoğan since 1994 was accompanied by the assiduous attention of British and American diplomats, who visited him even during his spells as a political prisoner. The mainstay of Turkish politics since 2002 – that which allowed Erdoğan to topple the fearsome military régime installed by Kemal Atatürk at the inception of the new Turkish Republic in 1923 – was the country's application to join the EEC/EU. Erdoğan's Justice and Development Party (AKP) was able to piggy-back all of its revolutionary legislation onto the terms of EU accession (Pérouse 2016: 179).

Accession became remarkably more difficult, however, when Cyprus, aggrieved by Turkey's 1974 invasion of its northern section, acceded to the EU in 2004, along with a host of East European nations with a more distant Ottoman, but nevertheless troubled, past. When German politics swung to the right with the CDU and Merkel gaining power in November 2005, things ground to a complete halt. It would be Britain in Cameron's first ministry, which then led the charge in the EU to move things along on behalf of Turkey.

The end of Atlanticism and the regional free trade agreements

Like Britain, Turkey is a historic member of the immediate post-war US 'Atlanticist' security architecture. Turkey was the founding plank, along with Greece, of Britain's formal handing over of imperial responsibility for the fight against communism to the US on February 24 1947, which historical event Dean Acheson dramatically called 'The Creation' (Chace 2008: 166). It is also a founding member of NATO, and possesses its largest army after the US.

The Turkish nation remains an east-west lightning rod to this day. But the quadrupling of Turkey's GDP under Erdoğan's ministries, as a result of its neoliberal opening, has created a new independent Turkey chafing at the bit. Cracks on this eastern rim of the Atlanticist project began to appear as Turkey-Israel relations soured over the Palestinian issue.

The situation with the Turkish economy is not all that different to what happened with China. After Nixon's opening, Bill Clinton pushed for China's entry into the multilateral World Trade Organisation (WTO) as part of corporate America's outsourcing drive for greater profits. China's meteoric rise wasn't part of the plan though, so regional free trade agreements like TTP/TTIP/CETA were devised more recently outside of the WTO context, especially under Obama, not so much to contain, but more to try to leapfrog Chinese growth (Tellis, in Baru and Dogra 2015, 107-114).

Turkey, like Britain, is a supporter of TTIP in Europe. Its customs arrangement with EU, from which it has benefitted enormously, now begins to pall. In 1975, Turkish foreign trade was 9% of GDP; by 2012 this had risen to 50%. As the EU signs new agreements with countries such as Canada, India, Japan and Vietnam, the terms of the customs arrangement don't allow Turkey to

do the same. Fortress Europe has become protectionist, and just like Britain, Turkey sees the benefit of a TTIP agreement for Europe in which it must be included (Kirişci 2013: 37)

Britain in the EU was crucial for Obama's TTIP negotiations. France was playing tough on agriculture and GMOs. Germany was playing tough on legal issues. German judges had ruled ISDS unconstitutional; ISDS being the crucial TTIP clause which allows business to bypass national court systems and sue governments for past and/or future profits lost. With Brexit, TTIP is dead in the water for the next administration.

Not only did the secrecy of EU negotiations over the TTIP contribute to the British public's growing distrust of its élites, but those same élites indicated their impatience with the prospects for TTIP negotiations by joining the Chinese Investment Bank, angering Obama in the process.

Like Britain, Turkey looks east, but the Turks can see the Chinese Silk Road project extending from their backyard across the Turkic heartlands of Central Asia, whose people see Istanbul and not Moscow as their spiritual capital. The only problem for the future is how the wheeler-dealer Turkish business community adapts to the bureaucratic and autocratic environments of the Russo-Chinese business environment. Adapt it inevitably will, though.

Russia outflanks America: the Middle East fulcrum once again

Irresponsible and murderous US and British military adventures in the Middle-east led to a refugee crisis of Gothic proportions, threatening a new fall of Rome. Turkey absorbed close to 3 million refugees from Syria – well over half the global figure. Unlike those that have fled to various Arab countries, a majority of these refugees have received training and jobs in Turkey, and a considerable number of their children are being formally educated.

Turkey's importance in stabilising the Middle-east region finally saw Merkel reengaging with Erdoğan this year, and reenergising the accession process, although at great cost to her domestic popularity. She lost some ground to the neo-fascist right, but also to a European left not at all enamoured of the divisive political style which has won Erdoğan seven different popular elections over 22 years.

Ironically, the one minority supportive of Erdoğan's AKP – the Kurds – poses the greatest challenge. Their support in his electoral successes was repaid early on in the announcement of Interior Minister Beşir Atalay of the 'Kurdish democratic opening' in 2009 (Pérouse 2016: 221). It would prove difficult to acclimatise Turkish nationalists to this process, in particular since the Turkish deep state has traditionally been symbiotic with the 'Kurdish problem' and its associated emergency laws (Söyler 2015: 199).

In the new modern Turkey, however, the shoe is on the other foot. The fact that the resolution of the 'Kurdish problem' is a key chapter' in the EU accession process, has handed the militant group PKK a weakness in the Turkish position to exploit, to ensure its own survival as an ongoing militant organisation. Turning the Kurdish cause over to civil society in the wider Turkish democratic arena, would inevitably eclipse its own role.

The asymmetric treatment of the PKK and its Syrian sister organisation the PYD, neither of whom are sanctioned for their violent acts in Turkey by Western nations, comes from their exploitation by all the powers in the Middle-eastern geopolitical game. The PKK is on the DEA's terrorist list as drug traffickers, but since the Western security services are themselves drug traffickers, this doesn't seem to matter.

Russia has upped the ante by backing the PYD in its new Syria strategy to encircle Turkey. Now dominating the skies both in Syria and the Caucasus, Russia is in a position to influence the region's energy politics in its favour. But that is not the only reason for Russia's presence. The geopolitical standoff may make itself in Eastern Europe, but it is Syria that will be crucial in the future.

As the ideologues of war desert Trump's Republicans for Hillary Clinton's Democrats, with the likes of neocon Victoria Nuland pushing for war with Russia, it is clear that Russia is now well-placed to change the dynamics of conventional and guerrilla conflict in the Middle-east at will, potentially to Israel's considerable disadvantage. Putin's first strike threats during the recent NATO wargames are in effect mere reminders that Russia has nuclear subs in the Atlantic with the capacity to end life as we know it, just in case Americans didn't realise.

The Russian will never need to do anything like that as long as it holds the neocons where it hurts. Israel is already recognising Russia's effective suzerainty over the region in its need for access to Turkey. The real threat is for a continuation of terrorism.

Although relations between Russia and Turkey became strained over the downing of the Russian fighter jet, the event was stage managed by Russia, in order to justify moving its S-400 anti-aircraft system to the Latakia airbase. Bad relations with Turkey, which represents Russia's chief supply line for military materiel to Syria and for its energy sales to Europe, wasn't expected to last. They are now formally on the mend, and Turkey looks east again.

But fortress Europe turns in on itself, tied-up in the contradictions of its delusional monetary creation, irretrievably wounded politically by Brexit, and sinking into an Islamophobic stupor as Slovakian Prime Minister Robert Fico declares that 'Islam has no place in Slovakia', only shortly before his country takes over the EU presidency.

'Western values' have crashed big time in the court of world public opinion, especially in relation to Europe's tyrannical theme park. Amnesty International charges the EU with complicity in the enforced disappearances, torture and arbitrary arrests on a mass scale perpetrated by the Egyptian military on the Egyptian people. In 2014 alone, 290 licences were authorised for military equipment to Egypt, totalling more than €6 billion (US\$6.77bn), from EU states Bulgaria, Cyprus, Czech Republic, France, Germany, Hungary, Italy, Poland, Romania, Slovakia, Spain and the UK. They of course take their lead from the US 'Camp David' programme that funds the Egyptian *coup*.

Obama's legacy described in Jeffrey Goldberg's *Atlantic* article, 'The Obama Doctrine', ends in sour grapes recriminations over Erdoğan's 'lack of commitment'. But the question poses itself: commitment to which part of Obama's confused doctrine? As Erdoğan said, he couldn't figure

out what Obama was up to, so he had to start talking to Biden. Now he is the only NATO member talking actively to Putin. Turkey has no choice but to go east.

Fire in the Houses of Parliament

The Molotov cocktails have set all of the political parties in turmoil. The Blairites have staged a potentially self-immolating coup against Jeremy Corbyn in the Labour party, ahead of their spiritual leader potentially being savaged in the Chilcot Report into the conduct of the War in Iraq. It turns out apparently that Bush might not have gone to war without Blair egging him on.

Cameron and Osborne are history. The conservatives face a leadership election, but it is unlikely that the bankers who are funding the British government's fast expanding £1.5 trillion debt will countenance a leader who voted 'leave'.

Nicola Sturgeon and Alex Salmond want to take Scotland out of the UK. But with oil prices on the floor and the EU in recession, the 5m Scots cannot make ends meet without the £40bn p.a. they get from the 55m English. The quick reflex demand for independence by Sturgeon in the context of the current parliamentary turmoil, and ahead of any resolution of the Brexit question, is undoubtedly a political move to push Labour into coalition talks ahead of a general election.

Merkel knows this and will slow everything down in Europe to a snail's pace. The bankers have realised by now that their money will be worthless if there isn't a British government that can carry a sceptical public away from their protest vote, which is legally non-binding on parliament. It would nevertheless be unwise for any government to run roughshod over the historic Brexit outcome, although ultimately Britain will eventually have to stay put in some kind of restructured Europe.

Ultimately, the prize for the populist effort might be a swing to social democracy. In any event Atlanticist project is dead.