

World after Cold War

The Cold War was a period of geopolitical tension between the Soviet Union and the United States and their respective allies, the Eastern Bloc and the Western Bloc, after World War II. The period is generally considered to span the 1947 Truman Doctrine to the 1991 dissolution of the Soviet Union. The term "cold" is used because there was no large-scale fighting directly between the two superpowers, but they each supported major regional conflicts known as proxy wars. The conflict was based around the ideological and geopolitical struggle for global influence by the two powers, following their temporary alliance and victory against Nazi Germany in 1945. The Cold War rivalry between the United States and the Soviet Union lasted for decades and resulted in anti-communist suspicions and international incidents that led the two superpowers to the brink of nuclear disaster.

An era ended when the Soviet Union collapsed on Dec. 31, 1991. The confrontation between the United States and the Soviet Union defined the Cold War period. The collapse of Europe framed that confrontation. After World War II, the Soviet and American armies occupied Europe. Both towered over the remnants of Europe's forces. The collapse of the European imperial system, the emergence of new states and a struggle between the Soviets and Americans for domination and influence also defined the confrontation. There were, of course, many other aspects and phases of the confrontation, but in the end, the Cold War was a struggle built on Europe's decline.

Many shifts in the international system accompanied the end of the Cold War. In fact, 1991 was an extraordinary and defining year. The Japanese economic miracle ended. China after Tiananmen Square inherited Japan's place as a rapidly growing, export-based economy, one defined by the continued pre-eminence of the Chinese Communist Party. The Maastricht Treaty was formulated, creating the structure of the subsequent European Union. A vast coalition dominated by the United States reversed the Iraqi invasion of Kuwait.

The collapse of the European imperial system, the emergence of new states, and a struggle between the Soviets and the United States for domination and influence set the conditions for the Cold War.

Three things defined the post-Cold War world. The first was U.S. power. The second was the rise of China as the center of global industrial growth based on low wages. The third was the re-emergence of Europe as a massive, integrated economic power.

Meanwhile, Russia, the main remnant of the Soviet Union, reeled while Japan shifted to a dramatically different economic mode.

The post-Cold War world had two phases. The first lasted from Dec. 31, 1991, until Sept. 11, 2001. The second lasted from 9/11 until now.

The initial phase of the post-Cold War world was built on two assumptions. The first assumption was that the United States was the dominant political and military power but that such power was less significant than before, since economics was the new focus. The second phase still revolved around the three Great Powers — the United States, China and Europe — but involved a major shift in the worldview of the United States, which then assumed that pre-eminence included the power to reshape the Islamic world through military action while China and Europe single-mindedly focused on economic matters.

The Three Pillars of the International System

In this new era, Europe is reeling economically and is divided politically. The idea of Europe codified in Maastricht no longer defines Europe. Like the Japanese economic miracle before it, the Chinese economic miracle is drawing to a close and Beijing is beginning to examine its military options. The United States is withdrawing from Afghanistan and reconsidering the relationship between global pre-eminence and global omnipotence. Nothing is as it was in 1991.

Europe primarily defined itself as an economic power, with sovereignty largely retained by its members but shaped by the rule of the European Union. Europe tried to have it all: economic integration and individual states. But now this untenable idea has reached its end and Europe is fragmenting. One region, including Germany, Austria, the Netherlands and Luxembourg, has low unemployment. The other region on the periphery has high or extraordinarily high unemployment.

Germany wants to retain the European Union to protect German trade interests and because Berlin properly fears the political consequences of a fragmented Europe. But as the creditor of last resort, Germany also wants to control the economic behavior of the EU nation-states. Berlin does not want to let off the European states by simply bailing them out. If it bails them out, it must control their budgets. But the member states do not want to cede sovereignty to a German-dominated EU apparatus in exchange for a bailout.

In the indebted peripheral region, Cyprus has been treated with particular economic savagery as part of the bailout process. Certainly, the Cypriots acted irresponsibly.

But that label applies to all of the EU members, including Germany, who created an economic plant so vast that it could not begin to consume what it produces — making the country utterly dependent on the willingness of others to buy German goods. There are thus many kinds of irresponsibility. How the European Union treats irresponsibility depends upon the power of the nation in question. Cyprus, small and marginal, has been crushed while larger nations receive more favorable treatment despite their own irresponsibility.

It has been said by many Europeans that Cyprus should never have been admitted to the European Union. That might be true, but it was admitted — during the time of European hubris when it was felt that mere EU membership would redeem any nation. Now, Europe can no longer afford pride, and it is every nation for itself. Cyprus set the precedent that the weak will be crushed. It serves as a lesson to other weakening nations, a lesson that over time will transform the European idea of integration and sovereignty. The price of integration for the weak is high, and all of Europe is weak in some way.

In such an environment, sovereignty becomes sanctuary. It is interesting to watch Hungary ignore the European Union as Budapest reconstructs its political system to be more sovereign — and more authoritarian — in the wider storm raging around it. Authoritarian nationalism is an old European cure-all, one that is re-emerging, since no one wants to be the next Cyprus.

I have already said much about China, having argued for several years that China's economy couldn't possibly continue to expand at the same rate. Leaving aside all the specific arguments, extraordinarily rapid growth in an export-oriented economy requires economic health among its customers. It is nice to imagine expanded domestic demand, but in a country as impoverished as China, increasing demand requires revolutionizing life in the interior. China has tried this many times. It has never worked, and in any case China certainly couldn't make it work in the time needed. Instead, Beijing is maintaining growth by slashing profit margins on exports. What growth exists is neither what it used to be nor anywhere near as profitable. That sort of growth in Japan undermined financial viability as money was lent to companies to continue exporting and employing people — money that would never be repaid.

It is interesting to recall the extravagant claims about the future of Japan in the 1980s. Awestruck by growth rates, Westerners did not see the hollowing out of the financial system as growth rates were sustained by cutting prices and profits. Japan's miracle

seemed to be eternal. It wasn't, and neither is China's. And China has a problem that Japan didn't: a billion impoverished people. Japan exists, but behaves differently than it did before; the same is happening to China.

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Both Europe and China thought about the world in the post-Cold War period similarly. Each believed that geopolitical questions and even questions of domestic politics could be suppressed and sometimes even ignored. They believed this because they both thought they had entered a period of permanent prosperity. 1991-2008 was, in fact, a period of extraordinary prosperity, one that both Europe and China simply assumed would never end and one whose prosperity would moot geopolitics and politics.

Periods of prosperity, of course, always alternate with periods of austerity, and now history has caught up with Europe and China. Europe, which had wanted union and sovereignty, is confronting the political realities of EU unwillingness to make the fundamental and difficult decisions on what union really meant. For its part, China wanted to have a free market and a communist regime in a region it would dominate economically. Its economic climax has left it with the question of whether the regime can survive in an uncontrolled economy, and what its regional power would look like if it weren't prosperous.

And the United States has emerged from the post-Cold War period with one towering lesson: However attractive military intervention is, it always looks easier at the beginning than at the end. The greatest military power in the world has the ability to defeat armies. But it is far more difficult to reshape societies in America's image. A Great Power manages the routine matters of the world not through military intervention, but through manipulating the balance of power. The issue is not that America is in decline. Rather, it is that even with the power the United States had in 2001, it could not impose its political will — even though it had the power to disrupt and destroy regimes — unless it was prepared to commit all of its power and treasure to transforming a country like Afghanistan. And that is a high price to pay for Afghan democracy.

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The United States has emerged into the new period with what is still the largest economy in the world with the fewest economic problems of the three pillars of the post-Cold War world. It has also emerged with the greatest military power. But it has emerged far more mature and cautious than it entered the period. There are new phases in history, but not new world orders. Economies rise and fall, there are limits to the greatest military power and a Great Power needs prudence in both lending and invading.

A New Era Begins

Eras unfold in strange ways until you suddenly realize they are over. For example, the Cold War era meandered for decades, during which U.S.-Soviet detentes or the end of the Vietnam War could have seemed to signal the end of the era itself. Now, we are at a point where the post-Cold War model no longer explains the behavior of the world. We are thus entering a new era. I don't have a good buzzword for the phase we're entering, since most periods are given a label in hindsight. (The interwar period, for example, got a name only after there was another war to bracket it.) But already there are several defining characteristics to this era we can identify.

First, the United States remains the world's dominant power in all dimensions. It will act with caution, however, recognizing the crucial difference between pre-eminence and omnipotence.

Second, Europe is returning to its normal condition of multiple competing nation-states. While Germany will dream of a Europe in which it can write the budgets of lesser states, the EU nation-states will look at Cyprus and choose default before losing sovereignty.

Third, Russia is re-emerging. As the European Peninsula fragments, the Russians will do what they always do: fish in muddy waters. Russia is giving preferential terms for natural gas imports to some countries, buying metallurgical facilities in Hungary and Poland, and buying rail terminals in Slovakia. Russia has always been economically dysfunctional yet wielded outsized influence — recall the Cold War. The deals they are making, of which this is a small sample, are not in their economic interests, but they increase Moscow's political influence substantially.

Fourth, China is becoming self-absorbed in trying to manage its new economic realities. Aligning the Communist Party with lower growth rates is not easy. The

Party's reason for being is prosperity. Without prosperity, it has little to offer beyond a much more authoritarian state.

And fifth, a host of new countries will emerge to supplement China as the world's low-wage, high-growth epicenter. Latin America, Africa and less-developed parts of Southeast Asia are all emerging as contenders.

Relativity in the Balance of Power

There is a paradox in all of this. While the United States has committed many errors, the fragmentation of Europe and the weakening of China mean the United States emerges more powerful, since power is relative. It was said that the post-Cold War world was America's time of dominance. I would argue that it was the preface of U.S. dominance. Its two great counterbalances are losing their ability to counter U.S. power because they mistakenly believed that real power was economic power. The United States had combined power — economic, political and military — and that allowed it to maintain its overall power when economic power faltered.

A fragmented Europe has no chance at balancing the United States. And while China is reaching for military power, it will take many years to produce the kind of power that is global, and it can do so only if its economy allows it to. The United States defeated the Soviet Union in the Cold War because of its balanced power. Europe and China defeated themselves because they placed all their chips on economics. And now we enter the new era.

Courtesy- George Friedman, Founder, Stratfor.