

The Curve of American Power

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[Will strategic failure in Iraq hasten a decline in US hegemony? Immanuel Wallerstein surveys the global landscape that might emerge from the *longue durée* of American rule, with rival regional powers competing for energy, water and markets in an unstructured world-political order.]

ABSTRACT

Since the end of the Second World War, the geopolitics of the world-system has traversed three different phases. From 1945 until around 1970 the US exercised unquestioned hegemony in the world-system. This began to decline during the period between 1970 and 2001, but the extent of the decline was limited by the strategy that the US evolved to delay and minimize the effects of its loss of ascendancy. Since 2001 the US has sought to recuperate its standing by more unilateralist policies, which have, however, boomeranged—indeed actually accelerating the speed and depth of its decline.

I. UNQUESTIONED HEGEMONY, 1945–70

If we look back to 1945, we can see that the end of the Second World War marked the conclusion of an 80-year struggle between the United States and Germany to determine which of the two rivals would be the successor to Great Britain—in decline since at least 1873—as the hegemonic power in the world-system. The culminating phase of this struggle involved a thirty years' war from 1914 to 1945, which came to include all the major industrial powers of the world-system, and in its last phase (the so-called Second World War) inflicted massive physical destruction on the populations of Europe and Asia and devastated most of their industrial equipment. The US won the war against Germany, obtaining its 'unconditional surrender', with the indispensable assistance of its main allies, the USSR and Great Britain, who sustained huge losses. In 1945, the US emerged from the war as the only major power that had preserved its industrial plant intact, indeed greatly strengthened by wartime expansion. This meant that, for 15 or 20 years thereafter, the US was able to produce all the key goods so much more efficiently than other industrial nations that it could outsell foreign producers in their home markets. Moreover, the physical destruction in Europe and Asia was so great that many of these

countries suffered from food shortages, unstable currencies, and acute balance of payment problems in the immediate aftermath of the war. They needed urgent economic assistance of multiple kinds and looked to the US to supply it.

The US was easily able to transform its absolute economic dominance into political primacy. For the first time in its history it also became the central locus of the geoculture, New York replacing Paris as the capital of world art in all its forms. The American university system quickly came to dominate scholarship in virtually every field. The only domain in which the US remained insecure, with good reason, was the military arena. Internal politics had mandated the rapid postwar reduction of the US army, whose numbers had been sustained by a universal draft system. Washington thus now relied primarily on two military assets: its possession of nuclear weapons and a strategic air command capable of delivering these bombs anywhere in the world. There was one other serious military power in the world—the Soviet Union. Although it had suffered enormous losses during the war, the Soviet army was very large and had not been demobilized. Furthermore, within four years, the Soviet Union was able to acquire its own nuclear weapons and thereby break the US monopoly.

Yalta arrangements

The only rational solution to this military situation was some kind of political deal between what would later be called the two superpowers. The deal struck is referred to by the symbolic name of Yalta, but it involved much more than the formal agreements reached at the Yalta conference. The deal consisted of three parts. The first involved a division of the world into spheres of influence. The Second World War had ended on a certain line in Europe, roughly the Elbe river in Germany, and a hypothetical projection southward to the Mediterranean. Similarly, in East Asia, such a line existed along the 38th parallel dividing Korea in two halves. Each party was to retain control of its side of this line, tacitly pledging not to use military force to try to change the status quo. In effect, this awarded the Soviet Union the areas that had been occupied by the Red Army, about one-third of the world, and granted the us control over the rest.

Since the deal was never explicit, there were a number of occasions when it would be called into question in the years to come—northern Iran, the Greek Civil War, the Berlin Blockade, the Korean War, the Quemoy–Matsu imbroglio, the various uprisings in Eastern Europe (1953, 1956, 1968 and 1980–81), and above all the Cuban missile crisis. It should be noted that in each of these mini-‘crises’ both sides always declined to use nuclear weapons (the so-called balance of terror) and each ended with a return to the status quo ante. The fact is that the mutual acceptance of each other’s geopolitical boundaries lasted throughout the so-called Cold War, despite all kinds of internal pressures in each camp not to respect the terms of the deal.

The second aspect of 'Yalta' lay in the economic arena. The US was determined to rebuild the economic infrastructure of its allies. The reason for this was partly political—to ensure their loyalty as satellites—and partly economic: there is no point being the most efficient producer in the world if there are not enough customers for one's products. What the US did not want to do was pour money into rebuilding the economic infrastructure of the Soviet Union and its bloc. Both sides took advantage of the Berlin Blockade to build what amounted to a dyke between the two economic zones. The US used the Blockade as the political excuse to get Congress to pass the Marshall Plan. It later used the Korean War to justify similar kinds of economic assistance to Japan, Taiwan and South Korea. The Soviet Union, for its part, constructed Comecon with its East-Central European satellites and forged extensive economic links with China and North Korea. The result was that the Communist third of the world withdrew from significant interaction with the rest of the capitalist world-economy, into a sort of collective protectionism. The Soviet bloc and its allies used this arrangement to press ahead with industrialization, achieving remarkable growth rates during this period. The US used it to construct an inter-state economic order in which the dollar was the world reserve currency and American industrial and financial enterprises could flourish.

The third part of the Yalta deal was ideological. Each side was allowed, indeed encouraged, to engage in loud denunciations of the other. American rhetoric divided the arena into the free world and the totalitarian states; Soviet rhetoric divided it into the bourgeois and socialist camps. The names were different, but the lists were essentially the same. Neither side accepted the legitimacy of 'neutrality' in this ideological war. But ideology was never allowed to determine ongoing political and economic decisions. The real function of the rhetoric was to enable the leaders of each zone to rein in potential dissidents in their own camp, and prevent the emergence of groups that might call existing geopolitical arrangements into question. The result was a world public opinion divided into two camps, with each side having a substantial group of supporters.

Gathering clouds

With the Yalta arrangement in hand, the US faced no serious obstacles to doing what hegemonic powers do: that is, establishing a global order in accordance with its interests, based on a kind of long-term world societal project. In the immediate geopolitical arena, the US could count on getting 95 per cent of what it wanted 95 per cent of the time. This was a period of very rapid expansion in the world-economy, in which living standards were generally rising, education and health care expanding, and the arts and sciences flourishing. Despite various fits of hysteria, confidence in the future was widespread. But the harmonies of these years—the *trente glorieuses*, as the French would call them—were too good to last. Two developments would undermine the postwar order. The first was the economic recovery of Western Europe and Japan (plus the so-called 'four dragons'). These areas did so well, as a result of American-led reconstruction policies, that by the mid-

1960s they began to approach economic parity with the US. It ceased to be true that American producers could outsell German, French or Japanese producers in their home markets. On the contrary, the US began to import industrial products from these states and they came to be relatively competitive in third-country markets. With the economic gap between the US and its major allies so greatly reduced, the automatic political and financial alignment of these countries with the US could be revisited.

The second development came in the so-called Third World—that is, all those countries whose interests and even views lay outside the purview of the two superpowers. These states proceeded to act autonomously, even rambunctiously, wherever they could. The Chinese Communists ignored Stalin's instruction to make a deal with the Kuomintang, and marched into Shanghai instead, proclaiming the People's Republic of China. The Viet Minh did not feel bound by agreements made in Geneva between the US, France and the Soviet Union and proceeded to liberate their country in its entirety. The Algerians refused the idea that the French Communist Party should dictate their strategy and future, and launched a war of national liberation. And the Cubans in the Sierra Maestra led by Castro were undeterred by the presence of the Cuban Communist Party in Batista's governments. They came down from the hills and took over first Havana, and then the Cuban cp.

In short, the ability of the Soviet Union to restrain popular Third World forces from trying to upset the Yalta appellation proved limited, and the superpowers had to come to terms with them, albeit reluctantly and belatedly. The result was that the Third World movements never felt much warmth for either superpower, although both now abandoned their 'no neutrals' policy and began to seek out nationalist leaders in these countries who might line up with them. In doing so, the US inevitably irritated the old colonial powers, who considered this new American policy to be unwise and meddling. This shift in tacit superpower policy marked the triumph of Bandung—the 1955 meeting of twenty-nine countries of Asia and Africa that proclaimed the entry of a new force into the decision-making process of the world-system, one that both the US and the Soviet Union were obliged to court.

The combination of the economic rise of Western Europe and Japan, the toll exacted on the US by the Vietnam War, and the spread of 'liberation' ideology—not only in the Third World but within Western Europe and the US—sounded the death-knell of the post-1945 geopolitical framework. Symbolically, its end was located in the world revolution of 1968.

II. DOWNTURN, 1970–2000

The new period was framed by two great changes: the politico-cultural transformations wrought by the upheavals of 1968, and the economic turbulence that followed from the end of the long expansion of the world-economy—a so-called Kondratieff A-phase—and the

onset of what would prove to be a thirty-year period of stagnation: a Kondratieff B-phase. Each needs to be spelled out, if we are to understand how the geopolitical arena was fundamentally restructured.

The world revolution of 1968, which lasted more or less from 1966 to 1970, was a tumultuous uprising against authority of every kind by students and, in many cases, workers as well. These revolts flared up very suddenly and then typically fizzled out, although at the time they often felt like a category 5 hurricane to those caught up in them. We may call them a world revolution because they occurred virtually everywhere, and cut across the tripartite division of the world-system of the time—the West, the Communist bloc and the Third World. A truly comprehensive history of these events has yet to be written—most commentary has focused on the more spectacular events covered by the media, ignoring the significant number of smaller upsurges, often against quite authoritarian regimes.

The issues in each case always possessed both a local and a global dimension. Two global issues were consistently voiced in some form in almost all the rebellions. The first was a rejection of the Yalta arrangements, usually in the form of a denunciation both of US imperialism (this was the time of the Vietnam war) and of Soviet 'collusion' with it. Indeed, the description of the world as divided between two superpowers and everyone else—a conceptual innovation of Chinese Maoism—is a fruit of these years. The second global issue was a critique by the new revolutionaries of the 'old Left', that is, the three classic varieties of antisystemic movements: the Communist parties (in power in the so-called socialist bloc), the social-democratic parties (in alternating power in most Western countries), and the national liberation and populist movements (in power in most of the Third World). The basic charge levelled against the old Left by the new was that it had offered its followers a two-step programme—first come to state power, then transform the world—but, once in power, had failed to change, nationally or internationally, a hierarchical, undemocratic and inequalitarian order. In the view of the 1968 revolutionaries, the old Left parties in power had themselves become a major obstacle to achieving the very change they had promised in their mobilizing phase.

This pair of perceptions—the collusion of the Soviet Union with US imperialism, and the political failure of the old Left—fatally undermined the political strength of the old Left movements. Radical strategies had to be rethought in the wake of a widespread disillusionment with the idea that the primary goal of popular movements should be to obtain power, state by state. Political disappointment was soon compounded by economic doubts. The period from 1945 to 1970 had been buoyed by the concept of 'development'—the idea that somehow, by adopting the right state policy, every country could achieve the standard of living of the wealthiest. The US, the Soviet Union, and the Third World countries no doubt used different vocabularies about development, but their basic

objectives were remarkably similar. The underlying proposal was that a combination of industrialization and urbanization, more efficient agriculture and better education, together with short-term protectionism (import-substitution) constituted the path to a promised land of prosperity.

From development to deregulation

In the 1960s, the United Nations had proclaimed the 1970s to be the Decade of Development. In fact, the 1970s proved to be the death of developmentalism as an idea and a policy. For the expanding world-economy had reached the limits of the multiplication of producers in leading industries (the result of the economic reconstruction of Western Europe and East Asia), triggering a sharp decline in profits in the most dynamic sectors of world production. A recurring phenomenon in the operation of the capitalist world-economy, this led to familiar results: relocation of many of these industries to semi-peripheral countries where wage levels were lower (these countries deeming this relocation to be 'development'); increased unemployment worldwide, most notably in the wealthiest countries, leading to declining real wages and tax revenues; competition among the 'Triad' of the US, Western Europe, and Japan/East Asia to export unemployment to each other; shift of investment capital from productive enterprises to financial speculation; and a steep rise in governmental debt. The 1970s also saw two major hikes in oil prices, which hit most Third World countries hard. Both Third World and socialist bloc countries ran into balance of payments problems, as markets for their exports to the wealthy countries weakened and their imports became more expensive. The rents obtained by oil-producing countries were placed largely in US and German banks, whence this money was 'lent' to now desperate Third World and socialist bloc countries. Before long most of them found the burden of interest charges and capital repayments too heavy for their treasuries, and the debt crisis of the 1980s exploded. The 'failure' of developmentalist ideology set the stage for the neo-liberal attack, led by the Thatcher and Reagan regimes, the International Monetary Fund, and the World Economic Forum at Davos.

Henceforward a new definition of the path to the promised land—the so-called Washington Consensus—inverted most of the dogmas of developmentalism. Import-substitution industrialization was now defined as corrupt cronyism, state-building as bloated bureaucracy, financial aid from the wealthy countries as money poured down a gutter, and para-statal structures as barriers to entrepreneurial achievement. States were urged to defer expenditures on schools and health. Public enterprises, said to be by definition inefficient, were slated for privatization, as rapidly as possible. The 'market' rather than the welfare of the population now became the measure of all appropriate activity of the state. The IMF enforced this by making its loans dependent on 'structural adjustment', which essentially meant following the prescriptions of the Washington Consensus.

The geopolitics of the world-system changed radically. The Third World countries lost the

self-confidence they had gained in the previous era, and the improvements in their standard of living disappeared as the economic consequences of global stagnation hit home. Many of their political regimes began to fall apart, with civil wars and other kinds of internal turmoil compounding economic distress. One by one, they ceded to the demands of the Washington Consensus. Nor was the Soviet bloc exempt from this deterioration. Its once impressive growth rates went down sharply, its authoritarian internal cohesion disintegrated, and the ability of Moscow to control now restless 'satellites' bit by bit disappeared. Finally, the Soviet Union itself entered on the path of political and economic 'reformi' (perestroika plus glasnost) with Gorbachev. The remedy was in many ways a brilliant success; unfortunately, the patient died.

Managing US decline

It seemed to many that the post-1970 period was a golden era for the US. Not at all; it was quite the contrary. First, the US had lost a major war against a small country. Nixon withdrew ignominiously from Saigon, and the US thereafter had to contend with Vietnam syndrome—that is, a serious reluctance of the American population to commit its soldiers to potentially ruinous wars in far-off parts of the world. Vietnam was compounded by the Watergate scandal, which forced Nixon to resign. Military defeat and domestic political crisis were, however, only a backdrop to the graver us geopolitical problem—the loss of any automatic economic superiority over its major allies, Western Europe and Japan. For, once the Triad had become more or less economic equals, the US could no longer count on Western Europe and Japan behaving like political satellites. American foreign policy had to change. Beginning with Nixon, and continuing for the next thirty years (Nixon to Clinton and passing through Reagan), all administrations concentrated on an unspoken objective—slowing down the decline of us hegemony.

The programme they evolved was threefold. The first plank—designed to maintain us political power—was an offer to Western Europe and Japan of 'partnership'. Washington in effect said to its major allies that it would offer them a say in constructing a joint world geopolitical policy, in return for Western Europe and Japan refraining from unilateral policies of their own. Partnership was implemented by the creation of a series of institutions: the Trilateral Commission, the G7 meetings, the World Economic Forum at Davos among others. One major argument the US used was the need to maintain a united front against the Soviet Union, which had begun to dilute its own implementation of the Yalta arrangements by intervention to support a Communist regime in Afghanistan. Partnership did not completely succeed in constraining the major allies. Against the wishes of the US governments, Germany pursued a so-called Ostpolitik; Western Europe (including Thatcher's government) built a gas pipeline from the Soviet Union to the West; and in the 1990s, South Korea launched a 'sunshine policy' towards North Korea. But if only partially successful, the US partnership policy was at least that. The allies did not stray too far.

The second plank was designed to secure US military advantage. Now that Vietnam had indicated the limits of American ground forces, it was more important than ever to maintain its nuclear edge. The US had already lost an absolute monopoly in nuclear weapons, since by the mid-sixties Great Britain, the Soviet Union, France and China had all developed them. But the US decided it was crucial that the spread stop there. The second plank was thus a drive to stop nuclear proliferation. The Treaty on the Non-Proliferation of Nuclear Weapons entered into force on March 5, 1970. It offered a deal: the five nuclear powers would work to pursue negotiations for nuclear disarmament and permit, indeed help, other countries to develop the peaceful uses of nuclear energy; in return, the rest of the world would renounce the pursuit of nuclear weaponry. Three countries refused to sign the treaty—India, Pakistan and Israel—and each has since obtained nuclear weapons. But the majority of states eventually signed, and many countries which were thought to have started programmes in the direction of developing nuclear weaponry in fact closed them down. The list is not a formal one but probably includes at least Sweden, Germany, South Korea, Japan, South Africa, Brazil and Argentina. Since the collapse of the Soviet Union, three now-independent republics—Ukraine, Belarus and Kazakhstan—have renounced the weapons that had been installed on their territory. There is of course a small group of countries whose real practices have long been in dispute: Iraq (whose Osirak nuclear facility was bombed by Israel in 1981), Libya (which dismantled its facilities in 2004), North Korea and Iran in particular. The reason why this treaty is so crucial to the us is that even a few nuclear weapons give a country the capacity to limit the strategic options of the us and the reach of its military strength. We can say that this second objective too was partially—but only partially—successful.

The third element in the revised US foreign policy was economic. When the Washington Consensus replaced developmentalism as the reigning world doctrine, American economic and particularly financial involvement in Third World countries became much more profitable, hence compensating for some of the decline in the profitability of erstwhile leading industries in the us. In many ways, this aspect of the revised foreign policy was the most successful of the three, until the late 1990s.

After the Cold War

But the very success, however partial, of these efforts to slow hegemonic decline created difficulties for the US at the very moment when it was congratulating itself on its emergence as the 'sole superpower'. The first of these was caused by the collapse of the Soviet Union. The rhetoric of the United States had always been that the Soviet system should be ended: Reagan had denounced the 'evil empire' and called on Gorbachev to 'tear down that (Berlin) Wall'. When Gorbachev did, in effect, for his own reasons, tear down the Wall, and forced considerable mutual disarmament on the superpowers, the US was unsure how to handle this new development. In a relatively short period, the East and

Central European states threw off their Communist regimes and ended their economic and military ties to the Soviet Union. This was followed by the dissolution of the Communist Party of the Soviet Union, the dismantling of the USSR into its fifteen constituent republics, and the parallel dismantling of the Federal Republic of Yugoslavia.

The principal geopolitical consequences were two. Washington lost the last important argument it could employ as to why Western Europe should remain politically tied to the US—the need to maintain a common front against the Soviet Union. It also lost the last major indirect constraint on the policies of Third World nations—the role of the Soviet Union as an enforcer of the rules of the Yalta arrangements, in countries hostile to the US. The latter effect became dramatically visible with the Iraqi invasion of Kuwait in 1990. We should not misread Saddam Hussein's motives in taking this decision. He had just completed an inconclusive and exhausting war with Iran, fought with the active encouragement of the US. Iraq had run up large debts to Kuwait and Saudi Arabia as a result of the conflict, which it was having difficulty repaying. Its leaders had reason to believe that Kuwait was draining oil from Iraqi fields using diagonal wells. Furthermore, Iraq had argued for seventy years that Kuwait was part of Iraq, illegitimately separated by the British for their own reasons. Saddam thought he could solve all these problems at one stroke by marching into Kuwait, which was militarily no match for the Iraqi army.

He of course worried about world reaction to what was obviously, under international law, aggression. But because of the imminent collapse of the Soviet Union, he could afford to disregard Soviet views. Saudi Arabia posed no serious military threat. The only obstacle was the United States. Saddam probably reasoned thus: either the US fails to react (as he was assured by the US Ambassador to Iraq two days before the invasion) or if they do react, the worst they will probably do is push Iraq out of Kuwait. So, all in all, it seemed a gamble well worth taking. And of course he turned out to be right. The US, after a momentary hesitation, mobilized a political and military campaign to expel Iraq from Kuwait, getting four countries (Germany, Japan, Saudi Arabia and Kuwait) to bear some 90 per cent of the cost of the American operation. But they stopped at the border for fear of the negative consequences for American interests of invading Iraq itself. The end result was the status quo ante. This was to be sure modified by UN sanctions and various constraints on Iraqi sovereignty. But Saddam remained in power.

On the world-economic front, the 1990s was to be the decade of long-term institutionalization of the neoliberal global order. Its chief instrument, the World Trade Organization, was charged with ensuring that the countries of the South open their frontiers to trade and financial flows from the North, while respecting their 'intellectual property'. The basic message was the slogan launched by Thatcher a decade earlier: There is No Alternative. One initial geopolitical achievement of the US was the signature of the North American Free Trade Agreement, which came into force on January 1, 1994. The

countries of the erstwhile socialist bloc, including Russia itself, engaged in an orgy of privatization and deregulation. So did many other states in the South.

The immediate result in a large number of countries was to worsen economic conditions, with the disappearance of social safety nets, increasing rates of unemployment, and declining currencies—all occurring side by side with the spectacular rise of new wealthy strata. Internal inequalities in the less developed countries of the world greatly increased. When the one area of the South that had been doing rather well economically—East and Southeast Asia—suffered a severe financial crisis in 1997, followed by similar setbacks in Russia and Brazil, the neoliberal option lost much of its credibility as a solution to the world's economic problems. There had already been political resistance to it of various kinds. One was the return to power in a number of countries of erstwhile Communist parties, now refashioned as social-democratic organizations prepared to countenance at least some welfare provisions. Another was the eruption of the Zapatistas in Chiapas in Mexico, who symbolically launched their uprising on the day NAFTA came into effect. They spoke in the name of indigenous populations calling for control over their own lives, and a global refusal of neoliberal options.

When the WTO met in Seattle in 1999 to draw up definitive rules for a neoliberal world economic order, it was met by popular demonstrations (largely of US social movements) that effectively derailed the proceedings. Similar protests followed at other international meetings over the next few years, leading to the creation of the World Social Forum, which met for the first time in Porto Alegre in January 2001—designed as a popular riposte to the World Economic Forum of Davos, the official meeting-ground of global neoliberalism. The programme to slow down the decline in American hegemony seemed to be grinding to a halt. It was time to rethink it.

III. ACCELERATING DECLINE, 2001–25

The rethinking was famously provided by the (accurately named) group of neo-conservatives whom George W. Bush installed in high positions in his Administration after his inauguration in 2001. The group had constituted themselves in the 1990s around the Project for a New American Century. While Bush was not himself a member of this organization, his Vice-President, his Secretary and Deputy Secretary of Defence, his brother and a number of senior officials or advisors in his government were or had been. This group was extremely critical of Clinton's foreign policy but, in effect, they rejected the whole thrust of the US foreign policy that had tried to slow down the decline of US hegemony after 1970. They believed the glass of US power was not half full, but half empty—American decline was all too real. They did not attribute this to structural changes in the world-system (for example, the end of US economic superiority vis-à-vis Western Europe and Japan), but rather to the political blunders and lack of tough resolve of

successive US presidents. They did not exempt Reagan from this critique, although they did not say so too loudly.

This lobby called for a radical revision of US foreign policy. They wished to replace the soft multilateralism that was the basis of the partnership the US had offered its principal allies between 1970 and 2000 with unilateral decisions, to be offered its allies on a take-it-or-leave-it basis. Those countries that seemed to be resisting nuclear non-proliferation were to be forced toward immediate adherence. At the same time, efforts were to be made to free the United States from the restraints it had accepted on the expansion and updating of its own nuclear arsenal. The neo-conservatives aimed to block American participation in new international treaties that would in any way limit US national decisions (Kyoto Protocol, Law of the Sea, etc). Above all, they were set on ousting Saddam Hussein, who in their eyes had humiliated the US by remaining in power in Iraq, by force. Implicitly, they blamed the first President Bush for not having marched on Baghdad in 1991.

It is important to note that many, if not most, of these individuals had held high positions in the governments of Reagan and Bush Snr, but had never been able to get either of these administrations to buy this programme. They had been stymied by a large group of officials who adhered to the Nixon-to-Clinton strategy, and regarded their proposals as dangerous folly. So they were frustrated not only by Saddam, but by the US foreign policy establishment. Their frustration continued for the first eight months of the Bush Administration. Then came Bin Laden's assault on the Twin Towers and the Pentagon. Almost immediately they were able to get Bush to buy their entire approach. What probably persuaded him and his immediate political advisors was the fact that assuming the mantle of 'war President' seemed to be the surest road to re-election as well as to the realization of his most cherished domestic objectives.

The logic of the neo-conservative position was very simple. Bringing down Saddam by force, preferably unilateral, would not only restore American honour, but also intimidate three groups whose policies seemed to constitute a major threat to US hegemony: Western Europe with its pretensions to geopolitical autonomy; the potential nuclear proliferators, especially North Korea and Iran; and the rulers of the Arab states who were dragging their feet over a 'lasting' settlement of the Israeli-Palestinian conflict largely on Israel's terms. The neo-conservatives reasoned that, if they could achieve these three objectives rapidly and conclusively, all serious opposition to US hegemony would disintegrate and the world would indeed enter a 'new American century'.

Miscalculations

In doing so, they made several major errors of judgement. They assumed that the military conquest of Iraq would be relatively simple, and cost little in either personnel or money. It is now clear they were wrong. While US troops entered Baghdad rapidly enough in 2003,

they were unable to establish order in the country. The Baathist forces slipped away to form the basis of a guerrilla resistance, whose scope and efficacy has steadily grown. Washington was manifestly unprepared to handle the complexity of Iraqi internal politics, and found itself caught in not only a military but a political quagmire, from which it has so far failed to extricate itself. Indeed, as time went on, the US found it had less and less room for manoeuvre, coming to resemble a Gulliver tied down by the tiny Lilliputians.

Moreover the politics of intimidation was only partially successful. In 2002 and 2003 France and Germany publicly signalled their dissent on the invasion of Iraq and the US had to withdraw the second UN Security Council resolution when it became clear how little support it would receive. Nor did intimidation work any better with potential nuclear proliferators. Both North Korea and Iran drew the conclusion from the American invasion of Iraq that the US could attack Iraq not because it had nuclear weapons, but because it did not have them. It seemed obvious to both governments that the surest defence of the existing regimes was to speed up the acquisition of a nuclear arsenal. For tactical reasons, Iran denied this, as North Korea did not. The US asserted that both countries were in fact pursuing such programmes. But the US found itself weakened militarily and politically by the occupation of Iraq. It became clear that the US would not be capable of a successful land invasion of another such country. It might pre-emptively launch nuclear missiles, but the consequences of doing so seemed daunting. Indeed, it was now in less of a position to rally either Western Europe or East Asia to any effort to force the two countries to cease their programmes. The US was consequently in a weaker position to stop nuclear proliferation after the invasion of Iraq than before it, the opposite of neo-conservative projections. As for the Arab regimes, the conclusion they drew from the invasion of Iraq was that the ambiguous policies they had pursued for decades were the only plausible ones for their own survival. They were in general aghast at the political consequences of the invasion—both for Iraq and for their own lands. They were certainly wary of any further US projects in the Middle East.

Finally, on the front of neoliberalism, the Washington Consensus no longer seemed so binding on the countries of the South, thanks to the weakening of the us geopolitical position as a result of Iraq. Both negotiations within the WTO, which the Bush Administration sought to revive, and Washington's bid to create a Free Trade Area of the Americas (FTAA), ran into a roadblock set up by the Brazilians and other governments of the South. At the Cancún meeting of the WTO in 2003, Brazil joined forces with South Africa, India and China to form the G20 bloc of countries to negotiate with the US and Western Europe. The basic position of the G20 was that if the South was to open its frontiers further to trade and financial flows from the North and protect the intellectual property rights of firms of the North, the North had in turn to open its frontiers further to trade flows from the South in such branches as textiles and agricultural products. For domestic political reasons, the US and Western Europe found it impossible to accede to

these demands to any significant degree. The G20 replied that in that case, they could not accede to the demands of the North. The result has been a deadlock, effectively ending the ability of the WTO to press forward in implementing its neoliberal objectives. Much the same has happened with the FTAA. Brazil and Argentina, strongly supported by Venezuela, pressed other South American countries to strengthen their ties with Mercosur rather than sign up to the FTAA. As a result, the FTAA project never made much progress, and the US has retreated to trying to establish bilateral trade pacts with smaller countries, a tactic that in fact reduces world free trade rather than expands it.

The net result of the entire Bush foreign policy has thus been to accelerate the decline of US hegemony rather than reverse it. The world has entered into a relatively unstructured, multilateral division of geopolitical power, with a number of regional centres of varying strength manoeuvring for advantage—the US, the UK, Western Europe, Russia, China, Japan, India, Iran, Brazil at the very least. There is no overwhelming superiority—economic, political, military or ideological-cultural—in any one of these centres. And there is no strong set of alliances for the moment, although one is likely to emerge.

Impending scenarios?

Looking ahead over the next two decades, what kind of trends are probable? The first is a complete breakdown of nuclear non-proliferation, with the rise of one to two dozen small nuclear powers in addition to those already in existence. The decline of US power plus the competing interests of the multiple power centres virtually guarantee that those countries which ended such programmes in the period 1970–2000 will resume them, no doubt joined by others. This will both act as a deterrent to military actions in many zones of the world and make the consequence of such actions much more dangerous.

In the arena of world finance, the dominance of the US dollar is likely to disappear, giving way to a multi-currency system. It is obvious that the Euro and the Yen will become more widely used as mediums of financial accumulation and commodity exchange. The question is whether other currencies will also join the list, and the degree to which the expansion of the number of currencies in real world economic use will unbalance the system, or render it extremely volatile. In any case, the decline of the central role of the dollar will create major economic dilemmas for the US in dealing with its existing national debt, and probably result in a reduction of the standard of living there.

Three regions warrant special scrutiny because they are all currently in considerable turmoil, the outcome of which is likely to change the geopolitical picture: Europe, East Asia and Latin America. The European story is the best known. In the five years between 2001 and 2005, two major developments occurred in this region. The first was the direct outcome of Bush's unilateralist revision of US foreign policy. Both France and Germany publicly opposed the US invasion of Iraq in the run-up to March 2003 and obtained support

in a number of other European countries. At the same time, they made initial overtures to Russia, starting to create a Paris–Berlin–Moscow axis. In response, the US aided by Britain created a counter-movement, drawing most of the East and Central European states—what Rumsfeld called 'new' as opposed to 'old' Europe—into their camp. The motivations of the East and Central European states derived primarily from their continuing fear of Russia and hence their felt need for strong ties to the United States.

The second development was the defeat of a proposed European constitution in the referenda in France and the Netherlands. Here the lines were quite different from those over the invasion of Iraq. Some 'no' votes came from popular opposition to neoliberalism and fears that the new European constitution would entrench it; others from apprehension at a further expansion of Europe eastward, and the possible entry of Turkey into the EU. In both cases, those who voted No wanted a more autonomous Europe, capable of taking a greater distance from the US. But the combination of the two developments—the split over the invasion of Iraq and the defeat of the new constitution—has so far stymied any thrust towards a stronger, more independent Europe. The question is whether over the next decade this project can be relaunched on a firmer institutional and popular footing. It is still also an open issue whether such a revived European project, if it took off, would arrive at a political arrangement with Russia, such that we could speak of a Euro-Russian geopolitical pole.

If we turn to the East Asian region, the scenario is rather different. For one thing, this zone comprises only three countries, all large ones: China, Korea and Japan. Two of these are presently divided in ways that are unlikely to continue. Neither reunification (of North and South Korea, the PRC and Taiwan) will be easy to achieve, but both are plainly possible between now and 2025. But there is a second issue quite distinct from those at the other end of Eurasia. In Europe, the historic enmity between France and Germany is largely healed, whereas the cleavages between Japan and both China and Korea are deep, with still strong passions on all sides. On the other hand, the economic advantages to all three of closer ties are very great, and may serve to allay historic anger. There is a knotty issue to resolve: which of China or Japan would play the 'leading' role in a prospective East Asian union of some sort? The problem, involving military, monetary and politico-cultural issues, is not insoluble, but it would require a good deal of visionary political leadership in all three countries. If however the obstacles can be overcome, the East Asian union might emerge as the strongest member of the still existing Triad of the North. In that event, it would probably draw the US into its camp as a sort of combined elder statesman/junior partner. This is not exactly the role that Washington envisages for itself, but by 2025 it could seem an attractive deal for both the leadership and the American population.

Finally, Latin America has the potential to emerge as a significant autonomous actor, if released from dependence on the US and capable of consolidating some form of economic

unity. If it could attract Mexico into its camp, it might then be able to make giant economic and political steps forward—to the detriment, to be sure, of the US. Where other potential forces—especially, but not only, India, Iran, Indonesia and South Africa—would fit into such an overall geopolitical realignment is the least clear question of the coming period. And lurking behind any possible reconfiguration of world politics would be questions of access to energy and to water, in a world beset by ecological dilemmas and potentially producing vastly more than existing capacities of capitalist accumulation. Here could be the most explosive issues of all, for which no geopolitical manoeuvring or reshuffling offers any solution.
