

An Impending Geopolitical Earthquake?

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Global Research, February 21, 2009

21 February 2009

Region: [Russia and FSU](#), [USA](#)

Theme: [Global Economy](#)

The financial and economic turmoil the world is currently experiencing will certainly have many serious consequences beyond those fields. Indeed, its geopolitical fallout could be far more serious than commonly acknowledged and it is an element that cannot be neglected by neither statesmen nor analysts.

Some scholars frequently hold that politics and economics are somehow separate. Such view is profoundly mistaken because politics and economics are strongly interlinked. Actually, political power and economic wealth cultivate one another. Likewise, economic trouble, more often than not, tends to lead to political trouble and the reverse is equally true.

Therefore, it is fairly reasonable to assert that this financial crisis will have a major impact on the international system's balance of power. Some states (including Great Powers) could redefine their priorities. Other states are in a direr situation so they would have to make dramatic adjustments concerning their policies.

Take the case of the United States. Following the end of the Cold War, the US intended to establish a unipolar era in which its hegemonic position would remain unrivaled (the so called 'Project for a New American Century'). However, Washington has had to deal with several setbacks and challenges like the rise of other great powers (China and Russia), the proliferation of anti-American regimes (Iran, Venezuela) as well as Washington's military quagmires (Iraq and Afghanistan). Thus, the position of the US could be weakened as a result of the financial crisis.

It is unknown at this point if the Dollar hegemony will prevail and remain unscathed. The dollar can certainly survive but its position could be critically eroded. This is extremely important to bear in mind because the Dollar hegemony is one of the twin pillars of American power, the other one being military strength. The US Dollar's position as the top reserve currency is what has allowed the American economy to finance a huge trade deficit. A byproduct of that is the accumulation of the world's largest external debt, equivalent to almost 99.95% of America's GDP (!?). That means it cannot be paid so, what will happen if suddenly America's creditors decide to collect at least a part of that debt? If the US refuses to pay, how will its debtors react?

Moreover, the financial and economic crisis might acutely restrict NATO's operational capabilities beyond its borders. The Atlantic alliance is currently contemplating an increased military presence in Afghanistan. It also seeks to advance further eastward into the Post-Soviet space. However, such agenda could be impeded by other concerns closer to home.

It turns out that several European States (some with both NATO and European Union

membership) are already facing sociopolitical complications that have been triggered by their severe financial and economic difficulties (lack of credit, unemployment, currency depreciation, external debt, GDP negative growth). If their situation deteriorates further, an eventual deployment of NATO troops in one or more of its members' territory is not unconceivable at all. The official purpose would be the preservation of political stability. The unofficial (and real) goal would be to prevent NATO-friendly governments from collapsing. Iceland, Romania, Hungary, Greece, Poland and even Italy and France are in a particularly dire position. According to *Der Spiegel*, Britain itself (the very cradle of modern finance) is "on the brink of financial ruin".

This scenario can be dismissed as far-fetched but even the American financial sector is under critical circumstances. Like Russian Prime Minister Vladimir Putin recently remarked "... investment banks, [once] the pride of Wall Street, have virtually ceased to exist. In just twelve months, they have posted losses exceeding the profits they made in the last 25 years..."

The Russian Federation itself is not immune. For instance, the Kremlin's plans to make Moscow an international financial center do not seem very likely now, due to the ruble's depreciation. In spite of that, the Russian government knows it has an important capability to maneuver through the crisis. Its main asset is the huge reserves of foreign currency (the third largest in the world) it has amassed during the last years. Plus, Russian energy and arms exports are a reliable source of income.

Other Post-Soviet States are in a more delicate position. For instance, Kyrgyzstan decided to close the Manas Air Force Base (operated by the US Air Force) in exchange for Russian financial and economic concessions, which means Moscow scored a most crucial geopolitical victory. This teaches a vital lesson: Financial means are very useful to accomplish geopolitical objectives. On the other hand, Ukraine's economy is rather fragile so Kiev it has been rumored that Kiev could even reconsider its foreign policy in exchange for financial assistance.

It has to be taken into account that China possesses the world's largest reserves of foreign currency so Beijing is not entirely unprotected. However, as a result of the global crisis, the Chinese need to avoid potentially destabilizing political consequences derived from unemployment and overall economic slowdown. Some prominent members of Obama's administration intend to at least decrease the American trade deficit by pressuring Beijing to reevaluate the Chinese yuan but China obviously is unwilling to artificially restrict its exports. This disagreement must not be underestimated because it could fuel dangerous tensions between both great powers.

It is yet too early to accurately predict the full consequences of the world financial crisis. Nevertheless, it seems that it will spark some unforeseen geopolitical readjustments. The financial system is approaching a most critical turning point and so is the international balance of power.

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