

# U.S. “New Cold War” Policy Has Backfired - And Created Its Worst Nightmare. Shift in Trade Patterns and Military Alliances

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*The world's geopolitics, major trade patterns and military alliances have changed radically in the past month. Russia has re-oriented its gas and oil trade, and also its trade in military technology, away from Europe toward Eurasia.*

The result is the opposite of America's hope for the past half-century of dividing and conquering Eurasia: setting Russia against China, isolating Iran, and preventing India, the Near East and other Asian countries from joining together to create an alternative to the U.S. dollar area. American sanctions and New Cold War policy has driven these Asian countries together in association with the Shanghai Cooperation Organization as an alternative to NATO, and in the BRICS moves to avoid dealing with the dollar area, the IMF and World Bank austerity programs.

Regarding Europe, America's insistence that it join the New Cold War by imposing sanctions on Russia and blocking Russian gas and oil exports has aggravated the Eurozone's economic austerity, making it even more of a Dead Zone. This week a group of Germany's leading politicians, diplomats and cultural celebrities wrote an open letter to Angela Merkel protesting her pro-U.S. anti-Russian policy. By overplaying its hand, the United States is in danger of driving Europe out of the U.S. economic orbit.

Turkey already is moving out of the U.S.-European orbit, by turning to Russia for its energy needs. Iran also has moved into an alliance with Russia. Instead of the Obama administration's neocons dividing and conquering as they had planned, they are isolating America from Europe and Asia. Yet there has been almost no recognition of this in the U.S. press, despite its front-page discussion throughout Europe and Asia. Instead of breaking up the BRICS, the dollar area is coming undone.

This week, President Putin is going to India to negotiate a gas and arms deal. Last week he was in Turkey diverting what was to be the South Stream pipeline away from southern Europe to Turkey. And Turkey is becoming an associate of the Shanghai Cooperation Organization integrating the BRICS in a defensive alliance against the United States, now that it is obvious that it has no chance of joining the EU.

A few months earlier, Russia announced the largest oil and gas trade and pipeline investment ever, with China – along with a transfer of missile defense technology.

2. There has been almost no discussion of this vast geopolitical realignment in the U.S. media, largely because it represents a defeat for the New Cold War policy pushed by the

neocons over the past year, ever since Russia convinced President Obama not to go to war in Syria, which had been a neocon military aim.

Their response was to isolate Russia and economically attack its trade and hence balance-of-payments strength: its gas and oil trade with Europe. Last February, U.S. diplomats engineered a Pinochet-style coup d'état in Ukraine, and used this as a lever to reverse Europe's buildup of trade with Russia.

The aim was to punish Russia's economy – and in the process to press for a regime change against Putin, putting in place a more pro-U.S., neoliberal Yeltsin-style regime by causing a financial crisis.

The assumption underlying this policy was that since the Soviet Union was dissolved in 1991, Russia was turning toward Europe to re-integrate its economy and society. And Europe for its part sought to make Russia its main energy supplier – of oil as well as gas, through new pipelines being built to circumvent Ukraine. Northstream ran via the North Sea to northern Europe. Southstream was to be built via Bulgaria and Serbia to southern Europe – mainly Italy and Austria.

Germany for its part looked to Russia as an export market, to earn the rubles to pay for Russian gas and oil. Other European countries stepped up their agricultural trade with Russia, and France agreed to build the enormous Mistral aircraft carrier. In short, the ending of the Cold War promised to bring a much closer economic and hence political integration of Russia with Europe – cemented largely by a gas pipeline network.

3. U.S. Cold Warriors have tried to disrupt this trade. The plan was to isolate Russia and lock Europe into the U.S. economy. The dream was to export U.S. shale gas to Europe, squeezing out Russia and thereby hurting its balance of payments.

This was always a pipedream. But what U.S. heavy-handed military confrontation with Russia really has done is to drive a political wedge between the United States and Europe. Last week, Putin gave a speech saying he found little point in negotiating with European politicians, because they simply followed U.S. orders via NATO and by U.S. pressure on German politicians, French politicians and other European politicians.

In following U.S. New Cold War confrontation, Europe has been acting against its own economic interests. Its neoliberal Third Energy law has effectively blocked Russia from having any economic gain in selling more gas to Europe.

#### 4. Rentier pipeline politics

The U.S. neoliberal plan has been to insist on non-Russian control of the pipelines that would carry Russian gas and oil to Europe. The idea is to use this pipeline as a tollbooth to siphon off the revenue that Russia had hoped to receive from Europe.

Here's the best way to understand what has occurred. Imagine that the United States had a law that owners of buildings could not also own the elevators in them. This would mean that the owners of the Empire State Building, for instance, could not own their elevators. Some other investors could buy the elevators, and then tell the building's renters or other occupants that they would have to pay a fee each time they rode up to the 40th floor, the 50th floor, the 60th floor, and so forth.

The result would be that instead of the landlord receiving the rental value of the Empire State Building, the elevator owner could demand the lion's share. Without access, the building would be a walk-up and its rents would fall - unless renters paid the elevator tollbooth.

This is what would happen with an oil pipeline owned by parties hostile to Russia. It is to avoid this that Gazprom insisted on building its own pipeline, under Russian control, to prevent rent-extracting investors. When Europe sought to block this by pretending that "free markets" meant separating pipeline ownership from the gas suppliers, it was trying to carve out a rent-extraction opportunity to siphon off Russian gas revenue.

The European Commission earlier had pressed an anti-Gazprom policy last year, in the process of imposing its austerity program on Greece. It insisted that Greece pay the IMF for having bailed out foreign bondholders by selling off assets in the public domain. The largest asset was Greece's oil rights in the Aegean and its commercial oil-related infrastructure. When Gazprom was the largest bidder, Europe blocked the sale. The result has been to impose even deeper austerity on Greece, polarizing that nation's politics in an increasingly anti-EU and anti-IMF stance - and hence, anti-US Cold War politics.

5. What is occurring is a radical shift in U.S.-European diplomacy - in a way that according to textbook theory is inherently unstable and unworkable.

Europe has inverted the major textbook premises of how national diplomacy is conducted. Instead of basing this diplomacy on economic and commercial interests, it is subordinating these interests to U.S. control. And as for Europe's membership in NATO, instead of viewing military policy as an arm of foreign diplomacy, it is subordinating economic diplomacy, trade patterns, gas and oil supplies, export markets for industry and agriculture all to serve NATO's military ends.

The objective no longer is military security as originally was the logic for NATO. Europe's economic realignment against Russia threatens to bring military conflict directly into the continent as a result of the proxy war in Ukraine.

It has been said that nations do not have friends or enemies, only national interests. Most of these are economic. But today in Europe, German Chancellor Merkel seems to be ignoring German and other European economic interests. Still obsessed with her hatred of the East German Communist regime, she sees in Russia only an enemy, not an economic market and supplier of raw materials and customer for German manufactures and technology. Likewise, her political love for the United States deems it Europe's natural friend, without taking into account how its New Cold War policy toward Europe - "Let's you and Russia fight" - undercuts European continental interests and exacerbates its austerity.

The United States for its part has adopted von Clausewitz's statement that war is an extension of foreign policy by other means in a very limited form: war seems to be the only lever that the United States is using in its foreign policy these days. And lacking an ability to mount a ground invasion, its only real threat is to tear economies apart by aerial bombing, as it has done to Iraq, Afghanistan, Libya and now Syria - and is doing by backing a proxy war in Ukraine.

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*Imperialism: The Economic Strategy of American Empire (1968 & 2003), Trade, Development and Foreign Debt (1992 & 2009) and of The Myth of Aid (1971).*

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