



CEST

Centro de Estudos Sociedade e Tecnologia



Universidade de São Paulo

Bulletin - Volume 7, Number 05, July/2022

Economic Warfare, the Clash of Civilization and the Choice Nations Can't Avoid

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Even in the face of Russia's invasion of Ukraine, the most important foreign affairs issue remains the United States' conflicted relationship with China. Indeed, Russia's invasion has substantially reframed that relationship by highlighting both Russia's economic strategies to prepare for the invasion and the nature and scope of economic warfare in response to the invasion. Moreover, China aligning with Russia has more starkly exposed the growing cleavage between the US and China.

The ragged nature of the cleavage becomes apparent once one recognizes that Putin, to be distinguished from the Russian people, is not reacting to Western organizations like NATO and the European Union but is, as Antonia Colibasanu astutely [points out](#), fighting against the civilizational

values and the socio-economic model that won the Cold War and entices Eastern Europeans and Russians to want to join the West. Putin's invasion seems an old-fashioned imperial land-grab. In reality, he has kickstarted a clash of civilizations.

It is not clear in modern societies just when hard economic competition becomes economic warfare. It is becoming clear, however, that the modern world may be witnessing its first economic world war. In response to Russia's military invasion, the Western Allies undeniably have launched economic war. The Allies have not declared it a war, but the Russians [have](#). The rules of economic warfare are evolving, weapons are being tested, targets are hit, and damages assessed; collateral damage is unavoidable. Russian responses and

consequences for both sides are evolving. It is not boots on the ground, but war it is.

Recognizing the war footing is especially relevant because Russia's preparation for war has been fundamentally economic and clarifies the linkage between global economic integration and military strategy.

Russia has prepared for this war for 20 years: centralizing power, ruthlessly quashing dissent, joining the WTO, inviting western capital and know-how, stockpiling foreign reserves, joining trade blocs, cultivating close business ties across Europe, and pushing the Eurasian Economic Union. Moscow invested heavily in making Germany dependent on Russian natural gas. Russian firms hired a long list of former European prime ministers and other European

dignitaries with a deep understanding of European bureaucracy and sway in politics.

Moscow enthusiastically supported both green policies, like Germany's decision to give up nuclear power – which translated into greater reliance on Russian gas—and populist

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parties throughout Europe. It weakened western solidarity by encouraging illiberal leadership in Hungary, Turkey, Poland, as well NATO-sceptic candidates in the United States. Putin effectively has used information warfare to destabilize and ultimately divide Europe. Influence has been carefully nurtured in the Middle East and the Sahel to give Russia additional leverage over oil and primary commodities. Putin has promoted BRICS; and resolutely built relations with China, India and Brazil that withstand confrontation with the West.

Russia's path to resurgence parallels China's determined economic rise in almost every aspect but for (i) China's strategic focus on manufacturing where Russia clung to oil and gas and (ii) China's more expansive Belt and



Road initiative. The strategic goals of both seem clear: regime survival and restoring national greatness (in that order) by resisting the enticements of western values, free-markets, rule of law, limited government, and democracy.

The civilizational clash underlying this tension has been exposed and more distinctly defined by the Ukrainian invasion. The conflict is deeper than traditional territorial conquest, say, a French monarch challenging an English king, or two provincial warlords fighting over access to the Yangtze River. It is cultural and systemic—democratic governance vs authoritarian rule. Recognizing the distinction matters. When the US championed Russia and China’s entry into the WTO, it was on the bet that both were on an ineluctable path toward democracy. Engagement in the growth opportunities and the rules-based strictures of the WTO, it was believed, would speed the process. Experience since has proven this overly optimistic.

Much has been said about the world tending toward [discernible blocs](#). The Russian invasion has highlighted the split. As the split widens, the neutrality option fades. Nations will increasingly face the dilemma of choosing a side, or trying to balance on the fence. Sweden and Finland recognize the dilemma. India, officially ‘non-aligned’ [prudently takes advantage](#) of a good opportunity to buy cheap Russian oil. Brazil, wrestling internally over a national position, [balances precariously](#) on the fence while trading with Russia-- “for us, the fertilizer issue is sacred.” It is never simple. The U.S. struggles with the morality-necessity trade-off as President Biden tries to fight war-induced fuel shortages by visiting Saudi Arabia.

Each nation declares, whether it means to or not, its position in a civilizational clash. For important nations like India and Brazil, choosing “neutrality” on Russia’s invasion of a sovereign democratic state for short-term economic opportunity is understandable, but it is also unavoidably taking a side. It expresses the corollary values that surely will underlie geopolitical positions looking ahead: democracy, national sovereignty, and rule-of-law matter but not quite as much as a good business opportunity—the essential modern *realpolitik*.

Getting back to the critical East and West question, it is not if to engage, but how. In particular, how does one approach an increasingly tense economic and civilizational struggle between the two largest (by far)

economic powers—indeed, divergent economic systems-- while a military invasion is underway. Even as tensions arise, collaboration abounds-- the US and China are among each other’s biggest trading partners. During the first Cold War, US-Russia trade was roughly \$2 billion a year. Current US-China trade is more than \$2 billion every day. Negotiation *must* proceed, but how? In what form? How does one prepare? What tools apply? When and how should they be applied? And by whom?

In all this uncertainty, one thing is clear. Most of the preparation, leverage, concessions, and negotiating framework will be economic in nature. The decades long preparation by Russia and China has been largely economic, in support of military capability. Successful negotiation will inevitably be trade-based and effective solutions economic in nature, building a path toward cooperative commerce and away from military action. This argument may seem to de-emphasize military expenses and preparations. They are important, but it is undeniable that the national income, production capability, technology, logistical infrastructure, and information-communications capabilities organized on a global scale are fundamentally economic. Virtually all this falls under trade policy. As such, much will be confronted in the World Trade Organization, which is nearly dysfunctional. It is critical that the Biden Administration and remaining supporters of democracy, rule of law and sovereignty of nations, focus with greater clarity and resolve on a new robust, integrated trade strategy that can address both the economic and the security issues that will dominate international relations for the next decade.



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This article is a result of the author’s ascertainment and analysis, without compulsorily reflecting CEST’s opinion.

