

# A study on economic warfare and associated problems

Christian Harbulot

## Abstract

The history of mankind is dominated by the power relationship of an economic nature, identifiable at the different stages of progression: the struggle for survival, colonization and slavery, territorial conquest and trade, economic competition, the geoeconomic and competitive fighting. But there is no recognized written culture on economic warfare in the academic world. This gap can be explained by the lack of legitimacy of the concept due to the desire to conceal the purpose of economic fighting. The most visible expressions and irrefutable economic warfare as the most contentious phases of colonization or the two opium wars have not led to the beginnings of a reading grid. This article aims to fill this gap in thinking about a reality that everyday becomes more demonstrative. Unlike other countries such as the United States, South Korea and China, Europe is powerless to address this problem.

## Keywords

Economic war, survival, colonization, conquest, read gate/obliged readings, concealment, strategy, increase in power.

## Introduction

Economic warfare is becoming an undeniable reality in international relations, although it was considered for a long time as something exotic by the university community. The intellectuals that criticise the strong relationships between powers<sup>1</sup> have been obliged to give in, bearing in mind the clear development of international relationships. In addition to geopolitical events (such as the gas used by Russia as a weapon to reinforce their status as a power or the questioning of the financial supremacy of the dollar by Iran) there have also been geoeconomic events such as the diplomatic tensions between China and Japan over resources or the protectionist policy defended by the United States against China regarding the solar power industry. This diversity in situations emphasises the importance of a deeper reading of the conflicts linked to economic warfare.

The beginning of the 21st century was marked by a questioning of the positive vision of the development inherited from industrial revolutions and from the relative peace from the globalisation of exchanges, as the majority of liberal economists have stated. Similarly, the *Pax Americana* that became official due to the disappearance of the USSR, the beginning of the end of history myth<sup>2</sup>, leaves room for risks of multi-polarised conflicts due to the progressive limitation of resources, growing tensions over the issue of energy, the structural crises of the Western world caused by de-industrialisation and the desire for commercial conquest by new players. In fact we are starting a long period of different tensions whose monitoring cannot be limited to a mere comforting discussion about the search for growth.

To analyse economic warfare<sup>3</sup> entails going from the implicit to the explicit, a difficult exercise taking into account the warring factions' almost universal desire to conceal the nature of their non-military conflicts. The works carried out in the last sixteen years under my direction at the School of Economic Warfare of Paris have enabled us to lay the foundations for some compulsory reading to decipher the strategies for increasing power through the economy and the strong relationships they generate.

### Emergence of the founding principles of economic warfare

The history of humanity has been defined since our origins by two key stages: the priority given to survival and the opposition between seden-

<sup>1</sup> Badie, Bertrand, *L'impuissance de la puissance*, Paris, Fayard, 2004.

<sup>2</sup> Fukuyama, Francis, *La fin de l'histoire et le dernier homme*, Paris, Flammarion, 1992.

<sup>3</sup> Harbulot, Christian, *Comment travailler sur l'absence d'histoire*, report of 7th November 2012, [www.lesinfluences.fr](http://www.lesinfluences.fr).

tism and nomadism. The theme of survival had been a predominant situation for the greater part of the world population until the beginning of the industrial revolutions. It gave rise to the use of often systematic violence.

### *Violence and survival*

Survival is one of the structural stages of the nature of economic conflicts without having to refer to economic warfare, given the mainly individual level of conflict that was therefore limited collectively. Opposition between sedentary and nomadic towns has entailed regular conflicts such as the origin of old Russia<sup>4</sup> shows.

“The Russian steppe is the extension of the Asian steppes and founded in the Hungarian steppe. This continent of steppes – from the yellow sea to Lake Balaton – is populated by nomads that, since pre-history, have travelled vast distances searching for pastures. Coming from the depths of Asia the nomads arrive at the steppe in waves. They expel the inhabitants who, in turn, occupy the pastures of weaker villages.”

This warlike dance between the “barbarians” of the east and the town populations in the west arose from the river and land trade between the Baltic Sea and the Black Sea that lasted several centuries and played a decisive role in the construction of Russian geopolitical space. Similarly, the history of ancient China is marked by repeated invasions of Turkish-Mongolian nomad villages. The first version of economic warfare came from this dialectic nexus between the accumulation of wealth of the sedentary village and the rapid incursion of the nomad into foreign territory to carry out pillaging.

### *Resources and territories*

The issue of resources is at the centre of the problem of developing civilisations. In the 15th century BC the Pharaohs of the new empire<sup>5</sup> needed three natural resources: wood for constructing monuments and ships, along with copper and tin, whose alloy in the form of bronze was used in those days to make tools and weapons. The maritime (the Mediterranean, the Channel and the Baltic) and land (the silk and tin routes) trade routes became sources of recurring conflict.

The progress of humanity between the Ancient and Modern Eras widened the spatial field in the process of economic conflict. Thus piracy became

<sup>4</sup> Heller, Michel, *Histoire de la Russie et de son empire*, Paris, Champs, collection histoire, 1999, p. 55.

<sup>5</sup> Grandet, Pierre, *Les pharaons du Nouvel Empire: une pensée stratégique (1550-1069 av JC)* Paris, éditions du Rocher, 2008.

a real power lever. Attracted by the gains of the triangular trade<sup>6</sup>, the English pirates were warriors, precursors of future British Royal Navy. At sea and on land, the warring factions integrated the economic dimension to their military and diplomatic strategy.

At the end of the Middle Ages some monarchs turned to the economic weapon<sup>7</sup> to support military action. In his prolonged fight against Charles the Bold, Louis XI mobilised his fleet to disrupt supplies of grain and herrings from Flanders, belonging to the House of Burgundy. The king of France also pressured bankers to dissuade them from financing the cost of his rival's war and promote the creation of trade fairs in Lyon to reduce the income from the trade fairs in Geneva, which was an exchange point for the trade routes between Germany, Italy and Burgundy.

The security of territory and of its urban and rural wealth was perceived in the 17th century as a strategic priority for certain states in the process of constitution. The seven United Northern Provinces<sup>8</sup> against Spain produced the first survival model made up of a network of bastions, reinforced by the use of streams and rivers as a natural defence. The France of Vauban made its own by creating fortifications along the new frontiers that emerged after the conquest of territories in the north of the kingdom. This defensive barrier led to the "Pré carré"<sup>9</sup> concept that has a modern significance by including the external area of influence (diplomatic, military and economic).

Security of territory was also defended indirectly through economic concessions given to an ally State, taking advantage of its military supremacy. In 1373 Portugal signed a treaty with England<sup>10</sup> to benefit from its protection. Through this diplomatic act Portugal sought to escape voluntary annexing to Castile. This alliance ratified under equal conditions was gradually transformed into an English protectorate, as the English gave their military support in exchange for financial and commercial dominance over Portugal that lasted several centuries.

### *The difficult dynamics linked to colonisation*

The constitution of empires is inseparable from the processes of colonisation that marks the history of humanity. Military conflicts that originate

<sup>6</sup> Triangular trade flows from the early stages of colonisation of America. It covered the slave trade between Africa and the U.S. as well as trade between the colonies and the European continent.

<sup>7</sup> Favier, Jean, *Louis XI*, Paris, Fayard, 2001, p. 754.

<sup>8</sup> Cornette, Joël, *Le roi de guerre, essai sur la souveraineté de la France du Grand Siècle*, Paris, Petite Bibliothèque Payot, 2010, p. 42.

<sup>9</sup> Bitterling, David, *L'invention du pré carré. Construction de l'espace français sous l'Ancien Régime*, Paris, Albin Michel 2009.

<sup>10</sup> Lacye Mateus, Alice, Harbulot, Christian, *La complexité des rapports de force économiques*, Paris, Revue Française de Géographie, April 2008.

from them are strongly related to economic challenges. Colonisation is the basis of empire creation that serves, in particular, to ensure dominance over underground riches and resources as well as over trade routes. The capture and exploitation of human beings was one of the clearest manifestations of the strong relationships generated by the desire for profit. As Jane Burbank and Frederik Cooper<sup>11</sup>, lecturers at the University of New York, confirm: "In Great Britain, France and certain regions of the Portuguese and Spanish empires slavery was profitable to the empire and the empire made slavery possible". Economic warfare was present in all phases of colonial development, regardless of whether it referred to the dynamic of expansion of the Roman Empire or the construction stages of the European maritime empires starting from the 16th century. The most paradoxical element, from my point of view, about the formation of this principle is that it is not acknowledged as one of the recurring elements in conflicts linked to the globalisation of exchanges.

The colonisation of North America shows in a very educational way the superposition of conflicting rationalities created by economic challenges. The Thirteen Colonies, established along the Atlantic coast between French Canada and Spanish Florida, were firmly settled from 1733. The settlers had begun to plant cotton in the 17th century. This planting policy developed on a mass scale at the end of the 18th century, producing what would later be called "the triangular trade". The British ships carried manufactured products and spirits to West Africa to exchange them for slaves who were offloaded in the West Indies and in the south of the Thirteen Colonies. The ships later returned to Great Britain with a cargo of cotton, rum, sugar and tobacco, a result of the slaves' work.

The American settlers considered themselves as harmed by their relationship with England due to tax pressures and the trading restrictions with the rest of the world imposed by the Crown. Great Britain had the advantage in all cases since a substantial proportion of the merchandise imported from the New World was re-exported to continental Europe by the island's trading companies. The profits obtained from these transatlantic trade transactions contributed to the development of the British Empire's Asian trade.

The accumulated wealth intensified desires that gradually turned into tensions, into strong relationships and into armed conflicts between England and its colonies, between them and the native Indians and between the two rival kingdoms of the time, England and France.

### *Control of trade routes*

England built its power through the sea and trade. Initially the England of the 16th century was a poor country without any real military capac-

<sup>11</sup> Burbank, Jane and Cooper, Frederik, *Empires, De la Chine ancienne à nos jours*, Paris, Payot 2011, p. 246.

ity for expansion abroad. Its power was much less than the kingdoms of Spain and Portugal, which at that time dominated the seas thanks to their navigation techniques, to their pioneering marine cartography and to their naval strength. Unlike the Spanish and Portuguese, the English were not missionaries or settlers. When the English decided to use the sea as a medium for expansion they had to find immediate profits. Their situation of weakness compared to their opponents' war fleets led them to turn to piracy. English pirates and buccaneers stole precious metals being transported by the Spanish and Portuguese from South America. During the reign of Elizabeth I the British trade networks extended towards Turkey and Russia. If the demand for sugar attracted the English merchants to the Caribbean, the demand for spices, tea and cloth led them towards Asia. The incorporation of the kingdom of Scotland into the kingdom of England, which gave rise to the birth of Great Britain in 1707, led to the creation of a major sector of the era's free trade and also to the appearance of the world's first mass consumer model for imported products, such as tea, coffee, tobacco and sugar.

During the 17th century the English made use of the enormous commercial potential of their overseas acquisitions. The creation of the *British East India Company* (BEIC) opened the way for colonisation in India. Commercial aggression by the English company from the East Indies led it to progressively adopt a political-military position on the Indian subcontinent. It had to recruit local troops to be able to carry out armed operations against regional sovereign states that protested against its supremacy. The increase in the colonial military framework was also the result of rivalry between the different European empires.

The development of exchanges between the continents thanks to triangular trade encouraged the English to take control of the main sea routes beyond Western Europe, not only towards the East Indies but also towards the Baltic, North America, the Mediterranean and West Africa. The origin of the economic challenges of the Anglo-Dutch wars between 1684 and 1784 was:

- Control of the main trade routes.
- Confiscation of trade traffic with the British colonies.
- Questioning of the dominant position acquired by the Dutch East India Company (Vereennigde Oost-Indische, VOC<sup>12</sup>)

The Dutch had established the basis of a trade empire from one private dynamic. The VOC was a trading company that emerged from the matrimonial alliances of family and provincial groups. In two centuries it built

---

<sup>12</sup> Burbank, Jane and Cooper, Frederik, *Empires, De la Chine ancienne à nos jours*, Paris, Payot, 2011, p. 219.

a true commercial empire<sup>13</sup> that made it the most influential company among the European companies founded in the 17th century to exploit Asian wealth. But the private nature of VOC did not enable it to confront the warlike versatility of the Spanish and Portuguese empires that were seeking to gain control of the spice trade from the Indonesian archipelago. It had to incorporate the mechanisms of armed conquest inspired by the Portuguese model into its commercial development. In 1699 the VOC was the major private economic force in the world and had military strength in line with forty warships and ten thousand soldiers. Great Britain entered into the conflict with it to break its strategy of a monopoly on the trade between America and Asia.

Great Britain's protection of the trade routes and with it its economic prosperity defined British foreign policy and brought with it military operations during the empire's duration. Numerous examples of armed fights illustrate these events:

- From the time when Great Britain felt its interests were threatened in India by the Russians' expansion to the south and east, protection of India against them via land and sea became the main axis of Victorian foreign policy. Hence the military conflict with Tsarist Russia in central Asia that was still a "weak point", far from European colonial expansions. The two Anglo-Afghan wars, the first between 1839-1842 and the second between 1878-1880, show this strategy.
- The opium wars<sup>14</sup> (1839-1842 and 1856-1860) between the United Kingdom and the Qing Empire had an economic purpose. Great Britain wanted to force the Chinese Empire to open up to international trade. One of the goals of the British Empire was to obtain the cession of the territory of the city of Hong Kong from China, in order to store opium and trade with it in China. This is a clear example of a military act in service of an economic goal.
- Prime Minister Disraeli's decision to acquire part of the Suez Canal titles in 1875 was intended to stop France from taking control of a key trade route.
- The occupation of Egypt ensured the British Empire's maintenance and control of the strategic platform of Cairo.

<sup>13</sup> The VOC was a real State within a State. It ensured the main regulatory functions (police, defence, justice) in its business offices of the East Indies. It decided on war or peace with the native princes, therefore having autonomous diplomacy.

<sup>14</sup> In the mid-19th century westerners sold several tens of thousands of boxes of opium a year in China. The British demanded payment in silver ingots to recover part of the funds they paid the Chinese in the tea trade. This opium traffic enabled the British Empire to reverse the imbalance of the exchanges with this country in its favour. The opium war raised an unfair relationship that generated greater and greater corruption between Chinese civil servants and caused problems among the population.

- The war declared by the British Empire against the Boers was justified by control of the strategic point that the city of Cape Town represented. The British prepared this base at the tip of Africa with the aim of setting up an emergency maritime route in the case of Suez closing. Consequently part of the territory governed by the Boers was revealed as one of the greatest gold reserves in the world.

The British example showed how predominance of a power in the control of trade routes becomes a decisive weapon in geo-strategic conflicts.

### **The overlapping of war and the economy**

The revolutionary and Napoleonic wars, spread out between 1792 and 1815, emphasised the influence of the economy on the development of strong relationships between the countries involved in this series of conflicts under alliances. In this regard, the economic repercussions of blockades were a great influence on the strategic changes in France and Russia.

#### *The influence of economic conflicts on the war's direction*

The Prime Minister William Pitt, whose family fortune came from Anglo-Indian trade, was fixed on a line of action to preserve Great Britain's dominant position in the trading world through control of the seas. His strategy was to support the *Royal Navy* that represented the only major force, compared to the military capacity of revolutionary and subsequently Napoleonic France. Whilst the Prussian alliance with Great Britain fought the French and their allies in Europe, the *Royal Navy* undermined the economic potential of the common enemy by preventing France from trading by sea. The key point of the policy followed by Pitt was to establish an indisputable maritime advantage. He obtained parliamentary support in London to increase the British fighting fleet up to 105 ships. This naval arms race gave England a decisive advantage since the French fleet only had 70 ships.

For the first time in history an economic war became global with the appearance of two blocking systems used by the warring factions: England's Maritime blockade against France's continental blockade<sup>15</sup> to cut British exports to Europe. Previously the blocking actions only had any effect on port cities. The origin of the two blockades was the reciprocal desire of the French and English to use economic reprisal

---

<sup>15</sup> The blockade was effective in countries allied to France and in countries occupied by its troops (Italy, Spain, the Netherlands, Lower Germany and Denmark).



measures strategically to achieve a favourable outcome to the conflict. This is what happened but not exactly as Napoleon had expected, since the removal of Russia from the “continental system” sought by France triggered the Russian campaign, which was so disastrous for the Napoleonic Empire.

This overlapping of war and economy gave rise to the birth of the first mechanisms in economic warfare that extended into peace time. At the end of the 18th century France was very weakened industrially by the war effort made during the revolutionary wars against Europe of the monarchies. Napoleon confided to Jean-Antoine Chaptal<sup>16</sup>, a scientist, about a mission to find a way to revitalise French industry and protect it from British trade threats. This desire for revival in production required a recovery in terms of innovation. Napoleon wanted to know above all the strong and weak points of the British economy and confided this mission to a Society for the Stimulus of National Industry (*Société d'Encouragement pour l'Industrie Nationale*, SEIN) that organised a mechanism for observing discoveries on the other side of the channel. With a handicap of between fifteen and twenty years in technical knowledge, the French manufacturers had to imperiously cover that disadvantage through all media, including the use of illegal practices of smuggling in machines either bought or stolen on British soil.

In the context of the ban on the importing of English products that began in 1793, Napoleon consolidated this economic defence system by the militarisation of Customs<sup>17</sup>. His minister Chaptal considered this administration as “a guarantor of French industrial independence”. Customs represented 20% of the administration's total staff in 1815 (excluding the army). This trade exclusion policy regarding Great Britain was extended in the Restoration period under the management of Saint Cricq, the Director General of Customs, who was kept in this position until 1824, the year in which he became Minister of Commerce under Charles X.

### *Ideological fight and strong economic relationships between powers*

Despite the enormous economic cost of the wars against France, Great Britain stayed in a position of strength. The industrial revolution, which began many years prior to that on the continent, put its manufactured products in a very advantageous competitive position. Its colonies guaranteed a large supply of raw materials and its naval supremacy enabled it to block the main maritime trade routes. Consequently, London was

<sup>16</sup> At that time Chaptal held the roles of Minister of the Interior and of Industry.

<sup>17</sup> Todd, David, *L'identité économique de la France, Libre échange et protectionnisme, (1814-1851)*, Paris, Grasset, 2008, p. 64.

interested in promoting the disappearance of customs barriers in order to sell its products in other countries, especially in Europe.

To break the protectionist barriers maintained by France, the British government granted a greater strategic dimension to the techniques emerging from economic warfare in times of peace. The press and publishing<sup>18</sup> performed a decisive role in that strong relationship. London sent the political economist John Bowring<sup>19</sup> to Paris as head of the British commission responsible for negotiations on free trade. The reasons that led the university student David Todd<sup>20</sup> to present John Bowring as an influential agent at the service of the Crown were his working methods whose main goals were, firstly, to create pressure groups in France supporting British arguments and secondly, to use the local press so that his ideas would reach the circles of economic and political power. His management was summarised as follows:

"In 1834, through a series of letters sent to Lord Auckland, president of the *Board of Trade*, Bowring explains in detail the strategy he is developing in France on his travels. In each city he visits he tries to gather and form a group of supporters of free trade. Then he continues intense correspondence with these supporters to direct them towards a common goal: overthrowing the monopolies. The groups are responsible for the liberal ideas in the local press and formulating solemn declarations supporting a free market. Thus, they managed to favourably influence public opinion: *the opinion, the illustrated opinion – is the best instrument for achieving our goal – without it we will not have the least progress; with it we will achieve everything*".

John Bowring started to attack Saint Cricq's ideas, considering that he was an enemy of England<sup>21</sup>. He focused his activity on the exporting regions (silks in Lyon, wine in Bordeaux). The goal of his numerous interventions in the French circles of power was to encourage them to denounce the prohibitive French system. He sought support in regions snatched from the English in the 100 Years' War, such as Aquitaine, where many wine producers opposed the customs duties<sup>22</sup>. Another form of approach used by Bowring was the dialogue he established with French liberals such as Benjamin Constant and Jean Baptiste Say with whom he maintained contact as a politician. Bowring knew how to take advantage of the internal contradictions of the French political world, supporting organisations

<sup>18</sup> In 1834, in Paris, 6,500 copies of liberal economy treaties and manuals were printed.

<sup>19</sup> He was also involved in Switzerland, Italy and Germany.

<sup>20</sup> *Ibid.* p. 183.

<sup>21</sup> *Ibid.* p. 199.

<sup>22</sup> French wine growers were very powerful at that time, representing a tenth of the population actively involved in either main or secondary grape producing activities, that is, two million people.

of anti-government republican press that ranged from the centre left to the extreme right. He knew how to collect the results of his labour on the ground and encouraged his supporters to draw up collective petitions, demanding the abolition of the protectionist barriers imposed by France.

### *Creation of structures dedicated to economic warfare*

The First World War<sup>23</sup> established bases of economic weapons as a way to achieve a defined goal. From 1914, aware that the conflict would be long, the involved powers conceived a strategy for economic warfare, as the French note<sup>24</sup> below sent to the military attaché of the United States in Paris certifies:

“After the battle of the Marne, faced with the new movement from the war the high command understood that it would be long and it would not be enough to fight the enemy on the field of battle but it also had to be fought on their own terrain; preventing enemy armies having material available, morally and physically undermining the entire population, cutting off the necessary raw material supply for their industry, collapsing the economy, blocking their finances, even affecting the food supply. These are the basic ideas on which economic warfare is based”.

In 1915 the French War Ministry organised a system dedicated to economic information. A Control Section was created, managed by Jean Tannery<sup>25</sup>, a senior public official at the Court of State Auditors (*Cour des comptes*). This section organised the collection of information required to put into practice the activities of economic warfare:

- Identification of the axes for German supplies and study of the arrangements that would have to be made to hinder this supply.
- Monitoring of the organisation and development of the German war industry.
- Preparation of plans for destroying industrial centres.
- Preparation of lists of companies connected to the enemy.
- Application of restrictions and quotas.
- Control of economic flows in order to prevent German foreign economic relationships.

Great Britain organised itself differently using an independent body, the *War Trade Department Intelligence*, which in turn reported to the *Foreign Office*. In 1916 the Italians created the *Ufficio di raccolta e controllo di noti-*

<sup>23</sup> Soutou, Georges-Henri, *L'or et le sang, les buts de guerre économiques de la Première guerre mondiale*, Paris, Fayard, 1989, p. 566.

<sup>24</sup> *Revue Historique des Armées*, Paris, No. 4, 2001.

<sup>25</sup> Bourlet, Michaël, *Guerres mondiales et conflits contemporains, Jean Tannery (1878-1939) à l'origine de la guerre économique*, Paris, PUF, 2004.

*zie economiche*, linked to its War Ministry. These structures were coordinated by an Inter-Allied Bureau with its headquarters in Paris.

Throughout the war the activities of economic warfare were already focusing on international goals such as rationing the countries of Northern Europe, in order to force them to stop exports to Germany or with military operations carried out thanks to developments in aviation, such as bombing selected stations in Lorraine that, while occupied, provided three quarters of the iron ores needed in the German iron and steel industry.

In 1918 the French, British and Americans agreed on the criteria for the goals that had to be achieved. For Paris, the economic weapon was not only a weapon of war to force Germany to sign for peace but also the possibility of preserving the advantages won in the event of victory. France wanted to reach an understanding between the allies on how to keep Germany in a weakened economic situation by jointly controlling raw materials. For Washington the economic weapon took the role of a strategic and political influence that would force Germany to sign an acceptable peace treaty and put an end to its economic expansion<sup>26</sup>. Raising the principles of economic liberalism, the United States sought to find itself a place within the world market whilst London followed Washington's line although maintaining its own interests (protection of main industries, special relationships with the *Dominions* on the question of control of raw materials).

Economic warfare structures disappeared at the end of the war. At the beginning of the Second World War, in September 1939, Neville Chamberlain, the British Prime Minister, created a Ministry of Economic Warfare with similar powers to the structures developed during the First World War. In July 1940 Winston Churchill gave this Ministry a very offensive role by allocating it a new service, the *Special Operations Executive*, which was responsible for sabotage operations on the continent and for prompting rebellion and resistance in territories occupied by the German armies. The notoriety of this new organisation meant that specific aspects of economic warfare shifted onto a second level. This Ministry ceased its activity after the defeat of Nazi Germany.

If the overlapping of the economy and war was obvious, for some decades the problem of economic warfare in the second part of the 20th century again became invisible for the following reasons:

- The cold war forced the Western Bloc countries to squash or disguise their economic disagreements, prioritising the image of an ideological unit facing the Communist Bloc.
- The United States, the new world superpower, made the British strategy of applying pressure to end the protectionist barriers on

<sup>26</sup> Hauser, Henri, *Les méthodes allemandes d'expansion économique*, Paris, A. Colin, 1919.

continental Europe its own. The texts on free trade and free competition became obligatory reading in the economic reality of the Western political world. Strong economic relationships between powers were silenced or were considered within the university community, in particular by the majority of liberal economists, as unrepresentative anomalies of the competitive relationship between companies.

### The geopolitical justifications of conquest

The search for obligatory reading on economic warfare involves simultaneously analysing the progress of the conquest mechanisms (territorial and commercial) and the States' methods of power development.

Commercial conquests began to replace territorial conquests during the 19th century. Unlike territorial conquest often carried out turning to traditional war, commercial conquest tends to increase the State's supremacy by expanding its circles of power over foreign markets.

Historically some powers did not hesitate, almost publicly, to discuss their expansion, which was necessary for their survival. This was particularly the case with Japan and Germany, which on several occasions spoke about their living space in terms of territorial conquest or commercial conquest.

### The conquest against commercial imperialism

From 1853<sup>27</sup>, Japan was under the control of Western countries. In the beginning the Japanese bowed to initial Western pressure, signing a treaty on 31st March 1854 in Kanagawa that confirmed the opening of Shimoda and Hakodate ports to commercial ships under the American flag. In the following years England and the main European powers obtained equal privileges. In 1867 when the young emperor Mutsuhito (whose reign would be called *Meiji Tenno*) came to the throne he modified the terms of the strong relationship. Listening to reformists the young king wanted to avoid falling back under the domination of the West (as was the case with China during the same period under the "unequal treaties"<sup>28</sup>).

<sup>27</sup> This was the year during which an American fleet made up of four warships sent by Commodore Perry appeared in the Bay of Tokyo. He was carrying a "friendly" letter from the President of the United States for the *shōgun* of the Tokugawa family. After a second layover in 1854 Commodore Perry demanded the *shōgun* to open Japanese ports up to American merchant ships and whalers.

<sup>28</sup> The result of the Chinese military defeats against Western troops, the unfair treaties signed in the 20th century between China and Western powers as well as Russia tried to force China to open up its domestic market.

The strategy applied by Japan took a very significant slogan: rich country, strong army. The *Naimusho*, founded in 1873, was the ministry responsible for industrial development planning. It built state factories inspired by European manufacturer models and discreetly fought to prevent foreign capital taking over the strategic economic points of the emerging Japanese market (port infrastructure, naval shipyards, armaments industry). The modernisation of Japan was carried out within a policy framework of all types of knowledge acquisition acquired abroad, following the example of countries more experienced in the field.

At the beginning of the 20th century, Japanese expansion (the annexation of Korea, acceptance of a responsibility over China) caused antagonism with the United States, who wanted to leave a door open in China. Benoit Meschin<sup>29</sup> summarised the report on the strengths between the two countries after the Washington<sup>30</sup> Naval Conference in 1921 like this:

*“Linked by the Washington agreements, excluded by the United States with its new immigration law, complicated in its economic development by the increasingly severe restrictions imposed by the American customs service on the importing of Japanese products into the United States; what could Japan do so as not to be confined to their islands and solve the dramatic problems originating from the ever faster rise in its population?”*

After initially seeking to break isolation by turning to a kind of colonisation of Korea, Japan considered that it would be essential to build up an area of shared prosperity at a regional level<sup>31</sup> that would regroup all the countries occupied by the Japanese Imperial Army during the empire's expansion phases. The occupation of Manchuria in 1931 is included in this perspective.

The founding of the State of Manchukuo, a year later, is an example of the reproduction of militarised conquest systems invented by the Portuguese and imitated by the Dutch and English at the beginning of colonial processes in Modern History. The Japanese copied the model of the old India Company but were also inspired by the development produced by the American railway companies that built an industrial empire by connecting the East to the Pacific coast. At the end of the thirties Manchukuo was under the Manchu railway company administration<sup>32</sup> that governed

<sup>29</sup> Meschin, Benoit, *Histoire de l'armée allemande*, volume 1, Paris, Robert Laffont, collection Bouquins, p. 847.

<sup>30</sup> The United States rejected marine equality with Japan and made it disarm part of its war fleet.

<sup>31</sup> The shared prosperity area project of eastern Great Asia was proposed by General Hachirō Arita, Minister of Foreign Affairs from 1936 to 1940.

<sup>32</sup> Over 75% of the company's income came from exporting soybean to Japan and Europe. In 1927 half of the world's soybean came from Manchuria.

this territory in a relatively autonomous way with regard to Tokyo. It directed the occupying Japanese troops, managed its own police force, ran a local administration of over 200,000 employees and had its own issuing bank as well as merchant fleet. The State of Manchukuo was used as an experimental laboratory for a new supremacy concept of power by using the economy.

### *Conquest of living space*

German history is marked by the search for new territories to be conquered, whether peacefully or by using force. From the beginning of time Roman writings gave accounts of particularly difficult living conditions in German villages. Covered in forests and not very suitable for agriculture, the territories in Northern Europe did not enable its population's subsistence. To survive, German villages had to conquer more prosperous territories for subsistence. This conquest strategy was carried out on the land and by sea. At the end of the Middle Ages German colonies had started to be established in the east of Bavaria. Bankers, such as the Fugger family from Augsburg had financed the exploitation of Czech mines and forests. This commercial exchange enabled them to peacefully conquer the old markets of the Slav princes with this being the beginning of the development of the territories of Bohemia and Moravia. This colonisation was not always peaceful. The Polish rejected it and opposed the Teutonic Knights.

The foundation of the Hanseatic League<sup>33</sup> opened the path for maritime conquest. The expansion of the Baltic ports gave Germany as well as the cities in Northern Europe the resources to become established peacefully on the Polish coasts between the 16th and 17th centuries. Military campaigns carried out by the Prussian family Hohenzollern completed the creation of a sphere of influence to the east of Germany.

This constant search for living space outside borders permanently shaped a sharp sense of distribution of strengths in the spirit of the elite Germans. The debate about the strategic opportunity of territorial conquest or commercial conquest dominated political life in the Second Reich. Bismarck's preparation of Germany enabled the country to take on an influential global role. Germany's increase in power at the end of the 19th century was not limited to the movement by the German economy into the industrial era. The mobilisation of German economic figures is inseparable from the geostrategic positions of the Second Reich that were strongly determined by the attitude of the British and French colonial empires. The strategic German heart

---

<sup>33</sup> Association of German merchants and later of North German cities and Northern Europe that dominated Baltic trade between the 12th and 17th centuries.

(Konzern<sup>34</sup>, banks, insurance companies) shaped in that era wanted to dominate other European powers.

This dimension to the debate did not escape German adversaries such as Georges Clémenceau who, from 1915, estimated that the danger from Germany was worse in peacetime than in war, due to the way in which Germany had discovered how to develop a competitive economy capable of competing on a worldwide level with the British Empire economy.

The First World War caused disputes to arise about how to manage hypothetical military victory in geo-economical terms, once peace had been achieved. The result of this reflection on Germany appeared in 1915 with a work that can be considered today as the draft of an economic warfare manual. It was translated into French under the provocative title of "The German Business War Plan<sup>35</sup>". From the beginning of the book the connotation is obvious: "all business is a war, the world is a battlefield". It was later called by the Americans the Bernhardt<sup>36</sup> of Business; Herzog defined the economic action resources to be put into operation against the Reich's enemies. There were two types:

- The factors that may influence or control exports in commercial war.
- The factors that would enable Germany to overcome the passive resistance in defeated countries.

In the event of victory against the allies Germany knew that it had to face "world hate". Then it would have to face all kinds of reprisals in the defeated countries (supply or raw materials stopped, boycott on its exports, censure of its scientists at international meetings or the poaching of their cutting-edge technology). To justify its fears Herzog quoted an English technical magazine that, at the beginning of hostilities, insisted on the need to launch an economic war against Germany based on science. The British still held resentment from Victorian times due to the stealing of their techniques by the Europeans and Americans. The secret nature of inventions and therefore control of science was for them the basis of all economic warfare. To keep the economic wealth of his country Herzog suggested state control be applied "to the industries that foreign countries have not yet stripped of their capacities". Despite defending this measure he did not question the market economy. Private initiative had to be protected without prejudicing the nation's economic interests. The profit motive encouraged businessmen to relocate their companies to countries which appropriated manufacturing secrets and so became potential competition.

<sup>34</sup> Association of companies that were developed through horizontal and vertical concentration.

<sup>35</sup> S. Herzog, *Le plan de guerre commerciale de l'Allemagne*, Editions Payot, Paris, 1919.

<sup>36</sup> German General (1849-1930), theorist of Pan-Germanism.



As soon as the work of Herzog became known, the Americans had it translated and they spread it extensively. Herbert Hoover, the American Supplies Minister and future President of the United States, stated in the preface of the book's American version that the threat of economic conflict had been clearly understood in this book at the beginning of the century: "not satisfied with military supremacy, Germany was intrigued by commercial supremacy, with an insulting snub towards the rights of others and use of bad faith that has characterised its entire policy since Frederick the Great".

### Covering up economic warfare

From ancient times until the time of industrial revolutions, economic supremacy was a constant in the nature of strong relationships between individuals, groups and States. Professor Edward Mead Earl of the Institute for Advanced Study has recalculated the dialectic relationship between the political and economic dimension of power<sup>37</sup>:

*"If it were possible to separate economic and political power this would only occur in the most primitive societies. In modern times (with the emergence of the National State, expansion of European civilisation throughout the entire world, the industrial revolution and constant progress in military technology), it has been necessary to face the issue of the interdependence between commercial, financial and industrial strength on the one hand and political and military strength on the other. This correlation is one of the trickiest problems in the art of government. It affects a nation's security and, to a great degree, determines the quality of life, freedom, property and happiness that an individual can have".*

The same is true with the realist theory of international relations: despite having ignored the economic aspect in the search for power, the "*animus dominandi*" is described as a constituent element of all human associations and social relationships and therefore of national and international political life. Hans Morgenthau<sup>38</sup> emphasised that international policy is a fight for power. But power is not only military. However, unlike military war, economic warfare did not become a subject for debate in political and academic circles.

How to explain such an omission of strong relationships in compulsory reading with regard to the conflictive relationships between peoples? From the early Middle Ages the nature of the historical phenomenon that is economic warfare has been denied on the pretext that the political jus-

<sup>37</sup> Mead Earl, Edward, *Les Maitres de la Stratégie*, volume 1, Paris, Flammarion, 1986.

<sup>38</sup> Morgenthau, Hans, *Politics Among Nations. The struggle for Power and Peace*, New York, Mac Graw-Hill, 1948, p. 29.

tifications of economic warfare are perceived as actions of illegitimate aggression. The debate on war, barely started by Saint Augustine and Saint Thomas Aquinas, established the bases for the reasoning that identified economic warfare with “a negative vision of war triggered by greed and the desire to get rich at the cost of others<sup>39</sup>”. The idea of injustice was quickly associated with wars of conquest. During the discovery of the New World the conquerors had to justify the use of arms against towns that opposed the conquest of their territories. The text *De jure belli* from the Salamanca School (16th-17th centuries) classified the indigenous rebels as disloyal enemies for adopting an impossible attitude against their conquerors. In this way, through the seizure of property and the capture of indigenous rebels (the spoils of war), punishment was justified in the eyes of the Christian world.

The results of this ideological debate, strongly instilled in the history of political ideas, encouraged state figures in economic conflicts to hide their strategy by using different pretexts such as the spreading of religious thought, the modernisation of third world countries and, the most recent way, the development of democracy. This policy, almost systematic in its concealment of the true goals of conquest, distorted the interpretation of the strong relationships linked to a people’s survival process or caused by the search, maintenance and increase of a country’s power. Maybe a relationship could be found in the fact that, today, there is no doctrine on economic warfare within international military organisations such as NATO (North Atlantic Treaty Organisation). Within the global focus defined by the new doctrine (NATO) 2010<sup>40</sup>, the use of economic weapons never appears as an offensive option but as a factor for understanding the environment. This type of omission can be explained by the differences in domestic economic challenges within the community of member states<sup>41</sup>.

The disguising of economic warfare is applied both to domination strategies put into operation by colonial empires and recovery strategies by countries that wanted to avoid colonisation or that later sought power.

### *Dominance strategies*

The religious question contributed to hiding the true purpose of conflicts that involved considerable economic benefits. A papal bull of 1452 gave

<sup>39</sup> “Où en est la notion de guerre juste?”, François Rigaux, Emeritus professor of international law at the Louvain Catholic University, published in the work *Colère, Courage, Création politique*, volume 1, Paris, L’Harmattan, 2011, pp. 163-177.

<sup>40</sup> OTAN “Concept et doctrine”, official site. [http://www.nato.int/nato\\_static/assets/pdf/pdf\\_publications/20120203\\_strategic-concept-2010-fr.pdf](http://www.nato.int/nato_static/assets/pdf/pdf_publications/20120203_strategic-concept-2010-fr.pdf).

<sup>41</sup> Mazzucchi, Nicolas, “Alliance militaire et guerre économique”, *Revue de la Défense Nationale*, No. 752, Paris, 2012, pp. 1-3.

carte blanche to the Portuguese to attack, conquer and subdue the Saracens, pagans and other infidels. A second papal bull of 1454 recognised the Portuguese acts of conquest in Africa by contemplating the possibilities of converting the local populations to Christianity and ratifying the Portuguese commercial monopoly in a territorial area on the Guinea coast as well as all the territories presumably located on the silk route.

In 1494 the Treaty of Tordesillas<sup>42</sup> was negotiated under the authority of the Catholic Church with the Spanish-born pope Alexander VI. He was looking for a resolution of conflicts caused due to the discoveries of Christopher Columbus and established the distribution of the lands of the New World between Spain and Portugal, which were the two emerging colonial powers. The Portuguese also obtained papal recognition of their conquests of African territories and claimed the right to inspect any ship in African waters. This treaty was not recognised by any other European kingdom. Above all, it explained the reality of the strong relationships between the two dominant maritime powers in that era.

After having been hidden under the pretext of evangelisation of peoples that were considered primitive, the disguising of economic warfare was the consequence of a new phase of development of power at the dawn of the industrial revolutions. If military war had evolved thanks to technical inventions, the notion of power had been the subject of an authentic metamorphosis under the impact of the creation of economic empires. The birth of liberalism championed a new way of increasing power through commercial conquest that in turn became an alternative to traditional territorial conquest. The Victorian empire integrated the dynamic of economic warfare, legitimising its reason for being and hiding its purpose through a debate on the opening up of markets supported by the theory of free trade. The imperialist dynamic of the British Empire represented a decisive decrease in the logic of territorial conquest, necessarily politicised, towards a system of commercial conquest, in other words, of control by markets. Therefore, free trade was transformed into the standard for the Empire<sup>43</sup>:

*"In short, the first economic strategies for increasing power appeared through the creation of an economy-world under British influence. Great Britain, by multiplying economic relationships – based on the leitmotif of Adam Smith "laissez faire, laissez passer" ('let men do, let goods through') – with state units operating both inside and outside its*

<sup>42</sup> Almost all the Americas belonged to Spain, except Brazil. The Portuguese secured control of various coastal territories in Africa, the Middle East (Eritrea, Somalia), south-east Asia (Goa, Colombo, Malacca, Timor), except the Philippines that were claimed by Spain along with the Canary Islands (Atlantic).

<sup>43</sup> Blanot, Harold; Boyer, Adrien; Kùhl, David and Spiess, Margo, *La guerre économique comme explication structurante de la construction d'un pays*, EGE, Paris, éditions de la Bourdonnaye, 2013.

*economy-world, created a free trade zone in which liberalism spread and the market was institutionalised, even managing to venerate itself as a means of pacification in international relationships and the development of participating nations. Consequently the British Empire obtained great benefits from this system which was its great power centre, enabling it to influence the circulation of capital, merchandise and manpower. Aware of its supremacy, the centre of the economy-world (London) could therefore define or even impose commercial policy in accordance with its interests. In this way, between 1840 and 1860 the volume of trade between England and the rest of the world trebled: English industrialists exported their goods to the rest of the world in English ships with the support of English insurers and banks. In addition, the trade balance was approximately 10% in favour of England between the years 1870 and 1914. This growth enabled England to be at the head of those countries on the road to industrialisation, to be the leading maritime power and above all to control almost 25% of the world in 1901. The theoretical application of this change in the way of conquering was in the displacement of imperialist rationale – military and vertical – to that of economic supremacy, with the latter being the capability of one policy to exercise effective sovereignty over foreign political societies without absolutely controlling them<sup>44</sup>. The transformation of power led Benjamin Constant to confirm that, “war is no more than a savage impulse whilst trade is civilised calculation”. The colonial empires meant the distribution of land in different spheres of influence.*

Commercial conquest could result in commercial war by turning into a resource for coercion when the countries coveted by the British merchants were opposed to voluntarily allowing the penetration of its domestic markets. To impose their products on the Middle East and East Asia markets, the British established the practice of “gunboat diplomacy” that reached its peak during the blockade of the Port of Alexander by the Royal Navy in 1840-1841 and, later, in the two opium wars that, successively, pitted China against Great Britain and China against a coalition of Western countries. It was at that point when the Western world commanded the drug trade through military means on a theoretically independent country.

William Jardine, who managed the opium company Jardine & Matheson in Hong Kong, legitimised this action by making himself the protector of “the freedom of the independent company without restrictions<sup>45</sup>”. It is advisable to remember that the pretext given when using force by the British was the embargo and destruction by the Chinese authorities of

<sup>44</sup> Battistella, Dario, “La notion d’empire en théorie des relations internationales”, *Questions Internationales*, No. 26, July-August 2007, pp. 27-32, p. 30.

<sup>45</sup> Brizay, Bernard. *Le sac du palais d’Eté. Seconde guerre de l’opium*, Paris, éditions du Rocher, 2011.

20,282 boxes of opium unloaded at Canton in 1839. The Chinese emperor Daoguang decided to suspend trade with the English and condemn to death any foreign merchant engaged in the opium trade. The British considered the Chinese reprisals as a crime of “commercial treason<sup>46</sup>” and began hostilities that resulted in adopting unequal treaties that “were unfair and whose conclusion left, in the Chinese conscience, the germ of a desire for vengeance that would only increase through successive generations and would take its strength from the resentment that stirred the memory of humiliation<sup>47</sup>”.

The opium wars gave such visibility to economic aggressiveness that it took countries like Japan<sup>48</sup> to mould national identity with a power policy based on economic expansion symbolised in the slogan “a rich country, a strong army”.

The coming to power of the emperor Mutsuhito in 1868 was the beginning of a series of reforms whose goal was to catch up with the West. Japan took over a century to prepare the basics of an economy in the service of power. At the end of the eighties, the Central Intelligence Agency published the report *Japan 2000*<sup>49</sup> drawn up by a working group made up of figures from the civil and military worlds. This document was one of the few written contemporary examples of a governmental text on the strong economic relationships between two powers. The most explanatory part of the text condemned “Japanese propaganda” of disguising protectionist measures that the country applied to other market economies and its lack of respect for economic liberalism. Some passages in the report stigmatised the Japanese power strategy in these terms: “The members of the *Chrysanthemum Club* (who joined the elite Japanese political and industrial resources) considered that the Western system was doomed to disappear and they acted, as much as possible, in a way that brought forward its end.” The Japanese recovery strategy pursued since the Meiji era enabled it to reach second place in the world economies in little more than a century of effort. At the end of the eighties, voices of complaint were heard regarding Japanese expansion and the use of economic warfare techniques in political and economic media by the United States and Europe.

Commercial aggressiveness in the ancient empire of the Rising Sun with regard to the West stopped with the adoption of different measures by the

<sup>46</sup> Brizay, *ibid.* p 35.

<sup>47</sup> Leger, François, *Les influences occidentales dans la révolution de l'Orient. Inde, Malaisie, Chine. 1850-1950*, Paris, Plon, 1955.

<sup>48</sup> Souyri, Pierre-François, *La nouvelle histoire du Japon*, Paris, éditions Perrin, 2010.

<sup>49</sup> The report *Japan 2000*, rapidly withdrawn from circulation due to protests from the Japanese authorities, announced the tension in negotiations between the United States and Japan over the opening up of its domestic market and access to shareholdings in its largest companies.

North American authorities (repeated attacks to break Japanese protectionism, the destabilisation of its banking system by the refusal to grant a currency snake during the Asian financial crisis, a blockade of its techno-globalism strategy<sup>50</sup>, limitation of the Japanese games of influence in the North American political administrative system). The fall of the Berlin Wall deprived Japan of its implicit blackmail of the United States. If the United States did not grant Tokyo enough room to manoeuvre for the construction of its economic potential, the North American governmental authorities no longer had anything to fear from the instability of this ally/ancient adversary within the sphere of Soviet influence. Despite this, the brutal blockade of Japanese economic potential did not stop its strategic opportunities for recovery.

### *Recovery strategies*

Recovery strategies were organised around elementary goals strongly dependent on geographic and cultural context. In the case of Japan, as a priority its insularity forced it to equip itself with an infrastructure for maritime purposes (shipyards, ports) and secondly, to establish bases for an industrialised economy. Several countries such as South Korea, India, Brazil and China later followed its example without having to copy its model. South Korea followed the Japanese style by favouring naval construction and the formation of large private industrial conglomerates, *chaebols*, the Korean equivalent to Japanese *keiretsu* or the ancient *zai-batsu* dissolved by the American occupying authorities after the Japanese defeat in 1945.

India followed other models to position itself as a dominant player in the worldwide IT industry. The authorities in New Delhi pursued educational reform between 1993 and 2004 to create a reserve of human resources needed for the development in the field of information technology. For a while the federal government decided to remove from the secondary education programme literary subjects to increase the number of hours spent on mathematics. The goal was to support guidance of the maximum number of students towards technical and IT engineering professions. Gradually from 2004, literary subjects were reintroduced by the authorities considering that the goal had been reached. This policy was also based on transforming the city of Bangalore into the high tech capital. The reasons for its selection were its climate conditions, with it being one of the few places in India where the monsoon's range is weak. In this

---

<sup>50</sup> Drawn up in 1987 by the Japanese Ministry of Industry and Commerce (MITI), techno-globalism sought to prevent parasitism of research due to competitive practices and thereby fulfil the separation between North and South, creating a common asset of humanity. This occurred after the American tightening up in the field of patents and scientific exchanges with Japan.

way a framework adapted to the return of Indian engineers was created and the life of Western expatriates made easier.

Brazil developed recovery strategies by supporting the energy sector (non-conventional petroleum thanks to its offshore deposits and its Amazon reserves, water for its hydroelectric dams, renewable energies). The Brazilian State<sup>51</sup> made the company Petrobras the vanguard for its strategy of geoeconomic influence. Brazil sought to acquire regional superiority in the energy sector, mainly by adopting numerous bilateral agreements signed with neighbouring countries that gave them a predominant influence in energy provision on the Latin American continent. Regarding soft power<sup>52</sup>, Brazil was also improving its image as an emerging power in terms of sustainable development as well as claiming to be one of the cleanest countries in the world thanks to its electrical production.

China has built its recovery strategy by supporting opening up (creation of special economic zones and strong policies for attracting foreign investment), unlike Japan, which sought to gain knowledge by closing access to its domestic market. The meeting point between the two countries consisted of the priority given during their phases of mutual development to the conquest of foreign markets. In both cases this form of commercial aggressiveness resulted in hostile reactions by the United States and high profile debates about the problem of economic warfare<sup>53</sup> in the Western world. China was accused of pursuing a strategy of infiltrating the standardisation organisations for the purpose of imposing its own standards<sup>54</sup>. It has active members on 82% of the technical committees in the International Organisation for Standardisation (ISO) whose headquarters is in Geneva. This participation is higher than France (80%), Japan (79%) and the United States (75%). Suspicion towards China generated different types of reactions difficult not to compare with forms of economic conflict. As an example, let us use the protectionist measures of the Obama Administration regarding photovoltaic technologies and the refusal to allow shareholdings in Western industrial groups, such as the refusal to the request by the Chinese company Minmetal to own part of the Australian company Oz Metal by the Australian government in Canberra.

<sup>51</sup> Mazzucchi, Nicolas, *L'énergie, source de la nouvelle puissance brésilienne*, Nouvelle Revue Géopolitique, No. 3, Paris, 2012.

<sup>52</sup> Indirect action that seeks to place a power in a strong relationship that is to its advantage with regard to the topic of international interest under debate. The soft power strategies also delimit the influence strategies intended so that certain countries agree with the same positions of a power in accordance with its own interests.

<sup>53</sup> Dossier 2013, *l'année de la guerre économique*, l'Expansion, No. 780, December 2012, Paris.

<sup>54</sup> Ibid. p. 44.

### Change in the paradigm of economic warfare

The control methods and economic domination devised by colonial empires suffered a mutation under the effect of geopolitical, military and commercial supremacy that the United States assumed at the beginnings of the Second World War. Contrary to the coercive methods applied by the colonial empires in their territorial occupations, the United States established a new model for expressing economic power on the basis of the following principle: a superpower that seeks to dominate an allied country on economic or cultural issues must seek the best position at the top of a hierarchy of values, regulations and arbitrations of the market economy. This manoeuvre for monopoly from the summit entails a new method of understanding economic conflicts. The United States imposed this practice of silent economic warfare in peacetime on the industrialised countries of the Western Bloc. But a geopolitical factor and another of a geoeconomic nature modified this period of stability from economic conflicts:

- Opening of new spaces in the market emerging as a result of the disappearance of the Eastern Bloc.
- Commercial aggressiveness generated by the recovery strategies of emerging economies.

The tightening of worldwide competition caused by the joining of these two factors meant that the United States took economic conflicts into consideration in an almost official way.

### *Economic security policies*

The growth of Asia and the construction of a European economic space affected the geoeconomic predominance of the United States from the end of the Second World War. This redefinition of strong relationships re-launched the problem of economic warfare from a new paradigm: the ally/adversary relationship replaced direct or indirect conflict between two enemies. Economic warfare practiced since ancient times had demonstrated direct conflict: the power that gained territories was directly opposed to the country that tried to resist this conquest. The centuries of colonisation were its clearest example.

The globalisation of exchanges modified the unsettled economic framework both in industrialised countries and in emerging economies. Competition went hand in hand with *co-opetition* (cooperation + competition). Strategic interests of the powers were diversified and became more complex. Military or geopolitical interest could clash with an economic interest or vice versa. In other words, a country could ally with another from a military viewpoint and clash with it on economic matters. In this way a new type of ally/adversary strong relationship



emerged. In practice, it resulted in a reduction in the strong economic relations that had been shown in the past. But this formal reduction did not erase the intensity of rivalry between the powers, in particular in geographical areas where new markets were organised and in areas rich in resources.

The leading economic world power felt legitimised during the nineties to make an economic security policy already started in the seventies, official with the establishment of section 301<sup>55</sup> of the Trade Act of 1974 and the super<sup>56</sup> and special 301<sup>57</sup> of the Omnibus Trade and Competitiveness Act of 1988. The American authorities used the pretext of fighting against unfair competition suffered by North American companies in some parts of the world. If the expression "economic warfare" was not mentioned in official texts the comments of some official representatives of the North American executive power underlined a hardening of their positions in their analyses of commercial exchanges. Carla Hills<sup>58</sup>, trade representative from 1980 until 1993, expressed it in her own way using the inverse expression of the carrot and the stick, "we will open foreign markets with a stick if necessary but with a handshake whenever possible."

Despite protests from numerous countries, this unilateral regulation was not abolished. The United States used it from then on as a means of pressuring the body for solving differences in the WTO. The representative of the State Department<sup>59</sup> was equally explicit when commenting on the report on the gas pipeline between Thailand and Burma, "The Total Company has practically replaced Conoco and has obtained a contract that would have been more beneficial for Conoco. We want to punish those companies that have this attitude in the future".

The Torricelli (1992), Helms-Burton (1996) and D'Amato (2001) Acts completed these measures of commercial reprisal stopping hostile countries having access to the United States in order to prevent their companies being able to gain markets in those regions, thereby making them competition to North American companies. With the exception of Cuba, subject to a North American embargo since 1962, countries affected by these acts such as Iraq, Libya, Iran and Nigeria had major oil resources.

<sup>55</sup> Section 301 enables the United States to oppose commercial barriers that penalise North American exports.

<sup>56</sup> The Super 301 fights against the set of unfair practices registered by the Office of the United States Trade Representative.

<sup>57</sup> The Special 301 was conceived to protect North American companies against violation of their intellectual property by foreign competition.

<sup>58</sup> Jacob, Yvon and Guillon, Serge, *En finir avec la mondialisation déloyale*, Paris, La Documentation française, January 2012.

<sup>59</sup> Revel, Claude, Pedron Liou, Isabelle, *La diplomatie exportatrice des Etats-Unis*, Observatoire du Marché International de la Construction, Paris, 1997.

The Clinton Administration completed this legislative regulation by creating the National Economic Council<sup>60</sup> in 1993, which worked closely with the National Security Council. The North American Secretary of State, Warren Christopher, emphasised the importance of the matter, "North American economic security must be the first priority in foreign policy".

Various countries followed the North American example with differing results. Firstly France created a Committee for Competition and Economic Security in 1995, chaired by the Prime Minister, Edouard Balladur. The life of this committee was short-lived. However, the adopted economic security measures were made permanent under the direction of the Ministry of the Interior. From the first presidency of Vladimir Putin the Kremlin reinforced the role of certain state organisations in the protection of economic wealth and made the governors of the states in the Russian Federation aware of this new mission. China had also followed this path in the previous decade.

### *The impact of economic strategies on increasing power*

Can the mutation in strong economic relations of the ally/adversary confrontational kind be called into question by the economic strategies for increasing power of new figures in the Western world in the global market? Economic weakening of the Western world may emphasise, if confirmed in the medium/long term, tensions between the new conquering powers and industrialised countries that have dominated the global economy in the last century. Various factors might make the problems of conflict and domination reappear:

- Acquisition of energy and mining resources.
- Territorial challenges linked to geographical location.
- Problems of economic dependence.
- New forms of cultural colonisation by the information society.
- Possibilities of investment in alliances.

Currently there is an imbalance between the dynamics of power of the new figures and the way in which the Western world has become accustomed to managing its economic power without real rivals. The priority of new players is the conquest of foreign markets to finance their policy of increasing power whilst the countries of the Western world have separated the problem of power (mainly military and diplomatic) from the rationalities of economic warfare, silenced from the second half of the 19th century. The policy of deregulation that began in the Western world emphasises this paradox. National leaders are being broken up in Europe whilst the new players build their competitiveness focusing on the pow-

<sup>60</sup> Initially it was going to be called the National Economic Security Council but this name seemed too aggressive to European countries.

er of consortiums financed by banks, directly or indirectly controlled by the country's political power. This type of operation is incompatible with the competitive system of the Western world. A competitive imbalance originates from this that weakens the industrialised countries that have separated the question of increasing power from the problem of economic competition. Such an imbalance is reinforced by the importance of finances in the operation of the Western market economy. Financial markets influence the definition of strategic challenges to the extent that politicians prefer the short term as the criteria to define their timing in the construction and preservation of power.

Chinese leaders who have managed to adapt a communist dictatorship to the rules of the market economy have some more ambitious goals than the simple desire for profit. Aware of the hostile reactions that the growth of China might generate, officials of the Chinese People's Liberation Army have invented the term *off-limits warfare*<sup>61</sup>. The balance of the failure of the USSR in its weapons race against the Western world encouraged them to put a preference on methods of conflict that went outside the strictly military framework and that, in part, are a result of economic warfare. The concept of *unrestricted warfare* applied to the geoeconomic field is a way of diverting the rhetoric prepared by the Anglo-Saxon business field. It opens the path to another form of perceiving economic conflicts. During a Franco-American seminar in April 2012 in the United States, representatives of the Pentagon reminded their French counterparts of the sensitive report on computer hacking by China. Taking into account the range of the phenomenon they were asked whether it would be appropriate to classify this type of aggression as an act of war instead of an act of industrial espionage. This change of vocabulary reopened the debate on the issue of denial or validation of economic warfare. The United States managed to guide the debate in the direction of the denial of economic conflicts between powers (see the economists' dominant discussion). This pacification speech on the exchanges in the *global village* of globalisation is justified by the benefits obtained from its status as a superpower since 1945.

### Limits of western ethnocentrism

The West has dominated the world thanks to the colonial empires and later to the North American superpower. The questioning of colonisation (the clearest example of economic warfare of all time) opened a geopolitical<sup>62</sup> split that remained hidden by the victory of the Western Bloc over the Eastern Bloc as a result of the collapse of the USSR. The promotion

<sup>61</sup> Liang, Qiao and Xiangsui, Wang, *La Guerre hors limites*, Paris, Payot et Rivages, 2003.

<sup>62</sup> The loss of colonies had political repercussions in some countries. In Belgium the linguistic conflict between the Flemish and Walloons became a national problem from 1962.

of emerging economies opened a geopolitical split shown by the process of deindustrialisation and the weakening of some Western market economies. These two splits emphasised the limits of Western ethnocentrism that caused strong relationships to be analysed, starting from the principle that the strong could only be from the Western side.

### *The contradictions between the United States and Europe*

In this game of cards the Western world is weakened by numerous contradictions. The first recalls the tale of the "sprinkler sprinkled". Great Britain and later the United States used liberalism to legitimise the dismantling of protectionist systems of countries-clients in order to support the sale of their goods and their domination on international financial mechanisms. Today it is difficult to reverse this policy because it would mean delivering a fatal blow to the validity of the discussion. The second contradiction is American. Important private interests on the other side of the Atlantic, both industrial and financial, try in the short term to make use of opportunities that the globalisation of exchanges offers. The flexibility of liberal discussion enables them to legitimise relocations and the effects of deindustrialisation. The debates in the United States Congress show the often unfair fight between the power groups supporting the opening up of markets and the forces that prioritise the safeguarding of the interests of the resident population in America. The third contradiction is the inability of the European Union to be confirmed as a power that is aware of the importance of the challenges in economic warfare.

Since the post-war era, negotiations on the compensation for beneficiaries of the Marshall Plan opened strong debates in France on some of the American economic conditions such as the tax on American soybean used as animal feed or Hollywood cinema distribution in its cinema market. When he returned to power in 1958, General de Gaulle defined the criteria for a national independence policy that opposed American interests:

- The creation of Elf Aquitaine, an oil consortium, to reduce France's dependence on the seven Anglo-Saxon oil companies.
- The setting of quotas to limit the establishment of multinational American companies.
- The end of the argument about the predominant role of the dollar as the global reference currency.

The Gaullist vision of national independence did not resist the liberal allegation with regard to the opening up of markets. The liberal doctrine eliminated any possibility of structural discussion about the nature of economic conflicts despite there being commercial differences between the United States and Europe that occasionally disrupted the GATT and World Trade Organisation negotiations. The European market construc-

tion served as a pretext even for marginalising intellectual thought on the role of the economy in the construction of power.

In 1976, Giscard d'Estaing and Raymond Barre dismantled the instruments designed to provide French industry with the capability to respond in terms of economic power. This was how the Plan's Permanent Commission on Electronics was abolished. This commission was the meeting point for the general managers of the sector's large companies, representatives of professional organisations, SMEs and Ministries. The topics submitted for debate referred to French strategy in strategic sectors such as IT, telecommunications, aeronautics and electronics. This commission originated from the raising of awareness in the sixties about the essential need to provide France with a sufficiently powerful electronics industry in order to free it from North American domination. The Plan's Commissioner had even created an IT system called Mars that was a database created from information flows generated by 250 companies, 30 administrative services and 23 trade unions. Information flowed in both directions since the industries could access it under certain conditions and thereby improve their contribution to innovation *et leur approche du marché mondial*. On the state side, the Mars system enabled the measurement of the effectiveness of the credit injected into the electronic sector. Extending it to all French industry was considered. On that occasion *Le Monde* newspaper emphasised that French multinationals had never accepted playing the role of a power strategy focused on France and preferred to cooperate with American companies. In this way a fracture line arose between those who were in support of a globalised market and the defenders of an economic territory. This contradiction, despite being fundamental, was not taken into account when the Prime Minister, Dominique de Villepin, reopened the debate on economic patriotism at the beginning of 2000.

Far from being an artificial or obsolete debate, the topic of economic patriotism was fed by the negative effects of the emerging economies' recovery possibilities. Their appeal, represented by cheap labour, did not serve as an explanation for everything. Certain emerging countries have been transformed into *combat economies* to now be on the same level as Western economies. They have done nothing more than reproduce the techniques started centuries ago in the Western world. You only have to reread history. After the revolutionary wars France did everything possible to try to make up for its technical shortcomings compared to the United Kingdom, turning to the trafficking of machinery imported clandestinely from Great Britain and to industrial espionage on British manufacturers. The offensive strategies of the emerging economies have completed this panoply of offensive techniques using an engineering of information gathering, greatly amplified thanks to the internet, the theft of patents, the practice of dumping, to the industrialisation of imitations, without forgetting the illicit trafficking of metals such as copper due to

global demand. These unfair actions contribute to the degradation of the economic supremacy in the Western world and it is becoming a topic of concern in the United States. In Europe it is relegated to the category of exceptions that prove the rule, in other words there is a blind belief in the supremacy of the liberal model.

### *The bad effects of the liberal model*

The United States did not hesitate to provide itself with a coercive system for the penalisation of acts of pillage or economic isolation by hostile countries. Brussels sometimes imitates Washington's behaviour but it does not usually put theory into practice. In 1984 the European Union was provided with an instrument of commercial reprisal<sup>63</sup> inspired by section 301 of the American Trade Act. Equipped with this weapon against the illicit practices of third party states in sectors not regulated in the GATT agreements, the European Union only exceptionally<sup>64</sup> resorted to this type of pressure that can be compared to a kind of economic warfare in peacetime.

The impossibility of a unified idea about the geoeconomic priorities of the country emerging in a country like France is not a result of a cultural blockade. The European Union is limited to agreeing the preventive regulations that the member states can take against risks of economic pillage and unfair competition. Protection of the perimeter of national defence and public order is the only room for sovereign manoeuvre recognised by the Brussels Commission. In 2006 the European executive decided on some infraction procedures that penalised attitudes contrary to the rules of the internal market by copying the decree against the French takeover, which required the request for prior authorisation from the French authorities by foreign investors that wished to take control or have a minority share of 33.33% in companies in 11 sectors of activity considered strategic.

Unlike Great Britain, the Netherlands or Germany, which integrated the disguising of economic warfare in their *modus operandi*, France sought validation of its room for manoeuvre through official texts recognised at a European level. During the first year of his term<sup>65</sup>, Alain Juillet, the Senior Executive for Economic Intelligence, took months to convince his representatives on the European Commission to accept the industrial energy

<sup>63</sup> This type of tool made it possible to fight against countries that practiced unfair competition, imposing penalty measures on exchanges with European Union countries: quantitative restrictions on export, and an increase in customs duties.

<sup>64</sup> Used on six occasions within a ten-year period.

<sup>65</sup> His mission regarding commissioning of Economic Intelligence in the National Defence Secretary-General (Secrétariat Général de la Défense Nationale, SGDN) will last from 2003 to 2009.

sectors that France had wanted to protect better. To justify its refusal, the European Union claimed the exemplary application of liberalism standards as a pacifying element in the exchanges. This attitude was far from unanimous on the Eurasian continent. In December 2008 the Russian government established a list of 295 companies considered as strategic, without omitting those in the energy sector<sup>66</sup>. Vladimir Putin added 1500 companies that were essential for the national economy and qualified to receive state assistance, tax amnesties and customs privileges. The warning from the Russian Head of State to his European counterparts about the risk of a cut in the gas supply demonstrated the strategic fragility in Europe when providing energy during this period. On this specific topic the liberal doctrine that focused European thought on the deregulation of a market open to competition did not seem suitable for the situation. However, this defect did not force the search for a unified position between the European members<sup>67</sup>.

### Conclusion

Globalisation has long been rightly regarded as the carrier of positive factors such as rising living standards of the populations of industrialised countries, the process of negotiating trade disputes, progressive regulation of trade and the strengthening of protection thanks to the recognition of international patents. But this “mixed” world product of globalisation has not pacified the economy. The geoeconomic balance in the world playing field is much more deeply multipolar now that the market is global. The growing rivalry between the Western world and the new actors weakens the dynamics of appeasement driven by a dominant Western world.

The question could be asked of whether Europe has learnt its lesson from world wars that made it lose its supremacy or whether it has managed to correctly measure the importance of the threats that hang over its geopolitical and geoeconomic future. Devoid of analysis on economic conflicts and incapable of drawing conclusions on its strategic development over centuries, today Europe is still lagging behind the United States. Despite appearances it is more divided than ever by a co-existence that it does not want to name. Northern Europe is led by Germany, which plays a double game in discreetly supporting the rebirth of its power whilst projecting an image of a deeply pacifist country due to its previous military errors. Southern Europe is trying to overcome its infrastructure crisis. The Europe made up of former socialist countries is trying to find a path that is still heavily influenced by the strategies of America, Germany and Russia.

To escape this cul-de-sac without a strategic exit it is important to consider new obligatory reading on economic warfare. It seems logical to

<sup>66</sup> The gas group Gazprom and the oil companies Lukoil and Rosneft.

<sup>67</sup> Germany had signed a bilateral agreement with Russia in 2000.

consider a new political economy based on proper coordination between the construction of power in a state, command in the conquest of markets and the development of territories. These three strategic dimensions are not naturally compatible. Political power must be provided with the resources to define a programme of the challenges and priorities in the short, medium and long term. Today the European Union is incapable of doing so. However, this is an absolute priority.

## Bibliography

- Esambert, Bernard, *La guerre économique mondiale*, Paris, Olivier Orban, 1991.
- Carayon, Bernard, *A armes égales*, Report to the Prime Minister, Paris, Assemblée Nationale, 2006.
- Crouzet, François, *La guerre économique franco-anglaise au XVIIIe siècle*, Paris, Fayard, 2008.
- Delbecq, Eric, Christian Harbulot, *La guerre économique*, Paris, Que sais-je, PUF, 2010.
- Denécé, Eric and Revel, Claude, *L'autre guerre des États-Unis, Économie: les secrets d'une machine de conquête*, Paris, Robert Laffont, 2005.
- Fonvielle, Dominique. *De la guerre économique. Défense et défis nouveaux*. Paris: Presses universitaires de France, 2002.
- Fourquet, François, *Richesse et puissance, une généalogie de la valeur*, Paris, La Découverte, 1989.
- Gauchon, Pascal, *Le Monde, Manuel de géopolitique et de géoéconomie*, Paris, PUF, 2008.
- Harbulot, Christian, *Techniques offensives et guerre économique*, reedition, Paris, éditions de La Bourdonnaye, 2012.
- Harbulot, Christian, *La main invisible des puissances*, éditions Ellipses, Paris, 2007.
- Harbulot, Christian, *Manuel de l'intelligence économique*, collective work, Paris, PUF, 2012.
- Huissoud, Jean-Marc and Munier, Frédéric, *La guerre économique, Rapport Anteios*, Paris, Puf, 2010.
- Laïdi, Ali, *Aux sources de la guerre économique, fondements historiques et philosophiques*, Paris, Armand Colin, 2012.
- Laïdi, Ali and Lanveaux, Denis, *Les Etats en guerre économique*, Paris, Le Seuil, 2006.
- Leonetti, Xavier. *La France est-elle armée pour la guerre économique?* Paris, Armand Colin, 2011.
- Lucas, Didier and Tiffreau, Alain, *Guerre économique et information*, Paris, Ellipse 2001.



- Luttwak, Edward, *Le rêve américain en danger*, Paris, Odile Jacob, 1995.
- Nadoulek, Bernard, *L'intelligence stratégique: philosophie de l'action face à la mondialisation cultures, économies et rapports de puissance*, Paris, Centre de Prospective et d'évaluation, Ministère de la Recherche, 1990.
- Nora, Dominique, *L'étreinte du samouraï, le défi japonais*, Calman-Levy, Paris, 1991.
- Liang, Qiao and Xiangsui, Wang, *La Guerre hors limites*, Paris, Payot et Rivages, 2003.
- Soutou, Georges-Henri, *L'or et le sang*, Paris, Fayard, 1989.