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THE RENAISSANCE OF ECONOMIC WARFARE

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From the use of tariffs as a foreign policy instrument, to the weaponization of critical resources, and from targeted sanctions to attacks on critical infrastructure, economic security is at the forefront of international debates. The aggressive use of economic instruments for strategic purposes has become an explicit feature of international affairs, in a way not seen since the interwar period. Beyond the weaponization of resources of all kinds, an increasing 'monetization' is underway of hard power for national economic benefit. This development draws on a long intellectual tradition and enduring perceptions of vulnerability, but with new technological twists. What are the contours of this renaissance in economic warfare, and what are the possible consequences?

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1. WAR BY OTHER MEANS

Economic factors have been integral to strategic thought in war and peace. The intellectual tradition spans the calculus of national power and potential, relative strengths and vulnerabilities, and 'war economy'—the organization of finance and production to support military operations. The debate around these questions grew more intense and consequential in the wake of the industrial revolution. But there is also an important pre-industrial tradition of thought around economic warfare, elements of which persist to this day.

Broadly, these can be described as opposing mercantilist and liberal traditions[1]. The first emphasizes the pursuit of autarky, and direct attacks on the resources and revenue of competing powers. It is all about physical control or its denial. The liberal tradition has tended to see free trade and open access to resources and finance as an asset to be protected—or denied to competitors. In previous centuries, these approaches tended to be associated with continental and maritime outlooks, respectively. They are rough corollaries to the continental and maritime geopolitical traditions, exemplified by Mackinder and Mahan.[2]

The industrial revolution and, above all, the place of resource-intensive industries in military power and potential, fueled the rise of anxieties about critical resources[3]. But the focus was also the control of finance, shipping, and infrastructure to support increasingly complex economies. It was certainly about food, both as a potential vulnerability (a leading concern for the United Kingdom in the years before the First World War), or as a way to augment the power of the state (central to German thinking before the First and Second World Wars). Arguably, the globalization of trade and finance has erased some of these distinctions, as has the changing mix of physical and intellectual inputs to economic growth and innovation. Global value chains are very different now from what they were in the heyday of geopolitical theorizing. Pure expressions of liberal/maritime and continental/autarkic thought are rare in a modern setting. But they have not disappeared. In fact, they are enjoying a renaissance as part of a broader rise in international competition and anxiety—largely, but not only, American—about the emergence of peer competitors and the 'weaponization' of essential economic inputs.

The reemergence of economic warfare, whether described as such or not, also reflects a prevailing assumption, again largely but not exclusively American, that economics trumps politics. That is, the belief that the potential for coercion or incentives for cooperation turn, ultimately, on money, whether the target is a state, an individual or an institution. The primacy of economics has been central to American strategic thought for 250 years. It was integral to the revolution and westward expansion of the United States, in the concept of 'manifest destiny', the character of the American Civil War, policy in the Atlantic and the Pacific from 1914-1945, and the systemic competition of the Cold War. Today, it also fuels a readiness to apply economic sanctions for a range of purposes.

1. See, for example, Eli F. Heckscher, Mercantilism (London: Allen&Unwin, 1955), and John Maurer, 'Economics, Strategy and War in Historical Perspective', in Gordon H. McCormick and Richard E. Bissell (eds.), Strategic Dimensions of Economic Behavior (New York: Praeger, 1984).

2. Sir Halford Mackinder, "The Geographical Pivot of History," paper presented to the Royal Geographical Society, London, 1904. His ideas about the primacy of the Eurasian "heartland," reflecting the expansion of continental railroads, influenced generations of strategists, not least in Germany and Russia. American Admiral Alfred Thayer Mahan's writings, including The Influence of Seapower Upon History, 1660-1783, first published in 1890, shaped a parallel school of geopolitics focusing on the pivotal role of oceans and seapower.

3. The older, pre-industrial tradition focused on resources such as ores and agriculture, alongside direct inputs to defense, including naval timber.

2. THE INTERWAR LEGACY

Whether the subject is trade, the rise of nationalism or geopolitical competition, it has become fashionable to reach for analogies with the 1930s. These analogies are easily overstated. But some broad parallels should not be discounted, nor should the implications for the stability of the international system. At the most fundamental level, societies in the interwar years faced the toxic combination of deteriorating economic and security relations in key theaters. This is not a bad description of what is happening today in U.S. relations with China, or in the erosion of transatlantic security ties driven, in part, by declining trust in the areas of trade, finance, and technology.

It is worth reflecting on some of these interwar perceptions and their policy consequences. The harrowing experience of the First World War had a profound effect on strategic thought among both the winners and the losers. In Germany, there was a widespread belief that the war was lost by the weakness of the country's war economy in the face of Allied blockade and sanctions. In Britain and France, there was full recognition of the contribution made by economic instruments, accompanied by anxiety about those countries' declining financial and industrial competitiveness in the face of the U.S. rise as an industrial powerhouse and global creditor. So too, the emergence of the Soviet Union, with its vast autarkic potential, could not be ignored. In Asia, Japan adopted an explicit and aggressive policy of establishing a 'Greater East Asia Co-Prosperity Sphere', precisely to support the country's military ambitions in the face of resource scarcity. Globally, there was a heightened sensitivity to the attack and defense of economic assets as a component, even a driver of strategy. This was not just an intellectual tendency. It was fully reflected in the fact that, by the late 1930s, virtually every major power had a ministry of economic warfare, generally with exactly this name.

These perceptions of the relationship between economics, war economy, resources, and national ambition became embedded in aggressive German, Italian, and Japanese strategies in the 1930s. They also came to play a central part in American, British, and Soviet strategies in response. Territorial expansion and access to vital resources appeared natural means of challenging rival continental and maritime powers, and of reducing exposure to economic constraints. In what might today be termed the Global South, independence leaders were keenly aware of the economic dimension of colonial ties—and their fragility—as a potential source of leverage with imperial powers. As in the First World War, but with much more sweeping effect, blockades, maritime interdiction, preemptive purchasing, and, above all, strategic bombing, became central to Allied strategy in the Second World War. The extent to which these economic aspects of wartime strategy could be decisive was hotly debated during the war and after. Without question, the scale and sustainability of individual war economies shaped strategic outcomes, even if judgments about relative strengths and vulnerabilities were often clouded by wishful thinking.

3. ECONOMIC ANXIETY

There is a very long tradition of concern about the economic aspects of national power and potential, and the consequences for global balances[4]. This anxiety has increased markedly in recent years, on both sides of the Atlantic and in Asia. Assumptions about the

4. The classic survey on this theme is Paul Kennedy, The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000 (New York: Random House, 1987).

economic trajectory of leading actors in the 'south' are also in flux, with uncertainty about the implications of demographic change for growth, prosperity, and national power and influence[5]. This is an environment in which few societies feel unquestionably confident about the future. In contrast to recent years, this is not just a question of economic success in traditional terms, but also a harbinger of future security balances.

In Europe, the return of President Donald Trump and the ongoing war in Ukraine have reinforced concerns about economic competitiveness, geopolitical weight, and the relationship between these two elements. The exhaustive report on European Union competitiveness—written for the European Commission by former prime minister of Italy Mario Draghi—has been widely cited and its findings widely approved, but the EU does not seem up to the task of addressing the challenges Draghi identified. Under-investment in innovation, the failure to complete the single market, especially in finance, and other issues are well known shortcomings. They acquire additional significance against the backdrop of a less benign international environment, in which economic competitiveness is seen as a component of foreign policy weight and hard power more generally. Europe may well spend more on innovation, but will it acquire the risk culture that has driven entrepreneurship in the U.S.? One of the striking realities highlighted in the Draghi report is the long-term decline of Europe as an economic power relative to the U.S. and Asia. This is a trend unlikely to be reversed anytime soon, despite the collective scale of the EU as a market. Europe may aspire to being a harder power, but many Europeans see the limitations, or simply do not aspire to this role.

The U.S., used to its superpower status and sensitive to the rise of peer competitors on a global or even a regional basis, is anxious when it comes to measures of relative economic weight. The debate over U.S. decline (or not) has inspired an impressive literature. Defying expectations, the U.S. share of the global economy has held steady for decades at about 25% of world GDP, even as Asia's share has risen significantly.

For a time in the 1980s, Japan was the focus of American anxieties. But these concerns were rapidly overtaken by China. The worries are no longer about the raw scale of the Chinese economy or its exports. U.S. business elites and strategists are increasingly concerned about China's ability to invest and innovate in key sectors, not least artificial intelligence. The Biden Administration came to see the containment of Chinese innovation as a key policy priority, and aimed to build barriers to prevent the leakage of key technologies, at least in critical sectors—an approach likened to a small yard with a high fence. The Trump Administration came into office sharply focused on the substantial U.S. trade deficit with China, which it saw as emblematic of the decline of U.S. manufacturing. These concerns have been augmented and to some extent overtaken by worries over China's dominant position in the global trade in materials critical for modern energy and defense manufacturing, notably rare earths. Much of the new economic warfare is oriented towards inhibiting the rise of peer competitors, above all, China.

There are clearly exceptions to the obsession with economic power as a determinant of national power and potential. Russia is a primary example. Before the war in Ukraine and the imposition of significant economic sanctions on Moscow, Russian GDP was roughly the equivalent of 3% of NATO as a whole. Its economy is narrowly based on hydrocarbons, raw materials, and defense exports. Russia has managed to direct these assets toward a surprisingly resilient war economy. Not a recipe for prosperity, to be sure. But not the

5. Estimates from the International Monetary Fund and others suggest that despite ongoing challenges to stability and reform, Africa is likely to outstrip other regions in terms of GDP growth over the next years. Fortunately, the US, China, the EU, and others tend to see this as an opportunity rather than a geo-economic threat.

economic disaster some predicted. Above all, the country's economic limitations have hardly affected the perception of Russia as a multi-regional power.

Perhaps most surprising, the Trump Administration, inclined to focus on economic factors, treats Moscow with more respect than its economic power warrants. One obvious explanation is that Russia combines relevance to the energy sector with a large nuclear arsenal, and striking ruthlessness in its external policy. Clearly, economics is not everything, even when seen from an administration inclined to put business at the center of its worldview. European views of Russia are similarly driven by perceptions largely unrelated to economic weight, and the observation probably holds from an African or Asian perspective. For most of the world, relations with Moscow may be warm, cold, or ambivalent. But proximity, hard power, and history are more likely to be the drivers[6].

4. SANCTIONS, TARIFFS, AND THE NEW ECONOMIC WARFARE

Since the end of the Cold War, the international community has applied economic sanctions with striking frequency, whether on a multilateral basis or unilaterally[7]. Since 1966, the United Nations has imposed some 30 sanctions regimes, targeting a wide range of countries, including Iraq, Iran, Libya, North Korea, Russia, and Belarus. It is estimated that roughly a quarter of countries worldwide are under some form of economic sanction. Sanctions imposed by the U.S. alone have grown ten-fold over the last twenty years[8]. The EU, too, is increasingly active on this front, including with some of its own members. Regional organizations such as the Economic Community of West African States (ECOWAS) and the African Union are also part of this pattern.

The use of sanctions has long generated active debate about their effectiveness, and their systemic and social consequences. Broadly, analysts agree that there are few clear-cut instances of effectiveness, defined as changed behavior, and that sanctions are rarely effective when used in isolation from other diplomatic or military instruments[9]. Given the mixed—at best—record of the effectiveness of sanctions in strict terms, what has driven their increasing use?

The short and admittedly too-straightforward answer is that they satisfy the need for policymakers to 'do something' in the face of foreign policy problems they wish to address, but without using riskier and more costly instruments. It has often been noted that economic sanctions seem to work best with one's friends, perhaps because the web of shared interests is conducive to success. This point has been made in the case of South Africa, and the utility of economic sanctions in helping to end apartheid. There was arguably too much at stake for the South African government in its relations with the West as whole, especially in the then-Cold War context.

It is worth noting that policy change is not necessarily the only aim or measure of success for economic sanctions. The range of potential purposes can include retribution, the assertion

6. Turkey may be something of an exception, given the importance of Russia as a trading partner for energy, among other things.

7. See the discussion in Helmut Sorge, 'Partager Sanctions: America's Chokehold', Policy Center for the New South, June 21, 2019.

8. The Washington-based Center for a New American Security (CNAS) produces a very useful survey on the use of sanctions, including entity-based export controls. The findings document the accelerating use of sanctions in recent years. See Eleanor Hume and Kyle Rutter, Sanctions by the Numbers: 2024 Year in Review (Washington: CNAS, March 11, 2025).

9. See, for example, Richard Haass, Economic Sanctions and American Diplomacy (New York: Council on Foreign Relations, 1998).

of norms, and building international cohesion around a policy approach. In the case of U.S., European, and, in a more limited fashion, the international community's sanctions on Russia over the war in Ukraine, all of these aims are in play. As an instrument to compel Russian policy change, the sanctions have not been effective—at least not yet. But as a vehicle for Western mobilization and coordination, sanctions and export controls have been highly effective[10].

From the perspective of this analysis, several points stand out about economic warfare and sanctions in the current environment:

It is notable that sanctions have become part of the regular vocabulary around economic warfare, part of the discourse over the 'weaponization' of everything, above all trade and finance.

What constitutes an economic sanction is being redefined. Legal definitions aside, it seems clear that Washington's imposition of high tariffs is in many cases decoupled from trade policy *per se*, and is undertaken with explicitly political objectives in mind. To what extent is the transatlantic tariff discourse about trade imbalances and regulatory disputes shaped by differences in other areas, including security burden-sharing and even more ideological concerns? Probably quite a lot. High tariffs on India, Brazil, and South Africa are explicitly political. So, too, are the tariff threats related to transatlantic tensions over Greenland. Washington is not alone in this approach, of course, but is at the forefront.

Third, economic warfare has been personalized. U.S. and European sanctions, in particular, increasingly target individuals or individual commercial entities. Embedded in this approach is the belief that people—leaders, economic elites, and others—can be held responsible for their behavior at international level, whether human-rights violations, criminal activity, or support for regimes whose policies are objectionable. Assets can be frozen or seized, commerce prohibited, travel banned, and individuals and businesses punished or deterred. As with the broader debate about economic sanctions on states, affecting changes in government behavior are the most challenging test. There is, for example, little evidence that sanctions on Russian oligarchs thought to be influential with the regime have been effective in shifting Moscow's stance on the Ukraine war. Former Venezuelan President, Nicolás Maduro and his regime have been under a variety of sanctions for years, with little effect. His removal was achieved by other means, and the movement he led remains largely in place.

5. RESOURCES AND CONNECTIVITY: OLD ISSUES REVISITED

It has become fashionable to see access to, and denial of, critical resources as a new driver of international economic security. In reality, as noted above, this is the latest incarnation of a very old concern, from food and naval timber, to coal, oil, and strategic minerals. Rare earths and microchips are the perceived vulnerability *de jour*[11]. To be sure, very real dependencies affect the stability of value chains and economic security. And they have emerged as important sources of leverage in a period of mounting protectionism and

10. The seizure of Russian assets to help support Ukraine has been less straightforward, as the EU failure to move ahead on Russian funds held in Belgium-based EuroClear in December 2025 made clear. Belgium was not the only EU country with reservations about this, with others, including France and Italy, concerned about the risk of retaliation and their own exposure to the precedent this would set.

11. See, for example, the very popular book, Chris Miller, Chip Wars: The Fight for the World's Most Critical Technology (New York: Simon and Schuster, 2023).

economic nationalism. China's effective use of rare earths as a bargaining chip in the ongoing trade war with Washington offers a good example. But a close analysis of the history of critical resources in strategy reveals a more nuanced story. Resources may indeed provide leverage in war and peace, but in a much narrower fashion than often imagined. The long history of resource access and denial is characterized by a tendency to exaggerate one's own vulnerability and the vulnerabilities of others. A corollary to this is the demonstrated capacity of economies to innovate and generally 'work around' resource vulnerabilities, given time[12]. The current debate over access to critical raw materials leans heavily in the direction of encouraging new, proximate sources of supply. Much less is said about the potential for materials innovation as another means of reducing supply vulnerabilities.

A related phenomenon concerns the tendency to see connectivity projects as a source of economic and geopolitical advantage. This too has a long history in strategic thought, with both continental and maritime variants, from the ill-fated Berlin-Baghdad Railway, to the Suez and Panama Canals, to China's Belt and Road Initiative today. The India-Middle East-Europe Economic Corridor (IMEC) initiative, and the complex of projects encompassed by the EU's Global Gateway, are very much part of this tradition, as are new connectivity projects in Africa, such as the Lobito Corridor supported by the EU and the so-called 'liberty corridor' backed by Washington. The latter two are both aimed at creating Atlantic outlets for Central and West African raw materials. Similar initiatives are in play across Eurasia and in Latin America. They are seen as contributions to regional development, but they also have a competitive side, largely with reference to China. On a regional and trans-regional basis, connectivity projects are enjoying a renaissance, in parallel with concerns about economic competitiveness and raw material vulnerability. In short, they have both defensive and actively competitive dimensions.

6. CONCLUSION: RISKS AT THE NEXUS OF ECONOMIC NATIONALISM AND GEOPOLITICAL COMPETITION

As this analysis suggests, the current renaissance of economic warfare has deep intellectual and policy roots. It could be argued that the distinctive conditions prevailing since the end of the Cold War have marked a departure from this tradition, and that the resurgence of sharp geopolitical frictions and shifting power balances has encouraged a return to earlier ways of thinking about the economic dimensions of strategy. With this experience in mind, the parallel instability in global economic and security relations is especially troubling. Economic nationalism and more explicit attempts to leverage hard power assets for commercial advantage are becoming commonplace, even in relations among traditional allies. It is noteworthy that this is happening at a time of relative financial buoyancy in developed and many emerging economies. This nexus of prosperity and anxiety is fueling the tendency to view national security through the lens of economic advantage. It is unlikely to end well.

12. See Ian Lesser, Resources and Strategy: Vital Materials in International Conflict from 1600 to the Present (New York: St. Martin's Press, 1989).

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