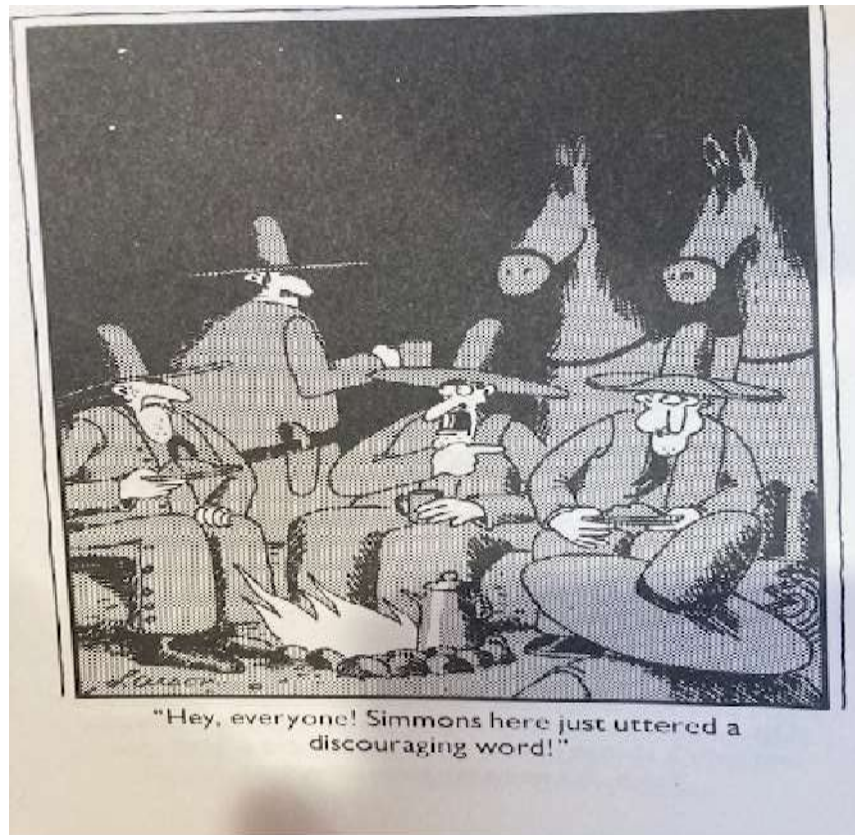


Hey, everyone! Simmons here just uttered a discouraging word!



# Definitions

- War is a state of armed conflict between different nations or groups,
- War crime is a violation of the laws of war that gives rise to individual criminal responsibility, and
- Economic war is an economic strategy used by belligerent nations to weaken the economy of other states

# Economic warfare today, Sieges then.

- The Battle of Megiddo, 15<sup>th</sup> Century BC, **7-month siege.**
- Tenochtitlan, Mexico, 1521, **3-month siege.**
- Leningrad, 1941-1943, **29-month siege.**
- **How effective were these 3 sieges?**

## Battle of Megiddo, Egypt vs. Canaan, 15th-century BC

Led by Pharaoh Thutmose III himself, the Egyptians completely chariot-whipped the Canaanites, who fled to the safety of the city walls. The first recorded battle quickly turned into the **first recorded siege**, as the Egyptians **besieged the city for seven months**. The battle itself must have been pretty brutal, because it's remembered even today by its *other* name, Armageddon.



# Tenochtitlan 1521, Spanish conquest of Mexico

**The three-month siege** of the Aztec capital (present-day Mexico City) pitted a Spanish force of around a thousand, albeit heavily bolstered by native allies, against hundreds of thousands of warriors. The crowning victory for the army under adventurer Hernán Cortés **made possible the building of a Spanish empire in the New World.** But the fighting was brutal even by 16th-century standards; toward the end, the Aztecs ritually sacrificed Spanish prisoners, cutting out their hearts.





# **Leningrad 1941–1944, World War II**

As a major industrial center, Leningrad was a primary target of the 1941 German invasion of the Soviet Union. German Army Group North, aided by Finnish troops, encircled Leningrad in September and the city held out until January 1944, when Soviet forces freed it. The 872-day siege was the most costly ever: As many as a million civilians died, and nearly as many Soviet troops. Hunger, not enemy fire, was the prime killer.



# **Modern Economic Warfare is a strategy to weaken the economy of other states**

- Restrict strategic goods, i.e. those that are essential for military applications (example semiconductors).
- Putting pressure on friendly & neutral countries from which the adversary could obtain supplies thus denying goods and services that might contribute to their war-making ability.
- Effectiveness depends on the capacity of the adversary to produce the restricted goods and services internally or to acquire them from other countries.

# **How effective was Economic Warfare?**

- **Example Cuba decades-long embargo:**
  - diminished by increased trade between Cuba and Mexico, Canada and western Europe.
- **Example Iraq and North Korea:**
  - Did not substantially reduce the military threat because both were able to direct their limited economic resources toward their militaries.
  -
- **Critics** have argued that it often imposes greater cost on the general population of the adversary (starvation, disease, basic foods) than it does on its political or military leaders.



# **How effective has been Economic Warfare against Russia?**

- Seizing superyachts of friends of Putin?
- Cutting off oil and gas flow to Europe?
- Denying Western technology?
- Denying access to SWIFT banking system?
- **Would you like to see other types of economic warfare ?**

## **Russians argue: Strikes on Civilian Targets Aim to Slow Arms Deliveries.**

- Russia's foreign minister said:
- “The infrastructure that is now under attack is the infrastructure that provides the combat potential of the Ukrainian armed forces.”
- “Russia is disabling energy infrastructure that allows the West to pump deadly weapons into Ukraine to kill Russians.”
- Moscow has been systematically targeting power stations and the electricity grid with missiles, forcing parts of Ukraine into rolling blackouts while threatening Ukraine's 15 nuclear power plants.
- **How effective has been Russia's economic warfare against Ukraine?**

## How effective was Putin's efforts to destroy Ukraine's economy in 2022.

- GDP down 30%.
- Budget deficit 27% of GDP
- Inflation 30%
- Currency devalued 25%
- Unemployment 40%
- Total damages over a trillion dollars.
- Most important economic sectors are located in the east and south where Russia has made the biggest gains and devastation.

## And Russia's economic fallout in 2022

- GDP dropped 3%
- Budget deficit 2% of GDP
- Inflation 14%
- Unemployment rate 5%
- **Oil and gas revenues are crumbling:**
- most of last year was \$ 13.4B / month,
- Nov. & Dec. was \$ 9.0 B,
- January 2023 was \$ 4.3 B / month.
- West's oil price cap of \$ 60 a barrel seems to be working.
- Human war losses plus estm. 500K professionals fleeing the country further dimmed Russia's economy.

## Conclusion of Ukraine's & Russia's crippling economy

- Ukraine's economic decline is horrendous which won't be repaired for decades.
- Russia has suffered little physical damage, economic toll coming mostly from sanctions.
- With peace, sanctions will likely be lifted if Russia pays hefty reparations.
- If Russia wins at its own peace terms, western economic restrictions are almost certain to stay in place while Kremlin will be saddled with multibillion check for rebuilding occupied areas against hostile residents.
- **Neither side will be an economic winner.**
- Source Bloomberg report 2/16/23.

**Let's talk about China**



## U.S. pushes “selective trading” with China

- Treasury Secretary Janet Yellen said:
- The U.S. past policy to engage with China to bring about the opening of its economy didn't work.
- “China's leaders have made it very clear that they don't plan to pursue political and economic reform and opening”
- “Instead, they are committed to increasing the role of the state in the Chinese society and economy, constraining the free flow of capital and information and even decoupling economically from the United States”.
- **Do you agree with the current U.S. sanctions against China?**

# **But isn't it Economic Warfare between US and China?**

- Not allowing Huawei telecom equipment be installed in the US.
- Denying access to leading edge semiconductor technology for chips and manufacturing equipment.
- Supporting Republic of China (ROC) with weapons against the People's Republic of China (PRC) to protect Taiwan Semiconductors.
- Declaring the PRC as the # 1 threat against the USA and its allies.
- **What was Chinas' economic warfare against the US?**
- **Which country has more leverage over the other country?**

# **The U.S. Needs a better Digital Dollar to counter China's e-CNY in world trade.**

- Cryptocurrency is a misnomer. It is not money. It is software.
- China's new central bank's digital currency **e-CNY** will be the backbone for most wholesale transfers among the People's Bank of China.
- If foreign businesses want continued access to the vast Chinese market, they will be compelled to use the **e-CNY** digital currency.
- If a new bipolar world emerges, the **e-CNY** could become a powerful alternative reserve currency.
- **Should the U.S. create a copycat of China's digital yuan?**

# Is “Green Protection” Economic Warfare?

- China currently sits at the center of global supply chains.
- China is the world’s largest energy user.
- China’s carbon prices apply only to the power sector and are around \$ 8.42 per metric ton compared to \$ 84.84 in the European Union.
- The EU has a pending carbon border adjustment mechanism (**CBAM**), essentially a levy on energy-intensive imports such as steel from countries with lower carbon taxes than Europe.
- China will be among the hardest hit because of the way the tax is structured as it will likely include carbon emissions from electricity generated to run factories, and not just direct emissions from steel blast furnaces.
- **Are you in favor of a similar CBAM levy for the US?**

# Geopolitics threatens globalization

- Ordinary Russians will not benefit from the conquest of Ukraine or ordinary Chinese from the conquest of Taiwan.
- It is conflict over power that most threaten globalization.
- The announced controls on US export of semiconductors and associated technologies to China aims to slow China's economic development. That is an act of economic warfare having huge geopolitical consequences.
- China and the US generate over 40% global CO<sub>2</sub> emissions.
- A breakdown of co-operative relations may cause a runaway process of climate change.
- **Is economic warfare already becoming global?**

## **Russia caused energy crisis gives US a chance to woo European companies.**

- The Russians have handed the US a chance to win substantial foreign direct investment into its industrial sector.
- Passed Inflation Reduction Act will make the US's wind and solar power as well as green hydrogen the cheapest in the world.
- The US has crucial advantage over Europe for natural gas supplies, i.e. local, reliable and consistently cheaper.
- French President Emmanuel Macron considers the Inflation Reduction Act a threat to European industry. The law includes massive subsidies and tax credits for products from North America & assembled there.
- **Is the Inflation Reduction Act also economic warfare against U.S.'s allies?**



# Great Decision Discussion Question # 1

- How effective has the U.S. use of economic warfare been achieving U.S. foreign policy goals?
- Have the civilian deaths caused by sanctions been justified?

## Great Decision Discussion Question # 2

- Has the sanctions process become unaccountable to the American public and the Congress?
- Is it in need of reform?

## Great Decision Discussion Question # 3

- Are sanctions the best policy tools the United States has to use against Russia?
- If not sanctions, what policy should the United States pursue in response to Russia's invasion of Ukraine?
- Should the United States utilize other forms of economic warfare?

## Great Decision Discussion Question # 4

- Should the U.S. design a Combatant Command (CoCom) like structure to deal with China?
- If yes, should it be limited to military product applications, or more expansive to retard China's growing economic power?

## Great Decision Discussion Question # 5

- Should the United States take a more assertive role in limiting outbound U.S. investment to China?