

# افغانستان آزاد – آزاد افغانستان

AA-AA

چو کشور نیاشد تن من مباد      بدین بوم ویر زنده یک تن مباد  
همه سر به سر تن به کشتن دهیم      از آن به که کشور به دشمن دهیم

[www.afgazad.com](http://www.afgazad.com)

[afgazad@gmail.com](mailto:afgazad@gmail.com)

European Languages

زبان های اروپایی

<http://www.strategic-culture.org/news/2015/02/05/economics-wars-and-economic-sanctions-i.html>

## Economics Wars and Economic Sanctions (I)

Valentin KATASONOV

2/5/2015



### Economic wars in the 21<sup>st</sup> century

An analysis of economic wars from the 19<sup>th</sup> to the 21<sup>st</sup> centuries shows that, in an overwhelming number of cases, they primarily pursued and are pursuing political objectives. They differ in this from trade wars, the objective of which is to seize markets. The wars are referred to as economic wars because they put pressure on other states through economic means: trade, maritime, and credit blockades, as well as the seizure and confiscation of property.

While carrying out its aggressive foreign policy towards countries on the periphery of global capitalism, the West prefers to avoid using the term ‘economic warfare’. America’s ruling elite and its allies use neutral words like ‘economic sanctions’, ‘trade and economic restrictions’,

‘moratorium’, ‘embargoes’ and so on. As a rule, however, these restrictions, moratoriums and embargoes in combination can have a powerful effect designed to undermine an enemy’s economy, provoke social unrest, force a regime change and change political policies. The combination of economic sanctions introduced by the West against Russia in 2014 could undoubtedly be characterised as a full-scale economic war.

Among the economic wars of the past, one could call to mind the so-called ‘Continental Blockade’. This set of measures to block Great Britain’s export and import trade was carried out by Napoleon I of France between 1806 and 1814. The French Emperor, however, used the ‘continental blockade’ to not only pursue political objectives but also economic ones – to drive English manufacturers and merchants out of the markets of Continental Europe and fill them with French goods. Napoleon also managed to involve most of the countries of Continental Europe in his blockade of the British Isles, which is how it came to be known as the ‘Continental Blockade’. On the whole, the most common type of economic warfare in the 19th century was the maritime blockade. Between 1827 and 1914, 21 maritime blockades were documented against the following countries: Turkey, Portugal, the Netherlands, Colombia, Panama, Mexico, Argentina, and El Salvador. The blockades were initiated by the following countries: Great Britain (12 times), France (11 times), Italy and Germany (3 times each), Austria and Russia (2 times each), and Chile (Banking Encyclopaedia (2013) // «A history of economic sanctions»).

### **Economic wars and economic sanctions in the 20<sup>th</sup> century**

Below (Table 1) is data on the dynamics of documented cases of economic sanctions in the 20th century.

*Table 1.*

#### **The dynamics of economic sanctions in the 20<sup>th</sup> century.**

Years (five-year intervals)	Number of cases of sanctions
1911-1915	1
1916-1920	2
1921-1925	2
1926-1930	0
1931-1935	3
1936-1940	3
1941-1945	1

1946-1950	8
1951-1955	5
1956-1960	10
1961-1965	15
1966-1970	4
1971-1975	13
1976-1980	25
1981-1985	15
1986-1990	20
1991-1995	34
1996-2000	13

*Source: Gary Clyde Hufbauer, Jeffrey J. Schott, Kimberly Ann Elliott, and Barbara Oegg. Economic Sanctions Reconsidered, 3rd edition. November 2007.*

As can be seen, economic sanctions were an important and often used tool of international policy only after World War II, and especially in the last three decades of the 20th century. Between 1971 and 2000, there were 120 cases of sanctions, amounting to 69 per cent of all cases documented between 1911 and 2000.

The most ambitious economic war of the 20th century was the West's economic war against the USSR. This war had clear-cut political objectives – removing the Bolshevik government, bringing to power stooges of the countries of the Entente (primarily Great Britain and France), and changing the country's social and economic policies. Its objectives were also to get Russia to fulfil her pre-war and war debt obligations, and restore the property rights of foreigners (or, put simply, to reverse the nationalisation of foreign assets). The economic war against Soviet Russia began in December 1917, when Russia's former Entente allies declared a trade and maritime blockade on her. With a few brief intervals (first and foremost during World War II), the economic war against the Soviet state continued right up until the collapse of the USSR in December 1991. The West also carried out an economic war against other socialist countries. It was an integral part of the 'cold war' against the socialist camp (alongside information and psychological warfare and intelligence operations).

### **Economic sanctions and the economic war against Russia**

The assertion that the West did not carry out an economic war against the Russian Federation

following its formation is debatable. Thus with regard to Russia, the Jackson-Vanik Amendment to the Trade Act, passed by Congress in 1974, remains in force in the United States. It was introduced 40-odd years ago with the aim of forcing Moscow to lift restrictions on the emigration of Jews from Russia. The amendment provided for various restrictions related to both import and export trade with the Soviet Union and was only repealed in 2012. It was immediately replaced by a new act, however, known as the 'Magnitsky Act'. This act retained the right of the US government and the US president to introduce trade restrictions with the Russian Federation.

Another example is the restrictions on the supply of technology. Back in 1949, an international organisation of Western countries called the Coordinating Committee for Multilateral Export Controls, more commonly known as CoCom, was set up at the instigation of Washington. During the time of the 'cold war', CoCom put together a list of «strategic» goods and technologies not to be exported to Eastern Bloc countries. The committee developed a strategy for the «controlled technological inferiority» of countries in the Warsaw Pact military alliance. The Berlin Wall fell, the Soviet Union fell, yet this organisation continued to exist. CoCom was finally dismantled in 1994, only for the so-called Wassenaar Arrangement to appear in its place. This arrangement allowed for the supply of military and dual-purpose technologies from countries in the West to 'undesirable' countries to be restricted just as effectively. In short, the only thing that changed was the legislative acts and the organisation's door plaque, but the essence of the West's policy towards Russia remained the same as it had been towards the Soviet Union. The Russian Federation was still in the crosshairs of an economic war.

There are two reasons why the particular external manifestations of this war against Russia were not perceived until recently.

Firstly, during the first stage of its existence, the Russian Federation voluntarily followed the policies of the West and instead of being the 'subject' of international policy, the country became part of this policy and there was no need for enforcement actions to be taken against her. The West had a vast arsenal of economic warfare methods, but used them extremely rarely in the 1990s.

Secondly, because certain measures by the West do not officially have anything to do with economic warfare. But only officially. In the summer of 2014, for example, the International Court in the Hague delivered its verdict on the lawsuit filed by the 'aggrieved' foreign investors of Russian oil company Yukos. It ordered the Russian Federation to pay the claimants USD 50 million in compensation. The court's decision has a clear political motivation. The investors' lawsuit was in court for many years, but it was in 2014 that the case went 'bang'. The verdict was delivered at the height of the Ukrainian crisis, when the West had already introduced a number of sanctions against Russia, and the court's decision was designed to intensify the effect of the official sanctions imposed by the US and EU countries.

### **Half the world is under sanctions**

Russia is not the only target of the West's economic warfare. According to UN data, at the beginning of the 21<sup>st</sup> century, economic sanctions by the US and other countries of the 'golden

billion' were imposed on dozens of countries inhabited by 52 per cent of the world's population. The severity of these sanctions, as well as their range and duration, vary greatly, of course. Washington's economic war against Cuba and North Korea is generally thought to be the longest. Sanctions against Cuba were introduced in 1960, when insurgents under the leadership of Fidel Castro expropriated the property of US citizens and companies on the island. In 1962, the sanctions were stepped up to the level of an embargo and have remained in force ever since almost without any kind of easing. According to the Cuban government, direct losses as a result of the embargo which has lasted for more than half a century amount to nearly USD 1 trillion. However, Washington has never achieved its main aim of changing the country's political power.

Iran is also being subjected to a protracted economic war. Washington first imposed sanctions on this country in 1979. They have not been lifted since then, and only the range of the sanctions has changed. Even after the launch of multilateral talks with Iran on the issue of its nuclear programme (which has supposedly been the reason for the sanctions since 1990), the blockade against Iran has not been lifted completely. It is even possible to say that the easing of sanctions was largely symbolic. The war against Iran continues.

### **The arsenal of economic warfare methods in the 21<sup>st</sup> century**

At the beginning of the 21<sup>st</sup> century, the arsenal for waging an economic war has become quite extensive and is incomparable with the maritime blockades of the 19th century.

Firstly, the economic sanctions are formally declared by government departments and organisations. The sanctions may apply to all citizens and economic entities of another country (companies, banks and other organisations). They can also be sectoral, like the anti-Russian sanctions declared in the summer of 2014 against three sectors: military production, oil production, and the banking sector. In a number of cases, sanctions can also be 'targeted', (in which case special 'blacklists' are compiled). Sanctions can be 'primary' or 'secondary'. Primary sanctions refer to measures against the citizens and economic entities of the country being subjected to sanctions, while secondary sanctions refer to measures against the citizens, companies and banks of other countries assisting in the violation of sanctions. For example, courts and financial supervisory authorities have accused a number of banks in Western Europe and the US of being involved in carrying out international payments and settlements for banks and companies in countries like Iran, Libya, Syria, Cuba and Sudan (against which the US and several other European countries have declared sanctions). In addition, the banks being subjected to these 'secondary' sanctions are today incurring fines amounting to billions of dollars.

Sanctions can apply to commodity flows (export and import), transport services, the movement of labour, and cash flows. A sanction like blocking banking transactions via the SWIFT communication system can have a particularly devastating effect. Although SWIFT is a private international organisation (founded for the most part by the banks of various countries), US government agencies and those of its allies in Europe can still put a great deal of pressure on it. In 2012, under intense external pressure, SWIFT (which is officially located in the jurisdiction of Belgium) was forced to block the transactions of Iranian banks.

A sanction like freezing the foreign exchange reserves of a pariah country can also have an extremely devastating effect, and there are already precedents for this. In the past, for example, the US seized Iran's reserves, although the exact amount was not disclosed. In 2011, the reserves of Libya's central bank were seized along with the country's sovereign wealth fund. The total amount of the assets seized, according to the media, was USD 150 billion.

And if the wheels of economic warfare were to turn vigorously enough, then it is not impossible that the foreign assets of private companies and banks could also be seized, confiscated and nationalised. What's more, measures like these could be resorted to both by the countries in the West who initiate these economic wars and countries on the periphery of global capitalism who will be forced to protect themselves from such wars. During the rise of the national liberation movement in Asia, Africa and Latin America in the 1960s, a large number of cases were documented involving the nationalisation of assets belonging to transnational corporations operating in these countries. However, it would obviously be difficult to class the seizure, confiscation and nationalisation of assets by either side as conventional economic sanctions.

Secondly, economic warfare methods should also refer to measures that are not officially associated with the political motives being used to impose sanctions. A clear example of a measure like this which is 'independent' of sanctions is the manipulation of commodity and financial markets. Relying on the resources of its banks, countries that initiate an economic war (primarily the US and Great Britain) can artificially raise and lower prices on the commodity markets, interest rates on the financial markets, exchange rates on the currency markets and so on. Moreover, it can all be blamed on 'blind market forces' or, if worst comes to worst, 'greedy speculators'. The current drop in oil prices is hitting the Russian economy hard, but it is difficult to officially link this drop in prices to the war that is being unleashed against Russia. Rating agencies are unashamedly lowering the price of Russian securities to the level of garbage. And at the same time, the agencies are giving the impression that their valuations are 'independent' and have nothing to do with the current sanctions.

The US FATCA Law (the Foreign Account Tax Compliance Act) could become a powerful unofficial tool of the economic war against Russia. Officially, the law is designed to ensure the full collection of taxes for the US Treasury. But to accomplish this, the US Internal Revenue Service is this year planning to demand that all banks located outside of America provide information on those clients who have tax obligations to the US Treasury. In practice, however, under the guise of efforts to improve its tax collection, the US government is making an unprecedented attempt to place foreign banks under its direct administrative control. Russian banks are no exception. In fact, since the US is carrying out an undeclared economic war against Russia, then such control over Russian banks will most probably be used to destabilise Russia economically.

Today, it is of practical importance that our country studies the history of economic warfare in the world. In doing so, two issues are worthy of particular interest: the effectiveness of sanctions and measures to counteract sanctions. But more about that in the next article.