

GIUSEPPE DELLA TORRE

Theorizing Economic Warfare



NUOVA **ANTOLOGIA** 
MILITARE
RIVISTA INTERDISCIPLINARE DELLA SOCIETÀ ITALIANA DI STORIA MILITARE



Quaderni NAM

© 2020 Società Italiana di Storia Militare
(www.societaitalianastoriamilitare.org)

TUTTI I DIRITTI RISERVATI

Nadir Media Srl - Via Giuseppe Veronese, 22 - 00146 Roma
info@nadirmedia.it

Roma Giugno 2020

Theorizing Economic Warfare ¹

by GIUSEPPE DELLA TORRE

«We utilize theory to explain what is happening around us in the real world, for what use is theory if it cannot explain real world phenomena? The real world is messy, and the social relationships that comprise economics are complex and full of irregularities, but it is the responsibility of the economist to adapt their theory to encompass explanations for these phenomena, rather than only explore that which fits neatly into their preconceived notions of how the world works through flawed theory»².

Economic science, war economics, economic warfare

Economic science deals with war in a variety of ways. First with defense and war spending; prevention, preparation and conduct of war and military campaigns; mobilization and war economics; demobilization and post-conflict economics, including reconversion, re-construction, damage and repairs. Not less important issues are economic causes, effects and profits of war, technological revolutions and defense costs. Finally, they also refer to the war some particular economic theories, as “liberal peace”, “imperialism”, “Carthaginian peace”, “war cycles”³. The vast complex of these studies – named “war economics”⁴ in a way more impressive than rigorous – has in turn produced important cognitive tools: just think of the Keynesian theory of determining national income, the concept and criteria of estimating real capital and its amortization, *input-output* tables, war finance as

1 In Virgilio Ilari e Giuseppe Della Torre, *Economic Warfare. Storia dell’Arma Economica*, Quaderno Sism 2017, Milano, Acies Editore, pp. 7-36.

2 Gianna Christine Fenaroli, *op. cit.*, infra, nt. 47.

3 Giuseppe Della Torre, «Kondratieff Waves and War Cycles», Quaderno Sism 2017 *Future Wars*, pp. 659-670.

4 Lord Frederick W. Pethick Lawrence (1871-1961), «War Economics», *The Economic Journal*, Vol. 25, No. 100, Dec. 1915, pp. 512-520. Alfred C. Neal (Ed.), *Introduction to War Economics*, by Brown University Economists, Chicago, Richard D. Irwin, 1942.

forms of deficits coverage and management of public debt and welfare and social security debt⁵.

Less well known is that entire sectors of the economic sciences are derived from the experiences of British and American economists, including various future Nobel prizes, who collaborated in the Allied military planning during the world wars, and especially the second. Playing such a decisive role that a recent study by the U. S. Naval Institute in Annapolis even considers them to be the real architects of victory⁶. Economic consultancy related, for example, to the strategic bombing of Axis production and logistics infrastructures⁷, the study of optimal routes and the formation of maritime convoys, etc. In this context of activity, there were links with economic theory (e.g. the theory of productive interdependencies), but the most striking aspect was that of the use of new analysis techniques: in particular, game theory and operational research⁸.

It should be emphasized that the direct collaboration of economists with Allied victories did not only concern “war economics”, but also that which in international law, diplomatic practice and military and naval science was explicitly referred to as “economic warfare”; a locution used already before 1914. As early as 1931, Britain established a secret military cell to monitor German economic recovery⁹. In the second world war the Allied economists (first of all the London School of Economics, the most important world center of economic intelligence together with the specific “Unit” of *The Economist*) were in fact called to identify the production and logistics infrastructures vital for the enemy war effort, the destruction of which was therefore more profitable in terms of cost-benefits. The strategic (air, missile) bombardment, then strengthened by nuclear and precision weapons, allowed for a direct economic war, with the effects (at least in theory) faster and broader than the simple “war on trade” allowed by naval forces (corsair war and indirect blockade).

5 Hugh Rockoff, *America's Economic Way of War: War and the US Economy from the Spanish-American War to the Persian Gulf War*, Cambridge U. P., 2012, pp. 13-47.

6 Jim Lacey, *Keep From All Thoughtful Men. How U. S. Economists won World War II*, Annapolis, Naval Institute Press, 2011.

7 Gregory Alegy, «Il bombardamento strategico», in Quaderno Sism 2017, pp. 269-280.

8 V. Ilari, «Crono-bibliografia», in Quaderno Sism 2017, p. 612-13, nt. 163.

9 V. Ilari, «Crono-bibliografia», cit., p. 586, nt. 84.

The military forms of economic war, until 1945 prevalent and more conspicuous than the non-military ones, were then used only in completely exceptional circumstances (Cuba, Vietnam, ex-Yugoslavia, Gaza). Since 1714 (Utrecht peace) they have been progressively limited by international law, so much so that many once tolerated behaviors (such as deliberately starving the enemy population or destroying vital infrastructures such as dams and oil wells) after the 1977 changes to the Geneva Protocols they are considered war crimes¹⁰. Furthermore, the practice of armed protection of private investment abroad (“gunboat diplomacy”) was replaced since 1899 by international arbitration or (increasingly since 1989) by bilateral jurisdictional agreements.

Direct and transitory forms of economic warfare (with armed or legal enforcement) have always been less effective than indirect and permanent ones, as negotiations, transactions and institutes used, or specially created, not to gain an economic advantage, but to hit, limit, isolate or control the opponent’s economic and financial potential. These forms, already developed during the wars of 1757-1815, allow the economic war to continue even in peacetime. Moreover, starting from Bretton Woods and the Marshall Plan, not only have it substituted – for the same purposes and with the same effects – the old world wars, but it have become a structural component of the contemporary economic-financial system.

The label “economic warfare” (“*guerre économique*”, “*Wirtschaftskrieg*”, “*экономическая война*”)¹¹ has been used in legal and military texts since the Great War. Used in British documents already in 1937 on the proposal of Major Morton (head of the secret cell created in 1931 to monitor the German economic recovery), it was chosen in 1939 to indicate the functions of the British ministry in charge of coordinating the various forms (military and legal) attack on the German economic and financial system¹², while the analogous French ministry maintained the far more restrictive name of “*ministère du blocus*” adopted in 1914-18.

Starting from 1940, a little-known but highly interesting literature developed on the subject, to which various economists also contributed systemati-

10 See Ferdinando Angeletti, «Scorched Earth», in *Quaderno Sism* 2017, pp. 531-540.

11 Henceforth «EW».

12 Ilari, «Crono-bibliografia», cit., p. 596, ntt. 113 e 114.

cally. The contributions of the 1940s also reflected the functions and practices of the American boards in charge of waging EW¹³.

The war apparatus of the allied EW was dismantled in 1945, but the EW continued without solution of continuity towards the Communist Bloc, so much so that today not only a historiography of the “Economic Cold War” is developing, but also the other aspects of the Cold War are reinterpreted in the categories of EW. And the Reagan presidency went down in history as the one that struck the decisive blow to the Soviet economic system, complicating economic cooperation with Germany, lowering the price of oil (according to the American-Saudi agreement) to halve Soviet financial resources, and imposing to Moscow (at no cost to the United States) the suicidal choice between surrender and rearmament (“Star Wars”¹⁴). Already at the beginning of the Cold War the growing complexity of legal EW (defensive and offensive) led some economists to give restrictive definitions, expunging not only its illegal forms (boycott, dumping, sabotage, espionage, smuggling, counterfeiting, money laundering, corruption) but also the military ones. However, it should be noted that this does not correspond to the definitions codified in the administrative law and in the military regulation of the Super Powers.

Paradoxically, however, as the legal panoply of the EW was widening and improving, the clarity of the definitions found in the military, legal and economic texts prior to the “détente” has faded. In April 1953 Eisenhower imported from Germany the concept of *Aussenwirtschaftspolitik* (“foreign economic policy”), meaning that economic policy must not have purely economic ends, but be consistent with, and subordinated to the geopolitical and strategic ends of the state. After the Cold War, labels such as “Economic Statecraft”¹⁵, “geo-economics” and “economic intelligence” already in use before 1914 returned to use, sometimes with new meanings.

Economic science has so far neglected the study of EW, partly because of the liberal dogma that the economic interdependence created by free trade makes mercantilism and protectionism obsolete and geopolitical conflict irrational; and partly due to the low incidence ($\leq 1\%$) of the embargoes on the global volume of trade (so much so that the Peterson Institute of Washington,

13 Details in Ilari, «Crono-bibliografia», cit.

14 Ilari, «Crono-bibliografia», cit.

15 David A. Baldwin, *Economic Statecraft*, Princeton U.P., Princeton, 1985, p. 36.

one of the main liberal think tanks, advocates the recourse to sanctions). The relationship between war and economic interdependence remains, however, an open question, recently addressed on the basis of in-depth historical research by Dale C. Copeland, one of the greatest scholars of the economic causes of wars, among which there is precisely excessive interdependence¹⁶. After all, the *Great Illusion* was not, as Norman Angell wrote in 1911, total war, but liberal peace. The globalization that followed the end of the Cold War is not an unprecedented event: but only the second of the last century after that which began in 1870 and exploded in 1914.

As for the low *quantitative* impact of sanctions on the global volume of trade (however doubled from 1975 to 1995) it is completely misleading. Firstly, because it does not take into account the economic effects in terms of non-growth and geopolitical ones in terms of the displacement of international trade flows and balances. And secondly because the embargoes are only *one* of the weapons for EW, a protean monster that camouflages itself increasingly in the same way globalization works. War, Clausewitz teaches, “resembles a chameleon, because it changes nature in every concrete case”. One of the “ruses de guerre” of the ongoing world EW is the myth / dogma – shared by both globalists and their opponents, especially in old continental Europe – of the obsolescence of the state and sovereignty. But an unprejudiced and not inattentive reading of EW practice and international literature shows a completely opposite reality.

Definitions of Economic Warfare

As the Norwegian economic cold war historian Tor Egil Førland writes,

«Analysts differ as to whether to base their definition of economic warfare on means employed or on ends sought after; the solution preferred here is to view economic warfare as a continuum of policies aiming to weaken the economic base of the adversary’s power»¹⁷.

16 Dale C. Copeland, *Economic Interdependence and War*, Princeton U. P., 2015. Of the same see *The origins of Major War*, Cornell U. P., 2001. Useful répertoire of economic wars is Ali Laïdi, *Histoire mondiale de la guerre économique*, Paris, Perrin, 2016.

17 Tor Egil Førland, «Economic Warfare and Strategic Goods: A Conceptual Framework for Analyzing CoCom», *Journal of Peace Research*, Vol. 28, No. 2, 1991.

The first “official definition” of EW is that formulated by the British Imperial Defense Committee on July 27, 1939:

«The aim of economic warfare is so to disorganize the enemy’s economy as to prevent him from carrying on the war. Its effectiveness in any war in which this country may be engaged will vary inversely with the degree of self-sufficiency which the enemy has attained, and/or the facilities he has, and can maintain, for securing supplies from neighboring countries, and directly with the extent to which (i) his imports must be transported across seas which can be controlled by His Majesty’s ships, (ii) his industry and centers of storage, production, manufacture and distribution are vulnerable to attack from the air, and (iii) opportunities arise from interfering with exports originating from his territories»¹⁸

Dean Acheson (1893-1971), one of the greatest protagonists of the economic war against the Third Reich and the USSR, ultimately saw it as a real siege (“the aim of the EW – we read in his memoirs – is to cut the enemy’s supplies, information and funds from foreign territories and prevent communication with them”¹⁹). The March 1950 report of the American EW Planning Committee made it consist in employing

«economic, diplomatic, military or other measures to injure an enemy’s economic support of his war effort or a possible enemy’s economic potential. It includes such measures as shipping controls, naval interceptions, export controls, proclaimed listing, preclusive buying, financial precautions, war trade agreements, alien property control, foreign exchange control, and military attack on enemy economic targets»²⁰.

18 William Norton Medlicott (1900-1987), *The Economic Blockade* (History of the Second World War, United Kingdom Civil Series, edited by W. K. Hancock), London, His Majesty’s Stationary House and Longmans, Green and Co., 1952, vol. I, p. 1. Excellent history of the concept in Murat Önsöy, *The World War Two Allied Economic Warfare: The Case of Turkish Chrome Sales*, Inaugural-Dissertation in der Philosophischen Fakultät und Fachbereich Theologie der Friedrich-Alexander-Universität Erlangen Nürnberg, 15 April 2009, pp. 5-18.

19 Dean Acheson, *Present at the Creation. My Years in the State Department*, New York, Norton and Company, 1969, p. 48, cit. in van Ham, cit. infra, p. 141.

20 JLPC 456/1 Report by the Joint Logistics Plan Committee (JLPC) in collaboration with Joint Strategic Plans Committee (JSPC) and Joint Intelligence Committee (JIC) to the Joint Chiefs of Staff (JCS), March 6, 1950. Note by the Secretaries (P. C. Stimson and A. J. Evans Jr). Declassified 2003/18/8. The report cites six notes (NSRB Doc. 118/1-6) relating to «description of standard nonmilitary measures for waging EW»: «a) proclaimed listing; b) preclusive buying; c) export controls; d) import controls; e) foreign economic assistance; f) foreign asset control». Four other «additional monographies» were being worked on: «a) Foreign procurement and development; b) framework of international economic cooperation; c) economic intelligence; d) organizational plan for economic

The definitions attempted later by American economists and political scientists²¹ – especially at the time of Containment, Marshall plan, development aid and Washington Consensus – instead left aside (considering them wrongly obsolete or marginal) military forms of EW. Some, such as Yuan-li Wu – a specialist in Chinese economic history, born in 1920, trained at the LSE and a professor at Stanford, later (1969-70) Deputy Secretary of Defense – made it essentially consist in the construction of the Economic Statecraft and the Foreign Economic Policy. In a 1952 book Wu defined EW “the use of all those international economics measures which directly enhance a country’s relative strength”, consisting mainly of “long-term measures” for the purpose of “penetration” and creation of dependence (“attachement”)²².

Eight years later Robert Loring Allen (1921-1991) – pupil and future biographer of Joseph A. Schumpeter, war veteran and CIA economist from 1951 to 1956 – instead defined EW as a “State *interference* in international economic relations for the purpose of improving the relative economic, military, or political position of a country”. Unlike Wu, Allen considered EW above all as a derogation from the logic of the free market, consisting in the economic blockade of the potential enemy²³. Thomas Schelling (1921-2016), the famous theorist of “coercive diplomacy” or “compellence”, called EW “economic means by which damage is imposed on other countries or the threat used to bring pressure on them”²⁴.

A Yale University discussion paper²⁵ defines EW in the strict sense [not

warfare». Finally, the report specifies that the DoD competence about the «standard non-military measures» is limited to draft the Munitions List (a task attributed to the DoD Munitions Board).

21 Details in Ilari, «Crono-bibliografia», cit.

22 Yuan-li Wu, *Economic Warfare*, New York, Prentice Hall, 1952. Judy Chu, *Junzi, A Man of Virtue. The Biography of Yuan-li Wu*, transl. by Ta-ling Lee, U. P. of America, 2003. On Wu see van Ham, cit. infra, pp. 140-141. P. J. D. Wiles (Ed.), *The Prediction of Communist Economic Performance*, Cambridge U. P., 1971, p. 117.

23 R. L. Allen, *Soviet Economic Warfare*, Public Affairs Press, Washington, 1960. On Allen see van Ham, cit. infra, p. 141, and Ilari, «Crono-bibliografia», cit. (nt 227-229).

24 Cit. in van Ham, cit. infra, p. 141 (in turn cit. by D. A. Baldwin, *Economic Statecraft*, Princeton U. P., 1985, pp. 37, 38. See Ilari, «Crono-bibliografia», nt. 310).

25 Martin Shubik with J. Hoult Verkerke, *Defense Economics and Economic Warfare Revisited*, Cowles Foundation for Research in Economics, Discussion Paper No. 789, Yale University, 1986. Id., «Open Questions in Defense Economics and Economic Warfare», *The*

to be confused with “defense economy”] as “the use of economic weapons for strategic purposes undertaken by a government to promote its national objectives”. The “economic weapons”, which do not require to be “supported by military force”, consist of “sanctions, embargoes and cartels” for “deny re-sources to an enemy by restricting or cutting off supplies usually derived through normal trade”. They include “preclusive buying or destruction of goods, limitation of capital flows and suspension of foreign aid”, but also “use of debt to gain political leverage” and “brain drain” [the Soviet emigration ban of “highly skilled professional”, presented from the United States as a human rights issue, “involves a technology transfer component”]. They can be defined as “a form of strategic damage exchange” to impose “costs upon the target nation for its behavior, actual or anticipated”. Their success depends on the ability to restrict alternative sources of supply or other means of evasion; Econometric studies have been underway for some time to measure the effects of the sanctions. However, the study also analyzes other purely military (“attacks on economic targets by sabotage, mining, blockade, bombing”) or hybrid (“industrial mobilization, arms races and stockpile of strategic materials”) forms of EW. Overall, the study identifies nine EW “topics” in a broad sense:

1 «logistics and convoy» [for force projections], 2 economic and industrial «mobilisation»; 3 «sanctions, sabotage and embargoes»; 4 «strategic materials»; 5 «blockade»; 6 «cartels»; 7 «bilateral arms race» [es. Reagan Star Wars: potlach]; 8 «arms industry»; 9 «finance».

Each topic is analyzed both in general terms and with reference to various levels of conflict: “cold war”, “proxy / client war”; “Limited war”; Conventional war; “Nuclear war”. For example, the blockade can scale from “mining” to “fleet blockade” to “siege warfare”, up to the extermination of the enemy population by starvation. The last part of the study deepens the naval aspects. Also mentioned are oligopoly and monopolistic market, considered “economic warfare for private economic purposes”.

In a 1992 essay on the economic history of the cold war, the Dutch geopolitician Peter Van Ham (1964) critically discussed the above definitions of EW [except the Yale one], distinguishing between “Economic Security”, “offen-

sive and defensive Economic Warfare” and “Strategic Embargo” considering it as the typical form of “Western Economic Defense” and thus concluding: “only the enhancement of a country’s relative strength and power for political or strategic reasons must be labelled ‘economic warfare’”²⁶.

In reality, these definitions do not keep pace with the evolution and intensification that the non-military forms of EW had, not too paradoxically, right after the end of the Cold War and the beginning of the second globalization. In fact, it is not possible to deduce a general definition of EW from the general principles of economic science, above all if we ignore the practice of international trade which now contradicts the general principles of free trade at specific levels and in fact responds to protectionist and mercantilists logics.

An economic theory of EW therefore presupposes an inductive taxonomy of practices, such as to configure, even before 1914, a real “international law of economic warfare”. However the latter do not yet seem sufficiently focused by economic science, at least in continental Europe and especially in Italy.

Since law is an expression of power relations, the historical evolution of the international law of the EW reflects the progressive affirmation of the global supremacy of the Anglosphere, so much so that the EW is now considered as “The Western Way of Warfighting”. Just think that the embargo (in fact monopolized by the hegemonic Power) is legal, while the boycott (if used by the ‘antagonists’) is illegal. The most striking aspect, however, is the total obsolescence of neutrality, possible in armed conflicts but not in economic ones (as evidenced by the forced reception of American unilateral sanctions by the European Union and other allies, on which inevitably bears the greatest cost without the slightest forecast of burden sharing, neither transatlantic nor inter-European). To which is added the growing extraterritoriality of American national law in the field of antitrust, corporate and insurance law, environmental protection, tax, intellectual property²⁷.

Unlike normal economic competition, the EW is truly ‘war’, therefore a zero-sum game, where the gain of one equals the loss of the other. The aim is not in fact economic, but political. It is improper to speak of EW between companies, because EW is an exercise of sovereignty. The offensive EW con-

26 P. van Ham, *Western Doctrines on East-West Trade. Theory, History and Policy*, Macmillan, Basingstoke and London, 1991, pp. 140-142.

27 V. Ilari, «Just US», in *Quaderno Sism* 2017, pp. 541-551.

sists in pursuing the ability to inflict or threaten economic-financial damage (or preclude advantages), for a political purpose (e. g. to provoke a change of policy or regime, to strengthen a coalition). Defensive EW is about reducing your vulnerability to offensive EW. In classical economic weapons (e. g. embargoes), the political aim is explicit (although the declared aim rarely corresponds to the true aim and the true target is not always the sanctioned country). This does not happen, however, when the EW uses the same ‘weapons’ as the market, as is increasingly happening after the end of the cold war. In legal deals, in fact, it only matters the objective ‘cause’, not the subjective intention of the parties.

Among the EW traditional weapons we can distinguish those aimed at undermining the enemy economic-financial system (limitation of the flow of capital, suspension of aid, embargo, control of foreign goods and trade, monetary and financial war, maneuvers on debt public to cause bankruptcy or regime change) or to prevent or control its growth and make it dependent (market penetration, commercial agreements, free economic zones, exclusive purchase, brain drainage, management of international aid, foreign economic assistance, financing of investments from abroad). Finally, there are illegal systems (boycott, predatory prices, dumping, counterfeiting, triangulation, smuggling, sabotage, economic espionage, insider trading, cartels, corruption, money laundering).

Each of these ‘weapons’ would require a historical-statistical study and an economic analysis of the size of a book. In this introduction to the first Italian collective study on the EW I limit myself to setting, in general terms, the lines of research on the three most emerging issues today (sanctions, financial warfare, economic intelligence).

Economic sanctions: a) introduction

Economic sanctions²⁸ consist in the selective blocking of trade with a “tar-

28 We do not consider diplomatic sanctions, the interruption of communications and the pure arms embargo here. During the Cold War, the control of exports of “dual-use” (military and civil) and in particular nuclear products and technologies was collectively applied by the US and its allies as a means of EW against the communist bloc (CoCom, ChinCom), but later took on a cooperative structure. See in this Quaderno the articles by Marco Giulio

get” state by a “sender” state or coalition, to induce it to change its policy or regime. The sanction generally consists in the suspension of aid and / or the blocking of exports of critical goods and technologies (embargo), more rarely of imports (boycotting). The macroeconomic accounting (input-output tables) allows you to calculate the impact of the measures on the various sectors of the target economy and identify the optimal targets in terms of cost / effectiveness, according to the following criteria:

«1. maximum impact on important production and economic sectors of the target; 2. lack of internal or external replacements; 3. effective ability of the sender to control exports to the target; 4. Low incidence of exchange with the target on the balance of payments of the sender and / or possibility of export to other countries; 5. impossibility for the target to obtain the export of the sender from a third country; 6. possibility to replace the import from the target; 7. possibility to easily monitor the embargoed transactions»²⁹.

Of course, the target’s “vulnerability” increases with the weight of its exchange on GDP and when exports are concentrated on few goods and few countries. The calculation must obviously include the target’s countermeasures, such as reducing the consumption of embargoed goods, producing them locally or subrogating them and obtaining supplies from or through third parties or through smuggling.

The League of Nations Statute provided for international sanctions as a means of collective defense against aggression, also sanctioning the principle of fair burden sharing between members of the sender coalition. Although the idea came from President Wilson, who based on sanctions his campaign for joining the LON, the United States remained out of it. It was precisely their absence that determined the non-application to Japanese aggressions and then the failure of the 1935 sanctions against Italy³⁰. The proof is that in 1941 the unilateral American oil embargo put Japan back to the wall, prompting it to attack Pearl Harbor³¹. The lesson, widely verified after 1945, is that the effec-

Barone, Rebecca Chemello and Emanuele Farruggia and the «Chrono-bibliography».

29 Johan Galtung, «On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia», *World Politics*, Vol. 19, No. 3, 1967, pp. 379-388.

30 See Luciano Luciani in *Quaderno Sism* 2017, pp. 247-262.

31 The ‘anti-American’ argument that sanctions can provoke, rather than prevent, armed conflict is controversial. Some American authors cite in this regard the analogous historio-

tiveness and efficacy of the sanctions depend entirely on the geo-economic weight and the international leadership of the sender and that the only truly fearsome and credible sanctions are those imposed by the United States.

Article. 41 of the United Nations Charter acknowledged the institution of collective economic sanctions as “short of war” measures (and without burden sharing), but the application, which presupposes the unanimity of the members of the Security Council, was paralyzed by the cold war until 1988: therefore international sanctions were sent only against Rhodesia and South Africa. On the other hand, since 1944 the United States has made increasing use of unilateral sanctions, with over 120 measures in seventy years, not only related to the cold war (USSR and COMECON 1948, China 1949, North Korea 1950, Vietnam of the North 1954), but also against hostile governments to destabilize them and provoke regime changes. A practice imitated by the USSR (Berlin Block 1948-49, Yugoslavia 1948-55, Finland 1958, Albania 1961) but ineffective due to their insufficient economic impact. Since 1973 (South Korea) in over 50 cases, even unilateral sanctions have been motivated with the protection of democracy and human rights (also by Russia in favor of Russian minorities in ex-USSR countries)³².

The Peterson Institute for International Economy (PIIE) in Washington, a strong supporter of globalization and free market, has been producing for several years a valuable statistical monitoring of sanctions, which were increasingly frequent (8 cases in 1946-50, 15 in 1960-65, 25 in 1975-80, 34 in 1990-95) and increasingly protracted over time. Out of 174 cases surveyed, only 20 concern international measures pursuant to art. 41 UNC. The others are all unilateral coalition measures: 109 US and allies, 16 UK and allies, 14 EU, 13 USSR and allies, 4 Arab League³³. The target countries are Eurasian, Balkan, Middle Eastern, African and South American countries and the antagonistic blocs to the West, equal to one third of the world economy and two thirds of the population.

graphic controversy on the decrees of Megara as casus belli of the Peloponnese war (Ilari, «Crono-bibliografia», p. 548, ntt. 137, 311).

32 Ilari, «Crono-bibliografia», ntt. 172-178.

33 Gary Clyde Hufbauer, Jeffrey J. Schott and Kimberly Ann Elliott, *Sanctions Reconsidered*, PIIE, Washington, 20083, Appendix. Hufbauer *et al.*, «Post-2000 Sanctions Episodes», PIIE, 2012, *online*.

Indeed, like the “indirect naval blockade” practiced by Great Britain in violation of Utrecht law, unilateral sanctions are primarily “war on neutrals”³⁴. As the British Orders in Council of the Crown and the laws of Parliament, so the Executive Orders of the President and the laws of the U. S. Congress do not admit defections, under penalty not only of economic retaliation, but even of the most serious criminal sanctions imposed by the American courts to foreign private individuals who violate American embargoes. Consequently, starting in 1995, Europe began to implement, often aggravating them, the sanctions previously decided by the United States (with the only exception of Cuba), so much so that in July 2016, the EU-sanctioned countries were 34³⁵.

There is a vast literature on sanctions, more political, sociological, legal and ‘militant’ than economic and neutral³⁶. Critics argue that they are ineffective and counterproductive (they allow the target government to blame the economic inefficiency and exploit patriotism on the sender) and that they inflict disproportionate suffering on the population of the target country (but the impact on morbidity and mortality rates). Furthermore, the US and EU have gradually developed ‘surgical’ (“smart”) sanctioning strategies, targeted on the interests and structure of the elite (as the ‘anti-Siloviki’ sanctions, intended to destabilize the opponent’s deep state).

Le sanzioni economiche: b) analisi economica

Although expressed in current values, PIIE statistics allow you to set up an economic analysis of the penalties. The global cost of sanctions (GCS) inflicted by the sender to the targets triples from US \$ 0.84 billion in 1911-15 to an average of 2.30-2.40 for the three decades 1961-1975. In the following, the figures soar, but since they are not deflated at constant prices, it is not possible to quantify the effect determined by the increase in the number and duration of the penalties (protracted for several decades). Furthermore, the increase in GCS is significantly lower than the increase in the global volume of trade

34 Ilari, «Vaincre la mer par la terre, 1793-1815», Quaderno Sism 2017, pp. 125-154.

35 European Commission, *Restrictive measures (sanctions) in force* (Regulations based on Article 215 TFEU and Decisions adopted in the framework of the Common Foreign and Security Policy), updated to 07.07.2016.

36 Ilari, «Crono-bibliografia», passim.

(GVT), so that the CGS / GVT incidence falls in half a century (1945-95) from 1.4% to 0.6%, «just a ridge in the sea of the world economy»³⁷.

Impact of the global costs of sanctions on the global volume of trade³⁸

Period	GCS/ GVT	Main Sanctions
1911-15	5.6	Entente Naval Blockade against Central Empires
1936-40	1.6	U. S. sanctions against Mexico, Germany, Japan
1941-45	1.4	Allied sanctions against Axis
1946-50	1.7	Arab League against Israel, Cold War
1961-65	1.4	U. S. vs Cuba, U. N. vs SA/Rh, AUO vs Portugal
1971-75	0.3	U. S. vs Soviet Union, Vietnam, Chile, India, Pakistan
1976-80	0.4	25 countries under sanctions
1991-95	0.6	34 countries under sanctions

Although the GVT is an obligatory *benchmark*, it is unfit to comparing structurally different historical periods. Apart from the doubling of the GCS / GVT ratio from 1975 to 1995, it simply emerges that the economies that dominate world trade do not seem to have had significant consequences from the sanctioning process. Then nothing tells us about the effects on sanctioned countries and on concrete transactions subject to restrictions.

The PIIE has also developed³⁹ other indicators to assess the degree to which the sender has actually achieved the stated objectives [“success score”, SS, on a scale from 1 to 16] and the impact of the cost on the GDP of the target country [“cost to target”, CTT]. Considering the application of extremely complex models elaborated by economists problematic, the authors estimat-

37 *Ibid.*, p. 17. Similar considerations apply to the cost (for the USA) of the global war on terror (GWOT), equal, at constant prices, to one third of the cost of the Second World War. In reality, even regardless of the different length of the two wars (fifteen to five years), the incidence of GWOT costs collapses due to the exponential growth of American GDP. War expenditures peaked at 35.8% of GDP in 1945, but in 2008 they were a bearable 1.2 (a quarter of total defense expenditures).

38 *Ibid.*, tab. 1.1 e 1A.1, pp. 18, 20-33

39 *Summary of Economic Sanctions Episodes, 1914-2006*, online.

ed the CTT on the basis of “coefficients” attributed to the various types of sanctions (e. g. the suspension of economic and financial aid is assigned the coefficient “-100%”, While lower coefficients are attributed to the block of commercial flows, depending on the degree to which the target’s access to alternative flows is deemed possible⁴⁰.

The SS is equal to the product (from 1 to 16) of two “subjective indices” (from 1 to 4), which measure the results of foreign policy and the contribution of sanctions, independently of other coercive measures (covert / military operations) . Success goes from 9 up, while 1 indicates a total flop.

Different combinations between SS and CTT			
<i>I SS high (≥ 9) e CTT high ($\geq 3\%$)⁴¹ SS CTT</i>			
1914-1919	Entente naval blockade against Central Empires	12	7.1
1991-2001	USA vs Yémen to reinforce UN embargo vs Iraq	9	5.2
1998-2001	UN vs Yugoslavia, Bosnia civil war	9	13.3
1998-2001	USA vs Serbia, destabilization of Milošević	12	8,3
<i>II SS high (≥ 9) e CTT low or zero ($0 \leq 3\%$)</i>			
1921-1921	SN vs Yugoslavia, conflict with Albania	16	0.0
1925	SN vs Greece, withdrawal from Bulgaria	16	0.0
1933	Great Britain vs USSR, release of British citizens	12	0.02
1939-45	USA vs Germania	12	1.4
1940-45	USA vs Giappone	12	1.9
<i>III SS low or zero (≤ 9) e CTT low, zero or negative</i>			
1935-1936	SN vs Italy for aggression against Ethiopia	2	1.7
1939-45	USA vs Germany, regime destabilization	8	1.4
1940-41	USA vs Japan, Withdrawal from South-East Asia	1	0.9
1941-45	USA vs Japan, regime change	8	1.9

⁴⁰ Gli autori scomodano addirittura la terza legge del moto di Newton (azione e reazione) per spiegare il principio «il nemico del mio nemico è mio amico». Le sanzioni sovietiche avvantaggiarono la Jugoslavia di Tito, perché furono più che compensate dagli aiuti occidentali, con un CTT negativo (-2.5% sul PIL).

1948-1955	USSR vs Yugoslavia, regime destabilization	1	2.5
1992-1994	European Community vs Algeria, democracy	4	0.1
<i>IV SS low or zero (≤ 9) e CTT high ($\geq 3\%$)</i>			
1918-1920	UK vs Russia, Bolshevik destabilization	2	4.1
1987-1990	USA vs Panama, regime change	8	6.0
1988-...	UN vs Somalia, civil war and human rights	2	7.5
1990-...	USA vs Cuba, Castro's destabilization	4	14.0
1990-91	UN vs Iraq, Kuwait invasion and hostage release	2	30.0
1991-2003	UN vs Iraq, regime destabilization	2	54.0
1998-1999	USA vs Serbia, Kosovo	6	8.3

In 1990 PIIE had argued that the most effective option to force Saddam Hussein to withdraw from Kuwait would not be the military one but the embargo⁴¹. According to PIIE, examples show that sanctions work in a third of cases and are therefore a reliable instrument as a 'Wilsonian' measure as an alternative to the use of armed force. However, the statement must be weighted, because the level of the SS and CTT indicators is the result of the interaction of variables that are subdued to the indicators themselves. The differences between successes and costs are not random, but depend on the different type and intensity of the sanctions and on the historical context. While appreciating the PIIE database, Robert A Pape – a political scientist at the University of Chicago determined to be the supporter of the strategic bombing (*Bombing to Win!*)⁴² – claims that in practice none of the 40 examples “remain standing” to a careful verification. In 18 cases, success depended on the concomitant use (direct or indirect) of the armed force. Another 8 do not show a positive

41 Robert A. Pape, «Why Economic Sanctions do not work?», *International Security*, vol. 22, Issue 2, Autumn, 1997, pp. , pp. 91-92, e ntt. 9-10. Cfr. S. Allen, «The Determinants of Economic Sanctions Success and Failure», *International Interactions*, vol. 31, 2005, No. 2, pp. 117-138. A. Ang and P. Dursun, «When Do Economic Sanctions Work?», *Political Research Quarterly*, vol. 60, No. 1, pp. 135-145.

42 Robert A. Pape, *Bombing to Win. Airpower and Coercition in War*, Cornell U. P., 2014. Cfr. pure Clifton Morgan e Valerie L. Schwebach, «Fools Suffer Gladly: The Use of Economic Sanctions in International Crises», *International Studies Quarterly*, vol. 41, No. 1, 1997, p. 43.

response from the target, 6 cannot be placed among the economic sanctions, 3 are indeterminate. According to Pape, the cases in which the sanctions have been fully successful are not more than 5 and all before 1945. But it is precisely the underlying philosophy of ‘Wilsonian’ sanctions that Pape disputes, that is, the dissuasive or persuasive effectiveness of economic “punishments”. The target is such because it is already a pariah or antagonistic state, which has nothing to lose except national freedom or international equality (in the case of Russia and China) residual or claimed. The sanctions are well on the fire of nationalism and authoritarianism, which allows governments to pass the cost of sanctions on hostile or unrepresented social groups and to find an excellent excuse for their economic inefficiency⁴³.

In my opinion, both theses deserve the following critical findings.

1. CTTs are the synergistic result of a plurality of factors (quality of penalties, choice of objectives, feedback from the *target* and third countries, collaboration of the sender’s allies and internal economic actors). Schedules can be erroneous or inadequate for the sender’s stated purposes; the objectives may be too elusive, the means too light and the cooperation with other nations too lukewarm. The target can in turn reduce consumption, develop substitutes and find commercial alternatives and geopolitical sponsorships.
2. The comparison does not take into account the costs incurred by the sender. In addition to the ‘monetary’ ones (to plan and monitor sanctions) it is necessary to calculate the incidence on one’s exports, the risk of loss of market shares and the image costs if the failure compromises the international credit of the sender. The ‘demonstration of will’ is in fact at the top of the aims of the sanctions, especially for the American ones, often only imposed because the ‘opportunity’ cost of inaction is higher than the cost of failure.
3. In evaluating the SS, it must be taken into account that the declared purposes are often a pretext or fictitious: the ‘failure’ can even be intentional, to encourage the full success of the true hegemonic, protectionist and mercantilist purposes (delaying the development of a competitor, compensating the abatement of tariffs and non-tariff barriers, conquering market shares at the expense of the partners of the sanctioning coalition, reassem-

43 R.A. Pape, «Why Economic Sanctions do not work?», cit., pp. 92-93

bling the coalition by blocking centrifugal pushes – “war on the neutrals”). The real purpose may also be internal politics (seeking consensus, lobbying social, financial and industrial lobbying).

4. Sanctioning an enemy usually reinforces the hegemonic coalitions, but it can also be counterproductive, when the ‘cost of issue’ places an excessive burden on minor partners and above all if it compromises their vital interests. Moreover, the only case of ‘allied revolt’ occurred in the early 1980s, when the European partners of CoCom refused to forbid the transfers of critical technology necessary for the development of the Euro-Soviet gas pipelines⁴⁴. The same also occurs within the hegemonic sender: here are the economic sectors most penalized by the issue costs to press for withdrawals, lightening or compensations. In addition to the immediate monetary loss (due to the cancellation of contracts), the national enterprises of the embargoed sectors risk losing market share and reputation as “unreliable suppliers”⁴⁵.

Financial Warfare (FW)

Among the repercussions of the “9/11”, the crisis of 2008 and the Intifada, there is also the development of literature on the financial (FW) and legal (“Lawfare”) war, themes on which there are already three fundamental monographs, two a historical-juridical one by Gianna Christine Fenaroli⁴⁶ and an autobiographical one by Juan C. Zarate⁴⁷ - on the FW, and one by Orde F. Kittrie on the Lawfare⁴⁸.

According to Fenaroli, who is programmatically inspired by the ‘heretical’

44 George E. Shambaugh, *States, Firms, and Power: Successful Sanctions in United States Foreign Policy*, SUNY Press, 1999.

45 R.A. Pape, «Why Economic Sanctions do not work?», cit., pp. 94-99.

46 47 Gianna Christine Fenaroli, «Financial Warfare: Money as an Instrument of Conflict and Tension in the International Arena», Senior Project Spring 2016, Paper 136, Bard college Digital Commons, Annandale-on-Hudson, New York, May 2016. Cfr. Zakary K. Goldman and Elizabeth Rosenberg, *American Economic Power & The New Face of Financial Warfare*, Center for a New American Security, Economic Statecraft Series, June 2015.

47 Juan C. Zarate, *Treasury's War: The Unleashing of a New Era of Financial Warfare*, Public Affairs, New York, 2013.

48 Orde F. Kittrie, *Lawfare. Law as a Weapon of War*, Oxford U. P., 2016.

post-Keynesian chartalism [according to which sovereignty consists in being able to beat money], the FW consists in undermining the power of a sovereign by attacking its currency by direct or indirect means. The author includes the sovereign creation of a new currency [such as the “continental currency” of 1775], the counterfeiting of the enemy currency [made by the British against the Thirteen Colonies, by the Southerners against the Union and by the Third Reich against the Allies, but the subject of growing alarms], the sell-off of the reserves in enemy currency to depreciate it [as Eisenhower did in 1956 with the pound to force England to withdraw from Suez⁴⁹], the financial sanctions [freezing of enemy bank accounts and blocking access to credit, as Carter did in 1979 against Iran] and finally the FW al and terrorism. Being by definition an exercise or a claim of sovereignty, the FW does not include private speculation, even if motivated by political purposes. In fact, it requires three “preconditions”:

- a) a financial power superior to that of the enemy;
- b) macroeconomic flexibility based on the availability of a strong currency;
- c) elastic access to credit and the ability to deny it to the enemy, based on the power to impose one’s own rules (*legibus soluti*).

Conditions that only the United States have enjoyed for a century. The risk of a financial Armageddon caused by the massive sell-off of Chinese dollar reserves is unlikely precisely because China does not meet the requirements highlighted by Fenaroli. However, it is undeniable that a “balance of financial terror” is also being created between the two competitors.

A military theory of FW was sketched in 2013 by David Katz, a retired officer and financial adviser⁵⁰. According to Katz, the era when the “financial

49 «In the 1956 Suez crisis, when Britain and France landed forces on the Suez Canal to prevent its nationalization by Egypt, President Dwight Eisenhower looked for ways to pressure London to call off the attack. Clearly, Washington could not take direct military action against NATO allies. Eisenhower turned instead to financial warfare. He ordered the Treasury Department to dump British Sterling on the international market. This depressed the value of the British pound, causing a shortage of reserves needed to pay for imports. If this financial situation had continued for much longer, it would have also increased British inflation. The message quickly got through to London, which, along with Paris, soon pulled out of the canal». Paul Bracken, «Financial Warfare», *Foreign Policy Research Institute, ENotes*, Sept. 2007.

50 David J. Katz, «Waging Financial War», *The US Army War College. Parameters*, Vol. 43,

depreddation” was at most a mere EW fallout has ceased. Already at the time of Suez, American supremacy had made it possible to defeat Great Britain with the only FW; that differs from the EW because instead of goods and services it attacks money and credit. Today the possibilities of FW are amplified by the recent huge growth of the global financial markets. The purpose of the FW is “to disarm opponents by reducing their ability to finance production or distribution, complete transactions, or manage the consequences of a transaction failure”. The FW can support the political objectives of the United States “by attacking regime elites, collapsing trade, draining foreign currency reserves, de-creasing economic production, spiking inflation, driving unemployment, increasing social and labor unrest and accelerating population migration”. It can amplify and accelerate the damage inflicted by the economic war and with owl operations it can map reactions to crises by individuals, elites, organizations, nations. The offensive FW aims to alter the opponent’s ability to create ‘Black Swans’, forcing the opponent to move from “kinetic battlespace” to “financial market-place”, while the defensive FW tries to decentralize and create other skills.

Zarate, an analyst at the Center for Strategic and International Studies (CSIS) and a former US Treasury official, focuses essentially on FW as anti-terrorist resource and focuses on the experience of the Office of Intelligence Analysis (OIA), the small group of officials who, after the reform of 2004, equipped the department for a neighborhood-free struggle against the financial flows of terrorism and inter-national crime and “rogue states” such as Iran and North Korea. A “hidden war” that Zarate considers an unprecedented improvement in the FW. The story of the ten-year campaign, also fought in the labyrinth of administrative skills, ends with general lessons on the use of financial power. The essay had mostly positive reviews⁵¹, but according to some, the American FW on terrorism was instead pure propaganda⁵². And

No. 4, Winter 2013-14, pp. 77-79.

51 Bryan Burrough, «Treasury’s War, Missiles for a Financial Battlefield», *The New York Times*, August 31, 2013; Jordan Chandler Hirsch, «Review of J.C. Zarate, *Treasury’s War*», *The Washington Post*, Sept. 28, 2013; Leah McGrath Goodman and Lynnley Browning, «The Art of Financial Warfare: How the West Is Pushing Putin’s Buttons», *Newsweek*, April 24, 2014; «Fighting Terrorism with Financial Artillery», *Boston University School of Law*, March 2, 2015.

52 Ibrahim Warde, *The Price of Fear: The Truth Behind the Financial War on Terror*, Uni-

besides, just a year after the publication of the book, the Islamic State was proclaimed, with its own currency and substantial financial flows.

Even before the GWOT, the development of the FW was encouraged by the growing mistrust in the effectiveness of the embargoes, which, starting from the sanctions decreed in 1993-94 by Clinton against Slobodan Milosevič, the Latin American Narcos and Palestinian terrorism are being flanked or replaced by surgical sanctions on the financial vulnerabilities of the key entities and men of the target, implemented by the Treasury Department's Office of Foreign Assets Control (OFAC) by blocking deposits and exposures at Western institutions⁵³. The growing financial expansion, understood as growth in the size of financial assets compared to real resources (production flows, GDP, and the consistency of real capital in homes, industrial buildings and machinery, etc.) leads to replace the vulnerabilities of the real economy (raw materials, goods and services) with those of the financial system, composed of financial instruments (money, shares and bonds, etc.), forms of financing (bank loans and other credit intermediaries) and means of transfer (often *online*, cash and other financial instruments between entities)⁵⁴.

Financial relationships between individuals and nations are particularly

versity of California Press, 2008. Consultant, adjunct professor of international business at the Fletcher School of Law and Diplomacy of Tufts University (Medford, Mass.) and author of a book on Islamic finance, Warde claims that the FW on Terror is based on the erroneous prejudice of a dependence on terrorism by international financial flows, while the attacks of 9/11 were carried out with very limited budgets and with money procured in a completely artisanal way. Jonathan Randal, author of *Osama: The Making of a Terrorist*, writes in his review that the financial GWOT «has nabbed few bad guys, ruined many innocents, frozen little hot money and vastly complicated worldwide banking for the greater glory of a burgeoning American bureaucracy». See instead Ilias Bantekas, «The International Law of Terrorist Financing», *The American Journal of International Law*, vol. 97, 2003, No. 2, pp. 315-333. James M. and Brenda J. Lutz, «Terrorism and Economic Warfare», *Global Economy Journal*, vol. 6, issue 2, 2006. Michael Freeman, «Terrorism Financing Methods: An Overview», *Perspectives on Terrorism*, vol. 7, 2013, No. 4, pp. 5-26. Colin P. Clarke, *Terrorism, Inc.: the Financing of terrorism, Insurgency, and Irregular Warfare*, Santa Barbara (Cal.), Praeger ABC Clío, 2015.

53 J.C. Zarate, *Treasury's War*, cit., pp. 6-7.

54 D. J. Katz, «Waging Financial War», cit. pp. 77, 79. «With the emergence of integrated global financial markets, financial warfare has become a viable, distinct, and independent means of projecting power. The aim of financial warfare is, quite literally, to disarm opponents by reducing their ability to finance production or distribution, complete transactions, or manage the consequences of a transaction failure».

vulnerable because they are much more concentrated than real transactions; in fact, they are based on a global network of interbank infrastructures, pre-positioned not only for the financing of companies and public administrations, but also for the management of the system of infra and international payments.

This private structure is flanked by the control system (monetary and stability) made up of national or supranational central banks or, depending on the legal system, the State Treasury or other public institutions⁵⁵. It is therefore easier to trace and hit the financial flows than the real ones:

«when these networks are cut off or compromised, money stops flowing and operations cease [and] financial warfare has greater targeting accuracy than the classic economic warfare of trade sanctions, embargoes, and blockades, which have an overly diffuse impact on whole populations. For this reason, its use is likely to increase, just as precision military strikes replaced carpet bombing two decades ago»⁵⁶.

Exclusive US government access to the SWIFT database

If the systematic recourse to the FW had started with Clinton, the “9/11” determined the creation of a specific financial intelligence structure (FINIT) within the Treasury Department (DoT), which previously had functions purely auxiliary to the “five big boys” of national security (CIA, NSA, FBI, DoD and DoS)⁵⁷. As a passive consumer of the intelligence resources of the intel-

55 P. Bracken, «Financial Warfare», cit. «By the 1970s, ... trade and finance increased dramatically, and there was wide recognition of “the dollar overhang problem,” or more dollars (Eurodollars) outside of the United States. In the 2000s, attention is on the financial, as distinct from the purely economic, aspects of vulnerability. Several reasons account for this: international flows of money dwarf trade, and most of this money—over 90 percent—has nothing to do with paying for toys from China or cars from Japan. It is money seeking a better return by moving electronically from the Buenos Aires to the Russian stock market, and back again to a Connecticut hedge fund. One measure of the astounding growth of international finance is the flow of dollars through “Chips” computers. Chips is the *Clearinghouse Interbank Payments System*, privately operated by large banks, to move dollars electronically from one financial institution to another. In 2007, the average daily flow of dollars through Chips is \$1.5 trillion. Since Chips does not process all dollar movements and operates only in dollars, it seems reasonable to say that international money movements amount to \$2.5 trillion per day».

56 P. Bracken, «Financial Warfare», cit.; D.J. Katz, «Waging Financial War», cit.

57 J.C. Hirsch, «Review of J.C. Zarate, *Treasury's War*», cit.

ligence community, the DoT has enhanced the previously acquired information assets (regarding deposits and bank transactions and money laundering) and adding, ex Title III of the PATRIOT Act, the information provided by insurance companies, *money-service businesses* and brokers and dealers in precious stones and metals⁵⁸.

But above all, the “9/11” allowed the United States to access information on bank transfers between member banks contained in the Society for Worldwide Interbank Financial Tele-communication (SWIFT) database. Founded in 1973 in Brussels to standardize the communications of financial transactions worldwide, the SWIFT system is under the supervision of the G-10 central banks, including the European Central Bank and the Federal Reserve⁵⁹, while the board is composed of representatives of the major world banks.

By managing international interbank transfers, SWIFT maintains “deep traces” of financial movements with enormous information potential. By the late 1980s, SWIFT had easily dismissed a first request for permanent sharing by the US Department of Justice (DoJ)⁶⁰, but after 9/11, CEO Leonard Schrank agreed to collaborate with the American government and since October 2001 began to provide information. Federal Reserve President Alan Greenspan convinced central banks and in the summer-autumn of 2002 DoT officials and attorneys traveled around Europe to reassure banks and stakeholders in SWIFT. Thus the Treasury *Terrorist Financing Tracking Program* was born, with the possibility of access only to selected officials: “we gave it the code *Turtle*, the opposite of *Swift*”⁶¹. Various reviewers of Zarate doubt that the access of the DoT to SWIFT has really isolated “rogue states” and terrorist and criminal groups from the international financial system, dissuading banks, wire services and insurance companies to carry out or facilitate illicit transactions, so as not to risk penalties and loss of reputation⁶².

58 B. Burrough, «Treasury’s War, Missiles for a Financial Battlefield», cit.

59 In addition, the central banks of Belgium, Canada, France, Germany, Japan, England, Italy, Holland, Sweden and Switzerland are members.

60 J.C. Zarate, *Treasury’s War*, cit., pp. 46-51.

61 *Ibid.*, pp. 53-54, 57.

62 J.C. Zarate, «The Coming Financial Wars», *The US Army War College. Parameters*, Vol. 43, No. 4, 2013-14, pp. 87, 89.

But Zarate himself recognizes that the United States' monopoly of the FW is based on contingent elements, such as the centrality of NYC as a global financial center and the dollar as a payment instrument, and on the government's ability to achieve its security objectives by identifying globally shared criteria. But the U. S. competitors are learning the art of financial power and the U. S. enemies their vulnerabilities⁶³. It is no coincidence that in 2015 China proposed to the BRICS antagonist coalition to join its international payment system, the China International Payment System (CIPS) instead of continuing by SWIFT. The "story" Zarate told is certainly hagiographic, however "it has shed light on a new and significant aspect of international relations that many of us do not know, and which will probably gain importance in the years to come"⁶⁴.

Economic Intelligence (EI)

The U. S. access to SWIFT is only a piece of its "economic intelligence" (EI) apparatus, which uses the most advanced and widespread system of interception, decryption and processing of global information. The EI encompasses a large and diverse set of activities for the acquisition and management of the information necessary for the safeguarding of a nation's economic security⁶⁵. Like EW and FW, IE is only a modern way [however earlier to 1914] to conceptualize and theorize *exploratio* or *reinseignement* activities that are found in all eras, and that constituted the purpose of the geographical explorations as well as of evangelical, commercial and strategic travel – especially

63 «The domain of financial warfare will no longer remain the sole province of American power. The financial wars are coming. It is time to redesign a national economic security model to prepare for them. If we fail to do so, the United States risks becoming vulnerable and being left behind as other competitors race toward the future». *Ibid.*, pp. 96-97.

64 B. Burrough, «Treasury's War, Missiles for a Financial Battlefield», cit.

65 Carlo Jean e Paolo Savona, *L'intelligence economica. Il ciclo dell'informazione nell'era della globalizzazione*, Rubbettino, Soveria Mannelli, 2011. Laris Gaiser, *L'intelligence economica*, Aracne, Roma, 2015. Of the same: «Intelligence economica: una proposta per l'Italia» and «Economic Intelligence for a new world order», in *International Journal Security Terrorism Society* (Unicatt, Milano), 2/2015 e 3/2016. *Economic Intelligence and World governance. Reinventing States for a New World Order*, Il Cerchio, San Marino, 2016.

Western but also Chinese, Indian, Arab and Russian – the fruit of which was spread in the form of maps and reports, but to a much more significant extent stored in archives like the mythical one of Henry the Navigator [but inferior to the archives of Venice, Constantinople, Rome and Simancas, not to mention the subsequent *dépôts* of Great Powers' Admiralties, Foreign Offices and Geographical Societies].

EI is a further refutation of the thesis according to which globalization determines in itself and everywhere the obsolescence of the state and sovereignty. Even if any residual commercial and fiscal barriers are abolished, the information one remains, which consists of the ability of “intelligence denial” and “intelligence penetration”, the relative acquisition of which by Russia and China is the real challenge to global hegemony of the United States. Of course, EI is not a closed and hierarchical system, but an open and reticular one, which works all the better the more the state manages to coordinate the EI of “embedded” companies [including multinationals] and to control the global information market⁶⁶.

Leaving aside the IT aspects of EI, I will limit myself here to highlighting the most interesting ones for the economist, and primarily the information synergy between governments and businesses. It being understood that the EI of democratic countries must protect general interests [inherent, for example, to financing and managing public debt, to the stability of the banking system, etc.] and to comply with EU and international rules on the protection of competition, it is obvious that in some cases [systematic collection of open sources, advice on limits legal to export / import and joint ventures and on investment risks] the final beneficiary may be the national entrepreneurial system, or, to put it better, some categories of companies paid in specific production and technological areas⁶⁷. Equally obvious is that simple corporate EI presupposes consultancy or research structures that SMEs cannot afford. By their nature, the EI structures are permanent and are based – especially those operating abroad – on other governmental structures [embassies, offices of commercial and military personnel, honorary consulates and consuls, foreign delegations of the national central bank and associated companies, etc]

66 Simone Pasquazzi, «Economic Intelligence», in *Quaderno Sism* 2017, pp. 499-514.

67 La concezione dell'EI come servizio pubblico di sostegno all'export è dominante in Italia e in Francia (v. l'articolo di Giuseppe Gagliano in questo volume).

and on the technological tools and professional skills of structured personnel, thus taking advantage of the significant synergies present. Intelligence cannot be reduced with impunity to the increasingly sophisticated and misleading “trawling” techniques devised by computer scientists: it is always the dirty business of intellectual elites (if not more than gentlemen’s), capable of aiming without fail at critical information: “indeed, today, the difficult task for EI is not gathering data, but selecting the relevant ones, and correctly elaborate them”⁶⁸.

The centrality in the implementation of the EI that government institutions have had in some historical moments, and conversely the absence of companies, therefore has economic reasons. In fact, companies would have had to face high costs of building the information network and take on its own a degree of risk, in terms of results obtained, equally high. Conditions obviously beyond the reach of SMEs, which above all are particularly refractory to consortium. However, it is not only costs that preclude SMEs from accessing the EI, but the same dimensional constraint, which makes it difficult to assess the impact of technological, information and organizational innovation, or even just imagine a medium-term strategy. Hence the propulsive role of public institutions in the construction of the information framework and, even more so, of “defensive” and “offensive” interventions.

As we have already mentioned, the growing importance of the EI for EW and FW purposes does not fail to affect the internal organization of national intelligence, first of all in the American one, where the CIA and FBI primacy is undermined by others. institutional entities (Treasury and Justice Departments and Federal Reserve, but also World Bank and IMF) who also avail themselves of the informative collaboration of companies interested in gaining technological positions and market shares abroad. The same is true in Japan, where various corporations have their own EI structures and cooperate non-occasionally with the government. The Italian case specialists, on the other hand, complain about the lack of attention by national intelligence to information support for businesses, and especially for SMEs, even though they still constitute the main pillar of the Italian production system⁶⁹.

68 S. Pasquazzi, «Economic Intelligence», cit.

69 S. Pasquazzi, «Economic Intelligence», cit.

The second point of particular interest to the economist is the coordination between public and private units. In this regard, the reference to the EI matrix based on a multilevel analysis with actors (government and private), attitude (offensive or defensive) and level of analysis and decision-making (tactical or strategic) developed in 2001 by Gregory Treverton, is useful. which identifies the following governmental competences:

«1. the control of foreign secret services, aimed also to economic counter-espionage; 2. the support to strategic economic and financial government decisions; 3. the support to negotiate international trade treaties with strong socio-economic impacts at the national level, or to verify their respect; 4. the research of data and information about commercial, organizational and technological issues, even to improve the competitiveness of national companies; 5. the defense of domestic firms (from unfair commercial practices, aggressive campaigns, etc.), in particular if they are active in strategic sectors, and national actors involved in R&D on sensitive technologies; 6. activity of influence on events, as well as on policies or decisions by governments or companies of other states»⁷⁰.

Still regardless of the technological aspects, it remains crucial to foresee, in form and above all in substance, the public entity which is responsible for the strategic identification of the lines of the EI and the forms of interaction between the Government and the private sector.⁷¹

Conclusions

In 1991, at the end of the Cold War, Canadian economist Robert J. Leonard, a historical future of game theory, noted that the furrow between academic economists and those engaged as civil servants in scientific support for defense and security policy was being further accentuating. An anomalous fracture compared to other public policies (such as health, education, environment) where there was an increasing osmosis between university and government. Leonard attributed the reason only in part to the ideological, ethical and image concerns of the academics to deal with topics considered “non-evaluative” and therefore ‘unscientific’. The main reason was instead that “strate-

⁷⁰ G. F. Treverton, *Reshaping National Intelligence for an Age of Information*, Cambridge U. P., New York, 2001, cit. in S. Pasquazzi, «Economic Intelligence», cit.

⁷¹ G. Gagliano, «L'École de guerre économique di Parigi», cit.

gic thinking, however anchored it might be to the economic paradigm, was no longer recognizable in itself as part of economic science (economics)”⁷². Alain C. Enthoven too believed in 1963 that “embedded” economists analyzed the relationship between economy and war with an elementary theoretical approach:

«Perhaps the most important reason lies in the nature of the theoretical parts that we currently use in analyzing the relationship between economics and war ... These parts are the simplest, fundamental concepts of economic theory. The advanced mathematical techniques of econometrics and operational research are not considered particularly useful for dealing with the problems described ... We do not use [in these researches] linear programming, game theory, queue theory, multiple regression, etc. The economic theory we are using is the theory we learned as *second year students*»⁷³.

This sounds paradoxical today, if you think that Enthoven, trained at Stanford and Oxford and at MIT in the early 50s, then an analyst at RAND was at that time Deputy Assistant Secretary of Defense and was about to become Assistant for System Analysis (1965-69). Precisely the years in which McNamara was implementing the Pentagon corporate revolution, later considered by the ‘Clausewitzian’ military as the primary cause of Vietnam defeat. In 1963 Enthoven could still consider the embedded approach to be too uneconomic: but we cannot ignore the fact that RO and game theory were born in the course of the second world war for military reasons, and that only later did they become “milled wheat in the economists mill”⁷⁴.

The theoretical part of the economic and financial planning of the war uses the concepts of macroeconomics (production, consumption, etc.), with limited competences of the other disciplines⁷⁵. In the case of the economic-financial war, however, an interdisciplinary approach is needed, in which the prevailing theoretical part is that of the legal sciences and the applied economy must deal

72 R. J. Leonard, «War as a “Simple Economic Problem”: The Rise of an Economics of Defence», in Craufurd D. Goodwin (Ed.), *Economics and National Security: A History of Their Interactions*, Annual Supplement to vol. 23, History of Political Economy, Duke U. P., Durham and London, 1991, pp. 261, 280-281.

73 A. C. Enthoven, «Systems Analysis and Decision Making», *Military Review*, January 1963, pp. 7-17, cit. in Leonard, cit., p. 281.

74 R. J. Leonard, «War as a “Simple Economic Problem»», cit., pp. 281-281.

75 Giuseppe della Torre, «La tradizionale ‘economia della guerra’ e la recente ‘guerra economica’: considerazioni sui dati macroeconomici», *Politica.eu*, No. 2, 2015.

with the other social disciplines that share mathematical analysis techniques.

From an exception limited to the hot wars, the EW / FW is now becoming a structural component of the global trade and economic interdependence. The legal sciences have already highlighted this for some time, even if a general theory of the law of economic and financial warfare does not yet seem to have formed.

Considerable international literature has accumulated on this issue in over a century, but where the contribution of economists is marginal and limited to the applied economy. The time seems ripe for his admission among the topics of economic theory.

Quaderni di
NAM 2020

