

Date: _____

Topic: New warfronts lie in economic zones

1. Introduction

Thesis statement: Geo-economic rivalry has changed the dynamics of war. Modern warfare is fought for economic hegemony where developed states use their economic might to dominate the world. Hence, it becomes imperative for states to focus on their economic competitiveness and engage in a well-coordinated competition.

2. Economic zones as new warfronts.

3. Paradigm shift in the nature of war.

- Role of Bretton Woods system
- China's economic miracle, a threat to US hegemony.
- Geo-economic competition among major power centers
- Rise in economic infrastructure initiatives.
- Economic proxies to destabilize traditional foes.

4. Economic rivalries in contemporary world.

- Quest to dominate sea-lines of communication
- USA's protectionist policies
- Weaponization of oil.
- Sanctions as a tool of war
- Debt trap for developing economies, credit imperialism

5. Developing world in geo-economic rivalry

- IMF and FATF, a threat to national sovereignty
- Economic dependence on the developed world.
- Increasing shift towards geo-economics, interdependency

6. Course of action for the world to disengage from geo-economic rivalry

- Global powers should engage in meaningful competition
- Economic cooperation in peace and development.
- Efficient use of special economic zones to attract FDI.
- Trade openness with the world.

7. Conclusion

Date: _____

Humanity have seen many faces of war from using massed manpower to advanced weapons, and now using economic tools to counter their adversaries. Over the course of time, economies grew as a result of globalization which led to connectivity and inter-dependence in the globalized world. The rising dependence of states on one another curtailed the threat of traditional military foes-warfare, as use of force could cause mutually assured destruction. Consequently, nature of conflict changed as nation states used economic tactics to contain enemy states. Global powers use their economic might whereas others use economic proxies to counter hostile states. The major economic rivalry is between USA and China. Both are perpetually forming new alliances and development initiatives to counter one another. USA have imposed sanctions, embargos and tariffs on a number of states, and have also adopted protectionist policies hence targetting enemy states. Russia and Middle East have weaponized oil for economic and political interests. The great economic rivalry is not only restricted to the industrialized nations, but it has consequences on the developing world. Their reliance on IMF for loans and developed world for aid is a challenge to their national sovereignty. Hence, there is an increasing shift towards geo-economics to protect their interests. Geo-economic rivalry has changed the dynamics of war. Modern warfare is fought for economic hegemony where developed states use their economic might to dominate the world. Hence, it becomes imperative for states to focus on their economic competitiveness ^{and engage} in a well-coordinated competition.

Globalization has led to interconnectedness of world markets, increased communication and business opportunities. Globalization along with development of weapons of mass-destruction has reduced the prospects of war through traditional means. As a result, new wars are fought on economic fronts. Around **one-fourth of global production is exported** (Our World in Data). Also, the world trade has increased **40 times more since 1913**. The great global powers, China and USA, are also major trade partners with China being the largest importer to USA, and also the third largest export market to America. The rise of Russia as another global power also threatened USA. So USA is tackling its various adversaries through tariffs, embargos and sanctions. It is also countering its adversaries by making alliances. Thus it is doing all in its power from carrots to sticks to remain unrivaled.

Brettonwood's system was established to liberalize the global economic system to enhance post-war peace. This was followed by globalization of world economies. Brettonwood's system includes IMF to monitor exchange rates and lend loans; World Bank, a development Bank; World Trade Organization to facilitate trade. It had a major role in changing the world order. USA and UK dominates this system, as member states pegged their currencies with US dollar. Hence USA came out as a global power. The growth economic growth was inequitable. The western bloc's economy grew while the developing world suffered from inequalities. Moreover, the interdependence of countries over one another gave incentive to greater economic powers to damage their

Date: _____

"Rival's economic growth.

China's economic miracle has redefined the global economic order. Its economic growth is increasing and has taken USA's hegemony. Over the past four decades, China's growth has increased at an averaged rate of **four times** than USA. China has also become the manufacturing workshop of the world. It has also replaced USA in becoming the number one trading partner of most countries of the world. The **Belt and Road Initiative** has greatly threatened USA's hegemonic economic power. It is overtaking USA in economic race in GDP, trade, investment and finance, and has established itself as an essential link in global communication. According to a study The Great Economic Rivalry: China vs the US, by Graham Allison in 2022, China's GDP has soared since 2000 and with it will **overtake the U.S. within a decade**. Hence, a China's rise is threatening USA that wants to maintain itself as a super power. This rivalry has led to a **geo-economic competition** among them.

Rise in geo-economic rivalry is a result of rise in multipolarity. The relations among these power centers have far reaching consequences for the global economies. Over the past decade, various economic powers have emerged especially in the **Asia East** including China, Russia, India, etc. Consequently, the western bloc faced insecurity from the newly emerged economic powers. This led to a great power competition among various powers. Economic

Strength is critical for military strength. A more powerful economy strengthens its defense and that is why states are incorporating economic security in their national security interests. The global powers are utilizing their strengths as tools to counter one another. USA is the leading arms exporter; China is a manufacturing hub, and Russia is a leading energy exporter. All of them are dependent over one another for their various needs. These great powers have formed various blocs by giving them incentives to counter one another.

The main economic rivalries are between China and USA. Both are forming alliances via economic infrastructure initiatives to retain their hegemony. China's Belt and Road initiative spanning over 140 countries and encapsulating 40% of the world population is the greatest challenge to the United States of America. As a counter-measure, the G7 created Build-back better world (B3W) as a value-driven economic infrastructure alternative to BRI. In addition to B3W, USA is forming further coalitions through to counter China. The European Union has also introduced Global Gateway as another alternative. So the global powers are enhancing their sphere of influence through such projects. The building of inter-strength mean investing in infrastructure, industry and technology while attracting various countries to their sphere of influence. This however has greatly polarized the world into blocs. The global powers use these states dependent on them as economic proxies to counter one another.

Date: _____

The economic proxy war has become a global phenomenon. In this way, states use their economic powers to destabilize their traditional foes. They do so by using the states dependent on them to counter their rivals. For example, USA is using India as an economic proxy to counter China in the Indo-Pacific region. Similarly, USA is using its carrots policy to incentivise Taiwan and Ukraine against China, and Russia respectively. Economic proxies can also take form of keeping enemy states in poor economic position. For instance, India made sure to keep Pakistan in FATF's grey list. According to Indian External Affairs Minister, Indian government ensured that Pakistan remained on the grey list of FATF. Despite of Pakistan fulfilling 26 out of 27 tasks recommendations, Pakistan remained on grey-list in 2021. Hence, stronger economic powers use such tools to hinder economic progress of rivals.

There is a quest among great powers to dominate sea-lines of communications and gain trade competitiveness. The sea-lines of communications serves as economic and strategic pathways for trade international trade. This was the reason for Soviet expansion before its collapse. Today, this task is taken up by China and USA. Arabian sea, Indian ocean, and South-China sea serves as major trade routes. The BRI project of China is to establish trade-links in all major sea-routes and dominate them. China also claims sovereignty over South-China sea. Naturally, USA criticizes China and pro-actively counters it through UNCLOS and supporting Taiwan and other adversaries of China. Through BRI, China aims to form 21 mega

Oil has become the world's most important source of energy and is essential for energy security of all countries. However, there are only a few ~~ex~~ producers of oil. These producer countries mainly Middle East and Russia use it as an economic tool in political confrontations. They can put embargos or give discounts. It also becomes difficult to impose sanctions on oil-producing countries. For instance, Saudi Arabia did not face any consequences at the murder of Jamal Kashoggi. Also, the we European states can not stop oil imports from Russia in the wake of Ukraine-Russia war. Although USA has imposed sanctions on Russia, the European states as well as its allies are still importing oil and gas from Russia. Hence, states with energy-producing states have an upper-hand where they can not be challenged, since other states depend on them for their energy security.

In the contemporary world, economic sanctions are regarded as an alternative to traditional wars. These sanctions ^{could} act as deterrence for war, but are used to contain rivals. For example, sanctions on Iran has led to its economic collapse. Also, sanctions on Russia are weakening its economy. Chinese President Xi Jinping has termed sanctions as "double-edged sword" that "politicise the global economy". Former US President Wilson, term described sanctions as something more tremendous than war and an absolute isolation that brings it to strangulation. Thus, sanctions act as an extremely detrimental tool of war that ^{can} bring a nation upon its knees without using traditional force. It is one of the economic weapon that pressurizes the nation which it can not sustain. Other tools are also used to

contain the developing world.

Debt trap is used by the world to influence and control the developing world. This is also known as credit imperialism where lender countries extract economic and political concessions from its debtor countries.

Both bilateral and multi-lateral lending leads to debt traps.

Global hegemonic powers impose their will on smaller states by making them dependent on debts. As

Moonis Ahmer writes in 'Transformation of world order', "marginalization of UN and other institutions provided job powerful global actors to impose their will on weak and small states". Powerful

states are thus involved in exploiting the smaller countries through provision of loans. US, China,

Russia, EU and India are increasing their global influence through strategic credits. Economically weak states are hereby being forced into dependency partnerships. Multilateral lenders are influenced by funding states which hold decisive power.

Multilateral lenders like IMF and surveillance institutions like FATF are increasingly threatening national sovereignty of nation states. Foreign aid through IMF appears as a fraud perpetuated by rich countries to bribe weaker countries. Decision-making at IMF is proportionate to country's funding. USA funds 16.5%, China funds 6% and Japan, Germany, France and UK funds 6%, 5%, 4% and 4% respectively. This clearly shows West domination over IMF decision-making. Therefore, the policy guidelines

set forth by IMF reflects interests of rich countries. Kenan Malik in *The Guardian* (2018) notes British PM's proclamation that "Britain's aid budget would be used to promote British trade and political interests". Similarly, FATF is increasingly falling prey to political interests of powerful nations. Its decision to keep Pakistan grey-listed after conforming to majority recommendations is a clear indicator of stripping off the sovereignty of poor countries to hedge their political interests. Thus, their independence is threatened by such institutions.

Economically weaker countries remain dependent on the credits of the developed world. So the developed world do not need to resort to coercive military means for the compliance of developing world. A country can only take credit from World Bank, if it agrees to liberalize its economy and increase its financial accountability. This leads to balance-of-payment crisis in the developed world further deepening its economic dependency. For instance, Pakistan's fiscal deficit for FY 2023 was 7.7 percent of GDP. This perpetuates dependency and developed country can exercise its control over the developing world.

Date: _____

In order to overcome economic woes, developing countries are increasingly shifting towards economic interdependence. They are pursuing economic alliance on equal footing to end ^{their} exploitation. Through such alliances, both states ~~benefit~~ reap the benefit. **US-India Strategic and Partnership** is an example for it. India is greatly benefitting from this alliance. Its economy is developing and diplomatic footprint is increasing. Similarly, other developing countries are taking benefit from **BRI**. In this way, developing world is increasingly becoming assertive. ~~Instead of a~~ Just like arms race, states are on ~~economic race~~ a path towards economic race.

A shift to geo.economics provide a way to the global powers to engage in meaningful competition, and disengage from conflict. As geoeconomic weaponisation is resulting in cost of living crises and slow climate adaptation, states need to disengage from such conflicts. US and China should therefore in meaningful competition that benefits both of them. Ian Bremmer in his book, **The Power of Crisis** writes that partnership between two rivals who engage in "well-coordinated competition" could help meet the world's most pressing challenges. The two countries can ~~en~~ compete in creating transformative

Date: _____

health-related technologies to navigate future pandemics. They can also compete in climate research on climate resilience and adaptation to meet the most pressing challenges of the world. This is because the future course of Sino-US relations has far reaching consequences for global economy, international peace and security.

States can cooperate in peace and development. True multilateralism lies in backing off from maximalist positions and cooperating in de-escalation. Nuclear disarmament and responsible use of consensus on responsible use of AI can be the first step to cooperate on peace and development.

Chinese model requires AI providers to submit for security reviews while the US has opted to let the industry self-regulate.

There is a potential and a need for both the countries to cooperate on such matters affecting global peace. Thus, there is a lot of potential for creating a positive cooperation landscape for cooperation.

In addition to cooperating in peace and development, states can attract foreign investments through special economic zones. Special Economic Zones (SEZs) are

intends to catalyze economic growth by attracting foreign direct investment. This can be beneficial especially for the developing world in boosting their economic growth. These zones give subsidies and tax benefits to investors.

Under CPEC, Chinese investment, Pakistan nine SEZs are established in Pakistan. Similarly countries like Taiwan, China, Vietnam, Mauritius and Bangladesh have successfully implemented SEZs. They help in technology transfer, earning government revenues, skill up-gradation and export enhancement. They have played an important role in upgrading East Asia's "Tiger Economies". So instead of opting for geo-economic conflicts, states can strategically ~~transform the world~~ ensure development through investment and trade.

Countries can liberalize trade policies and open their borders to trade and investment.

Trade openness is an indispensable enabler of growth and development. It provides new markets and boosts innovation and competition. Instead of weaponizing trade and resorting to inward and independent production, the world can engage in true spirit of globalization. As French liberal Economist Frédéric Bastiat has said that, "if

Date: _____

goods don't cross borders, soldiers will", it shows importance of multi-lateralism. Thus, true peace lies in peaceful socio-economic rise through trade and economic cooperation.

In conclusion, geo-economic landscape is increasingly becoming a platform of conflict. Technological innovations in weapons and artillery has led the world to change the philosophy of war. The rise of multilateralism and globalisation has led to economic conflicts. China's rise to an economic super-power drove economic warfare. New economic warfronts use economic proxies and sea-communications to harm foes. Also states have weaponized commodities, ^{sanctions} and adopted inward policies to ~~econom~~ aiming for economic harm to rival groups. This have negative repercussions to the developing world as well. However, such confrontations can be overcome by responsibly engaging in economic competition and investing in peace and development.