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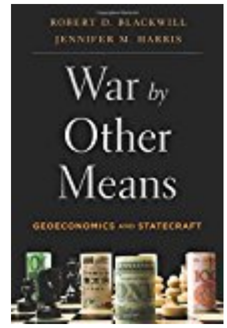

Robert D. Blackwill, Jennifer M. Harris. *War by Other Means: Geoeconomics and Statecraft.* Belknap Press, 2016. viii + 366 pages $29.95, cloth, ISBN 978-0-674-73721-1.

Reviewed by Christopher J. Fettweis

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Commissioned by Seth Offenbach (Bronx Community College, The City University of New York)

The United States is falling behind, warn Robert Blackwill and Jennifer Harris in *War by Other Means: Geoeconomics and Statecraft*. For more than a generation, America has paid insufficient attention to its potential economic advantages as it formulated its foreign policy. While its chief rivals deploy new economic tools in innovative ways, the United States continues to rely far too heavily on military and diplomatic powers of persuasion.

War by Other Means is a discussion of the evolution of "geoeconomics," or the use of economic tools in pursuit of political objectives. The overall message of their book is that the United States trails its potential competitors in the use of such tools, and will be at a substantial geopolitical disadvantage until its geoeconomic thinking is adjusted. If its theme can be summarized in one sentence, it would be this: "U.S. foreign policy must be reshaped to address a world in which economic concerns often outweigh traditional military imperatives and where geoeconomic approaches are often the surest means of advancing American national interests" (p. 226).

The book reviews a wide range of geoeconomic tools, some of which are not typically included in works on the subject. More traditional instruments are there, including sanctions and aid, but the authors also include monetary policy, the "cybersphere," investment policy, trade and--perhaps most interestingly--energy policy as well. With the recent rise in US fossil-fuel supply due to the shale and fracking revolutions, "the United States will be uniquely positioned among the major powers to define and benefit from these developments" (p. 214). If we can update our thinking to match new realities, that is.

The topic has taken on an entirely new importance in the twenty-first century, for several reasons. First, the authors suggest that many other countries, including some of the chief rivals of the United States, have integrated geoeconomics into their foreign policy, often as a "tool of first resort" (p. 128). Second, a host of new (or newly significant) geoeconomic tools are available to states today, including state-owned enterprises (SOEs), sovereign wealth funds (SWFs), and so-called smart sanctions. The book contains some mind-boggling statistics about SWFs in particular: current estimates suggest that these funds manage somewhere between three and six trillion dollars, which is about twice as much as is contained in all the world's hedge funds (pp. 54-55). And they are almost exclusively operated by countries outside of the West. Only Norway has a SWF that is among the world's ten largest.

The third reason for the rise of geoeconomics is the effect that globalization has had on international economics. Today's highly integrated, interdependent markets provide new opportunities for states to engage in manipulation and statecraft. Finally, the rising economic clout of China in particular has increased the salience of geoeconomics. Not only are some of America's rivals inclined to employ their economic power in the service of the state, they are more capable of doing so thanks to years of sustained growth. As a result, their efforts to integrate geoeconomics into statecraft are, on balance, finding success.

All this adds up to problems for Washington. For a variety of reasons, the authors argue, the United States has been reluctant to deploy geoeconomic instruments of persuasion. Policymakers and economists in the United States still tend to perceive the world through rather antiquated, positive-sum frameworks. Additionally, a consistent lack of post-Cold War presidential leadership, alongside bureaucratic inertia and inefficiency, has hampered Washington's ability to employ geoeconomic tools. Other countries make no effort to hide their mercantilist tendencies, and since many of them are far more autocratic than the United States, they need not worry about popular or bureaucratic interference with their decisions. They are able to put geoeconomics to work efficiently, consistently and--in some instances--quite brazenly. Furthermore, when State Department and other officials contemplate using economic tools, they almost always turn toward sanctions, and overlook the other potential options. Washington lacks imagination, in other words, at least when compared to the Chinese and the Russians.

The book contains many examples of modern geoeconomics in action. For instance, it points out that the Chinese have invested an enormous amount of time and effort to refine their cyber capabilities, which they often employ in a directly geoeconomic fashion. While a great deal of traditional espionage occurs in the cybersphere, Beijing has also supported efforts to steal civilian technology and business secrets, in ways that would be unimaginable for a Western country. The scale of the problem is staggering: by one estimate, cyber attacks account for 15 percent of global internet traffic. Over Chinese holidays, that number drops to 6.5 percent (p. 60). The cost of protecting against, and then responding to, such attacks is reckoned to be around $400 billion annually, a quarter of which is borne by the United States (p. 64). "It is difficult to imagine," Blackwill and Harris write, "that Washington could ever replicate in peacetime the cyber instruments so pervasively used by other countries" (p. 192).

Why, then, does the United States lag behind so many of its competitors in geoeconomic statecraft? Although the authors explain that there are some arenas in which the United States does engage well, such as with the relatively new smart sanctions, in general Washington rarely considers putting its economy in the service of its national interests. Here the book is less convincing, and does not take into account some of the reasons why the United States might be reluctant to engage in geoeconomic competition, and why this reluctance might be justified.

First, perhaps policymakers in Washington are a bit more concerned with the potential costs of geoeconomic tools. While China and Russia might be able to use their economic clout to pursue rather narrow interests, the United States has a far larger stake in the open economic system it had a large hand in creating. Although Blackwill and Harris claim that their recommendations are consistent with liberal economic theory, and note that classical liberals like Adam Smith and Richard Cobden were not in favor of a complete lasses-faire approach (pp. 30-32), many applications of geoeconomics amount to exercises in pure economic nationalism. Such a shift would not come without cost. Prosperity is after all one of the very few uncontroversial national interests of the United States, and to the extent that geoeconomic approaches put that prosperity at risk in pursuit of other interests, their wisdom can be called into question.

For example, the authors lament Washington's reluctance to manipulate its fiscal and monetary policy for its own ends. Nowhere is the gap between it and its rivals larger, they argue. They assume that the geopolitical advantages that could accrue from nationalized financial statecraft--to further weaken Iran during a currency crisis in 2013, for example--would outweigh the damage that could be done if global markets lost faith in the financial acumen of the Treasury Department and the Federal Reserve. Perhaps policymakers in Washington are not naïve to prefer erring on the side of caution, deciding that potential negative ramifications for the world economy--which is something that US policymakers have to take into account far more than those of other countries--outweigh whatever geopolitical benefits might accrue from tinkering with monetary policy.

The authors anticipate this critique. "Criticisms of geoeconomic approaches," they argue, "often fall into the trap of judging geoeconomic outcomes by economic ends rather than geopolitical ones" (p. 190). The Trans-Pacific Partnership ought to be judged on its geopolitical as well as economic merits, for instance. It needs to be passed not so much for its potential benefits for the US economy, but because it might cost China upwards of $100 billion a year (p. 190). But should economics be seen as, first and foremost, an arena of great-power competition? What are the costs to national prosperity that employing its tools can produce, and are they outweighed by the benefits to national security? Throughout the book the authors assert that economics should not be interpreted as a positive-sum game where all actors can benefit, but as a zero-sum one with only winners and losers. They often borrow the rhetoric of security competition, referring at times to "geoeconomic throw weight" (p. 149) and asserting that geoeconomics is emerging as a "favored form of geopolitical combat" (p. 18). What Blackwill and Harris are essentially recommending--although they deny it--is that United States should be willing to abandon its commitment to liberal economics when appropriate, and exert national control over various aspects of the economy. The suggestion that our commitment to open markets and free trade should be interpreted through the frame of national interest assumes that open markets and free trade are not in themselves a national interest. So while their recommendations to think more strategically about economic tools are often sensible and wise, they are a bit glib about the risks of geoeconomic statecraft, and the potential unintended consequences of its application.

The authors also tend to overstate their case a bit when it comes to the unwillingness of the United States to employ geoeconomic tools. They remark over and over that although presidents Harry Truman and Dwight Eisenhower were able to use economic power to their advantage at times--by formulating the Marshall Plan, for instance, and during the Suez crisis--such efforts essentially ended with the war in Vietnam. The last twenty years of the Cold War, in their telling, were a creative wasteland, where US leaders seemed to forget economic means altogether. "It is noteworthy," they explain, "that Western grand strategy toward the Soviet Union had virtually no serious geoeconomic element in the years following the Gulf of

Tonkin incident in 1964 and America's subsequent involvement in the Vietnam War" (p. 253). This is a rather puzzling conclusion to reach, especially given the central place that the Reagan administration gave to economic aspects of its competition with the Soviets. One need not be convinced by Peter Schweizer's *Victory* (1994) to come away persuaded that many officials in the administration believed that the Cold War would be won with a plan to outspend the Soviets, encouraging them to keep up in ways that would ultimately cause their collapse. The military buildup of the 1980s had what Blackwill and Harris would consider a geoeconomic component to it which they completely overlook, skipping the Reagan years altogether in their historical narrative. They would have made a much better case by saying that the de-emphasis of geoeconomics began with the collapse of the Soviet Union, not South Vietnam, because it is not the case that geoeconomic statecraft was ever absent from US Cold War grand strategy.

Finally, as always, it is worth remembering the insights of Robert Jervis. Forty years ago, he argued that one of the most common misperceptions in international politics is the tendency to see the behavior of others as "more centralized, planned, and coordinated than it is."[1] The assertions in *War by Other Means* regarding the organizational advantages of authoritarian rivals over the democratic United States echo those made during the Cold War, when the Soviets were thought by many to have the advantage of being able to operate more freely, unburdened by internal checks and balances or public opinion. So while this is not to say that such arguments are wrong, since surely some central control does make geoeconomic policymaking easier, there are also dangers in assuming that the other side is monolithic and strategic. What Blackwill and Harris see as carefully planned geoeconomics could very well be the outcome of internal dissent, disagreement, and satisficing. It is natural, according to Jervis, for decision makers to "overestimate the degree to which their opposite numbers have the information and power to impose their desires on all parts of their own governments."[2] It is natural for analysts to do so as well.

The book ends with a series of rather vapid "policy prescriptions." Although none is unwise ***a priori***, they all are underexplained, and are a lot easier to write than to put into practice. "Funds should be shifted from the Pentagon to be used to promote U.S. national interests through geoeconomic instruments," the authors suggest, without explanation (p. 228). Other puzzling recommendations are to "reinforce economic foundations for democracy and peace in the Middle East and North Africa," "meet the test of climate change," "blunt the threat of state-sponsored cyberattacks," "adopt new rules of engagement with Congress" and--most puzzlingly--"increase university teaching around geoeconomics" (pp. 239, 237, 237, 249). But these vague and unhelpful recommendations do not detract from the book's importance. It is meant to be a warning, a tocsin, rather than a solution. Blackwill and Harris aim to point out problems, leaving their solutions largely to others. And they largely succeed in doing so.

War by Other Means is an important and interesting contribution to US statecraft in the unipolar world. Geoeconomics is in large part the tool of the weak, who have limited geopolitical and military alternatives. It is natural for the strong to believe that they have little reason to turn to what they see as lesser forms of persuasion. Unipolar powers in particular can be expected to grow overreliant on geopolitical tools, and might easily overlook evolutions in other forms of power. Blackwill and Harris make a good case that this in fact is what has happened in the United States. Surely it would behoove US policymakers to consider more deeply the efforts of their rivals to achieve their goals using economic means, and to determine when those tools are appropriate for their use as well. Geoeconomic statecraft could certainly be better employed to help the

United States achieve its goals, as long as its attendant costs and risks are kept firmly in mind.

Notes

[1]. Robert Jervis, *Perception and Misperception in International Politics* (Princeton, NJ: Princeton University Press, 1976), 319.

[2]. Ibid., 324.