EGMONT POLICY BRIEF 289

– OCTOBER 2022 –

Imperial Preference

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When the economy is globalised but decisions on policy are made in national capitals, states can choose to cooperate and run the global economy in their collective interest, even as they remain economic competitors. Or they can try to fence off their share of the market and force all others out – and economic competition quickly turns into geopolitical rivalry. Is this what will mark the 21st century?

WORLD WAR

It certainly marked the 1930s. In the wake of the Great Depression, all great powers, including the US, opted for protectionism and built high tariff walls around themselves. The colonial powers, notably Britain and France, included their empires in these trade and currency blocs. Britain coined the term Imperial Preference: “home producers first, empire producers second, and foreign producers last”.

Those great powers who lacked an empire (or an empire large enough to satisfy their appetites) saw this as an injustice: Germany, Italy, and Japan. Driven by expansionist ideologies and dreams of autarky, they felt legitimised to coerce less powerful states into their economic orbit, and even to undertake all-out conquest, in Africa, Asia, and Europe.

These irreconcilable national strategies for survival in a global economy ended in a great power war.[1] The Second World War engulfed most of the smaller states in the Low Countries and Scandinavia that had desperately tried to keep multilateral economic cooperation alive, in particular through the League of Nations.

GLOBAL SHOCKS

The 21st century saw a major financial and economic crisis in 2008. Domestically, this increased inequality, which triggered a wave of resentment against elites and authorities. Internationally, it triggered resentment against the US, where the crisis originated as a consequence of an absolute lack of regulation.

Crucially, though, the crisis did not spell the end of globalisation. Quite the opposite, in fact, as states, including EU Member States, sought international solutions. China, which was relatively untouched, grasped the opportunity to fill the vacuum left by the US. From that moment onwards, at the latest, China has been playing the part of a great power.

The Covid-19 pandemic did not end globalisation either. Many states did decide though that they require more autonomy in specific sectors, such as medical supplies, and have begun to re-shore production capacities. A certain rationalisation of all too complicated international supply chains, criss-crossing too many countries, can be observed too.

Before the pandemic already, security considerations had started to play a prominent role, including, for the first time, in Europe. States came to realise that if one power controls a large share of production, resources, or utilities, it may instrumentalise its position to gain influence, or even to blackmail others into complying with its political goals. The EU did not call into question globalisation as such, however.

WAR, AGAIN

Things changed when Russia – again – invaded Ukraine in 2022 (for reasons of geopolitics and prestige rather than economics). The EU, the US, and their main partners adopted severe economic sanctions, and gradually decoupled their economies from Russia. In the energy sphere, the EU struggled to decide which sanctions to apply, and when it made up its mind, Russia retaliated by curbing those gas supplies that the EU – rather naively – had imagined would be unaffected by the war. Europe would have done well to diversify its energy imports, in the spirit of managing dependencies, after the initial Russian invasion in 2014.

The most likely result of the war is that neither side will win a clear victory: Russia appears incapable of conquering all or most of Ukraine, but in spite of important victories in the autumn of 2022, it is still not certain that Ukraine will be able to liberate all of its territory. And as long as Russia remains in illegal occupation of large parts of Ukrainian territory, chances of a political agreement between Ukraine and Russia are very slim. Therefore, the West must count with a "mini cold war" with Russia for the long term.

"Mini", because the rest of the world did not follow suit. Russia certainly suffers, and is becoming increasingly dependent on China, but it remains connected to the "non-Western" part of the global economy. China will not drop Russia because the US and the EU do, yet neither will it allow the former to determine its relations with the latter – they are far too important for that.[2] But it is not just other authoritarian states that continue to work with Russia. So does India, for example, which in September 2022 even participated in Russian military manoeuvres alongside China.

Meanwhile European leaders even as they are depicting the war as a global confrontation between democracy and dictatorship, hurry to negotiate new energy deals with such countries as Algeria, Azerbaijan, Qatar, and Saudi Arabia.

A SCRAMBLE FOR SATELLITES?

The resulting complexity is inherent to the current multipolar world. There are various great powers; some are closely linked (the EU and the US; Russia and China); but ultimately they all prioritise their national interest. There are democratic and non-democratic states; but when the national interest demands it, they cooperate regardless of different domestic systems. Not every authoritarian state is against the EU on every issue, therefore, nor is every democracy necessarily always with it.

How can the EU safeguard its interests in this complex world?

Many Americans, and more and more Europeans, advocate decoupling from China as well as from Russia. On political and security rather than on economic grounds: they regard the rise of an authoritarian China as inherently problematic, and see it as a direct security threat.

China obviously is an gigantic economic competitor (and certainly does not always play by the rules), and an enormous political challenge (with influence in every country on the globe). But it does not pose a military threat to Europe. The real (though mostly unspoken) strategic significance of China's rise for Europe is that the US identifies it as the main military threat, and allocates resources accordingly. In the future, that will force Europeans to assume a lot more of the responsibility for their own defence.[3]

Decoupling the West and China, however, would *increase* the security threat, for it would trigger the inexorable logic of geopolitical rivalry. If the EU and the US were to decouple from China, or China from them, things would not stop there. To limit the economic impact, both sides would inevitably seek to create an exclusive sphere of influence, and court or coerce as many states as possible states into joining their bloc.

Are the EU and the US sure that their offer to countries in Africa, Asia, and Latin America is enticing enough to recruit them to their side? If forced to, more states than they may think might decide, more or less willingly, to opt for China. Key states are notably those that hold the natural resources that Europe will become ever more dependent on as it greens and digitalises its economy. Beijing definitely has a head start, thanks to its Belt and Road Initiative, and because its hold over Russian resources increases as the rift between Russia and the West deepens.

Moreover, many states really have no "imperial preference": they seek to work with all great powers, rather than having to choose between them and run the risk of becoming a mere satellite. Forcing that choice upon states regardless, may provoke unrest and war. That is what happened in Ukraine in 2014, when Russia (not the EU) demanded that the country grant it exclusive ties.

At the very least, a scramble for satellites would lead to a global cold war (rather than one with Russia alone), which would paralyse productive international relations, and notably render impossible any effective global climate policy.

OR AN OPEN DOOR?

Decoupling from China is not the answer to the EU's economic and security challenges, and it would be enormously costly – much more so than decoupling from Russia. The better option, therefore, is for the EU to stay the course and implement Open Strategic Autonomy and the Global Gateway, which must go hand in hand.

Open Strategic Autonomy means, first, creating the protective (but not protectionist) mechanisms, such as investment screening and banning the products of forced labour, that precisely allow the European economy to remain open. Second, managing dependencies and diversifying supplies, including by re-shoring production in specific areas. Third, establishing real reciprocity and obliging China to be as open to the EU as we are to them, if necessary by suspending future or even existing access so that not reciprocating bears a cost for China (unlike the non-ratification of the Comprehensive Agreement on Investment, which has no consequences for China).

Of course, if China were to change course and adopt a similar military expansionist strategy to Russia, the EU would have no choice but to retaliate in a similar geoeconomic way. The sanctions against Russia are an implicit message aimed at deterring China as well, and are being closely watched in Beijing. The EU must be clear, therefore: if China uses force against another state, or to change the status quo on Taiwan, the economic relationship with the EU will never be the same again. There is no point, however, in decoupling preventively: that would render economic deterrence impossible and trigger instant geopolitical rivalry.

The Global Gateway must be seen as strategic investment (and not as development policy). It is the EU's Open Door Policy for the 21st century. The original 19th century Open Door Policy of the US aimed to preserve the territorial integrity of China from the appetites of the great powers that were carving out spheres of influence, and to keep China open for trade with all on an equal basis. Today's Global Gateway must do the same for third countries vis-à-vis China itself this time, making them an offer enticing enough to convince them, not to push China out, but to diversify and build deep relations with the EU and China (and others) simultaneously. The aim is to avoid a scramble for exclusive spheres of influence.

This demands that the EU's Global Gateway, climate policy, Africa policy etc. are all aligned and pursue a single strategic agenda. There is a security and defence dimension to this as well. China is increasing its global military presence, but for now does not engage in kinetic interventions – Russians, Americans, and Europeans do. It is a very sensitive instrument, of course, but military assistance, including legitimate combat operations, must be integrated in the EU's offer to relevant third countries.

EU strategy is not served by high-flown rhetoric about human rights and democracy. The EU's interests oblige it to work with authoritarian states; the latter's domestic policies, however reprehensible, do not affect those interests; and the EU anyway has but little leverage to force a change in domestic policies. The EU must compartmentalise therefore: between domestic policies (which it can and must criticise when they violate human rights, but which sanctions will rarely change) and foreign policies (against which it must push back and/or retaliate when they threaten its interests).

CONCLUSION

No understanding of international politics is possible without a deep knowledge of history, which explains how states stand in the world today. History does not repeat itself, because the circumstances are never entirely the same – and because clever statesmen and women do not repeat the mistakes of their predecessors. As Churchill said: "Study history, study history. In history lies all the secrets of statecraft".

The ghosts of protectionism, autarky, and decoupling seemed to have been laid to rest. Neither the financial crisis nor the corona crisis brought them back. Let us not call them up now, when there is not a single sound reason for doing so. Europe's fears for its economic and political position, and for its security, are rational. The answer must be rational too; and reason tells us that there is no magic wand.

Sven Biscop (Director at the Egmont Institute and Professor at Ghent University) has definitely read too many books on the Interbellum and the two World Wars, but has no intention of stopping now. He is himself the author of Grand Strategy in 10 Words - A Guide to Great Power Politics in the 21st Century.

He warmly thanks Rik Coolsaet, Daniel Fiott, and Tobias Gehrke, without whose insightful critiques he would not have dared publish this paper.

Endnotes

1 Ernest Mandel, The Meaning of the Second World War. London, Verso, 2011. Richard Overy, Blood and Ruins. The Great Imperial War 1931-1945. London, Allen Lane, 2021.
2 Sven Biscop, Bart Dessein & Jasper Roctus, Putin Is Creating the Multipolar World He Thought He Wanted. Brussels, Egmont, March 2022.
3 Sven Biscop, The New Force Model: NATO's European Army?. Brussels, Egmont, September 2022.

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