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ECONOMIC WARFARE

INTRODUCTION

The object of conventional national politics is the safeguarding and enlargement of the sphere of influence and the control on foreign governments using diplomatic influence. For a long time power and influence of states has been based not only on military power but also on economic strength. With their economic policy, states attempt to guarantee the best possible standard of living for their population. These could only be achieved by conquering desirable roles in the world economy and by further protection against attacks from opponents. For this reason states have a vital interest to strengthen their economies. For two decades the world economy has been a subject of a strong transformation process. Scientists and politicians call this process Globalization and Geo-Economy. All countries are ravaged by these new phenomenon and the effects will be felt for years to come. The more countries industrialize their economy the more will be affected by the international economic competition. The process of globalization comes only to an end, wherever impetuous economic growth cannot be attained.

If enterprises accept the rules of market economy they have a clear sight about their future development. In times of stagnation or recession of the world economy an enterprise is only able to enlarge its sales by driving competitors out of the market. When we carefully analyze the economic situation in Europe the economic reality tells us, that the competition and the struggle for market shares will become harder and harder in the future. Since the end of the Cold War the threat has been changed and people perceive military threat not so high as other threats, i.e. terrorism, proliferation or the threat, which turns out of globalization of the world economy, because it causes later unemployment and the decline of welfare.

In the course of history every state has developed its own threat scenario. A majority of Americans for example now declare in opinion polls that Japan is a “greater threat” than the Soviet Union was. Many Japanese for their part still define as a national economic goal the overtaking of the United States, in such terms that suggest the desire to humble Americans, if only statistically. The French now express fears of Germans, economic domination as do other Europeans, while the British are apt to resent the economic success of other countries as if the success of others was the course of their own travails.

Wars are a part of humankind like laws of nature. The War, Carl von Clausewitz once wrote, is an act of power to force an enemy (Opponent) fulfilling the own intention. Wars which were fought with military methods were the objects of many scientific surveys. Special kinds of wars like economic warfare haven’t been analyzed until now. Therefore it exist no detailed entire description. Economic warfare in the sense of the survey will not include the warfare against the enemies’ armament industry and important facilities for the daily life during a war with military forces. On a broader basis economic warfare as a fact is only discussed in the public in the USA and France. In France exists a special college, the école de guerre économique, which was founded in 1997 by General Jean in Paris. This institute offers a special course on economic warfare. In the USA the Georgetown University in

3 Carl von Clausewitz: Vom Kriege, Berlin 1832, Seite 4
4 See www.ege.fr
Washington D.C. offers a special course within the further education program called „Business Intelligence Strategies“.

In this essay economic warfare will be discussed on the basis of the authors own definition: "Economic warfare is a warfare based on non military methods with the purpose to hit the opponent economy. At the end of the warfare the opponent's economy should have lost market shares and the own economy should be better off". 

METHODS OF ACTION AND WEAPONS

The most important and effective weapons in the economic warfare are government subsidies and granted loans with low interest rates. It now costs billions of US$ to design and engineer in detail a new airliner - money that Boeing and McDonell-Douglas must borrow up in front, and pay interest on every day during the several years that pass from the start of design to the first sale of a complete aircraft. Airbus-Industries is virtually exempt from such financial agonies: its first airliner, the A300, was launched in May 1969 with 800 million US-Dollar in government subsidies; the A310 that followed was developed from July 1978 with a 1 billion subsidy; next the A320 was started in March 1984 with 2,5 billion US-Dollar and finally the A330 and A340 were launched in June 1987 with 4,5 billion US-Dollar in government subsidies. These government subsidies have a great influence on the price-calculation. Because Airbus-Industries have a lower cost-structure than the US-airliner-industry, they can charge lower prices. Facing a competitor that can sell below cost year after year, decade after decade, and continue to expand, Boeing and McDonell-Douglas have naturally lost many potential sales simply because they were under prised.

Other weapons in this war, which can be used both defensive and offensive, are monetary measurements. Important is the devaluation of the own currency to reduce the price of own exports. Also important is money laundry to legalize illegal earnings. With the legalized money further economic warfare can be financed. One of the most important reasons for money laundry is to finance warfare strategies. Another weapon is stock exchange speculation. With this weapon share prices could be devaluated and as a result enterprises could loose market shares.

Fiscal policy is an important weapon to improve the competitiveness of the own economy. With purposeful use of taxes, contributions, customs duties states can thereby strengthen their own economy's competitiveness.

Education and investment in human capital is one of the most important factors to achieve economic progress. Today among economic scientists it is widely accepted, that investment in education and human capital generates economic growth. For the further development of a developed country it is vital to have research and development capacities at one's disposal. Developed countries head-hunt the most qualified scientists to make use of their research results and thereby strengthen their own economy.

Espionage was and is an important factor in warfare. Political and Military leaders need all available information to judge a current situation. Therefore they normally use all available human and non human resources to get all the necessary information about the enemy's position, economy and so on. Espionage is in the chain of information collecting the practice of obtaining secrets from rivals or enemies for military, political, or economic advantage. It is usually thought of as part of an organized effort. During the Cold War intensive espionage between the NATO and the Warsaw Pact had taken place, but recently, espionage agencies have targeted the illegal drug trade and those considered to be terrorist. Nowadays the industrial espionage conducted for commercial purpose instead of the usual national security purposes becomes more and more important. Most large corporations openly acknowledge the existence of departments to perform the legal aspect of corporate espionage. And they also spend considerable amounts on precautions to protect against more cloak-and-dagger varieties. The United States government has admitted to use commercial espionage, for instance using surveillance of phone calls and using Echelon, the largest electronic spy network in history. Modern warfare of the 21 Century is character-
ized by the intensive use of electronic and communication technology. Network centric warfare is one of the most used words in modern military discussions. The use of new technology allows a more effective reconnaissance, deception and security measurements. In the economic warfare receiving and veiling of information has got a vigorous importance. Successful leaders of enterprises normally act in the same way as military leaders do. They collect all available information, analyse them and make decisions on the basis of their judgement. One of the founders of the École de Guerre in Paris explained that many leaders of enterprises have a careless relationship to information and therefore it is important to bring these leaders home to the worth of information. The École de Guerre educates the students to learn the best practice in receiving and using all information. Particularly aggressive kinds of economic warfare are the use of biological weapons against the opponent agriculture and the use of embargo and special economic sanctions against so called rascal states.

The last decades were characterized by an intensified conflict between the rich and poor countries. Because the poor countries are owners of important raw materials they use these necessary components of the industry of the wealth nations as a weapon to achieve better terms of trade. Both sides can win this war only when they use a strategy which is provided by the game theory. All above discussed methods and weapons of economic warfare raise no claim of completeness, but the discussion shows us the great variety of this kind of warfare. These facts leads us to the question whether the economic warfare should be left to chance or should states develop their own economic warfare strategies and training programs to have the best educated personal available for the economic warfare.

HISTORICAL FACTS

In history we can find a lot of examples of economic warfare. In this essay we will discuss Napoleon's economic warfare against England and Hitler's economic warfare against Great Britain.

Napoleon’s economic warfare against the British Economy: After Napoleon couldn’t invade and defeat England with military methods he thought, that England could be defeated by economic warfare. Therefore he imposed an embargo on England. The Embargo was not successful and doesn’t harm the British economy.

Hitler’s economic warfare against the English economy: During the Second World War Germany lost the Air Battle over England and after that time it was not possible to defeat England with military methods. Hitler therefore ordered the Operation Bernhard named after the SS Major Bernhard Krüger. 142 Prisoners in the Concentration Camp of Sachsenhausen produced British Counterfeit 5, 10, 20, 50 Pounds banknotes. The produced paper money had an equivalent of nearly 135 Million Pounds (today worth 3 Billion Pounds). With this large amount Hitler wanted to restore the British Economy into the age of barter economy. The operation never was carried out and only few pound notes reached the English economy. The large part of the produced money was sent to the bottom of the Lake of Traun and Toplitz just before the end of the war. Perhaps some notes could be go astray in the pockets of higher NSDAP officials to finance a carefree life after the war far away from Europe.

ECONOMIC WARFARE, COMMANDS, LEADERS AND THE TRAINING SYSTEM

The sole end and purpose of demonstration of power is to ensure inner and outer security. On the other hand inner and outer security is the basis for a peaceful development of the society and the economy. In the past well armed enemies from abroad endangered the wealth of a nation, today well informed competitors constantly threaten the economic success and the economic growth. Just as in wartime the success depends on the ability of military leaders. The success in the economic warfare depends on the capability of loyal leaders, who plan and lead the economic warfare.

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7 See Petrich-Hornetz Angelika: Wirtschaftskrieg- Interview mit Jürgen Zeiger, in Wirtschaftswetter vom 7.4.2004
8 See C.M. Cipolli (Hrsg.): Europäische Wirtschaftsgeschichte-Die Entstehung der industriellen Gesellschaften, Fischer, Stuttgart: 1980, Seite 518
9 See http://en.wikipedia.org/wiki/Operation_Bernhard
Only a few of the 194 independent states in the world recently fought wars, but all of them established a Ministry of Defense. None of them maintains a Ministry for Economic Warfare. Merely the great powers have installed special governmental institutions to collect information, which are useful for managing the economic warfare to impose the nation’s economic interests on other nations. While military planning is a core task of a government the planning process of an economic warfare could also be take place within large enterprises. If the interests of states and the interests of enterprises are not the same, it is important to coordinate the different ideas and points of view to find out the best strategy for a combined economic warfare.

After discussing economic warfare in general we had to answer questions like were the leaders of the economic warfare and what role should career officer play in this warfare? In the military warfare the ability of military leaders was characterized by a balanced combination of talent and the successful use of the military knowledge. In the economic warfare the success also results from a well balanced use of knowledge about the influence of the taken measures on the economic process and talent for analysing economic connections. Career officers with a profound academic knowledge about the economy are best qualified for the leadership in an economic warfare.

For the training of persons who should fulfil the task planning and leading an economic warfare of a firm it is necessary to think about the foundation of a national college which offers courses in economic warfare. All nations can follow the lead of France which has founded the École de Guerre Économique to train persons in economic warfare. Many enterprises are quite satisfied with the graduates of this college.

SUMMARY AND PROSPECT FOR THE FUTURE

The short survey shows that the economic warfare is a war with comprehensive pattern. In this kind of conflict the weapons are not guided missiles, atomic bombs or aircraft carriers with their fighter wings on board which are important for modern warfare. In contrast to these weapons we find government subsidies, monetary measurements, head-hunting, electronic warfare, espionage, trade warfare and so on as most important weapons in an economic warfare.

The leaders in such a war need a profound academic education of economics and they should have a deep knowledge about command and control techniques. Every state is been well advised to found a special college which is able to teach instruments and methods of an economic warfare. Military universities could be the best place to implement such an education.

Keywords: New threats, globalization; École de Guerre Économique; Napoleons’s embargo and Hitler’s Operation Bernhard against the British economy; methods of action and weapons of economic warfare (government subsidies, fiscal policy, head-hunting, money laundry, espionage); command, leaders and training system of economic warfare; Military universities and economic warfare