THE NEW ECONOMIC WARFARE

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Abstract: *In this paper, a conceptual analysis is developed about the trade wars, the new economic war and the risk of escalation with the consequence of a military global war. The trade wars are viewed in the context of geopolitics movements and security interest with the analysis of opportunities.*

Keywords: *trade war, steel, oil, aluminium, national security, China, Iran, European Union, Pentagon, Department of Defense, North Stream II Project, U.S. Census Bureau, U.S trade deficit, Bureau of Economic Analysis, NATO, Intermarium.*

OIL AND GAS SEEM UNLIKELY TO BE EARLY CASUALTIES OF TRADE WAR

President Donald Trump's plan to impose 25 percent taxes on imported steel could spark retaliation by China and the European Union. Together, Beijing and Brussels command considerable economic might, accounting for roughly $527 billion (66 percent) of the $796 billion U.S. trade deficit in goods last year, according to U.S. Census Bureau data, and approximately $414 billion (27 percent) the $1.54 trillion in gross U.S. exports. Even so, countermeasures seem unlikely to target U.S. oil and gas exports. To begin with, both China and the European Union are net importers of oil and gas. During CY2017, net imports accounted for 8.3 million barrels per day (70 percent) of Chinese oil consumption and 8.8 billion cubic feet per day (39 percent) of Chinese gas consumption, according to Chinese customs data. In the European Union, net imports

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accounted for 10.5 million barrels per day (90 percent) of oil consumption on a trailing, 12-month (TTM) basis through August and 34.5 billion cubic feet (74 percent) of gas consumption on a TTM basis through November, according to Eurostat data.

Moreover, U.S. energy exports are a small part of trade with both markets. U.S. gross energy exports of all kinds—oil, gas, coal, biofuels, and natural gas liquids (NGLs)—added up to $9.2 billion of CY2017 outbound U.S. trade with China (7 percent of the ~$130 billion total) and $20.9 billion of outbound trade (7.4 percent of the $284 billion total) with the European Union. At least during the early skirmishes of the coming trade war, Harley-Davidson motorcycles and Kentucky bourbon appear to face considerably more trade risk than oil and gas.

That being said, an escalating trade war could undermine Trump administration's exports-based concept of "energy dominance" by limiting U.S. producers' access to overseas markets. So, too, could an Iran sanctions face-off with the European Union. Both outcomes could prove undesirable just as dominance dollars are starting to flow: Bureau of Economic Analysis data indicate that the value of U.S. petroleum, natural gas, NGL, and coal exports increased $45 billion between CY2016 and CY2017.

The recent taxes on steel and aluminum imposed by the USA on the European Union and China have huge geopolitical and economic stakes. Practically, these measures are part of Washington's new strategy concerning economic or commercial warfare. The European Union contested these measures, considering them protectionist measures and threatening with counter measures. We can see every day that the world economy is on a downhill slope, as specialists in intelligence and defense economics expect an economic crisis in Europe as well as in the USA towards the end of this year, a crisis which can not be overcome but via an outright global scale war.

According to a secret report, partially confirmed by the US Census Bureau, the Obama administration left America a commercial deficit of 83%, practically 796 billion USD. According to estimates, Beijing and Brussels hold together the economic supremacy, owning 527 billion USD, and 414 billion USD, respectively, in gas and energy, while the US budget totals 1.54 trillion dollars.

China and the European Union are net importers of oil and gas. The 8.3 million daily imported barrels represent 70% of Chinese oil, while the 8.8 billion cubic meters of gas represent 39% of Chinese consumption. According to analyses carried out by specialized structures in Washington, a war against Iran would not suffice to stabilize the US economy. According to data centralized by the US Bureau of Economic Analysis, US oil, natural gas, NGL (natural gas liquids), and coal exports amount to only 45 billion USD annually in the most recent commercial years (2016 and 2017). For that reason, the real stake for the USA is not the oil and natural gas needed for internal consumption, but the possibility of destabilizing the European Union and the Far East, both dependent on Iranian oil. What few people know is that aluminum and steel are massively used by the American defense industry, as the Department of Defense is a large consumer of both metals. Access to these metals is critical for the production of American defense systems. This leads us to consider the industrial military complex and the Pentagon's war plans, as well as the necessity of laying out a collective war scenario involving the USA's economic enemies: China and the European Union.

NOMINATING JOHN BOLTON – A SIGNAL TOWARDS IRAN AND AUTHORIZING THE USE OF FORCE BY BYPASSING THE CONGRESS

The nomination of Bolton coincided with the transfer of decision concerning aluminum and steel tariffs from the economic field to the field of national security, and evaluated as such. By the means of this transfer, the war intentions relating to the necessity of developing the defense industry, as well as to pressure from China in the steel field (which, according to the same secret report, would affect US economy), are acknowledged.

It is clear: the USA is in an economic war with China. The European Union is targeted as well.

Specialists in the Pentagon and Washington are still evaluating the economic impact on the European Union and Asia of a war against Iran. America would be the only winner of such a conflict.

Moreover, the Trump administration nominated for the Department of State the former CIA director, Mike Pompeo, precisely because of the need for secrecy concerning information about the US economy and the war against Islam and China, as the Trump administration is looking for a way to obscure via counter propaganda measures the statements of the former White House strategist, Steve Bannon.

It is equally interesting that on the 2018 agenda of the USA's Council on Foreign Relations is to be found the scenario of a NATO–Russia conflict, as many conflict scenarios of this Council were confirmed, such as the one between Turkey and the Kurds. The security agenda of the White House strangely coincides with the agenda of the Council on Foreign Relations, seen as being on the Democrats' side.

The connection between steel and aluminum and national security is straightforward. The Department of Defense (DoD) is a large consumer of both metals and having access to them is critical to producing U.S. military systems. This is particularly true for certain very strong alloys and specially manufactured grades of steel and aluminum. The exceptional capabilities of many U.S. weapons systems depend upon these exceptionally strong and highly engineered materials, including nuclear-powered aircraft carriers and submarines, tanks and other armored vehicles, and advanced fighter jets. DoD does not buy much steel and aluminum directly. Instead, it procures hundreds of thousands of tons of steel and a sizeable quantity of aluminum through the construction of its weapon systems, especially ships. As a result of the Buy America Act and other domestic source requirements for specialty metals, the overwhelming majority of steel and aluminum bought for national defense comes from U.S. producers. These purchases are a relatively small share of U.S. production, however, at least with respect to steel. The published report on the Department of Commerce's investigation omits most of the data on DoD's aluminum usage. Based on expectations of increasing production rates of weapon systems in coming years, DoD estimates that it needs approximately 3 percent of domestic steel production. This relatively low market share presents little indication of a near-term supply shortage, and the trends in steel production and import penetration identified in the Commerce Department's investigation do not suggest that DoD's steel requirements are heading toward any significant danger of going unfilled. The situation with aluminum is less clear due to the lack of data on DoD's demand and the higher level of import penetration, but the bulk of aluminum imports come from Canada, which is considered part of our national technology industrial base for defense purposes. The actual national security risk of steel and aluminum imports is low. Imports can also provide benefits. Canada provided critical surge capacity in steel when the United States embarked on a crash program to produce Mine-Resistant Ambush Protected (MRAP) vehicles for the wars in Iraq and Afghanistan.

So how are tariffs likely to impact national security? The aluminum and steel tariffs are likely to impose national security costs in three ways. The first cost is direct. Although DoD buys very little imported steel and aluminum, the price of domestic metals will rise after the tariffs are imposed. The entire purpose of the tariffs, after all, is to allow domestic producers to raise their prices. DoD will pay increased prices for these metals for as long as the tariffs are in place. The second national security cost is also financial, but indirect. It depends on how other nations react to the tariffs. Other nations may retaliate against tariffs based on national security by targeting U.S. defense trade. They may see the United States as a less reliable partner and hedge against that risk by buying more key equipment from other nations, or they may follow the tariffs logic themselves and require higher percentages of content from their own suppliers in U.S. systems (a phenomenon called offsets). If other nations respond to the tariffs in these ways, reduced international defense trade would cause DoD to have to pay a larger share of the defense industry's overhead costs. The third cost applies to our alliances. Allies hit with tariffs may be less likely to join the U.S. in diplomatic endeavors like imposing sanctions or to volunteer assistance in sharing the burden of rebuilding in places like Afghanistan. If U.S. defense exports are impacted by the tariffs, the U.S. military would also lose some of the relationship building that defense trade generates. In the final analysis, the impact of the tariffs on national security is likely to be negative. The benefit of the tariffs is, at best, a marginal reduction in risk. The direct costs are real, though likely small. The indirect costs are harder to predict, as they depend in large part on the decisions made by other nations, but they have the potential to be significant.

How would this affect Romania? The North Stream II Project or the Intermarium[1] Project are basically one and the same thing. It envisions an

[1] Gheorghe Calopăreanu, *Regionalizarea securității în Europa Centrală*, Editura Universității Naționale de Apărare „Carol I", București, 2011, pp. 25-36.

extended natural gas network comprising transit countries such as Romania, Poland, the Czech Republic, Slovakia, Lithuania, Latvia, Bulgaria, Hungary, Greece, and Ukraine, the latter one using the project in its economic war with Russia.

Intermarium[2] is an economic cooperation concept, having geopolitical value, involving the countries around 3 seas: the Baltic Sea, the Black Sea, and the Adriatic Sea. It is called, in intelligence analyses, "the American resistance box in the European Union".

A conflict with Russia is possible for economic reasons, but we are under NATO protection and we need to act diplomatically until summer for economic and security reasons, while coordinating our actions with Washington's.

The competition between Euro-America zone and Euro-Asia zone can give rise to a component of confrontation any time.

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[2] Gheorghe Calopăreanu, *Regionalizarea securității în Europa Centrală*, Editura Universității Naționale de Apărare „Carol I”, București, 2011, pp. 44-75.