

## UKRAINE, MULTIPOLARITY, AND THE CRISIS OF GRAND STRATEGIES (part 2)

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### **Panel: War in Ukraine: Implications for U.S. Hegemony, and Emerging Alternatives**

#### **Abstract**

Contrary to dominant Western narratives Vladimir Putin's invasion of Ukraine cannot be explained adequately in terms of imperial nostalgia or the domestic politics of distraction. These factors may have played a role, but the underlying cause was structural, a reflection of intensifying economic and political rivalry among unequal imperialist powers as the United States has sought to reverse the global trend towards multilateralism. The proxy war against Russia also enhances U.S. hegemony over Europe, and especially Germany. Sanctions on Russian energy supplies and other neomercantilist policies, most notably the recently passed Inflation Reduction Act, illustrate that the United States is no longer willing to underwrite Europe's economic prosperity. For Germany, the war has caused not only a *Zeitenwende* or "turning point," in political and ideological terms, but also a fundamental transformation of its ordoliberal, export-led model, with important implications for German and European political stability.

In Part 1 (Cafruny et al., 2022) we argued that Vladimir Putin's decision to invade Ukraine February 24 was the result of a clash between Russian and U.S. imperial projects. Contrary to the dominant Western narratives Vladimir Putin's ultimata to NATO and the United States in December, 2021, his recognition of the Donetsk and Luhansk rebel territories on February 21, and the launching of an invasion three days later cannot be explained adequately in terms of imperial nostalgia or the domestic politics of distraction. These factors may have played a role, but the underlying cause was structural, a reflection of deepening economic and political rivalry among unequal imperialist powers.

A comprehensive explanation for the invasion situates the predicament of Russian political capitalists (Ischenko, 2022a)—and thus the Russian government--within the context of the decades-long fear of NATO encirclement, greatly enhanced by a series of specific provocative actions and decisions taken by Kiev and Washington in late 2021 and early 2022. Russia shares responsibility for the invasion and its terrible humanitarian consequences with the United States and the Ukrainian government in Kiev.

10 months into the invasion it has become increasingly evident that the proxy war against Russia also enhances U.S. hegemony over Europe, and especially Germany. Sanctions on Russian energy supplies and other neomercantilist policies, most notably the recently passed Inflation Reduction Act, illustrate that the United States is no longer willing to underwrite Europe's economic prosperity. For Germany, the war has caused not only a *Zeitenwende* or "turning point," in political and ideological terms, but also a fundamental transformation of its ordoliberal, export-led model, with important implications for German and European political stability.

### **Origins of the War**

As we described in detail in part 1, during in the late 1990s NATO under U.S. leadership excluded Russia from a role in the post-Cold War security architecture, a strategy that numerous U.S. officials and scholars warned would inevitably lead to significant conflict if not war. Russia's concerns deepened in response to the gradual expansion of NATO into central and eastern Europe, the United States' and NATO's and massively destructive invasions of Serbia, Libya, and Iraq without United Nations authorization, and Washington's unilateral withdrawal from a succession of arms control agreements. In February, 2014 the United States supported an illegal and violent seizure of power in Kiev and presided over the

establishment of an essentially client government as Ukrainian statehood became predicated on confrontation with Russia and, hence, the suppression of ethnic Russians in eastern Ukraine and Crimea. France and Germany then failed to support the Minsk agreement of 2015, which by consensus had provided a basis for ending the ensuing civil war in eastern Ukraine and had even been endorsed by Volodymyr Zelensky during his election campaign of 2019.

Russia's fears were greatly intensified by a series of specific provocative actions taken by Kiev and Washington in late 2021 and early 2022. These included increasing military aid to Ukraine designed to establish NATO "interoperability," substantial increases of artillery attacks by Ukrainian forces on the Russian enclaves in Luhansk and Donetsk (OSCE,2021); Volodymyr Zelensky's assertion at the Munich Security Conference on February 19 of Ukraine's right to develop nuclear weapons; NATO exercises in the Baltics, Poland, and Black Sea alongside Zelensky's statement that Ukraine would retake Crimea by force; and the signing in November, 2021 of a joint U.S.-Ukrainian Charter on Strategic Partnership asserting Ukraine's future membership in NATO; this latter initiative characterized by the distinguished conservative historian Robert Service, an outspoken critic of the Kremlin, a "strategic blunder" and "the last straw for Moscow."(Cafruny et al., 2022, fn.43).

The dogmatic assertion of an "unprovoked" invasion ignores all of these factors. It absolves the United States and NATO of all responsibility for the war and denies the obligation to explore the bases for a peaceful solution, thereby condemning the Ukrainian people to endless warfare and suffering. It underpins the Biden Administration's narrative of a coming global battle between democracy and Chinese and Russian authoritarianism in which Ukraine is the preliminary battleground and a subaltern Europe is fully on

Washington's side. By extinguishing the memories of "forever wars" in Iraq and Afghanistan it fragments the anti-war movement and consolidates the neoconservative restoration.

Even within the corridors of power this dogma has been decisively rejected. Six months into the war the Ukrainian government published a "blacklist" of individuals promoting "narratives consonant with Russian propaganda," including assertions that the invasion was provoked and that the United States is waging a "proxy war" with Russia in Ukraine (CPD, 2022). Yet, based on these criteria there is no shortage of members of the U.S. foreign policy establishment who would qualify for inclusion on this list. For example, former CIA Director Leon Panetta has acknowledged that "We are engaged in a conflict here. It's a proxy war with Russia, whether we say so or not (Robinson, 2022)." The former Supreme Allied Commander of NATO, Philip Breedlove, has stated that "I think we are in a proxy war with Russia. We are using the Ukrainians as our proxy forces (NYT, 2002)." Anthony Cordesman (CSIS, 2022) has observed that "the war in Ukraine has become the equivalent of a proxy war with Russia, and a war that can be fought without any U.S. casualties.... most of our European partners and allies are suffering far more from the economic consequences of their support for Ukraine and rise in global energy costs than Americans." According to Hal Brands (2022) "Russia is the target of one of the most ruthlessly effectively proxy wars in modern history...the key is to find a committed local partner—a proxy willing to do the killing and dying..."

### **The Long War**

Ten months after the invasion the war continues to escalate and there is little prospect of a negotiated settlement. Putin's designation of a "special military operation," involving a small invasion force and eschewing domestic mobilization reflected his expectation of a

short, successful campaign, culminating in regime change. However, Putin badly misjudged the effectiveness of the Ukrainian armed forces and, perhaps, the willingness and ability of the United States to provide them with weapons and training. The ill-conceived *blitzkrieg* on Kiev encountered unexpectedly stiff resistance and Russia's clearly inadequate forces were pushed back. At the outset Russian units did advance successfully into the newly annexed territories in Luhansk and Donbass and also to the southeast to Kherson and Mariupol. However, assisted by substantial flows of NATO weapons, Ukrainian forces also mounted successful counteroffensives in the east and south, retaking Kharkiv and Kherson, threatening Russia's land access to Crimea, and conducting aerial attacks on Russian forces in the Black Sea, Crimea, and deep into the Russian Federation. However, in September Vladimir Putin announced the mobilization of 300,000 troops, half of which had been deployed by mid-December. In the south Russia has established a defensive line following its retreat from Kherson. Its main focus has shifted to the Donbass and the strategically significant city of Bakhmut while also sending forces to Belarus as a possible staging area for a renewed assault on Kiev. Notwithstanding their limitations, Russian armed forces remain formidable and are apparently regrouping. Despite considerable anti-war sentiment within Russia the population as a whole overwhelmingly supports the war (Rustamova and Tovkaylo, 2002)

By December 20, 2022 the United States had allocated \$68 billion in military and economic assistance to Ukraine, with a further \$15 billion from members of NATO and the EU, a figure greater than the expected Russian military budget of 2023 (Freeman and Hartung, 2022). Following Zelensky's visit to Washington the Biden administration provided a further \$1.7 billion military aid package including Patriot air defense missiles, representing a significant escalation of the war. On December 23 the House passed the \$1.7

trillion omnibus spending bill, already approved by the Senate, including a further \$45 billion in military and economic aid to Ukraine as well as general increases in U.S. military spending to enable further supplies to NATO forces.

The war has resulted in massive casualties for both sides although the precise numbers are contested. Before it was retracted and denied, on November 30 EU Commission President Ursula Van der Leyen asserted that 20,000 civilians and 100,000 Ukrainian soldiers had been killed (Euractiv, 2022). On November 10 General Mark Milley, Chairman of the U.S. Joint Chief of Staff, estimated 100,000 killed and wounded on each side (Washington Post, 2022). Thousands of ethnic Russian Ukrainian citizens, mostly civilians, have been killed in artillery attacks in Luhansk and Donetsk since 2014. 7.8 million refugees have fled to European countries with perhaps an additional 1 million to Russia. A further exodus can be expected in response to Russia's increasingly devastating attacks on Ukraine's energy, water, and transportation infrastructure. The war has accelerated Ukraine's demographic decline, from 54 million at Independence (1991) to 37 million (in Government-controlled Ukraine) on the eve of invasion (Economist, 2022). Large numbers of refugees will probably never return.

Much of eastern Ukraine has been transformed into an industrial wasteland and central and western Ukraine await a similar fate. This devastation has been inflicted on a society best described as a "neoliberal kleptocracy" (Yurchenko, 2017), whose impoverishment and deindustrialization increased in the context of the European partnership of 2013 and IMF structural adjustment and conditionalities as well as the civil war in the Donbass. Ukraine's GDP in 2019 was lower than in 1989 and life expectancy for men was 67. It's GDP declined by 34.8% in the first three quarters of 2022. (Statista, 2022). Following his election in 2019 Zelensky carried out numerous neoliberal reforms, especially in the health and labor sectors.

During the war itself massive further labor market reforms have been implemented, including the Labor Law approved in August, 2022, allowing for labor flexibilization, relaxed protections against dismissal, increase of the maximum working week to 60 hours, and zero hour contracts. The International Trade Union Confederation has protested that “It is grotesque that Ukrainian workers, who defend the country and care for the injured, sick and displaced are now being attacked by their own parliament (Jikhareva and Serber, 2022).”

This shock therapeutic, war-torn landscape was the subject of two reconstruction conferences, in Lugano in July and Berlin in November, from which trade unions were excluded and at which further deregulatory policies were proposed (ODR, 2022). Although the EU has received Ukraine’s application for membership, changes in labor law along with widespread corruption and absence of democracy almost certainly render “fast track” promises to accession empty rhetoric. Ukraine was ranked on a corruption scale by Transparency International 123 out of 180, and 61 (“partly free”) on Freedom House’s 2022 Report on Democracy. The neo-nazi Azov Battalion continues to play a central role in the Ukraine armed forces (Golinkin, 2019; Al Jazeera, 2022; see also Cafruny et al., esp. fn. 23). Four days before leaving the presidency in 2019 Petro Poroshenko implemented a highly discriminatory language law that limited the use of Russian and was opposed by President-Elect Volodymyr Zelensky (Reuters, 2019). <https://www.reuters.com/article/us-ukraine-parliament-language/ukraine-passes-language-law-irritating-president-elect-and-russia-idUSKCN1S111N> In January, 2022 Zelensky himself presided over further restrictions on the use of the Russian language (Denber, 2022).

Given Europe's own multiple economic crises arising from energy, inflation, expenditures on military and economic support for Ukraine Western European participation in post war

Ukraine will be predicated on cheap labor, largely extractive, and bathed in corruption, as indeed it has been for decades. Ukraine has acquired massive debt obligations as a result of the war. IMF loans will impose further conditionalities, not least including opening up farm land to foreign ownership. Predictions that national uprising under conditions of war will lead to post-war democracy must be treated with skepticism. As Volodymyr Ischenko (2022b) has observed,

So far, Ukraine's 'decolonization' has not led to more robust state-interventionist economic policies but almost precisely the opposite. Paradoxically, despite the objective imperatives of the war, Ukraine is proceeding with privatizations, lowering taxes, scrapping protective labor legislation and favoring 'transparent' international corporations over 'corrupt' domestic firms. The plans for post-war reconstruction did not read like a program for building a stronger sovereign state but like a pitch to foreign investors for a start-up; or at least, that was the impression given by Ukrainian ministers at the Ukraine Recovery Conference in Lugano last summer

### **War and Diplomacy**

Flush with victories in Kiev, Kherson, and Kharkiv, Zelensky has espoused maximalist war aims. He has declared that no negotiations can take place as long as Vladimir Putin remains in office" and that "Russia's aggression potential will be destroyed at the root when the Ukrainian flag is once again in its lawful spot: in the towns and villages of Crimea (President of Ukraine, 2022)." Yet, a comprehensive assault on Crimea would represent a massive and dangerous escalation, greatly increasing the prospect of nuclear war. If initially successful, it would almost certainly unleash intense partisan warfare and ethnic cleansing in Crimea, whose ethnic Russian majority population is strongly loyal to the Russian Federation (Rapoza, 2016; Cafruny et al, fn.23).

President Biden has publicly endorsed Zelensky's maximalist demands while pledging repeatedly that the United States will support Ukraine for "as long as it takes" and that Kiev will make all decisions on negotiations. Yet, in April, UK Prime Minister Boris Johnson reportedly instructed Zelensky to abandon peace negotiations with Russia that were being

brokered by Turkish mediators. The impact of Johnson's intervention on the peace talks is unclear. Zelensky may not have received sufficient guarantees of neutrality from the United States, without which he would be vulnerable to nationalist backlash. In any case, by this time State Department's spokesman Ned Price declared that "this is a war that is in many ways bigger than Russia, its bigger than Ukraine (U.S. Dept. of State, 2022)." Defense Secretary Lloyd Austin declared that the objective was to "weaken Russia (Washington Post, 2022).

Nevertheless, some divisions have appeared within the foreign policy establishment. The Chairman of the Joint Chiefs of Staff, Mark Milley, has called for a diplomatic solution (Baker, 2002). In early December Henry Kissinger called for "peace through negotiations," starting with a ceasefire along the 24 February borders," suggesting that Crimea "could be the subject of negotiations after the ceasefire," and that "internationally supervised referendums concerning self-determination could be applied" in contested areas (Spectator, 2022). Perhaps even more significant is the recent statement from former Prime Minister Boris Johnson to similar effect. The most hawkish of NATO leaders and closely aligned with Washington, Johnson recently had a plaque unveiled in his name on the "Alley of Courage" in Kiev. Yet, his conclusion that "Russian forces must be pushed back to the de facto boundary of Feb. 24" does not specify their withdrawal from Crimea, thus apparently challenging a core demand of Zelensky and paving the way for a necessary but by no means sufficient basis for peace negotiations (WSJ, 2022). Along similar lines Emmanuel Macron has stated that "One of the essential points we must address — as President Putin has always said — is the fear that NATO comes right up to its doors, and the deployment of weapons that could threaten Russia (Cohen, 2022).

Notwithstanding the administration's own maximalist rhetoric there appears to be a widespread recognition that Ukraine cannot realize Zelensky's maximalist aims and that Crimea represents an indelible red line for Russia.. Notably, on December 5 Antony Blinken essentially endorsed Johnson's formula: "Our focus is on continuing to do what we've been doing, which is to make sure that Ukraine has in its hands what it needs to defend itself, what it needs to push back against the Russian aggression... "to take back territory that's been seized from it since February 24<sup>th</sup> (U.S. Dept. of State, 2022b). Seeking to avoid open warfare between NATO and Russia the United States continues to imposed limits on the type of weapons provided to Ukraine, most notably long range missiles, M1 tanks, and advanced fighter jets. These actions do not indicate that the United States seeks peace. At the present time, Washington appears content to waging a protracted war, notwithstanding its obvious dangers. Indeed, there is little doubt that the Biden administration's approach to the conflict remains, in Henry Kissinger's (2022) words, "Russia rendered impotent by war." Zelensky's depictions before a joint session of Congress of Russians as "inhumane" and Russia as a "terrorist state" were warmly applauded by Biden and the U.S. media. These characterizations—at the point of saturation within the Russophobic American media ecosystem--are designed to undercut opposition to further economic military support for Kiev. A change of course would encounter enormous—perhaps insurmountable-- domestic political crises for both Washington and Kiev. Further Ukrainian advances could trigger dangerous Russia's escalation beyond Ukraine. Future battlefield losses for Kiev in the context of domestic proxy war fever could push the Biden administration recklessly to cross Russia's red lines. At the same time, abandoning maximalist war aims are likely to provoke violent opposition from Ukrainian nationalists and neo=nazis.

## **Transatlantic Consolidation**

The war in Ukraine is just one of many short and medium-term shocks facing the world economy. Its most harmful economic impact is on the nations of the global south, especially those dependent on grain and fertilizer from Russia and Ukraine (Mulder, 2022). However, the economic consequences of the war for Europe have been far more severe than for the United States. U.S corporations have made significant gains not least as a result of sanctions on Russian energy and U.S. interests have advanced along a broad front. The war has deepened Europe's economic and geopolitical dependence on the United States and exacerbated intra-EU divisions, most notably between France and Germany.

Sanctions on Russian oil and gas have resulted in skyrocketing energy costs, triggering a toxic combination of inflation, recession, and deindustrialization. Inflation has soared to multi-decade highs, dramatically raising production costs, spurring interest rate increases, and decreasing purchasing power at a time when total debt as a share of GDP across the G-7 economies exceed 420%. Forced to raise interest rates central banks, including the ECB, are unable to reprise quantitative easing strategies as they did in 2008-9 and again in 2020-1 in response to the Covid-19 pandemic.

Natural gas prices in Europe by the end of November had increased by a factor of six over the long-run average. Europeans are paying almost four times as much for imports of U.S. LNG as the same gas costs in the United States. Britain is entering what the Bank of England has predicted will be the longest recorded recession. According to government figures one-third of British children are living in poverty. The increase in energy prices could cause more than 100,000 excess deaths throughout Europe this winter, predominantly among the elderly (Economist, 2022).

For Germany energy accounts for 26% of metallurgy industry costs; 19% of basic chemical production; 18% of glass manufacture; 17% paper; 15% of construction materials (Aris, 2022). Throughout Europe numerous energy-intensive companies in auto, steel, aluminum, fertilizers, glass, chemicals, and engineering have cut back on production or have shut down and some are exiting Europe. The U.S. strategy of technological containment of China represents a further significant challenge to European industry. Prior to the war in Ukraine the United States had deployed the threat of extraterritorial sanctions in a range of European industries, blocking attempts to develop alternative sources of natural gas in Iran and cooperation with Huawei in the development of 5G networks. Many of these actions directly benefited U.S. corporations (Cafruny and Kirkham, 2019). More recently, steps have been taken to impede European cooperation with Chinese semiconductor companies. The Biden administration's recently passed Inflation Reduction Act (IRA) including \$369 billion in subsidies to American energy, manufacturing, and transport. Clearly violating WTO rules, the IRA seeks to decrease greenhouse gas emissions by providing tax cuts and subsidies for electric cars and wind farms. But the sourcing requirements are effectively protectionist and incentivize European and Asian firms to shift operations and factories to the United States. The combination of U.S. mercantilist policies, inflation, and expensive energy threatens the competitiveness of European corporations and risks mass deindustrialization.

### **The German Question**

The combined impact of the IRA, the loss of Russian energy supplies, and the downturn in emerging markets is very harmful for the entire European economy, but most consequential for Germany, calling into question Germany's export-led developmental strategy and, indeed, its national identity (Kundnani, 2012). The war in Ukraine has

precipitated not only the *Zeitenwende* or “turning point,” in political and ideological terms, but a fundamental transformation of the “German model,” with significant implications for German and European political stability.

Germany’s stunning resurgence from its status as Europe’s “sick man” in the first decade of the 21<sup>st</sup> century was based in part on a succession of disciplinary labor policies embodied in Agenda 2010 but also on restructuring of German business through a strategy of selective outsourcing and export mercantilism, underwritten by a devalued (for itself) euro that has for years enabled substantial trade surpluses with the United States. Crucial stages of German manufacturing and commodity supply chains—primarily geared to the assembly stage—were relocated throughout central and Eastern Europe, thereby enabling the German export model to increase its international competitiveness (Gross, 2013; International Monetary Fund, 2013). The asymmetries of the EMU and these supply chains illustrate an “astonishing continuity in the basic structure of German capitalism” (Germain, 2017). They indicate the vast scope of German leadership over the European economy. Germany accounts for approximately 25% of EU exports and 30% of European GDP. If the supply chains are taken into account, the figures are considerably higher. German primacy was reinforced by its position as the central hub linking Russian natural gas to Europe, a position it had maintained despite opposition from many EU member states, the Commission, and furious opposition from LNG companies and the Pentagon. The ‘export mercantilist’ orientation that has governed Germany since 1945 has only become more pronounced and qualitatively more significant in the context of the Eurozone. In 2017, for example, Germany’s trade surplus was 234b Euros (compared to China’s 390b Euros and Japan’s 140b). Whereas U.S., U.K., and French manufacturing sectors fell below 10% of GDP the German manufacturing sector

surpassed 20%, a factor limiting the extent of austerity policies and accounting for Germany's relative political stability.

At the threat of invasion intensified the German leadership sought to maintain its longstanding linkages to Russia, symbolically and materially represented by the Nordstream 1 and 2 pipelines. Immediately following the invasion the SPD-led coalition they still hoped to avoid a permanent break with Russia. President Steinmeier and Chancellor Scholz, for decades advocates of close German-Russian relations, sent just 5,000 helmets to Kiev and refused to allow the Baltic states to send Soviet-era artillery manufactured in the GDR. Ukraine declared Steinmeier *persona non grata* and refused to allow him to visit Kiev. Chancellor Scholz briefly equivocated during his visit to Washington on February 7, following Biden's warning that the United States would "bring an end" to Nordstream 2 if Russia invades and that "I promise you we will be able to do it (Ward, 2022)."

Yet, pushed by their hawkish Green Party coalition members the German political leadership ultimately surrendered—apparently unconditionally. Scholz and Steinmeier recanted their previous commitments to "peace through trade," proclaiming their fealty to Washington (Scholz, 2022). Facing a chorus of criticism even Angela Merkel acknowledged—or perhaps asserted—that she was in fact never committed to Minsk II and supported it only to buy time for Ukrainian rearmament (Rinaldi, 2022). Scholz announced an immediate increase of 100 billion euros for the German military budget. The stunning political and ideological transformation was expressed most clearly within the German media which, downplayed the economic costs for Germany and served as cheerleaders for rearmament and war (Otto Brenner Stiftung, 2022). German air force chief Ingo Gerhartz declared that "For credible deterrence, we need

both the means and the political will to implement nuclear deterrence if necessary.” (then24 2022).

Responsibility for the sabotage of the Nordstream pipelines has not been determined and U.S. intelligence officials have reportedly now rejected initial reports that cast blame on Russia (Harris et al., 2022). There can be no doubt that the destruction represents not simply a momentary severing of German-Russian ties but a fundamental and possibly permanent transformation of U.S.-German and transatlantic power relations, both materially and symbolically. Noting that the United States “is now the leading supplier of LNG to Europe,” Secretary of State Antony Blinken characterized the sabotage as “a tremendous opportunity to once and for all remove the dependence on Russian energy...and offers a tremendous strategic opportunity for years to come (U.S. Dept. of State, 2022).” It is possible that sufficient sources of natural gas other than—or in addition to—U.S. LNG will be found, but this could take many years. As the crisis intensifies European—and especially German—business leaders may press for a resumption of energy relations with Russia and, more generally, abandonment of U.S. hegemony over Europe. However, even if Germany wishes to restore the energy relationship Washington will not easily relinquish its geopolitical and commercial spoils of proxy war following its decades-long crusade against the pipelines and its congenial suspicions of Ostpolitik.

German companies are leading the exodus from Europe to China and the United States, even as they carry out widespread layoffs and cutbacks amid increasing industrial action, exemplified by the actions of BASF. The German chemicals plant is building a \$10 billion plant in Guangdong, China, representing the largest investment in its history. Faced with 2.2 billion euros greater energy costs in the first 9 months of 2022 than in 2021 its’s chief executive announces that it will downsize in Europe “as quickly as possible and also permanently.” (Chazan

and Nillson, 2022). Indeed, BASF has become increasingly intertwined with China, which accounts for 12 billion euros of annual revenues. However, Germany is facing increasing pressure from the United States to “decouple” from China under the threat of extraterritorial sanctions. In October Berlin succumbed to U.S. pressure not to allow China’s Cosco to purchase a majority stake in the Port of Hamburg. Scholz’s visit to Beijing in November with numerous CEOs triggered deep divisions within Germany and Europe, and criticism from the United States.

Following his visit to Washington at the end of November Emmanuel Macron not only called for a negotiated peace in Ukraine but also publicly attacked the IRA, warning that by excluding European products from U.S. markets it could “fragment the West (Abboud, 2002). European officials have been even more blunt, openly accusing U.S. firms of profiting from the war. Noting the “flight of capital and production facilities out of Europe and into the dollar,” Siemens CEO Joe Kaeser has asserted that now “Europe is in systematic competition not only with China but also to some extent with America.” (German-Foreign-Policy.com, 2022).

However, the war has also deepened longstanding divisions in the Franco-German relationship, further reducing the possibilities for an effective European “strategic autonomy.” Notwithstanding the EU’s multiple crises there has been no concerted European response to U.S. mercantilist policies. Germany has refused to endorse Commission proposals for a “Sovereignty Fund” that would provide common European funding in response to the IRA. Instead it has allocated 200 billion euros in subsidies to its own industries alongside a 15 billion euro payout to its energy companies, challenging basic precepts of the Single Market. German rearmament is taking place in conjunction with the US. military-industrial complex, as illustrated by its decision to purchase Lockheed Martin F-35 fighter jets that are capable of carrying U.S.

nuclear warheads, and thereby jeopardizing the development of Franco-German cooperation on a joint fighter jet.

## **Conclusion**

The benefits accruing to U.S. corporations and the American state from the economic proxy war might perhaps be understood simply in terms of unintended consequences, or collateral damage arising from the sanctions against Russia. Yet, U.S. politicians and LNG companies have been seeking to eliminate German-Russian oil and gas pipelines for many decades and sanctions are only one aspect of Washington's broader mercantilist policies. Moreover, not only the geopolitical but also the commercial benefits resulting from U.S. extraterritorial sanctions have been deeply resented by European corporations for many years (Cafruny and Kirkham, 2020; Cerulus and Wheaton, 2022). Europe's subordination within the Atlantic order is partly ideological but ultimately a function of power and interest. Europe as a whole—and German capital in particular-- remains overwhelmingly dependent on the U.S. market and monetary order (Cafruny, 2017; Hamilton, 2022) and is unlikely to challenge American dominance. German exports to China exceed slightly those to the United States, but its overall investment portfolio in the United States is qualitatively greater than in China, and far more important for the German economy and German capital. The war in Ukraine has deepened Europe's dependence on the American power at a time when the United States is neither able nor willing to underwrite European economic prosperity given its own broader vulnerabilities and global objectives. The twin, mutually reinforcing proxy wars have reasserted and extended U.S. power in Europe but at the cost of growing instability within the transatlantic space and beyond.

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