

## The End of the Washington Consensus Interbellum

Eric Hontz

Follow this and additional works at: <https://digitalcommons.law.umaryland.edu/mjil>

---

### Recommended Citation

Eric Hontz, *The End of the Washington Consensus Interbellum*, 39 Md. J. Int'l L. (2024).  
Available at: <https://digitalcommons.law.umaryland.edu/mjil/vol39/iss1/3>

This Article is brought to you for free and open access by the Academic Journals at DigitalCommons@UM Carey Law. It has been accepted for inclusion in Maryland Journal of International Law by an authorized editor of DigitalCommons@UM Carey Law. For more information, please contact [smccarty@law.umaryland.edu](mailto:smccarty@law.umaryland.edu).

# The End of the Washington Consensus Interbellum

ERIC HONTZ

---

*“Bellum omnium contra omnes” - Thomas Hobbes, De Cive*

## I. INTRODUCTION

Vladimir Putin and the United States National Security Advisor Jake Sullivan<sup>1</sup> agree on one thing, the Washington Consensus is over. This period in history, marked by ever deepening globalization of commercial relationships, facilitated by the World Trade Organization (WTO) and other post-war international institutions, along with unipolar United States military supremacy, is now at an impasse. That this conclusion has been reached by such diametrically opposed actors is revelatory in that there is an agreement on what “is not” but no consensus on what the new international order will look like. What is certain is that a form of development that blends authoritarianism and mercantilism is being deployed by several states, lead among them China.<sup>2</sup> This competition of systems portends a dramatic shift in the development of international law as it has evolved over the past generation. The implications of this shifting global order include shifts in the application of the extraterritoriality of domestic law<sup>3</sup> and,

---

1. Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution (Apr. 27, 2023), <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>.

2. Neil Collins & David O’Brien, *Neo-Mercantilism in Action: China and Small States*, 60 INT’L POL. 635, 639 (2022), <https://link.springer.com/content/pdf/10.1057/s41311-022-00419-3.pdf> (discussing mercantilist aspects of China’s economy); Perry Link & Joshua Kurlantzick, *China’s Modern Authoritarianism*, WALL ST. J. (May 25, 2009), <https://www.wsj.com/articles/SB124319304482150525> (discussing authoritarianism in China).

3. *China’s Ambition of Extraterritorial Jurisdiction and the American Response*, COLUM. J. TRANSNAT’L L., (Mar. 4, 2021), <https://www.jtl.columbia.edu/bulletin-blog/chinas-ambition-of-extraterritorial-jurisdiction-and-the-american-response> (discussing China’s assertions of extraterritorial jurisdiction).

relatedly, even limits on the sovereignty of smaller states within this system.<sup>4</sup>

In the wake of the Cold War the United States was the premier military and economic power in the world with no near peer rivals on the horizon. In both Operation Desert Shield/Storm in 1990-91 and NATO's intervention in Yugoslavia in 1999 overwhelming force was used to maintain the rules-based order established by the United States and its allies following the collapse of the USSR.<sup>5</sup> Then in the wake of the terrorist attacks of September 11, 2001, the United States and its allies began a series of military interventions in its "war on terror." Among other objectives, these interventions sought to bring democracy and the rule of law by force, eliminating cleavages of opportunity in the world's most troubled nations that allowed terrorists to seek shelter.<sup>6</sup>

Concurrently with the use of hard power a series of market-oriented policies, featuring privatization, reduced regulation, trade liberalization, and a focus on fiscal discipline became the cornerstone of advice provided by multilateral institutions to developing nations. Beginning in Latin America, these policies became commonly known as the Washington Consensus and were largely implemented through the Bretton Woods multilateral lending organizations.<sup>7</sup> By 1995, with the conclusion of the eighth round of trade negotiations at the General Agreement on Tariffs and Trade, the World Trade Organization (WTO) was born and trade in goods and services around the globe boomed.<sup>8</sup> The WTO notes that, "[A]s of 2022, world trade volume and value have expanded 4% and 6% respectively on average since 1995, when the WTO was first established."<sup>9</sup> The combination of the use and

---

4. U.N. Conference on Trade and Development, *Developing Countries' Experience with Extraterritoriality in Competition Law*, UNCTAD/DITC/CPLP/2021/3 (Dec. 2, 2021), [https://unctad.org/system/files/official-document/ditceplp2021d3\\_en.pdf](https://unctad.org/system/files/official-document/ditceplp2021d3_en.pdf) (providing examples of how extraterritorial jurisdiction might limit competition law).

5. Mathew Kroenig, *Enforce the liberal order*, THE LOWY INSTITUTE, <https://interactives.lowyinstitute.org/features/usa-rules-based-order/responses/enforce-the-liberal-order/> (discussing the use of force in maintenance of a rules based order).

6. George W. Bush, *National Security Strategy of the United States*, HIST. OFFICE OF THE OFFICE OF THE SEC'Y OF DEF. (Sept. 17, 2002), <https://history.defense.gov/Portals/70/Documents/nss/nss2002.pdf>.

7. Douglas A. Irwin & Oliver Ward, *What is the "Washington Consensus"?*, PETERSON INST. FOR INT'L ECON. (Sept. 8, 2021, 8:30 AM), <https://www.piie.com/blogs/realtime-economic-issues-watch/what-washington-consensus>.

8. *History of the multilateral trading system*, WORLD TRADE ORG., [https://www.wto.org/english/thewto\\_e/history\\_e/history\\_e.htm](https://www.wto.org/english/thewto_e/history_e/history_e.htm), (last visited May 4, 2024).

9. *Evolution of trade under the WTO: handy statistics*, WORLD TRADE ORG. (Jan. 3, 2023, 7:58 AM),

threat of force by the United States and its allies coupled with deep trade liberalization, including capital flows, put globalization into overdrive. With a security umbrella in place, largely financed by the United States, the Washington Consensus of market-oriented reforms moving forward around the globe, and the WTO leading the way toward ever lower barriers on trade in goods and services, the second era of globalization was in full swing.<sup>10</sup>

## II. THE BREAKDOWN AND ITS CAUSES

It will be for future historians to argue over the exact point of the end of the Washington Consensus Interbellum of post-Soviet peace. Candidates for the inflection point might include the 2008 financial crisis that originated in the United States and left emerging markets around the world seeking access to capital, leading to Chinese capital entering emerging markets at an unprecedented scale.<sup>11</sup> More simply it might be marked as 2009 when China passed the United States as the world's leading exporter of goods.<sup>12</sup> On the hard power front, it might be the 2008 Russian invasion of Georgia, the violation of the United States' "red line" in Syria, or the 2014 Russian invasion of Ukraine. What is clear is that history has returned with a vengeance.

With the admission of China into the WTO in 2001 the country began a rapid period of economic growth fueled by a combination inexpensive labor,<sup>13</sup> rampant intellectual property theft,<sup>14</sup> and a mercantilist model of growth where the state protected and subsidized

---

[https://www.wto.org/english/res\\_e/statist\\_e/trade\\_evolution\\_e/evolution\\_trade\\_wto\\_e.htm#fn-text-1](https://www.wto.org/english/res_e/statist_e/trade_evolution_e/evolution_trade_wto_e.htm#fn-text-1).

10. Economists typically define the period from the late 19th century to the start of the of the first World War as the first "golden age" of globalization. *See, e.g.,* Julia Zinkina, et al., *A Big History of Globalization*, in *WORLD-SYSTEMS EVOLUTION AND GLOBAL FUTURES* 2019, at 195-224 (Springer Nature Switz. AG, Ser. No. 2522, 2019).

11. Through ten years of investment in the BRI China has invested an estimated \$1.053 trillion, which consists of approximately \$634 billion in construction contracts, and \$419 in other non-financial investments. *See* Christoph Nedopil, *China Belt and Road Initiative (BRI) Investment Report 2023*, GRIFFITH UNIV. & FISF FUDAN UNIV. (2024) (key findings), [https://www.griffith.edu.au/\\_data/assets/pdf\\_file/0033/1910697/Nedopil-2024-China-Belt-Road-Initiative-Investment-report.pdf](https://www.griffith.edu.au/_data/assets/pdf_file/0033/1910697/Nedopil-2024-China-Belt-Road-Initiative-Investment-report.pdf).

12. *China 'overtakes' US as world's largest goods trader*, BBC NEWS (Jan. 10, 2014), <https://www.bbc.com/news/business-25678415>.

13. In 2003 manufacturing labor costs in China were 3% of those of the United States. *See* ERIN LETT & JUDITH BANISTER, U.S. BUREAU OF LAB. STAT., *MONTHLY LAB. REV.* 40 (Nov. 2006), <https://www.bls.gov/opub/mlr/2006/11/art4full.pdf>.

14. The Federal Bureau of Investigation estimates the intellectual property theft by China causes economic damage to the United States of \$225 to \$600 billion per year. *Executive Summary – China: the Risk to Corporate America*, FED. BUREAU OF INVESTIGATIONS (2019), <https://www.fbi.gov/file-repository/china-exec-summary-risk-to-corporate-america-2019.pdf>.

nascent industries to the point of over production prior to dumping the goods on global markets.<sup>15</sup> This model of development proved remarkably successful working within the cumbersome and lethargic processes of dispute resolution at the WTO combined with emerging market preferences and exemptions that China exploited to great effect. By 2008 the world's economic center of gravity had shifted from Europe toward Asia and is forecast to continue this trend.<sup>16</sup>

While the economic might of the United States and Europe was put under strain with the 2008 financial crisis and rise of Chinese manufactured goods the governance of the many nation states was regressing into a democratic recession. Noted by the preeminent democracy scholar, Larry Diamond in the *Journal of Democracy* in 2015, while the third wave of democracy was under attack by autocrats the values incumbent in democratic governance were only gaining among population's aspirations and values, creating a mismatch between governments and governance.<sup>17</sup> Viewed from nearly a decade out many of Professor Diamond's warnings about the decline of democracy were prescient.

Contributing to the decline of democracy was a rise in inequality at the national level in many established democracies while the numbers globally came down significantly.<sup>18</sup> Under the Washington Consensus globalization in finance and trade ran well ahead of political globalization.<sup>19</sup> In effect leaving a global economy in a world of nation stations. As noted by Dani Rodrik, an MIT

---

15. For an archived list of Chinese items subject to antidumping order from the United States International Trade Administration, see INT'L TRADE ADMIN., LIST OF PRODUCTS FROM THE PEOPLE REPUBLIC OF CHINA, <https://legacy.trade.gov/enforcement/operations/scope/country/china/index.asp>; see also recent warnings by the Biden administration to China on dumping goods on global markets: <https://www.ft.com/content/96dc71be-b795-47dc-a1cc-cccc7aa6a481>

16. John Kemp, *Column: China and the world economy's shifting centre of gravity*, REUTERS (Mar. 5, 2020) <https://www.reuters.com/article/idUSKBN20S26W/>.

17. Larry Diamond, *Facing Up to the Democratic Recession*, 26 J. OF DEMOCRACY, at 141-155 (2015), <https://www.journalofdemocracy.org/articles/facing-up-to-the-democratic-recession/>.

18. Zia Qureshi, *Rising inequality: A major issue of our time*, BROOKINGS (May 16, 2023) <https://www.brookings.edu/articles/rising-inequality-a-major-issue-of-our-time/> ("Global inequality—the sum of within-country and between-country inequality—has declined somewhat since around 2000, with the fall in between-country inequality more than offsetting the rise in within-country inequality. As within-country inequality has been rising, it now accounts for a much larger part of global inequality (about two-thirds in 2020, up from less than half in 1980). Looking ahead, how within-country inequality evolves will matter even more for global inequality.").

19. See, e.g., *From 'Brexit' to Trump, Nationalist Movements Gain Momentum Around the World*, NPR (June 25, 2016), <https://www.npr.org/2016/06/25/483400958/from-brexit-to-trump-nationalist-movements-gain-momentum-around-world>.

economist, there is a trilemma of globalization where nations may only have two of the three options of: (1) national sovereignty; (2) hyper-globalization; or (3) democracy.<sup>20</sup> Due to hyper-globalization under the Washington Consensus, we've come to a fork in the road where either national sovereignty or democracy must be curtailed to preserve the current pace of economic globalization.

### III. ACTION AND REACTION

In the European Union, businesses and governments are waking up from the shock of the abrupt end of economic relations with Russia. There is now much more awareness of supply chain shocks and overreliance on single markets for key raw materials and distribution.<sup>21</sup> Added to the shock of the Russo-Ukraine war on the European continent is the impact of China's attempt to weaponize the EU's single market against Lithuania after the Eastern European country allowed a Taiwanese Representative Office to open in Vilnius.<sup>22</sup> The EU has taken quick actions to temper its economic relations and engagement with China, including the shelving of an investment agreement and the requirement for all EU member states to implement investment screening mechanisms.<sup>23</sup>

The German government has committed itself to a *Zeitenwende* in its international outlook with an increase in the production of armaments, a commitment to supporting Ukraine, and a strategic review of its economic vulnerabilities.<sup>24</sup> Across the European continent there has been an outpouring of support for the defense of

---

20. See DANI RODRIK, *THE GLOBALIZATION PARADOX: DEMOCRACY AND THE FUTURE OF THE WORLD ECONOMY*, at 184-206, (W.W. Norton & Co. 2011).

21. See, e.g., THE WHITE HOUSE, COUNCIL OF ECONOMIC ADVISERS, *ISSUE BRIEF: SUPPLY CHAIN RESILIENCE* (Nov. 30, 2023), <https://www.whitehouse.gov/cea/written-materials/2023/11/30/issue-brief-supply-chain-resilience/> (discussing supply chain resilience); Press Release, Agility, Logistics Execs Wary of 2024 Recession and Overreliance on China, (Feb. 6, 2024) (referencing the company's annual emerging markets logistics index), <https://www.agility.com/en/logistics-execs-wary-of-2024-recession-and-overreliance-on-china/>.

22. Wendy Cutler & Shay Wester, *Resilience & Resolve: Lessons from Lithuania's Experience with Chinese Economic Coercion*, ASIA SOC'Y POL'Y INST. (Apr. 17, 2024), <https://asiasociety.org/policy-institute/resilience-resolve-lessons-lithuanias-experience-chinese-economic-coercion>.

23. See Robin Emmott, *EU parliament freezes China deal ratification until Beijing lifts sanctions*, REUTERS (May 20, 2021, 10:51 AM) <https://www.reuters.com/world/china/eu-parliament-freezes-china-deal-ratification-until-beijing-lifts-sanctions-2021-05-20/>.

24. Rachel Tausendfreund, *Zeitenwende – The Dawn of the Deterrence Era in Germany*, GERMAN MARSHALL FUND (Feb. 28, 2022), <https://www.gmfus.org/news/zeitenwende-dawn-deterrence-era-germany>.

Ukraine and a realization that business as usual is no longer the case, but there remains a yawning gap of answers as to what comes next and a sometimes adversarial and disjointed approach to dealing with its strongest ally the United States.<sup>25</sup> The EU itself remains in a problematic spot as it remains somewhere between a nation and economic trading bloc with limited hard power to commit itself and members pulling foreign policy and commitments in several directions.<sup>26</sup>

Looking to Asia, Japan will double its defense budget to over two percent of its GDP in the next few years and is enacting agreements with the Philippines and South Korea with the support and encouragement of the United States.<sup>27</sup> Skirmishes around the artificial islands and the nine-dash line continue between many of the states in the region and China,<sup>28</sup> regional stability. South Korea is increasing its own arms production and supplying numerous European partners while also funding an expansion of its own reserves and capabilities, considering threats from both China and North Korea.<sup>29</sup> For its part the United States has initiated numerous initiatives in the economic and security space, including the Indo-Pacific Economic Framework,<sup>30</sup> AUKUS,<sup>31</sup> and the Quad,<sup>32</sup> however it has not engaged in any further

---

25. Ivo H. Daalder, *Europe: Rebalancing the U.S.-European Relationship* us work, BROOKINGS (Sept. 1, 2000), <https://www.brookings.edu/articles/europe-rebalancing-the-u-s-european-relationship/>.

26. Paul Taylor, *Between two stools: the EU's foreign policy*, FRIENDS OF EUROPE (Oct. 20, 2023), <https://www.friendsofeurope.org/insights/critical-thinking-between-two-stools-the-eus-foreign-policy/> (noting the divergent interests of individual states and the European Union as its own entity).

27. See, e.g., William Gallo, *Under Biden, U.S. reimagines Asian alliances as 'lattice' fence*, VOA NEWS (Apr. 16, 2024, 10:36 AM), <https://www.voanews.com/a/under-biden-us-reimagines-asian-alliances-as-lattice-fence/7572053.html>; Sakura Murakami, *Japan makes record defence spending request amid tension with China*, REUTERS (Aug. 31, 2023, 3:10 AM), <https://www.reuters.com/business/aerospace-defense/japan-makes-record-defence-spending-request-amid-tension-with-china-2023-08-31/>.

28. For a recent example, see Jim Gomez, *Philippine and Chinese vessels collide in disputed South China Sea and 4 Filipino crew are injured*, AP NEWS (Mar. 5, 2024), <https://apnews.com/article/philippines-china-south-china-sea-collision-e69d9506e85d1d23685db4f220b50d71>.

29. See, e.g., Wooyeal Paik, *South Korea's Emergence as a Defense Industrial Powerhouse*, IFRI, No. 139 (Feb. 2024), [https://www.ifri.org/sites/default/files/atoms/files/ifri\\_paik\\_south\\_korea\\_defense\\_2024.pdf](https://www.ifri.org/sites/default/files/atoms/files/ifri_paik_south_korea_defense_2024.pdf)

30. <https://www.commerce.gov/ipef>.

31. *AUKUS: The Trilateral Security Partnership Between Australia, U.K. and U.S.*, U.S. DEP'T OF DEF., <https://www.defense.gov/Spotlights/AUKUS/> (last visited May 5, 2024).

32. Sheila A. Smith, *The Quad in the Indo-Pacific*, COUNCIL ON FOREIGN RELATIONS (May 27, 2021, 2:30 PM), <https://www.cfr.org/in-brief/quad-indo-pacific-what-know>.

free trade agreements that would allow market access beyond the US-Korea free trade agreement signed in 2007. United States allies in the Asia-Pacific region note that it is the lack of attention to the positive economic engagement in the relationship that has them especially concerned.<sup>33</sup>

The Bretton Woods institutions need deep and comprehensive reform to remain relevant. The IMF and World Bank appear undercapitalized and politicized while bilateral lending by China on opaque terms to emerging markets threatens to derail any potential workouts of debt relief.<sup>34</sup> The message is clear for these institutions – reform, reimagine, or become irrelevant going the way of the League of Nations, which only ceased operations in 1946.<sup>35</sup> “Shirtsleeves to shirtsleeves in three generations,” as Andrew Carnegie noted. The first generation built the multilateral institutions in the wake of World War Two,<sup>36</sup> the second expanded their remit and ran them efficiently, and now, without significant changes, the third generation may run them aground, leaving the world of international finance a much more dangerous place to do business.

#### IV. A NEW ECONOMIC STATECRAFT FOR A NEW WORLD

Toward the end of the Washington Consensus Interbellum nations unhappy with the status quo of the post-Soviet world order began to rearm and probe the established system for weaknesses. Beginning in 2008 the Russian Federation began its military modernization program, with an emphasis on structural

---

33. See, e.g., Shihoko Goto, *Paying the Cost for U.S. Withdrawal from TPP*, THE WILSON CENTER (June 4, 2019), <https://www.wilsoncenter.org/blog-post/paying-the-cost-for-us-withdrawal-tpp> (discussing frustrations of the United States’s allies in the wake of its withdrawal from the TPP).

34. Larry Elliott, *China needs to do more on ‘silent crisis’ of debt, says World Bank official*, THE GUARDIAN (Feb. 21, 2024, 1:00 PM), <https://www.theguardian.com/business/2024/feb/21/china-debt-relief-world-bank-ayhan-kose>.

35. See *League of Nations*, ENCYC. BRITANNICA, at Third Period (1931-1936) (updated Feb. 16, 2024), <https://www.britannica.com/topic/League-of-Nations/Third-period-1931-36>.

36. See *Establishing the Post-War International Order, 1944-1961*, BRITISH ONLINE ARCHIVES, <https://microform.digital/boa/collections/90/establishing-the-post-war-international-order-1944-1961> (last visited May 5, 2024) (discussing the establishment of the United Nations, Marshall Plan, World Bank, International Monetary Fund, General Agreement on Tariffs and Trade, North Atlantic Treaty Organization, and the European Economic Community during this era).



reorganization.<sup>37</sup> Likewise, China's third modernization of its armed forces, with a focus on modernization and professionalization of command as well as an increase in financial resources, was moved forward from 2049 to 2035.<sup>38</sup> Meanwhile, in the ongoing Russia-Ukraine War, middle powers such as North Korea and Iran have supplied Russia with arms to support its war aims in Ukraine,<sup>39</sup> potentially in exchange for access to advanced military technologies.<sup>40</sup> Further, Iran and Russia continue their support for non-state belligerents attacking trade routes and through private military action in third nations, causing instability and risk for both commerce, undermining governance, and putting the civilian population in harm's way.<sup>41</sup>

In the face of actions by authoritarian mercantilist states and their proxies the United States and its allies have deployed a number of economic measures, including an extensive use of sanctions, a tightening of supply chains on critical technologies, and the freezing of state assets in their respective jurisdictions.<sup>42</sup> However, the globalized commercial world created during the Washington Consensus Interbellum has proven to be largely resilient to state sanctions by advanced democracies, with new trade routes, company formation, and financial instruments quickly and deftly deployed by both hostile states and the many commercial actors in third countries

---

37. ANDREW S. BOWEN, CONG. RSCH. SERV., IF11603, RUSSIAN ARMED FORCES: MILITARY MODERNIZATION AND REFORMS (2020), <https://crsreports.congress.gov/product/pdf/IF/IF11603> ("Since Russia's invasion of Georgia in 2008, Russia has undertaken extensive efforts to modernize and upgrade its armed forces.").

38. Kevin McCauley, *The PLA Accelerates Modernization Plans*, THE JAMESTOWN FOUNDATION (Jan. 12, 2018, 7:43 PM), <https://jamestown.org/program/pla-accelerates-modernization-plans/>.

39. See Olivia Yanchik, *Arsenal of Autocracy: North Korea and Iran are arming Russia in Ukraine*, THE ATLANTIC COUNCIL (Jan. 11, 2024), <https://www.atlanticcouncil.org/blogs/ukrainealert/arsenal-of-autocracy-north-korea-and-iran-are-arming-russia-in-ukraine/> (commenting on reports of increased cooperation between Russia, North Korea, and Iran).

40. See Christy Lee, *What's on Pyongyang's Weapons Shopping List in Moscow?*, VOA NEWS (Mar. 6, 2024), <https://www.voanews.com/a/what-s-on-pyongyang-s-weapons-shopping-list-in-moscow-/7516371.html>.

41. See, e.g., U.S. DEF. INTEL. AGENCY, IRAN: ENABLING HOUTHİ ATTACKS ACROSS THE MIDDLE EAST (Feb. 2024), [https://www.dia.mil/Portals/110/Documents/News/Military\\_Power\\_Publications/Iran\\_Houthi\\_Final.pdf](https://www.dia.mil/Portals/110/Documents/News/Military_Power_Publications/Iran_Houthi_Final.pdf)

42. See Alex Zerden & Leland Smith, *Operationalizing a Doctrine for U.S. Economic Statecraft*, WAR ON THE ROCKS (Apr. 12, 2024), <https://warontherocks.com/2024/04/operationalizing-a-doctrine-for-u-s-economic-statecraft/>; Nicholas Mulder, *The Economic Weapon*, THE NEW STATESMAN, (updated Oct. 12, 2023), <https://www.newstatesman.com/international-politics/2022/03/the-economic-weapon>.

that have not participated in the sanctions regimes.<sup>43</sup> The 20th century tools of economic statecraft are ineffectual, and less so with each use, in curbing state behavior against the backdrop of a globalized economy.

While global trade continues to expand it is increasing doing so in geopolitical blocs rather than more broadly between emerging and developing nations. As a result, goods trade flows between hypothetical geopolitical “East-West” blocs<sup>44</sup> have grown 4-6 percent more slowly than trade within these blocs.<sup>45</sup> It is likely that the expanding role of dual use technology in warfare as seen in Sudan, Ukraine, and elsewhere, will lead to greater restrictions on technology transfer between of these blocs, although, in the event of aggressive actions (e.g. a blockade of Taiwan by Chinese regular or irregular forces) even trade unrelated to technology would be impacted leading to much greater economic impacts on less developed nations.<sup>46</sup> For the foreseeable future, this regionalization of globalization is likely to continue as security concerns, national economic policy, and the green transition compel democratic and authoritarian states alike to build barriers and provide subsidies to industry.

National security issues in economic statecraft will continue to rise as concerns about military action and the erosion of the United States’ military supremacy. The proven effectiveness and impact of lower-cost asymmetric warfare,<sup>47</sup> together with a combination of dumping and throttling (via coercive tactics) on world markets of key technology and inputs,<sup>48</sup> is likely to lead political leaders in established democracies toward the further regionalization of globalization.

---

43. See Keith A. Preble & Charmaine N. Willis, *How Russia has managed to shake off the impact of sanctions – with a little help from its friends*, THE CONVERSATION (Feb. 29, 2024, 8:40 AM), <https://theconversation.com/how-russia-has-managed-to-shake-off-the-impact-of-sanctions-with-a-little-help-from-its-friends-223632>.

44. See Carlos Góes and Eddy Bekkers, *The Impact of Geopolitical Conflicts on Trade, Growth, and Innovation*, WORLD TRADE ORG., 1-5 (Working Paper No. ERSD-2022-09, 2022). [https://www.wto.org/english/res\\_e/reser\\_e/ersd202209\\_e.pdf](https://www.wto.org/english/res_e/reser_e/ersd202209_e.pdf).

45. Michael Blanga-Gubbay and Stela Rubinova, *Is the Global Economy Fragmenting?*, WORLD TRADE ORG., 1, 14 (Working Paper No. ERSD-2023-10,2023), <https://www.econstor.eu/bitstream/10419/280428/1/1873031211.pdf>.

46. *Id.*

47. See, e.g., Noah Sylvia, *Asymmetric Weapons: The Most Bang for Your Buck (Literally)*, PERRY WORLD HOUSE, UNIV. OF PENNSYLVANIA (May 13, 2022), <https://global.upenn.edu/perryworldhouse/news/asymmetric-weapons-most-bang-your-buck-literally>.

48. See, e.g., *Examining China’s Coercive Economic Tactics: Hearing Before the H. Comm. on Rules*, 118th Cong. (2023) (Hearing Memo, Majority and Minority Staff), <https://www.congress.gov/event/118th-congress/house-event/115789>.

Unlike the beggar-thy-neighbor policies of the 1930s globalization is likely to continue apace but in a more regionalized manner.<sup>49</sup>

The end of the Washington Consensus Interbellum is here along with the peace and broad-based global prosperity that went with it. The globalized capital and business networks left as a legacy of the Washington Consensus has resulted in traditional tools of economic statecraft, such as sanctions, to be less effective with each use.<sup>50</sup> However, the regionalization of trading blocs underway and a greater emphasis on security interests, will likely see sanctions become more impactful and disruptive to the normal course of business as measures and policies (and penalties) are put into place. After a generation of full-fledged globalization nation states are taking back power, but there will be a cost.<sup>51</sup>

---

49. Shawn Donnan and Enda Curran, *The Global Economy Enters an Era of Upheaval*, BLOOMBERG (Sept. 18, 2023, 7:00 PM), <https://www.bloomberg.com/graphics/2023-geopolitical-investments-economic-shift/>.

50. Kimberly Ann Elliott, *Evidence on the Costs and Benefits of Economic Sanctions*, PETERSON INST. FOR INT'L ECON., (Oct. 23, 1997), <https://www.piie.com/commentary/testimonies/evidence-costs-and-benefits-economic-sanctions>, (“In sum, a rapidly changing global economy means that unilateral economic sanctions are decreasingly useful yet increasingly costly.”).

51. The Editors, *The High Cost Of Global Economic Fragmentation*, IMFBLOG, (Aug. 28, 2023), <https://www.imf.org/en/Blogs/Articles/2023/08/28/the-high-cost-of-global-economic-fragmentation>.