

Opinion **Geopolitics**

## 2023 shows that economic growth does not always breed peace

Global interconnection did produce real change, but not only in the ways the west hoped

**ADAM TOOZE**



Benjamin Netanyahu, Israel's prime minister, and Vladimir Putin of Russia. It is not simply that military forces challenge the formula of economic peace, the economy itself is not neutral © FT montage/Getty Images

**Adam Tooze** YESTERDAY

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This was a year of dismaying conflict and violence. The war in Ukraine, the risk of a superpower clash in the South China Sea and the explosion of violence in Palestine-Israel form a terrible trifecta. In each of these arenas the peace that followed the end of the cold war is now fundamentally in question.

Behind this upsurge in international tension, it is tempting for western analysts to see an “axis of evil” at work. Putin’s assault on Ukraine followed the violent forays of Russian forces into Syria and Libya. Russia is closely linked to Iran, which is the leading sponsor of both Hamas and Hizbollah. China is the major buyer of Iran’s sanctioned oil exports and also the partner that enables Russia to evade western sanctions.

But beyond the machinations of this anti-western coalition, we have to ask why the borders of the former Soviet Union, the Middle East and east Asia are vulnerable to destabilisation in the way that they are. What they have in common is that, after the cold war, they were sites of efforts to found peace not on a nebulous “rules-based international order”, but on something more substantial: the economy.

From the 1990s onwards, “*Wandel durch handel*” (transformation through trade) was the maxim of policymakers across the west. Under the Washington consensus and America’s military dominance there was a confident belief that geopolitics were either irrelevant or would be tamed by economic development. At its peak in 2021 the stock of foreign direct investment in Russia reached \$500bn. The Clinton, Bush and Obama administrations all tried to make Beijing a “responsible stakeholder”. Meanwhile, former Israeli prime minister Shimon Peres touted a vision of the “new Middle East” in which bitter divisions would be healed, as Europe’s had been, by economic growth and interdependence.

This was not pure illusion. “Chimerica” tied important parts of the US and Chinese economies into a single unit. In Russia, westernisation transformed the lives of millions. In the Middle East, a new western-orientated elite has reshaped regional politics. Tel Aviv came to resemble a cross between Brooklyn and Silicon Valley. Israel’s economic growth was very attractive. The Abraham accords are the realisation of an economic peace between Israel and the United Arab Emirates.

But the vision of *doux commerce* was always susceptible to disruption by political violence. In the Middle East, Israel’s struggle with the second intifada sowed the seeds of Hamas’s radicalisation and was folded into Washington’s ruinous war on terror. Russia gave notice of its determination to violently resist any further extension of western influence with its punishment campaign against Georgia in August 2008. Under Xi, China has placed an entirely new emphasis on the People’s Liberation Army as a centre of both inward and external power.

And it is not just that military forces challenge the formula of economic peace. The economy itself is not neutral. Growth has provided the contenders in many regions of conflict with resources. Russia’s energy export business continues to feed its war machine, even as the west confiscates hundreds of billions in reserves. China is so deeply interconnected that it is dangerous to sanction it while its economic growth means it can hardly avoid growing into a military superpower. In Israel, a core element of Benjamin Netanyahu’s grand strategy has been to make the country invulnerable to foreign pressure, by fostering its export strength and building an outsize foreign exchange reserve. There will be no return to the desperate straits of the 1970s and 1980s.

Economic growth thus breeds not peace but the means to rivalry. Meanwhile, economic weakness generates vulnerability. The embarrassment of the west during the financial crisis of 2008 emboldened China. It was Ukraine’s disastrous economic situation that triggered Kyiv’s frantic jockeying between Brussels and Moscow in

2013, which led to the Maidan crisis and Russia's incursion. In the Middle East, Palestine's economic fragility and de-development has emptied the two-state solution of meaning and cleared the way for Gaza, an ancient hub of regional trade, to be reduced to a free-fire zone.

The mistake was not in believing that economic interconnection produces real social, economic and political change. It did. The mistake was to imagine that this transformation was a one-way process that would automatically secure order — and that order would be to the liking of the west. That was a simplistic lesson supposedly taught by the cold war of the 1980s, which our experience in 2023 should finally have laid to rest.

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