



Energy Weapons are Double-edged Swords

Dr. Josef Braml

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Summary

In his contribution to the debate on “Did the European Union Dodge the Energy Bullet?” in *The International Economy*, Winter 2023 Issue, Josef Braml strategically foresees that energy weapons are double-edged swords – and could undercut transatlantic unity and the reconstruction of Ukraine.

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Analysis

Above all, with the sanctions against Russian oil and gas supplies, the West is trying to weaken the Russian war economy. The sanctions will hurt Russia in the medium and long run, to be sure. But without really changing Vladimir Putin's war behavior today, Europe's economies have been harming themselves and undermining the economic resources needed to finance Ukraine's reconstruction.

The costs of the Ukraine war are rising, while the COVID-19 pandemic and the energy crisis have been limiting the fiscal space of many supporting countries. The result is likely to be a transatlantic conflict. The escalating U.S. government deficit and the imminent increase in the debt ceiling have a high price – which the Europeans will have to pay in the reconstruction of Ukraine.

Currently, the United States is once again experiencing a bitter dispute over raising the debt ceiling. The hard core of Republican fiscal conservatives will use the looming “fiscal abyss” to massively cut spending planned by Democratic President Joe Biden and the Democratic-controlled Senate – not least for Ukraine aid. Already during the election campaign, the Republican leader in the House of Representatives, Kevin McCarthy (R-CA), had threatened to issue Kyiv “no more blank cheques.” But this increases the financial pressure on Europe.

With a view to Ukraine's support against Russia's invasion, the U.S. demand for “fair burden-sharing” is likely to become louder and louder. Now that the Americans have provided most of the military aid to Kyiv, it is becoming clear that the Europeans will have to finance the lion's share of economic and reconstruction aid for Ukraine. The rebuilding of the devastated country is likely to cost more than the \$350 billion previously estimated by the European Commission – and, contrary to what parts of the EU bureaucracy believe, these costs cannot be paid for by confiscated assets of Russian oligarchs.

So, what to expect? In addition to the current €750 billion Covid-19 aid package, the European Union could be forced to take on joint debt on a larger scale for Ukraine's economic and investment program. Such an approach, however, would be highly controversial within the European Union. The U.S. demand for “fair burden-sharing” is therefore likely to bring the divisive fungus into the European Union and put a heavy strain on the transatlantic relationship.

In addition, there is another aspect: statements by Chinese leaders indicate that the People's Republic, one of Ukraine's largest economic partners, also wants to support the reconstruction of the country with massive loan aid. This would suit the European Union, if only to conserve its own financial resources. Beijing's strategy of simultaneously improving Sino-European relations by providing aid to Ukraine therefore has a chance of success.

Such a development would be a thorn in Washington's side. In the rivalry with Beijing, the United States sees the decisive geopolitical conflict of the 21st century. Easing tensions in Sino-European relations thus amounts to growing tensions in transatlantic relations, another breaking point in the Western alliance.

The European Union would be well advised to endure these tensions and take on more security and economic responsibility for itself and its neighbors. One thing is clear: after the end of Putin's war of aggression, an international aid program will be indispensable, if only to give the millions of Ukrainians who have fled the prospect of returning to their tormented country.

Remarks: The opinions expressed in this contribution are those of the author. The article first appeared in the blog *Der USA-Experte*, May 6, 2023.

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About the Author of this Issue

Dr. Josef Braml is European Director of the Trilateral Commission – an influential global platform for the dialogue of an exclusive circle of political and economic decision-makers from America, Europe and Asia for the cooperative solution of geopolitical, economic and social problems. His new book, [„Die transatlantische Illusion. Die neue Weltordnung und wie wir uns darin behaupten können“](#) ("The Transatlantic Illusion. The new world order and how we can assert ourselves in it"), has just been published by C.H.Beck.

Dr. Braml is also a member of the ISPSW speaker management team. For more information, please visit the ISPSW website at [Speaker Management – ISPSW](#).



Josef Bramls Buch „Die transatlantische Illusion. Die neue Weltordnung und wie wir uns darin behaupten können“, ist soeben beim Verlag C.H.Beck erschienen.