Economic Statecraft Summit Report
Key Themes and Takeaways

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In Partnership with

TEXAS A&M UNIVERSITY
The Bush School
of Government & Public Service

ECONOMIC STATECRAFT PROGRAM

GLOBAL COMPETITION PROJECT

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EXECUTIVE SUMMARY

On July 25-26, 2024, the Potomac Institute for Policy Studies and Texas A&M University's Bush School of Government and Public Service hosted a summit on economic statecraft. Economic statecraft is traditionally understood as using economic tools of national power to pursue a nation's goals. ***The increasing weaponization of economics by US rivals*** has left key US industries and markets vulnerable, reduced trust in institutions, and endangered US security and prosperity. While prolific, and with varied success, ***the US government (USG) lacks a broad strategy to coordinate response to such activities, and current efforts have been disparate and disconnected***. Accordingly, the goal of the summit was to establish a collaborative foundation for countering adversarial economic statecraft. Panelists across government and industry shared views on adversarial economic practices, US responses, and what would define success in the future.

Key themes included:

- **National values and free market principles are central to US economic statecraft.** Certain societal norms and their context must be considered in exercising economic statecraft, to include broadening the view of what constitutes warfare, the assumption that global stability and prosperity will continue to be dependent on rules-based order, and that countering adversarial economics is an imperative to preserving peace. Competitors can dictate the direction of a command economy, while the US grapples with balancing free markets with security imperatives and democratic processes.

- **International markets exhibit symptoms of failure due to rivals' intentionally non-competitive (e.g., monopolistic) behavior which can impact US national security interests.** These market failures need to be addressed, as well as industries exhibiting signs of nefarious market manipulation by a monopolist or oligopolistic actor aiming to dominate specific sectors. Advancing regional cooperation and opening markets to allies and trusted foreign partners will help. Tools to remedy market distortions and incentive structures exist, but the worlds of economics and national security do not speak the same language and face fundamentally different decision incentives.

- **USG institutional structures and processes impede effective economic statecraft. This is complicated by the absence of a lead USG entity designated to orchestrate economic statecraft tools and authorities.** Authorities and mechanisms are spread across the executive branch of government with no clear strategy or doctrine for their exercise. The legislative branch faces similar institutional and process impediments in developing policy and oversight of economic statecraft activities. To be effective, both branches will need to be complicit in improving employment and coordination of economic statecraft tools and authorities.

- **The USG lacks analytical tools to sufficiently gather, process, and share economic statecraft data for priority, action, decision, and evaluating effectiveness of actions taken**. Existing tools are not fully exploited and or their output is not shared well enough to address the array of threats. Further, an understanding for the efficacy of those tools is lacking. Analytical capacity is still primarily focused on threat financing (how adversaries fund themselves) instead of threat finance (how adversaries deploy capital). Continued development of an "analytical infrastructure" for economic statecraft is needed.

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- **There is divergence between market-driven incentives and the desires of businesses to support USG economic statecraft.** Disconnects between the public and private sectors - namely between USG understandings of commercial market drivers and coordination of investments made on behalf of the national interest, including in human capital - inhibit competitive advantage in areas critical to continued US security and prosperity. The challenge is how to align private sector interests with US strategic interests while preserving free market principles in mitigating economic exploitation by adversaries.

The summit produced several proposals for immediate action, including:

1. ***Create an overarching national strategy and doctrine for economic statecraft and spur the legislative and executive branches*** to enact and align organizational, cultural, and institutional changes required for the US to engage in and oversee effective economic statecraft.

2. ***Foster the intellectual foundations of economic statecraft and refine conceptual and practical approaches.*** Advance awareness of challenges and opportunities and induce action by engaging invested stakeholders and intellectual leaders in economics and national security.

3. ***Specify appropriations and authorizations for economic statecraft activities*** to clarify and enhance the prioritization, oversight, and employment of economic instruments (disparately and together) for US strategic interests.

4. ***Engage more deeply with allies and partners in the public and private sectors.*** Effective US economic statecraft relies on a robust discourse with new and old international partners, relationships underpinned by shared values in pursuit of sustained prosperity and security.

Additional recommendations outlined in this paper include specific institutional changes for Congress and the Executive Branch and how economic intelligence and information is gathered, assessed, shared, and used.

Economic statecraft is a viable tool for ensuring US future prosperity and security. Institutional and policy adjustments will need to be made moving forward in collaboration with close partners and allies. Policymakers must work to better understand private sector incentives, to identify when and how they might diverge from strategic interests, and what to do about it.

Left unchecked, asymmetric economic activities by competitive rivals will leave key US industries and markets vulnerable, reduce trust in institutions, and stress the very fabric of American society, leaving our security and prosperity in peril.

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INTRODUCTION

On July 25-26, 2024, the Potomac Institute for Policy Studies, in partnership with Texas A&M University's Bush School of Government and Public Service, hosted a summit on economic statecraft[1] in Washington, D.C. For years, geopolitical rivals have manipulated and distorted markets to gain strategic competitive advantages against the United States. While much of this economic statecraft occurs below the threshold of war, it vitally threatens US national security and prosperity. Left unchecked, these asymmetric economic activities can leave key US industries and markets vulnerable, reduce trust in institutions, and stress the fabric of American society.

Efforts across the US government, the policy community, and private sector to address adversarial economic practices remain largely disparate and disconnected. Accordingly, the summit intended to cultivate a better understanding of current economic statecraft activities across the public and private sectors. The two-day event also served as a foundation for deliberate dialogue and collaboration among practitioners towards a more cohesive societal approach to economic statecraft aimed at future security and prosperity.

Over the two-day summit, representatives from government, industry, and academia convened to share their views of the problem, how they are addressing challenges, and what they will need to succeed in the future. Insights from panelists, speakers, and participants produced several major themes:

1. National values and free market principles must be at the heart of US economic statecraft efforts.

2. International markets exhibit symptoms of failure due to intentionally non-competitive (monopolistic) behavior by state actors that directly impact the national security of the United States and its allies and partners.

3. Current US government (USG) structures and processes remain one of the greatest impediments to effectively exercising economic statecraft; an entity must be designated to lead the overall US approach to economic statecraft activities.

What is Economic Statecraft?

Economic statecraft is traditionally understood as using economic tools of national power to pursue a nation's goals. Familiar tools include positive as well as negative tools like sanctions, export controls, development aid, tariffs, export credits, and critical infrastructure investment.

Yet, companies – not countries – are the chief agents in the realm of international economics. Firms carry out international economic transactions (e.g., buying/selling commodities, establishing supply chains, making investments, selling products, building factories, purchasing assets, employing workers, etc.). Occasionally, these economic interactions carry implications for national security ("security externalities").

States can manipulate the incentives facing commercial actors to encourage (or discourage) patterns of behavior that generate security externalities conducive to a state's strategic interest. This is economic statecraft.

[1] Defined here as "the use of economic instruments to promote and defend national interests and to produce geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals." Blackwill, R. D., & Harris, J. M. (2016). *War by Other Means: Geoeconomics and Statecraft*. Harvard University Press.

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4. The USG lacks the analytical tools required to sufficiently gather and process data for priority action and decision as well as for evaluating effectiveness of actions taken regarding economic statecraft.

5. Disconnects between the public and private sectors – namely between USG understandings of commercial market drivers and coordination of investments made on behalf of the national interest, including in human capital - inhibit competitive advantage in areas critical to continued US security and prosperity.

This white paper summarizes the key reflections on these themes and provides corollary insights gained from the summit.

Economic statecraft encompasses a state's deliberate efforts to **influence commercial actors** to **generate (or mitigate) security externalities** conducive (or detrimental) to its strategic interests.

KEY INSIGHTS

First, national values and free market principles must be at the heart of US economic statecraft. Countering economic coercion, unfair advantages, and opaque market practices is imperative to preserving the peace and prosperity built through a rules-based economic order. While competitors like China can dictate the direction of their command economy to weaken our market-driven economy and industries, the US must balance free and open markets with democratic processes and security imperatives.

Commitment to free and open markets comes with risks and vulnerabilities for US academic, intellectual, and technology bases. Foreign intelligence agencies and a spectrum of nefarious actors view our open and inclusive system as an opportunity to unfairly gain advantages. To that end, partners and allies emphasized the importance of securing emerging technology and critical infrastructure from coercion and exploitation. Protecting critical technologies and industrial base requires resources—time, people, and information—a fusion not currently in place. Moreover, it may be more difficult to de-risk, reshore, and or reorganize critical supply chains if the US does not address debt and deficit spending levels.

Effective economic statecraft will also require the US to account for market-specific dynamics. For instance, global agricultural and food markets exhibit distinct characteristics in the US-China relationship that differ from other markets. There are boom and bust cycles in agriculture and food, and food insecurity looks very different in the US than in the rest of the world, including China. China has a large dependency on US food exports and the US runs a trade surplus with China. This element of commerce with China should be considered in a different strategic light given the historical and existential challenges food insecurity poses for China (as with other industries in which the US holds unique advantages).

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Second, international markets exhibit symptoms of failure due to intentionally non-competitive (monopolistic) behavior by state actors that directly impact the national security of the United States and its allies and partners. These market failures (perceived and real), as well as industries exhibiting signs of nefarious market manipulation by a monopolist or oligopolistic actor aiming to dominate specific sectors need to be addressed. Traditional tools for remedying such market distortions (including those intentionally caused by bad actors) can be employed domestically and internationally, to include taxation policies designed to shift the incentive structures of market players. In other instances, subsidies, regulation, or price supports have been used to improve consumer welfare. Similar tools and approaches can be considered to address national security externalities induced by adversaries and not currently priced into the system.

Allied nations can also help support US national security through their private sector commercial engagements. Summit panelists noted that the US should align with partners to identify and mitigate barriers to working together, develop minimally invasive solutions, and allow companies to do business in other countries with as little interference as possible. Planning and deconfliction will help ensure that the US and its partners work in an additive manner instead of competing for talent and markets. Consensus emerged on the importance of activating bilateral and multilateral mechanisms to drive those tough conversations. Streamlining economic and commercial cooperation between close partners and allies will also require a review of US domestic regulations and approval processes (International Traffic in Arms Regulations, etc.).

Voices from across the interagency noted the importance of advancing regional cooperation and opening markets to allies and trusted foreign partners for greater security and prosperity. Doing so would generate a larger addressable market that potentially leads to more revenue, higher valuations, and alternatives for firms looking to leverage capital markets with minimal risk from adversary influence. A positive approach can be found in the State Department's Partnership for Global Infrastructure and Investment (PGI) initiative that coordinates US and allied programs for policy outcomes abroad. PGI helps to develop economic corridors via infrastructure projects in emerging and strategic nations to counter China's Belt & Road Initiative. Such efforts require new, deeper, and more transparent alliances to be established with foreign governments and businesses. The US policy approach does not need to exclusively "build it here" or to "outsource the production"—both are possible. Though, protecting key domestic industries, attracting capital, and finding alternative markets for domestically produced goods must be coupled with continued engagement with China for stability.

Third, current USG structures and processes remain one of the greatest impediments to effective exercise of economic statecraft; an entity must be designated to lead the overall US approach to economic statecraft activities. The US authorities and mechanisms enabling economic statecraft are scattered across the government with no comprehensive strategy or doctrine by which to coordinate them. Moreover, the economics and national security communities are generally driven by different incentives and priorities that frequently put them at odds, which is exacerbated by infrequent communication. Economists are good at building models with traditional economic indicators while security experts excel in understanding shocks and impacts that are more political in nature. Both communities would benefit from greater interaction to model economic behavior and actions that integrate a variety of non-traditional political, security, and economic dynamics.

Given the contemporary convergence of macroeconomics, financial markets, and geopolitics, the USG system is poorly configured for combatting state and non-state actors engaging in adversarial

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economic statecraft. Agencies remain organized around authorities and tools that are available today and not necessarily those needed in the future. This tools-based approach frames decisions and actions, stifling a more strategic effects-based approach to confronting emerging challenges in the economic and commercial domains. USG bureaucracy remains geared towards "old threats." For example, recent history shows that the US continues to employ list-based sanctions that fail to change nation-state behavior and often drive countries into adversarial spheres of influence. Moreover, while US policymakers may have a wide array of tools to influence industry or engage in economic statecraft, they often lack empirical analysis to gauge the efficacy of those tools.

While US adversaries recognize and exploit the intersections of international conflict with the economic and financial domains, **the USG possesses no clear vision of success for commercial and economic domains.**

Government agencies use antiquated systems and processes – designed for a different set of threats – to undertake economic statecraft in a manner largely disconnected from each other. Multiple voices from across the Executive Branch observed that the interagency processes required better information management for unity of action. Private sector representatives also highlighted how the lack of communication among USG elements makes it difficult to understand, plan, and make decisions around USG policies. This lack of clarity increases corporate risk when engaging on policy topics that appear to be important to the USG. The USG must improve coordination and communication internally while coupling this effort with a clearer methodology for private sector communication and engagement.

While US adversaries recognize and exploit the intersections of international conflict with the economic and financial domains, the USG (and the Department of Defense in particular) possesses no clear vision of success for commercial and economic domains. How do we align the tools of economic power toward strategic ends, given that adversaries asymmetrically and openly exploit trade, international investments, international human capital flows, international institutions, monetary activities, and domestic financial activities? Even with a strategic vision, human capital and resourcing for effective economic statecraft present glaring challenges.

With adequate resources, executive agencies could develop doctrinal guidance and training to codify best practices within the context of an interagency approach to economic statecraft. An economic statecraft doctrine would improve intra-agency and interagency communication, planning, and coordination capabilities, as well as deliberate opportunities for engagement and collaboration with the private sector, allies, and partners. In minimizing the influence of competitor economies with precision, innovative policies should also consider the additive benefits smart economic statecraft can deliver to friendly economies. Only through greater coordination and innovative policy solutions can the USG promote economic prosperity, protect national security, prevent degradation by adversaries, and punish those that try.

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The absence of a lead USG agency or designated entity to prioritize and orchestrate employment of economic statecraft tools and authorities hampers US abilities to conduct effective Economic Statecraft. As a result, USG coordination, decision, and action on economic statecraft activities – from reacting to indication and warnings, threat recognition, and decision and action – are disparate. While communities inside and outside the government recognize this problem, invested agencies vary in ability and willingness to remedy it based on organizational mission, leadership motives, and risk tolerance. The disjointed approach creates risks for the commercial sector: industry has no single USG entity owning the problem to approach for help when they identify threats. To that end, there is a role for a potential interagency "clearing house" for public-private collaboration.

Several participants highlighted the likely need for a new agency or department "to organize, synchronize, and monitor competitive economic activities to ensure they meet domestic and foreign policy goals." The current system looks to the National Security Council (NSC) to coordinate across departments and agencies. However, the NSC tends to inherently focus attention and resources on immediate global challenges and crises, limiting its capacity to fill this interagency lead role. At the same time, departments and agencies inherently view the world through their authorities and legacy, institutional lenses.

The legislative branch also suffers from institutional and process challenges to the effective exercise of economic statecraft. Congressional committees receive an immense amount of disparate information from a broad array of networks either directly associated with or adjacent to economic statecraft. One key challenge is distinguishing "good" from "bad" actors and information sources. Another is determining how to make the information most useful.

Additionally, the authorities, policies, and oversight responsibilities required to prosecute economic statecraft transcend the jurisdiction of any one congressional committee. This increases the complexity (politically, institutionally, and substantively) of resolving policy and statutory hurdles facing both the legislative and the executive branches. Jurisdiction is issue-specific and currently split among several committees in the House of Representatives, to include the Financial Services (oversight of EXIM, IFIs, OFAC/sanctions and central bank), Foreign Affairs (export controls, AID, DFC, etc.), and Ways & Means (trade), among others. While the House Select Committee on the Chinese Communist Party has done well to elevate related matters of critical concern in the 118th Congress in a bipartisan manner, it has no jurisdictional authority of its own. The situation is similar in the Senate. Improving the employment and coordination of economic statecraft tools and authorities will require institutional and process solutions for the legislative branch that are reflected accordingly in the executive branch.

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A fourth major theme of the summit identified that the USG lacks sufficient analytical tools to gather and process data for priority action and decision. While US policymakers may have a wide array of tools to engage in economic statecraft, many lack empirical analysis to gauge efficacy. Furthermore, policymakers do not fully utilize existing tools to address the array of threats, and they routinely fail to share outputs.

Analytical capacity remains focused primarily on threat financing (how adversaries fund themselves) instead of threat finance (how adversaries deploy capital in support of their objectives). Analytical functions are widely distributed across different government departments based on agency charters and authorities delegated to specific offices, with little to no coordination of results. While the DoD has a robust threat finance model, the Treasury, Commerce, and State Departments possess far more subject matter expertise. However, none can allocate collection assets.

There is no comprehensive USG strategy nor a shared platform (doctrine for its employment) dedicated to collecting and interpreting business intelligence on how, where, and when US competitors manipulate or coerce global markets. Such a platform could be employed for the collective USG (and selectively shared with allies and partners) exploitation of predictive data to monitor and understand global economic and supply chain trends for threat mitigation, prioritization, and decisions. Furthermore, understanding how policy interventions might affect global market trends - to include the incorporation of data from capital markets, and the status of that capital (clean or compromised) - necessitates a capability resembling a wargaming platform used for operational decision making. Ultimately, panelists called for improved USG intelligence capabilities (especially at the Commerce Department) and the development of further "analytical infrastructure" to measure and assess economic statecraft initiatives. Such capabilities would require reconciliation with statutory (constitutional) and cultural concerns, primarily the omnipresent balance between security, liberty, and market mechanisms.

> There is **no comprehensive USG strategy nor shared platform dedicated to collecting and interpreting business intelligence** on how, where, and when US competitors manipulate or coerce global markets.

Finally, friction between the microeconomic incentives of the private sector and USG macro-level security concerns complicates efforts to ensure a long-term US competitive posture. Commercial actors conduct the vast majority of international economics. Their interactions often carry important implications for states' strategic security interests (termed: security externalities). At the same time, states can manipulate the incentives of commercial actors to encourage (or discourage) patterns of behavior conducive to national strategic interests. Such are manifestations of "economic statecraft," the term defined more broadly earlier in this paper as "using economic tools of national power to pursue a nation's goals."

Any economic statecraft effort necessarily distorts markets. Over time, such distortions (subsidies, tariffs, taxes, etc.) can produce inefficiencies that erode US productivity and competitiveness.

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Conference participants often pointed to areas in which commercial optimization undercut national security. Areas where commercial interests diverge from national security preferences pose a key question: How can private sector interests be shaped to better align with US strategic interests? This needs to be done in a manner that preserves US capital market principles while mitigating adversarial exploitation to undermine and gain advantage over the US and its allies and partners.

To ensure national security, panelists emphasized that the private sector must continue to focus on economic security. The private sector could be more proactive by educating (vs. lobbying) policymakers and by supplying information to constructively integrate business sector considerations into the formulation of economic statecraft policy and practice. However, capital market structures create constant needs for liquidity and high short-term returns. Capital markets are often too impatient to wait for returns on investments (or anticipated returns that are lackluster) in areas critical to US strategic posture. For example, public markets prefer a 15% return on investment. Accordingly, a lot of capital sits in funds that have short term or rigid return timelines, making it difficult to deploy in critical sectors like agriculture and critical minerals which require longer term investments for acceptable return.

Yet capital as a constraint is inconsistent. Access to capital might be an imposing constraint in certain sectors or in different nations. There will be no "one size fits all" for capital policy to motivate corporate behavior. Such circumstances drive policy debates and investments by governments (influencing market winners and losers) in areas deemed critical to national and or economic security. The US is no stranger to this type of industrial policy, and it is a form of economic statecraft.

The CHIPS and Science Act of 2022 and the January 2024 Department of Defense Industrial Strategy provide recent examples of industrial policy. Both represent calls for the USG to prioritize and invest in certain sectors and products crucial for strategic advantage. This includes investing in and developing human capital and other factor inputs that have diminished over time or that no longer exist domestically.

In addressing human capital needs, policymakers and industry must scale workforce pipelines to educate and develop professionals who can both (1) study, evolve, and exercise economic statecraft and (2) meet the requirements of industries critical to US competitive advantage now and in the future. From advanced technologies to later-stage factories and other key assets, labor remains the biggest limiting factor. Any remedy will require evolution of traditional and corporate-based education. Addressing adversarial economics at a societal level will require more sophistication in the public and private sectors. Panelists observed that companies simply are not contemplating the full risk when evaluating business in China.

Summit participants also asserted that the US should stop trying to resuscitate diminished or nonexistent critical domestic markets to catch up to China. The US has already lost certain technology battles such as 5G and 6G. Instead, government action should focus on enabling fairer competition for industry in emerging and leapfrog technologies. Shaping business behaviors will require governments to increase reward and/or minimize risk. The US can learn from countries like Japan, which provides a framework for economic security issues by providing key targets and guidance to private capital.

Governments should consider influencing companies' risk-reward calculus as one effective form of economic statecraft. Access to capital is one way to shape the risk-reward tradeoff. The DoD's new

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Office of Strategic Capital (OSC) is one such mechanism aimed at better focusing private investments (as opposed to taxpayer dollars). The OSC provides low-cost loan guarantees to create positive investment incentives in capital markets to strengthen sectors critical to national security. The OSC's stand-up accompanies calls to implement other policy recommendations like establishing a sovereign wealth fund or a national security infrastructure bank. This begs the question as to whether or not existing tools are employed to their full potential. One such tool is the Export Import Bank (EXIM), which has existed for roughly 90 years and has focused on providing tools to aid the export of American goods and services. While its mission is to create and sustain US jobs by financing sales of US exports to international buyers, the question of its full utilization remains unanswered.

CONCLUSION

Several conclusions emerged from the two-day Economic Statecraft Summit.

First, democratic values, free market principles, and market-specific considerations must be at the heart of US economic statecraft efforts. These tenets should guide US employment of economic tools as an instrument of national power.

Second, the current US government structure (both the executive and legislative branch) is not well-suited to address the realities of working with the private sector to design, execute, and evaluate effective economic statecraft for the 21st century. Taking appropriate action will likely require significant reorganization of USG institutional structure and authorities as well as the budgetary resources to address the current set of challenges. Several market sectors with important consequences for national security exhibit signs of manipulation by monopolistic actors (often from adversary states). These are not purely commercial market outcomes and will likely require remedies to improve consumer welfare where markets are failing.

Third, forging international partnerships that espouse shared values and interests will help the US maintain an advantageous posture in the global competitive environment over time. Partnering with allies and like-minded nations should be a mutually beneficial endeavor. Nourishing common ground based on shared strategic interests was at the heart of a successful American grand strategy throughout the second half of the 20th century. While current times are different and arguably more complex, history should inform design and implementation of economic statecraft going forward.

Fourth, there is a pressing need for policymakers to better understand private sector incentives and to identify when and how they might diverge from strategic interests. This is especially important for economic actions that carry important ramifications for national security. "Security externalities" characterize the way commercial actors' activities can impact national security. At its heart, economic statecraft is the government's efforts to shape the incentive structures of commercial actors such that they engage (or cease engaging) in activities that carry security effects.

Going forward, the United States should view economic statecraft as a viable tool for ensuring its future prosperity. Employment will require policies that address market failures to enhance national security, to include reshoring or shifting toward trusted partners and allies to secure sensitive supply chains. Wholesale reliance on US domestic markets alone is a vulnerability exacerbated by scale and capacity limitations in many industries. The US simply cannot go it alone in the future.

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The Summit highlighted four specific steps to consider for action in the immediate future (i.e., over the next 18 months):

1. Identify specific legislative and executive branch actions to drive organizational, cultural, and institutional changes required for the United States to engage in effective economic statecraft guided by an overarching national strategy and doctrine.

2. Engage invested stakeholders, especially intellectual leaders in economics and national security, to advance awareness of and induce action to address economic statecraft challenges and opportunities. There is natural friction between the fields of economics and security studies. Economic statecraft is an intellectual space that bridges across these disciplinary realms. However, economists traditionally have not asked the sorts of security-related questions that drive economic statecraft, as they are viewed as "out of scope" for the field of economics. At the same time, security studies scholars typically lack the formal economics skills and background knowledge to delve deeply or apply the appropriate tools to these important questions. There is a need to foster the intellectual foundation and further develop conceptual and practical approaches to economic statecraft.

3. Entities supporting current efforts to identify and mitigate adversarial economic activity are doing so "out of hide", funding their activities based on varying interpretations of organizational missions. Specific appropriations and authorizations designated for economic statecraft activities would help clarify and enable the priority of related missions while enhancing oversight and understanding for how economic instruments are employed, disparately and together.

4. Engage more deeply with allies and partners in the public and private sectors. Effective US economic statecraft will rely on a robust discourse with new and old partners across the globe, relationships underpinned by shared values in pursuit of sustained prosperity and security.

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FURTHER RECOMMENDATIONS FROM SUMMIT PARTICIPANTS

Strategic Recommendations

- Develop an Economic Statecraft Strategy and Doctrine: Executive agencies should devise doctrinal texts and develop training to codify best practices of an interagency approach to economic statecraft. An economic statecraft doctrine would improve intra-agency and interagency communication, planning, and coordination capabilities, as well as engagement with the private sector, allies, and partners.

- Conduct a coordinated review of Economic Tools:

    - The executive branch should conduct coordinated reviews of specific economic statecraft tools across agencies. Policymakers can look to the 2021 Treasury sanctions policy review as a model for a deliberative process to evaluate specific economic statecraft tools and develop forward-looking guidance. However, this review was limited to Treasury Department sanctions authorities. The executive branch should have an integrated vision to include other Treasury Department capabilities such as inbound and outbound investment review, and the role of multilateral development banks.

    - Congress should assess what tools are needed to incentivize the private sector to invest in areas it otherwise would not (e.g., tax credits, matching investments), but the focus should acknowledge that the private sector and not Washington exercises fundamental agency in determining commercially sustainable US economic statecraft. Congress should seek to build out our national capacity for exercising economic tools of national power in conjunction with (rather than in opposition to) the private sector.

    - Congress should assess which economic statecraft elements should be moved from their current homes (i.e., export controls from Commerce and sent to DoD/DHS/State or a new Economic Statecraft Agency) to modernize our economic statecraft posture. Interagency leadership on economic statecraft needs to be clarified. Right now, the default is for the system to look to an overburdened National Security Council and White House team. Unless it is an acute issue, this part of the USG is often too busy to sustain economic statecraft strategy, implementation, execution, and evaluation.

Institutional Recommendations

- Convene meetings in the House of Representatives guided by the Majority Leader with Chairmen and Ranking Members in attendance to attending to address these issues and then agree on what they would move in their respective Committees.

- Create and fund a Treasury Foreign Financial Service, thereby formalizing and adequately resourcing the Treasury Department's existing Financial Attaché program.

- Congress should wholly reassess authorizations and appropriations designated for economic statecraft in the executive branch. Chronic staffing shortages, expanded but unfunded mandates like increased reporting and staffing requirements, and uncompetitive compensation

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for high-skilled bureaucrats typify the challenges facing the departments and agencies tasked with executing elements of US economic power.

Informational/Intelligence Recommendations

- Study and publish a primary analysis that characterizes purchasing power adjustment multiples for China vis-a-vis the US, ideally on a sector-by-sector basis.

- Civilian Net Assessment and Policy Planning Functions: Forward-looking analytical and planning capabilities would enhance the economic statecraft function. Congress should reassess Treasury Department resources with regard to net assessment and policy planning functions for medium-term planning and Commerce Department resources and capabilities for deliberate policy planning.

- Policymakers should create or expand the "analytical infrastructure" that measures and assesses economic statecraft initiatives, to include consideration of the Department of Commerce's intelligence function.

- The Treasury Department and the intelligence community should coordinate views on dollar stablecoins and work with Congress on actions that will help maintain an advantageous strategic posture for the US to that end.

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- AFWERX
- Atlantic Council
- Business Executives for National Security
- Capitol Peak Strategies
- Carlyle Group
- Center for a New American Security
- Council on Foreign Relations
- Defense Advanced Research Projects Agency
- EchoStar Corporation
- Embassy of Australia
- Embassy of Germany
- Export–Import Bank of the United States
- Fathom Consulting
- First In
- Flagship Pioneering
- Foundation for the Defense of Democracies
- Future Union
- Galois
- George Mason University
- Hoover Institution
- J.H. Whitney
- Japanese Ministry of Economy, Trade, and Industry
- Johns Hopkins University Applied Physics Lab
- K2 Integrity
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- Office of the Under Secretary of Defense for Acquisition & Sustainment
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