Potomac Institute for Policy Studies

Science for Policy. Policy for Science.

2025 Economic Statecraft Summit

Navigating a Reset of the Global Economic Order

December 2025

CONTRIBUTORS

Dr. Tim Welter
Potomac Institute for Policy Studies

Dr. William Norris
Texas A&M University

Dr. Jason Blessing
Potomac Institute for Policy Studies

Joshua Stinson
Harvard University

GLOBAL COMPETITION PROJECT

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

ECONOMIC STATECRAFT PROGRAM

901 N. Stuart Street, Suite 1200
Arlington, Virginia 22203
Phone: (703) 525-0770

www.potomacinstitute.org

2025 Economic Statecraft Summit

ABOUT THE POTOMAC INSTITUTE FOR POLICY STUDIES

The Potomac Institute for Policy Studies is an independent, nonpartisan, 501(c)(3), non-profit science and technology policy research institute. The Institute identifies and leads discussion on key science and technology issues facing our society. From these discussions and forums, we develop meaningful policy recommendations and ensure their implementation at the intersection of business and government.

ABOUT THE GLOBAL COMPETITION PROJECT

The Potomac Institute for Policy Studies regularly engages with a spectrum of experts to elevate insights on the primary challenges and opportunities associated with technology policy and national security. The Institute's Global Competition Project (GCP), focused on societal level competition, develops foundational references for national security professionals, policymakers, industry leaders, and others while driving awareness in how the US might address the most consequential aspects of the globally competitive environment. The Project has delivered on that goal through its research, publications, panels, and continuous dialogue, all through the lens of the Institute's mission intersecting science and technology, business, and government.

FURTHER INFORMATION AND PERMISSIONS MAY BE REQUESTED FROM:

Potomac Institute for Policy Studies

Email: GCP@potomacinstitute.org

TABLE OF CONTENTS

Executive Summary **4**
Recommendations for Action **6**
Recommendations for the Legislative Branch 7
Recommendations for the Executive Branch 8
Recommendations for Industry 9
Recommendation for Academic, Think Tank, and Professional Communities 10
Background **11**
A Changing Global Economic Order **12**
Themes from the 2025 Economic Statecraft Summit **13**
Analysis of Summit Themes **17**
Conclusion **19**
About the Contributors **20**
Appendix: Organizations of Summit Panelists and Speakers **21**
Endnotes **22**

EXECUTIVE SUMMARY

On October 23-24, 2025, the Potomac Institute for Policy Studies, in partnership with Texas A&M University's Bush School of Government and Public Service, hosted the Fifth Annual Summit on Economic Statecraft (economic statecraft) in Washington, DC. This report provides summary observations and recommendations rendered from the Summit.

Much has changed across the geoeconomic and geopolitical arenas in a very short time and it is becoming clear that **economic statecraft is a steadfast reality of the global competitive environment with serious implications for security and prosperity.** The Summit's theme, "Navigating a Reset of the Global Economic Order," focused on identifying and understanding the major evolutionary issues associated with economic statecraft over the last 18 months, and to help answer two key questions: What does the future of global commerce and security look like? How might public and private actors expect to navigate the new dynamics together?

Summit discourse revealed three main trends shaping the nature and conduct of contemporary economic statecraft. First, economic issues and national security are increasingly convergent. Second, US-China relations have sharpened from economic competition to a relationship rooted more in coercion and compellence. Third, the strategic landscape is marked by greater state intervention in economic markets and the rise of more assertive industrial policy.

Seven key themes characterizing contemporary economic statecraft emerged from the Summit:

1. **The US is in an *economic war* with China.** Each nation is making decisions and taking actions to de-risk economic and security vulnerabilities. The resulting zero-sum competition imposes increasingly sharpened costs hitting ever closer to sensitive areas with strategic dynamics justifiably characterized as *economic war*.
2. **United States Government (USG) objectives for economic statecraft are guided by (1) spurring the US production economy through reindustrialization and (2) the use of existing policy tools (like tariffs and export controls) applied in novel ways.**
3. **Industry is starting to recognize and acknowledge the risks and dynamics of its frontline role in evolving geoeconomics.** The US private sector is a critical actor in the success or failure of economic statecraft activities.
4. **The private sector requires clearer signaling from the USG to orient risk calculations and investment decisions.** A clearly articulated vision and intent from the USG will help alleviate urgent private sector concerns over economic statecraft-related risks to better inform business decisions.
5. **The Department of Defense (DoD) has become the "agency of choice" to execute the emergent USG vision of economic statecraft.** This raises questions and concerns over whether the DoD has the right expertise, workforce, and authorities to conduct economic statecraft activities long-term.
6. **Allies and partners continue to struggle with a volatile US approach to economic statecraft.** Perceived US vacillation is a challenge for allies and partners, particularly those interested in contributing to US supply chain resiliency.

7. **Economic statecraft efforts face a host of intelligence and counterintelligence related challenges**. An effective public-private arrangement is needed for collecting, fusing, and sharing intelligence and information for action.

Post-Summit analysis identified four key challenges facing communities dealing with economic statecraft:

1. **Elements of contemporary industrial policy are still developing.** Any industrial policy approach must mature in concert with tenets of economic statecraft to be wielded effectively as a strategic lever of national power.
2. **Effective economic statecraft must incorporate holistic market demand**, not just seek increases to supply-side production for defense and military needs.
3. **Success stories from the Defense Industrial Base show the potential for a true paradigm shift** but also highlight important barriers to mobilization for economic statecraft capacity.
4. **Economic statecraft decisions are inherently political.** Without allusion to partisanship, picking market winners and losers to pursue economic statecraft policy goals is political. Which economic challenges “qualify” as matters of national security?

This report advances recommendations derived from the Summit themes and analysis. These recommendations are specific to the legislative branch, the executive branches, industry, and the broader academic, think tank, and professional communities.

As the US approach to economic statecraft policy and practice has evolved over the past twelve months, status quos for diplomatic, economic, and national security policies have been upended. The rules are being rewritten and practiced simultaneously. The global competitive economic environment has experienced a significant paradigm shift marked by disruption and unpredictability. Those who thrive in such an environment and act to adapt likely stand to gain the most.

RECOMMENDATIONS FOR ACTION

On October 23-24, 2025, the Potomac Institute for Policy Studies, in partnership with Texas A&M University's Bush School of Government and Public Service, hosted the Fifth Annual Summit on Economic Statecraft (economic statecraft) in Washington, DC. The theme of the Summit was: "Navigating a Reset of the Global Economic Order." It focused on identifying and understanding the major evolutionary issues associated with economic statecraft over the last 18 months, and especially since the change in US presidential administrations.

The Summit was held amidst a government shutdown, with many participants from the executive branch attending in a personal capacity. Discussions were unclassified and conducted under the Chatham House Rule to encourage candor and transparent debate.

Analysis of the Summit discussions resulted in seven key themes with eleven recommendations. The following sections outline four sets of recommendations derived from the Summit themes:

- Recommendations for the legislative branch;
- Recommendations for the executive branch;
- Recommendations for industry; and
- A recommendation for broader academic, think tank, and professional communities.

RECOMMENDATIONS FOR THE LEGISLATIVE BRANCH

While economic statecraft advocates and policy entrepreneurs exist across the Legislative Branch, Congress needs to adapt its institutional capacity, organizational structures (committee jurisdictions, specifically) and processes, and deepen human capital expertise to legislate and oversee economic statecraft activities effectively.

Recommendation 1: Congress should consider authorizing and funding an executive branch cabinet-level entity to orchestrate economic statecraft activities and policy across the USG, with the private sector, and with allies and partners. The new entity should wield interagency coordinating authority, guiding trade, investment, industrial base resilience, and foreign economic cooperation. Appropriations should be designated for personnel, data systems, and interagency coordination tools. Flexible hiring authorities should be enabled to capture top talent from finance, industry, and academia while mandating the integration of economic statecraft competencies into existing Senior Executive Service and Foreign Service training curricula.

Recommendation 2: Congress should set deliberate oversight triggers to drive maturation of economic statecraft practice, policy, and law. Contemporary economic statecraft is nascent for the USG, and its practice must be matured to effectively address geostrategic realities. A myriad of new economic statecraft-related policies and laws have been put into place in recent years by the Executive and Legislative branches. How do we know they are working? Including sunset clauses in economic statecraft-related laws and mandating annual reporting by government departments, agencies, and offices, will help drive the oversight function of Congress, garnering continuous evaluation and maturation of the still-evolving economic statecraft policy realm. Reporting requirements should include policy coherence across agencies, the effectiveness of coordination and communication with industry, and the potential and actual (un)intended economic impacts of major executive actions. Longer-term impacts can be assessed through independent evaluation contracting, the US Government Accountability Office audits, and other similarly focused mechanisms and entities. A worthy starting point is evaluation and oversight of the economics provisions of the statutorily mandated National Security Strategy (50 US Code § 3043).

Recommendation 3: Establish a defined institutional path for legislation and oversight for economic statecraft issues in Congress.[1] The House Select Committee on Competition with the Chinese Communist Party has been successful in driving policy and legislation debates on economic statecraft (and other important issues) toward substantive congressional action. However, the Committee has no legislative jurisdiction and instead relies on influence and fact-finding to affect economic statecraft decisions in Congress, across the USG, and in the private sector. Furthermore, the assignment of proposed legislation to multiple committees of jurisdiction for consideration (sequential referral) is too often a death knell for the legislation. An institutional change is thereby in order, either by standing up a new committee with the appropriate jurisdictional and oversight authority to address the transcendent nature of economic statecraft, or by establishing a coordinating body for leaders of standing congressional committees with jurisdictional and oversight interests to raise, analyze, prioritize, and act on such matters. Economic statecraft issues need a defined path for legislation and oversight that currently does not exist.

RECOMMENDATIONS FOR THE EXECUTIVE BRANCH

The Trump administration's deliberate actions through executive orders on trade (tariffs, notably) and via a swath of interagency measures, while swift, have been disruptive, driving the need for industry to quickly adjust and realign. Moreover, the Executive Branch lacks adequate information collection, analysis, and dissemination for economic statecraft activities. For instance, the federal government has no central repository for open-source data, commercial data, and economic analysis to converge for examination and decision for action. Economic, trade, and investment intelligence remains fragmented with little systemic sharing, let alone fusion of intelligence or prioritization of activities. Likewise, there is no central institution for industry to engage with the executive branch over the unintended consequences of economic statecraft, like supply disruptions, capital flight, or allied market distortions.

Recommendation 4: The Executive Branch should establish a central mechanism for signaling economic statecraft policy to commercial actors. This could include a coordinated digest or portal that translates key policy changes into potential commercial impacts in plain language like the Department of Homeland Security's Science and Technology Directorate's Cybersecurity Resources webpage.[2] This central USG economic statecraft signaling mechanism will require interagency economic councils to align messaging before public release and to engage with industry associations to test the clarity and interpretability of major public announcements.

Recommendation 5: The Executive Branch should create a single entity where private sector stakeholders can submit reports of negative unintended consequences of trade, financial, or regulatory measures; seek clarification, mitigation, or administrative redress; and provide feedback to inform future policy.

Recommendation 6: The Executive Branch should create a joint analytic enterprise that mandates participation from the US Trade Representative, the IC, and the Departments of Treasury, Commerce, State, Defense, Homeland Security, and Energy. This enterprise should serve as the federal government's central repository for open-source, commercial, and classified economic data and should produce integrated analytic products and actionable recommendations for executive departments and the White House.

Recommendation 7: A cabinet-level council should be established as the convening authority on all economic statecraft related activities for the executive branch of the federal government. At a minimum, council members should include the US Trade Representative, intelligence community leadership, and the Departments of Treasury, Commerce, State, Defense, Homeland Security, and Energy. The council should have the authority to determine actions required by the participating cabinet members and have the responsibility to align those actions to the priorities in the national security strategy.

RECOMMENDATIONS FOR INDUSTRY

Firms and investors face an environment marked by greater uncertainty given the inconsistent information flow from the USG on economic statecraft priorities. Companies must prepare themselves for novel challenges and new informational flows to better inform risk and investment decisions.

Recommendation 8: Firms should develop internal or shared "policy intelligence" capabilities to continuously track, synthesize, and interpret regulatory and trade developments. These capabilities will equip the private sector to more productively engage with the USG on economic statecraft.

Recommendation 9: As a matter of corporate strategy, industry should create and lead industry-specific policy networks or working groups to distill and translate government economic statecraft activity into actionable strategic insights. Strategic consulting organizations can be leveraged to educate and inform stakeholders on the changing geopolitical landscape. These efforts can also be mobilized via existing industry associations, academia, think tanks, and others. Most important is that firms engage to understand and integrate consideration for economic statecraft activities in their everyday business considerations.

Recommendation 10: Companies should integrate economic statecraft considerations into board-level and investment committee discussions and decisions. Boards need to make corporate strategy decisions informed by contemporary economic statecraft activities. Policy and compliance shops should focus on economic statecraft issues as they relate to the existing regulatory and policy environment. Managing business-pertinent aspects of the global financial reset is a critical strategic issue for corporate boards and the C-suite; the status quo approach, often relegated primarily to government compliance, will no longer suffice if businesses expect to thrive and grow.

RECOMMENDATION FOR ACADEMIC, THINK TANK, AND PROFESSIONAL COMMUNITIES

Economic statecraft has received much attention from professional associations, the policy community, and academia. However, robust thought leadership, development of the discipline's tenets, and the derivation of objective metrics and frameworks for assessing economic statecraft that are useful to practitioners are lacking. Intellectual leadership and champions of pedagogical development are needed to move these communities forward to meet the theoretical and practical demands of contemporary economic statecraft. The momentum for understanding economic statecraft is building and the topic is ripe for research and publication.

Recommendation 11: The academy, professional associations, and think tanks must pursue the study of the practice and theory of economic statecraft. Despite the robust and rising attention contemporary economic statecraft has enjoyed across America's most prestigious universities, the subject is yet to have a settled home in academia. The orphaned discipline is caught somewhere between the economics, securities studies, finance, business, and political science (and others) departments at most schools. Investment and organization are needed to guide the intellectual foundation of this emerging multi-disciplinary field of study. While coherence may eventually emerge organically with enough time, a focused, concerted effort to marshal resources and strategic direction would help catalyze our understanding of economic statecraft. These efforts must be substantial enough to advance the discipline while also preparing the pipeline of future security and business workforce professionals.

BACKGROUND

Forces of interdependence, security, and competition across the globe are unsettled. Radical shifts in economic policy, national security, and diplomatic engagement are underway. **The United States is proactively – and often unilaterally – challenging global norms of commerce and diplomacy, moving quickly and decisively.** The new administration has accelerated and expanded the use of tariffs and export controls as primary foreign policy tools while implementing a contemporary approach to industrial policy domestically. New approaches continue to emerge – signposts of a rapid policy reset.

Other nations do not have the luxury of standing by, as opportunities to reset economic and security relationships with the US may be lost. Bilateral economic engagement and trade deals are quickly replacing the multilateral inclusivity of yesterday. Political actors, across the United States federal, state, and local levels as well as ministries around the world, are asking the same questions as those in corporate boardrooms and investment committees: **What does the future of global commerce and security look like in light of the aggressive economic re-alignment that is underway? How might public and private actors at all levels expect to navigate the new dynamics individually and together?**

To understand the environment and explore a tenable path forward, the 2025 Economic Statecraft Summit convened senior executive and legislative branch US officials, foreign partners and allies, industry leaders, and private sector leaders to take stock of recent history, chart current policy trajectories, and forge relationships focused on turning ideas into operational reality. Panelists presented new developments in their arenas, with a heightened focus on the new presidential term that started in January 2025. These perspectives provided valuable information on where federal policy is headed next, and how private-sector innovation might synchronize (or contrast with) policy objectives.

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 and 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.

Representatives from academia and the think tank community also contributed to the Summit's discourse. The study and theory of contemporary economic statecraft lack a settled home in academia. It is caught between economics, securities studies, business, international relations, and political science, among other disciplines. Investment and organization are needed to guide its intellectual foundation.

The same can be said for Congress. Economic statecraft issues need a defined path for legislation and oversight that transcend committee jurisdiction and other institutional barriers to economic statecraft policy maturation, implementation, and practice. Efforts must be substantial enough to advance the discipline and practice while also preparing the pipeline of future security and business workforce professionals.

Much has changed in the geoeconomic and geopolitical arenas in a very short time. **There is growing awareness that economic statecraft (and economic warfare) is a steadfast reality of the global competitive environment with serious implications for security and prosperity.** To that end, private sector actors must be able to understand and assess associated risks while harmonizing with USG efforts.

While there are successful efforts ongoing across the government, policy community, and industry to address asymmetric economic activities, many of those efforts are still disparate and disconnected from a clearly defined and well-articulated strategy. The Summit aimed to remedy those disconnects through an improved societal approach to economic statecraft across the public and private sectors, domestically and globally.

A CHANGING GLOBAL ECONOMIC ORDER

The competitive economic environment has shifted significantly over the last twelve months. Broadly, **the US has embraced a norm of disruption and unpredictability in its strategic approach to economic statecraft.** Accordingly, three main trends are shaping the nature and conduct of contemporary economic statecraft.

First, economic issues and national security are increasingly convergent. A broader range of economic issues are being considered under the auspices of national security, elevating security considerations at the intersection of economic and diplomatic relations. Examples identified during the Summit included:

1. The US-Ukraine Reinvestment Fund by which, in exchange for funding Ukraine's economic recovery and reconstruction, the US will garner preferential access to Ukraine's natural resources (oil, gas, critical minerals, etc.);
2. The recent announcement by President Trump to regain access to Bagram Air Base, a strategic outpost in Afghanistan. Bagram is considered strategic not only geographically but economically as well due to the potential link to critical minerals and other natural resources;
3. Export controls on AI-enabling hardware (advanced semiconductors) as a matter of national and economic security;
4. The expansion of the Bureau of Industry and Security's Entity List, used to control the export and transfer of dual-use technologies under the Export Administration Regulations; and
5. Increased frequency in nations (namely the US and China) cutting off access to markets as bargaining chips to achieve national security objectives.

Tariffs have become a preferred American means for achieving foreign policy objectives with security and economic implications. The traditional methodical approach to employing tariffs for narrow economic objectives has given way to using them for cost imposition, compellence, setting terms and conditions for negotiations, and protecting other national security interests. While seemingly episodic and even erratic in comparison to past practice, the more dynamic use of tariffs signals an evolution in policy strategy. It also highlights the novel complexity of the sources of twenty-first century power and the interactivity of clashing interests driven by economic and security convergence.

Second, US-China relations have sharpened from economic competition to a relationship rooted more in coercion and compellence. Summit participants observed that with the change in administration, the US has solidified its intent to change China's behavior by reshaping its economic and security calculus. At the same time, China has sought to exert its economic power in increasingly significant ways and with less restraint. For instance, in early October, China announced the dramatic expansion of export limitations on five rare earth minerals (bringing the total to twelve) and refining technology leading into planned talks between President Trump and Chinese President Xi Jinping. While the talks resulted in suspension of those export controls, reimposition is an option for China (one they are clearly not deterred from exercising) should the deal sour. Perhaps a harbinger of what could come, the Chinese Communist Party's Fifteenth Five-Year Plan (2026-2031) looks to double-down on the current Plan's pursuit of disconnecting from certain international dependencies and continued investment and development in scientific research and key technology areas.

Third, the strategic landscape is marked by greater state intervention in economic markets and the rise of more assertive industrial policy. The US government (USG) has made significant investments in critical industries, most notably rare earth minerals, semiconductors, and shipbuilding. This has included investments that give the USG a direct stake in private companies like MP Materials and Intel; revenue sharing agreements with firms like Nvidia; "golden shares" in Alabama Shipyard[3] and US Steel/Nippon; and partnerships with capital providers like Cerberus and BlackRock.

As a result, participants observed that the geoeconomic environment is trending away from an open, market-driven economic system to one with greater state activism and strategic considerations driving higher barriers to economic interaction. The interrelationship between economics and national security is deepening, with international relations marked more by transactional bilateral behavior than traditional multilateral agreements designed to establish or deepen broadly-inclusive international regimes. The shift has produced an ecosystem marked by disruption and volatility as the "new normal."

THEMES FROM THE 2025 ECONOMIC STATECRAFT SUMMIT

Firms and various parts of the USG alike are grappling to understand and navigate the new realities underpinning economic statecraft. Seven key themes emerged from Summit discussions that characterize the new environment.

1. Panelists widely recognized that the US is in an economic war with China. As one of the Summit keynotes elegantly observed, both Trump administrations and the Biden administration acknowledged a zero-sum relationship with China as a strategic competitor. Even as early as the Obama administration, the US held onto hope for a win-win US-China bilateral and global relationship. That hope has all but evaporated.

Participants observed that the US cannot expect to have economic interdependence in tandem with economic security and geopolitical rivalry. The zero-sum nature of the situation has led to an acceleration of economic de-risking and decoupling. The scope and scale of that de-risking and decoupling varies, depending on the industry sector or technology. For example, China has an advantage in rare earth minerals while the US has an upper hand in capital markets and in certain technology innovations. The zero-sum nature of the US-China rivalry, manifested in a minimal trust relationship, frames economic competition. Each side is edging for advantage while heading toward the inevitable de-risking. As each nation makes decisions and takes actions to de-risk, zero-sum competition imposes increasingly sharpened costs hitting ever closer to sensitive areas. These strategic dynamics are justifiably characterized as warlike – *economic war*.

While communities focused on executing contemporary economic statecraft have long recognized that China is waging “economic warfare” on the US, taboos over the phrase are fading across the wider policy community and society. The paradigm shift is significant and has been used to justify greater governmental activism in economic markets for national security. At the same time, there is recognition among policymakers that a successful economic statecraft campaign relies heavily on decisions and actions made by private sector actors. Attuned to the situation or not, private companies are crucial front-line actors in economic warfare.

2. USG objectives for economic statecraft are guided by (1) an emphasis on spurring the US production economy through reindustrialization and (2) the use of existing policy tools applied in novel ways. Yet, panelists questioned whether pivoting away from a consumption economy to a greater focus on a production economy through industrial policy is viable or desirable. There was widespread agreement that strategic production capacity is necessary for restoring and maintaining US wartime capability (derivatives of which support deterrence). For instance, the war in Ukraine has exposed shortcomings, particularly regarding US munitions stocks and production. However, it remains to be seen whether and how government actions – such as investing in Intel to safeguard advanced semiconductor manufacturing and packaging and in MP Materials to assure access to critical minerals – will meet the objectives of a broader reindustrialization strategy.

Aside from direct investment, USG economic statecraft is marked by the deployment of policy tools in innovative ways. This is particularly the case for punitive measures. While tariffs have become a primary and favored tool, the USG has also increased utility of export controls and entity listing to restrict trade flows to foreign countries. The approach represents a notable departure from past convention and its effectiveness remains to be seen, especially if the novel use of these tools continues to be scaled as a new baseline for action. Unintended consequences are a key concern as the USG balances de-risking for national security with the economic realities of de-coupling.

3. Industry is starting to recognize and acknowledge the risks and dynamics of its frontline role in the evolving geopolitical relationship between the US and China. The US private sector is a critically central actor in the success or failure of economic statecraft activities. While greater recognition of the economic war with China has spurred more economic statecraft activity across the USG, these efforts are yet to be routinely coordinated internally or with the private sector and are not sufficiently strategic in nature. Summit panelists indicated an increasing appetite to “go on offense” from the private sector, but challenges prevail. International trade, for example, remains incredibly dynamic for the private sector, and industry is struggling to differentiate political statements from actual policy in making decisions. Coordination efforts by the USG are in the formative stages, but nowhere near robust enough to synchronize or wholly persuade private sector action towards concerted goals. Regardless, there are private sector actors seeking to better understand geoeconomic and geopolitical dynamics so they can harmonize business goals and decision making with USG objectives.

4. While USG economic statecraft objectives are relatively clear for some industries, the broader private sector requires clearer signaling from the USG to orient risk calculations and investment decisions. The USG has no overtly stated overarching vision for economic statecraft; there is no published USG strategy or doctrine to inform urgent, action-oriented private sector decision-making. Panelists from industry observed that private firms hold plenty of capital potentially available to support economic statecraft objectives. Yet, except in limited instances, participants noted that industry is not collectively receiving clear policy signals on when, where, and how to unlock and deploy that capital. Clearer signals are required from the USG to guide investments and decisions. Those signals are particularly important in cases where the USG intends to pick market winners for economic (and ultimately national) security purposes (as with USG investments in semiconductors and critical minerals).

A clearly articulated vision and intent from the USG will help alleviate urgent private sector concerns over risks related to supply chain vulnerabilities, supply chain resiliency, and returns on investment. While a formalized strategy has not been relayed, the administration has acted to realize some of its consistently stated policy goals. Panelists noted opportunities for disruptive innovation to drive competition and help alleviate strategic disadvantages by augmenting domestic production. In the defense industrial base for example, the first multi-country/multi-tenant shipyard was recently established in the US (Alabama). The USG invested in the infrastructure ($150M) then invited domestic and foreign businesses to build ships there, cooperatively – a disruptive model aimed at quickly closing the gap in shipbuilding capacity in the US. The initiative stems from an Executive Order that also established Maritime Prosperity Zones (MPZs) to incentivize investments in the US maritime industry through tax benefits and regulatory relief. More broadly, USG investment in private companies through “golden shares,” wherein the government owns a small percentage of a company but retains outsized stockholder voting rights, aims to garner strategic advantages by promoting domestic competitiveness in markets with national security implications, particularly vis-à-vis China.

Finally, participants noted that the lack of a strategy and the USG’s inadequate capacity to holistically implement economic statecraft exacerbates the perception that the administration has undefined policy goals and objectives, and no clear end-state. Bureaucratic capacity, formalized interagency processes, dedicated resourcing, and a single point of engagement for industry for economic statecraft efforts are lacking and result in poor strategic signaling.

Additionally, reliance on academia to provide coherent empirical foundations for an economic statecraft strategy is not a timely option. Pocketed exceptions aside, there is no unifying vision for economic statecraft as a field of study. Instead, economic statecraft wanders between economics, political science, business, and international relations, among other disciplines. Missing is a catalytic entity (or individual) accelerating an accepted theory of the case to study and practice. While such coalescence may eventually emerge organically with enough time, a focused, concerted effort to marshal resources and strategic direction would help catalyze cohering in the Nation’s interest.

5. Appropriate or not, the Department of Defense (DoD) has become the “agency of choice” to execute the US government’s emergent vision of economic statecraft. The DoD’s evolved role is largely a product of convenience and resourcing, not necessarily because it is the most appropriate or best equipped USG entity to carry out economic statecraft activities. Successive National Defense Authorization Acts (NDAAs) – annual “must-pass” legislation guiding national security policy – have incorporated provisions to empower the DoD to undertake and execute activities related to economic statecraft. One example, the DoD's Office of Strategic Capital (OSC), established in 2022, has played a key exploratory role in how the USG can accelerate and scale private investment into supply chains critical for national security. The most comprehensive manifestation to date of a USG mechanism for economic statecraft is outlined in the Senate-approved version of the Fiscal Year 2026 National Defense Authorization Act (NDAA), which seeks to create an Economic Defense Unit within the DoD.

A culture of long-term strategic planning, a history of developing rigorous doctrinal frameworks, and the ability to stay above political fray (as compared to civilian counterpart agencies) has also driven the DoD to lead economic statecraft activities for the USG. However, Summit panelists and participants agreed that economic warfare is complex and vastly different than DoD's primary mission of prosecuting conventional kinetic warfare (and aspects of irregular warfare). Objective metrics of success (and means to measure them) are lacking. This raised questions and concerns over whether the Department of Defense has the right expertise, workforce, and authorities to lead economic statecraft activities long-term.

6. Allies and partners continue to struggle with a volatile US approach to economic statecraft. Economic statecraft has become a much more prominent facet of diplomatic discourse. For allies in Europe, the war in Ukraine has been framed by economic statecraft, incorporating the instrumentalization of trade dependencies and chokepoints as key policy tools. However, US vacillation (particularly over tariffs) remains a problem for allies and partners, particularly those interested in contributing to US supply chain resiliency. Whereas the Biden administration sought to persuade allies and partners, USG partners abroad now grapple with the Trump administration's more coercive approach. Panelists noted that while a more coercive approach may produce quicker results than persuasion, it is arguably less strategic, particularly if tariffs are seen as misaligned with larger industrial policy efforts. As a result, European partners and allies are increasingly concerned that the US seeks to increase relative economic gains at the expense of absolute economic growth for the US and its partners collectively.

Moreover, US foreign partners prioritize very different issues than the US. For instance, European allies continue to emphasize green energy objectives as fundamental aspect of economic deals while the US has all but abandoned the issue in that context. Bilateral as opposed to multilateral or regional trade agreements have become the norm. Bilateral engagement, deals, and agreements now act as the primary mechanisms for negotiating tariff relief and other singular issues instead of employing more broadly focused multilateral tools to pursue realignment in trade relations among like-minded nations. Missing is the clear articulation by the US to allies and partners that its goal is not to increase relative gains but to funnel international demand away from China. Panelists sought to emphasize that allies and partners provide important scale, markets, and resources for the US – all critical for goals related to friendshoring, near-shoring, and eventual US onshoring.

However, partner nations face barriers to more effective cooperation with the US on economic statecraft. A primary concern is personnel. Allies generally have one small team consisting of 3-10 individuals to address economic statecraft matters versus hundreds of USG personnel spread across the government. Better USG prioritization and handoff capabilities of economic statecraft issues will result in better cooperation with allies and partners on those matters. Allies also face very real debt and fiscal constraints. Many countries lack the ability to swiftly implement economic measures like sanctions since their economies are less resilient and unable to absorb the immediate costs. Lastly, political turnover from elections exacerbates allies' abilities to develop consistent longer-term economic statecraft capacity.

7. Economic statecraft efforts face a host of intelligence and counterintelligence challenges. Within the USG, the Intelligence Community (IC) must develop clearer standards and processes for intelligence used for economic statecraft. Crucially, this includes defining success, determining how to collect intelligence and integrate commercial information (business intelligence), analyzing and interpreting data, conducting after-action assessments, and establishing legal and practical mechanisms for intelligence sharing across public-private and international domains. A key challenge for both the USG and the private sector is creating an effective public-private arrangement for collecting and sharing intelligence and information for action. In this regard, a financial information sharing partnership – like the FinCEN Exchange run by the Financial Crimes Enforcement Network within the US Department of the Treasury – could act as a potential model for broader economic statecraft efforts.

Intelligence activities related to economic statecraft have lagged compared to the proliferation of counterintelligence challenges the US faces. Adversarial nations have increased conventional intelligence activities against the US, but adversarial activity in the grey zone has increased exponentially. For instance, Chinese grey zone activities have encompassed: land purchases near critical US locations such as military bases; repeated attempted forced access to military installations; cyber campaigning and information operations against the public and private sectors; targeting of sensitive supply chains; support for the fentanyl trade; extensive intellectual property theft; and technology theft from academic communities. Moreover, China has increasingly used nontraditional actors to gain access to US economic systems. Such efforts have included gaining financial and organizational control over cash-starved US tech startups by providing Chinese Communist Party (CCP) state-linked funding for working capital. The US homeland is no longer a sanctuary. USG investments in key technologies and other market areas designed to protect the nation will fail if the US approach to intelligence and counterintelligence does not evolve.

ANALYSIS OF SUMMIT THEMES

Discourse throughout the Summit on Economic Statecraft made clear that prosperity and security are inextricably tangled in today's geostrategic environment. In the sections that follow, we outline a preliminary post-summit analysis on four key challenges facing economic statecraft communities.

First, elements of contemporary industrial policy are still developing. The US industrial policy approach must mature in concert with tenets of economic statecraft to be wielded effectively as a strategic lever of national power. The USG does not have the bureaucratic capacity nor spectrum of tools available to systematically scale or restrict federal intervention in markets. Furthermore, no formalized interagency processes exist to that end. How, when, where, and why should the US scale federal intervention into the economy? What tools are needed? What kind of professional expertise and workforce would be required? How would the US mobilize in a disciplined way to employ economic statecraft and industrial policy at scale?

After the attacks of September 11, 2001, it took almost a decade for interagency elements to mature their alignment as an effective force to counter terrorism globally. To do so, the Office of the Director of National Intelligence (ODNI) was created to oversee Intelligence Community coordination, the Department of Homeland Security (DHS) brought together 22 agencies under a new Cabinet-level seat, and key elements of DoD, to include the Joint Special Operations Command, were completely re-wired to counter terrorism well, collectively. Done right, address of adversarial economics and employment of effective industrial policy will require a similar restructuring. This should probably begin with establishing the lexicon, doctrine, and processes for practicing economic statecraft. Then, institutional capacity would be needed to guide designation of supporting and supported relationships throughout the government, all in concert with allies and partners and the private sector.

Regarding the latter, a central clearing house for industry to engage USG must be designated. Industry (and their lobbyists) will otherwise consume precious bandwidth across the interagency, diverting attention from mission as they seek subsidized loans or grants to help with capital expenditures. That bandwidth would be better spent on mission, and collaboration orchestrated by a one-stop USG shop.

A critical element for catalyzing the proposal above will require dedicated resourcing from Congress. Currently, the entities carrying out economic statecraft activities are scattered across the interagency, many of which do not have dedicated mission lines funded to do economic statecraft work. Such work is frequently viewed as derivative, potentially distracting organizations from their primary mission-sets. Economic statecraft efforts need to be examined, prioritized, and stitched together so informed funding and other resources decisions can be made to enable coherent economic statecraft campaign planning and execution.

Second, effective economic statecraft must incorporate holistic market demand, not just seek increases to supply-side production for defense and military needs. The USG market for some defense and military applications is small relative to the overall economy. For some technologies the defense budget is simply not a significant source of revenue or market share for firms to consider during design. Commercial demand therefore remains a key motivator for private sector firms, particularly for new and aspiring entrants into the defense industrial base. As a result, USG industrial policy targeting defense and military capabilities must also account for the commercial viability of firms. While the USG sees increased production as means to strategic national security ends, companies are first and foremost focused on the market potential of their products. These self-interested dynamics must be considered by the USG in crafting ways to incentivize private sector engagement in initiatives that support economic statecraft objectives.

Third, success stories from the Defense Industrial Base (DIB) show the potential for a true paradigm shift but also highlight important barriers to mobilization for economic statecraft capacity. The DIB is well equipped for the status quo and remains highly resistant to change (reflecting its USG customers). USG efforts to spur greater competition and mobilization across the DIB will inevitably produce new winners and losers in markets. Disruptive models like the multi-tenant (including foreign firms) shipyard project in Alabama face a high degree of cultural and organizational inertia across the DIB. Incumbent firms actively oppose changes that will alter existing contracts or awards or previously “guaranteed” business. The inability – or unwillingness – of companies to prepare for and accept reversals in their market positions will remain an obstacle to economic statecraft efforts that will require policymakers and private sector leaders to anticipate sources of resistance, engage political responses, and enable market paradigm shifts.

Finally, economic statecraft decisions are inherently political. “Political” is used here in a technical sense, without allusion to partisanship. The political nature of economic statecraft decisions carries two major implications.

For one, picking market winners and losers to carry out economic statecraft policy goals is political and can change across administrations. The accordion-like shift will almost inevitably drive market bubbles. Such decisions will also likely drive creative destruction and consolidation across some markets. There are also inherent risks in leveraging private sector actors to pursue political policy goals: inefficiency, corruption, and inconsistency can emerge over time and undermine long-term strategic vision and objectives. Managing social effects and potential domestic (and foreign) political blowback will become necessary as inconsistent, inefficient, or excessive market interventions create boom-and-bust economic cycles. This kind of politicization could be suboptimal from a strategic, long-term national security standpoint.

Additionally, the inherently political character of economic statecraft also begs a broader question: What economic challenges should qualify as matters of national security? What are the effective and normative limits of economic power and economic statecraft? Without clear tests for determining what counts as a matter of national security and what actions to take, an overly expansive definition of economic security threatens US economic efficiency and technological goals. Initiatives aimed at domestic onshoring must also grapple with the loss of economic efficiencies gained through specialization, comparative advantage, and economic interdependence, particularly with allies and partners who share security interests. Excessive USG intervention in directing markets also risks ignoring or stifling aspects of the innovation economy that emerge from more open markets.

US economic statecraft is underpinned by national values and free market principles, setting the US apart from more authoritarian adversaries. That said, largely absent from discourse in this year's Summit was the need to balance security imperatives with democratic processes and free markets.

CONCLUSION

The competitive economic environment has experienced a significant paradigm shift over the last twelve months. The US has embraced a norm of disruption and unpredictability in its strategic approach to and practice of economic statecraft. By virtue of the Summit discourse, the nature and conduct of contemporary economic statecraft manifests in three primary trends: first, economic issues and national security are increasingly convergent; second, US-China relations have sharpened from economic competition to a relationship rooted more in coercion and compellence; and third, the strategic landscape is marked by greater state intervention in economic markets and the rise of more assertive industrial policy. Those who thrive in disruptive, unpredictable environments stand to gain most from the current state of economic statecraft policy and practice. The status quo for diplomatic, economic, and national security policy no longer stands. The rules are being rewritten and practiced simultaneously.

ABOUT THE CONTRIBUTORS

Tim Welter, Ph.D., is a Senior Research Fellow at the Potomac Institute for Policy Studies and leads the Global Competition Project. His research expertise is focused on economic statecraft and national security policy development and implementation.

Dr. Jason Blessing, Ph.D., is a is a Research Fellow at the Potomac Institute for Policy Studies. His research expertise focuses on cybersecurity, defense, and international relations.

Dr. William Norris, Ph.D., is an Associate Professor at the Bush School of Government and Public Service of Texas A&M University where he directs the school's Economic Statecraft Program. His research interests include East Asian security and economic statecraft.

Joshua Stinson is a Ph.D. Candidate at Harvard Kennedy School. His research is focused on Judgement and Decision Making and how it shapes organizational and geostrategic outcomes.

APPENDIX: ORGANIZATIONS OF SUMMIT PANELISTS AND SPEAKERS

- Potomac Institute for Policy Studies
- Texas A&M University
- K2 Integrity
- Center on Economic and Financial Power, Foundation for the Defense of Democracies
- Business Executives for National Security (BENS)
- Office of the Secretary of Defense
- BryceTech
- Pioneer1890
- US Congress
- Georgetown Center for Security and Emerging Technologies (CSET)
- The Carlyle Group
- 2430 Group
- Embassy of Germany
- Davie Shipbuilding
- The New Industrial Corporation
- Capitol Peak Strategies
- J. H. Whitney Investment Management
- US Military Academy at West Point
- Strategy Risks
- Center for a New American Security
- CapZone Impact Investments
- Tufts University
- American Enterprise Institute
- ReElement Technology Africa
- Terranet Ventures
- Marque Ventures
- Andreessen Horowitz
- Conseil Global Advisors
- Vico
- US Senate Select Committee on Intelligence
- US China Business Council
- Dow Inc.
- Marvell
- ASML
- RAND Corporation
- Johns Hopkins University Applied Physics Laboratory
- Fathom Consulting
- Restless Creation

ENDNOTES

[1] Welter, T. (2021, June 29). *Congress Needs a Global Competition Caucus*. Defense One. https://www.defenseone.com/ideas/2021/06/congress-needs-global-competition-caucus/175012/.
[2] United States Department of Homeland Security. (2024, August 1). *Cybersecurity Resources*. DHS.Gov. https://www.dhs.gov/archive/science-and-technology/cybersecurity-resources.
[3] Alabama Shipyard was originally known as Alabama Dry Dock and Shipbuilding Company. As one of the original nine emergency yards funded by the US Maritime Commission during WWII, it became one of the largest employers in South Alabama while producing Liberty Ships and T-2 Tankers for the war effort. Alabama Shipyard, LLC. (2025). *History*. https://backup.alabamashipyard.com/history/.

Potomac Institute for Policy Studies

Science for Policy. Policy for Science.

GLOBAL COMPETITION PROJECT

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

ECONOMIC
STATECRAFT
PROGRAM

901 N. Stuart Street, Suite 1200
Arlington, Virginia 22203
Phone: (703) 525-0770

www.potomacinstitute.org