Geoeconomics has garnered increased attention as an alternative method to military instruments for advancing U.S. security interests.¹ Council on Foreign Relations President Emeritus Leslie Gelb observed that “Economics is now the principal coin of the international realm, and … now matters more than military might.”² Former Secretary of State Hillary Clinton similarly noted that “we are shaping our foreign policy to account for both the economics of power and the power of economics.”³ In a recent study of the concept and use of geoeconomics, Council on Foreign Relations Senior Fellows Robert Blackwill and Jennifer Harris claimed “the time has come for America’s foreign policy and national security establishment to systematically rethink some of its most basic premises, including the composition of power itself. A new way of addressing U.S. national interests and power must aim for a foreign policy suited to a world in which economic concerns often—but obviously not always—trump traditional military ones.”⁴

For the proponents of geoeconomics, trade and fiscal policies, investment decisions, and global economic institutions can be tailored to strengthen Washington’s leverage over its major military competitors. Economic measures can also be employed to create an overall international environment where standing at odds with the United States is costly for any state.⁵ More ambitiously, scholars and policymakers often believe that economic policies are capable of shaping the preferences of powerful interest groups in foreign countries, so that even potential contenders to the American order will eventually uphold values that Americans deem important.⁶

The arguments for geoeconomics are multifaceted, but they build on a similar worldview. Today, states have become intricately linked economically, and no country can prosper without extensive economic ties to other states and access
to the global market. As long as military force builds on economic capacity, a state’s military competitiveness also depends on its ability to prosper in the globalized economy. Yet, the United States is in a providential position to exercise influence over other states because it possesses the world’s largest market, financial resources and technological leadership. Since other states fear economic costs imposed by the United States and yearn to obtain better access to the U.S. economy, Washington can effectively constrain others’ behavior in a way that serves its strategic interests. The use of economic instruments should be even more welcomed because, unlike military force, they are expected to incur negligible human costs on the United States. For the advocates of geoeconomics, economic tools are a more effective and morally justifiable means than military force to ambitious strategic ends.

The claim that geoeconomics has and should replace military power politics may seem reasonable, especially when one considers the abysmal military record over at least the past two, if not five, decades. This account, however, reflects narrow analysis. Geoeconomics functions by manipulating existing or prospective economic ties with a strategic contender. For this, a state wielding economic instruments must be certain that it has less to lose than the contender when their economic exchanges would be politically distorted. In today’s international economy, where multiple advanced economies compete with the United States, this condition is much more difficult to meet than defenders of geoeconomics anticipate. Moreover, economic measures for geoeconomics are likely to encroach on economic liberty at home and undermine the liberal international order that the United States has led since the end of World War II. Geoeconomics has critical discrepancies to become a new champion of U.S., or any other country’s, grand strategy.

What Is Geoeconomics?

Several analysts have argued that all economic policies, domestic or foreign, should be considered geoeconomics, as long as they have strategic implications. For others, geoeconomics is a synonym of economic statecraft, which traditionally has referred to a state’s use of economic policies to influence another state. Yet, a practical definition of geoeconomics can be given by linking it with the discourse on American grand strategy. In this approach, geoeconomics can be defined as
ideas about using a state’s foreign economic policy to promote and defend mid- to long-term strategic interests.12

As opposed to leading experts of U.S. grand strategy who have focused on the use of military instruments, the proponents of geoeconomics suggest that economic means can effectively shape other powerful states’ behavior, and thus be considered alternatives to traditional military tools. They argue that economic tools can be particularly useful in situations where military endeavors are likely to entail enormous costs.13 For instance, advancing strategic interests of the United States may require confronting militarily powerful states such as China and Russia, often in volatile regions of the world, and economic means help Washington to avoid the danger of military exchanges with those states.

Geoeconomics is distinguished from other economic strategies not by the policy measures it employs, but rather by the ends it pursues. For many grand strategists, these ends include critical security objectives such as protecting homeland security and maintaining the United States’ preeminent relative power position in the international system. They also agree that the United States has a profound strategic interest in maintaining stability in major regions of the world—most importantly Western Europe, Northeast Asia, and the Persian Gulf—as well as in preventing the spread of weapons of mass destruction. In addition to these ends, liberal strategists emphasize that promoting democracy and human rights is a key U.S. strategic objective.14 These are mid- to long-term strategic goals, rather than short-term goals that are at stake in regular diplomatic relations.

Any foreign trade, finance, investment, and industrial policy can be considered instruments for geoeconomics, as long as they are deliberately designed and implemented to attain these strategic objectives. Economic policies can focus on offering positive inducement—or more simply, economic carrots such as preferential tariffs and investment decisions—to other states in an effort to affect their behavior, or to shape the overall set-up of interstate relationships. But they can also be oriented around negative inducements—or economic sticks such as sanctions and discriminatory tariffs—that threaten to or actually impose economic losses on others for taking certain actions.15 Regardless of the specific policy employed, economic measures for geoeconomics try to convince other states that it is in their own interest to take a certain set of actions and to respect the rules of the game that the United States sets forth. When others are indeed convinced, grand strategic interests of the United States are protected.

A prominent example of U.S. efforts to employ geoeconomics in the context of grand strategy is found in Europe between 1947 and 1948. During this period, although the United States wanted to prevent the Soviet Union from dominating all of Europe, it was reluctant to get militarily entangled in Eurasian affairs.16 At least partly as an alternative to direct and extensive military involvement, Washington decided to assist Western Europe’s economic recovery through the European
Recovery Program, so that European states could form an effective counterpoise against Soviet aggression. At the same time, the Truman administration intended to delay the Soviet Union’s military buildup through export controls on goods such as machinery and vehicles.\(^\text{17}\) By simultaneously employing preferential and discriminatory economic policies, the United States tried to maintain the balance of power in Europe, which was an important objective of U.S. grand strategy.\(^\text{18}\)

Since the end of World War II, the United States has enjoyed a preponderance of economic power. It continues to be the nation-state that commands the world’s largest GDP (current prices), although the U.S. share of global GDP gradually decreased from 40 percent in 1960 to 24 percent in 2017.\(^\text{19}\) Yet, this relative decrease in economic size was not due to U.S. economic degradation, but because of others’ economic growth. Indeed, the United States continues to exhibit attributes of a healthy economy, and maintains leadership in key economic issue areas. It not only leads technological development and innovation, but also attracts the largest amount of foreign direct investment.\(^\text{20}\) The dollar’s status as the world’s reserve currency remains largely unchallenged. The U.S. unemployment rate has been low compared with other advanced economies, and the U.S. working age population is likely to grow well into the future.\(^\text{21}\) In short, it would be reasonable to conclude that the United States has built and maintained the world’s leading economy that is resilient to economic shocks and downturns. These economic advantages might suggest that the United States is in a position to use its economic weight liberally in trying to advance its strategic interests.

Geoeconomics builds on a strong conviction that economic measures, when employed in place of military force, are indeed capable of altering other states’ beliefs, behaviors, or interests in high-stake situations. However, it has significant limitations to play a prominent role in advancing ambitious strategic U.S. interests in the 21st century.

**What Goes Around, Comes Around**

The advocates of geoeconomics marshal diverse arguments on different ways of employing economic tools.\(^\text{22}\) Regardless of the specific content of economic instruments, nonetheless, one necessary condition must be met in order for any economic tool to become an effective means to ambitious political-strategic ends. Since Professor Emeritus of the Institute for Advanced Study Albert Hirschman’s seminal work, *National Power and the Structure of Foreign Trade* (first published in 1945), scholars have called this necessary condition vulnerability interdependence—defined as a situation where the targeted state has more to lose than the state that utilizes economic tools, if their economic ties were to be restricted.\(^\text{23}\)
A state implementing geoeconomics tries to create or exploit this condition in its relations with other states in order to induce the desired strategic outcomes. Through economic engagement policies that allow others to gain more, an initiating state can make others become more dependent on it than vice versa. As economic ties develop, the larger size of the gains by eventual targeted states—which, conversely, means the larger size of losses that might be incurred in case of economic disruptions—render these states to concede to the demand made by the initiating state. Similarly, the threat to economically punish another state becomes convincing when a state can inflict more losses on the targeted state than the losses the initiating state might encounter. In strategic relations, the one that has less to lose influences the one that has more to lose.

At first glance, this necessary condition appears easy to meet for a wealthy country such as the United States. Considering the sheer market size, resources, and technological leadership of the United States, other states would have much more to gain than the United States through bilateral economic exchanges. While enjoying the fruits of economic ties with the United States, they might find themselves inadvertently entangled in vulnerability interdependence. However, a closer look reveals that the necessary condition to employ economic tools might be difficult to create and even more difficult to sustain.

The main reason for this pessimism is the presence of other economically powerful states that can intervene and capitalize on U.S. economic measures. It is widely agreed that the United States should work together with other major economies when it intends to utilize an economic punishment strategy such as sanctions. The reason is straightforward: if there were other states that can replace the role of the United States in the targeted state’s economy, sanctions would not work because they cannot effectively inflict costs on the targeted state. Similarly, the effectiveness of economic carrots can be undermined when other states function as alternative economic partners for the targeted state. By serving as alternative export destinations or providers of financial resources, raw materials, technology, and economic know-how, these alternative partners reduce the opportunity costs of standing at odds with Washington.

To be sure, a potential strategic competitor of the United States would not simply divert economic exchanges away from the United States whenever it has an opportunity because economic diversions entail transaction costs. Yet, when the state encounters the U.S. threat to employ geoeconomics over high-stakes issues, it would be inclined to expand exchanges with other economic powers in order to reduce the costs that might be imposed by Washington. In short,
alternative economic partners can liberate states from the vulnerability interdependence with the United States, undermining the effectiveness of geoeconomics.

These other economically powerful states can make it even more difficult for the United States to meet the necessary condition by increasing the costs of utilizing economic instruments. The United States might manipulate limited aspects of its foreign economic exchanges for geoeconomic purposes. However, any strategically motivated economic policies of the United States inadvertently affect overall movement of capital, goods, people, and services around the world. For many states, geoeconomics is just another form of arbitrary government intervention that introduces uncertainty and risks to the global market. When Washington’s economic measures are in place, other states would find that not only are their export and investment decisions in the United States’ strategic contender challenged, but also their business plans prepared based on market expectations are distorted. Accordingly, other economically capable states would resist U.S. economic instruments or even threaten to impose costs on the United States to eschew economic policies designed for its geoeconomic goals.

Over the past century, there have almost always been several economically powerful states that could affect an initiating state’s use of economic instruments. Before World War I, not only were there multiple great powers that possessed large economies, but also smaller states, such as Belgium and the Netherlands, had advanced economies and large domestic markets that could affect economic conditions of the great powers.29 During the Cold War, Germany and Japan qualified as economic powers that commanded diverse leading technologies, economic know-how, and high-skilled labor that could effectively compete with and replace the United States, even when they were not great military powers. After the Cold War, although the United States was the world’s only remaining military superpower, there were other large markets, most notably the European Union, which became economic competitors of the United States.30 Indeed, the United States was free from concerns about alternative economic partners in contemplating economic measures against adversaries only during the few years after World War II when all other major economies were recovering from the destruction caused by the war.31 In today’s global economy, the United States competes with other large economies in almost all major industries, including but not limited to aerospace, agriculture, communication equipment, computer, engine and power transmission equipment, motor vehicles, precision equipment, and semiconductor and electronic components.32
One might argue that the United States, based on its economic and political clout, could constrain other states’ economic behavior if need be today because of its relative market share in the global economy. This view overstates Washington’s ability to dominate economic choices of other countries, both today and historically. During most of the Cold War, Washington repeatedly encountered limits and resistance in deriving support for its economic measures against the Soviet bloc. Even during serious international crises such as the Vietnam War, the Soviet invasion of Afghanistan, and the crackdown on Solidarity in Poland in the 1980s, NATO states refused to adopt more stringent control schemes through the Coordinating Committee for Multilateral Export Controls (CoCom) or abandon East-West trade. In 1982, Western European states fiercely resisted U.S. pressure to stop the gas pipeline project in the Soviet Union, and the Reagan administration had to consider adopting extensive economic sanctions against its key allies. Today, it is even more dubious whether the European Union states would follow suit of U.S. economic measures against its strategic competitors such as China. On the contrary, the European states would be tempted to take over the U.S. role in China’s economic activities if Washington decides to manipulate its economic ties with Beijing. Recently, Britain, France, and Germany designed a new financial instrument in order to circumvent U.S. sanctions against Iran imposed after Washington withdrew from the nuclear deal, or Joint Comprehensive Plan of Action (JCPOA).

Furthermore, the United States does not possess the ability to control diverse economic factors for a protracted period of time. To effectively employ geo economics, Washington must be able to exert sustained economic pressure over its strategic target. For instance, in historical cases of successful economic sanctions, extensive economic restrictions were imposed for 53 months on average. This economic pressure, however, is difficult to maintain by Washington’s political will alone, especially when the targeted state has a large economy. When economic downturn hits the United States, Washington will soon find that restrictive economic measures against other major states—or, preferential economic policies toward certain states—are not sustainable since they are too costly, even for the United States. Moreover, other unanticipated economic factors, such as changing consumer taste or technological innovation, can undermine the U.S. ability to impose costs on a strategic target. If a state cannot effectively and intentionally manipulate economic relations as long as they are needed, the state might be better off refraining from using economic instruments in the first place. A tool for strategic competition is not useful when one cannot effectively sustain control over it.
Domestic Liberty and Competitiveness

The defenders of geoeconomics believe that economic instruments are more attractive than military force because they involve imposing fewer social constraints and less domestic mobilization. While military competition with a strategic contender inadvertently undermines individual freedom in the process of making military preparations, they argue, economic manipulation does not have similar adverse consequences. Moreover, economic tools are viewed as less costly than deploying major military units near strategic contenders’ territories and keeping them there for a long period of time. These arguments are overly optimistic. Economic measures will incur costs on the United States, in terms of economic liberty and competitiveness, and these costs can be large.

All economic measures for geoeconomics work by politically distorting economic conditions and, accordingly, also inadvertently constrain free economic transactions of domestic firms and individuals. Whether they are economic engagement or sanctions, economic policies designed to serve strategic purposes ask or often force economic actors within the country to do business in certain states and not in others. In the United States, those economic measures are usually prepared by the Departments of State, Commerce, or the Treasury, upon the request of top-level decision makers. In response, firms and individuals divert or concentrate trade of goods and services from one country to another, sign or abrogate investment agreements, or reformulate their business plans. These decisions by American economic actors, nonetheless, reflect unilateral state intervention in private economic activities that largely belong to the realm of civil society. When the government declares that pressing strategic interests are at stake, entrepreneurs usually do not have a say about economic measures until the policies are implemented. Moreover, the state would be inclined to establish institutional frameworks to oversee whether entrepreneurs behave as prescribed by the government. For instance, when the United States decided to economically contain the Soviet Union, the Truman administration established the Advisory Committee on Requirements and the Technical Steering Committee, comprised of officials from the Departments of Defense, State, Commerce, Agriculture, and the Central Intelligence Agency, in order to compile the list of items that were to be controlled. Further, the Export Control Act of 1949 gave the Department of Commerce authority to oversee and enforce controls on export of goods to the Eastern bloc.
The overall consequence of these developments is the weakening of the division between the civil society and the state, which is known to have an adverse impact on individual freedom.\textsuperscript{42} Although one might not value economic freedom as much as other fundamental human rights, it nonetheless has been a pillar of any liberal political entity for centuries. Geoeconomics builds on a problematic assumption that economic liberty can be limited when the government believes it is necessary. To be sure, as many security studies scholars suggest, security trumps economic interests and the state may limit economic freedom in order to counter severe external threat.\textsuperscript{43} Nonetheless, it is difficult to conclude whether the United States today confronts an external threat that is salient enough to permit Washington to unilaterally manipulate Americans’ foreign economic activities.\textsuperscript{44} Geoeconomics, in short, entails the danger of making economic freedom subservient to ostensible strategic interests.

Today, several experts lament that the United States has lost the art of geoeconomics, which it mastered during the early stages of the Cold War.\textsuperscript{45} In contrast, China is considered skillful at using economic instruments to increase its influence in Asia, Africa, and Latin America.\textsuperscript{46} But this view overlooks the sacrifices of economic freedom made by major American companies—such as Chase National Bank, Dupont, General Electric, International Telephone and Telegraph, Radio Corporation of America, Warner Brothers, and Westinghouse—during the imagined heydays of U.S. geoeconomics. During World War II, these firms were encouraged by the U.S. government to trade and invest in the Soviet Union. After the war, they were starting new projects and expanding ongoing ones in the Soviet Union, which was certain to become the world’s second largest market. By late 1947, however, American companies were suddenly asked by their government to abandon their ongoing transactions in the emerging Soviet bloc. They complied, but their losses were not compensated by the government.\textsuperscript{47} Entrepreneurs might need to be prepared to give up part of their economic freedom in dire situations. However, in non-vital situations that characterize most international strategic competitions, arbitrary economic directives that constrain economic activities in the civil society are hardly justifiable. The art of geoeconomics might be gradually lost in the United States because American leaders regretted state intervention into private economic activities that occurred during the early Cold War period.

Another problem U.S. geoeconomics faces is American companies’ loss of competitiveness and profit when implemented. Even though the United States would lose less than its target state when it employs economic measures, it will still lose something.
The size of its losses, moreover, can be large when the losses are measured in terms of overall performance of leading U.S. industries, rather than a simple decrease of their sales in foreign markets.\(^48\) For instance, in a feasible scenario of U.S. geoeconomic measures, Washington might demand major U.S. manufacturing industries to diminish their reliance on Chinese economic inputs. For these industries, however, interactions with China are important because American industries are exposed to severe international competition, and they advance their competitiveness by extensively utilizing Chinese labor. While American manufacturing companies are concentrated in industries where technology and economies of scale are important, there are large foreign firms that possess equivalent technology and size. In this situation, the loss of access to Chinese economic inputs would weaken the position of U.S. firms vis-à-vis their foreign competitors, resulting in a decrease of overall profit for American companies.\(^49\) These kinds of losses have significant long-term effects, since restoring lost international competitiveness is very difficult when numerous competitors exist on the market.

For the supporters of geoeconomics, the losses certain American industries suffer can be justified when those losses are not exploited by foreign rival companies. However, this is unlikely to be the case, especially when the target state’s market is very large and foreign companies’ home country is not threatened by that state. Foreign firms would willingly capitalize on the constraints Washington imposes on U.S. firms, overtaking American companies’ business in the target state, because U.S. economic measures give them a rare opportunity to ramp up their competitiveness, expand market share, and consolidate their advantage in the target state’s market.\(^50\) In this process, American companies’ rivals can also function as alternative economic partners for the target state because they produce goods and services that are equivalent to American products.

A well-known case of foreign producers capitalizing on U.S. economic measures was during the Carter administration’s 1980 grain embargo against the Soviet Union.\(^51\) As a response to the Soviet invasion of Afghanistan, Carter decided not to fulfill the grain export agreement with Moscow, expecting that his decision would thwart Brezhnev and Andropov’s programs to utilize imported U.S. feed grains to increase Soviet livestock herds. As Reagan pointed out, nonetheless, “alternative suppliers of this widely available commodity stepped in to make up for the grain which would have been normally supplied by U.S. farmers.” For him, Carter’s embargo was a failure because American farmers were “made to bear alone the burdens of this policy toward the Soviet Union.”\(^52\) Today, foreign competitors exist for American firms in almost every industry, and U.S. ability to constrain their behavior is severely limited. When foreign companies can exploit the losses of American entrepreneurs, Washington’s economic measures would be difficult to justify.
Undermining the Foundation of Global Economic Order

Geoeconomics might not only threaten economic liberty at home, but also can challenge open international economic relations that the United States has propagated since the end of World War II. Geoeconomics works by politically manipulating important aspects of international economic exchanges, which inadvertently undermines free international economic transactions. For instance, U.S. geoeconomic measures might force foreign economic actors to avoid trade and investment in certain states, entail erecting barriers against certain foreign firms, or endorse the creation of economic blocs. These and other potential U.S. economic manipulations impede free flow of capital, goods, services, technology, and people across national borders, which has been the central component of the open economic order. In fact, the construction of the U.S.-led global economic order in large part has been comprised of removing political barriers to free international economic interactions. The drive toward free international economic relations was further strengthened after the Cold War, as Washington pressured or persuaded many states to transform into an open economy. Geoeconomics reverses the trajectory of U.S. international economic policy that has been upheld for decades, and in turn, erodes U.S. economic leadership. For many Americans who have long valued an open economy, geoeconomics might be a self-denying strategy.

The weakening of the open international economy challenges the stability of the liberal international order—an even more adverse consequence for the United States. Scholars suggest that the U.S.-led liberal order has proven to be robust because other major states, including potential strategic challengers of the United States, are incentivized to follow the rules of the game written by Washington. The rules and principles that define the liberal order significantly diminish uncertainty and risks in international relations because they not only constrain relatively weaker states but also the United States. Thus, states expect to obtain gains when they abide by existing rules, and make long-term plans based on an understanding of those rules. These gains and plans are directly threatened when the United States endorses geoeconomics. In many cases, economic measures for geoeconomics discriminate against states that are politically at odds with the United States. Then, states that compete with the United States in strategic issues have good reason to expect that the liberal rules of the game would no longer be respected in Washington. These states, in turn, would be forced to seek an alternative to the liberal order or accuse the United States of being the spoiler of liberal international relations.

The overall impact of geoeconomics might be to weaken U.S. leadership in the liberal order.
The overall impact of geoeconomics might therefore be to weaken the liberal order in general and U.S. leadership in particular.

President Trump's protectionist policy against China is a case in point to observe how restrictive economic measures can undermine the liberal international order. In unilaterally imposing tariffs against China, the United States bypassed and stymied the very rules for international trade it wrote and engraved in the World Trade Organization (WTO). China, in contrast, continues to advocate free economic exchanges and has emerged as a leading proponent of the open economy. Moreover, other states that are affected by U.S. protectionist policies have shown willingness to work collectively against the United States. When Washington implements even more extensive trade restrictions, the rules for open trade will be even further damaged, and the U.S. leadership position in the liberal economic order might be dealt a serious blow. In the long run, geoeconomics can be a self-defeating strategy for the United States.

A Discouraging History

The United States has experience in utilizing both economic sticks and carrots in its foreign relations. The history of U.S. relations with its strategic competitors, nonetheless, reveals that economic tools are largely ineffective in situations where important security interests are involved. Scholars of economic sanctions have found that the threat or actual imposition of economic punishment can often be effective in shaping the targeted state's behavior. They have also found, however, that sanctions are more likely to work when used against allies than adversaries, or when critical security interests were not at stake. When states were engaged in competition over important strategic issues, economic pressures were incapable of generating costs large enough to change the competitor's calculations.

For instance, during the early Cold War, although the United States imposed extensive export controls against the Soviet Union in order to deny the Soviets economic gains and to delay further growth of its military power, Moscow was willing to accept the economic costs imposed by Washington. On many occasions, overt demonstrations of force, or even direct military assaults, were necessary to induce concession from an adversary. Moreover, in a world where the power of nationalism reigns, economic hardships are often considered bearable, while accepting defeat in strategic competition...
has become politically suicidal. Indeed, none of the states that strategically defied the United States over the past century—Wilhelmine Germany, Imperial Japan, Nazi Germany, the Soviet Union, Maoist China, North Korea, North Vietnam, Cuba, Nicaragua, Libya, Iran, Iraq, or Putin’s Russia—chose to concede to Washington’s demand when they encountered U.S. economic pressures alone.

Another argument by geoeconomists holds that economic tools can be used in a subtler manner, in order to shape what the potential strategic contender wants. In particular, economic engagement is often believed to be conducive to creating liberal interest groups within the target state, which have vested interests in maintaining a peaceful relationship with the United States. These interest groups might also become strong supporters of democratization in authoritarian states such as China. In this context, George W. Bush, as governor of Texas, advocated in 2000 that the United States should continue commercial engagement with China, because “Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy.”

Today, many would regret this optimism. Recent relations between China and the United States cast doubt on the claim that economic engagement nurtures liberal groups or leaders in China. On the contrary, wealth, economic know-how, and technology that were obtained by better access to the global market have allowed China to muster resources for more ambitious strategic objectives. For instance, China’s participation in Europe’s Galileo global navigation satellite system contributed to the development of the Beidou system, which is the Chinese version of the GPS. Similarly, China’s growing role in the global aerospace industry has allowed Chinese companies to accumulate technologies that could be employed in producing military aircrafts. Moreover, rather than becoming a democracy and liberal market economy, Chinese President Xi Jinping has consolidated his authoritarian rule and Beijing has reinstated itself as a “socialist-market economy.” The economic engagement argument of geoeconomics was a delusion. Promoting democracy and liberal economic norms in a foreign society requires large-scale social transformation, which Americans understand poorly. Economic benefit would not easily dismantle and replace existing political institutions, especially when leaders can mobilize nationalism.

The Bottom Line

The United States is the wealthiest country in the world and enjoys an enormous latitude for error. Yet, it should be careful in utilizing economic instruments to advance its core strategic objectives. The preeminent U.S. economic position does not necessarily endow it with an ability to influence others’ decisions,
considering the existence of multiple powerful economic actors in today’s international economic structure. If other economically capable states are not threatened by U.S. security competitors in any meaningful way, they will seek profit by exploiting U.S. economic measures. Moreover, similar to military forces, economic instruments should be employed with care because they are costly and divert resources that could be spent on domestic needs. Economic measures for geoeconomics can also incur significant side effects including weakening economic freedom and the liberal international order. One can have confidence in the resilience of the U.S. economy, but U.S. economic vigor does not remove the discrepancies in employing economic means for difficult strategic ends. These discrepancies undermine the effectiveness of geoeconomics and question its sustainability as a strategy.

These arguments against geoeconomics should not be read as support for the claim that economic means are largely irrelevant in U.S. management of its security interests. Rather, they challenge a specific argument that advocates that geoeconomics will and should replace traditional geopolitics where military force has played a prominent role. Economic instruments can be important, if not necessary, complements to military force. Over the past century, the United States has utilized both military and economic instruments when it confronted a strategic challenger.65 A productive discourse on the future of U.S. security strategy should not focus on whether geoeconomics or other means can replace military force. Rather, the more urgent task is finding smart ways of simultaneously employing military and economic means for key U.S. strategic interests.

Notes


4. Blackwill and Harris, War by Other Means, 7.


32. For instance, see firm-level international competition data offered by Orbis at https://www.bvdinfo.com/en-apac/our-products/company-information/international-products/orbis?gclid=Cj0KCQCiAtnjBRDBARIsAO3zDL-wxNvE69oIZ3nFfYbikh_X8s9uy4bhN5qqD7-0EC4NeTWsinUDxtkaApQfEALw_wcB.


46. Blackwill and Harris, War by Other Means, 93–128.


50. Kim, “Trading with the Enemy.”


63. Casarini, *Remaking Global Order*.
