



Operationalizing an Economic Security Alliance

Mike Chieco and Brian Mongeau

*“[Germany] must put an end to the self-deception that we ever received cheap gas from Russia...
We paid Moscow's gas supply with security and independence.”*

- German Foreign Minister Annalena Baerбок¹

Recent crises in Eastern Europe and East Asia are forcing a re-evaluation of the assumptions underpinning Western economic and national security. For the first time in nearly thirty years, a nation's national security and economic stability are being explicitly linked together by malicious actors, exploiting the very progress that economic liberalization brought.

Decades of globalization and a quasi-unipolar world created a mesh of interdependencies that were built on a common foundation of economic liberalism. That foundation is now being exploited to extract leverage and threaten the security of the Western order.

The tools and institutions that the United States, and other Western countries, can bring to bear are insufficient to meet the challenges of this modern landscape. The United States' offensive capability of choice in dealing with economic warfare—retaliatory sanctions—is limited in its scope and sustainability. Its defensive tools of unilateral economic support via explicit purchases are too small to make a sustainable difference.

Since 1945, economic institutions designed to support the liberal rules-based international order formed and disbanded in response to geopolitical developments—institutions are not immovable objects in the global landscape. Economic institutions created in the immediate post-war era changed after Bretton Woods and new institutions were created again in the aftermath of the fall of the Soviet Union. The constant throughout was not individual institutions, but the rules-based order they served. Institutions *should, and must*, adapt and be created in response to new challenges as the vehicles of a long-term strategy's operationalization.

While the economic institutions underlying the neoliberal 1990s and early 2000s era serve economic purposes well, they fail to effectively respond to the combined political and security-related economic challenges of today. A new institution is needed to address increasing economic predations by countries that are designed to undermine other nations' politics and security.

An economic security alliance (ESA), a loose monetary analogue of NATO, should be created to counter geoeconomic predation and ensure economic stability for all countries. Unlike existing institutions, the ESA would be specifically designed to respond to economic aggression with political or security aims, rather than economic considerations. The World Trade Organization (WTO) is well-suited to respond to the latter, but no existing international body is able to effectively do the former.

To be successful, three key principles must be enshrined in the founding of an ESA. First, it must be defensive by design. Second, it must be limited in scope to national economic security. Finally, the ESA needs to be geographically and economically diverse, but accepting of the inherent ideological trade-offs.

This article will not address the specific issue of what would constitute the equivalent of NATO's Article 5 for an ESA, nor the ESA's response to such an action. Others have written extensively on that topic and this article aims to be complementary to that thinking. Instead, this article argues for how such an ESA should be organized for success to both serve as a deterrence force against economic aggression and to respond most effectively should the “Article 5” be invoked.

Defensive by Design

The primary Cold War achievement of NATO was to serve as a stabilizing presence that prevented a large-scale war in Europe. The ESA must achieve the same through stabilizing the global economic order.

To do this, the ESA must accomplish two key tasks. First, stability should be its primary mandate. Coercive economic actions seek to destabilize and manipulate countries through painful economic actions. To counter this, the ESA must act as a defensive stabilizing force rather than a counter punching army that flows through the Fulda Gap. Second, the ESA must always be willing and capable of stepping in as an economic partner of last resort to maintain a market. The ESA must also establish credible economic collective actions with clear trigger lines for usage. While not limitless, the commitments must be of sufficient size to be a credible market maker of last resort. Article 5-like guarantees will ensure that the deterrence is predictable and effective when used.

China's manipulation of the Philippines in 2012 over a maritime territorial dispute highlights how the ESA could be used to ensure defensive economic stabilization. Recognizing the power of its market, Beijing blocked imports of bananas—the second-highest value Philippine export crop—and slowed other agricultural imports from the island nation, costing Philippine farmers \$760,000 and suggesting likely further intimidation.² Thirty percent of total Philippine agricultural exports went to China, resulting in highly concentrated costs and increased fears of further import bans for an industry core to the Philippines' economy. The intimidation also produced global fears of Beijing-initiated economic aggression in vital trade regions. The Philippine government ultimately acceded to China's unsubstantiated, expansionist, and regionally destabilizing territorial claims. Showing the clear link between the dispute and its coercive trade policies, Beijing dropped the banana import ban, along with the other hints of intimidation, in return.³

With the ESA in place, allied countries would have stepped in together to purchase bananas from the Philippines to stabilize the market and reduce pressure to acquiesce to Chinese expansionism. While the United States did increase fruit purchases, Washington's efforts were far from sufficient; collective action from aligned partners was needed.⁴ An ESA that can provide this collective action and offset concentrated costs through defensive actions will enhance global security and enable member-states to effectively push back against economic coercion without ceding national security goals.

Scoped for Security

The ESA needs to be tightly scoped to be effective. Defending member nations from all manner of negative economic consequences will devolve the organization into an untenable isolationist trade pact. Instead, the ESA should instead adopt a minimalist approach—focusing only on economic coercion critical to maintaining member states' security.

Security in this sense means not only traditional defense industries, but the fundamentals needed to maintain society. Maintaining the supply and trade of the fundamentals of feeding, watering, and energizing member countries should be a core objective of the organization. For smaller economies, where individual industries can comprise a significant and concentrated element of Gross Domestic Product, an additional option should exist for a country to declare specific industries security critical.

The Western response to Russia's weaponization of energy is the most obvious example of the type of collective action that an ESA would formalize to enable scaling. In response to "energy blackmail," the U.S. promised to send 15 billion cubic meters (bcm) of liquified natural gas (LNG) to Europe after Russia cut the European Union off from imports accounting for 40% of the continent's 2021 natural gas supply. Despite concerns that the LNG industry would be unresponsive, the U.S. shipped 39bcm of LNG to Europe through June 2022—a 14.7% increase in just six months compared to the *entire* previous year.⁵ The result of U.S.-EU energy cooperation is a significantly improved security situation that enables European populations to defend against the naked aggression of Russia.

The downsides of this collaboration also clearly demonstrate the need for a larger and unified global organization to effectively and equitably scale such responses. Though Europe's security is protected, the trade-off is that large

parts of the developing world accustomed to U.S. LNG have seen American LNG imports decline—and thus a reduction in their perceived security. It is no wonder that India continues to buy Russian energy, offsetting the objectives of international sanctions against Moscow, when Delhi saw its U.S. LNG year-over-year imports fall by 51% in the first half of 2022.

The current international system encourages ad hoc actions that can prove effective in achieving short-term goals, but produce costs and collateral damage that inhibit larger security-focused objectives and produce blowback. A broad-based ESA will ensure that more nations collaborate on narrow security actions, generating tailored goals while maintaining more sustainable security benefits to member states in need.

Geographically, Ideologically, and Economically Diverse

To be successful, policymakers must recognize that they cannot replicate the neat political ideologies of NATO. To combat coercive economic actions that largely take advantage of high regional trade concentrations, the organization must be geographically and economically diverse in order to build a strong enough “safety net” for affected countries.

That is not to say that the ESA has no animating principle, only that this animating principle needs to be different from the existing institutional structure. The ESA alliance must ensure that member countries are committed to a rules-based international order that provides global security through mutual economic defense. Only by existing under a “big tent” that aligns with the rules-based order and transcends geographic, ideological, and economic divisions can the ESA have the capacity to absorb and counteract economic coercion.

China’s trade relations with the Association of Southeast Asian Nations (ASEAN) are a case in point on the need for a big tent alliance to counter regional economic aggression. China is ASEAN’s leading trade partner and its fourth-largest source of foreign direct investment (FDI), accounting for 18% of the bloc’s total trade and 5.5% of FDI, respectively.⁶ This dynamic provides Beijing tremendous economic power to manipulate developing ASEAN member states to advance *regional* geopolitical objectives that generate increased *global* insecurity—most notably, along the Nine Dash Line. No region would be better served by the diversified geographic nature of the ESA. Yet, to get this geographical diversification, other member states must accept the inevitable ideological diversification. Major ASEAN developing economies have troubling authoritarian tendencies that would not be tolerated under traditional ideological guidelines for major alliances such as these.

A message focused on a purely democratic versus authoritarian competition will alienate countries vital to international economic security, such as ASEAN states, producing greater instability. An alliance focused on a message of economic security, however, will ensure global stability by bringing many more vital nations into the fold of collective security.

Conclusion

Establishing the ESA undoubtedly faces critical vulnerabilities on both domestic and international levels. Internationally, it may be viewed as another attempt at American soft-hegemony and coercion. Domestically, it will likely be met with calls of global fascism, socialism, and more. Even when the ESA is established, standard problems inherent in collective action will exist.

Despite these political challenges, the ESA is undoubtedly needed. Security has always been intertwined with economics, but at no point in history has the global nature of trade so actively shaped the security landscape. Globalization has brought tremendous progress and wealth, but it also produced entanglements and blowback from manipulation of unprecedented global economic liberalism. The ESA balances the realities of this post-Cold War international order with objectives that still enable growth-oriented economies and partnerships. To counter increasingly aggressive economic coercion pursued by revisionist powers, like-minded countries must join in collective defense of their economic systems and the rules-based order that enables the world to thrive.

Mike Chieco is a product marketing manager at Meta.

Brian Mongeau is a principal at First In, a veteran-led security technology venture capital firm.

- ¹ Roman Eichinger, Burkhard Uhlenbroich, Alexandra Würzbach, and Niels Starnick, “Foreign Minister Baerbock in the Big Bams Interview: ‘Putin’s Delusions Didn’t Work,’” *Bild*, August 28, 2022, <https://www.bild.de/bild-plus/politik/ausland/politik-inland/aussenministerin-baerbock-im-grossen-bams-interview-putins-wahnvorstellung-ist-n-81137970.bild.html>.
- ² “Bananas Facts and Figures,” Food and Agriculture Organization of the United Nations, <https://www.fao.org/economic/est/est-commodities/oilcrops/bananas/bananafacts/en/#.Y3PIeHbMI2w>.
- ³ Robert Blackwill and Jennifer Harris, *War by Other Means: Geoeconomics and Statecraft* (Cambridge: The Belknap Press of Harvard University Press, 2016), 112-113.
- ⁴ Robert Blackwill and Jennifer Harris, *War by Other Means: Geoeconomics and Statecraft* (Cambridge: The Belknap Press of Harvard University Press, 2016), 112.
- ⁵ “Joint Statement Between the United States and the European Commission on European Energy Security,” The White House, May 24, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/24/joint-statement-between-the-united-states-and-the-european-commission-on-european-energy-security-3/>; Jake Horton and Daniele Palumbo, “Russia Sanctions: How Can the World Cope Without Its Oil and Gas?,” *BBC*, September 8, 2022, <https://www.bbc.com/news/58888451>; Jarrett Renshaw and Scott Disavino, “Analysis: U.S. LNG Exports to Europe on Track to Surpass Biden Promise,” *Reuters*, July 26, 2022, <https://www.reuters.com/business/energy/us-lng-exports-europe-track-surpass-biden-promise-2022-07-26/>.
- ⁶ “Overview of ASEAN-China Dialogue Relations,” ASEAN, November 24, 2021, <https://asean.org/wp-content/uploads/2021/11/Overview-of-ASEAN-China-Relations-24-Nov-2021.pdf>.