Naval War College Review

Volume 69
Number 4 *Autumn*

Article 14

2016

Economics as a Source of National Power

John A. Cloud

Robert D. Blackwill

Jennifer Harris

ECONOMICS AS A SOURCE OF NATIONAL POWER

John A. Cloud

War by Other Means: Geoeconomics and Statecraft, by Robert D. Blackwill and Jennifer Harris. Cambridge, MA: Belknap of Harvard Univ. Press, 2016. 384 pages. $29.95.

In *War by Other Means,* Robert Blackwill and Jennifer Harris are striving to put the *e* (for *economics*) back into the playbook of American power. They argue that the "military-heavy approach" the United States has taken over the past fifteen years is inappropriate to respond to the challenges we face today, which they see coming not from terrorism but from what they call "geoeconomics." In fact, Blackwill and Harris argue that the "current tools of U.S. statecraft, dominated by traditional political-military might, are uniquely unsuited" (p. 7). For example, on an issue on which I have written previously,* they note that there has been "no comparable discussion in Washington of returning Ukraine to economic viability as a way to check . . . Putin" (p. 2). They appear to agree with many of our military leaders, who argue that we need to use all our tools of national power (usually described as DIME, for *diplomacy, information, military,* and *economics*) to meet future challenges.

Blackwill and Harris focus on the use of economic power to achieve geopolitical, not economic, objectives. This is what they term "geoeconomics." The book is replete with examples of not only how the United States used to use geoeconomics but how our so-called near-peer competitors, particularly China and Russia, are using it today as an asymmetric method to accomplish their foreign policy objectives. The authors argue that the United States has neglected this area since Vietnam. While they see it as essential that we become more skilled in the use of geoeconomics, they acknowledge that we will not necessarily be as nimble as China and Russia, given the greater control the Chinese and Russian regimes have over their respective economies.

In taking this position, the authors demonstrate the courage to be out of step within the current political debate. While both parties' nominees are critical of trade deals and of using economics for noneconomic ends, Blackwill and Harris strongly promote exactly that. For example, they argue for the ratification of the

Ambassador John A. Cloud (Ret.) is a professor of national security affairs at the Naval War College. During his diplomatic career, he served as U.S. ambassador to Lithuania and as senior director of international economics on the National Security Council staff (2001–2003).

Naval War College Review, Autumn 2016, Vol. 69, No. 4

* John A. Cloud, "Ukraine's Next Big Battleground," *The National Interest,* 4 June 2015, nationalinterest.org/.

Trans-Pacific Partnership (TPP) and the successful conclusion of the Transatlantic Trade and Investment Partnership (T-TIP).

In another area in which the authors defy conventional wisdom, Blackwill and Harris press for the United States to move significant (but unspecified) budgetary funds from the U.S. military to the State Department and other agencies involved in geoeconomics. At a time when the political class is arguing for more money for the military, they argue that "the United States too often reaches for the gun instead of the purse in its international conduct." They further ask, "[W]hat, in power-projection terms, is the United States getting for all of this military spending?" (p. 221).

Blackwill and Harris are up-front in claiming that China is "America's most important foreign policy challenge" (p. 179). They see China as the "leading practitioner of geoeconomics" (p. 11). Their chapter "Geoeconomics in Chinese Foreign Policy" is particularly compelling as it outlines five different uses of geoeconomic tools by China to advance its interests in Taiwan, North Korea, Japan, and Southeast Asia and in its relationships with Pakistan and India. They note that "nations do not fear China's military might; they fear its ability to give or withhold trade and investments" (p. 94).

The authors spend considerable time discussing the energy revolution and the effects of high commodity prices. It is unclear to me how the recent decline of both energy and commodity prices affects their argument. However, I would agree that the use of innovative ways to recover petroleum products—if a sufficient equilibrium price can be found—should have profound implications for the potential for the United States to use geoeconomics.

Blackwill and Harris argue that the United States no longer uses geoeconomics. On the basis of my experience, I disagree. If that were the case, most of the George W. Bush trade negotiations would not have happened. The authors do acknowledge that the trade agreements with Bahrain, Kuwait, and Morocco had counterterrorism goals (p. 175). I would argue that all these agreements had geopolitical as well as economic goals. In fact, it was not until the agreement with South Korea that we had an agreement with significant economic purpose, even though this agreement had important geopolitical goals as well.

Blackwill and Harris also argue that the TPP "was conceived primarily as an economic project" (p. 181). I again disagree. Where I would agree with the authors is that the geoeconomic aspects of these agreements are prominent at their conception and at the end; they are of lesser import in the middle. While the National Security Council system and staff were deeply involved in picking the countries and launching the negotiations, once launched the negotiations quickly devolved to being run by the responsible departments, and the organizational behavior of these departments took over. At that point, the agenda of the

Office of the U.S. Trade Representative (USTR), the Departments of Agriculture and Commerce, their respective congressional committees, and USTR's congressionally mandated advisory committees took precedence over our geopolitical goals. This is, in part, because of the narrow congressional majorities that have supported these agreements in the recent past. Our trade negotiators cannot afford to alienate any interest group that could tip the scales against an agreement. It was only in the endgame that the geopolitical aspects became prominent again.

Another example would be U.S. assistance to eastern Central Europe during the administration of George H. W. Bush—an issue in which Ambassador Blackwill was deeply involved. The United States used economic tools to help integrate these countries into the West and, indirectly, into the European Community. It was only later that the military and NATO became our major tool of integration.

The authors, in their review of the history of U.S. use of geoeconomics, date its decline to Vietnam. I would argue that it was Congress's creation of the Special Trade Representative in the Trade Act of 1962 that precipitated this decline. At that time, Congress removed the trade negotiating lead from the State Department—an agency with geopolitical responsibilities—and put it in the White House. This was done, according to Blackwill and Harris, because "congressional leaders complained that the State Department neither understood nor represented U.S. economic interests" (p. 169).

Blackwill and Harris attribute this change not to Congress but to economic insecurity and to U.S. policy makers who "began to see economics as its own distinctive realm, to be protected from the whims of statecraft" (p. 153). The authors argue that U.S. economists have succeeded in separating economic policy from national security policy (p. 6). I suspect that this statement surprises no one more than U.S. economists. Yes, U.S. economists argue for wise economic policies. They argue against geoeconomic measures that could undermine the fundamental strength of the U.S. economy. As we learned during the Clinton administration, they are mindful of the import of bond traders and others who influence the economy. But in my experience, economists do not see economic policy as a distinct area in which national security goals have no legitimacy. I frequently found that when policy makers were averse to using economic tools it was because those tools were either bureaucratically difficult or their implementation, timing, and effect were believed to be less certain than those of other means.

Robert Blackwill and Jennifer Harris have written a timely and compelling book that provides an important contrary perspective for U.S. national security policy making. It will be fascinating to watch whether and how these ideas get incorporated into the next administration's national security policy.