

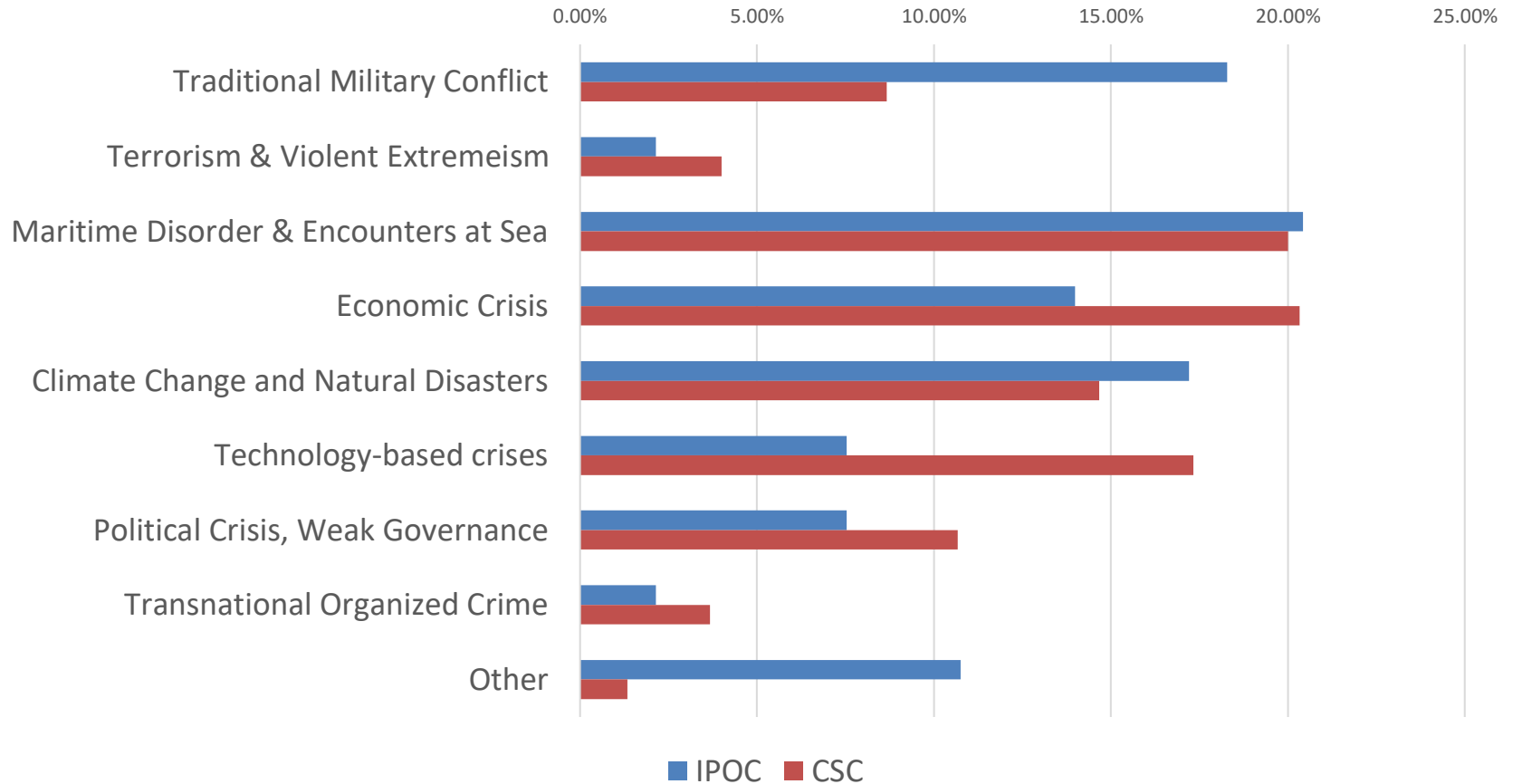
Economics and Security

Prof. Tim Buehrer

July 2023



The Indo-Pacific's Top Security Challenge is:





U.S. Department of Defense

- Three goals:
 - Protect the security of the American people;
 - **Expand economic prosperity and opportunity;** and
 - Realize and defend the values at the heart of the American way of life.
- Focus on Integrated Deterrence by working seamlessly across:
 - Warfighting domains, theaters, and the spectrum of conflict;
 - **All instruments of U.S. national power;** and
 - Our network of Alliances and partnerships



A Regional View on Economic Security

“The next phase of Asian economic cooperation is deepening integration and RCEP provides a framework for dealing with issues beyond those already negotiated. There’s a significant security payoff from the agreement too, by wrapping major economies in more interdependence. **In Southeast Asia economic integration is a valued source of security.**”

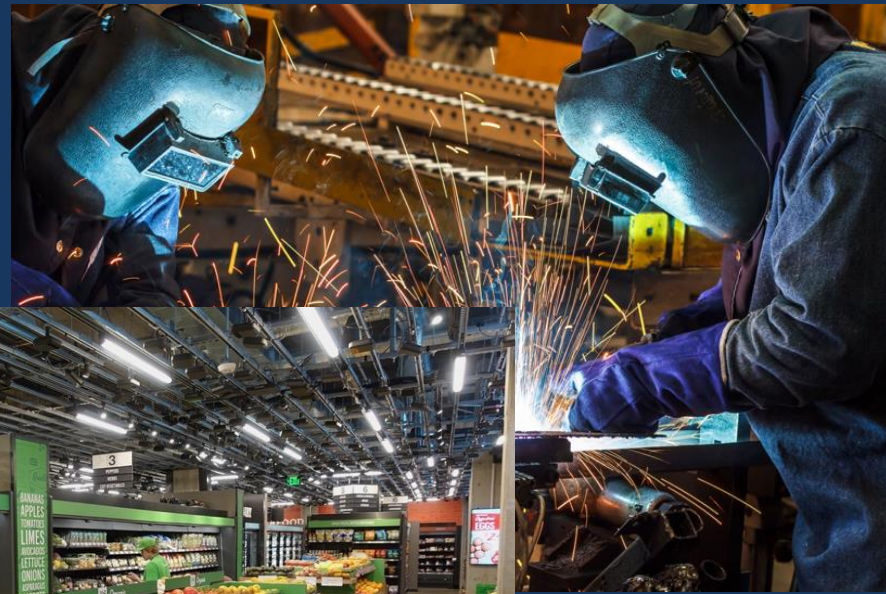
“The Strategic Significance of RCEP in East Asia,” East Asia Forum
Editorial Board, Crawford School of Public Policy, The Australian National
University, 28 March 2022

Top 3 Challenges Facing Southeast Asia



Economics

Economics is about the choices that people make in response to constraints and incentives



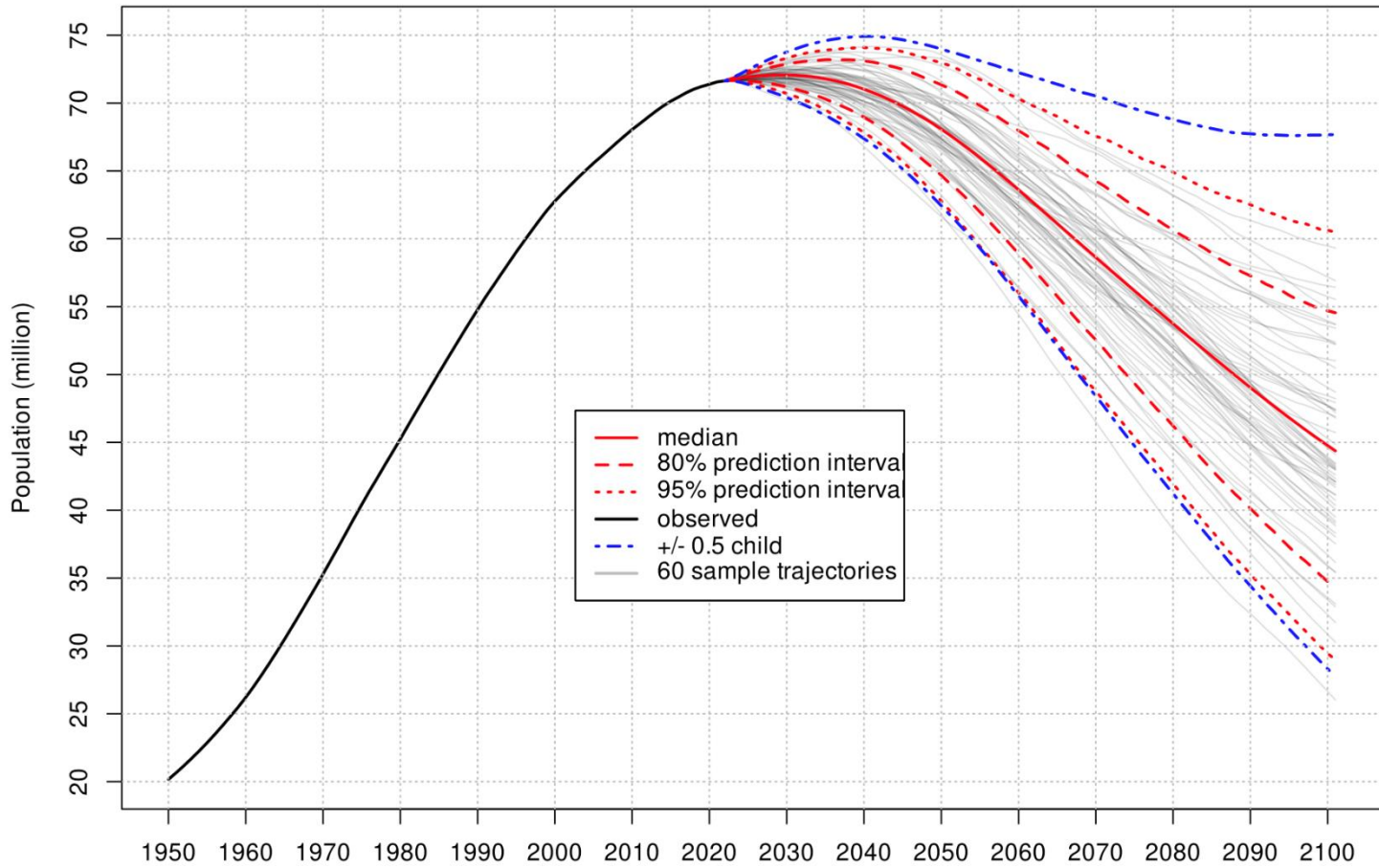
Domestic Economy



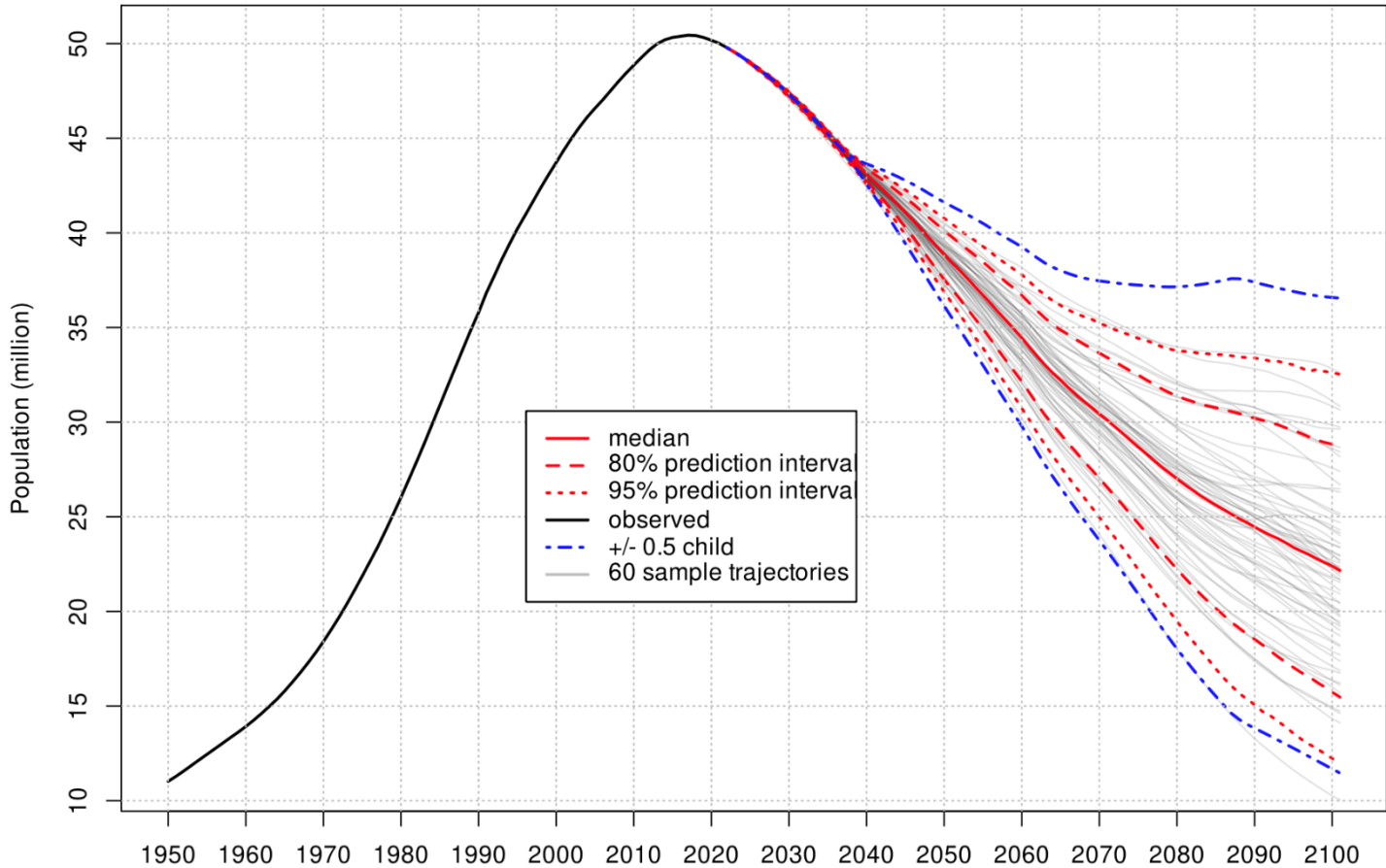
Factory: CGTN



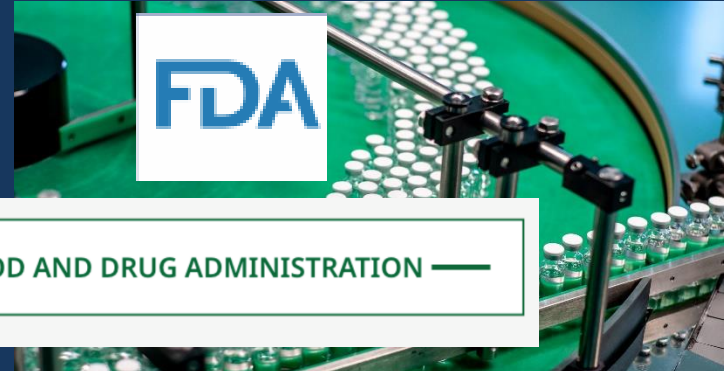
Thailand: Total Population



Thailand: Population (Age 15-64)



Economic Regulation



สำนักงานคณะกรรมการอาหารและยา



FOOD AND DRUG ADMINISTRATION





Money.com

Fairness and Equity

Economic Resilience



- Social Safety Nets: Unemployment Insurance; Social Security
- Health Programs
- Poverty Programs
- Fiscal and Monetary Stimulus to Address Crises



Population: 22 million
GDP: \$81 billion
Gov Debt: 110% GDP






📷 Sri Lanka's main opposition activists hold torches during a demonstration to denounce the shortage of cooking gas, kerosene oil and a few other commodities as the country faces a major foreign exchange crisis Photograph: Ishara S Kodikara/AFP/Getty Images



International Norms and Rules in Economics



The Bretton Woods Institutions: IMF and World Bank



Credit Sven Klippel

Bretton Woods Conference 1944



Source: Omni Mount Washington Resort



Source: Investopedia



Source: Atlantic



International Monetary Fund – Primary Aims

- Promote international monetary cooperation;
- Facilitate the expansion and balanced growth of international trade;
- Promote exchange stability;
- Assist in the establishment of a multilateral system of payments; and
- Make resources available (with adequate safeguards) to members experiencing balance-of-payments difficulties.



World Bank

- First established to support reconstruction in Europe
- Much expanded mandate, particularly with the IDA, IFC, ICSD, MIGA
- Portfolio of over \$400 billion in IBRD and IDA loans

MISSION

The World Bank Group has two ambitious goals:
End extreme poverty within a generation and boost shared prosperity.

[READ MORE](#)





Regional Development Banks

- Regional development banks:
 - Asian Development Bank
 - African Development Bank
 - Asian Infrastructure Investment Bank
 - European Investment Bank
 - European Bank for Reconstruction and Development
 - Islamic Development Bank
 - Inter-American Development Bank





Paris Club

Paris Club



- Members: Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, Netherlands, Norway, Russia, South Korea, Spain, Sweden, Switzerland, United Kingdom, United States
- Principles: Solidarity, Consensus, Information Sharing, Case-by-Case, Conditionality, Comparability of Treatment.
- London Club – Bankers



The GATT and WTO

General Agreement on Tariffs and Trade and the World Trade Organization



- Five Principles of the GATT/WTO
 - Non-discrimination – Most Favored Nation & National treatment
 - Free Trade
 - Binding & Transparent Commitments
 - Fair Competition
 - Encouraging Development

Key WTO Agreements

- Sanitary and Phytosanitary Measures
- Technical Barriers to Trade
- Anti-dumping
- Subsidies and Countervailing Measures
- Trade-Related Aspects of Intellectual Property Rights
- Dispute Settlement Understanding





Food and Agriculture
Organization of the
United Nations



Standards Bodies

- Codex Alimentarius Commission (FAO) – Food additives, etc.
- International Standards Organization (ISO)
- Institute for Electrical and Electronics Engineers (IEEE)
- American National Standards Institute (ANSI)
- European Committee for Standardization (CEN)



ISO 21070

**PROTECTING THE
MARINE ENVIRONMENT**



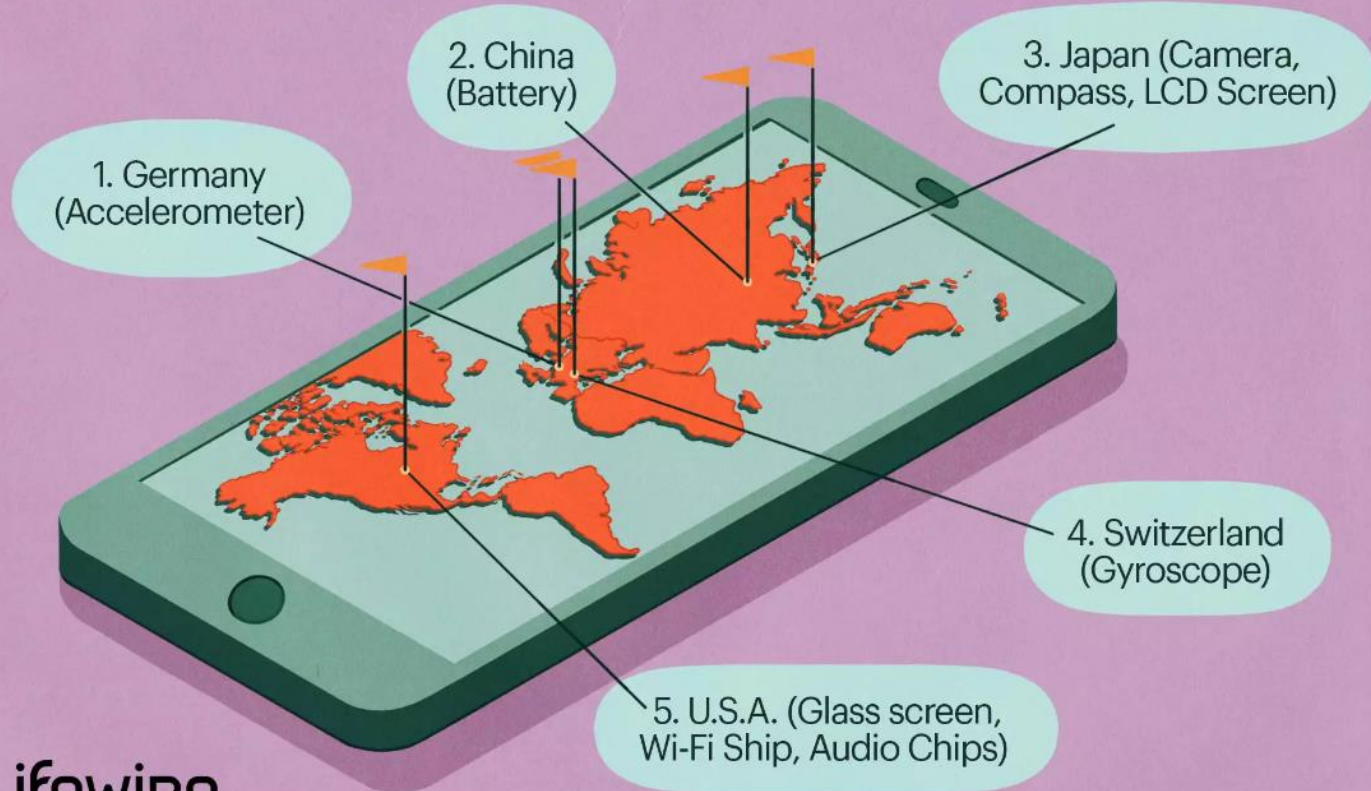
World Intellectual Property Organization



- World Intellectual Property Organization Convention (1967)
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (1995)

Supply Chains

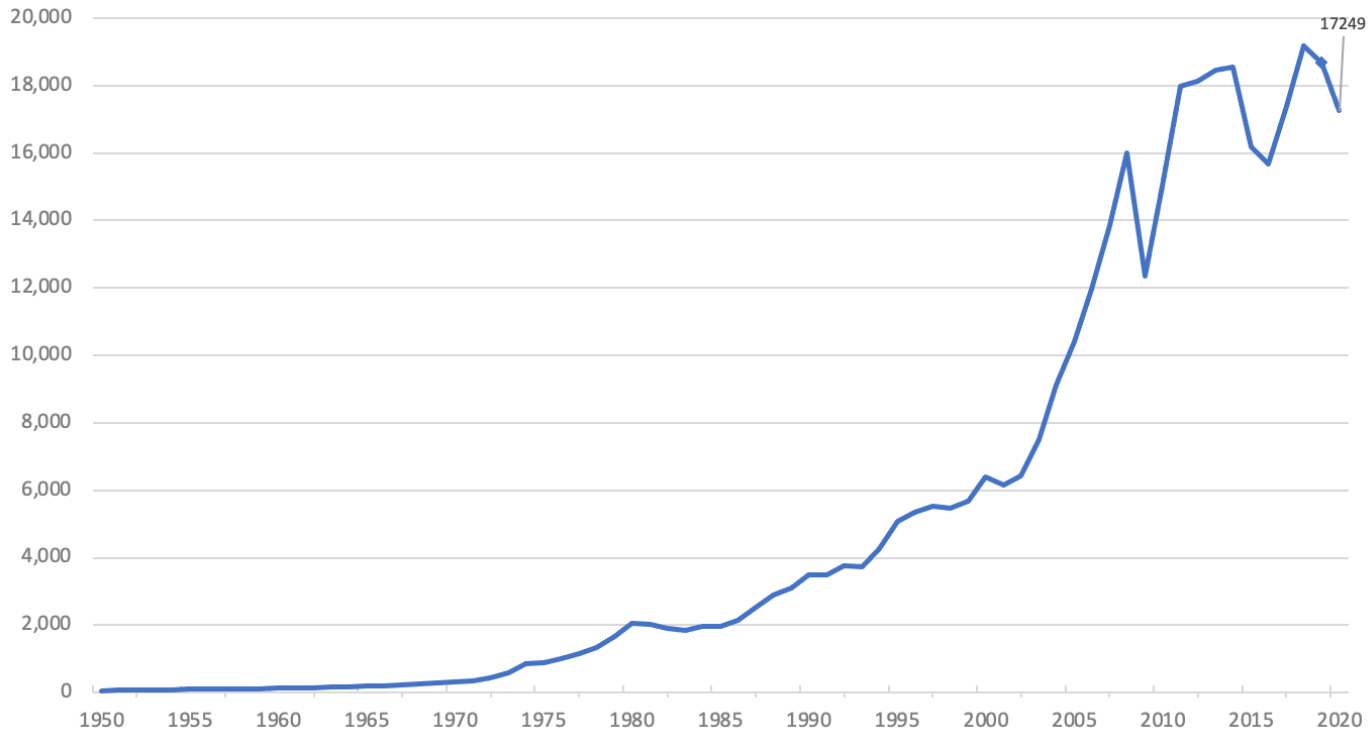
Where Do iPhone Components Come From?



<https://www.lifewire.com/where-is-the-iphone-made-1999503>

Lifewire

Evolution of World Trade, 1950-2020
Values, Billion USD



Source: WTO

GDP (constant 2015 US\$)

World Bank national accounts data, and OECD National Accounts data files.

License : CC BY-4.0 [i](#)

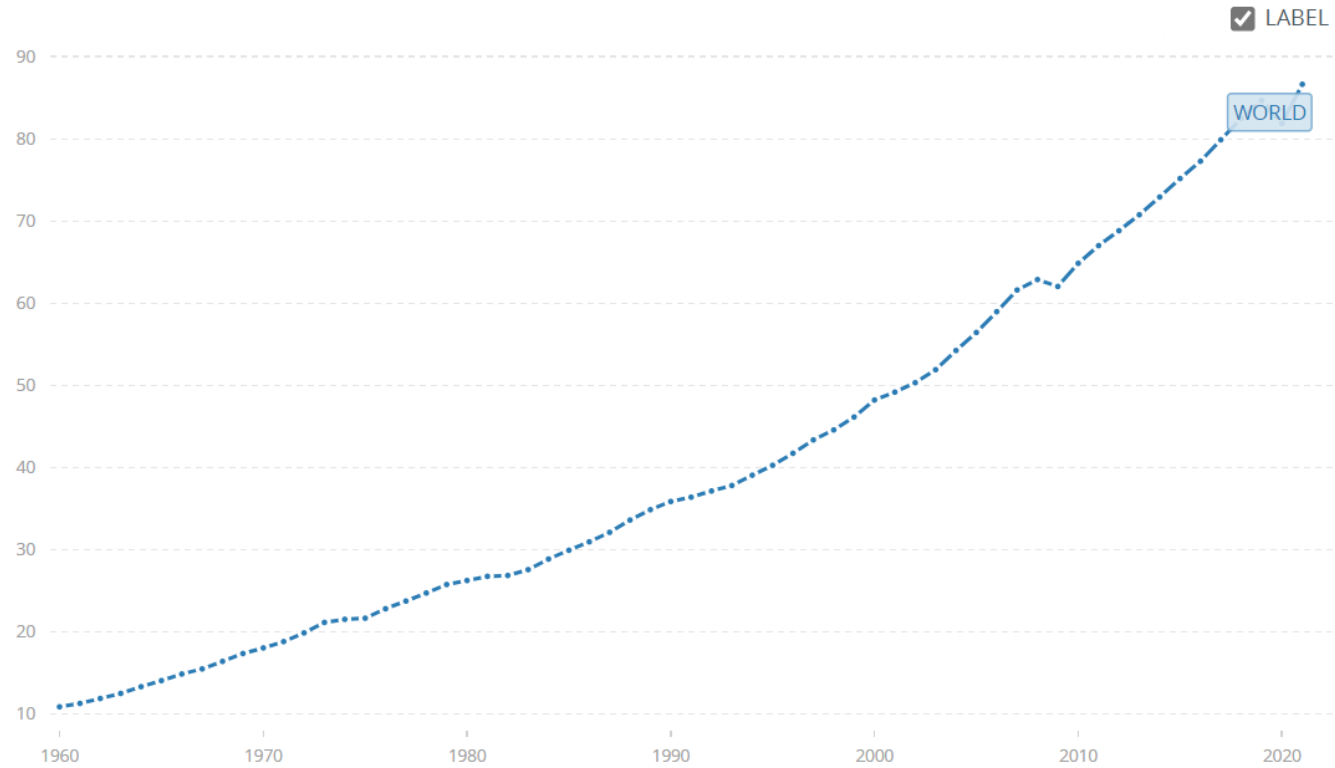
Line

Bar

Map

Share

Details

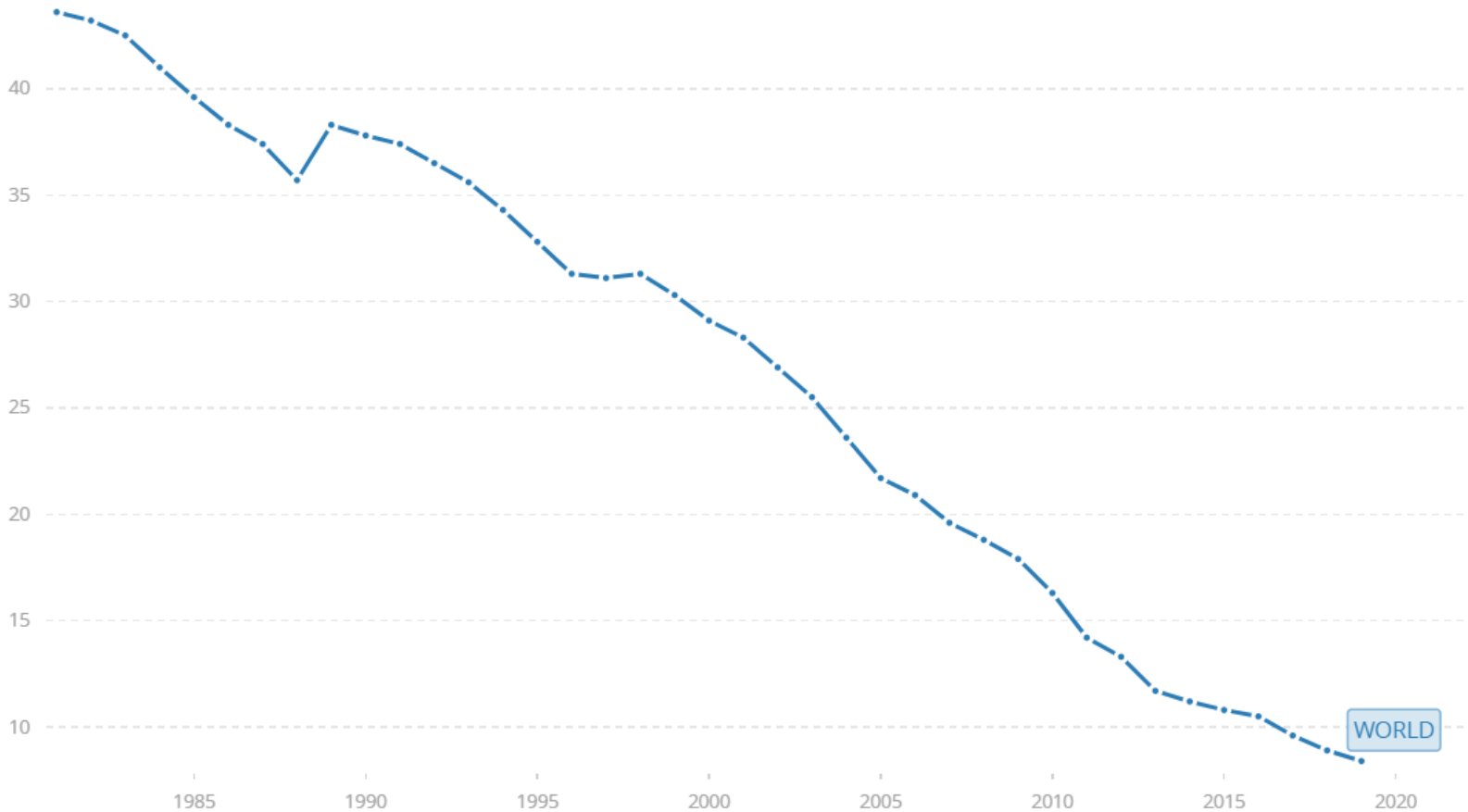


Poverty headcount ratio at \$2.15 a day (2017 PPP) (% of population)

[Share](#)

[Details](#)

LABEL





Economic Statecraft

Economics

Choice



- Development Assistance
- Cross-border Investment
- Trade and Trade Agreements
- Trade and Financial Sanctions
- Informal Economic Actions



Paladium

Making and supporting friends: Development assistance



Thailand's Free Trade Agreements

- ASEAN Free Trade Area (AFTA)
- ASEAN-China
- ASEAN-India
- ASEAN-Japan
- ASEAN-South Korea
- ASEAN-Australia-New Zealand
- ASEAN-Hong Kong
- The Regional Comprehensive Economic Partnership (RCEP)
- Thailand-Australia
- Thailand-New Zealand
- Thailand-Japan
- Thailand-Peru
- Thailand-Chile
- Thailand-India

Regional Comprehensive Economic Partnership (RCEP)

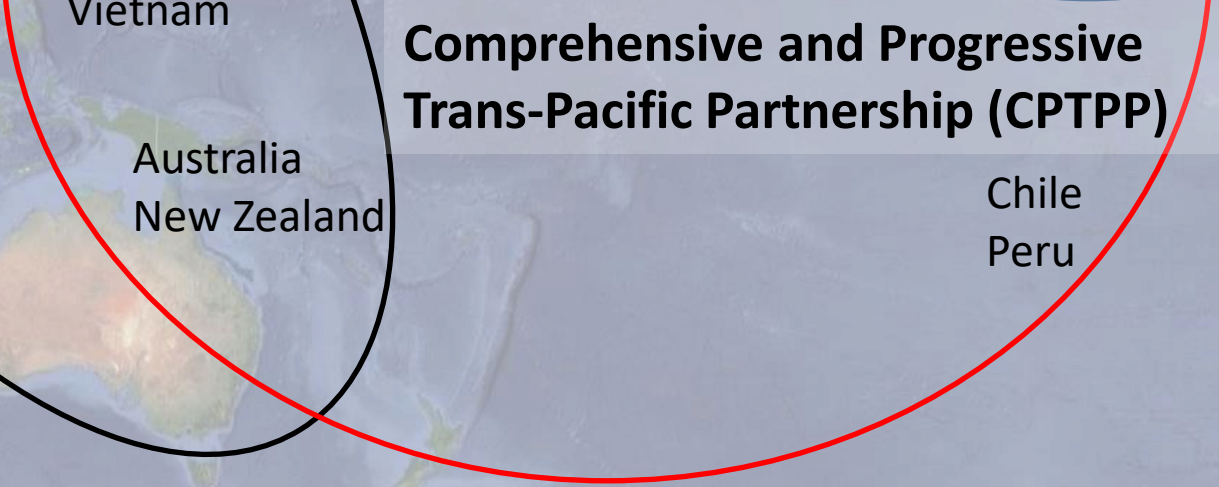


Regional Trade Agreements

US-Mexico-Canada Agreement (USMCA)



Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)



Cross-Border Investment

- Foreign Direct Investment
- Portfolio Investment
- Public Lending



Investment Restrictions

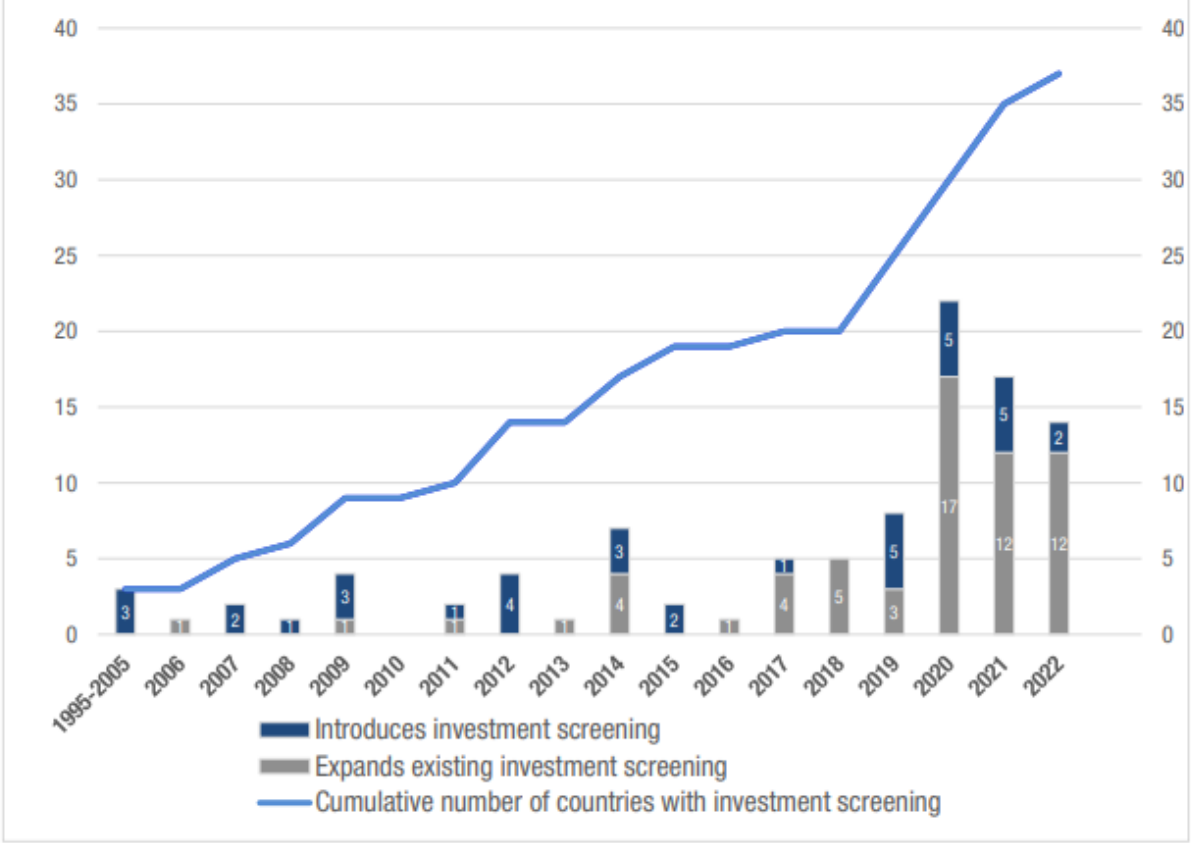
The New York Times

Australia Rejects Bids From Chinese Investors for Electricity Provider



Electric power lines near Muswellbrook, Australia, a part of the state of New South Wales that is served by Ausgrid. Tim Wimborne/Reuters

Number of Countries Introducing or Expanding Security-related Investment Screening (1995-2022)



Source: UNCTAD's Investment Policy Monitor

Debt Finance

Figure O.6 Long-Term and Short-Term Debt Stocks of Low- and Middle-Income Countries, 2010–21
US\$ (trillion)

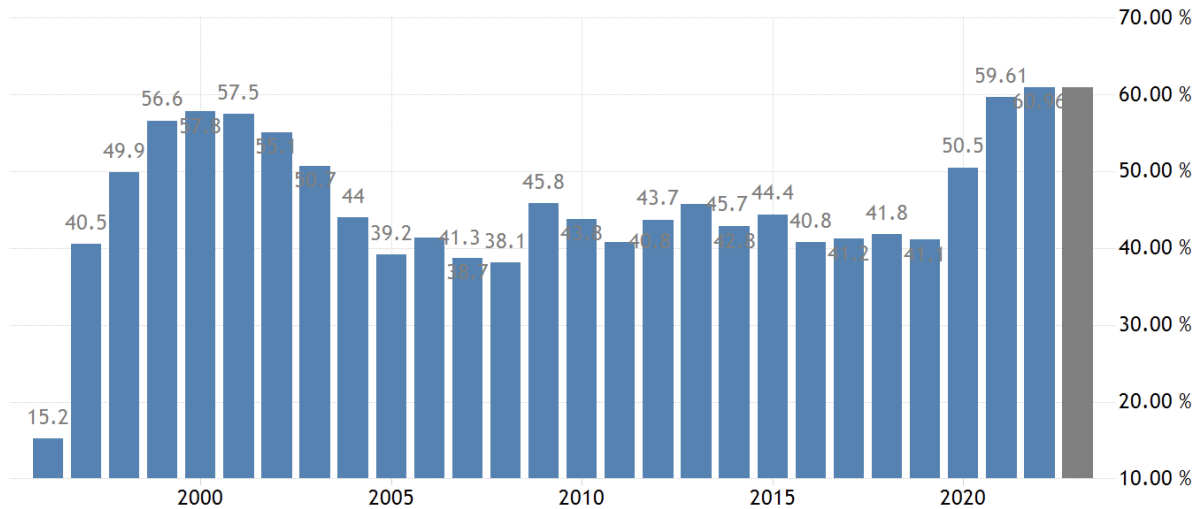


Source: World Bank International Debt Statistics database.

Thailand Government Debt to GDP

Summary Forecast Stats Download

10Y 25Y 50Y MAX Chart Compare Export API Embed

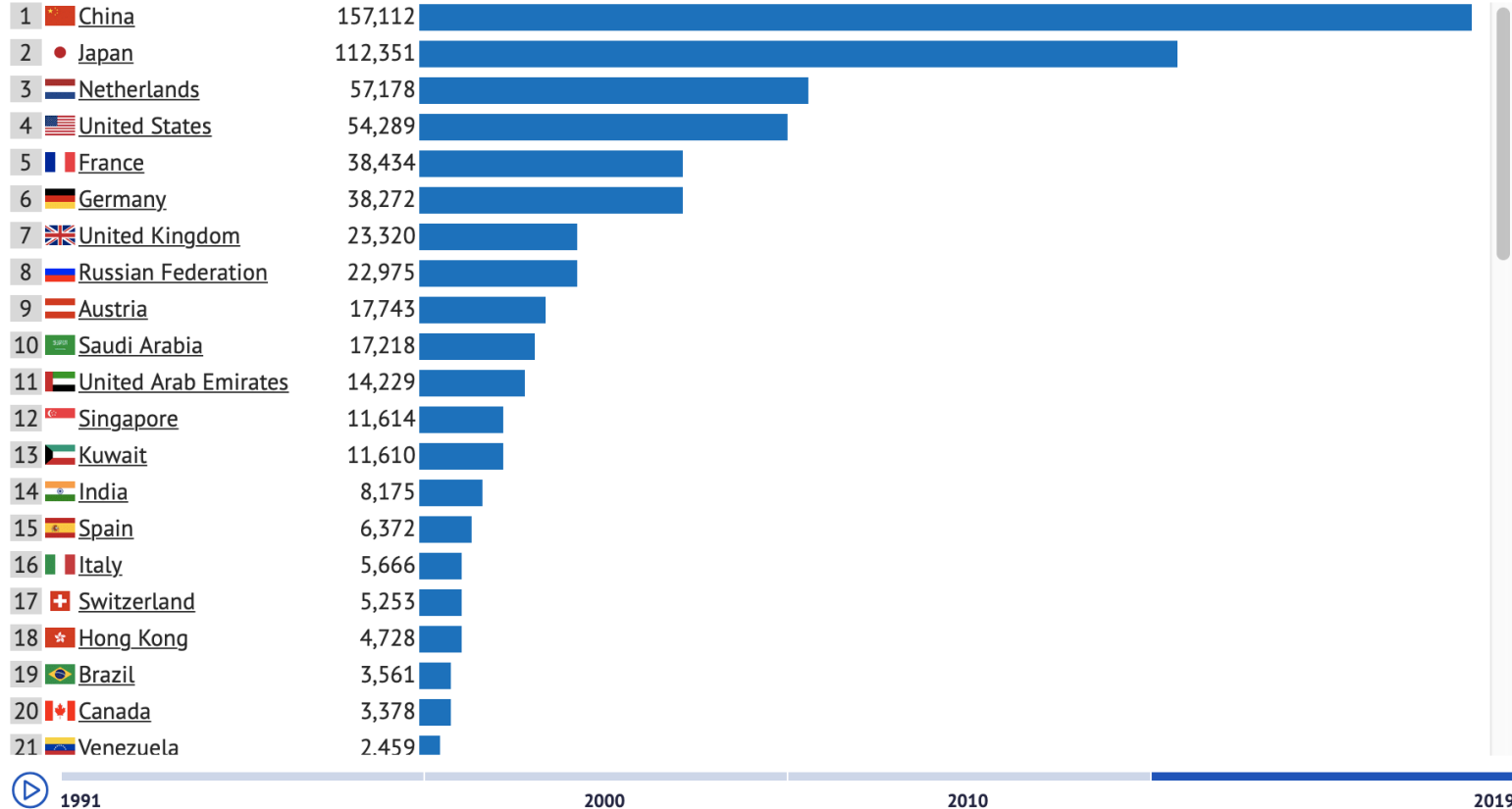


TRADINGECONOMICS.COM | MINISTRY OF FINANCE, THAILAND

The Largest Lenders to Emerging and Developing Countries, 1991–2019



Total PPG lending to emerging and developing countries, million USD. Government and private debt. Click on a country to display map and borrowers list below.

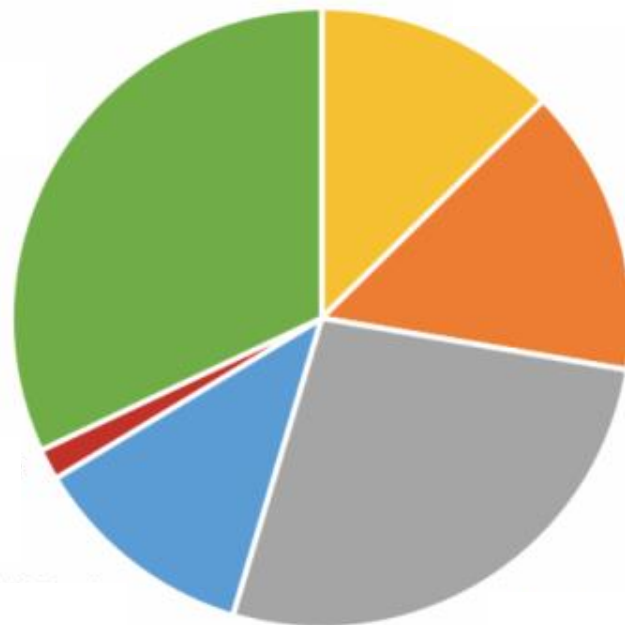


Composition of the External Debt Stocks in Africa

Debt Restructuring in Africa: Building Public Assets and Addressing Bottlenecks for Low-Carbon Economic Transformation

Working Paper | March 2022

Figure 1.5 Composition of External Debt Stocks in Africa



Sources: Public and publicly guaranteed (PPG) external debt, based on World Bank IDS database, accessed in March 2022.

Debt Distress Level, by Lower Income Countries – Center for Global Development

- In distress
- High
- Moderate
- Low
- NA

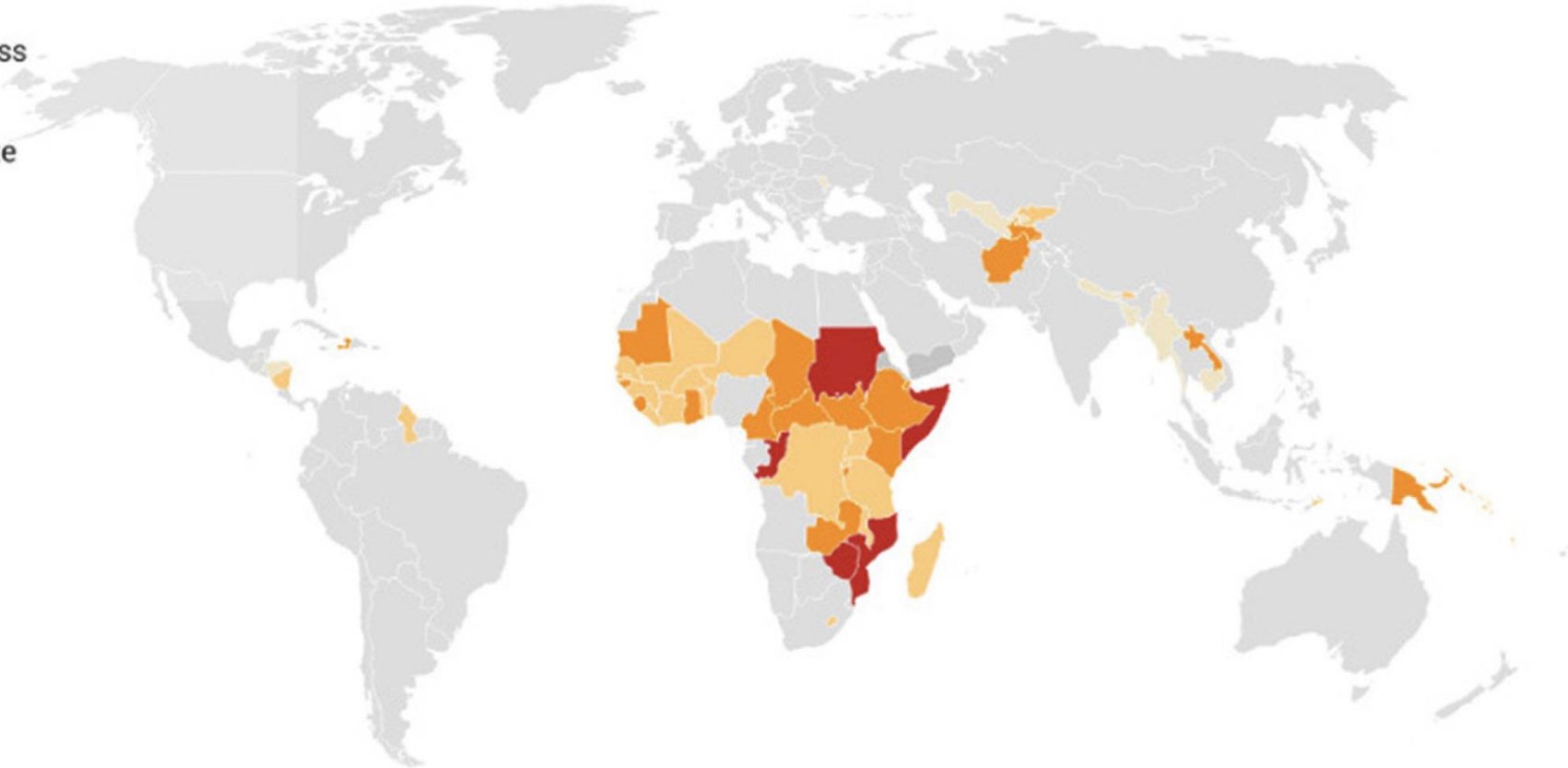
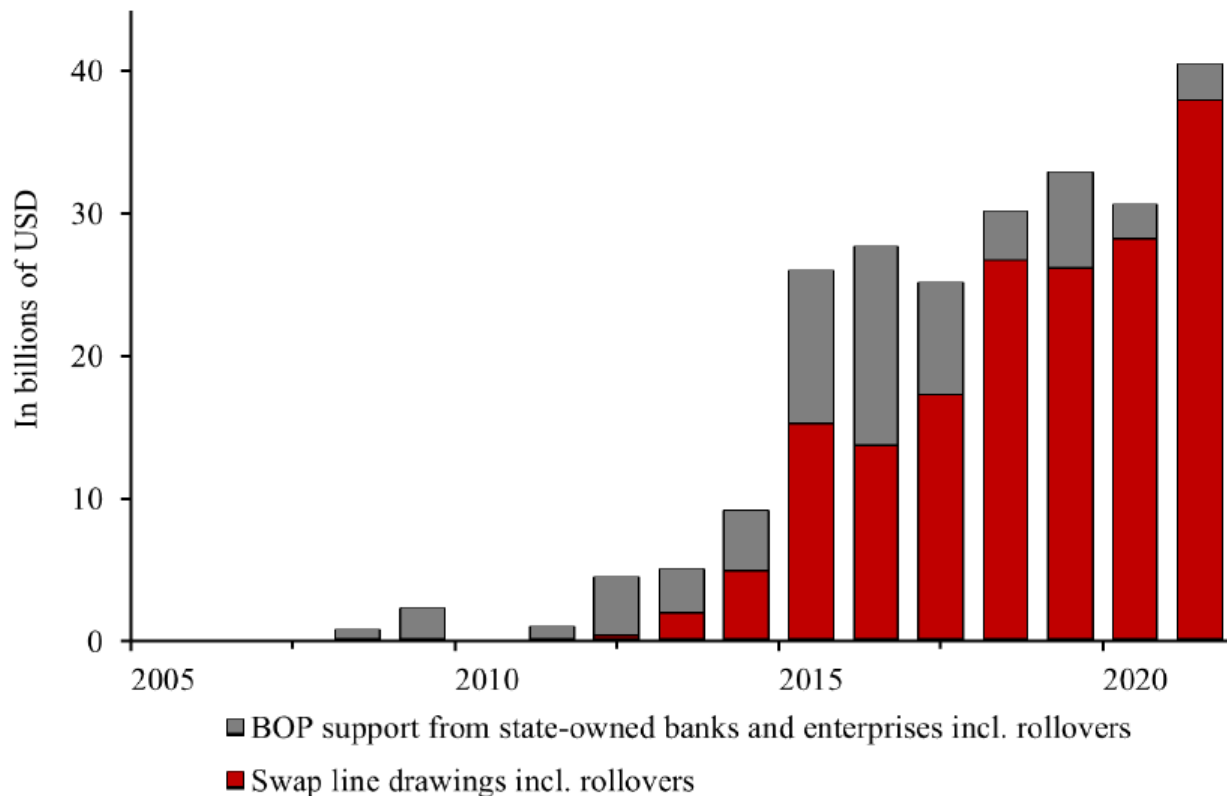


Figure 2. China's bilateral bailouts - yearly amounts of cross-border rescue lending





Trade and Financial Sanctions

An evolution toward greater use of financial sanctions



Financial Sanctions



Society for Worldwide Interbank Financial Telecommunication

Alternatives to SWIFT:

- System for Transfer of Financial Messages – Russian Central Bank (Russia only)
- Cross-Border Interbank Payment System – Chinese Central Bank (but it uses SWIFT and deals primarily in yuan)
- Telephones and Faxes
- Cryptocurrencies

National Security Exception to the GATT/WTO

Article XXI

Security Exceptions

Nothing in this Agreement shall be construed

- (a) to require any contracting party to furnish any information the disclosure of which it considers contrary to its essential security interests; or
- (b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests
 - (i) relating to fissionable materials or the materials from which they are derived;
 - (ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;
 - (iii) taken in time of war or other emergency in international relations; or
- (c) to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

Incentives and Choice

European Union

EU leaders wrangle with issue of oil and gas imports from Russia at summit

Poland and Baltic states seek embargo, while other countries including Germany and Belgium want gradual measures

● [Ukraine-Russia war - latest updates](#)

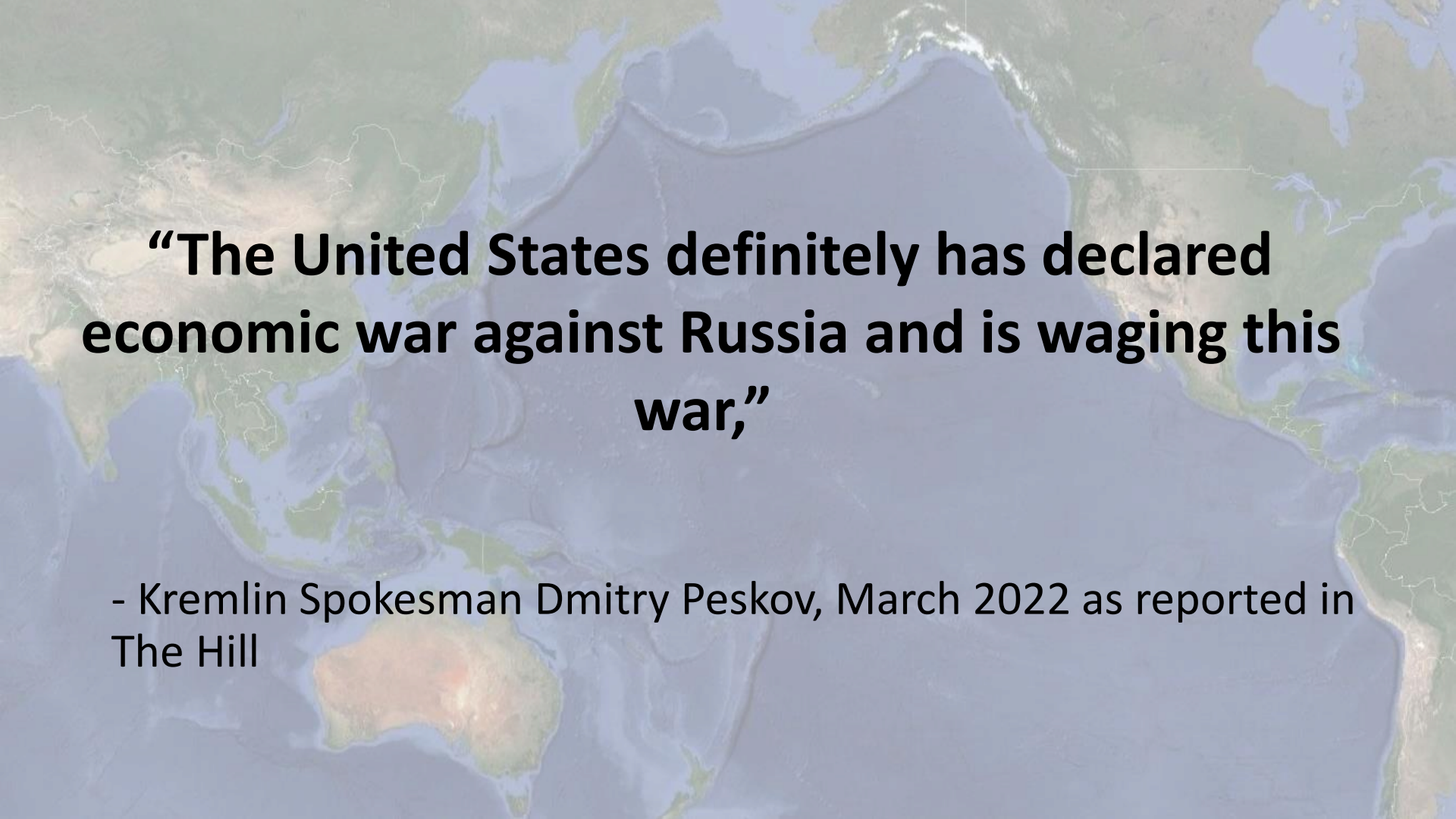
Jennifer Rankin in Brussels

► Thu 24 Mar 2022 15.55 EDT



📷 The US president, Joe Biden, with the president of the European Council, Charles Michel, in Brussels on Thursday evening. Photograph: Olivier Hoslet/EPA

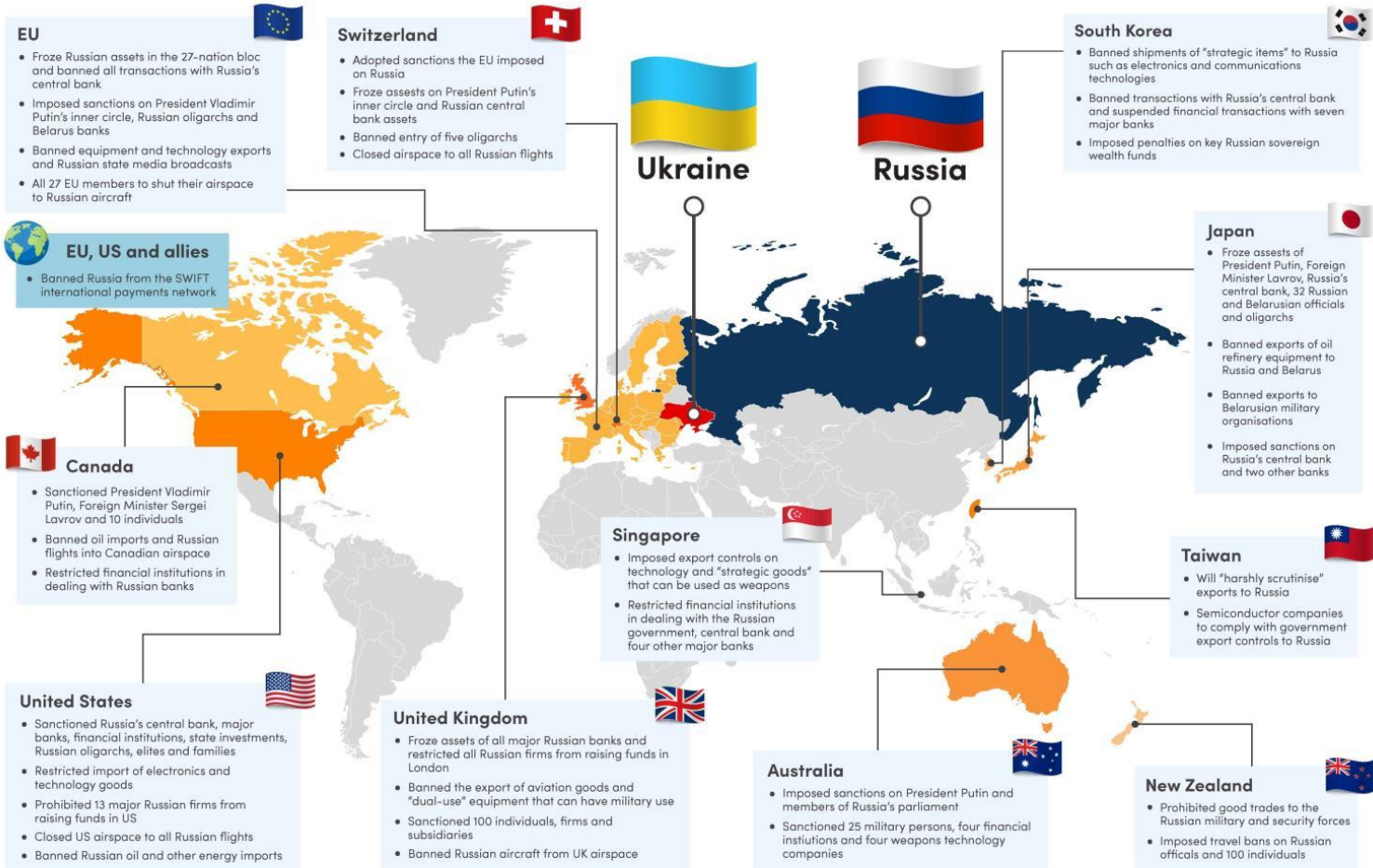
The Guardian



“The United States definitely has declared economic war against Russia and is waging this war,”

- Kremlin Spokesman Dmitry Peskov, March 2022 as reported in The Hill

SANCTIONS ON RUSSIA OVER UKRAINE INVASION



A woman with short dark hair and glasses, wearing a dark jacket over a light-colored shirt, is smiling and holding a large, ripe pineapple in her gloved right hand. The background is a blurred outdoor setting with green foliage and a blue sky. The text is overlaid on the left side of the image.

**Eat
Taiwanese Pineapples
Support
Taiwan's Farmers**

China is suspending imports of Taiwanese pineapples, despite **99.79%** of imported batches passing inspection. Data proves that this sudden, unilateral decision is not based on health or fair trade.

China's economic use of economic statecraft

- One Belt, One Road
- RCEP and other trade agreements
- Tourism restrictions to Palau
- Economic actions against Australia, Japan, Korea, and Taiwan



Keith Skipper



Dr. James P. McVe, NOAA



Seatrade Maritime News



U.S. Economic Strategy for the Indo-Pacific

Indo-Pacific Economic Framework for Prosperity

Four pillars:


- Trade provisions promoting high labor and environmental standards as well as the digital economy
- Resilient and secure supply chains
- Promoting investment in decarbonization and clean energy
- Taxation and anti-corruption policies

Takeaways

- Economic prosperity is important for national security
- Economic governance creates choices and incentives
- Supporting economic resilience is critical for domestic security
- The global economic guardrails have increased global wellbeing but have created significant interdependence
- Interdependence can be used for geopolitical/security ends
- The U.S. is expanding its focus on economics in the region through the Indo-Pacific Economic Framework

Key Questions

- Why should a security professional care about economics?
- What contributes to domestic economic security?
- Are there guardrails for international economic policy?
- What is economic statecraft and how is it used?



Mahalo

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