

House Foreign Affairs Committee
Subcommittee on East Asia and the Pacific

Economic Statecraft and Advancing US Interests Abroad: Modernizing U.S. Economic Statecraft

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Chairwoman Kim, Ranking Member Bera, and distinguished members of the subcommittee, thank you for the opportunity to testify on the imperative of modernizing America's economic statecraft.

I. A Near-Global Economy for the New Geoeconomic Moment

We stand at a pivotal moment. The world's economic cold war is turning hot, driven by rising geopolitical threats, systemic economic risks, aggressive adversaries, and a dramatic reorientation of global trade.

We are, now more than ever, in an economic moment.

The contests shaping our future are playing out not just on traditional battlefields but also in banks and bond markets, semiconductor supply chains, shipping lanes, and across currencies — from dollars and rubles to yuan and crypto. The recent wave of Chinese dumping, steep U.S. tariffs, and retaliatory trade countermeasures has sparked significant economic disruption — but it has also ushered in a new era of strategic competition, one that is actively reshaping global trade relations and international economic systems.

These shocks, while destabilizing, offer a rare opportunity: a chance to reorder the global economy for stability, prosperity, fairness, and growth — opportunities unseen since Bretton Woods in 1944. We must acknowledge that:

- 1) *Economic security is national security; and,*
- 2) *Economic policy is foreign policy.*

Meeting this challenge demands urgency from our leaders and the weight of allied markets to strengthen our economy and exclude bad actors. We must correct non-market practices and trade imbalances that threaten democracies, constrain economic adversaries that act as parasites on our consumer markets, and eliminate corrosive supply chains reliant on forced labor and state repression.

In essence, **we must use the power of our markets to defend our markets.** This requires building and defending a *Near-Global Economy* that is stable, free, open, and fair — one in which America can compete, lead, prosper, and win. The Near-Global Economy should be constituted as a U.S.-led economic union where respect for the United States' economic and trade guardrails is rewarded with preferential access to our trade, capital, and technology. The system will be open to those who play by the rules and closed to those who undermine them. The Near-Global Economy should, above all else, create leverage for the application of America's vast economic statecraft toolkit and force alignment with U.S. national security objectives. While this economic union would be open to all who follow market rules and guardrails, it would be closed off to adversarial nations that distort fair competition by stealing, cheating, bribing, and bullying their way to unfair advantages.

With the deepest capital markets, the world's de facto currency, a dynamic private sector, and the largest consumer market, the United States has the requisite leverage to meet this moment. But

our government's ability to act on these strengths is fragmented across dozens of agencies, each with components of a broader arsenal, lacking a unifying command structure or long-term strategy. Our economic power is therefore too often underutilized, applied reactively, in isolation, and without sustained enforcement.

We would never deploy U.S. forces abroad without joint doctrine, a common operational picture, or surge capacity. Yet that is how we conduct economic warfare today. The result is predictable: episodic sanctions and export controls, lagging enforcement, inconsistent messaging, and missed opportunities to deter aggression or respond effectively.

But with decisive action — enforcing rules, building coalitions, and rewarding alignment — we can shape a Near-Global Economy that benefits American workers, strengthens our allies, and leaves our adversaries boxed out and boxed in. Clear incentives and consequences will reduce ambiguity and raise the cost of malign behavior. Access to American markets and capital will be seen as a [privilege](#), not a right.

II. Who Should Lead

The United States must lead this new Near-Global Economy with focus, countering China's model of intellectual property theft, state-backed monopolistic pricing, and coercive economic practices that have distorted global trade for years.

To prevail, we need a government structure built for purpose: one capable of collecting and analyzing comprehensive data on trade flows, sanctions evasion networks, supply chain dependencies, and export control risks — and acting on them decisively. We would never enter a kinetic war without commanders, planners, and integrated control, yet we fight an economic war without an Economic Pentagon. That must change.

As economic security serves national security, the National Security Council — or a new [Economic Security Coordination Office](#) within the executive branch — should set a strategic framework for economic statecraft that clarifies why, how, and to what end we must act. This will require a complete review of existing economic security functions across government and a forward-looking approach to unify these tools under a coherent set of foundational operating principles.

With a large-scale reorganization already underway at the Department of State, the moment is ripe to anchor a broader transformation of U.S. economic statecraft within its evolving structure. With support from the president and Congress, the Department of State could serve as the nation's key operational hub for economic security, translating strategy into action, coordinating across agencies, integrating intelligence, and using diplomacy to signal opportunities or consequences to other nations. To support this reorientation, several institutional innovations should be considered:

- **Establish and Empower a Deputy Secretary of State for Economic Security.** In line with legislative initiatives such as the Economic Security and Diplomacy Act of 2024, Congress should work with the executive branch to establish and empower a new deputy

secretary of state for economic security who will function as the primary State Department official responsible for matters related to sanctions, export controls, supply chain security, investment screening, and other elements of economic statecraft. This will require significant reorganization within the State Department's vast economic security bureaucracy, redesignating key offices and personnel within the new deputy secretary for economic security's purview and responsibility.

- **Establish an Interagency Economic Command Center.** Modeled on the Joint Chiefs of Staff, this interagency body would be a principals-level engine for strategic economic security planning and coordination. The command center would be chaired by the deputy national security advisor for international economics and the proposed deputy secretary of state for economic security, with designees from the Departments of Defense, Commerce, Treasury, Justice, Homeland Security, and Agriculture and the Intelligence Community. Offices represented should include but not be limited to DoD's Office of Strategic Capital, Treasury's Office of Foreign Assets Control and Financial Crimes Enforcement Network, Commerce's Bureau of Industry and Security, the U.S. Trade and Development Agency, the U.S. Trade Representative, the International Trade Administration, the Committee on Foreign Investment in the United States, Customs and Border Protection, and the Development Finance Corporation. The command center would coordinate America's economic security objectives, set enforcement priorities, and align actions to support a stable, free, open, and fair Near-Global Economy. Congress can authorize and fund this command center, ensuring it has the budget, staffing, and statutory authority to coordinate interagency efforts effectively.
- **Create an Economic Security Vanguard.** This initiative would recruit and train a cohort of economic statecraft and resilience specialists within the diplomatic corps to translate Washington's strategies into country-level action and feed local intelligence back into policy, creating a cycle of implementation and refinement. A prestigious track for dedicated economic security officers could also establish a leadership pathway within the State Department that prioritizes economic security. Congress can revise the State Department Basic Authorities Act to establish and fund the training of this vanguard, allocating resources to expand the State Department's capacity for economic statecraft expertise.
- **Assemble a Professional Planning Cadre.** This permanent team of sanctions strategists and economic warfare experts would wargame options continuously, updating playbooks as adversaries adapt or new threats emerge and preparing ready-made rapid response support packages in the event of a Chinese blockade of Taiwan or of an allied economy being hit by disaster. Situated within the Interagency Economic Command Center, this team would work with allies and partners to prepare for flashpoints, draft options packages, and build trusted communication lines to relay relevant trade and targeting information. They would also establish emergency supply chain channels for critical goods like food, pharmaceuticals, and essential industrial materials. Congress can support the establishment of and provide funding for this cadre. Congress should also mandate regular reporting on its preparedness and wargaming outcomes to ensure readiness.

- **Deploy Congressionally Approved Special Envoys.** For specialized challenges like counternarcotics financing or emerging terrorist threats, these envoys would operate with clear mandates and metrics for success, sunseting once objectives are met. Congress can pass legislation to streamline the appointment and oversight of these envoys, ensuring they have clear mandates and adequate resources.
- **Establish Joint Economic Operations Centers With Allies.** These centers, established with key allies such as the Five Eyes, the European Union, Japan, South Korea, and others, would facilitate real-time coordination on trade enforcement, sanctions implementation, and supply chain resilience, ensuring aligned economic strategies and rapid response to adversarial actions. Congress can authorize and fund these centers, directing the State Department to negotiate agreements with allies to establish and operate them.

III. What Belongs in the Toolkit

For too long, America's economic statecraft has been narrowly defined and unduly constrained — focused primarily on inelegantly applied sanctions and export controls. While these remain vital, they are not sufficient on their own. A modern economic security toolkit must also encompass tariffs, investment screening, supply chain initiatives, transparency mechanisms, and more (see Annex for a visual overview of available tools). The State Department already plays a role in deploying many of these instruments, but key authorities still reside in other parts of the government. A reimagined State Department should not only deepen its involvement in the design and execution of these tools but also lead in coordinating their use across the interagency — ensuring alignment with allies, engagement with partners, and integration with actors on the ground abroad, where appropriate. This includes developing:

- **Conditional Trade, Investment, and Financial Offerings.** Clear guardrails and pathways should expedite access to U.S. markets and financial infrastructure for countries that adhere to free and fair trade standards and participate in an alliance-based customs union. Tariffs and other trade barriers should protect against those who seek to distort trade. Access to U.S. markets, investments, and financial systems must be conditioned on supporting a stable, free, open, and fair Near-Global Economy.
- **Positive Inducements.** America's economic gravity should be used to pull allies closer through free trade agreements with trusted partners, expanding the Development Finance Corporation to de-risk strategic projects and unlock American private capital, and tax incentives for ally-shoring supply chains. Development finance should focus on growth, building technical skills that global industries demand, supporting entrepreneurs, and financing infrastructure like roads, railways, and energy systems for long-term, market-driven growth.
- **Transparency as a National Security Imperative.** If we can't see illicit funds, we can't stop them. Financial secrecy enables adversaries to move weapons, launder profits, and fund operations that threaten America. Anonymous shell companies, offshore havens,

and opaque intermediaries allow fentanyl profits to flow to China, sanctioned oil to reach global markets, and stolen technologies to be purchased through front companies. Transparency ensures visibility to enforce laws, protect markets, and disrupt adversarial strategies. Congress can shore up vulnerabilities with respect to transparency by supporting full implementation and enforcement of the Corporate Transparency Act.

- **Private Sector Empowerment.** The private sector is the driver of our economy and is a key instrument of positive economic power. Enhancing the role of U.S. companies and citizens in advancing economic statecraft can help extend the government's reach, particularly in the face of growing resource constraints. This includes better coordination with American chambers of commerce and more strategic deployment of economic support funds to catalyze private sector-led growth abroad. Beyond that, granting the private sector and citizenry greater legal authorities to assist with enforcement could significantly bolster U.S. efforts. Options include expanding private rights of action through *qui tam* provisions, enabling lawsuits on behalf of victims of forced labor, or even revisiting historical instruments such as letters of marque and reprisal to authorize private enforcement of sanctions. These mechanisms would allow Washington to better align its strategic ambitions with the tools and capacity required to enforce them.
- **Innovative Economic Statecraft.** A rapid-deployment Economic Strike Force — comprising diplomats, development experts, sanctions practitioners, export control agents, and transactional lawyers — could deliver conditional investment packages and infrastructure deals within days of strategic opportunities emerging. This force would offer tools like anti-corruption courts, emergency liquidity, provisional free trade agreements or tariff reductions tied to governance reforms, logistical support, independent election monitoring, coordinated debt relief, targeted development aid, infrastructure financing, and entrepreneurial support to stabilize markets, counter malign actors, and build resilience in partner states. They would also provide allies and partners with ready-made economic support packages in the event of a disaster or geopolitical threat.

IV. How We Organize for Speed and Endurance

To shift from patchwork responses to purposeful action, five operational shifts are needed:

- **Resource the Routine.** We must maximize our economic power through highly trained personnel and advanced technology. Licensing, enforcement, and economic intelligence shops at the Departments of Treasury, State, Commerce, and Defense must be staffed and equipped so that backlogs and blind spots do not erode deterrence, constrain flexibility, or prevent rapid response.
- **Build Surge and Reserve Capacity.** A Geoeconomic Surge Force of career U.S. government sanctions lawyers, trade investigators, forensic accountants, and infrastructure deal teams should be authorized to mobilize within days of a presidentially declared international economic emergency. These experts should be required to engage in regular training throughout the year, consistent with potential economic flashpoints or

wargame scenarios established by the Interagency Economic Command Center's professional planning cadre. The Geoeconomic Surge Force should likewise be complemented by a reserve corps of private sector experts akin to an economic National Guard, drawing on specialized talent ranging from financial intelligence to supply chain logistics.

- **Break Down Silos.** State and supporting agencies need authorities to coordinate in an impact-driven manner, elevating economic security functions to a new deputy secretary of state for economic security, creating a dedicated bureau with real institutional weight, and providing the interagency structures so that America's deep arsenal of economic tools amplifies one another and further economic security.
- **Modernize Infrastructure.** Adversaries exploit financial networks and trade loopholes at digital speed, while America's fragmented, outdated systems lag. Economic security demands cutting-edge technology. Real-time data fusion — linking trade, finance, and enforcement information — must flow seamlessly to analysts and investigators to drive complex cases and expose adversarial lifelines, not get buried in bureaucratic pipelines or delayed by manual processes. Advanced early-warning indicators would also help us spot coercive economic moves before they mature, allowing us to disrupt them in their formative stages. Modernizing is how we move from reacting late to striking first — decisively, with precision, and at the pace that today's threats demand.

These steps develop for the United States the ability to bring integrated power to bear faster than adversaries can adapt.

V. Conclusion — From Latent Power to Organized Action

Our adversaries operate from a simple premise: The United States will respond slowly, argue internally, and settle for half-measures. Too often, they are right. The Near-Global Economy we lack is precisely the system our rivals are counting on us never to build. But with your oversight and investment, we can turn isolated tools into integrated campaigns — marrying diplomacy, sanctions, export controls, foreign investment screening, and strategic investment into a unified strategy.

A well-coordinated economic statecraft architecture — anchored by a revitalized State Department and an empowered Economic Security Coordination Office — can more credibly deter our adversaries, offer compelling alternatives to coercive capital, and anchor a Near-Global Economy that is stable, free, open, and fair.

To build such an economy is not utopian; it is strategic:

- **Stability** matters because instability — from wars and coups to cartels and nuclear threats — drives up costs, breaks supply chains, and punishes American workers and consumers.

- **Freedom**, both political and economic, is essential. Regimes that rely on forced labor, censorship, and economic coercion distort global markets and tilt the playing field against us.
- **Openness** protects us. Transparency is a weapon in this fight — without it, we cannot enforce sanctions, uncover illicit networks, or defend against dirty money.
- **Fairness** is how we win. American firms and workers thrive when rules are enforced. We lose not because we're weaker but because others cheat with impunity.

Building a system that promotes and defends these principles is how we will win the economic war already underway — and how we can secure the foundation of our national power for generations to come. Our most potent foreign policy and national security tool is America's economic power. It's time we started to treat it as such.

Annex: Visual Overview of America's Economic Statecraft Toolkit

As Treasury Secretary Bessent [recently](#) argued, “the primary components of the Trump economic agenda — trade, tax cuts, and deregulation — are ... interlocking parts of an engine designed to drive long-term investment in the American economy.” The same applies to America’s economic statecraft toolkit. Sanctions, tariffs, export controls, investment screening, transparency tools, and supply chain resiliency measures are not standalone levers — they are gears in a single engine of national economic power. To be effective, they must move in concert: coordinated across agencies and aligned with allies to defend U.S. interests, deter adversaries, and power a stable, free, open, and fair Near-Global Economy.

