

Beyond Military Might: NATO and Economic Security

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No essay on NATO would nowadays be complete without the obligatory reference to the “Zeitenwende” after February 2024. The Russian full-scale invasion of Ukraine has raised support for increased defense budgets and initiated NATO’s reorientation from “out-of-area” missions to its proclaimed core task of alliance defense.

However, this shift threatens to overshadow all areas of security. While potential Russian attacks on NATO territory loom dangerously over the near future, it is imperative not to ignore long-term, less obvious threats to our security. Understanding security merely as the political independence and survival of a nation is thought too narrowly. Rather, security relates to the absence of threats to any status that is to be retained - that being threats to our economic situation, democratic institutions, and advantages in the global order.

Notwithstanding current wars, military action has transformed from a legitimate political tool into an instrument of last resort, evident in the reduction of war-related deaths and the increase in peaceful relations. While states still compete under international anarchy, in the times of strengthened international law and institutions as well as devastating nuclear weapons, they have developed other tools. Weaponizing trade, spreading disinformation, and supporting an enemy’s domestic and foreign opponents constitute some of the harshest measures on the escalation ladder below military action, and yet they are continuously employed - on NATO members as well.

Keeping in mind the changes in international statecraft, another changing dimension deserves attention. It comes as no surprise that post-1990 American predominance and the liberal world order - or at least their narratives - are openly questioned and combated by an array of states, most prominently China and Russia. Alongside their allies, but also states dissatisfied with their position in the world order, they advance alternative institutions and work to erode established norms while the US and Europe grapple with internal challenges. While the Russian threat is quite direct - the prolonged aggression in Ukraine and the war’s escalation, militarily supporting Assad, backing Malian coupists - the Chinese one is slower and more prudent. It involves economic “sticks and carrots,” grey-zone maritime harassment, and large-scale industrial espionage - in short, countless measures of the new international statecraft mentioned before, operating below the traditional threshold of violence, yet still threatening our security.

Utilizing these hybrid instruments to win low-intensity conflicts within the larger system challenge is a key feature of this fracturing modern world. Most prominently, this becomes evident in China’s use of economic force in violation of trade rules to achieve their global ambitions of national rejuvenation, more recently against Lithuania. After the country moved towards closer relations with Taipei, China swiftly blocked 90% of imports from Lithuania and tried to pressure third parties into canceling ties, else they lost access to the Chinese market as well. This maneuver was part of the broader Chinese strategy to isolate Taiwan and advance its own geopolitical goals; however, it was only one example of many.

While Lithuania’s and Europe’s security were not threatened in the traditional sense and were certainly not able to call Article 5 into action, this display of power economically endangered

Lithuania and, hence, Europe. It seems easy to imagine a chain of such moves: picking off NATO members one after the other by offering economic carrots or threatening the stick. A new protective concept is necessary and the strongest defensive alliance in history, NATO, should be the one to pioneer it.

NATO's Broad Mandate

As demonstrated, a more holistic concept of security has become the imperative of the moment. At the same time, NATO's 75th anniversary in July 2024 should serve as a reminder that the military alliance is not unprepared for a changing world. Indeed, as early as 1949, US Secretary of State Dean Acheson declared that NATO would play an important role in the "restoration of the economic and political health of the world." Only the obscurity of the supposed end of history concealed the fact that NATO's traditional concept of security always regarded the economy and the military as two sides of the same coin. It is noteworthy that the many articles and strategy papers on NATO repeatedly discuss the scope and the interpretation of Article 5 of the North Atlantic Treaty, while the first articles are often completely ignored.

A glance at Articles 2 and 3 reveals the importance that should be attached to the economic dimension in security matters. Article 2 states that NATO should "eliminate conflicts in their economic policies" and promote economic cooperation. Article 3 then goes on to specify that this cooperation is also reflected in the development of an "individual and collective capacity to resist armed attacks." The treaty was only the beginning of the common history of "economic and security integration." As early as 1949, in the first "Strategic Concept for the Defense of the North Atlantic Area," it was established that the military and the economy needed joint coordination in order to guarantee effective deterrence.

Based on this insight, the "NATO Economic Committee" was created in 1957 to contribute to the harmonization of economic relations. A year earlier, a report by the Committee of Three had called for a strategic need to strengthen economic cooperation and resource development between nations. For many decades, the Committee acted as an anchor for these strategic priorities. It was not until the fall of the Soviet Union that the intersectionality of the economy and security was forgotten, particularly in Europe. Consequently, the Committee was dissolved in 2010; the perfect illustration of an alliance and its member states for whom a strategic understanding of the economy no longer played a role.

Fifteen years later, geopolitical thinking has returned. Overshadowed by the risks presented, Secretary General Jens Stoltenberg declared at the 2022 WEF Forum that "freedom was more important than free trade." In 2019, an economic topic made it onto the NATO agenda for the first time in 20 years when the NATO Summit in London discussed dependencies on Chinese 5G technology. In the concluding London Declaration, the international community subsequently stated that China's growing influence would lead to both opportunities and challenges that needed to be addressed jointly.

In the wake of the Russian war of aggression and the growing threat of Chinese expansionism, the efforts of the NATO states to establish a new strategic economic relationship have intensified. In June 2023, Germany presented its national security strategy, which explicitly warned against economic dependencies. A year earlier, the British government had already launched an Economic Deterrence Initiative to build new national resilience. Awareness of the

interdependence of the economy and security is growing in Europe as well as in the USA and Canada. These discussions often take place outside of NATO in the form of the EU or the G7 - a strategic mistake. In order to be able to guarantee Europe's security in the future, NATO must take economic threats seriously:

Securitization of Supply Chains

The vulnerability of supply chains has moved onto the national agenda, and not just because of the recent attacks by the Houthi rebels. NATO has also already recognized the relevance of supply chains for defense policy in the form of the Critical Supply Chain Security Roadmap. However, the lack of a coordinating body appears to be problematic. Centralized geopolitical risk assessments would enable vulnerabilities and dependencies within the alliance to be better identified. Approaches such as the American Council on Supply Chain Resilience are promising, but need to be considered transnationally. What is needed is a new NATO body that recognizes existing vulnerabilities, makes recommendations on how to deal with trade agreements and foreign investments (for example, the Belt and Road Initiative), and mitigates the risk of economic coercion through an early-warning mechanism.

Those who are prepared for a state of emergency are sovereign - at least in terms of defense policy. A second priority should therefore be to carry out regular stress tests. It is true that NATO has increasingly simulated collective self-defense in recent years. However, the economic component has so far been neglected. How long will we still have essential medicines if imports are stopped? How quickly can ammunition production be ramped up in an emergency? What would a war mean for energy prices? These are all economic and military questions that need to be regularly compared with reality.

In finding solutions for identified problems, NATO should continue along the path it has taken with the NATO Innovation Fund and the NATO Industry Forum. The private sector and the state are not opposites in the military sense, but must go hand in hand.

The aim must be to increase the resilience of private industry production. This requires low energy prices and secure supply chains. While energy security is already a NATO priority, there has so far been no uniform strategy for dealing with supply chain disruptions. The attacks by the Houthis show that NATO should not be afraid of global operations when it comes to securing trade chains. However, the primary focus should be on diversifying trading partners and own production capacities.

A state industrial policy is required in order to become resilient and capable of defense at the same time. NATO's role here should be to act as an intermediary to prevent subsidized competition between NATO countries. In the microchip industry, Europeans and Americans actually have the same interests, but the current policy contradicts this tendency. Joint, transatlantic armaments projects could be a first step towards rebuilding trust on both sides of the Atlantic for the dismantling of trade barriers. Tough on the outside and open on the inside should also be NATO's motto in trade matters.

Critical Imports & Dangerous Exports

Shown in the first days of the Covid pandemic and throughout the trade disruptions at Bab-el-Mandeb, globalization has created countless dependencies in intricate trade networks. While this is certainly no news, the absence of life-saving drugs and essential chemical preliminary products has caused many politicians to swing away from global supply chains and proclaim “derisking” or even “decoupling.” Fewer dependencies would open a country to less uncertainty and less blackmail potential, taking note of the aforementioned example of Lithuania and China. However, these efforts usually concentrate on so-called “critical goods” in order to minimize trade reorganization.

Importantly, there are no common definitions of such “critical goods,” leaving an opportunity for NATO to step in. Using its forum, its member states can jointly define areas and goods they consider critical while paying attention to country-specific details. Such common efforts allow for subsequent common actions, for instance, shared stockpile registers in case of emergencies and reporting mechanisms. The latter measure could create a united front by setting common standards for import dependencies, for instance, rare earth imports from China, and providing a space for countries to learn from each other via technical assistance. Furthermore, this could serve as a starting point for more “friend-shoring” within the alliance to further diversification efforts, given that the critical areas of import have already been identified.

Similar forums and instruments could easily be used for joint export controls. While it is obvious that neither fighter jets nor tank barrels should be shipped to either Russia or China, opinions diverge on so-called dual-use goods. Sharing intelligence and expertise in identifying critical parts and setting up barriers could ensure the alliance’s security by ensuring that potential threats are not propped up in times of heightened tensions and grey-zone operations.

However, especially the export of military goods might be considered the exclusive domain of each member state, due to the connection of such shipments to diverging foreign policies - see, for instance, differing NATO members’ opinions on groups in the Syrian Civil war. It is hence important to acknowledge that the suggested measures aim for the common denominator of member states as NATO is no institutional framework like the EU. The goal instead is to create a specific forum to discuss and develop joint solutions - the very structure of the alliance.

To ensure the effectiveness of such joint actions, said forum must nonetheless go beyond identifying critical imports and exports and monitor the member states’ progress. This entails states partially giving up sovereign functions and important data pertaining to national security and could also lead to backlash within the alliance. However, in light of the current system conflict, NATO’s member states need to move together and accept minimal concessions such as external reporting mechanisms in order to achieve their common goal of holistic security.

Common Goals, Common Policy

For any of the proposed measures to be agreed upon, there is an evident need for consensus - not just on the measures and their details, but on the strategic alignment of the alliance. NATO member states must jointly define the geopolitical situation, identify both their situation as well as threats to their ambitions, and agree on the general strategy. Only with such a

foundation can NATO move forward and plan its responses to system conflicts and hybrid attacks as part thereof.

With the Russian invasion of Ukraine, member states reidentified the threat of conventional warfare and acknowledged the perilous situation at NATO's borders in the latest Strategic Concept: "Our world is contested and unpredictable." Even in respect to the non-traditional methods and challenges posed by China, NATO and its member states have identified those as in contrast to their own interests, and the general course for action has been set. Now, concrete actions in support of NATO's goals are needed.

Importantly, this consensus needs to be further developed. While there is a shared understanding of the challenges faced by NATO, the alliance does not quite offer a system of beliefs and positive goals on its own: Too diverging are the foreign policy measures of the member states, too diverging are the visions underlying them. This does not present an issue for the current time in which NATO needs to readjust and reclaim its importance, but it might turn into one should there develop a worldwide system conflict, akin to the Cold War. In the potential absence of a strong, internationalist US foreign policy, NATO might have to grow even larger beyond the purely military domain and enter the ideological arena, thus leaving the limited competence expansion this article suggests.

Conclusion

The 21st century is not waiting for NATO. While the Cold War is over for good, there is yet again a new system conflict on the horizon. With China and Russia using an array of hybrid measures to advance their visions of an alternative global order, a broader understanding of security is necessary in order to protect Europe and to safeguard our system of liberal democracy.

As a security alliance, NATO has proven to be an effective tool of deterrence, but in order to stay that way, it must adapt to the broader understanding of threats that leverage decades of globalization. From broken supply chains and dependencies in critical infrastructure, our way of viewing ever closer economic ties must be critically examined in conjunction with our strategic priorities. Tying these challenges together, NATO can once again take a prominent role in the foreign policy of its members. Expanding beyond traditional military security, the alliance should support its member states to defend their interests, especially in regard to economic threats. As shown, NATO has already proven itself in such a role and could once again step up.

However, this evolution entails challenges. To become more than a mere forum for unstructured dialogue, NATO must establish new structures relating to the supervision, coordination, and execution of new policies, drawn up in hitherto uncharted thematic territory, namely economic policy. NATO shall not remain a passive alliance, but take on an active role in the ongoing system conflict that is not only defined in military terms. Coordinating 32 member states to create this role is by no means an easy task. But after all, an alliance worth its name shall not consist of member states independently striving for the same peaceful and prospering world, but them compromising and acting as one.

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