

A New National Security Architecture

An Economic Security & Strategic
Investment Framework for the
Western Hemisphere

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Introduction

The United States has been at the vanguard of democratization and economic development. During the post-Cold War era, a dominant dollar, maximum pressure campaigns, and weaker autocratic states created conditions for the United States to assert its strategic gains unchallenged. This allowed policymakers and political leaders to overlook ethical frameworks or values-based economic policies that could act as checks or guards against potential democratic decay both internally and internationally. The thinking was, if the United States had no geopolitical rival that caused an existential threat to democracy, then the need for a standard of principled economic statecraft to safeguard democratic norms is unnecessary. With the U.S. banking system at the center of the global economy, the nation had legal and functional control over the financial plumbing of the world economy,¹ not moral authority to negate democratic backsliding but governmental authority through financial control. Through issuance of presidential executive orders or congressional action Washington could leverage economic costs on foreign targets and adversaries with little to no pushback. In other words, there was no immediate need to centralize moral authority as a key tenet for economic security.

As a result of this centrality of power, **democratization became categorization and economic statecraft became a precursor to kinetic conflict.**² The categorization was simple: 1) states that are non-democratic must democratize; 2) agree to benchmarks of a U.S.-led system; or 3) risk categorization by the U.S. as either autocratic, adversarial, or fragile. If the most powerful economic authority in the world categorizes a state as adversarial or fragile, said state would become excluded from the benefits of a U.S.-led financial system. Washington utilized tools of economic statecraft as blunt instruments with little to no precedent of the spillover effects on populations within the targeted state; no unified definition of economic security, no internal or international consensus of economic statecraft, and the negation of checks and balances to help citizens of developing countries.

This created an inevitable moral void, and this lack of ethical oversight cleared the path for a degradation of analytical acumen needed to understand the realities of a shifting international system. Washington overlooked institutions in developing countries—their durability, and their structure of governance—assuming the U.S. economic security umbrella was enough to counter any threat.

¹ Daniel McDowell, “New Era of Financial Sanctions: Adapting to Anti-Dollar Policies” in *Transatlantic Economic Statecraft: Different Approaches, Shared Risk* (Atlantic Council, Washington, DC 2023), 38, <https://www.atlanticcouncil.org/wp-content/uploads/2023/09/Transatlantic-Economic-Statecraft.pdf>.

² Susan L. Woodward, *The Ideology of Failed States: Why Intervention Fails*. (Cambridge, United Kingdom; Cambridge University Press, 2017), 64-65.

This oversight allowed time and space for rising authoritarian nations to develop economic statecraft with tools of their own. China, which this report will center around, and various other non-democratic states began to leverage the linkages of a U.S.-led financial system to create economic chokepoints to illustrate that it is itself fragile and, therefore, does not possess the authority to label others as such. Beijing implemented a strategic narrative: The U.S. is extractive; it seeks to maintain its primacy, and developing states become vassal states under economic security promises. In 2013, China launched the Belt and Road Initiative with the goal of altering the international system and bringing developing states categorized by the U.S. as fragile or non-democratic under its own umbrella. A clash of systems between economic development under the banner of the U.S. or economic development under the banner of Chinese authoritarianism emerged. Beijing's argument is that states that wish to move away from the financial and military power of the U.S. can become freer under their financial and development initiatives.

This clash of systems reveals a central ethical problem in economic security and statecraft: The primacy of the U.S. and the rising power of China to challenge that primacy have caused countries with little to no resources to choose sides. Alliances become transactional and adversaries become normalized for the sake of economic gain. This report will suggest that creating a new principled economic security umbrella is necessary to counteract the growing extractive authoritarianism

of China and correct the flawed economic security agenda of Washington. To create this values-based framework, this report will illustrate how the U.S. and Chinese economic competition prolongs conflict and ignores the needs of populations at the expense of global fragmentation. Our solutions are both international and national in the form of suggesting a new set of principles, a Geneva-style convention to create a unified definition of economic statecraft, and a strategic investment fund for democratic resiliency. The international system has entered an age of economic warfare, and the shocks that follow will fundamentally reorient the global order.

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Balancing Competing Values and Key Ethical Trade-offs

To understand how the United States' own actions have led to this multipolarity throughout the international financial system, it is important to trace how the nation has overlooked the very institutions it helped create. These institutions were supposed to provide a moral framework for expanded economic security throughout the international community. In a post-World War II order, the U.S. helped to build the United Nations, North Atlantic Treaty Organization (NATO), bilateral alliances in Asia, the International Monetary Fund (IMF), World Bank, and World Trade Organization (WTO). These international organizations (IOs) were founded to help incentivize countries to cooperate within the framework of multilateralism. Membership to established IOs would act as a signal that an admitted country was democratizing. This was a moral imperative post-WWII to lock in influence and balance the power scales. These institutions would act as the moral center for international development projects and peacebuilding missions. Joining an IO sets a good precedent for democratizing states or established democracies since IOs provide their members with a variety of services such as economic, governmental, and technical expertise to enhance legitimacy.³ However, multiple administrations actively sought to undermine these very institutions and preferred the power of unilateral economic coercion in the form of sanctions and tariffs. These tools are much easier to deploy to change the behavior of an adversary as compared to utilizing the multilateral process towards actual peace and security.

To ignore the multilateral process in favor of a unilateral process invokes fear of a new Monroe Doctrine in the 21st century. In 1823, President James Monroe issued the doctrine which stipulated that any coercive acts by European nations to reassert control in the Western Hemisphere would be seen as a direct act of aggression against the United States.⁴ The U.S. has since modernized this to deter China or other geopolitical competitors. China took notice and developed its geopolitical and economic motivations on the U.S. refusal to secure the multilateral process. The Belt and Road Initiative was a counter move to this oversight by the United States. Chinese President Xi Jinping prefers to redraw trade routes and cultivate new development projects where U.S. economic might and military strength cannot go. So far, 147 countries, which account for two-thirds of the world's population and 40 percent of the overall GDP, have joined. This is perhaps because no developing country wants to help the U.S. establish a preeminence. The U.S. traded the foundational pillar of democracy and multilateralism for economic coercion and therefore lost moral authority.

3 Paul Poast and Johannes Urpelainen, *Organizing Democracy: How International Organizations Assist New Democracies* (Chicago: University of Chicago Press, 2018), 25.

4 Paul Poast, "Trump's Approach to Latin America is Not Such an Outlier" *World Politics Review* (December, 2025), <https://www.worldpoliticsreview.com/trump-monroe-doctrine-venezuela-latin-america/>.

U.S. and China Competition: The Degradation of Values-Based Economic Security

There are currently around 60 to 80 active armed state or non-state conflicts in the world, and this number has steadily risen since 2024. This is precisely why the original economic security/statecraft model of multilateral institutions as protection was vital to overall peace and security: to institutionalize aiding populations in times of conflict due to shifts in regime or governance. Democratization and democratic backsliding are extremely violent processes that normally become difficult to assess analytically. However, as the U.S. became more focused on primacy given its shift away from multilateralism, China became acutely aware of the abdication and stepped in with a **crisis-lending model of economic statecraft** to protect populations from crisis and conflict.⁵ This is not to say China was or is concerned with actual international development, but it serves the purpose to showcase new leadership that can challenge the United States. The countries emerging from conflict under a developed multilateral framework would normally go seek financial assistance to democratize from the IMF, but they are now seeking it from China. China's goal is not democratization nor even stabilization; it is to prey on weak populations and fragile governments to replace their preexisting currency with China's currency which places said nation under the financial umbrella of Beijing. China uses instruments of economic statecraft to provide emergency credit to vulnerable states or populations with its

primary tool being central bank currency swap agreements. At the moment, the People's Bank of China has around 40 such deals with foreign monetary authorities;⁶ moral calamity disguised as international development. This is not to cater to the people of conflict zones, nor is it to help nations climb to sound economic policy. It is simple extraction to make these countries dependent on China's economic might.

China also implements crisis lending for a very specific reason: to improve its image with the public both domestically and internationally. It is as much a narrative strategy as it is an economic tool.⁷ The Chinese state works if it has compliance from its citizens. The Chinese Communist Party (CCP) has a history of what is called *consultative authoritarianism*, and that is greater citizen influence to increase public voice on policy issues without undermining the existing political system.⁸ Therefore, if Beijing can project a strong image abroad it assumes its citizens will comply with the state given it allows its own population to have a somewhat limited voice in the policy process. As a result, China makes inroads towards the Western Hemisphere to prove to its own people it can challenge the U.S. in its own region. Take Argentina, back in 2023: To avoid being late on its loans with the IMF, the state used China's *renminbi* to not default. This is no accident and it allows for China to emerge as a leading economic powerhouse capable of helping countries even within the Western Hemisphere.

China also is quite lenient on financing and provides multiple external financial options to help developing countries. China will allow for

5 David A. Steinberg, Selim Erdem Aytac, and Daniel McDowell, "Does crisis lending help China win friends and influence people?" in *World Development* (April 2026), 1, <https://doi.org/10.1016/j.worlddev.2026.107421>.

6 Ibid; 1.

7 Yeling Tan, David Steinberg, and Daniel McDowell, "Global economic influence and domestic regime support: evidence from China" in *Review of International Political Economy Economic Statecraft* (2025), 206-207, <https://doi.org/10.1080/09692290.2024.2402817>.

8 Rory Truex, "Consultative Authoritarianism and Its Limits" in *Comparative Political Studies* (2014), 6-7. <https://doi.org/10.1177/0010414014534196>.

bailouts if said country remains part of its Belt and Road Initiative. To be clear, none of this on any level is the CCP suddenly caring about the international community. No, this is the Chinese government attempting to replace the U.S.-led financial system. To gain financial leverage, China exploits the system of categorization that the U.S. places countries under. The United States economic statecraft formula is rather simple to predict: Categorize as democratic or non-democratic, decide whether to levy sanctions or tariffs, and then help developing economies through as long as they fall within helping American primacy. China utilizes this unethical and disastrous economic policy as an excuse for its own crisis lending. Beijing has helped Argentina solve its sovereign debt crisis, Turkey (a hybrid regime) balance their payments, and Russia avoid sanctions levied by the United States.⁹

The Vassal State Approach to Economic Statecraft

All of this to say, there is an exploitative economic security and statecraft strategy happening within the financial system and it is being waged by two of the largest economies in the world: one by the U.S. attempting to establish its democratic model and the other by China to exploit for leverage. This leads to an international system of vassal states—not alliances, not economic development, and certainly not democratization. How has the United States responded to this noticeable counter strike from China? (Washington’s methodology to abandon multilateralism in place of unilateral economic statecraft hasn’t exactly deterred Chinese aggressive economic coercion.) One does not need to look far to find the answer. The Trump administration’s 2025 National Security Strategy created core tenets around economic security, using language similar to the example of hubris that

was outlined in the opening of this report. The report states that **the U.S. foreign policy apparatus is committed to preventing “non-hemispheric competitors” from acquiring strategic assets in America or more broadly.** In the Americas in particular the trade-off is simple: Create a coalition of aligned governments that are ideologically willing to fall in line under the economic security umbrella and trade away their own institutional resilience to countering Chinese influence.

This happened in the form of the Shield of the Americas Summit, where Argentina, Chile, Ecuador, El Salvador, Panama, and Honduras all signed an agreement. This agreement spells out essentially militarized economic security; the benchmarks were to reduce violence within their own countries (a noble goal), but with an extractive quality where these countries become benefactors within a U.S. security umbrella with the trade-off of chipping away their ability to develop democratic institutions and secure their own sovereignty as nations. There was no mention of democratic resilience through economic statecraft and no mention of helping democratic institutions become more reactive for their citizens. Instead, it is focused on an expanded executive of each Latin American country and completely disregards the democratization processes and the voices of the millions who actually live on the local level in these countries. This is simply the Monroe Doctrine in real time in the 21st century and it is deeply flawed and will not counteract China’s economic statecraft. Instead, this economic security policy removes sovereignty and refuses to address the political realities of the region. Domestic publics in Latin American countries have a deep history of U.S. military intervention so economic intervention looks no different to local populations.

⁹ Ibid; 3.

Restrictive Economic Tools and the Downslope of “Pax Americana”

Colombia, Brazil, and Mexico all did not send delegations to the Shield of Americas Summit nor do they agree with the idea of a “pax americana” economic security umbrella. These three countries represent the largest economies in Latin America. In 2023 Brazil made a deal to move away from the dollar or the financial umbrella of U.S. power. Brazilian President Lula had declared that not every country should be tied to the fate or framework of the U.S. financial system. Instead, Brazil made a deal with China to increase its use in local currencies. Yet again, Beijing learned that the weaponization of U.S. economic statecraft causes other countries to look elsewhere and China seeks to be that answer. A problem for the U.S. is that its policymakers and politicians continue to assume we live in a unipolar moment and somehow other countries should just be grateful for the help. However, not only is this a multipolar system but it is a fragmented multipolar system. The ethical frameworks that are needed to govern economic security policy tailored to the specific regions, not just universally applied, are absent in Washington expert circles. The severity of the damage this can do to democracy cannot be overlooked. The U.S. already refused to create a unified definition of economic security during the unipolar moment it had and now in a multipolar moment it requires a higher level of ethical practice that the current institutions that form the frameworks of economic statecraft simply are not equipped for. This report will use the case studies of Brazil, Cuba, and Russia in the following section to illustrate this more directly.

Maximum Pressure Campaigns: The International Financial System as Leverage

Brazil: Brazil did not attend the Shield for Americas Summit for one very important reason which speaks to the moral oversight at play here with U.S. economic security; that is *democratic institutional stability*. Brazil held its first ever democratic elections in 1989 and created its first democratic constitution in 1988 with the sole goal of *curbing inflation, opening free trade, and developing the tools necessary to help the public develop their own economic opportunities*.¹⁰ It centered its own democracy around economic development which differs from the U.S. economic security framework of falling in line. It is no wonder President Lula decided in 2023 to make a deal with China to promote local currencies; it is literally how Brazil practices democracy. As mentioned earlier, U.S. economic policy is so focused on maintaining its primacy and countering China that it fails to even develop the ethical or analytical muscles needed to understand the core tenants of another country.

Cuba: The current administration’s end goal is to exert maximum pressure on the Cuban government with the purpose of regime change. This is to prove to adversaries such as China that the U.S. possesses hemispheric influence even over countries with longstanding adversarial tension. Cuba itself is undergoing an energy crisis which causes its own people to suffer the consequences. Instead of finding a diplomatic solution, Washington has escalated sanctions to further erode its energy infrastructure which damages pre-existing

10 Amory Gethin, et. al, *Political Cleavages and Social Inequalities: A Study of Fifty Democracies, 1948-2020* (Boston, Massachusetts, Harvard University Press, 2021), 438.

institutions and hollows out any chance of economic growth for Cuban citizens. However, like Brazil there is a lack of understanding of the institutions within the nation itself. The Cuban government was created with the goal of the ruling party controlling all aspects of Cuban life including its economy and government. Similar to other revolutionary governments, Cuba's regime radically transformed its institutions at home, promoted anti-democratic revolutions abroad, closed ranks to defend the regime, and built loyal security forces to wipe out centers of societal power.¹¹ The state-society power asymmetry transfers economic pain to its own populations. The current U.S. economic statecraft strategy overlooks this history. Internal collapse, which is needed for actual regime change, is unlikely to occur at all if U.S. military and economic statecraft strategy ignores these realities. Instead, if the United States continues its maximum pressure campaign it will harm Cuban citizens which the regime is content to allow as long as it maintains control over the political system. This is another example of U.S. economic statecraft being weaponized without a coherent plan beyond countering China and ensuring dominance.

Russia: Russia's experience with sanctions has been layered. In 2014, a year after China announced their Belt and Road Initiative, Russia was hit with financial sanctions as a result of its illegal annexing of Crimea. Then again in 2018, the Trump administration targeted key Russian oligarchs, officials, and export sectors. However, Russia, like China, adapted. During this layered process of economic statecraft in 2018-19, Russia decided to adjust its foreign exchange reserves and cut its dollar holdings from 44 percent to 23 percent. The Russian government shifted towards the Chinese *yuan* as a currency of choice instead. What this shows is even against an adversary that deserves maximum pressure, ethics still must be applied or spillover costs incur. Russia and China, two economic powers and anti-democratic forces, became more aligned as a result of this and the U.S. was powerless to stop it. If the U.S. took an ethical realist approach to economic statecraft it would have the framework and knowledge to understand that anti-democratic governments prefer economic hardship on their own populations to further entrench themselves within broader authoritarian systems.

¹¹ Steven Levitsky, and Lucan Way. *Revolution and Dictatorship: The Violent Origins of Durable Authoritarianism*. Princeton (New Jersey: Princeton University Press, 2022), 203.

The Necessity of a Strategic Investment Framework

The United States and China cannot compete geopolitically and yet advance economic security gains without something in the international financial system breaking both governmentally and globally. The United States would be smart to pivot to regional empowerment. What this means is that the global economic security apparatus needs to build more issue-specific coalitions. Maintaining dominance is not only morally incoherent with governance, it is also logistically impossible in the long run. Populations of developing economies—take for instance, Brazil—need to feel they are stakeholders in the financial system not just vassals in it. As a result, we propose strategic investment strategies in the form of an international investment multilateral response that involves populations and their governments most affected by economic warfare, then domestically a sovereign wealth fund (SWF) that allows for the protection of the state itself. The U.S. needs to build its institutions to allow for a two-front ethical framework that accounts for a shift in political and power dynamics. We first will map out the need to protect the state itself, then explain the necessity of a sovereign wealth fund, and then suggest an ethical framework for a new international economic security regime.

Disillusionment Amongst Citizens: Diagnosing the Moral Lapse of the U.S. Government Amidst Chinese Competition

In its quest to create an economic statecraft framework as a coercive force on the world stage, American economic policy has forgotten its core obligation: to provide a secure foundation on which every American has a pathway toward economic success. This is not a policy preference, but the precise premise the United States was built on. The American tradition once treated economic security as inseparable from legitimate authority. But that contract has been broken, and the consequence is a deep and measurable distrust of American institutions. The clearest evidence is not only in the economic opportunity Americans have lost, but in the years of life they have lost with it. Mortality data showed this before polling did; when working-class Americans, concentrated in the manufacturing communities hollowed out by decades of trade and offshoring decisions, died in a way that researchers came to call “deaths of despair.”¹² Washington treated these communities as a footnote, immaterial to the story of what America must look like, and to the trade policy being made. It decided whose flourishing counted, and that neglect is what left the country exposed to China. The same neglect shaped how the United States approached China. It showed that a state that will not secure its own citizens’ prospects will not notice, until it is too late, that it has also stopped securing its own capability—and China’s economic strategy was built to

¹² Anne Case and Angus Deaton. *Deaths of Despair and the Future of Capitalism* (Princeton, New Jersey, Princeton University Press, 2020).

exploit exactly that inattention. Beijing used economic openness as an input to state design. In exchange, Washington accepted cheaper goods on American shelves and market access for American firms and treated that convenience as sufficient compensation for the capability it was surrendering.

Chinese state capital moved deliberately into the sectors, like batteries, critical minerals, and advanced manufacturing, that the United States had left to the market. And they paired it with the extraction of intellectual property built by Americans through forced transfer (i.e. joint ventures) and theft.¹³ The result is a form of dependency the public did not choose and was never asked to formally support. Policymakers made this happen through a series of individually defensible choices—in many cases at the behest of business leaders—without asking whether the citizens absorbing the risk had agreed to the bet. Households absorbed pandemic-era shortages and price shocks while workers found themselves competing against a state rather than a company. A decade after the China shock began, the workers and communities it hit hardest still haven't recovered.¹⁴ The proof sits squarely at the negotiating table: The United States seeks access to critical minerals and offers soybeans in return. The disparity in technical complexity says everything about who holds leverage, and what decades of neglected obligation cost.

That same leverage problem is not limited to any single negotiation, as shown by how the nations respectively treat chokepoints. A

chokepoint is where an adversary's decision, rather than the market's, determines what an economy can and cannot do. China built its chokepoints deliberately, directing state capital into critical minerals processing, maritime logistics, and semiconductor supply chains precisely because it understood that whoever controls the bottleneck controls the leverage.¹⁵ The United States left the same sectors to the market without a plan to cover the exposure. Matching China's investments sector for sector will not solve this. What the investment is for, is what makes the difference. China's state capital serves the state first, extracting leverage abroad and consolidating control at home, with little obligation to the workers or communities whose labor built the advantage. An American strategic investment framework, if it is to counteract that model rather than imitate it, has to be built on the opposite premise: that the state's power to invest exists because citizens consented to it, and that consent is honored only if the investment returns something to the people who bear its risk.

The public's message is clear that something must change. Americans are not seeking isolationism. Majorities across party lines still want the United States engaged in the world, and a majority now supports the government taking ownership stakes in firms critical to national security.¹⁶ But that support carries a condition. Engagement abroad must deliver something at home. That is the trade-off the last several decades avoided. It sought the efficiency of open engagement against the obligation to secure the economic opportunity

13 Patrick McGee, *Apple in China: The Capture of the World's Greatest Company* (New York: Scribner, 2025).

14 David H. Autor, David Dorn, and Gordon H. Hanson, "The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade," *Annual Review of Economics* 8 (2016), <https://doi.org/10.1146/annurev-economics-080315-015041>.

15 Justin G. Muzinich, Gina M. Raimondo, James D. Taiclet, and Jonathan E. Hillman, U.S. Economic Security: Winning the Race for Tomorrow's Technologies, Independent Task Force Report No. 83 (New York, New York: Council on Foreign Relations, 2025). <https://www.cfr.org/event/cfr-task-force-report-us-economic-security-winning-race-tomorrows-technologies>.

16 *Reagan National Defense Survey* (Washington, DC: Ronald Reagan Presidential Foundation and Institute, 2025), 6, <https://www.reaganfoundation.org/reagan-institute/centers/peace-through-strength/survey/2025-reagan-national-defense-survey>.

of the people whose consent makes that engagement legitimate. When people watch their neighbors struggle and reckon with the real prospect that the next generation lives worse than this one, there is no tolerance left for a foreign policy that does not deliver for them. China's own strategy, whatever its costs abroad, is never ambiguous about who it was built to serve at home. Its own economic security policy raised its population's standard of living even as it extracted advantage from others. The United States government cannot claim the same. If economic security is the purpose citizens grant the government the power to pursue, then the instruments of that power must be built to serve that purpose. Regaining that trust, and with it the legitimacy democracy depends on, requires building those instruments deliberately. What follows is an argument for what that framework could look like.

Sovereign Wealth Fund: Institutional Resiliency through Ethical Governance

Autocracies such as China do not mind if the consequences of economic statecraft shift to the burden of its own people. The United States should be different and protect its own citizens from spillover damages of economic conflict. A sovereign wealth fund can protect and elevate its citizens. A sovereign wealth fund is not, on its own, an economic security strategy. It is one instrument by which a government can show that a state's legitimate power depends on securing the economic opportunity of the citizens who grant it this

authority. Economic security is itself an ethical obligation the state owes in exchange for the consent of the governed. Resiliency, in this context, is not a matter of capital or scale. It is a matter of whether the fund's governance can be trusted to outlast any administration that created it. Seen from that perspective, the Trump administration¹⁷ and Bernie Sanders¹⁸ are right—both have advocated for an American sovereign wealth fund but for different reasons. And what can enhance both propositions is an ethical governance built into the fund's design rather than left to be worked out later.

This is not industrial policy under a new name. It instead addresses market failures private capital cannot solve alone, where investment horizons are too long and strategic returns cannot be internalized.¹⁹ And it meets adversary state capital on the field where that competition is actually happening, without a sanction or a threat. The democratic mandate for this is not hypothetical. Most Americans already support government ownership stakes in firms critical to national security.²⁰ That support is consent, and consent is what a fund's governance must honor.

Statutory creation is usually framed as a durability argument, and it is one, but durability here is inseparable from ethics. Congress has built durable institutions before, and their architecture offers a starting point for a sovereign wealth fund. A U.S. fund needs independence, transparent accountability, and a mandate narrow enough to enforce and broad enough to matter. How it is capitalized is itself a moral choice, not a technical one.

17 Executive Order, "A Plan for Establishing a United States Sovereign Wealth Fund," February 3, 2025. <https://www.whitehouse.gov/presidential-actions/2025/02/a-plan-for-establishing-a-united-states-sovereign-wealth-fund/>.

18 Bernie Sanders, "A.I. Is a Public Resource. You Should Own Half of It," *The New York Times*, June 1, 2026, <https://www.nytimes.com/2026/06/01/opinion/artificial-intelligence-bernie-sanders.html>.

19 Jodi Vittori and Lakshmi Kumar, eds. *Sovereign Wealth Funds: Corruption and Other Governance Risks*. (Washington, DC: Carnegie Endowment for International Peace, 2024), 25, [https://assets.carnegieendowment.org/static/files/Vittori-Kumar-SWF%20\(2\)-1.pdf](https://assets.carnegieendowment.org/static/files/Vittori-Kumar-SWF%20(2)-1.pdf).

20 *Reagan National Defense Survey* (Washington, DC: Ronald Reagan Presidential Foundation and Institute, 2025), 6, <https://www.reaganfoundation.org/reagan-institute/centers/peace-through-strength/survey/2025-reagan-national-defense-survey>.

Funds capitalized by transferring state assets outside legislative oversight tend to escape the checks meant to constrain them, operating as a spending vehicle answerable to whoever controls the executive rather than to elected representatives. Funds capitalized through the sale of citizenship or residency create a structural conflict: the incentive to vet buyers competes directly with the incentive to keep the money flowing.²¹ Proposals to fund an American SWF through tariff revenue or visa sales carry the same flaw. Any stream that bypasses Congress's power of the purse builds a parallel budget by another name, and a fund meant to earn public trust cannot begin by circumventing the public's own representatives.

The Federal Reserve's Board of Governors offers the strongest architectural precedent available because it was built to survive politics rather than serve it. Presidentially appointed and Senate-confirmed, with fixed terms that outlast any single administration, its structure treats independence as a governance principle. Oversight should rest with existing financial regulators and with mandatory reporting to Congress that creates accountability without turning the fund into an appropriations vehicle, the fund's most acute vulnerability. This is not corruption in the ordinary sense, but capture, the slow conversion of a national security instrument into a mechanism for rewarding home districts and allies. History is not short on examples of sovereign funds diverted through shell companies and complicit intermediaries into the pockets of the people meant to be overseeing them.²² Anti-corruption provisions with real statutory teeth are what separates a sovereign wealth fund from a slush fund. Underneath all of this sits the question: Can the American people trust what the fund invests in, and do they have real recourse if it fails?

Resiliency without trust is just durability, and durability alone has never been enough to justify power. The international governance frameworks that exist for sovereign funds are voluntary and carry no enforcement mechanism, and the record of compliance with even self-imposed standards is thin across the funds that dominate global assets. Recourse cannot be instant. Investment cycles run long, and the returns this fund is built for may take a decade to show up. What can be built instead is a statutory review mechanism, a mandatory reauthorization measured against the fund's stated objectives that keeps citizens inside the evaluation process without forcing the fund to chase the wrong time horizon. Sovereign wealth funds reflect the quality of governance of the states that sponsor them. A fund built for democratic resilience earns that description not through its balance sheet, but through the ethical governance it cannot escape.

21 Jodi Vittori and Lakshmi Kumar, eds., *Sovereign Wealth Funds: Corruption and Other Governance Risks* (Washington, DC: Carnegie Endowment for International Peace, 2024), [https://assets.carnegieendowment.org/static/files/Vittori-Kumar-SWF%20\(2\)-1.pdf](https://assets.carnegieendowment.org/static/files/Vittori-Kumar-SWF%20(2)-1.pdf).

22 Ibid; 17.

Ethical Framework: Principled Economic Security and a New Values-Based Definition

Now that protection of the state has been established in the form of a SWF and given that China has weaponized its economic leverage, this report calls for a new ethical framework that centers around a principled approach to economic security and statecraft. The attempts to coax and exploit the interconnectedness of the world economy are too important to leave to the competition of governments that wish to assert control over the economic levers of power. These principles will create a unified definition of economic security on an international level, guide why and how economic statecraft should be deployed, and sustain the credibility of democracy in order to update the rules of the international economic order. Then we will shift towards mapping out how to utilize strategic investment as a force multiplier to ensure geopolitical competition does not harm economic security or international development.

Pillars and Principles of Economic Statecraft for our Allies and Adversaries

First Principle: Anticipate the adverse trigger events that occur as a result of economic statecraft. Ethics should be actionable not just theoretical in this instance. China acts as a lender of last resort, and therefore, steps in when a developing country or state feels unfairly managed by the United States. The objective of Washington should be coalition building and coordinating the use of economic statecraft. Multilateralism and economic statecraft should be intertwined not decoupled. Coordinating efforts with partners and key stakeholders would allow for the institutional resiliency that is necessary to offset needing assistance from autocratic regimes.

Second Principle: Economic statecraft for the sake of maximalist goals such as regime change hardly ever works and should be removed from the calculus of decision-making. Instead, economic statecraft tools should be used to change the malign behavior of an adversary to achieve a diplomatic solution. Sending political messages through economic tools such as sanctions or tariffs often invokes a response to lean heavily towards siding with Beijing over Washington. A higher bar of scrutiny is needed to minimize the hawkish nature of maximalist goals.

Third Principle: Emerging ethical issues will arise as economic warfare continues, in the sense that governments inherently serve their own security objectives first and are concerned with resiliency second. The U.S. should seek to revitalize the very institutions it built to handle emerging ethical issues of economic development such as when and how to build democratic systems in a post-conflict setting. The IMF for example should be at the forefront of crisis financing not allowing China to act when it prefers. This would require buy-in from our allies and can be achieved if Washington coordinates economic policy instead of unilaterally deploying tools of statecraft.

Fourth Principle: A unified definition of economic security must be established throughout the international system. A Geneva-style convention should be called for that allows for a rigorous dialogue to frame economic security issues from both new democracies and established democracies. Economic security by definition should be the protection of the international financial system from autocratic forces that seek to exploit the interconnectedness as a result of globalization.

“The attempts to coax and exploit the interconnectedness of the world economy are too important to leave to the competition of governments that wish to assert control over the economic levers of power.”

Conclusion: Democratization, Economic Chokepoints, and the Future of National Security

The United States has been the leading force for democratization, innovation, growth, and international development. However, a national security strategy that has failed to factor in changing coalitions, evolving economic conditions, and a nuanced understanding of multipolarity has allowed for an increase in adversarial competition. This report has called for a principled economic security strategy that seeks to understand unanticipated risks and costs to both the American public and the citizens of the countries affected by prolonged economic warfare. Recognizing economic vulnerabilities can lead to more strategic and targeted investments domestically and internationally. Non-democratic and adversarial governments are developing templates to take advantage of economic linkages within the international system that could harm the United States. This is precisely why investment in key sectors such as critical minerals, maritime logistics, semiconductors, and pharmaceutical supply chains matters ethically because its efforts will benefit the same communities hollowed out by decades of trade and offshoring decisions.

Rebuilding capability is not a side benefit. A framework for the United States that allows it to counteract future chokepoints while navigating the spillover costs to a community suffering because of restrictive economic tools should be factored into the calculus of decision-making. This is what counteracting Chinese economic policy actually requires; not just matching its investments sector for sector, but proving that a democracy can build strategic capability without treating its own citizens as expendable to the effort. This is the wager China's model has always made and the wager this report argues the United States cannot afford to match. A sovereign wealth fund gives this framework its instrument. Ethical governance gives it its legitimacy. Investment made on these terms is not merely sound policy. It is the state beginning to make good on the contract it broke. The principles of economic security and statecraft must be centralized to ensure that the U.S. can lead during a prolonged period of economic warfare. Given the current insistence on adversaries such as China to weaponize economic chokepoints and develop more sophisticated frameworks of governance, a clash of systems is inevitable. This inevitability requires tools of economic statecraft and strategic investments that ensure democracy is resilient.

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