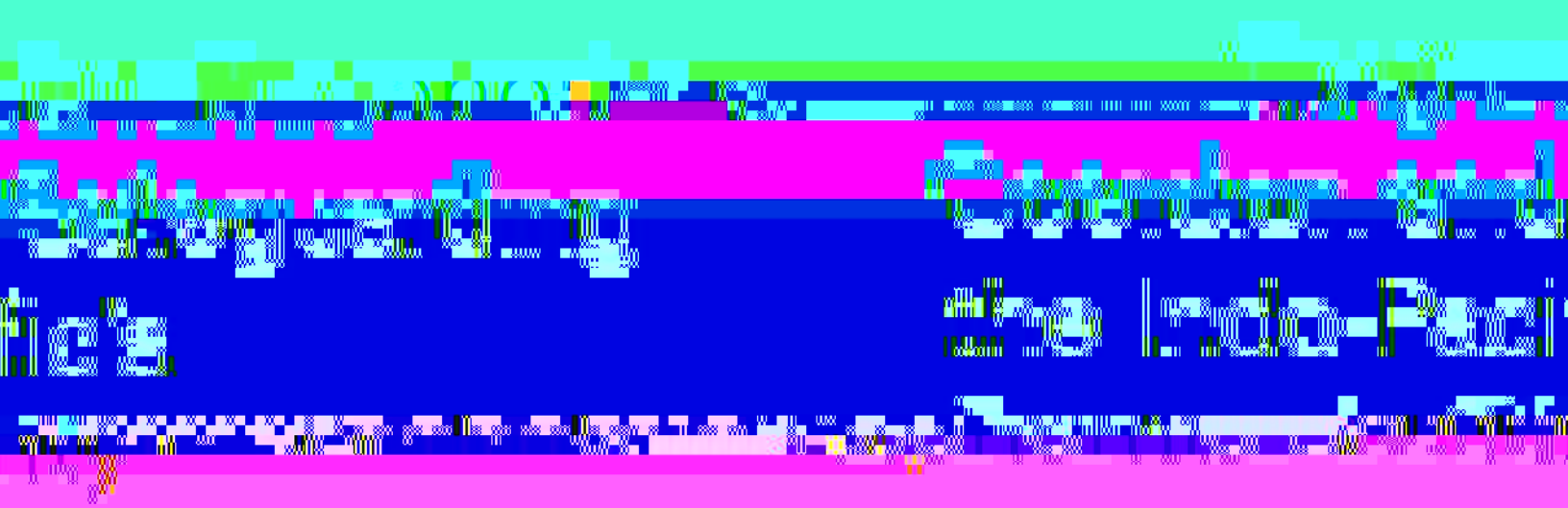
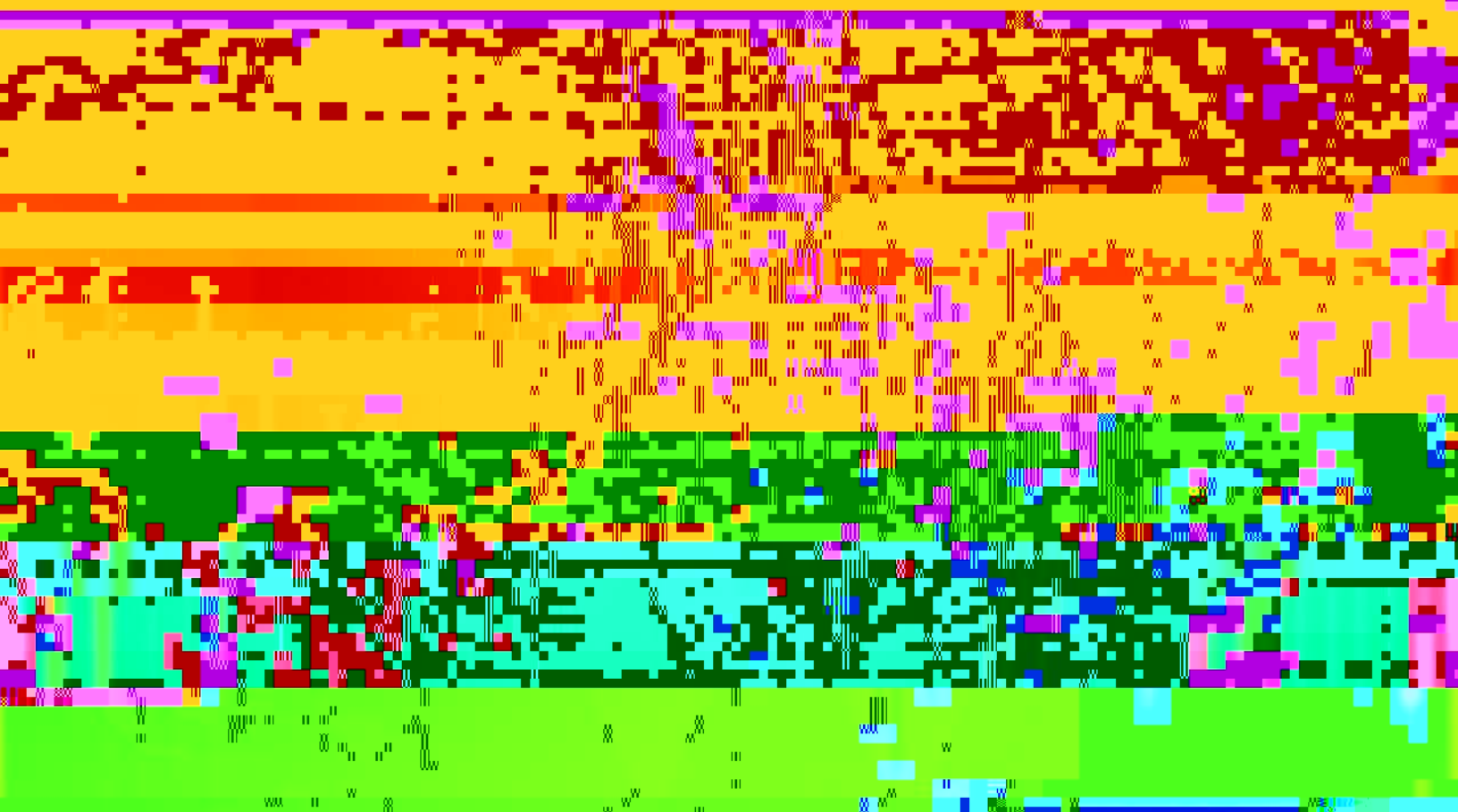




Wilson



Indo-Pacific



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# The Evolution of Indo-Pacific Economic Security Cooperation

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Defined broadly, economic security is the securitization of economic issues and policy deployed to protect the economy from malign actors and transnational challenges. More specifically, economic security constitutes an effort to incorporate economic policy into national security considerations due to a growing recognition of the threat posed by both transnational challenges to global prosperity and the PRC's revisionist goals to challenge the rules-based order. From the Philippines<sup>1</sup> and Lithuania<sup>2</sup> to Australia and Japan,<sup>3</sup> China has weaponized its global economic position to coerce and punish countries with which it has disputes.

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# Crafting an Appropriate Response to Economic Coercion

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Outrage against Chinese coercion has become more vocal across the world. At a time when differences in how to perceive the challenges that China poses to the global economy remain serious, frustration against Beijing weaponizing its economic dominance can be a force unifier in the Indo-Pacific. Nevertheless, crafting a coordinated response will not be as straightforward as identifying coercive actions and responding piecemeal.

One possibility for cooperation against coercion is to emulate some of the key tenets of collective defense mechanisms. To reduce the risk of economic coercion via mutual deterrence with China, some analysts have called for a more military-like approach to pushing back against Chinese coercion by adopting the equivalent of an Article 5 from NATO's alliance treaty, so that an attack on one country would be an attack on all that triggers collective action.<sup>26</sup>

But, collective economic security is an unrealistic goal. Unlike violating national borders, gauging the cost of imposing punitive tariffs on products or the damage caused by banning exports of goods is not easy to measure. Moreover, establishing a fund into which member countries would pay to support countries suffering coercive action is also unlikely to gain much traction given the political realities within each potential participant country. For instance, domestic agriculture producers may question why they should lose market share to a foreign competitor to offset that competitor's losses against PRC coercion. Finally, with most countries in the Indo-Pacific dependent upon China economically, convincing them to sign up to a legally binding commitment to sanction or respond to PRC economic coercion is a tall order.

The more viable and sustainable approach to counter Chinese economic coercion is to build over the long-term an alternative free and open economic bloc with less dependence on China. This would limit exposure to economic coercion and facilitate alternative sources of key strategic resources that China currently controls. Fundamentally, the PRC's leverage in economic coercion is the imbalance in its economic relations with much of the world. Only by reducing dependence and diversifying trade and investment sources can the countries with an interest in a rules-based order mitigate the risk of Chinese coercion.

# Three Objectives for the US-Japan Economic Security Agenda

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Currently, the focus amongst the world's wealthiest nations is on protecting critical technologies, advancing innovation, and responding to individual instances of economic coercion. But, more can and should be done to offset dependence on revisionist actors, render the global economy more resilient to transnational threats, and create the conditions for lasting prosperity and growth.





# Continued US-Japan Friction Below the Surface

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Although progress towards these three policy objectives is underway, there are several issues that remain challenging to the overall economic security agenda. These include 1) questions about implementati





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