

NATIONAL ECONOMIES IN A GLOBALIZED WORLD

January 30-February 1, 2026

READING NOTES

Introduction

Economic issues are woven into the fabric of international politics. The January-February 2026 Seminar XXI meeting will explore the relationships between international economics, politics, and security. These issues are inextricably linked, connected in complex and often subtle ways. National security experts often focus on war, conflict, and power measured in terms of military capabilities. Issues such as globalization and trade wars, however, have serious political and security implications. And the causal arrows point in both directions: political and security factors shape globalization and cause trade wars.

The readings proceed in six sections. The first section provides an overview of the concepts and debates around neoliberalism and globalization. The second section addresses articulated policy priorities of the second Trump administration. The third focuses on economic tools of statecraft and the pitfalls of corruption. The fourth section examines the causes and consequences of trends in integration and disintegration in Europe, Asia, and Latin America. The fifth section examines the economic trajectories of China and Russia. The sixth and final section examines new risks to the global economy posed by pandemics, artificial intelligence, and depopulation.

I. Grand Strategy, Economic Security, and the End of Globalization?

In the **2025 National Security Strategy**, the Trump administration describes its “America First” strategy. The document criticizes past American leaders for placing too much of the global security burden on the United States’ shoulders. The document describes the goals of safety and prosperity for the American people, which the United States endeavors to achieve by reasserting American military power in the Western Hemisphere against “narcoterrorists, cartels, and other transnational criminal organizations,” keeping the Indo-Pacific free and open, preventing “civilizational erasure” in Europe, maintaining the balance of power in the Middle East while avoiding “forever wars,” and ensure U.S. dominance in the critical technologies of the future. The strategy describes military strength as core to American power, but also seeks to rectify imbalances in trade and burden-sharing with allies to improve the economic security of the United States and assert American national priorities.

Charles King analyzes the history of Modernization theory and its continued influence in American foreign policy. He traces the origins of the theory to Walt Rostow, an economist and political advisor notorious for his big misses, such as supporting the escalation of the Vietnam War. King, however, focuses on Rostow the academic. He recounts how Rostow attempted to craft a theory of development as expansive in scope as Marxism, an alternative Western worldview of how the world worked.

Rostow argued that all states go through a uniform process, the stages of development. These stages were 1) traditional society; 2) pre-takeoff; 3) takeoff; 4) pre-maturity; and 5) maturity. Because Rostow believed in a single pathway for advancement, the job of government was simple: follow the road. Rostow believed that if the United States encouraged developing countries to follow this uniform process, it would lead to the growth and proliferation of prosperous, pro-American societies.

While Rostow himself became known for his blunders as a political advisor, King argues that his ideas became the “true ‘Washington Consensus’”, reflected in how America approaches the rest of the world. King contends that at least on one count, Rostow was clearly correct: since any nation could follow the pathway to advancement, the “diffusion of power” was inevitable, and bipolarity would not last.

Henry Farrell and Abraham Newman describe twin challenges that they believe must be overcome to build the “new economic security state.” The first challenge requires surmounting the failures of the post-Cold War era of foreign policy, when economic concerns trumped security concerns. During this era, the authors argue, America’s “economic brain actively shrank,” as all economic policy was boiled down to the adage that the markets knew best. Farrell and Newman recount the disasters that followed, ranging from the hollowing out of American industry to the rapid rise of China to the creation of brittle supply chains with multiple points of failure.

The second challenge is represented as the inverse of the first. During the Cold War, Farrell and Newman argue that security concerns trumped economic concerns, which also led to poor policies. Fear that any sort of trade with the Soviet bloc represented a tacit endorsement of Communism led to overly hostile economic policy. These harsh policies, the authors contend, exacerbated Cold War tensions and artificially lowered growth.

The way to avoid these counter-productive extremes, Farrell and Newman argue, lies in de-risking. De-risking attempts to chart a middle path by insulating the American economy from overreliance on geopolitical rivals like China while not constituting a full decoupling that would prove catastrophic. The authors point optimistically to the example of countries like Japan for models on how to achieve de-risking successfully.

Farrell and Newman close with three recommendations for the U.S. government: create a comprehensive economic security strategy and an economic security intelligence apparatus; cast a wider net and choose candidates from more diverse academic backgrounds when hiring government officials, instead of relying solely on economists and political scientists; and form an Economic Security Council. The authors argue that the U.S. must take these deliberate steps to manage economic policy or risk sliding into a devastating decoupling process with China. They conclude, “The risk is that existing U.S. institutions may pull the country relentlessly in the direction that it wants to avoid. To get economic security right in a highly interdependent world marked by serious great-power competition, the U.S. government must reinvent itself.”

Kristalina Georgieva analyzes the reasons why the international economy requires more cooperation among states than in the past and why states have preferred fragmentation to collaboration. On the first point, Georgieva discusses the multifaceted and interlocking problems posed by climate change, the possibility of future pandemics, and rapid technological change, mainly stemming from improvements in artificial intelligence. On the second, she highlights pernicious incentives that favor protectionism stemming from security competition and domestic dissatisfaction with wealth inequality.

Pew Research’s **Stephanie Kramer and Jeffrey Passel** analyze the demographics of immigrants to the United States. Immigrants are down from an all-time high of 15.8% of the population in January 2025 to 15.4% in June 2025. Before the 2020s, the peak in 1890 was 14.8% of the population, which declined until immigrants were just 4.7% of the population in 1970, and thereafter immigration increased again. More than half of immigrants after 1965 came from Latin America. The United States has the highest absolute number of immigrants globally, but a smaller share of its population than neighboring Canada (22%), Germany, and the UAE (75%). 11 million (22% of US immigrants) US immigrants were born in Mexico, the next largest group is India at 3.2 million, then China at three million, the Philippines at 2.1 million, and Cuba at 1.7 million. In 2023, three million immigrants came to the United States, and 11 million came between 2020 and 2025, the largest single-year and five-year totals. Immigration from South America and Europe increased during this period, while immigration from Asia and Sub-Saharan Africa declined. Unauthorized immigration has made up a majority of new arrivals since 2020. 76 million immigrants have come to the United States since 1965, when the 1965 Immigration and Nationality Act allowed

for more immigration from Latin America and Asia. The Immigration Act of 1990 further expanded the number of countries where people were permitted to immigrate to the United States. In 2023, unauthorized immigrants hit a record 14 million people, about 27% of immigrants. About six million unauthorized immigrants have temporary protected status, e.g., through asylum claims, but are vulnerable to deportation. Immigrants are a growing share of the workforce, with lawful immigrants making up 13% of the workforce and unlawful immigrants making up 6% of the workforce in 2023, compared to 10% and 5% in 2003. Immigrants are concentrated in California, Texas, Florida, and New York. 52% of immigrants were proficient in English in 2023.

II. Instruments of Economic Statecraft

Sanctions

Paul Krugman analyzes the many tools the United States has at its disposal to channel its unique economic dominance into political influence. Krugman argues that two dependencies—the world economy’s reliance on the dollar and the centrality of US fiber optic cables—give Washington ample leverage over other states. Krugman’s analysis rests on work by Farrell and Newman, featured above. Like Farrell and Newman, Krugman argues that the ease of exploiting these two dependencies has led to their overuse as instruments of influence, leading other states to seek to reduce their reliance on the United States. He suggests the adoption of international rules governing “economic chokepoints.”

Taehee Whang suggests that leaders are often motivated to use sanctions for domestic political purposes, rather than out of conviction that sanctions will effectively change the behavior of an adversary. Simply initiating sanctions (as opposed to demonstrating the effects of sanctions) boosts the popularity of presidents and other political figures. Sanctions also cost little to impose, and so presidents have few disincentives to use them.

Techno-Industrial Policy

Julie Heng assesses the comprehensive National Security Commission Report on Emerging Biotechnology, which finds that China is ascending to technological dominance in biotechnology. China’s prioritization of biotechnology since 2000 means it 90% of medications like ibuprofen are imported from China. From 2016 to 2021, China’s biopharma R&D grew 400-fold, and its biotech firm value grew 100-fold. The United States needs to reinvest in biotechnology now, mobilize the private sector, and work with allies to avoid falling irreversibly behind China.

Nazish Jeffrey argues that the biotechnology economy has untapped potential but is hampered by a lack of clear definition, standards, and coordination across sectors and agencies, which obscures investment needs and stifles collaboration. Nazish highlights the Biden Administration’s bioeconomy executive order as a positive step but emphasizes that strategic federal and regional investments—along with a consensus lexicon, robust metrics, and stronger support for initiatives like NIST’s bioeconomy work and regional innovation hubs—are critical to fully capitalize on emerging technologies (e.g., AI, biotech, advanced manufacturing), boost economic growth, enhance resilience, and maintain global competitiveness, especially in the face of rising competition from China.

III. Economics of Governance

Sarah Chayes focuses on what she deems the most threatening feature of weak states: corruption. Across the globe, countries characterized by severe corruption have a far greater risk of experiencing conflict or state failure. Despite this threat, policymakers pay insufficient attention to corruption. While nearly every state suffers from low-level corruption, in some states, corruption is so endemic that it does not represent a flaw in the system, but one of the system’s basic components.

Corrupt states fall into two categories. First, some systematically corrupt regimes are highly structured: kleptocratic networks control all government functions, including the military, the judiciary, and the legislature. An example is former president Hosni Mubarak's Egypt. Two main networks controlled much of the economy: one controlled the military; another, led by Mubarak's son Gamal, controlled a vast business empire. The second category of corrupt states includes those that experience pervasive but non-consolidated corruption. Influence over the tools of government may be less complete, and competing networks may engage in open, violent conflict over revenue streams. This competition threatens the stability of the state as well as that of its neighbors. Examples of this category of corruption are Côte d'Ivoire and Colombia, where pervasive but fragmented corruption networks have driven insecurity.

Policymakers who do not recognize the threat posed by systematic corruption focus on maintaining relations with corrupt regimes and responding to immediate security challenges. However, doing so enables corrupt governments to prosper, which undermines US security interests in the longer run. Chayes argues that policymakers should work to understand the structure of corrupt networks; map out the levers of power and revenue streams they capture; and then conduct cost-benefit analyses before deciding to engage with systematically corrupt states.

Failure to take these steps, Chayes contends, often means facilitating corruption. Chayes takes a close look at corruption in Afghanistan in 2014. Because the Karzai government controlled Afghanistan's judiciary and internal security forces, national and local officials who supported Karzai were functionally immune from punishment for corruption. Consequently, they used their power to enrich themselves by stealing from public coffers. While also a matter of principle, the scale of corruption in Afghanistan was fundamental to the lasting security problems in the country. "If government administration in this country is not reformed," Chayes prophetically quotes a Kandahar-area elder, "it doesn't matter how many soldiers the Americans send, security will never improve."

In an irreverent screed, **Stephen Walt** decries the corruption that has permeated the American private and public sectors. Though Walt pulls no punches when it comes to President Trump (he calls the Trump administration a "sleaze show" and Trump himself the "alligator in chief"), he notes that the corruption problem in the US runs far deeper than a single administration. He highlights the 2008 Financial Crisis (caused in no small part by the corruption of major financial institutions), the Boeing 737 scandal, the college admissions bribery scandal, and the series of scandals that have rocked venerated American institutions including the military and organized religion, as evidence of the rampant corruption across the United States. In short, Walt argues that corruption is not just a problem of faraway states but a fundamental challenge within the United States. Corruption is bad for more than the US economy, (and Walt argues that it is indeed quite bad for the US economy). Corruption also fuels populist anger that can result in the rise of fringe political candidates. Even more problematic in the longer run, corruption undermines America's ability to wield soft power to shape international behavior.

Alex de Waal argues that power is traditionally a crypto-commodity that is only traded illicitly and not permitted to be sold on the market fairly. Historically, mercenary companies such as the British East India Trading Company exemplified the market for power by buying and selling influence in government. Today, the world's kleptocracies trade rewards, privileges, and money penalties.

IV. Rivals and Adversaries

China

In this Q&A, **David Barboza** interviews Bob Lighthizer, the former Trump Administration U.S. trade representative. Lighthizer argues that the United States has undercut its economic competitiveness by entering into bad free trade deals. He likens belief in free trade to believe in an imaginary world and contends, "We have transferred trillions of dollars of our national wealth overseas." Lighthizer critiques a bipartisan utopian consensus that ignored losses in American manufacturing jobs and the rise of wealth inequality.

Amy Skonieczny and Ancita Sherel analyze how the nationalist populist narratives of the first Trump administration persisted through the Biden administration and guided U.S.-China policy. Drawing upon the literature on populism, the authors argue that populism is defined by its negativity, moralism, and simplistic division of actors into good and evil.

Skonieczny and Sherel analyze key trade speeches during the Trump and Biden presidencies to trace the use of such populist narratives. They find that during his first term; Trump redefined the US-China trade relationship using populist narratives that portrayed the good American people as being exploited by corrupt elites at home and a cheating China. Despite predictions that Biden would return to the positive, pro-trade consensus that governed Washington before Trump, the authors find that speeches in the Biden administration used the same populist narratives to justify trade restrictions on China. Their findings suggest that populist narratives can shape national policy even after populist politicians depart office.

Daniel H. Rosen argues that China's economic problems present an opportunity for President Trump. He cites China's declining share of global GDP, reliance on exports, and cratering real estate sector, writing "the Chinese economy today is hardly the juggernaut it was just a few years ago." Because China cannot consume everything it produces, its economy is vulnerable to coordinated efforts from other countries to reduce imports from China.

To take advantage of Chinese economic weakness, Rosen contends that Trump needs to abandon plans to impose ten percent tariffs on all goods. He writes that such broad imports would set off "a harmful chain reaction in Western economies, with rising costs, cratering demand, and a slowing of supply chain diversification." Instead, Rosen pushes for a two-pronged approach: 1) high but focused tariffs on Chinese exports in critical sectors vital to Western economies, coupled with 2) mass investment in U.S. and allied supply chains that exclude China.

Zongyuan Zoe Liu argues that Beijing has a strategy for the trade war with the United States aimed at acquiring advanced technology for semiconductor development and keeping the United States from interfering with its core interests in Taiwan and East Asian hegemony. China's strength is in its capacity, a massive labor force, and industry. Its weakness is its dependence on the United States for markets and product design. However, now it needs to innovate its way out of demographic decline and industrial overcapacity. Moreover, Liu argues that China is plagued by credibility problems abroad, which Washington can take advantage of if it uses its alliance system instead of discarding it.

Russia

Edward Fishman writes that sanctions can help President Trump achieve his campaign promise to broker a peace deal to end the Russia-Ukraine war. He argues that President Zelenskyy has to bow to American diplomatic pressure because Ukraine cannot keep fighting without U.S. assistance. However, Fishman contends that President Putin must be brought to the negotiation table and that the only way to do so is to convince him that time is not on Russia's side. Trump can achieve this by tightening sanctions to accelerate Russia's economic collapse. He writes, "The safest assumption is that Moscow can continue funding the war effort for at least a few more years, if Putin so chooses. But there is no doubt that Russia's economy is brittle—highly vulnerable to external shocks, such as a steep decline in commodities prices, and operating with a narrow margin for error." The challenge for the United States, therefore, is to provide the needed external shock by closing loopholes in the existing sanction regime—primarily for the import of Russian energy—and imposing new sanctions. Once the Russian economy is brought to its knees, the time will be ripe for Trump to broker a peace deal.

Elina Ribakova and Lucas Risinger assess Russia's economy after three years of war. Thanks to access to China's markets, the Russian economy has not been set back by Western sanctions as much as analysts expected. However, Russia's top-line GDP belies the fact that its civilian economy has suffered significantly during wartime. Sanctions have also caused problems for manufacturers that cannot use Western components, forcing them to

smuggle components or cannibalize platforms. The authors argue for the expansion of sanctions to target North Korean and Chinese support for Russia's military industry and for more consistent enforcement of sanctions against Russia to further damage Russia's war effort.

V. Integration and Disintegration

The EU and NATO

Matthias Matthijs and Nathalie Tocci argue that Europe is being lost to far-right nationalists serving American interests. The authors argue that the European far-right's opposition to pan-European institutions serve to further Europe's subjugation to the United States. The authors argue that Europe must reassert its autonomy by investing in defense, defining relations with Russia and China on its own terms, and pursuing independent nuclear deterrent options.

Judy Dempsey discusses the political chaos across Western Europe in the late 2010s, placing the blame squarely at the feet of shoddy political leadership. Globalization and in particular, migration, combined with social media, have shaken up the relationship between leaders of democratic nations and their citizens. As of the time the piece was published, political elites in the UK had failed to respond effectively to such issues, often turning them into "political footballs" rather than educating the population and addressing them head on. In France, Macron struggled to push through his progressive reform agenda over the protestations of the "yellow vests," and both the far left and the far right are "relishing the French president's woes." Meanwhile, the populist Italian government then in place had pushed the country into deeper and deeper debt. Germany alone remained relatively stable when Dempsey wrote, though the recent upswing of the Alternative for Germany (AfD) was (and remains) concerning.

Barbara Moens and Sarah Anne Aarup discuss the EU's efforts to form an economic security strategy. They argue that while "mixing economics and national security was once unthinkable," the pressures of the Russia-Ukraine war and the US-China competition have led the EU to force the reality that economic statecraft must be considered. Central to the EU's efforts is developing a positive strategy rather than continue its reactive policy. The authors argue, "Now, the EU wants to become a player itself, instead of being bullied by other powers on the global playground."

Carl Bildt charts the importance of the expansion of the EU to the liberal democratic ideal. He argues that each round of EU expansion was accompanied by an increase in democratic representation and liberal government, writing that, "The EU's expansion brought democracy to places that knew only authoritarian rule." After describing how the momentum for EU expansion was bogged down in the 2010s, he turns to the immediate questions posed by the Russia-Ukraine war.

Bildt acknowledges that bringing Ukraine into the EU will require bridging deep disagreements and rests upon battlefield events in Ukraine. In particular, existing budget rules in the EU would result in one-third of its agricultural funds and one-quarter of its cohesion spending flowing to Ukraine. This creates incentives for existing member states to oppose Ukraine's entry. Moreover, Ukraine is still plagued by widespread corruption and challenges to the rule of law. However, Bildt insists that, in order to stabilize Europe, the overriding goal of EU policy must be "finding a pathway" for Ukraine to join the EU.

North America

Catherine Osborn's year-end review highlights how 2025 was a turbulent year for Latin America, with U.S. foreign policy under President Trump dominating regional dynamics through tariffs, deportation deals, and increased military pressure that reshaped trade, migration, and politics; responses varied across governments, from resistance by leaders like Colombia's Gustavo Petro to strategic compromises by Mexico's Claudia Sheinbaum

and Brazil's Luiz Inácio Lula da Silva, while the region remained divided rather than unified in confronting U.S. influence.

Paloma Duran argues that despite initial fears that U.S. tariffs in 2025 would harm Mexico's export-oriented economy, Mexico became an unexpected beneficiary, as deep integration with the United States and protections under the United States–Mexico–Canada Agreement (USMCA) allowed its exports—especially non-automobile manufactured goods—to rise, boosting trade flows and positioning Mexico as a competitive alternative to more heavily taxed foreign producers in U.S. markets.

Katherine Li argues the U.S.–Canada relationship deteriorated sharply in 2025, marked by provocative rhetoric, such as a U.S. suggestion about “annexing” Canada, and the imposition of steep U.S. tariffs on Canadian goods. These actions provoked Canadian retaliatory tariffs, consumer boycotts of American products, political backlash that reshaped Canadian elections, and ultimately a freeze in trade negotiations, leaving the long-standing economic partnership strained with no clear resolution by year's end.

The Indo-Pacific

Paul Heer provides a concise update on the Biden administration's Indo-Pacific Forum, a successor to the TPP intended to limit Chinese influence in the region. He discusses how preexisting organizations fit within the Biden strategy, provides a guide to major players, and identifies what he believes are gaps in the Biden administration's strategy.

Chris Estep and his coauthors argue that President Trump's recent Indo-Pacific tour offered a moment of diplomatic visibility but did not yet crystallize a coherent U.S. strategy; to truly capitalize on this moment, Washington must turn symbolic engagements into clear strategic direction, adequately funded priorities, and concrete implementation with regional allies, especially as the region faces intensifying competition with China and evolving security dynamics. The authors stress that strategic documents—such as the National Security Strategy and National Defense Strategy—will be more telling about U.S. emphasis on deterring Chinese aggression and strengthening partnerships than any single presidential trip, and that momentum should be harnessed through strategy, resources, and results rather than optics alone.

Brahma Chellaney warns that the Quad—once a central pillar of U.S. strategy to uphold a “free and open Indo-Pacific”—is now weakening as U.S. policy neglects the grouping's strategic purpose, alienates partners, and fails to integrate economic policy with geopolitical goals; what was intended as a meaningful bulwark against Chinese expansion risks becoming irrelevant if Washington does not reaffirm the Quad's role by aligning priorities with allies, investing resources, and restoring credibility in the region, because a diminished Quad undermines both regional stability and America's ability to sustain a favorable balance of power in the 21st-century Indo-Pacific.