Marina Todorović[1]

JEL: F13, F52
DOI: 10.5937/industrija52-55048
UDC: 338.45(73)
339.5(73)
338.22(73)
Scientific Review

U.S. trade in the sphere of strategic products and services as the first level of analysis of its economic security

Article history:
Received: 10 October 2024
Sent for revision: 15 November 2024
Received in revised form: 20 November 2024
Accepted: 5 December 2024
Available online: 20 December 2024

***Abstract**: The purpose of this research paper is to highlight the importance of the interplay between trade and economic performance, along with the connections among U.S. trade in critical goods and services and its economic security. The scientific paper seeks to elucidate why U.S. trade in strategic goods and services constitutes the primary axis of analysis for its economic security and explore the historical emergence of the concept of economic security. The realm of economic security is largely shaped by the economic policies and foreign trade actions taken by a country. The paper points out that the U.S. foreign trade policy model is among the most sophisticated in the world, if not the most detailed. New findings indicate that three major trends are fundamentally shaping economic security policies — resilience, protection and competition. Strategic competition with China is a cornerstone of U.S. economic security policy. The obtained insights indicate an in-depth examination of the wide range of U.S. foreign economic policy challenges and factors essential to developing strategies for competing with China. Methods used during the research are — the analytical-synthetic method, method of generalization and*

[1] todormari@icloud.com

concretization, method of classification and, also, the historical method and content analysis method.

***Keywords**: U.S. trade, strategic goods and services, economic security, China.*

Trgovina SAD u sferi strateških proizvoda i usluga kao prvi nivo analize njene ekonomske bezbednosti

***Apstrakt**: Svrha ovog istraživačkog rada je da istakne važnost međudejstva između trgovine i ekonomskog učinka, kao i između trgovine strateškim proizvodima i uslugama u SAD i njene ekonomske bezbednosti. Naučni rad nastoji da razjasni zašto američka trgovina strateškim dobrima i uslugama predstavlja primarnu osovinu analize njene ekonomske bezbednosti i da istraži istorijsku pojavu koncepta ekonomske bezbednosti. Oblast ekonomske bezbednosti je u velikoj meri oblikovana ekonomskom politikom i spoljnotrgovinskim aktivnostima koje jedna država preduzima. U radu se, takođe, ističe da je model spoljnotrgovinske politike SAD među najkompleksnijim u svetu, ako ne i najdetaljniji. Nova otkrića pokazuju da tri glavna trenda, suštinski, oblikuju politiku ekonomske bezbednosti — otpornost, zaštita i konkurencija. Strateško takmičenje sa Narodnom Republikom Kinom je glavna osovina politike ekonomske bezbednosti SAD. Dobijeni uvidi — ukazuju na studiozno ispitivanje, širokog spektra, izazova američke spoljno-ekonomske politike i faktora, koji su važni za razvoj strategija za nadmetanje sa Kinom. Metode korišćene tokom istraživanja su — analitičko-sintetički metod, metod generalizacije i konkretizacije, metod klasifikacije i, takođe, istorijski metod i metod analize sadržaja.*

***Ključne reči**: Trgovina SAD, strateški proizvodi i usluge, ekonomska bezbednost, Kina.*

1. Introduction

There is significant academic interest in understanding the relationship between trade dependency and economic outcomes, as well as the links between U.S. trade in strategic goods and services and its *economic security*, but the examinations are often segmented into specific components rather than addressing this issue as a unified field. The relationship between *economic security* and strategic trade has been studied in broader contexts. For instance, scientists, intellectuals and policymakers discuss the impacts of globalization, trade policy, and supply chain resilience on *economic security*, often using frameworks such as input-output modeling or geopolitical risk analyses. In the article "*The political economy of strategic trade policy*" has been written that

"strategic trade policy is a taxonomic umbrella" and that under that umbrella we could find a collection of interconnected approaches rooted in both economics and political science (Richardson, 1990).

Studies have analyzed U.S. dependency on imports of critical materials like semiconductors and rare-earth elements, often emphasizing the risks to economic and national security. For example, think tanks or public policy institutes like the *Center for Strategic and International Studies (CSIS)* and *RAND* research organization, frequently publish reports on strategic sectors and trade vulnerabilities (Center for Strategic and International Studies, 2024) and (RAND, 2023). Additionally, trade policy like the *CHIPS and Science Act*[2] - for semiconductors or tariffs on rare-earth elements imports examines how these interventions aim to strengthen economic resilience and national security.

Understanding how other nations approach similar challenges provides valuable lessons for enhancing U.S. policies. Latest research or explainer named *"Economic security policies compared: The United States, its allies and partners"* published on September 23, 2024 - indicate that the growing focus on economic security in policymaking is becoming evident across the United States and its allies. Also, this article highlights while there is increasing alignment among nations, these policies are shaped by each country's specific resources and domestic political considerations (Edmonstone, 2024).

As *economic security* frameworks are rapidly evolving, it is essential to monitor developments in this dynamic policy area closely. Strategic goods and services don't impact the economy in isolation; their influence spans multiple dimensions, such as defense, technology innovation, and global competitiveness. Capturing this interplay in a comprehensive model is complex and, in this or that manner, rarely attempted.

Considering all the points mentioned above, this research will not produce a new model regarding complex causality between the U.S. trade and *economic security*. Directly linking trade dependencies to economic outcomes may require sophisticated modeling and proxy indicators/variables.

The contribution of this review paper will be in explaining why U.S. trade in the sphere of strategic products and services compose the first level of analysis of its *economic security*. It will be explained in what historical period the syntagma *economic security* was created, when in the USA it was equalized with national security and was included in the national security strategy. The functioning of

[2] The CHIPS and Science Act is a U.S. federal law passed by the 117th Congress and signed into effect by President Joe Biden on August 9, 2022. ($280 billion allocated for the semiconductor and research industries, with $39 billion in subsidies aimed at attracting investment in domestic manufacturing facilities.)

U.S. foreign trade policy, recognized as one of the most complex systems globally, if not the most intricate, will also be analyzed. Furthermore, an overview of the most significant and recent findings from the referenced research will be presented.

Given the multidisciplinary nature of examining the U.S. trade and *economic security*, which spans fields such as international relations, economics and international security, it is essential to foster collaborative research among scientists in these areas. Such joint efforts could lead to the development of a new, more comprehensive model that would clarify the complex causal relationships between U.S. trade policies and economic security outcomes.

2. Research methods

Several, general, scientific methods will be used during the research process and the writing of this review paper. These are, primary, the analytical-synthetic method; method of generalization and concretization; the method of abstraction and specialization, as well as the method of classification. As a special method of social and human sciences - the historical method will, also, be used in the creation of this scientific paper. During the data gathering, it will be used content analysis method.

3. The concept and meaning of economic security in the narrow sense

The economic security aspect was updated in the discourse of international relations and international security in the 1970s. The 1973 oil crisis showed how much foreign policy and national security depend on the economy.

The concept of economic security in international affairs is becoming even more popular after the Cold War era. The various economic crises have caused that the word economy itself to become "securitized" and the syntagma - economic security - to be more fundamentally and comprehensively explained in the science of international relations (Ejdus, 2024). Through a multidisciplinary approach, economic security gains almost the same importance as military security. In fact, national security is no longer assessed only through the military / defence dimension but also through the economic one. Soon, such a formulation was included for the first time in the U.S. National Security Strategy from 1991. In 1993 (during the administration of President Bill Clinton) the National Economic Council (NEC) was created as an important institutional mechanism (Ejdus, 2024).

The sphere of economic security is dominated by the effects of economic policies and foreign trade moves made by a country. In the article of Christopher M. Dent, "Economic security" - it is emphasized that economic security is related primarily to the field of political economy, but also that it is "theoretically a relatively poorly developed concept in the literature on political economy" (Dent, 2007). Also, in the aforementioned chapter, it was pointed out that the will and decision of states to achieve economic security traces their path in terms of the choice of foreign economic policies (Dent, 2007).

Economic security is interpreted through five levels of analysis, i.e. five meanings of this term, in the narrower sense. This scientific paper accepts the division of the meaning of economic security, which is described in the book „Međunarodna bezbednost: teorije, sektori i nivoi“ by Filip Ejdus.

The first level of analysis or the first meaning of economic security in the narrower sense, includes strategically important products for the state and its defense, as well as the trade of these goods. Each of the countries, depending on their own preferences, political ambitions and position on the global map, can also determine some "atypical" products for strategically important or crucial ones within the framework of national and therefore economic security (Ejdus, 2024).

The second level of analysis is the economic instruments available to the state as "offensive" or "defensive means". Different legal and regulatory acts in the area of trade between countries, tariffs, sanctions, but also different types of economic aid define another meaning of economic security (Ejdus, 2024).

The third level of analysis is directly related to the previous one, which is what consequences the implemented economic/foreign trade policy measures have on the economic power of the state, its economic progress or stagnation or in some cases the deterioration of the economic position on the world map.

The fourth level of analysis includes the economic security of the individual. This type of individual security is "treated" by the UN as part of human rights (United Nations Department of Economic and Social Affairs, Global Dialogue for Social Development Branch, Division for Inclusive Social Development, 2021). Existential parameters, the level of employment and unemployment, the Gross Domestic Product per capita (GDP per capita) as well as the Gini coefficient are one of the main characteristics of the economic security of both the individual and society as a whole.

The fifth meaning of economic security, in a narrower sense, includes economic security at the global level and its impact on international capital flows, financial systems, but also extends to the field of other international challenges such as

terrorism and climate change (Ejdus, 2024). This description of economic security "comes to the fore" especially in times of global economic crises.

This work will focus on the first level of analysis of the economic security of the United States, which is U.S. trade in strategic products and services.

4. The U.S. foreign trade policy model – an overview

U.S. foreign trade policy model is one of the most complex, if not the most complex, in the world.

One example from history can show all the "demandingness" of this issue and the possible disagreement in the case of the mutual relationship between national security, foreign policy and economy and refers to the period of presidency of George W. Bush, the 43rd President of the United States.

In a scientific paper by author Predrag Bjelic entitled "Model of US Foreign Trade Policy" — it is explained that during the period when George W. Bush was the head of state — the area of foreign trade policy was a disruptive factor in relations between the chief economic adviser of Bush, Lawrence Lindsay and Condoleezza Rice, then national security adviser. Lawrence considered the economy to be his "zone of influence" while Rice interpreted national security and international trade as causally linked (Bjelić, 2002).

In theory and institutionally, the US foreign trade system is multidimensional. The United States Trade Representative (USTR) as a member of the President's cabinet has primary responsibility with, occasional, advisory relations with interagency organizations for developing and coordinating of trade policy implementation (Bjelić, 2002).

In accordance with Trade Expansion Act of 1962, Congress established an interagency trade policy assistance mechanism. Trade Representative (USTR) implements its institutional role in two ways - through the Foreign Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC). The so-called Office of Policy Coordination helps the Trade Representative to overcome differences in policy/views between the Review Group and the Staff Committee, given that decisions require consensus. On average, during the year, the Office negotiates 285 political issues and chairs over 54 meetings of the Review Group and the Staff Committee. The Office is also responsible for advising the public on political decisions and negotiations through public debates and for Federal Register notices (Bjelić, 2002).

An integral part of the foreign trade policy institutions is the United States International Trade Commission (USITC), which dates back to 1916 and was

originally called the U.S. Customs Commission. Her jurisdiction is also multiple. The U.S. International Trade Commission first collects and runs through the "analytical lens" all data related to foreign trade activities. It wonders when and if some of the branches of the United States economy are threatened by the importation of subsidized goods. It maps cases of unfair competition in the area of patents, trademarks and gives guidance to the President on those parts of the economy that are affected by large imports. Also, USITC has an advisory role towards the holder of executive power in relation to agricultural activity. Certainly, the most important task of the U.S. Commission on International Trade — which it carries out with the involvement of the International Trade Administration of the Department of Commerce — is to implement anti-dumping measures and compensating customs regulations (Bjelić, 2002).

The U.S. government relies on various strategic trade and investment control lists to regulate exports, re-exports, information transfers, financial transactions, and government contracts involving foreign units. These lists, managed independently by different agencies, often overlap but remain fragmented, creating significant compliance challenges for U.S. businesses. Efforts to harmonize policies — such as increased collaboration between the Department of the Treasury and the Bureau of Industry and Security — can unintentionally obscure detection of sidestepping through traditional means. Adding further complexity, U.S. policy is gradually shifting from a reliance on static lists to an approach focused on specific activities. While some experts advocate for consolidating these lists into a single “main list”, each one is tailored to a unique purpose and enforced through specialized processes managed by individual agencies (Center for Strategic and International Studies, 2024).

5. U.S. trade in the sphere of strategic products and services – recent observations

The first level of economic security analysis of the United States is its (overall) economic activity in the sphere of strategic goods and services, which is directly related or indirectly influences the hard power of this Global West country or its national defence capability (Ejdus, 2024).

Strategic goods include products such as high technology (various software), nanomaterials, rare minerals as well as energy (oil, gas), food products, and in recent times, the time in which "data is the new oil"[3] - strategic products and

[3] In 2006, British mathematician Clive Humby famously stated: "*Data is the new oil."* By this, Humby suggested that data, rather than oil, would become the key resource

services also include different data. Which products, raw materials or services will be essential for the national defense of a country is relativized from state to state (Ejdus, 2024).

The territory of the USA contains resources of - coal, copper, lead, phosphate, bauxite, gold, silver, iron, nickel, but also oil and natural gas. As well, the areas of arable land are huge in the United States. In addition, U.S. has the world's largest coal reserves — about 27% of the total reserves at the world level, while 100% of its needs are covered by imports in the case of — fluorite, gallium, graphite, rubidium, scandium, tantalum, yttrium and some other strategically important raw materials (CIA, The World Factbook, 2024).

International economics is undergoing significant changes. Since the 1990s, progressive economies have prioritized strengthening international connections by promoting trade and investment. However, disruptions like the COVID-19 pandemic, geopolitical conflicts and wars, global supply chain disruptions combined with societal shifts such as resistance to globalization and rising cost-of-living pressures, have exposed vulnerabilities in the global system. In response, governments are now adopting new economic security strategies, including implementing trade and investment restrictions, advancing industrial policies, and striving for appreciable self-sufficiency (Edmonstone, 2024).

Three key trends are broadly shaping economic security policies in advanced economies:

- Resilience — In a globalized economy, components of supply chains often become accumulated in a single country. Dependence on just one or two producers significantly increases the risk of disruption. For instance, a conflict blocking a transport route, a natural disaster halting factory operations, or unexpected changes in trade policies can all trigger cascading effects across global industries. Governments must strategize to reduce the economic impact of such disruptions on their economies (Edmonstone, 2024).

- Protection — There are increasing worries about the potential for countries to influence critical sectors such as technology, infrastructure and energy. Some industries are considered vital to national/economic security – including semiconductors, energy, food, medical products and even steel and automobiles – which has led to a rise in trade and investment limitations (Edmonstone, 2024).

---

powering economic progress in the years ahead. However, much like oil, data holds little value in its raw, unprocessed state.

• Competition — plays a crucial role in the global economy, driving technological innovation, improved resources, and more efficient production methods. Even so, in terms of national and economic security, the success of one country can sometimes come at the expense of another. As a result, leading economies are increasingly focusing on investing in their own industries and technologies to maintain a competitive edge (Edmonstone, 2024).

The substantial component of U.S. economic security policy revolves around strategic competition with China, focusing on curbing China's technological advancements and market influence, addressing intellectual property theft and bolstering America's own competitive edge. The U.S. is less dependent on trade compared to many other advanced economies, thanks to its varied economy, which allows it to produce a wide range of products domestically. However, it remains susceptible to disruptions at key points in its global supply chains. A crucial concern for the United States (as well as the EU and other nations) is China's industrial overcapacity. This phenomenon, driven by government subsidies, encourages Chinese companies to overproduce and flood global markets with excess goods, driving down prices and posing a threat to U.S. industries. The bipartisan shift toward protectionism and a commitment to preserving technological leadership ensures that, regardless of the outcome of the 2024 election, the U. S. approach to international economics will remain largely unchanged (Edmonstone, 2024).

An exploration of the broad spectrum of economic policy challenges and considerations involved in crafting strategies to compete with China in science and technology, the game-changers in the area of national and economic security (Atlantic Council, 2023):

• Revitalize and sustain public investment in research and development (R&D) to drive scientific and technological progress. Public R&D funding — particularly federal investment — has significantly declined since the end of the Cold War. While private-sector contributions remain a critical element of national R&D efforts, public funding is indispensable for advancing fundamental scientific research (as opposed to applied research) and for directing R&D toward objectives that serve the public good, such as national defense and public health. Although legislation like the CHIPS and Science Act and the Inflation Reduction Act (IRA) promises substantial increases in federal R&D funding, long-term sustainability of this investment is far from assured. Less than a year after the CHIPS Act became law, Congressional and White House funding proposals have already fallen well below the levels outlined in the act, raising concerns about the durability of these commitments (Atlantic Council, 2023).

• Foster a more inclusive and diverse tech sector. A critical challenge is ensuring that the U.S. tech industry mirrors the nation's diversity in terms of gender, ethnicity, class, and geography. This is a long-term issue with deep roots and numerous pathways to address it, including targeted public investments in education and on-the-job training programs. One of the most complex yet potentially transformative challenges lies in economic geography—specifically the regional disparities in the knowledge economy, where hubs like Silicon Valley and Boston continue to thrive, while many other regions lag behind. Recent legislation, including the IRA, CHIPS and Science Act, and IIJA (Infrastructure Investment and Jobs Act), has allocated billions to develop and expand "tech hubs" across the country. Even so, as with other areas of investment, there is no assurance that these funds will be fully realized under the current legislative framework (Atlantic Council, 2023).

• Maintain the global competitiveness of private sector firms. Policymakers must enhance the conditions that enable U.S. tech companies to stay ahead of international competition. This will involve ongoing evaluation of global policy trends, recognizing that other countries are continually refining their strategies to surpass the United States. To remain competitive, policymakers will need to strategically adjust a range of policy instruments, including labor and immigration policies, infrastructure investments, competition frameworks, and various forms of both direct and indirect support, all informed by global best practices (Atlantic Council, 2023).

• The need to continue interacting with China on science and technology (S&T) when appropriate and when opportunities present themselves — should not be overshadowed by the decline in bilateral ties between the United States and China. The strategic competition with China over technology involves zero-sum tradeoffs. However, that competition also contains positive-sum components that should be maintained or even enhanced. The same is true for scientific cooperation; if Sino-American scientific exchange drastically declines, there is a risk that global scientific research on disease prevention and climate change will decline. U.S. policymakers will have to take on a certain amount of risk in their S&T collaboration with China. They must determine what poses the greatest risk and what doesn't (Atlantic Council, 2023).

6. Conclusions

This scientific paper offers a comprehensive examination of the intricate relationship between U.S. trade policy and economic security, highlighting the importance of a multidisciplinary framework to fully grasp the nuances of this dynamic. Traditionally, national security has been associated with military

defense, but over time, it has expanded to include key economic considerations. The recognition that economic stability and resilience are as vital to national security as military strength signals a significant shift in strategic thinking.

The research traces the integration of economic security into U.S. national security policy back to the 1973 oil crisis, a pivotal moment that underscored the vulnerabilities inherent in economic interdependence. By the early 1990s, the U.S. had formalized the inclusion of economic security in its policy frameworks, setting the stage for trade strategies that aimed to safeguard critical industries. Today, this approach underscores the significance of strategic goods — such as semiconductors, rare minerals, energy resources and data — which are essential to both national defense and technological leadership.

However, the reliance on imports for certain critical resources poses a significant challenge to U.S. economic security, necessitating a reevaluation of trade policies. The paper notes that the U.S. foreign trade policy model is among the most intricate globally, involving numerous institutions, regulatory agencies, and layers of interagency coordination. While this complex regulatory framework is crucial for managing export controls and trade compliance, it creates significant burdens for businesses and policymakers alike.

A key focus of the research is the ongoing economic and technological competition with China, particularly in areas such as intellectual property, industrial capacity, and technological innovation. U.S. policies aimed at curbing China's advancements include measures to counter intellectual property theft, address issues of overproduction, and stimulate domestic innovation through public investment in research and development (R&D). Legislation like the CHIPS and Science Act reflects these priorities, but the paper raises concerns about the sustainability of long-term investments and the challenges of translating these efforts into lasting technological leadership.

Although, the paper does not propose a new theoretical model, it emphasizes the need for further research into the intersection of trade policy and economic security. It advocates for greater interdisciplinary collaboration among economists, international relations scientists and security experts to develop more cohesive models that can better capture the complex interconnections between trade and national security. As the global economic landscape continues to evolve — particularly in light of China’s growing influence — the U.S. must remain adaptive, refining its trade and economic security strategies to ensure long-term prosperity.

The paper underscores the critical need for ongoing, collaborative research to address the multifaceted challenges posed by the interplay of trade policy and

economic security. Such efforts will be essential for crafting strategies that are both resilient and forward-looking, enabling the U.S. to maintain its competitive edge in an increasingly interconnected and competitive global economy.

References

117th Congress (2021-2022), H.R.4346 - CHIPS and Science Act, Retrieved from: https://www.congress.gov/bill/117th-congress/house-bill/4346

Atlantic Council. (2023). Global Strategy 2023: Winning the tech race with China. Washington DC, U.S.: Engelke, P. & Weinstein, E. https://www.atlanticcouncil.org/content-series/atlantic-council-strategy-paper-series/global-strategy-2023-winning-the-tech-race-with-china/

Bjelić, P. (2002). Model američke spoljnotrgovinske politike. Međunarodni problemi, 54 (1-2), 115-130. doi: 10.2298/MEDJP0201006B

Center for Strategic and International Studies. (2024). Toward a U.S. Economic Security Strategy. Washington DC, U.S.: Benson, E., Mouradian, C., & Palazzi, A. https://csis-website-prod.s3.amazonaws.com/s3fs-public/2024-07/240709_Benson_Economic_Security.pdf?VersionId=sd_v9nFcx.vOGPht3HtM.TwxbpaLAkPr

CIA. (2024). The World Factbook. Washington DC, U.S.: CIA. Retrieved from: https://www.cia.gov/the-world-factbook/countries/united-states/

Dent, C. (2007). Economic Security. In A. Collins (ed.), Contemporary Security Studies (pp. 204-223). Oxford, England: Oxford University Press.

Ejdus, F. (2024). Međunarodna bezbednost - Teorije, Sektori i Nivoi. Beograd: Clio.

RAND Corporation. (2023). Economic Security and the U.S. Department of Homeland Security. Santa Monica, U.S.: Gerstein, D. & Ligor, D. https://www.rand.org/content/dam/rand/pubs/perspectives/PEA2200/PEA2210-1/RAND_PEA2210-1.pdf

Richardson, J. D. (1990). The political economy of strategic trade policy. International Organization, 44 (1), 107-135. doi:10.1017/S0020818300004665

The United States Studies Centre. (2024). Economic security policies compared: The United States, its allies and partners. University of Sydney, Australia: Edmonstone, G. https://www.ussc.edu.au/economic-security-policies-compared-the-united-states-its-allies-and-partners

United Nations Department of Economic and Social Affairs. (2021). Public goods for sustainable development: Rethinking policies and strategies (Policy Brief No. 90). New York, U.S.: Jimenez, M. A. & Roig, M. https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/PB_90.pdf