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Geo-economic Resilience:

Collective Measures Against the Weaponisation of External Dependencies in the NB8 Region

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Geo-economic competition and the coercive use of economic statecraft are supplanting the rules-based system of liberal economic exchange. Small economies like the NB8 states are vulnerable to this development, including the potential weaponisation of external dependencies against them. This policy brief proposes measures for NB8 states to prepare for such scenarios and suggests collective policies to enhance geo-economic resilience in the region.

From a Liberal Order to Geo-economic Competition

The liberal, rules-based system of international economic relations is breaking down and giving way to an era of geo-economic competition. Instruments of economic statecraft such as tariffs, state-subsidies, export controls and sanctions – long constrained by multilateral trade agreements – have again become widely used policy tools in service of domestic political economy goals. More importantly, instruments of economic statecraft are increasingly being used in a coercive manner to pursue geopolitical objectives. Important examples include China's economic retaliation against Lithuania in 2021 in response to the opening of a Taiwan Representative Office in Vilnius, as well as a range of punitive trade measures by the US against European allies, including threats that were explicitly tied to Washington's desire to annex Greenland.

As relatively small and open economies, states in the Nordic-Baltic region are vulnerable to this development. While there are notable variations across the region, all NB8 economies are heavily reliant on international trade; they are dependent on vital external inputs; and their limited size leaves most of them with limited countervailing leverage.

Of particular concern is the possibility that outside actors may weaponize external dependencies of NB8 countries against them – either as leverage to extract policy concessions, or to cripple their economies, societies or militaries in times of crisis. In this brief, we outline a set of measures that the Nordic-Baltic countries can take to prepare for such scenarios and explore ways in which the NB8 states can collectively enhance their resilience against geo-economic coercion.

Mapping External Dependencies

As a first step, NB8 states should map out their external dependencies, preferably doing so collectively and using a harmonised classification system that facilitates comparison and collaboration across the region. Where possible, such mapping can build on and be harmonised with existing assessments, including work that has been done at the EU level. The goal should be a shared taxonomy of dependency categories – spanning raw materials, finished products, digital infrastructure, and critical services – which enables NB8 governments to pool their findings, identify common vulnerabilities, and lay the groundwork for coordinated policy responses.

The mapping exercise should be broad. At one end of the spectrum sit dependencies on raw materials critical to defence and civilian technologies alike. At the other end sit less visible but equally consequential dependencies: telecommunications infrastructure supplied by a single foreign vendor, cloud computing services hosted outside the region, or financial systems reliant on foreign payment architectures.

Ranking and Evaluating

Once mapped, external dependencies should be ranked according to two criteria. Firstly, how critical they are to essential functions – economic, military, or societal – and, secondly, the degree to which the dependency is concentrated on a single external supplier or great power. A dependency that is both highly critical and highly concentrated represents the greatest vulnerability to geo-economic coercion, and should be prioritised for compensating measures. This ranking should also factor in the availability of alternative suppliers or substitutes. Some dependencies may be critical but relatively straightforward to diversify, while others may be difficult or impossible to substitute in the short term, requiring longer-term structural adjustment.

Collective Diversification

Small states face an inherent disadvantage in addressing external dependencies on their own. Their limited market size constrains their leverage with suppliers, and their domestic industrial base is often too small to realistically maintain diverse sources of critical inputs even where such sources exist. By acting collectively, however, the NB8 states could alleviate some of these disadvantages.

There are three distinct policy options for collective action. The first is intra-regional: NB8 countries should systematically explore where they can serve as each other’s sources of vital inputs, replacing or supplementing current dependencies on outside powers. The second policy option is to coordinate a diversification of external sources for the NB8 region as a whole. This would allow the NB8 countries to maintain a *diversified supplier base at the regional level* even where individual member states cannot realistically achieve such diversity on their own. A third, and most ambitious, option would be to explore means of collective deterrence against geo-economic coercion. This entails analysing the degree to which external actors are dependent on economic cooperation with NB8 countries and finding ways to credibly weaponise these dependencies. All pathways should be accompanied by a solidarity commitment – a formal or informal arrangement under which NB8 countries guarantee each other privileged access to critical stocks and sources if one member's supply is weaponised or disrupted by crisis.

The European Dimension

Six of the eight NB8 member states are EU members. Due to the size of the Single Market, the European Union has long carried significant geo-economic weight, although it has long lacked both the political will and sufficient unity to make full use of it as a foreign policy instrument. In recent years, however, the EU has increasingly sought to rectify this and has made significant strides in developing its own frameworks for economic security and strategic autonomy. NB8 states within the EU should align their national and regional mapping exercises with these frameworks, and actively seek to shape them from within – seeking to develop them in ways that are complementary with NB8 measures and vice versa.

For Norway and Iceland, both EEA members but outside the EU, the challenge is one of deliberate integration into EU frameworks wherever feasible. In practice, this might involve negotiating observer or associate status in relevant EU bodies, or concluding arrangements that extend the scope of key EU economic security frameworks to EEA partners. The goal should be a coherent Nordic-Baltic economic security architecture that neither duplicates EU efforts nor excludes non-EU members from its benefits.

Risks and Constraints to Proposed Measures

Collective measures to enhance geo-economic resilience in the NB8 region carry certain risks. The main risk is that such measures may create tensions with third countries that are identified as potential supply risks – particularly China and the United States. In the case of China, supply diversification measures may cause temporary discord in trade relations with the country with the possibility of official (or unofficial) retaliatory measures. However, the securitisation of trade relations with China is not new, with both sides having some security policies in certain sensitive sectors. The relationship risks with China should therefore be manageable within the overall relationship if handled correctly.

The more sensitive case is the United States, which on the one hand is a long-term NATO ally, but has more recently also become a direct security threat in the region. Moreover, the US has in recent years repeatedly shown itself willing to threaten and use coercive geo-economic tools against its allies for both economic and political purposes. This underlines the importance of enhancing the region's geo-economic resilience – including against the US. However, due to differing threat perceptions amongst NB8 states, the relationship with the US also risks becoming a source of internal division within the group. The challenge will therefore be to strike a delicate balance. The NB8 states need to build resilience against potential US geo-economic coercion while at the same time trying to avoid creating new tensions with Washington that further undermine the Western security architecture.

Lastly, there is a risk that the diversification agenda slides into economic nationalism or protectionism more broadly. Reducing dependencies on specific great powers should not become a pretext for measures that undermine the open trading relationships that underpin the prosperity of all NB8 economies. Diversification should be pursued through targeted and proportionate measures, focused on the most critical and concentrated dependencies, while signalling continued support for an open and rules-based international trade system.

Policy Recommendations

- **Initiate a collective dependency mapping exercise.** NB8 governments should commission a joint study, conducted by national agencies in close coordination with industry, using a harmonised classification framework across all eight countries.
- **Develop a shared vulnerability ranking.** Building on the mapping, NB8 governments should develop a common methodology for ranking dependencies by criticality and concentration, and publish a shared assessment to guide collective policymaking.
- **Establish an intra-regional supply review.** Governments should conduct a systematic review of the potential for intra-regional sourcing of critical inputs, identifying where member states can serve as suppliers of last resort for each other in a crisis.
- **Establish credible deterrence.** Dependencies run both ways. The NB8 countries' combined GDP is similar to that of Russia's. Analyse whether pooled economic or technological capabilities can be weaponised as credible deterrence against coercion by China or the United States.
- **Adopt a solidarity commitment on critical supplies.** NB8 states could negotiate a political commitment to guarantee each other privileged access to critical stocks and alternative sources in the event of geo-economic coercion.
- **Coordinate with EU institutions from the outset.** The NB8 secretariat and member state governments should engage the European Commission early, framing regional efforts as complementary to and consistent with the EU's strategic autonomy agenda.
- **Develop an inclusion framework for Norway and Iceland.** The two non-EU members should work with EU partners to identify concrete mechanisms for their participation in relevant EU economic security frameworks.

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