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FREE TRADE, A NEW NATIONAL SECURITY POLICY FOR THE 21ST CENTURY

BY

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For the past forty years, the United States has played a significant role in shaping the governmental, social, and economic values of the world. This influence has been supported by its various national security policies and military strategies. America has been the Free World's leader. Through this leadership, global warfare has been avoided and an acceptable level of security has been maintained. America's policy of containment has been successful. A spin off of that success is the international perception that democracy and free economies are the keys to domestic well being.

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During the period of containment, the United States focused its economic and military support on Europe and Japan. Throughout the rest of the world, it advanced the concepts of democracy and the free market system, but did little to spread the social and economic norms and values necessary for long-term support of democratic governments and free economies. If emerging democracies are to transition to successful and stable political and economic entities, the United States needs to initiate a new national policy with new goals. The future quest should be to build on present successes through use of the economic instrument of power. The goal should be to further international security through interdependence of national economies. The cornerstone of this strategy is a policy of unencumbered international free trade.

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FREE TRADE, A NEW NATIONAL SECURITY POLICY FOR THE 21ST CENTURY

AN INDIVIDUAL STUDY PROJECT

by

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For the past forty years, the United States has played a significant role in shaping the governmental, social, and economic values of the world. This influence has been supported by its various national security policies and military strategies. America has been the Free World's leader. Through this leadership, global warfare has been avoided and an acceptable level of security has been maintained. America's policy of containment has been successful. A spin off of that success is the international perception that democracy and free economies are the keys to domestic well being.

During the period of containment, the United States focused its economic and military support on Europe and Japan. Throughout the rest of the world, it advanced the concepts of democracy and the free market system, but did little to spread the social and economic norms and values necessary for long-term support of democratic governments and free economies. If emerging democracies are to transition to successful and stable political and economic entities, the United States needs to initiate a new national policy with new goals. The future quest should be to build on present successes through use of the economic instrument of power. The goal should be to further international security through interdependence of national economies. The cornerstone of this strategy is a policy of unencumbered international free trade.

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FREE TRADE, A NEW NATIONAL SECURITY POLICY FOR THE 21ST CENTURY

CHAPTER I

INTRODUCTION

The recent history of the United States' national security strategies and policies has centered around the policy of containment. It has been characterized by converting economic might into military power, an infatuation with Europe, and a "one crisis at a time" philosophy.

After World War II, the world was divided politically and economically. In many cases, military intimidation, a necessity for security, or the need for economic support forced countries into alliances. The world was polarized with democracies and open market systems in the West and totalitarianism and planned economies in the East. Leaders in the United States embraced democracy and an open capitalist market system based on the principles of Adam Smith. The United States appointed itself the leader and protector of western democracies and benefactor of those nations with which it had post-war relationships or interests.

While U.S. leaders appreciated the basic needs of economic security, they understandably tended to concentrate on the more pressing needs for a policy of national and international security. They chose a series of strategies designed to maintain some level of acceptable international security. These strategies required significant levels of military capability. It was believed that capitalism, utilizing a laissez-faire and free market system, the quintessential economic system, could and would finance and support

the security policy.

The economic deterioration of the Marxist countries and apparent Western success have placed U.S. leaders in a quandary as to what to do next. They appear to be unsure what security direction to follow and are in a passive wait and see mood. This dilemma is arguably the result of the limitations of our single dimension international security policy. Military might and military alliances have worked well in keeping armies on their respective side of international borders. However, festering problems remain unresolved because of the excessive focus on military issues. For instance, military might has done little to obscure national boundaries, generate thriving national economies, or create vital international stability. Additionally, the military focus has not fostered the integration of nations. It is this element of integration that will ultimately provide meaningful stability and security.

John Donne's words can be used to describe the relationships of nations. "No man is an island, entire of itself; every man is a piece of the continent, a part of the main."[1] No national power is an island capable of creating enduring free societies, economies, and participatory governments in a secure environment without the support and consent of its neighbors. Much of that consent and support can be fostered through the concept of international free trade.

Expression of the basic concept of international free trade coincided with the birth the of modern concept of democracy in the year 1776. The signing of the Declaration of Independence and the

publication of the *WEALTH OF NATIONS* "... sounded a new call for a society dedicated to 'Life, Liberty, and the pursuit of Happiness.' The *WEALTH (OF NATIONS)* explained how such a society worked."[2]

Adam Smith's *THE WEALTH OF NATIONS* conceptualized the purposes of national existence and the means of accommodation to those purposes and to other nations.[3] "The benefits of trade, he (Smith) held, were not in putting more money into the pockets of the merchants or the coffers of the state but in increasing the supply of goods to the consumer. Enhancement of the nations's power followed almost automatically from doing so, because of the increase in total resources available in the nation...."[4] Smith wrote his book in an year in which nations defined their national economic sovereignty as a process of capturing and protecting wealth. They viewed themselves as separate and distinct entities in a world of limited wealth. This wealth was collected and hoarded within national boundaries.

This view had some validity prior to the industrial revolution as countries were basically self-sufficient. However, with the growth and spread of the industrialized world, the requirement for the production elements of land, capital, labor, entrepreneurial talent, and raw materials increased. When the efficiencies of large-scale production were realized, demand for these elements grew at some exponential rate. The quantities required highlighted the fact that often sufficient levels did not exists in single locations. This deficiency of the elements of production first reduced and then virtually eliminated complete self-sufficiency.

As the Industrial Revolution expanded, communities and then regions within nations became interdependent and prosperous national economies emerged. A significant by-product of the industrial revolution was the development and massive production of weapons that threatened nations with consequences never before faced.

Nuclear weapons forced the industrialized nations to search for an acceptable form of national security. Various strategies focused on international agreements that fostered military dominance. The United States provided the leadership and economic power to support these strategies. It converted its economic might into military might and used its enormous consumption capacity to strengthen the economies, and thus the infrastructures, of its allied nations.

In many ways, the U.S. approach has been successful. Yet, security problems in many areas of the world remain unresolved and the process of success has been costly in terms of U.S. economic security. If America is to obtain any return on its incredible international security investment, it must retain an active leadership position and promote security policies which do not require further impoverishment.

The successful containment policy would have been impossible without the economic success of the free market system. It financed the military mechanism of the containment policy and provided consumption power and a strong U. S. dollar to stimulate allied economic growth. This growth strengthened those allied nations to a point where they presented an impenetrable barrier to Soviet bloc aggression.

Former Chancellor of the Federal Republic of Germany, Helmut Schmidt, understood and expressed the importance the economic element in security. He was one of the first world leaders to verbalize the broader meaning of national security. In discussing the economic dimension of national security he said, "by this..I mean the necessity to safeguard free trade access to energy supplies and to raw materials, and the need for a monetary system which will help us reach those targets."[5]

A key element of economic security has been an increasingly interdependent global economy, characterized by an enormous increase in the injection of trade within the international community. During 1950-1980, the U. S. doubled the percentage of its GNP that it exported while during 1965-1980, combined Western European exports increased tenfold and Japan's exports increased fifteenfold.[6]

As the 21st century approaches, it is clear that national security is increasingly dependent on economic security. Of course, the requirement for the economic power as an instrument of national security is not new. The industrial base has been integral to the process of building and positioning military might. Nevertheless, many people have been only marginally aware of the level of participation and importance of national economic well-being as a major element in solving the national security problem.

Nations of the world are now at a transitional point. They will accept relationships which form international interdependency if those relationships create a more stable climate of security and prosperity. What is now needed are agreements that build towards

international interdependency and economic growth.

Free trade is a critical element of national security because it facilitates international economic intertwining and interdependency and increases wealth for all involved. The history and leadership position of the United States make it the most logical and acceptable nation to promote such a policy.

ENDNOTES

1. John Donne, "Devotions," Magill's Quotations in Context, ed. by Frank N. Magill, p. 755.

2. Robert L. Heilbroner and Lester C. Thurow, Economics Explained, p. 25.

3. Bernard Brodie, War and Politics, p. 258.

4. Ibid., pp. 258-259.

5. Amos A. Jordan and William J. Taylor Jr., American National Security, p. 3.

6. Ibid., p. 294.

CHAPTER II

SECURITY POLICIES - POST 1945

Before considering free trade as a national security policy, one must reflect on how the U.S. has viewed the world and implemented national security policy since World War II. Until recently, the political world was viewed as bipolar. Nations either aligned themselves or were forcibly aligned with one of the two global superpowers, the United States or the Soviet Union. Free world security was implemented and maintained by converting U.S. economic strength into military power.

The bipolar theory was orderly, comfortable, and easily understood. The countries of the Western alliance prospered. It was the basis for large investments in military capabilities and provided the rationale to maintain distinct and well-defined international relationships.

However, the reality of a bipolar system was that it could be achieved only if allied nations subordinated their autonomy to the protective superpower. This subordination was contradictory to the values of democracy espoused by the United States. Additionally, regardless of superpower strength, neither the United States nor the Soviet Union actually achieved or maintained complete control over their allies.[1]

As the world moved out of the 1970's and through the 80's, the bipolar theory was replaced with a multipolar view. This view stated that several states were so powerful that they could generally insure their own freedom and survival. Potential

adventurism would be constrained by the presence of other superpowers.[2] While the multipolar view may have some validity, it does not reflect the fact that national security no longer has a meaning which is embedded only in the military might or geographical location of a nation.

At the end of World War II, American leadership was concerned with a serious threat to the vital interests of the United States and all the Free World. The threat was seen as the monolithic Communist bloc, controlled by the Soviet Union, with expansionist and world domination goals. The U.S. counter was the policy of containment by which it used military capability to restrain Communist expansion and build stronger alliances, coalitions, and national and international institutions within the Free World.

Administrations from Truman through Reagan, used U.S. economic strength to finance the national security policy of containment. The mix and complexion of conventional and nuclear forces varied according to each administration's political perspective and economic perceptions. National and international economic problems were subordinated to their national security policies.

President Truman believed that national security would be assured by development of the hydrogen bomb and that the Soviet threat was of a short-term nature. The economic strength of the U.S. was viewed as sufficient to fund this policy.

President Eisenhower's administration viewed the Soviet threat as a long-term one and centered its security policy on the use of nuclear weapons. It was felt that bankrupting the United States' economic resources could occur by financially supporting both large

conventional and strategic forces.[3]

President Kennedy resumed the pattern of the Truman administration and expanded conventional forces while maintaining large nuclear forces. He made the assumption that industrial growth would cover the costs. His policies were followed at first by President Johnson. However, Johnson enlarged the view of containment with the war in Viet Nam while at the same time instituting costly domestic programs. Through borrowing and long-term credit, President Johnson shifted the cost of the War and the Great Society Program to the future.

President Nixon continued dual nuclear and conventional strategies. His administration can be credited with ending the war in Viet Nam. The debt incurred by previous administrations began to clearly affect U.S. economic stability and Nixon felt forced to suspend the convertibility of the dollar into gold. This lead to world-wide flexible monetary exchange rates.

Presidents Carter and Reagan had diametrically opposing national security strategies. President Carter felt that national security could be best attained through treaty agreements and that significant military cost reductions were the goal. During the Reagan administration, massive military spending culminated in the plan for the Strategic Defense Initiative. This significant increase in military spending exacerbated the domestic economic situation. It is possible that the USSR, seeing American willingness to expand its military capability at the expense of its own economic health, realized that they would destroy themselves socially and economically by continuing Soviet military expansion.

Thus, the U.S. national security policy of containment now appears to have defeated the threat of communist domination. For this triumph, the U.S. has paid a large economic price.

For forty years, America has managed to pay or defer the cost for free world political and economic freedom. From 1947 to 1972, there were no extended depressions, cyclical fluctuations were slight, and international trade grew.[4] The Bretton Woods system created a stable world economic order by establishing a world-wide conversion rate of thirty-five U.S. dollars for one ounce of gold. Other nations confident of the strength of the U.S. economy indexed their currencies against the dollar.[5] This led to international interdependency and monetary stability.

In the mid-1960's, the U.S. began to accumulate deficits in its balance of payments and trade. These deficits were in part a result of U.S. macroeconomic mismanagement and political decisions such as the escalation of the Viet Nam War and institution of the Great Society under Johnson. The expansion of military spending under Reagan aggravated the problem.

At first, the U. S. viewed their deficits with little concern because the European Central banks bought Federal bonds.[6] However, in the 1970's this attitude began to change. President Nixon placed the world monetary system on a purely dollar standard resulting in the present-day system of flexible rates. Confidence in the dollar and the U.S. economy began to diminish.

Since 1945, the security policies of the United States have centered around military deterrents supported by the wealth-generating power of the U.S. economy. We have used the economic

instrument of power, in an indirect, expensive, and unrecognizable manner. Now we must use the economic instrument of power in a direct fashion. It will allow a less "expensive" way to continue towards our goals of world democratization, stability, and security.

As a result our budget and trade deficits as well as the enormous foreign investment needed to fund these deficits, the U.S. needs to institute measures to regain its economic well-being. At the same time, it needs to develop a new national security policy that will allow it to retain its world leadership position, further peace and harmony within the nations of the world, and not impoverish its citizens. This policy is that of free trade.

ENDNOTES

1. Amos A. Jordan and William J. Taylor Jr., American National Security, p. 7.

2. Ibid., p. 8.

3. Frederick H. Hartmann and Robert L. Wendzel, Defending America's Security, p. 229-230.

4. Raymond Aron, The Imperial Republic, p. 188.

5. Robert Gilpin, The Political Economy of International Relations, p. 134.

6. Aron, p. 200.

CHAPTER III

FREE TRADE

Free trade is characterized by the decisions consumers and producers make over long periods of time. Markets are free and competitive to the extent that the market prices reflect relative costs and attractiveness of commodities. The market is trusted to render decisions on the distribution of resources. Free trade assumes full-employment over the long-run, and postulates that the quality rather than the quantity of employment will increase from free trade practices. It is assumed that free trade will distribute national factors of production in a more efficient and effective manner than other systems as well as be mutually though not equally beneficial for all trading partners.

Since its beginnings, the United States has embraced the tenets of free trade. Its trade policy has reflected the theories of Adam Smith who viewed economic growth as the key to a nation's wealth and power. The policy also has been influenced by David Ricardo's law of comparative advantage which provides a rationale for free trade. Ricardo established that the flow of trade among countries is determined by the relative costs of goods produced and that the international division of labor based on comparative costs will result in specialization of countries in commodities of comparatively lowest costs.[1]

While espousing free trade, the focus and goals of the United States trade policy have never been totally directed toward it. Political goals, national security, stability and world order

objectives have always taken precedent. Yet, since 1945, the United States has been the strongest proponent of free trade and has attempted to incorporate free trade tenets into its trade policy. U.S. trade laws and policies reflect a visible and accountable system of trade. The United States has restricted imports on a quantitative basis with clearly defined tariffs and established barriers only after open debate.[2]

During this time, the General Agreement on Tariffs and Trade (GATT) provided the international basis for trade negotiations. The agreement was based on multilateralism and non-discrimination. During 1950-1975 because of the GATT, the industrial nations enjoyed a growth rate in merchandise trade of 8 percent a year.[3]

By 1985, the influence of the GATT rule was weakening and the world was viewed as moving toward protectionism. This shift can be attributed to the change to world-wide monetary flexible exchange rates, the oil crisis and increased energy costs, the increasing competition of Japan, the emergence of competitive newly industrialized countries, the decline of the American economy, closure of the European Economic Community, and global stagflation.[4]

The world and its economic complexion of the 1990s is dramatically different from that of the past four decades. First, the United States is becoming more and more economically interdependent with Western Europe and its major Asian ally, Japan. This interdependency is occurring in an environment of changing military and political relationships. Political and military alliances, trading partners, and emerging democratic governments

are choosing their own economic and security paths.

Second, Europe and Japan have attained and possibly surpassed the United States in terms of living standards and economic structure. Many European and Japanese firms are larger, better financed, and equally as innovative as their U.S. counterparts.

"In 1950, Japan was less than one-twentieth the economic size of the United States, and the twelve countries now in the European Community combined had an economy only half the size of that of the United States. Now Japan is half the size of the United States in economic terms, while the European Community and the United States are about equal."[5]

Third, because of European and Japanese growth and the U.S. dependency on the world economy, it is becoming a burden for the U.S. to act as an economic balance for the world trading system on behalf of countries that are relatively equal.[6] Trade concessions with Japan and Europe must be revised if the United States' trade position is to be corrected and improved.[7]

Fourth, the American public is questioning the need for military dominance. The sudden decreased threat of nuclear or large-scale conventional war, the international reach for democracy, the shifting international relationships, and the immensity of our domestic economic and social problems have created an attitude which is best reflected in the words of Charles Dickens. "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity...."[8] Most importantly, it is a time to change our national security policy

implementing the economic rather than the military instrument of power.

Five major economic policies are contending for recognition and acceptance as strategies for the 1990's and beyond. They are (1) multinational free trade, (2) a new international economic order, (3) self-sufficient economies for reasons of national security, (4) extensive trade with protectionistic tactics, and (5) Marxist socialist development.[9]

Within the United States, the debate revolves around the type and level of trade we should be practicing. It is agreed that U.S. trade policy has reached a decision point. There are five primary points of view. One view is that trade should be liberalized with all countries. A second is that liberalization should be allowed only with reciprocating nations. A third view calls for an increase in trade restrictions in certain sectors because of the practices of trade partners. The fourth view calls for management of important sectors of our economy, again in response to other nations. Finally, there is the view that a more restrictive policy on all trade is essential.[10]

Some U. S. economists are now advocating protectionist tactics. When one has a trade deficit of almost $109 billion dollars and the record of having a deficit with almost every trading partner, it seems the logical choice is to join the other protectionist nations. There are two problems with this choice. First, protectionism would require a low level of economic elasticity for the export demand of U. S. goods and services. Additionally, the import demand would have to have a high level of

economic elasticity. Past trends indict protectionism. It would invite favoritism, delay economic independence and strength, and allow the opportunity for temporary practices to become permanent. The results would be greater costs for the nation as a whole and those industries left unprotected.[11]

The second problem with protectionism is that trade is not the core of the problem. The economic stability of the United States has not been undermined by free trade practices, but by macroeconomic mismanagement and domestic and foreign policies executed on credit.

Before a final selection or combination of selections can be made, the purpose and importance of a national trade policy has to be considered. A U.S. trade policy must raise national efficiency by reallocating resources to more productive activities and must broaden consumer choice. It must effectively open foreign markets to U.S. goods and services and keep them open over the long-run. It must ensure that U.S. firms enjoy equal competitive opportunities in the world markets. And most importantly, the implemented policy must allow the United States to play a decisive leadership role in the evolution of the world trading system. The European Community, while economically equivalent to the United State, is too preoccupied with internal questions and regional political change to lead the world's trading system. Japan, the world's other major economic power, is not only smaller, but also shows little disposition to step into a leadership role. "For better or worse, the approaches propounded by the United States stand the best chance of adoption by the world trading system."[12]

A modified free trade policy meets the above conditions better than any other selection. It enables each country to specialize in those goods and services it produces best. By its nature, free trade policies tend to break down local or international monopolies, ensuring lower prices for consumers. Ultimately, by promoting international competition, it spurs firms to innovate.

A powerful by-product of free trade policies and practices, and the one which allows it to transform an economic policy into a national security policy, is trust. In open market or private-enterprise countries, free-market forces are trusted. The market system is given broad latitude to determine resource allocation and direction for investment. The bulk of the factors of production are owned privately.

It is this element of trust associated with political liberties imbedded in a free market system, that can be expanded through free trade policies. Whether the relationship between political democracies and free market systems is direct or causal is up for debate and beyond the scope of this paper. However, there does appear to be a connection between democracy and the free market system as political liberties do not exist or have a tenuous existence in nations without open market systems. [13] Considering the philosophical revolution occurring in the Communist bloc countries directed toward openness and change, one would have to think that some of the Communist leadership believes there is a connection.

We have spent the years since 1945, developing policies and strategies which have focused on a world divided economically,

socially, and militarily. We have converted economic wealth into military might to protect nations of the free world. We have consumed our economic reserves to foster international security. We have applied our economic energies to expand democracy as a form of government. All of this has a been worthwhile, but a very expensive undertaking for the United States. Use of American wealth and military might has been the "American way," but within today's domestic and international atmosphere, there is a need for a different American approach.

Past U.S. international economic altruism, international trade practices, combined with American market and consumption potential, make the United States the ideal, if not the only, international power with both the capability and creditability to continue furthering the values of world freedom, peace, stability, and human rights through a policy of unencumbered international free trade.

ENDNOTES

1. Robert Gilpin, The Political Economy of International Relation, p. 173.

2. Twentieth Century Fund, The Free Trade Debate, p. 13.

3. Gilpin, p. 192.

4. Ibid., p. 193.

5. Twentieth Century Fund, p. 5.

6. Ibid., p. 6.

7. Ibid., p. 6.

8. Charles Dickens, A Tale of Two Cities, p. 1.

9. William A. Lovett, World Trade Rivalry, p. 59.

10. Twentieth Century Fund, p. 7.

11. Jacob Viner, International Trade and Economic Development, p. 59.

12. Twentieth Century Fund, p. 12.

13. Robert L. Heilbroner and Lester C. Thurow, Economics Explained, p. 23.

CHAPTER IV

RECOMMENDATIONS

The single most important priority requiring presidential and congressional attention is the national debt and trade deficit. We must substantially reduce our national deficits and government spending. In conjunction with these reductions, we must provide incentives to increase savings and capital investment and reduce excessive consumption.

"The consensus among financial, banking, and economic experts in the United States and elsewhere is that U.S. political leaders must get their house in order, close ranks somehow, and end fiscal looseness."[1] While the Gramm-Rudman Act of 1985, was a landmark budget reform act attempting to address fiscal irresponsibility, Congress and the Bush administration have resumed partisan politics and seem unwilling to take the necessary and politically painful steps essential for U.S. economic recovery.

The major causes of the U.S. trade deficit are savings and investment imbalances between the U.S. and its trading partners, primarily Europe and Japan. The United States needs to increase it public and private savings while Europe and Japan need to increase their investment and domestic consumption.[2]

The Bush administration working with Congress needs to develop a set of international trade goals based on the tenants of free trade and consistent with domestic values. The U.S. must signal its awareness and dissatisfaction with our trading partners' restrictive and protective trade tactics. No longer should the

United States reflect a laissez-faire attitude, but approach trade negotiations with the same attitude and tactics that we conduct arms limitation talks, by carrying a Hershey Bar in one hand and a hand grenade in the other.

In conjunction with a foreign trade policy, the administration needs to develop a foreign policy that has as a central focus the cultivation of new consumer markets in areas such as China, Africa, Eastern Europe, and South and Central America. Economic and military aid should be tied to the development and opening of these markets.

President Bush and his administration are in a position to develop international trade agreements and avoid congressional interference and partisan politics that are normally associated with trade arrangements. Not only does he have the position and prestige of the U.S. Presidency, but he also has the legal authorization from Congress through the Omnibus Trade and Competitiveness Act of 1988, which gave the president the sole authority to formulate U.S. trade policy.[3]

Objectives of this Act are to improve market access for U.S. exporters, reduce impediments that the United States imposes on its own exporters, and to make it easier for U.S. business to obtain relief from import competition. The act provides for the Hershey bar and hand grenade approach. The Hershey bar is the president's negotiating authority to conclude bilateral trade negotiations with a congressional vote (without amendment) on any trade agreement submitted before May 31, 1993.[4] The hand grenades are directed at market access. Denial of access through unfair foreign trade

practices will increase the likelihood that the U.S. government will take action against the offending country.

The administration needs to review the agencies and the infrastructure which supports and administers our domestic and foreign trade efforts. All agencies which are involve in domestic and foreign trade should cooperate in a unified manner. The establishment of a cabinet level position, Department of Business, Trade, and Economics should be explored.

Finally, the U.S. should actively promote the commercial application of technology resulting from government and defense efforts. Presently, we let chance and circumstances surface technology and then wait for entrepreneurship to insert it into the market place. Today's track record seems to indicate that we aren't getting out front fast enough.

Events of the world and nation have provided the President and his administration with an unprecedented opportunity to transition from national security based on solely a military instrument of power to one that more directly uses the instrument of economics. However, the window to exercise this opportunity is small.

The necessity of dealing with the Soviet threat has been the dominant preoccupation of past presidents. Our energies and yearly budgets have focused on national security issues driven by an external military threat. For the first time since 1939, an American president has the opportunity to redefine national security issues in a context which is not focused on a military threat.

Within the minds of the leaders of emerging and transitional countries is the perception that shifting to a democratic or parliamentary form of government and establishing an open or free market economy will result in national wealth. The illustrative example within the frame of that perception is the United States. However, even the most euphoric of those leaders knows that national wealth does arrive on the wings of desire. Along with aid and support, they will be looking for international leadership and a viable plan. The United States must regain her economic stability for the world's confidence to be restored. Only then can it implement a national security policy of free trade to promote peace and economic vigor within the nations of the world.

ENDNOTES

1. William A. Lovett, World Trade Rivalry, p. 192.
2. Twentieth Century Fund, The Free Trade Debate, p. 10.
3. Ibid., p. 53.
4. Ibid., p. 51.

CHAPTER V

CONCLUSIONS

The United States national security policy has to be centered on the economic element of power. Adoption of a free trade policy will allow the United States the capability to promote international security, the doctrine of human rights, democratic governments, and open societies. It provides this capability without the enormous cost of massive military might.

World order is maintained through a process of power balance and relative wealth distribution. Individual countries make decisions based on their desire for economic independence and the need for national security. Order and stability come about as international wealth becomes more equitably divided and security is perceived among nations. International unencumbered free trade is the mechanism which facilitates the wealth distribution process. Additionally, it intertwines the individual interests of nations to a point where those interest become interdependent.

No other government or population is better positioned or more predisposed to support and advance the tenants of free trade than that of the United States. America's national wealth is not only the result of its form of government and economic system, but also the result of amalgamation of a number of ideas and cultures from all over the world. It is the open form of government which has encouraged that amalgamation and an economic system which rewarded new ideas. Our history and multi-cultural origins allow us to look with empathy on the less wealthy of the world. Our affluence and

military security allow us to be generous with our trade arrangements, possibly to a fault.

Unencumbered international free trade is the only lasting method which will expand and strengthen democratic governments and provide nations of the world with a significant level of security. Democratic people support an economic system based on individual welfare and resent intrinsic restraints of an economy based on war and the power of the state.[1]

However, reaching the goal of complete international free trade requires U.S. leadership and commitment. We must retain and use our world leadership position to encourage nations down an international free trade path rather than one leading to protectionistic economies.

Those national economies which have been based on various levels of free trade have survived and prospered. From a world order perspective, the long-term effects of free trade policies are not only advantageous, but absolutely necessary. When one looks at the elements of power a government has in its arsenal of influence, the descending order of desirability is diplomatic, economic, social/psychological, and military. During the last century, each of these has been used by the various world powers. The element most influential and least devastating is economics. Economic and political security make adoption of a coherent international trade policy employing free trade a vital necessity.

International free trade will create international interdependence. Interdependence based on trade, will reduce the propensity for violent conflict and favor the process of

negotiation and compromise. World-wide free trade will do more to reduce the potential for confined (nation to nation) and widespread war than any security strategy yet devised.

Only through the stabilization and leveling of world economic processes, with everyone operating under the same set of rules, will new world markets be generated. Creation of new markets allow developing countries to have the opportunity to maximize regional and national economic advantages. It also allows them access to the levels of resources necessary to penetrate existing world markets and thus develop viable domestic economies. Without that opportunity, emerging economies will remain at or below subsistence levels. That stagnation can only lead to increased world instability.

The major difficulty in fostering free trade is that it is our policy and ours alone. Today's international free trade environment really consists of markets operating at various levels and gradations of protectionism. A significant portion of the world's markets remain inaccessible or completely closed to the U.S. and other potential sellers. Governments continue to view the economic process as part of overall part of their national security and industrial policy. Thus governmental subsidies of key or basic industries is growing as a policy. Governments see advantages to encouraging the establishment of national "cartels" as a method to first finance the penetration of a market and then, through monopolistic techniques, control it. Ultimately, governments find that supporting various international marketing practices and promoting domestic consumption policies pays large short-term

dividends.

President Bush is confronted with a series of decisions from military draw-downs to trade conflicts. All of these decisions involve an element of economic power. That fact should be recognized in the policies to which the U.S. subscribes and promotes. It appears that over the next two years policies and paths chosen will define the direction of the world well into the 21st century. It is essential "that relatively free trade within a world system of common rules should continue to serve as the guiding star of U.S. policy. This goal is not only right for the United States; it is also right for the world economy. "The reality is that it is still up to the United States not only to look after its own interests but also to provide leadership for improving the world trading system."[2]

ENDNOTES

1. Peter Paret, Gordon A. Craig, and Felix Gilbert, Makers of Modern Strategy, pp. 217-218.

2. Twentieth Century Fund, The Free Trade Debate, p. 8.

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