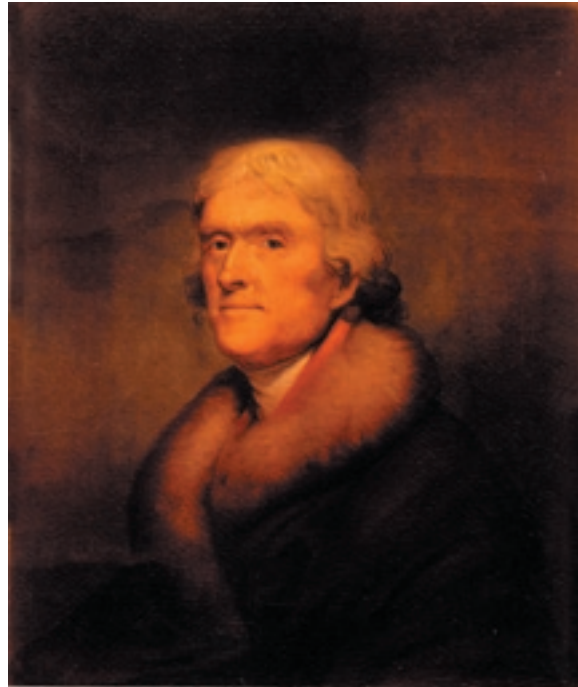


TRADE AND ECONOMICS AS A FORCE IN U.S. FOREIGN RELATIONS

MAARTEN L. PEREBOOM



Jefferson portrait by Peale

From the earliest days of the American republic, the “flag followed trade” as Americans sought access to world markets. In 1789, Secretary of State Thomas Jefferson, asked South Carolina planter Charles Drayton to go to Vietnam to seek out trade opportunities.

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Of all the forces that have shaped U.S. foreign relations since independence, the search for economic opportunity has been arguably the most fundamental. History tends to focus on dramatic military events and the politics and diplomacy that surround them, but, from the early days of the republic, the “flag followed trade” as Americans sought access to world markets.

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The United States helped to save the world from the racist vision of Nazi Germany and the disasters of



U.S. Trade Representative Robert Portman addresses the World Economic Forum in Davos, Switzerland, January 28, 2006, during crucial trade liberalization talks.

AP/WIDE

Soviet communism, but the complex demands of world leadership also challenged the role of economics as a prime factor shaping U.S. foreign policy.

Historian Bradford Perkins has described the American struggle for independence as the desire to restore the freedom, both political and economic, that the British in North America had enjoyed under the “benign neglect” of imperial rule prior to 1750. The French and Indian War (1756-1763), while eliminating French power in North America, also led the British Parliament to turn to the colonies for help paying the bills. Taxation by a Parliament in which the colonies had no representation touched off the War of Independence in which Americans kept an eye on their economic interests throughout.

BELIEF IN FREE TRADE

In 1776—when the rebellious colonies needed a political and military ally against Britain—John Adams’ Model Treaty proposed nothing more than trade relations with France in which the nationality of the traders would be disregarded and the free-trading rights of each country would be fully respected, even if one of the partners wanted to trade with a country that the other was

fighting. Though the treaty never took effect, it enshrined the Enlightenment-inspired belief that free trade among free nations would create a peaceful and prosperous world.

As an independent country, the United States pursued economic opportunity in a world still dominated by fierce European imperial rivalries. Napoleon’s offer to sell the massive Louisiana territory for \$15 million, to finance France’s own wars, was an extraordinary stroke of luck. But just a few years later, the United States attempted to influence the ongoing conflict between Britain and France with the Embargo Act, depriving the warring powers of the benefits of U.S. trade, but depriving Americans of those same benefits at the same time. It remains one of the major blunders in the history of U.S. foreign relations, contributing also to the origins of the largely inconclusive War of 1812, which ended in a stalemate in 1815.

The United States assumed a more confident stance in the world of the 1820s as Europe, after Napoleon, entered an era of relative peace and much of Central and South America became independent. With the Monroe Doctrine of 1823, the United States proclaimed the Western Hemisphere closed to further European colonization.

Europeans continued to invest in the Americas, however, and the resources of Central and South America also held a powerful allure for the United States. As American companies developed enterprises in mining and agriculture, U.S. foreign policy, and its armed forces, helped to ensure that local governments would remain friendly to their economic presence.

In the meantime, the republic itself expanded dramatically as Americans moved westward, fueled by dreams of economic opportunity and ideals of “manifest destiny.” To make this expansion possible, the U.S. government displaced Indians, waged war with Mexico, and negotiated with Britain to expand America’s borders all the way to the Pacific coast.

COMMERCE ACROSS THE PACIFIC

The conflict over slavery limited further expansion north or south, however, and by the time the Civil War was over in 1865, William Seward, President Abraham Lincoln’s secretary of state, had developed a vision of further expansion that was less focused on territorial than on commercial expansion. Across the Pacific Ocean lay a vast potential market in Asia. While Alaska, which was purchased from Russia in 1867, became known as Seward’s Folly, its acquisition was part of a shrewd strategic effort to establish secure trade lines with the Far East. Imperial powers from Britain to Japan eyed colonial



World Bank President Paul Wolfowitz, right, greets Uganda's Minister of Energy Syda Bbumba, after she delivered her keynote address at the opening session of Energy Week 2006 at the World Bank headquarters, March 6, 2006, in Washington.

because of Britain's blockade, which the United States did not challenge as burgeoning trade with the Allied Powers dwarfed the trade lost with Germany. By 1916, American economic support for the Allied Powers with industrial goods and financial services threatened Germany with defeat on the Western Front, despite its success against Russia in the East. Challenging America's definition of neutrality, Germany directed its submarines against American shipping. The United States declared war in April 1917, joining the Allied Powers to defeat Germany in the following year.

EMPIRE WITHOUT TEARS

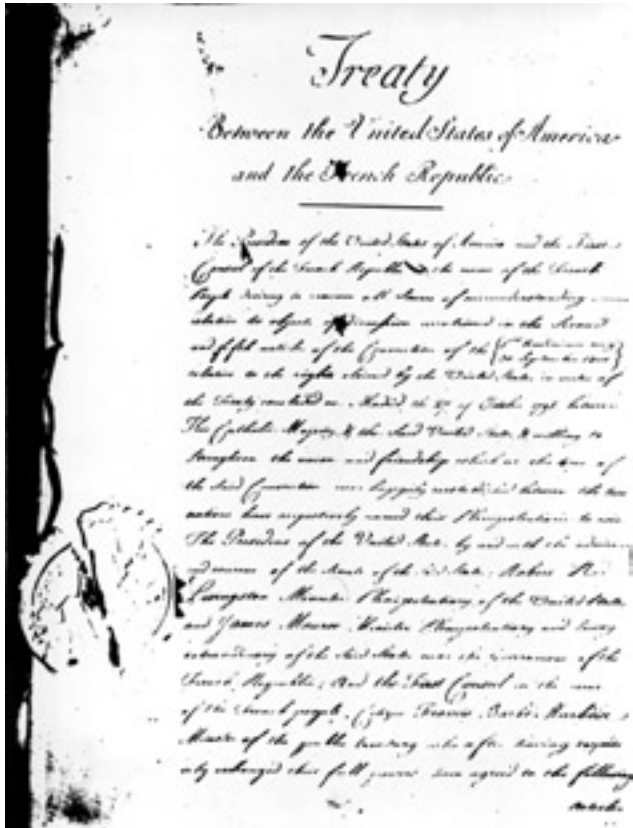
expansion in China near the turn of the century, but the United States, hoping to prevent a carving up of China comparable to the "scramble for Africa" in the 1880s, promoted an Open Door policy to preserve access to that vast potential market. An Open Door policy is the maintenance in a certain territory of equal commercial and industrial rights for the nationals of all countries.

While foreign policy continued to promote access to world markets, much of America's phenomenal economic growth after the Civil War took place within its borders. Men like John D. Rockefeller and Andrew Carnegie amassed huge personal fortunes in oil and steel, and they presided over the consolidation and expansion of these industries into monopolies or near-monopolies. The corporation, an American innovation, allowed enterprises to assume gigantic proportions and set the stage for the globalization of American economic power in the 20th century.

By the outbreak of the First World War in 1914, the United States was an economic superpower, accounting for almost one-third of the world's manufacturing, compared to about 15 percent for Germany and 14 percent for Britain, according to historian Paul Kennedy. As Central Powers Germany and Austria marched to war against Allied Powers Britain, France, and Russia, across the Atlantic Ocean, the United States declared a policy of neutrality "in thought and deed." The definition of neutrality echoed Adams' Model Treaty: free trade unaffected by political circumstances. Trade with Germany dwindled down to almost nothing

The First World War shattered Europe, but New York had replaced London as the world's financial capital and the U.S. economy boomed as its transatlantic rivals struggled. President Woodrow Wilson's vision of a peaceful, democratic, free-trading world challenged the old order of competing European empires, but it failed amidst the politics of the postwar world, both in the United States and abroad. Historian Warren Cohen has argued that, between the world wars, the United States opted instead for a foreign policy of "empire without tears:" dominance of world markets with an absolute minimum of military and political commitments. In the 1930s, isolationist politicians viewed intervention in the war as a mistake driven by arms manufacturers greedy for the profits of wartime trade, and the U.S. Congress passed a series of neutrality acts to ensure that trade would not draw the country into war again.

"Empire without tears" recalled the carefree days of colonial prosperity under the not-too-watchful eye of Britain. But benign neglect would not work in a world that militant extremists in Germany and Japan aspired to dominate. In the late 18th century, President George Washington had warned the fledgling republic to steer clear of warring European empires, but now the United States had the power, rooted in economic strength, to ensure that aspiring empires would not challenge its global interests. Despite lingering isolationism in the country, President Franklin Roosevelt announced the largest peacetime defense budget ever in January 1939.



Negotiations for the purchase of the Louisiana Territory between the United States and the French Republic were completed April 30, 1803, while Thomas Jefferson was president.

In March 1941, months before the Japanese attack on Pearl Harbor, the United States pledged its economic might to crush the Axis Powers with the Lend-Lease Act. By summer, German submarines were once again challenging America's interests in an undeclared war on the Atlantic.

SUPERPOWERS EMERGE

The strange alliance of the United States, the British Empire, and the Soviet Union defeated the Axis Powers in 1945. The Soviets had the human resources and determination necessary to repel the most massive invasion in history and crush the German armed forces; the United States successfully mobilized its overwhelming human and economic resources to win the biggest war in history on two different continents: As Europe declined, these two countries became the world's two superpowers. But the superpowers also represented opposing economic and political systems, and the development by both sides of immensely destructive nuclear weapons gave the

ensuing Cold War struggle an apocalyptic, all-or-nothing dimension.

The Soviet threat ensured that the United States would not retreat from a global political and military role. Economics remained crucial: In one of the truly brilliant initiatives in the history of U.S. foreign relations, the United States between 1948 and 1951 provided \$12 billion in assistance to European economies through the Marshall Plan. The United States aided countries in desperate need and helped them reject communism; but the phenomenal economic growth that resulted in Western Europe also boosted world trade, making this act of largesse an extremely shrewd investment as well. As the guardian of the global marketplace, the United States generally promoted free trade policies to support it, though Americans and their government were not entirely immune from the draw of protectionism. In general, however, Cold War politics assumed a life of its own: Though the struggle aimed to preserve a global economic system, it created a worldwide U.S. military presence and what President Eisenhower called a military-industrial complex to support it. The policy of containment defined Vietnam, for example, as a domino whose fall to communism would set off a chain reaction in Southeast Asia. At enormous cost, both economic and human, the United States sought unsuccessfully to build a noncommunist Vietnamese state.

The challenges of the Cold War also placed enormous economic pressure on the Soviet Union and its allies, and in the end the communist system could not generate the wealth necessary to sustain the competition, let alone assure its own people basic human rights, a safe environment, or a reasonable standard of living. With the collapse of communism in the late 1980s, the United States emerged as the sole superpower, and the capitalist system, more regulated than in the days of the robber barons but still not without its shortcomings and victims, prevailed. The end of that struggle did not produce the "end of history," as strategic thinker Francis Fukuyama suggested, but a contemporary world whose unruly complexities once again challenge Americans to define their national political and economic interests in a global context, and to study the past in order to deal rationally with the present and provide vision for the future. ■

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