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# US FOREIGN ECONOMIC POLICY UNDER BUSH: IMPERIAL, INSPIRED, OR INCOMPETENT?

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What can US foreign economic policy tell us about the usefulness of concepts such as empire, unipolarity, or hegemony for understanding the contemporary role of the US in world politics? US foreign economic policy is important not just because this policy has worldwide impacts on economic well-being, or because it provides another case from which to draw clues about US power and political processes to add to lessons drawn from the exercise of US military power, but also because economic factors are closely entwined with military affairs, and with the broader configurations of power that concepts such as empire, unipolarity and hegemony are seeking to portray.

Empire, unipolarity, and hegemony are all structural approaches to understanding global configurations of power, and connecting these to foreign economic policy involves two challenges. The first is to sort out the relationship between political or military power and economics. The second challenge is to distinguish the effects and significance of the unique structural power of the US from non-structural factors such as the idiosyncratic characteristics of this president or world events.

In this article I argue that US foreign economic policy under George W. Bush is an expression of a weakening of US structural economic power overall, despite an ongoing unipolarity in military power.[1] This argument challenges the widespread view that US power is exhibiting a new and more muscular and unchallengeable pre-

[1] David Skidmore, "Understanding the Unilateralist Turn in U.S. Foreign Policy" *Foreign Policy Analysis* 2, 2005, pp. 207-28, also concludes that for structural reasons the US is headed "toward a post-hegemonic world" (p. 213). In contrast to this article he traces this to the removal of constraints associated with the Cold War.

eminence, for which perhaps an "imperial" label rather than a more modest "hegemony" label is deserved. Both supporters and critics of Bush administration policies often hold this widespread view.[2]

The article starts with a discussion of the meaning of empire and hegemony, and the relation of these to foreign economic policy. It then turns to an examination of the role of structural economic factors in US power, and then to foreign economic policy under the Bush administration.

## Empire, Unipolarity, and Hegemony: Conceptual Issues

Over the past quarter century there have been a great many efforts to conceptualize the role of economic factors in the ability of the US to project its power globally. This includes the work of realist or world systems theorists who explored economic factors in the rise and fall of great powers; hegemonic stability theorists who additionally focused on the contribution of the capacity of states with an overwhelming preponderance of power to contribute to the creation and maintenance of international institutions, including those fostering a liberal trading order; neo-mercantilist theorists who sought to understand how US state power could be used to its advantage in international markets; and critical theorists who used the concept of hegemony or empire to analyze the interconnection of economic, ideological and political factors in explaining the dominance of the US in world affairs.

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[2] Discussion of the appropriateness of the "empire" label to describe US power has moved well beyond the scholarly literature, including newspaper columns with titles such as Dan Morgan, "A Debate over U.S. 'Empire' Builds in Unexpected Circles," *Washington Post* August 10, 2003, p. 3; or "Craig Gilbert, U.S. 'Empire' Debate Revived by Iraq War", *Milwaukee Journal Sentinel*, May 11, 2003, p. 1A. The scholarly literature on empire and the US today includes for instance Niall Ferguson, *Colossus: The Price of America's Empire* (New York: Penguin, 2004); David Held and Mathias Koenig-Archibugi, eds. *American Power in the Twenty-First Century* (Cambridge: Polity, 2004); Michael Hardt and Antonio Negri, *Empire* (Cambridge: Harvard University Press, 2000); Deepak Lal, *In Praise of Empires: Globalization and Order* (Basingstoke: Palgrave Macmillan, 2004).

These literatures represented a shift away from more state-centric approaches to understanding the distribution of power across states, including ones that focus on polarity, which tend to treat economic factors as resources, like territory and population, which states possess and expend. In contrast, these literatures treated the economy as involving relatively autonomous cross-border forces and institutions, such as markets, leading economic sectors, or technological paradigms, with which states needed to interact and nurture. Moreover the power of the dominant state was connected not just with its relations to relatively autonomous economic factors, but also to relatively autonomous international expectations, whether these took the form of formal or informal rules or ideologies. These expectations were seen as important in providing a stable framework for economic interactions and in legitimizing hegemony.

**Structural economic factors in the growth of US power**

While much of the literature on hegemony was written in a generalizable way that allowed comparison across historical cases it also provided a great deal of concrete analysis of the relevance of these ideas to US power in decades that have followed World War II. The following are some key points that can be highlighted.

First, US power was sustained in part by US dominance in leading industries such as automobiles, chemicals, and electrical machinery. US success in these leading industries contributed to its economic growth, and therefore its ability to support military spending, and to its ongoing lead in military technologies.

Second, economic basis of US power was also supported by the distinctive organizational character of its corporations. The large, oligopolistic and vertically integrated firms that characterized the US economic landscape by the mid twentieth century were in part a response to the scale economies available in the vast US market and the peculiarities of US anti-trust law that permitted downstream and upstream integration in production processes but prohibited horizontal collaboration among firms to divide up markets. US style corporations are ideally suited to operating across borders because they allow the profitable cross-border transfer of the types of intangible knowledge, such as management expertise and technical innovation, that is a key competitive advantage and source of value added for the US. For many years the US ability to dominate the global economy was facilitated by the distinctive advantages of its form of industrial organization.

Third, these US industrial advantages were complemented by financial and monetary advantages. The use of the dollar internationally provided a competitive advantage to US firms that had easy access to it and were shielded to a large degree from currency risks. It provided resources to the US government, including seignorage, the revenue obtained from the creation of money, but more importantly from the credit extended to the US government by the holding of US dollars as reserves by foreign governments. Although rivalled by London, the deep and sophisticated New York financial markets, themselves aided by the international use of the dollar, were an important source of financing that benefited US firms due to their proximity, and also made their own direct contribution to the US economy.

Taken together these three points highlight the degree to which the growth of US power was facilitated by fortuitous relations between the US state and economic factors that it did not fully control. To the degree that these factors were relatively long lasting and not subject to deliberate modification by any one state we may call them structural. These structural economic factors sustained and were reinforced by ideological and institutional factors. US power was legitimated by the domestic and international protections, concessions and benefits for less powerful actors that it supported, and by its support for international institutions that were seen as beneficial for the world as a whole. International economic institutions such as the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade helped ensure that the world market did not fragment due to national barriers or blocs constructed around former colonial powers. This was in the interest of the US but was also seen by other actors as generally beneficial.

**Structural economic factors and US power today**

Those who see the current period as one in which US power is unchallengeable can point to the remarkable growth of the US economy during the 1990s, which was especially notable in comparison to Europe and Japan, its strongest traditional economic rivals. The US outpaced these rivals in growth, productivity and innovation.[3]

However a closer examination of current US economic performance over time, and taking into account the three structural economic factors that were cited above, leads to a different assessment than does a focus on this success in the 1990s.

The US share of world GDP was 27 percent in 1950, but by 1973 had declined to 22 percent, where it remained in 1998. Western Europe followed a similar trajectory except that its decline came after 1973: from 26 percent in 1950 to 26 percent in 1973,

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[3] US productivity from 1995-2000 was 2.6 as compared to 1.6 for the rest of the OECD. This reversed the relationship in the first half of the decade where the numbers were 0.8 for the US and 1.9 for the rest of the OECD. See *Statistical Abstract of the United States* (Washington: US Census Bureau, 2001), p. 843.

and then 21 percent in 1998. By contrast between 1950 and 1998 Japan's share increased from 3 percent to 8 percent, and the rest of Asia's doubled from 15 percent to 30 percent.[4] In short, by this measure US economic power has declined significantly especially relative to Asia's.

The first structural economic advantage enjoyed by the US in an earlier period was its dominance of leading industries. Statistics on the US share of world trade suggest that this advantage is dissipating.[5] Between 1980 and 2003 the US share of manufactured exports as a whole had dropped from 13 percent to 10.8 percent. This pattern of decline was true for chemicals, clothing, iron and steel products, automotive products, office machines and telecom equipment, textiles, and agricultural products. Even in services, the sector in which one would assume that the US has its greatest advantage, its share of world exports dropped from 17 percent in 1990 to 16 percent in 2003. The US share of world imports generally followed the reverse pattern, growing between 1980 and 2003. Much of this pattern can be attributed to the very large trade deficit that the US was running in the latter period which in turn was linked to excess of spending over saving of the US government and citizens that was financed by the flow of capital from abroad, pushing up the value of the US dollar and allowing the US to import more goods than it exported. I return to the significance of these deficits below, but at a minimum, the decline in the US share of world exports suggests that the economic basis of the US ability to finance its power through its participation in world affairs has been weakening rather than strengthening.

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[4] These figures are from Angus Madisson, *The World Economy: A Millennial Perspective* (Paris: OECD, 2001), p. 261.
[5] See table at www.ita.doc.gov/td/industry/otea/usfth/aggregate/H03t54.pdf, which is based on WTO data.

The auto industry is emblematic of some of the difficulties experienced by traditional US industries. The optimism of the 1990s expressed by the title of one book, *Comeback: The Fall and Rise of the American Automobile Industry,*[6] appeared misplaced in 2005, as GM and Ford, the only two remaining US automakers, were reeling from downgrades on their debt to junk status by Standard and Poor's, ongoing loss of market share relative to their competitors, products that were seen as lacking excitement, a lag with their Japanese competitors on new hybrid technologies, and serious questions about whether they would be able to survive.

A more plausible case for ability of the US to retain its industrial pre-eminence than traditional industries such as auto is the argument that it has succeeded in shifting into higher-technology activities while wisely allowing activities in which it has lost its competitive advantage to move to lower cost locations abroad. There are, however, reasons to doubt the contention that the US is retaining its technological lead in newer and more complex economic activities. As noted above, US share of service exports is declining, and the US share of world-wide high-tech exports in general also declined from 31 percent to 18 percent between 1980 and 2001.[7] One of the striking current changes in the global economy is the outsourcing of service activities to developing countries. While some of these are lower-skilled low-wage activities, such as telemarketing or clerical work, it has also involved activities which many had assumed would be the basis of the ability of the US to maintain its economic lead, including for instance software engineering and movie making. A 2005 *New York Times* report on

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[6] Paul Ingrassia and Joseph B. White, *Comeback: The Fall and Rise of the American Automobile Industry* (New York: Simon and Schuster, 1994).

[7] Task Force on the Future of American Innovation, "The Knowledge Economy: Is the United States Losing its Competitiveness?" February 16, 2005, p. 11 at www.futureofinnovation.org.

Silicon Valley, the motor of US technological innovation since the 1970s, was entitled "Profits, not Jobs, on the Rebound in Silicon Valley" and noted that there appeared to be no prospects for employment growth, in part since this profitability was based on outsourcing to other countries such as India.[8] Grave concern was also being expressed by leading US firms at the degree to which the US was falling behind other countries in the education of its children, and at the negative consequences that this would have at the US ability to compete in the contemporary knowledge economy. As noted by the Task Force on the Future of American Innovation, with members such as the American Electronics Association, Hewlett-Packard, Intel, Microsoft, and the Semiconductor Industry Association, "nations from Europe to Eastern Asia are on a fast track to pass the United States in scientific excellence and technological innovation". The report noted that in 2000, according to the National Science Foundation, about 78 percent of doctorates in science and engineering were awarded outside the US.[9]

The second structural advantage enjoyed by the US in an earlier period as noted above was its distinctive form of industrial organization involving oligopolistic vertically-integrated corporations. There are numerous signs that this advantage is disappearing. One sign is the strength of foreign multinational corporations (MNCs) relative to US ones. In 2002, the percent of the top 20 MNCs that were US based was 20 percent overall, 15 percent in banking, 10 percent in retail, 28 percent in electricity, 20 in telecommunications, and 45 percent in law.[10] One of the top ten insurance MNCs was US based. Cross-border mergers and acquisitions involving a US firm as either a buyer

[8] John Markoff and Matt Richtel, "Profits, Not Jobs, on the Rebound in Silicon Valley" *New York Times* July 3, 2005.
[9] Task Force, pp. 1, 3.
[10] Data in this paragraph are from United Nations Conference on Trade and Development, *World Investment Report: The Shift Towards Services* (New York and Geneva: United Nations, 2004), pp. 276, 326-32, 336, 382.

or seller declined from 75 percent in the 1987-90 period to 48 percent in the 2001-3 period. The US accounted for 38 percent of world outward foreign direct investment in 1980, a measure of the strength of its MNCs, a figure that had declined to 25 percent in 2003. The US concern about state-enforced international intellectual property rules is an indication that the structure of the MNC alone is no longer sufficient to sustain US competitive advantage in knowledge production.

The third structural economic advantage enjoyed by the US in an earlier period that was cited above was its dominance in monetary and financial matters. US capital markets continue to be strikingly large relative to others. For instance the value of shares traded on the New York Stock Exchange and the NASDAQ exchange in the US accounted for an average of 41 percent of trading on exchanges worldwide from 1990-1993, a figure that had increased to 56 percent from 2000-2003.[11] However the US share of international banking, which had been 38 percent in 1983 when data was first collected on this, had decreased to an average of 11 percent from 1990-1994, and then to 7 percent from 2000-2004.[12] This difference between capital markets and banking can be explained in large part by the importance of centralization for capital markets, since liquidity and depth are crucial to their success. A focus on capital markets at the expense of other types of financial activities greatly overstates the prominence of the US in global finance more generally. Financial and monetary capacity is growing in other regions, not just in banking, but also with the growth of the Euro, the integration of

[11] Calculated from World Federation of Exchanges data at www.world-exchanges.org.

[12] Calculated from Bank for International Settlements (BIS) data at www.bis.org. The figures are consolidated international claims of reporting banks by home country and are based on all countries that have reported to the BIS since 1983, constituting the vast majority of international banks then and now.

European financial markets through its Financial Services Action Plan,[13] and the serious discussions that have taken place in East Asia in the wake of the 1997/98 financial crises about creating an East Asia bond market to facilitate the investment of their vast financial surpluses more directly in local projects rather than running through bond markets in New York or London. The massive holdings of US government debt by China and other foreign governments makes the US very vulnerable to a sell-off in the US dollar, even if it also ties the fate of those governments more closely to the fate of the US economy, a vulnerability that increases with viable alternatives in the Euro and other financial markets outside the US.

Taken together the above points indicate that the US has lost much of the structural economic advantage that sustained its hegemony in an earlier period. This is likely to mean that the US will find it increasingly difficult to sustain its own political and military power or to provide the benefits to less powerful domestic and international actors that fostered support of its international leadership role in an earlier period.

## US foreign economic policy under Bush

Two overlapping features of US foreign economic policy under Bush stand out. First is a more determined linking of economic policy to political goals. The second is a downgrading of multilateral institutions relative to bilateralism, aggressive unilateralism, and a greater reliance on market-focused initiatives.

The rhetorical linking of politics and free trade is evident in policy documents and initiatives of the Bush administration. For instance US Trade Representative Robert

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13 For an argument that Europe is likely to pose a significant challenge more generally to US dominance see Charles A. Kupchan, "The Rise of Europe, America's Changing Internationalism, and the End of U.S. Primacy" *Political Science Quarterly* 118(2), November, 2003, pp. 205-32.

Zoellick stated in 2003 that for countries seeking free trade with the US, the US expected "cooperation—or better—on foreign policy and security issues."[14] In the occupation of Iraq the US government moved very quickly to put in place measures to liberalize trade and investment, along with other neoliberal policies such as privatization and low taxes. For critics this was seen as some combination of a delusional utopian implementation of a neoconservative vision and a blatant attempt to reward the Bush administration's corporate supporters by the occupation authorities facilitating lucrative contracts, bargain buy-ups of distressed Iraqi assets, and new investment opportunities that subsequent governments would be locked into.[15] Supporters hoped that an inflow of private capital would allow the Iraqi economy to blossom without large-scale US government assistance, and in shifting from a mainly state-owned economy to a privately owned one the economic basis of a new market and democracy-friendly regime would be laid, inspiring reform elsewhere in the Middle East. The US administration's plans did not go as expected, in large part due to the deterrent effect on foreign investors of the ongoing instability and violence in the country.

The granting of economic concessions to trade partners who supported the US government's political goals and the related emphasis on bilateralism is evident in the list of completed, ongoing or planned bilateral free trade negotiations that the administration cites as one of its successes: with *Australia*, Chile, *Singapore*, Jordan, Morocco, Bahrain, Central America (*Costa Rica*, *El Salvador*, Guatemala, *Honduras*, *Nicaragua*), the *Dominican Republic*, the South African Customs Union (Botswana,

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[14] Quoted in Parliament of Australia, *Final Report on the Free Trade Agreement between Australia and the United States of America* August 5, 2004, p. 7.

[15] Naomi Klein, "Baghdad Year Zero: Pillaging Iraq in Pursuit of a Neocon Utopia" *Harper's Magazine* September, 2004, at www.harpers.org/BaghdadYearZero.html.

Lesotho, Namibia, South Africa and Swaziland), *Thailand*, *Panama*, three Andean nations (*Columbia*, Peru, Ecuador), United Arab Emirates, and Oman. [16]The italicized countries are ones that provided support in the war on Iraq, with five other Arab countries being potential participants in the Middle East Free Trade Area that is part of the US strategic vision for transforming the region. These bilateral agreements, in addition to rewarding friends for their political support, also allow the US to more strongly promote its own goals with a single unequal partner than it can in multilateral fora. This is evident in the expectation that potential bilateral trade partners first sign Trade and Investment Framework Agreements which lock in the investment and intellectual property measures that the US would like to see in multilateral agreements but has not yet been able to achieve. US foreign aid has also been closely linked to security. As USAID has noted, "the National Security Strategy of the United States of America places international development in line with defense and diplomacy as the third pillar of U.S. national security."[17] In 2004 top aid recipients included Iraq, Israel, Egypt, and Afghanistan.[18]

The administration's scepticism towards multilateral institutions is evident in its World Bank initiatives. The World Bank has moved significantly away from its support of the "Washington consensus"—a package of neoliberal market-oriented initiatives favoured by the US government and has become more eclectic in its approaches and more eager to work with non-governmental organizations that were previously critical of

[16] United States Trade Representative (USTR) "The President's Trade Policy Agenda for 2005" and "The President's 2004 Annual Report on the Trade Agreements Program" at www.ustr.gov.
[17] At www.usaid.gov/about_usaid/presidential_initiative/.
[18] Tom Barry, "US Isn't 'Stingy,' It's Strategic," *International Relations Center* January 7, 2005 at www.globalpolicy.org.

it.[19] The World Bank primarily finances its knowledge-producing activities from its ability to raise money in capital markets more cheaply than developing country borrowers can. In the decades in which the World Bank policies were closely aligned with the US government's this ability to fund the production and implementation of its policies, and to pay the thousands of economists that it employs, was very much in the US interest. However the Bush administration has announced its desire to have the World Bank curtail its lending activities and instead focus on grants. This would drastically restrict the Bank's operations and policy autonomy. While this Bush policy was framed as helping the poorest recipients for whom grants are important, and coincides with the preferences of some non-governmental organizations on the left, it also would hobble an institution that had lost its enthusiasm for the neoliberalism that the Bush administration favoured, and that could be seen as public sector involvement in the type of lending that large private multinational banks could profitably take on. The Bush Administration's Millennium Challenge Corporation, established in 2004 and funded with $2.5 billion in its first two years by Congress, aims to disburse money to countries that meet strict benchmarks on criteria such as corruption, political rights, education, and days it takes to start a business, and addresses some of the issues that the post-Washington consensus World Bank has, but in a program that is directly run by the US government.[20]

[19] The World Bank has described neoliberalism as a "dogma" and an "ideology" like planning, noting approvingly that "in the 1990s the development community largely moved beyond this opposition between planners and neoliberals" World Bank, *Development and Poverty Reduction: Looking Back, Looking Ahead* Report prepared for the 2004 Annual Meetings of the World Bank and IMF by James D. Wolfensohn (President) and Francois Bourguignon (Senior Vice President and Chief Economist) (Washington: World Bank, 2004), p. 4.
[20] See www.mca.gov

A similar attitude can be detected in the Bush administration's policy towards the IMF, which from the outset favoured the type of reform advocated by the Congressional Meltzer Commission, which advocated less leniency and more focus in lending in order to reduce "moral hazard"—irresponsible economic policies by countries that assume they will be bailed out,[21] even though in its first two years the administration authorized large IMF bailout packages for Turkey, Argentina, Brazil and Uruguay.[22]The Bush administration also moved away from an initial interest in an international bankruptcy arrangements, which would have strengthened the hand of countries in crisis relative to investors, but which was seen as meddling with market forces by investors and large international financial firms.[23] A similar scepticism towards tax-payer funded IMF bailouts and an enthusiasm for market forces was also evident in the surprising US support Argentina received for its unilateral declaration that it would force foreign bond holders to take an unprecedentedly large loss on their Argentinian debt holdings—forcing investors to bear the consequences of the risks they had assumed in exchange for their earnings.[24]

One of the Bush foreign economic initiatives that was most shocking to other countries was its nomination in 2005 of Paul Wolfowitz to lead the World Bank. Wolfowitz was one of the architects of the occupation of Iraq, had been a prominent

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[21] Randal K. Quarles, Randal K., "IMF Reform: Toward an Institution for the Future", Statement of the Acting Under Secretary for International Affairs, Department of the Treasury, June 7, 2005 at www.ustreas.gov/press/releases/js2485.htm.

[22] Beattie, Alan, and Peronet Despeignes, "White House Financial Crisis Policy 'Incoherent'," *Financial Times* (London), October 17, 2002, p. 12.

[23] See Kathryn C. Lavelle, "Governing Sovereign Debt: Formal and Informal Alliances in Emerging Market Financial Politics," Paper presented to the annual meeting of the Canadian Association for the Study of International Development, June 2-4, 2005, London, Canada. Initial Bush administration support for such bankruptcy arrangements was expressed by Bush appointees Anne Krueger (First Deputy Managing Director of the International Monetary Fund) and Paul O'Neill (Treasury Secretary, 2001-2), but the administration shifted its support to more market-oriented collective action clauses in bonds. This was in part due to a lack of support for the bankruptcy arrangements from actors outside the US, including the developing countries organized in the G24.

[24] Eric Helleiner, "The Strange Story of Bush and the Argentina Debt Crisis," Paper prepared for presentation at the annual meeting of the Canadian Association for the Study of International Development, June 2-4, 2005, London, Canada.

participant in the neoconservative Project for a New American Century,[25] and other than a three year stint in the US Embassy in the Indonesia had no development experience, and for many observers he was the most inappropriate nominee imaginable. By unwritten tradition the US has had the right to name the head of the World Bank and the Europeans to name the head of the IMF. The *Wall Street Journal*, in editorializing that "we don't put much faith in foreign aid as a development tool…nevertheless, the bank plays a geopolitical role for the U.S., and as long as it is going to exist it is certainly worth improving its efficiency"[26] was expressing an attitude towards the Bank that was likely similar to the one motivating the Bush administration. In the end, despite some prominent grumbling, the Europeans accepted this appointment, in part due to their desire not to upset tradition or their own bid to have a European as the next head of the World Trade Organization (WTO). At time of writing it is not clear what changes Wolfowitz will bring about at the Bank. Nevertheless, overall one can interpret this appointment as an aggressive promotion of particular US national interests as interpreted by the Bush administration at the cost of damaging its relations with other governments and damaging the reputation of a multilateral institution that the US had in the past more strongly supported.

US multilateral trading initiatives have not been very fruitful. An early Bush success was his ability to get his Trade Promotion Authority (previously called "fast track") approved by Congress in 2002.[27] However in order to accomplish this he took two initiatives to protect agriculture and steel that were regarded as sharply contrary to

[25] www.newamericancentury.org/statementofprinciples.htm.
[26] *Wall Street Journal* (2005) "World Bank Job" January 11, p. A20.
[27] Trade Promotion Authority restricts Congress to either approving or rejecting trade agreements as a whole and is essential for US trade negotiations since without it other countries would have no confidence that the details of agreements made with negotiators would not be modified by special interests in Congress.

the spirit of US commitments to the WTO.[28] Massive subsidies to US farmers not only were seen as taking a big step backwards from the progress that had been made with the Europeans on this key issue in the Uruguay Round, but also as seriously harming developing country farmers in the midst of the Doha Development Round, which was supposed to be especially attentive to the needs of developing countries. Steel protection created anger among trade partners not only because of the size of the tariffs—up to 30 percent—but also because they coincided with the Byrd amendment in which for the first time the US government decided to give US producers, mainly in the steel industry, the punitive duties imposed on their foreign competitors, an amount totalling $710 million from 2000 to 2003.[29] The Byrd amendment was subsequently ruled illegal by the WTO, and the Bush administration removed the steel tariffs in 2004 after its partners threatened it with retaliation.

Although the argument has been made that these initiatives are a typical pattern that contribute to successful US trade policy, by assuaging Congress and giving foreign governments a problem that they will want to negotiate to remove,[30] but it is more likely that they display a consistent US pattern of protecting industries in which it is not competitive and pushing for market-opening measures in industries in which it is.[31] Moreover progress in the negotiations at the WTO in the wake of Bush's steel protection and agricultural subsidies was halting, and combined with the negative reactions of

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[28] Tony Porter, "The United States in International Trade Politics: Liberal Leader or Heavy-Handed Hegemon?" in Dominic Kelly and Wyn Grant, eds., *The Politics of International Trade in the Twenty-First Century: Actors, Issues and Regional Dynamics* (Basingstoke: Palgrave Macmillan, 2005), pp. 204-220, 215.
[29] Neil King Jr. and Scott Miller, "U.S. Could Face New Export Tariffs; WTO Authorizes Measures for Violating Trade Rules; A Setback for Bush, Congress," *Wall Street Journal*, September 1, 2004, p. A.3.
[30] Fred C. Bergsten, "A Renaissance for United States Trade Policy?" at www.iie.com/publications/papers/bersten1002.htm, originally in *Foreign Affairs*¸November/December 2002.
[31] Porter, "The United States".

trading partners to those US trade measures it is more likely that their effect on the negotiations was negative rather than positive.

Negotiations for Free Trade Area of the Americas (FTAA) have also been much slower than proponents initially hoped. In part this is due the growth in opposition to the Washington consensus, which after two decades seemed to many to have done little to address Latin America's problems, or perhaps even to have made them worse.[32] However free trade initiatives among Latin American countries or between those countries and partners in other hemispheres were actively considered,[33] even as the FTAA negotiations were making little headway, and combined with the apparent unwillingness of the US to make concessions on subsidies and restrictions on agricultural imports that are especially important to Latin American trade partners this suggests that the problems with the FTAA were more related to the differing approaches of the US and the others than to the idea of free trade in general. The US position was further complicated by the weakness of support for free trade in the US Congress, as evident in the intense debate in 2005 over the Central American Free Trade Agreement.

The harnessing of US foreign economic policy to US political goals and tendency towards a more aggressive unilateralism that have been highlighted by this section have so far not resulted in significant accomplishments that could be seen as enhancing US economic power. The pay-offs from trade negotiations have been slow and small while tensions between the US and its trading partners have increased. The list of countries which have been drawn closer to the US as a result of bilateral negotiations is relatively

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32 David Luhnow et al. "Latin America's Season of Discontent: Bolivia's Chaos Reflects Larger Anger at U.S. Policy and IMF's Prescriptions", *Wall Street Journal* October 16, 2003, p. A21.
33 Geraldo Samor and Scott Miller, "Latin America Warms Up to EU in Trade Talks," *Wall Street Journal* April 15, 2004, p. A13

small.[34] There is no question that the US continues to wield tremendous power in multilateral institutions as a result of the size of its economy and its formal and informal control of those institutions.[35] Nevertheless foreign economic policy under Bush does not correspond to the type of management of the world economy or successful pursuit of US interests that one would expect if US power had increased sufficiently to merit the "empire", and even the appropriateness of the "hegemony" label is less clear than in the past.

## Conclusion

The above sections have highlighted the degree to which US structural economic advantages have declined rather than increased over the past quarter century and the degree to which the conduct of US foreign economic policy has not produced the type of global governance one might expect of an imperial power. Given the decline in US structural economic advantages it seems unlikely that the more aggressive unilateralism of US foreign economic policy under Bush is because the US no longer needs to care about the global economy. While the US share of the global economy has declined, the proportion of the US economy that is linked to the global economy has increased, with trade accounting for 31.5 percent of US GDP in 2004, up from 13 percent in 1970 and 27 percent in 1994.[36] If the US is to profit from the economic areas in which it is relatively strong, such as foreign investment, services, and intellectual property, it needs

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34 For data and an analysis that is more positive about the long range potential of US free trade agreements see Richard E. Feinberg, "The Political Economy of United States' Free Trade Arrangements" *World Economy*, 26, July, 2003, 1019-1040.
35 Ngaire Woods, "The United States and International Financial Institutions: Power and Influence Within the World Bank and the IMF" in Rosemary Foot, S. Neil MacFarlane, and Michael Mastanduno, eds., *US Hegemony and International Organizations* (Oxford: Oxford University Press, 2003), pp. 92-114.
36 USTR, "The President's Trade Policy," p. 5.

to promote a strengthening of international rules governing market access and enforcement of its property rights, and this continues to be a stated goal of US foreign economic policy. It is much less effective overall to pursue these rules with smaller countries on a bilateral basis than it would be to solidify them in multilateral institutions, and yet it is the former rather than the latter that has occurred under the Bush administration.

There are certainly idiosyncratic features of the Bush administration that help account for its foreign economic policy that cannot be directly linked to changes in US structural economic power. [37] Much of the politicization of US foreign economic policy can be linked to the impact of the terrorist strikes of 9/11 on US foreign policy more generally, to the distinctive characteristics of the neoconservative ideology that has influenced Bush policies in all areas, including the domestic tax cuts which contributed to the US trade deficit, and to the tendency of Bush to rely on a close circle of political advisors, diminishing the role of other actors such as the Treasury Department.[38] The relatively closed circle of policymaking in the Bush administration further amplifies the impact of its ideological commitments, a phenomenon that has been labelled "groupthink" in studies of previous US presidencies.[39]

While these factors may be idiosyncratic, the overall approach to foreign economic policy is very consistent with the policies one would expect from a hegemon that is experiencing a loss of structural economic power, that is therefore no longer able to

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[37] For an argument that emphasizes incompetence rather than structural factors see Jeffrey Frankel, "Bush's Spectacular Failure", *The International Economy* Spring 2004, pp. 22-27, 71.

[38] Andrew Balls, "Treasury Feels White House Heat on Policy: About-Turn on China Currency Signals Economic Strategy is to be Firmly Led by the President's Inner Circle," *Financial Times* (London), April 22, 2005, p. 10.

[39] Patrick J. Haney, "Foreign-Policy Advising: Models and Mysteries from the Bush Administration" *Presidential Studies Quarterly* 35(2), June, 2005.

provide the benefits and wield the threats that allowed it to obtain compliance with its preferred policies in the past, and that is shifting from attempting to manage rules for the world economy as a whole on a multilateral basis to a more modest focus on particular rules that are of special interest to it. Far from providing support for the idea that the US is shifting in the direction of empire from a more modest hegemony, the evidence examined above has pointed to the degree to which the US is less able to achieve its own ends, let alone to provide the type of coherent, extensive, but centralized governance that one would associate with empire. US foreign economic policy under Bush, rather than being imperial, inspired or incompetent, is inevitably increasingly ineffective.