

Dieter, Heribert; Higgott, Richard

**Article**

## Linking Trade and Security in Asia: Has Washington's Policy Worked?

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## **Linking Trade and Security in Asia: Has Washington's Policy Worked?**

Heribert Dieter/Richard Higgott

German Institute for International and Security Affairs / Centre for the Study of  
Globalisation and Regionalisation of the World Economy, University of Warwick

This paper traces the linking of trade and security, a characteristic of US foreign economic policy since 2001. It does so with reference to US economic policy in East Asia. We argue that the US has been unable to resist the temptation to link foreign economic and security policy. While there was evidence of the securitisation of economic globalisation in US policy from day one of the BUSH Administration, it was September 11 that firmed up this trend. Ever since, the BUSH government has been seeing globalisation not simply in neo-liberal economic terms, but also through the lenses of the national security agenda of the United States. Economic globalisation has been linked to security policy. This trend is evident in East Asia, where the United States has put an emphasis on Free Trade Agreements with military allies. However, in linking trade and security, the United States have not been very successful: Only two free trade agreements – with Australia and Singapore – are currently implemented in the Asia-Pacific. By securitising trade policy, the US may have weakened rather than strengthened its position in Asia. The main beneficiary of America's policy shift has been China, which has been portraying itself as a benign rising power in the region. The paper identifies some intellectual contradictions in the current US strategy and raises a series of questions about the implications for the world order of the consolidation of the trends identified.

*Key Words:* Globalisation, free trade agreements, sovereignty, Asia,  
US foreign policy.

*Jel-Codes:* F13, F14, F15, F42, H56.

### **1 Introduction**

The relationship between globalisation, sovereignty and security is now more inextricably linked in the normally competing scholarly literatures of security studies and international political economy than at any time in the recent past. Trends in contemporary world order can only be understood by an examination of the changing nature of the relationship between sovereignty and security under conditions of economic globalisation. The context in which such a sweeping statement can be made is, of course, the world since September 11, which brought into sharp relief some trends that had been developing in the global order in the closing stages of the 20<sup>th</sup> century.

The key player in the story is, inevitably, the United States, enjoying (if that is the correct expression) a period of unparalleled global predominance. Indeed, the US controls a more substantial share of global power than any country since the emergence of the state system (JERVIS 2003). As JOHN IKENBERRY notes:

“The pre-eminence of American power today is unprecedented in modern history. No other great power has enjoyed such formidable advantages in military, economic, technological, cultural or political capabilities. We live in a one superpower world and there is no serious competitor in sight” (IKENBERRY 2002, p.1).

We define securitisation as a process in which ‘an issue is framed as a security problem’ (WAEVER 1995, see also BUZAN 1998).<sup>1</sup> Specifically in this paper, we will attempt to demonstrate how elements of US foreign economic policy are securitised: Rather than existing in two parallel policy areas, economic policy is subsumed or subjugated within the wider context of the US security agenda.

In effect, foreign economic policy is declared in need of having to have a security dimension. Securitisation, to recast BUZAN:

“... is the move that takes ... [foreign economic policy] ... beyond the established rules of the game and frame the issue as either a special kind of politics or as above politics” (BUZAN 1998, p. 23).

Foreign economic policy under BUSH has come to be articulated in the language of security. The audience for this re-articulation – the USA’s international economic partner – is made aware of the salience of the relationship between the two, normally discursively discrete, domains of policy and the accompanying expectation that they respond accordingly. The aim of securitisation is thus to justify the imposition of conditions and measures in the area of foreign economic policy that would not be considered the norm in this policy domain. In many ways, as will be shown in the discussion of US policy towards bilateral trade relations with Asia, the securitisation discourse is one of reward and threat. It were the exceptional circumstances of the post September 11 war on terrorism that have allowed the securitis-

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1 For an interesting case of another policy area – transnational crime – that has undergone a process of securitisation in Asia see EMMERS (2003).

ing actors (the BUSH Administration) to adopt policies and procedures extra-ordinary to the norms of the foreign economic policy domain.

In America, economic globalisation, it will be argued, is no longer seen just in liberal economic terms, but also through the lenses of the national security agenda of the United States. At the same time, governments in countries that are contemplating a free trade agreement with the United States are explicitly reminded of the strong connection between security and economic co-operation.

However, America's economic and security position in Asia may not have been strengthened by linking trade and security. The United States has only been able to implement two bilateral free trade agreements in Asia, widely defined: with Australia and Singapore. The exclusion of other potential partners, such as New Zealand or Taiwan, on the basis of security, rather than economic consideration, has significantly reduced the number of countries on America's list of FTA partners.

Thus, GEORGE BUSH's foreign economic policies may have had two negative effects: First, the American emphasis on bilateral trade agreements, in Asia and elsewhere, has contributed to the weakening of the multilateral regime, although it would be unfair to solely blame the US for this development (DIETER 2003). Second, by reducing the number of potential candidates for a FTA the US has undermined its own strategy and has enabled potential competitors, in particular China, to embrace a region that hitherto had been very reluctant to develop deep ties with Beijing. Rather than prolonging unipolarity, BUSH's policies may have resulted in the emergence of multipolarity, at least in the medium-term.

The paper proceeds in three sections. The next section identifies the characteristics of a unipolar world order in the early 21<sup>st</sup> century and the principal elements of a securitised foreign policy. Part three traces the sources, and implications for policy, of the idealist-unilateralist underpinnings of contemporary American foreign policy. Part four examines the implications of the securitisation of US economic foreign policy. In conclusion, the paper identifies some intellectual contradictions in current US strategy and raises a series of questions about the implications for the world order of the consolidation of the trends identified.

## 2 Unipolarity in the First Decade of the 21<sup>st</sup> Century

International relations, especially within a realist paradigm, have a long tradition of asking about the state of polarity at any given time in the structure of the international system. There is, in the current era, a widely shared assumption (that is, not just amongst realists) that we are at a unipolar, and hegemonic, moment in international affairs. As is normal with hegemons – from Rome to the US – they are both the source of much that is good and much that is bad in the world. The crucial issue is always the balance in this relationship. The role of the US in contemporary international relations and international political economy is currently hegemonic and unilateral in its rhetoric and behaviour, that it almost blinds us to other views of how the world might function in a more co-operative multilateral manner. This, of course, is a polemical assertion. We make it for two reasons. Firstly, we happen to think that we can present evidence to support this position. Secondly, it is only by contemplating this position that we can begin to think about strategies and policies for mitigating it.

In essence, both the scholarly literature and the empirical historical evidence suggest that multipolarity creates incentives for economic integration and co-operation between allies and enhanced economic interaction as a major instrument of co-operative statecraft. By contrast, bipolarity, as during the Cold War era, encouraged the separation of economics and politics. The analysis of unipolarity, often a short-lived moment, is less well defined. While resisting the structural realist assumptions about the independence of state power as an analytical variable in international relations, we are of the view that the early 21<sup>st</sup> century appears to confirm MICHAEL MASTANDUNO's argument that a unipolar structure will see the hegemonic state organise economic policy and practice "... to line up behind and reinforce its national security strategy." (MASTANDUNO 1998, p. 827)

For the scholar, US policy has been a living laboratory in which we might think about what motivates the relationship between the hegemonic state and its economic and security policies. While security issues and state power, especially military preponderance, is clearly important, there are also other salient factors. As the paper will suggest, ideational influences (the dominant neo-conservative ideology, only partly called into question by the victory of the Democrats in the 2006 election) and the changing nature of liberal economic globalisation are also salient in explaining US behaviour. More immediately, a sense of historical context is required. As JERVIS ar-

gues, "nations enjoying unrivalled power always define their national interest in increasingly expansive terms" (JERVIS 2003, p. 83).

US policy has been very much constituted by where the USA stands in either a bipolar, multipolar or unipolar historical moment. In historical terms, this is reflected in US policy in the Cold War and post Cold War eras. During the bipolar Cold War the major security rival, the USSR, was not the major economic rival. The West and East were effectively separate economic entities (SPERO 1977). In this context, the US strongly separated economic and security policy. In the economic domain – especially through the MARSHALL Plan, its encouragement of the development of a free trade area in Europe and other actions – US economic strategy was to rebuild its allies, and indeed former military rivals (Japan and Germany) in a way that reflected a complementary Western economic order but a competitive East-West security divide.

As a reading of the late 1980s and early 1990s attests, Cold War tensions declined, the Soviet Empire came to an end and economic competition between the US and its politico-strategic partners increased. This was also to be a period of heightened economic tension between the US and Europe across the Atlantic and the US and Japan across the Pacific.<sup>2</sup> This was to change further by the late 1990s. The US had enjoyed a decade of steady growth, the high-tech boom was in full flight and the Asian Economic Miracle had run out of steam – across the board, stagnation in Japan, financial crisis in other parts of Asia – the "miracle" was pronounced dead. The atmospherics of the US-Asia relationship had seen the Asian hubris of the early 1990s give way to American *Schadenfreude* in the late 1990s.<sup>3</sup> US preponderance was firmly established – unipolarity seemed to be more than just a moment. The stated desire of both the late CLINTON and early BUSH Administrations to preserve preponderance has led to the greater harmonisation of economics and security considerations in US policy. The important point to note is that this trend was in place prior to September 11. Without elaboration at this stage, this shift had been evident in relations towards Europe and Asia – China in particular.

In short, there would appear to be a correlation between the degree of dominance of the international system by the US in military terms and the manner in which it uses economic policy as an arm of security policy. The

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2 See ALBERT (1992), PRESTOWITZ (1998), GARTEN (1992) and THUROW (1999).

3 See HIGGOIT (1998) and ZUCKERMAN (1999).

emergence of uni-polarity and the close integration of economic and security policy arguably has its origins back in the mid-1990s, especially after the series of financial crises that hit Asia, Russia, Eastern Europe and Latin America. But, as the next section will argue, it was September 11 that offered the unilateralist idealists – epitomised in the New American Century Project – to set in train their agenda for a post sovereign approach to American foreign policy.

From a reading of US policy in the contemporary era, we can say that a uni-polar moment does indeed appear to have tempted the hegemon to integrate economic and security policy more closely than under conditions of multi-polarity. It has done so in a manner in which economic policy has become an arm of security policy. Economic policy, rather than being a mere instrument of economic relations and statecraft becomes a part of the armoury of influence that the hegemon uses to develop a strategy towards potential challengers. At the general level, this can be seen in US policy towards the international economic institutions such as the IMF and the World Bank and especially in policy towards the WTO in the failing Doha Round. It can also be seen in its bilateral economic relations; for example, with the EU. The nexus between economic and security relations with the EU are now an integral part of its wider security agenda in the wake of the split with continental Europe over military involvement in Iraq. As the empirical discussion will demonstrate, economic relations with East Asia have also been “securitised”.

### **3 Explaining Contemporary American Foreign Policy: Liberal Internationalism and Unilateralism**

There is undoubtedly a view in the US, unquestioned since the end of the Cold War – or, more appropriately, since what is seen as the US victory in the Cold War – that a new system should be advanced by the US to replace the bi-polar structures. This view is captured, without a trace of irony or doubt, in the title of MICHAEL MANDELBAUM’s book, “Ideas that Conquered the World: Peace, Democracy and Free Markets in the Twenty-First Century” (2001). These ideas – peace as a method of organising international relations, democracy as the optimal form of government and free markets as a way to structure economic life – are the central rhetorical core of contemporary American idealism.

In America post September 11, a more conservative agenda has been shelved for a more assertive – indeed pre-emptive – posture that we can characterise as “post sovereigntist”. The bedrock assumptions of sovereignty, as we have known them for much of the post-Westphalian era – the centre of authority, the origin of law and the source of individual and collective security within designated boundaries that distinguished the domesticated interior from the anarchical exterior – are challenged by the notion of pre-emption at the heart of the modern BUSH Doctrine.

However, we are not suggesting that sovereignty has previously been an absolute, manageable and uncontested concept, or that sovereignty could ever be equated with an equal form of independence for all states in anything other than the most narrow of legal interpretations. Nor is it to deny that substantial inroads have been made into the capacity of states to make autonomous economic policy. Clearly, the power of markets – under conditions of global liberalisation, deregulation, privatisation and hollowing out of government – has grown at the expense of the authority of states. In short, sovereignty has always been a relative, relational and, indeed, hypocritical concept.

Unilateral action, backed by American military power, is the *modus operandi* to be adopted. At this stage, we do not yet know the degree to which US staying power will back up this rhetoric. But failing to live up to expectations will only reinforce that already strong stream of cynicism that greets American motives in many parts of world opinion.<sup>4</sup> While the rhetoric is idealist, we have yet to see whether the practice will remain so, or whether the realist instinct to privilege the defence of US interest in the international system, without actually changing the system, will re-occur as it has done in times in past.

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4 See PRESTOWITZ (2003), in 2006, polls conducted for the German Marshall Fund affirm the growing unpopularity of America, at least in some regions of the world: In Europe, the proportion of citizens that value US leadership has shrunk from 64 percent in 2002 to 37 percent in 2006, whilst the proportion of those that consider US leadership undesirable has risen from 31 percent in 2002 to 57 percent in 2006 (Transatlantic Trends, Key Findings 2006, p. 5). In Asia, the US role as the “world policeman” has been criticized by interviewed people: 53 percent in India, 73 percent in South Korea, 77 percent in China and 79 percent in Australia think that the USA plays the role of the “world’s policeman” more than it should (The United States and the Rise of China and India. Results of a 2006 Survey of Public Opinion. The Chicago Council on Global Affairs, p. 51).



### 3.1 An Emerging Dissent?

Changes in US positions, policies and behaviour on the key issues of economic globalisation, especially its increasingly unilateralist attitude towards the reform of the key instruments of international economic management (the WTO, IMF and World Bank) and especially following the Asian financial crises, are now as well understood (STIGLITZ 2006) as are other aspects of its unilateral behaviour (such as walking away from the Kyoto Protocol, the International Criminal Court, the Germ Weapons Ban and Trade in Light Arms Treaty). What is less well articulated is the degree to which these policies do in fact represent a historical break with the past.

In a previous unipolar moment – in the aftermath of World War Two – the USA used its unchallenged power (material and ideational) to set in place an international institutional infrastructure of global economic management. Although underwritten by US hegemony, the Bretton Woods System and the GATT were multilateral in both tone and practice. For sure, the USA saw these institutions as beneficial to its national interest and its view of the world order, but it defined its interests broadly and in a sufficiently inclusive manner that other countries felt able, nay keen, to sign on to a vision that stressed the importance of due process and the rule of law.

Now, in another unipolar moment, there is a strong sense that the USA is defining national interest much more narrowly, largely in security terms, and turning its back on institutional arrangements that for half a century were at the base of its more multilateral view of world order. Our point here is not to make judgements on the contemporary utility of the major international institutions – that they are in need of major reform is not the issue – rather we wish to capture the magnitude of the change that US policy has undergone since the advent of the BUSH Administration.

But one significant element of the sources of critique of recent US foreign economic policy lies in its weakness. It currently has very little influence. This is one of the contradictions we are confronted with when analysing the current American trade policy: On the one hand, it has become interest-driven and has added security issues. But on the other hand, the United States is relatively isolated both in multilateral and – perhaps even more surprising – in its bilateral projects. Apart from the free trade agreement with Australia, America has not netted a big fish in its bilateral agreements in more than a decade, an issue which will be discussed further below.

## **4 The Implications of Securitisation and Bilateral Agreements in Asia**

The ascendancy of the unilateral idealists and the securitisation of US globalisation policies – that is over key elements of its foreign economic policy – can be found in a number of empirical contexts. It is the contention of this section of the paper that US policy towards the Asian regional agenda is significantly shaped by the influences outlined above. Moreover, the weakened US economy (which is not a contradiction with the argument that we live in a unipolar hegemonic moment) since the turn of the century has seen the Administration think more about the degree to which the security agenda could also be a prop to the domestic economy, even prior to September 11.

### **4.1 The International Institutions**

In this domain, as in many other areas, the BUSH Administration is, at best, ambivalent towards instruments of multilateral global economic governance. For example, the WTO is now seen as a site at which it cannot always be guaranteed to secure its own way. There are two reasons for this. Firstly, this is the one international institutional arena where collective European power is closer to par with the US. The EU, impressively and in contrast to many other areas of policy, speaks and acts with one voice in the WTO.

Secondly, the creation of the dispute settlement mechanism (DSM) developed during the Uruguay Round and enshrined in the WTO applies to the US as much as any other state. There is a strong feeling in large quarters of the US trade policy community that in signing on to the WTO/DSM – effectively swapping its aggressive unilateralist trade policy of the 1970s and 1980s for the “multilateral assertiveness” of the DSM – the US had failed to appreciate the manner in which the constraints of the DSM would bite it as much as, if indeed not more than, other WTO contracting parties.<sup>5</sup>

Indeed, the US has lost several disputes under the new dispute settlement system. By contrast, the US has enjoyed victory in disputes that were (largely) handled outside the WTO, e.g. the softwood lumber case with Canada and the catfish case with Vietnam.<sup>6</sup> In the last few years, basically since the

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5 For a discussion see ELLIOTT and HUFBAUER (2002).

6 On softwood lumber see IKENSON (2005), on the catfish dispute see DAVIS (2006).

aborted Seattle Ministerial Meeting of 1999, there has been a growing hostility to the WTO in US policy circles. Historically, US commitments to multilateralism, have always been stronger in the economic domain than any other area of policy. But in what has been a continual tension between unilateralism and multilateralism the unilateralist urge is gaining the upper hand once again. The US rhetorical commitment to a successful Doha Round must be contrasted with its increasing recourse to bilateral free trade, or, more accurately, preferential trade agreements. This issue is discussed in detail in the examination of policy towards Asia.

Given the differences in their institutional structure and decision-making process – especially the system of weighted voting which gives the US an effective veto – US control in the IMF and the World Bank is more assured than at the WTO. In these instances, it is easier to secure more self-serving policy outcomes – as in the veto of an Asian Monetary Fund in October 1997.

#### **4.2 Asia: Hubs and Spokes all the Way down**

US economic relations with East Asia have also been “securitised”. This can be seen within the regional institutions and especially in bilateral economic relations. Even prior to September 11, Asian observers had increasingly evaluated APEC (Asia-Pacific Economic Cooperation) as a tool of American foreign policy. APEC’s failure to provide any meaningful response to the biggest economic crisis in the Asia-Pacific region since 1945 made it, if not irrelevant, then less important, for many Asian members. Resistance of Asian policy makers to a strengthened APEC after the financial crisis was caused not only by the lack of tangible benefits but also by a fear of American dominance within the organisation (DIETER 2005). APEC has always struggled to reconcile its regional focus with the wider agendas of the US and its problems go even deeper (RAVENHILL 2000). APEC’s concentration on facilitating contacts in the corporate and private sector, accompanied by an almost total neglect of developing an intra-regional network at the wider civil society level, has resulted in a weak or non-existent sense of community. As a consequence, it fails to provide much political legitimacy for the wider regional neo-liberal economic project.

Most immediately, the manner in which the US has treated APEC in the wake of September 11 has confirmed Asian perceptions. Throughout the 1990s, the Asia Pacific had been a major focus of attention for US foreign

economic policy. It was an important part of its neo-liberal global economic agenda, evinced by its (albeit failed) attempt to use APEC to secure Early Voluntary Sectoral Liberalisation (EVSL) (AGGARWAL and RAVENHILL 2001). Following September 11, US interests in regions of the world other than the Middle East and the war on terrorism were placed firmly on the back burner. Policy began to reflect a declining American concern for the viability of an issue-specific organisation such as APEC if it did not contribute towards US policy on the privileged issues of the containment of terrorism.

Rivalry between an Asian integration project and APEC is, of course, not new and not all questioning of APEC's continued utility stems from current American policy. Independently of the position of the US towards APEC, policy elites in Asia have been reconsidering the benefits of regionalism without the Pacific Caucasians.

Frustrated with the lacklustre development of APEC, and in view of the FTA networks of the European Union and the USA, Asian countries are following the bilateral trend (HUFBAUER and WONG 2005, ZILTENER 2005). The implementation of discriminatory trade arrangements is arguably the most significant development in intergovernmental relations since the Asian crisis of 1997 (RAVENHILL 2003). American foreign policy has helped to foster that trend. In particular, American opposition to an Asian Monetary Fund in, and since, 1997 (for a discussion see WANG 2000) has sowed the seeds for further polarisation and bolstered the development of a dialogue between Southeast and Northeast Asia on this and other issues. Since the turn of the century, regular ASEAN summits have been expanded by the participation of Japan, China and South Korea in ASEAN+3 (or APT) meetings. Steps in the search for a new monetary regionalism have been numerous (for a discussion see DIETER and HIGGOTT 2003).

Does this represent a "new regionalism" in East Asia without a central role for the USA? It is too early to tell. If not a new regionalism then it may at least reflect a "new realism" on the part of Asian leaders in the wake of the financial crisis of the 1990s and other contemporaneous changes in regional mood. Irrespective of the explanations of the Asian financial crisis, the closing years of the 20<sup>th</sup> century convinced Asian regional policy elites, as even some influential Americans noted, that, "... they no longer want to be in thrall to Washington or the West when trouble hits in" (BERGSTEN 2000, p. 20). BERGSTEN and Nobel Laureate JOSEPH STIGLITZ (2002, 2006) are rare amongst American observers in recognising the degree to which East Asian

states felt that they were “both let down and put upon by the West” in the crisis and that a more purpose designed, specifically East Asian, response to certain policy issues was neither uninteresting nor unreasonable in the circumstances. The point here is that the US, since September 11, has been largely disinterested in regionally inspired, Asia-specific co-operative initiatives in a manner that would have been hard to envisage in the closing years of the 20<sup>th</sup> century.

For sure, the American interest in bilateral trade arrangements is determined by a number of factors. Specifically, the Doha Round has been suspended and was never going well. It has been in trouble for many reasons that cannot be discussed here (but see LEHMANN 2003). But there can be little doubt that the growing US unilateral policies and its interest in bilateral preferential trading relationships (PTAs) are the major reasons for the weakness of the multilateral regime. At the very least, it has given cause to doubt the priority that the American government has accorded to securing a successful MTN (Multinational Trade Negotiation) round.

Of course, this interest is not simply a US phenomenon. But, if the Europeans started it, and other, smaller and weaker states are now also exploring it, is the zeal with which the interest in bilateral activities has been picked up by the US that is the major cause for concern. The role of the US, as the strongest partner in any bilateral relationship, is bound to be disproportionately influential. The US is in a position to use its hegemonic power and the prospect of preferential access to the US market (BHAGWATI and PANAGIRIYA 2003). The proliferation of bilateral PTAs is also, we can note, the issue on which the biggest divide between settled economic theory and short-term political practice can be seen in the global economy since the introduction of protectionist measures in the 1930s. On few things are economists and political scientists so agreed than that bilateral trade deals are sub-optimal and pose major threats to the multilateral trading system. This is especially so when, as in the current context, they offered to advance non-trade specific agendas.

Actions, rather than rhetoric, suggest that the USA currently attaches as much, if not more, importance to its bilateral deals than to the multilateral regime. Bilateral agreements have moved, and continue to move quickly with a range of countries, including Chile, Australia, Singapore, South Korea, Thailand, Morocco and a range of the smaller Latin American states. In its defence, when it chooses to suggest a bilateral free trade agreement, the current US Administration argues that it is merely using its bilateral strat-

egy to build, what former USTR ROBERT ZOELLICK called, a “coalition of liberalisers, placing the US at the heart of a network of initiatives to open markets” (ZOELLICK, quoted in LUKE PETERSON, “BUSH Will Trade Only with Friends,” *New Statesman*, 23 June 2003, p. 17). But it also appears that there is a decidedly political element to the choice of partners in this process. As ZOELLICK speaking at the Institute for International Economics in Washington noted:

“A free trade agreement is not something that one has a right to. It’s a privilege. But it is a privilege that must be earned via the support of US policy goals. ... [The BUSH Administration] ... expects co-operation – or better – on foreign policy and security issues” (NEW STATESMAN, 23 June 2003, p. 17).

By way of illustration, ZOELLICK noted that a free trade deal with New Zealand – given its historical ban on nuclear ship visits, a failure to support the war in Iraq – was unlikely. It has also been made very clear by the US Embassy in Wellington that FTA discussions are not on the agenda and that New Zealand’s negative attitude towards US security policy is a key factor in the US position (“US Toughens Trade Stance”, *NEW ZEALAND HERALD*, 24 May 2003). By contrast, the FTA with Australia had been “fast tracked” and is implemented since 1 January 2005 (DIETER 2006).

EVENETT and MEIER note that the case of New Zealand is not an exception but rather the norm: Egypt, Indonesia, Kuwait, Pakistan, the Philippines, Qatar, Sri Lanka, Taiwan and even Switzerland have all explored the possibility of negotiations for an FTA, and have all been rebuffed (EVENETT and MEIER 2006). Whilst it is quite obvious that security consideration did not play a role in the case of Switzerland, they may well have in the other cases.

Political considerations are as important as economic ones in the development of bilateral trading agreements. Symbolically, Singapore, a strong supporter of the US in the “war on terror”, had its FTA signed in the White House with due dispatch. Chile, a near neighbour, had the signing of its agreement, the negotiations for which had begun prior to those with Singapore, delayed three months and signed in Miami.

Of course, it does, as they say, take two to tango and such bilateral free trade deals undoubtedly prove popular to the policy elites of the small states to

which bilateral agreements are offered.<sup>7</sup> Australia and Singapore, as but two examples among many, have been keen partners in this process. But bilateral PTAs represent a cheap and easy process by which the USA secures trade concessions or political support in other areas, in what are invariably and self-evidently asymmetrical negotiations and bargains. The rewards for the junior partners – rather than securing substantial economic gain – should perhaps be seen, somewhat paradoxically, more as exercise sovereignty enhancement and good publicity for the political leaders securing them.

Needless to say, FTAs are resolutely defended by the governments of the small partners. This is particularly evident in Singapore and in Australia (DIETER 2006). The Singapore-US FTA also had the happy coincidence of reflecting both countries desire to manage the role of China in the East Asian region. Indeed, it is widely understood in Washington foreign policy circles that one element of an interest in bilateral PTAs in Asia reflects a desire on the part of the BUSH Administration to contain what it sees, as the rising politico-economic influence of China in the region. That goal, however, has not been achieved.

The bilateral free trade agreements listed in tables 1 and 2 clearly show the relative failure of America's new trade policy. Rather than being able to open new markets for American companies, there has been very little success. Singapore has had an open trade regime for a long time, thus resulting in very limited economic gains for the US. Australia, although having been a relatively protected economy until 1984, had also liberalised its import regime significantly in the last two decades. Nevertheless, the agreement with Australia is showing a strong increase of American exports to Australia in the first months after the implementation of the agreement (DIETER 2006).

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7 An articulate defence of FTAs is to be found in DESKER (2003).

**Table 1: Bilateral Free Trade Agreements in the Asia-Pacific**  
(as of October 2006, at least one country from the Asia-Pacific)

Participating countries	Year of Ratification/Effective Date
1. Australia – New Zealand	1983/1983
2. New Zealand – Singapore	2000/2001
3. Japan – Singapore	2002/2002
4. Australia – Singapore	2003/2003
5. Singapore – USA	2003/2004
6. Chile – South Korea	2003/2004
7. China – Macao	2003/2004
8. China – Hong Kong	2003/2004
9. China – Thailand*	2004/2004
10. India – Thailand	2004/2004
11. Australia – Thailand	2004/2005
12. Australia – USA	2004/2005
13. Japan – Mexico	2004/2005
14. New Zealand – Thailand	2004/2005
15. Japan – Thailand	2004
16. India – Thailand	2004/2005
17. India – Singapore	2005/2005
18. Chile – China	2005/2006
19. EFTA – South Korea	2005/2006
20. Japan – Malaysia	2005/2006
21. South Korea – Singapore	2005/2006
22. Chile – India**	2006
23. Japan – Philippines	2006

\* Early harvest program within the ASEAN–China-FTA.

\*\* Preferential agreement (no comprehensive free trade)

Sources: FERIDHANUSETYAWAN (2005), Internet: <http://aric.adb.org>, (as of 30 October 2006).



**Table 2:** Bilateral Agreements being negotiated or feasibility studied  
(at least one country from the Asia-Pacific)

1. Australia – China	16. India – Japan	32. Malaysia – USA
2. Australia – India	17. India – Singapore	33. Mexico – New Zealand
3. Australia – Japan	18. India – South Korea	34. Mexico – Singapore
4. Australia – Malaysia	19. Indonesia – Japan	35. New Zealand – South Korea
5. Australia – Mexico	20. Indonesia – USA	36. Panama – Singapore
6. Australia – United Arab Emirates	21. Japan – Brunei	37. Peru – Singapore
7. Chile – Malaysia	22. Japan – Chile	38. Peru – Thailand
8. China – India	23. Japan – India	39. Philippines – USA
9. China – New Zealand	24. Japan – Switzerland	40. Singapore – Sri Lanka
10. China – Island	25. Japan – South Korea	41. South Korea – Mexico
11. China – Pakistan	26. Japan – Vietnam	42. South Korea – South Africa
12. China – South Africa	27. Canada – Singapore	43. South Korea – USA
13. China – South Korea	28. Canada – South Korea	44. Thailand – Pakistan
14. Hongkong – New Zealand	29. Malaysia – New Zealand	45. Thailand – USA
15. India – Malaysia	30. Malaysia – Pakistan	
	31. Malaysia – South Korea	

Sources: FERIDHANUSETYAWAN (2005), Internet: <http://aric.adb.org>, (as of 30 October 2006).

But Australia is by far the largest economy in America's bilateral net. Virtually all the other countries or regional groups such as Southern African Customs Union with which the BUSH Administration has commenced negotiations are (economic) small fry – with the exception of Malaysia, South Korea and Thailand. Notwithstanding the unresolved status of the negotiations, even if concluded, the FTAs with Bahrain, Panama, Colombia, Peru, Bolivia, the United Arab Emirates and Oman will not generate significant economic gains for the United States (EVENETT and MEIER 2006, p. 26). Obviously, there is a lack of countries that are both economically important and willing to accept the conditions imposed by the BUSH Administration. Of course, an FTA with South Korea or Japan would change this picture. In early 2007, it appears that America and South Korea will not be able to agree on a free trade agreement due to continuing disputes over food and automobile trade (THE WALL STREET JOURNAL, 13 March 2007).

We are not, of course, suggesting US policy is the only reason for the trend towards bilateralism. There is a regional interest in bilateral agreements, reflecting disillusionment with APEC and the Doha Round. More specifically, bilateral trade arrangements are felt to give regional policy elites greater control over national trade policies, reflecting the concern that their influence over deliberations within the context of the WTO are not always as significant as they would wish. As such, bilateral free trade agreements are considered to be statements of sovereignty. Thus, while the US may see bi-

lateral agreements as a way of bolstering or rewarding good partners in the fight against terrorism, East Asian leaders also see them as a useful policy tool.

Thus the important question is why sound economic theory does not automatically lead to good public policy. Policy makers are prepared to engage in uncoordinated bilateral decision-making – often leading to inferior outcomes (especially asymmetrical bargains for weaker states) – to create an illusion of control over one's own policy processes and policy choices. But as is well understood in the theoretical literature this is not the case. Bilateral deals fragment, or prevent the development of, coalitions of developing countries as they abandon principle for small concessions from the powerful partner.

“Trade liberalisation is becoming a sham, the ultimate objective ... (of the US) ... being the capture, reshaping and distortion of the WTO in the image of American lobbying interests. ... Thanks to the myopic and self-serving policies of the world's only superpower, bilateral free trade agreements are damaging the global trading system” (BHAGWATI and PANGAGIRYA 2003, p. 13).

Moreover, East Asian co-operation, in both the economic and the security domain, and the search for a new voice of Asian regionalism remains problematic. The nascent nature of regional co-operation, when accompanied by the fear of being on the receiving end of asymmetrical agreements in times of low trust in the multilateral trading system, sees governments developing bilateral strategies. The discussion of PTAs is thus about regional states positioning themselves on a firmer bilateral basis in their relations with the USA. This is not surprising. For most states of the region, the US is still the major bilateral relationship in both the economic and the security domain.

## **5 Conclusion: A Problematic Future for US Foreign Policy?**

Let us conclude by outlining some of the implications of the argument that we have developed in this paper. We start with a brief consideration of a major contradiction in current US general strategy before considering if and how things might change and what all this might mean for the East Asian region.

The purpose of current American strategy seems to be to use its military, technical, and what it believes to be its moral superiority to advance a very specific view of liberalism and freedom. As any undergraduate major in political philosophy would know, the simple and universal view of freedom espoused by the neo-conservative idealists currently driving US foreign policy is rarely reflected in political practice. Contrary to the manner in which ideas of liberalism and freedom are articulated by the neo-conservatives around the BUSH Administration, these are contested concepts, not universal truths. The BUSH view of liberalism assumes that it has universalist properties, and does so at the very time when many traditionally significant proponents of liberalism are abandoning this conceit. The BUSH view takes no account of the fact that liberal norms embedded in the political cultures of many Western societies might not be similarly suited to societies with different philosophical and cultural underpinnings.

But the current American strategy also presents us with a paradox. In order for this complex view of freedom to be advanced globally, it requires deliberate acts of forceful intervention. Its logic suggests that, if need be, the rest of the world must be forced to be free. Thus, an assumption of neo-liberal globalisation – that it was self-generating – needs to be reconsidered. Rather than being self-generating, now it must be defended, indeed advanced, by US power.

But, any decent reading of history will tell us that attempts by a hegemonic power to force its philosophy on others can be expected to undermine the political legitimacy of the cause it wishes to advance. Moreover, even if liberalism did enjoy a universal acceptance in the USA, there would be no reason for non-liberals elsewhere to accept it. Not so, say the neo-conservatives. This argument is merely the smart, semantic chicanery and scholasticism one would expect from academics.

We have argued that the USA has securitised its foreign economic policy goals. This has had an impact on US attitudes and actions towards multi-lateral institutions, to which it has become increasingly antithetical, and in the strengthening of bilateral elements of its foreign economic policy. In doing so it has increased the gap between short-term security goals and longer-term requirements for international co-operation. In addition, the short-term securitisation of foreign policy has marginalised the role of other actors – especially, the international institutions, global corporate America and civil society – in setting the agenda for, and propagating, US interests abroad.

In the bilateral context, using US policy towards East Asia as a case study, we have identified the increasing interest in PTAs as an illustration of the securitisation of foreign economic policy. While this growing regional interest in PTAs is driven by the US, we have not suggested that the US is overtly forcing states into these agreements. Rather the agreements are offered as part of a strategy of inducement for support in other areas of foreign, especially security, policy. The empirical evidence, however, clearly shows that the BUSH Administration has not been particularly successful with its push for securitisation. Up to now, only a few bilateral free trade agreements are implemented.

Nevertheless, the US is still the major economic partner for most significant states in Asia and the greatest guarantor of security in the context of a rising Chinese presence in the region. This may not always be the case. While it cannot be discussed here, the prospect of building strong East Asian support for regional multilateralism represents one of the most interesting lines of scholarly and policy inquiry for the early decades of the 21<sup>st</sup> century (DIETER and HIGGOTT 2003). If China, in the longer term, comes to be seen as an economic opportunity, rather than just a security threat, things could change. China is the one state that could replace the USA as an alternative consumer market to the USA for the producing states of the region.

We most probably have already seen the high water mark of the unilateral moment, and some sense of commitment to multilateral co-operation and agendas geared to underwriting global public goods, even if only comparable to those that existed prior to the BUSH Administration, can perhaps be regained.

As we have demonstrated in this paper, the linking of economic and security goals may not have led to the reaffirmation of American hegemony. Rather, the recent policies of the United States have contributed to the weakening of the multilateral system, but they have not resulted in a strong network of bilateral ties. In Asia in particular, the outcome of American policy is almost tragic: It has induced traditional supporters of the multilateral regime, such as Japan and South Korea, to adopt a new trade policy based on bilateral agreements. Furthermore, by weakening the multilateral regime and by securitising its trade policy, the United States has enabled the emerging superpower China to develop a dense network of bilateral trade agreements in Asia. Whilst America has only concluded a few bilateral agreements in Asia, China has implemented or is negotiating as many

as 27 bilateral agreements („China und die ASEAN-Staaten spielen Lego“, NEUE ZÜRCHER ZEITUNG, 16 October 2006, p. 14.).

Thus, if China is going to securitise its trade policy in some years, it may then be able to consolidate its position as a regional, if not global superpower. Of course, it remains unknown whether China will pursue that avenue. But the American approach to foreign (economic) policy in the early 21<sup>st</sup> century has alienated old allies of America without resulting in the creation of new alliances. Perhaps the relationships with Australia and Singapore are the two exceptions to this rule. In both cases, the creation of an FTA has been accompanied by strong security ties. Thus, the securitisation of trade policy that we have discussed in this paper may have severely weakened – rather than strengthened – the American hegemony.

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**Autoren – Authors****PD Dr. Heribert Dieter**

Forschungsgruppe Globale Fragen  
Stiftung Wissenschaft und Politik  
Ludwigkirchplatz 3–4  
10719 Berlin  
*heribert.dieter@swp-berlin.org*

**Prof. Dr. Richard Higgott**

University of Warwick  
CV4 7AL Coventry, UK  
*richard.higgott@warwick.ac.uk*

**Riad Al-Khouri**

Director of MEBA wll, Amman  
POB 9446 Amman  
11191 Jordan  
*MEBA@batelco.jo*

**Sebastien Miroudot**

Trade and Agriculture Directorate  
OECD  
2 rue Andre Pascal  
75775 Paris Cedex 16  
*sebastien.miroudot@oecd.org*

**Molly Leshner**

Trade and Agriculture Directorate  
OECD  
2 rue Andre Pascal  
75775 Paris Cedex 16  
*molly.lesher@oecd.org*

**Prof. Dr. Joachim Scheide**

Institut für Weltwirtschaft  
Düsternbrooker Weg 120  
24105 Kiel  
*joachim.scheide@ifw-kiel.de*