The Geopolitical Stakes of America’s Trade Policy

Why trade matters more than ever for U.S. national security.

BY MICHAEL FROMAN | FEBRUARY 17, 2015

This century’s defining battle could be won or lost without a shot fired. As President Barack Obama’s National Security Strategy makes clear, the rules-based system we have led since World War II is competing against alternative, more mercantilist models. Unlike past challenges to American leadership, this competition is primarily economic in nature, and victory hinges more on opening markets and raising standards than on building bombs and raising armies.

To be sure, the traditional link between economics and strategy hasn’t been upended as much as extended. Beginning with the first estimates of national income, which were developed in 17th century Europe to compare the ability of states to raise and support militaries, economic power has been viewed primarily as an enabler for military power. This basic belief was widely adopted and held sway among most strategists through the Cold War.

More recently, however, leaders and strategic thinkers around the world have come to see economic strength as more than merely a purse for military power. They now understand prosperity to be a principal means by which countries exercise power itself. As the National Security Strategy states, “America’s growing economic strength is the foundation of our national security and a critical source of our influence abroad.”

In this environment, trade has emerged as one of America’s most important foreign policy tools — both for
increasing our strength at home and for exercising it abroad. At home, one-third of our economic growth since 2009 is due to the increase in U.S. exports. Last year, the United States exported $2.35 trillion in goods and services, a record amount that supported over 11 million U.S. jobs. During a period of uneven global growth, growing exports are a key driver of America's resurgence.

Above and beyond its immediate benefits for the U.S. economy, President Obama's trade agenda is advancing three objectives outlined in the National Security Strategy: setting new rules of the road, strengthening our partnerships, and promoting inclusive development.

In the Asia Pacific, we're negotiating the Trans-Pacific Partnership (TPP), which will help set rules of the road for the world's fastest-growing region. A main pillar of our rebalance toward Asia, this agreement will cover nearly 40 percent of the global economy. It will level the playing field for American workers and businesses by establishing the strongest environmental and labor standards of any trade agreement in history, as well as the first disciplines on issues like state-owned enterprises and on maintaining a free and open Internet.

At a time when the crisis in Ukraine has triggered deep unease, the Transatlantic Trade and Investment Partnership (TTIP) will remind the world that our transatlantic partnership is second-to-none. This agreement will deepen our economic relationship with the European Union, already the world’s largest, by bridging divergences between our regulations and standards — without compromising health, safety, environmental, and consumer protection on both sides of the Atlantic. Many in Europe are looking to TTIP not only to spur much-needed economic growth but also to support efforts to reform European energy policies and create greater energy security.

Taken together, TPP and TTIP will help update the rules-based order as well as solidify America’s strategic position within it. With these agreements in place, the United States will be at the center of a free trade zone covering nearly two-thirds of the global economy. Combined with all of the strengths that already make the United States an attractive place to invest and do business — a highly skilled and innovative workforce, a large market backed by a strong rule of law, and an abundant supply of affordable energy —
we'll be one step closer to becoming the world’s production platform of choice, further increasing our economic strength and influence.

Our trade policy aims not only to update the global economic architecture but also to expand it through efforts like the African Growth and Opportunity Act. The cornerstone of U.S. trade policy with sub-Saharan Africa since 2001, this program has supported hundreds of thousands of jobs in the region and created countless market opportunities for American businesses. Updating and renewing this program to reflect changes within Africa and between African countries and their trading partners would send a strong message that America remains deeply committed to this dynamic region and to promoting broad-based development through trade.

The geopolitical stakes become even clearer when you consider the alternatives. In the Asia-Pacific region, for example, over 200 trade deals have been struck in recent years and more are currently under negotiation. Unlike TPP and TTIP, the vast majority of these agreements make no commitment to protecting labor rights and environmental standards, creating disciplines on state-owned enterprises, and promoting the digital economy.

We face an important choice. We can lead and ensure that the global trading system reflects our values and our interests, or we can cede that role to others, which will inevitably create a less advantageous position for our workers and our businesses. The economic implications are stark, but so too are the strategic ones. Sitting on the sidelines, we'll see our partnerships weakened as they're deprived of the strength that comes from enhanced economic relationships, and we'll miss the opportunity to forge new habits of cooperation among key partners. We cannot allow that to happen.

As economic power has become more consequential in world affairs, so too has American leadership on trade. If the United States leads on trade, it can strengthen the rules-based order. For over seven decades, American leadership of the global trading system has helped bring jobs to our shores, partners to our defense, and peace and prosperity to those around the world who have embraced openness and fairness. Economically and strategically, that leadership is now more important than ever.
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