



# Free Trade Agreements and National Security

## *Five Key Issues*



ASP

American Security Project



Discussion Paper

—  
Dan Day

August 2014

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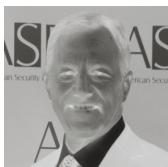
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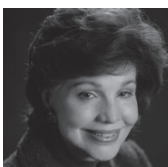
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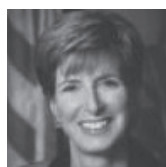
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Christine Todd Whitman is the President of the Whitman Strategy Group, a consulting firm that specializes in energy and environmental issues.

## In this Report:

While free trade agreements are often framed in terms of the economic benefits they bring about, this report outlines 5 critical national security benefits that arise from the signing of free trade deals.

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## IN BRIEF

### 5 Ways Free Trade Agreements Increase National Security:

- 1) Signaling Commitment to Allies
- 2) Secure Access to Military Technology
- 3) Promoting Global Stability
- 4) Setting a Free Trade Precedent
- 5) Enhanced Global Influence

### About the Author

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## Introduction

“Transatlantic cooperation remains the foundation for global peace and security. Our devotion to democratic ideals serves as a beacon for the world to follow. And our shared commitment to free and open markets is a driving force for economic growth, innovation and jobs, not just in Europe and the United States, but across the globe.”<sup>1</sup> –Michael Froman, USTR

The US is currently in the process of negotiating two landmark multilateral free trade agreements: The Trans-Pacific Partnership (TPP)<sup>2</sup> and the Trans-Atlantic Trade and Investment Partnership (TTIP).<sup>3</sup> Together, these agreements would signal continued US commitment to positive economic relations with our friends and allies in Europe and throughout the Pacific region.

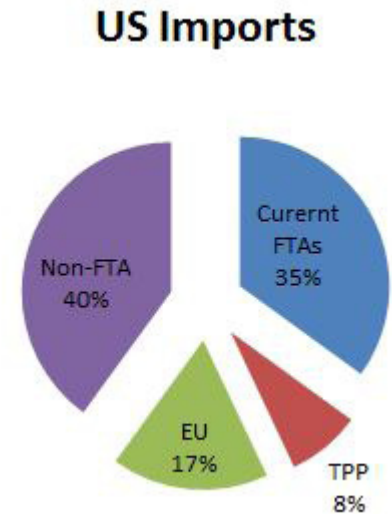
The economic benefits that would flow from such encompassing and expansive trade agreements cannot be understated and have been outlined in detail by US Trade Representative Michael Froman.<sup>4</sup> However, an aspect of TPP, TTIP, and free trade agreements in general that is often downplayed and cannot be emphasized strongly enough is their potential to serve the national security interests of the United States.

Liberal democracy and free market values go hand in hand and are the foundation on which American influence around the world rests. As the world’s largest economy and the home to many of the most resourceful and innovative industries in the world, it is essential that the US take the lead in setting the standard for global trade practices. History has shown us that the world’s worst political crises often stem from economic ones, and in an era of increased economic interdependence and globalization, every country has a stake in promoting the values of free market economics – and as the economic leader of the world, this must start with the United States.

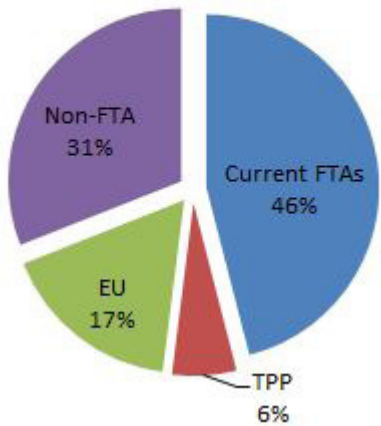
## 1. Signaling Commitment to Allies

Modern free trade agreements entail much more than a predictable, open, and economically favorable trading relationship - they send a message of commitment. In a world in which the US cannot and should not resort to military action every time a strategically important ally feels threatened by a hostile neighbor, free trade agreements initiated by the US are a low-cost yet effective way to signal commitment.

Current geopolitical circumstances provide prime examples for this phenomenon. Fledgling nations in Eastern Europe, eager to develop yet struggling to consolidate the institutions of liberal democracy undoubtedly feel pressure from a suddenly aggressive Russian neighbor<sup>5</sup>. A free trade agreement with the US would signal commitment by tying US jobs and economic interests to stability within the region.



## US Exports



A free trade agreement with the nations of Southeast Asia would signal US commitment to stability in the South and East China Seas, which have become a testing ground for China to push its limits with its neighbors. Japan and Vietnam, two signatories to TPP, have felt significant pressure from Beijing<sup>6</sup> and need every possible reassurance that the US is committed to maintaining the regional balance of power.

Free trade agreements cannot take the place of formal military alliances – but they are much more effective signs of commitment to allies than rhetorical statements by politicians. Studies show a strong empirical tendency for nations to come to the aid of their trading partners in times of crisis.<sup>7</sup>

Our threatened allies want and need a demonstrative signal of commitment from the US – and when boots on the ground are simply not an option, free trade agreements are.

## 2. Secure Access to Military Technology

In order to keep costs low and meet budgetary requirements, the Department of Defense routinely relies on global markets for military technology. In order to keep pace with the rapid advances in defense technology occurring around the world, it is essential that we have truly global market access.

Dependency on any one nation for military technology is dangerous in light of how quickly geopolitical circumstances can change and the US is learning this lesson the hard way. The US has up until now used Russian RD-180 engines to power the launch of military satellites into space, and the recent Russian ban on sales of these engines in light of the Ukraine crisis has the military scrambling for alternatives with the future of a number of launch missions in doubt<sup>8</sup>.

As early as 1999, the Defense Department has acknowledged that it has transitioned away from acquiring technology exclusively from American companies and increasingly relies on the global market<sup>9</sup>.



Free trade agreements in place with countries around the world will ensure our military has a constant and secure supply of technology and a diversity of market access will provide a hedge against the risk of crisis in any one country or region.

### 3. Promoting Global Stability

Some of the most open and democratic governments around the world have been torn down in the aftermath of economic shocks. From the Great Depression to the oil crises of the 1970s to the recent global financial meltdown and subsequent European debt crisis, history shows us the levels of political instability that arise when nations refuse to work together economically for the benefit of all.

After World War II, the US worked tirelessly with the war torn economies of Europe and Asia, which experienced miraculous recoveries within decades and established strong trading and economic relationships that persist to this day. The economic recovery of Europe fed back into the US, enabling it to become the economic giant it is today. In future relations, the US needs to remember the stabilizing tendencies that have historically arisen from inclusive trade practices.

Free trade agreements provide predictable trade relations between nations, facilitate cross border investment, and are mutually reinforcing over time.



Ukrainians taking to the streets of Kiev and demanding closer economic ties with the European Union

The US has a stake in promoting stability in all regions of the world in order to preserve the status quo, and free market trade practices between nations is one of the keys to preventing the rise of political turmoil and unrest globally.

### 4. Setting a Free Trade Precedent

The spread of the 2008 global financial crisis from the US to every corner of the globe was a perfect example of just how interconnected the world is financially. 21<sup>st</sup> century problems require 21<sup>st</sup> century solutions, and as the leading free market democracy in the world, it is up to the US to chart the course for future economic relations between sovereign states.

By demonstrating its commitment to tearing down protective trade and investment barriers, the US will set in motion a norm that rising states will have no choice but to emulate. As the mutual benefits of free trade accrue to the nations that practice it, there will inevitably be a snowball effect in which it becomes the standardized practice among states. Predictable trade relations and investment opportunities in markets around the world feed back into the US strategic goal of promoting stability as discussed earlier.



In the aftermath of World War II, the US recognized and seized the opportunity to rewrite the rules for global trade and finance through the creation of institutions such as the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade which is now known as the World Trade Organization. These institutions were built on a premise of free market values and predictable relations between states. In 2014, the US has a similar opportunity to write the rules of free trade through TPP and TTIP.

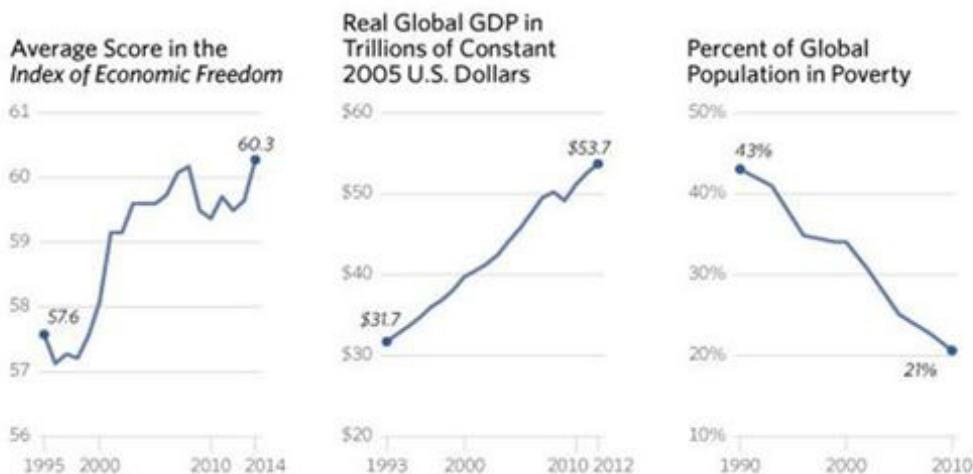
## 5. Enhanced Global Influence

We live in a world in which nations measure their influence as much by the size of their economy as they do by military strength; the economic expansion, global growth, and investment opportunities that come from free trade agreements would undoubtedly bolster US influence around the world.

Politicians and academics regularly talk about the importance of US soft power – that is the cultural, economic, and social ways in which our values appeal to other nations and give our actions international legitimacy. Free trade agreements will provide US companies with greater access to emerging markets, exposing the developing world to the US entrepreneurial culture and fostering positive future relations.

As populations around the world in places like India, Sub-Saharan Africa, and Latin America are being brought out of poverty and entering a rising global middle class, the US has a strategic interest in being seen as a significant contributor to their turn of fortune. US influence is most pronounced in Europe, largely because of the role the US played in propping up their economies after World War II and facilitating their post-war reconstruction. If the US can succeed in obtaining a similar level of influence in a number of regions around the world, it will be in a position of security for decades to come.

### As Economic Freedom Rises, Global Economy Expands and Poverty Declines



Sources: Terry Miller, Anthony B. Kim, and Kim R. Holmes, 2014 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2014), <http://www.heritage.org/index>; The World Bank, World Development Indicators Online, <http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators> (accessed November 13, 2013); and The World Bank, PovcalNet, <http://iresearch.worldbank.org/PovcalNet/index.htm?1> (accessed November 13, 2013). Some figures have been interpolated.

Credit: The Heritage Foundation

## Conclusion

It should be noted that the five issues identified here linking free trade agreements and national security are undoubtedly mutually reinforcing. Setting a precedent of free trade around the world serves to simultaneously enhance global influence, promote stability, show commitment to our allies, and provide increased military security.

US allies around the world feel threatened by increasingly dire geopolitical circumstances from Eastern Europe to the Middle East to Southeast Asia. Our military could not dream of deploying troops in every situation – free trade agreements are able to pick up some of the slack that our military simply cannot.

In the public discussions and private negotiations of TPP and TTIP ratification as well as in future free trade endeavors, the US needs to recognize not only the economic benefits, but also the greater national security interests that these deals can serve.

## Endnotes

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9. Office of the Under Secretary of Defense for Acquisition and Technology. “Final Report of the Defense Science Board Task Force on Globalization and Security.” December 1999.



The American Security Project (ASP) is a nonpartisan organization created to educate the American public and the world about the changing nature of national security in the 21st Century.

Gone are the days when a nation's security could be measured by bombers and battleships. Security in this new era requires harnessing all of America's strengths: the force of our diplomacy; the might of our military; the vigor and competitiveness of our economy; and the power of our ideals.

We believe that America must lead in the pursuit of our common goals and shared security. We must confront international challenges with our partners and with all the tools at our disposal and address emerging problems before they become security crises. And to do this we must forge a bipartisan consensus here at home.

ASP brings together prominent American business leaders, former members of Congress, retired military flag officers, and prominent former government officials. ASP conducts research on a broad range of issues and engages and empowers the American public by taking its findings directly to them via events, traditional & new media, meetings, and publications.

We live in a time when the threats to our security are as complex and diverse as terrorism, nuclear proliferation, climate change, energy challenges, and our economic wellbeing. Partisan bickering and age old solutions simply won't solve our problems. America – and the world - needs an honest dialogue about security that is as robust as it is realistic.

ASP exists to promote that dialogue, to forge that consensus, and to spur constructive action so that America meets the challenges to its security while seizing the opportunities that abound.



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