

Tools of the Trade: Economics

Alright, last time we talked about why foreign policy matters, how it effects giant global events and the smallest details of our lives. But the real fun is in trying to unravel why foreign policy decisions are being made: trying to see the agendas going on behind them, and sussing out how those big decisions you hear about on the news might end up having consequences for your everyday life.

But to do that, we need to understand what tools we have to enact foreign policy and how they're used.

Broadly, we have three categories of foreign policy tools: Economic Tools, Military Tools and Humanitarian Tools. Each of these allow us to move nations in different ways.

Today let's focus on Economic Tools. For right now, we're going to limit this to talking about the big two: trade agreements and sanctions.

Trade agreements break down barriers to trade. They streamline rules around how things like customs works, they lower tariffs, and they help bring both countries' laws into line so companies only have to comply with one set of rules to be able to trade in both countries.

So what do trade agreements do in a foreign policy sense? Well, first off, they tie countries together more closely: they encourage them to work together and to maintain friendly relations. After all, if a large number of businesses in your country depend on doing business in another country for their survival - if your economy would take a substantial blow from not being able to do so - you're much more likely to work out your differences in a civil manner than by going to war and shattering both economies.

Trade agreements can also be used to bring countries within your sphere of influence, making them more socially and culturally aligned with you. When Levis and rock music are flowing through the streets of a country, over time, people in that country are more likely to

identify with an American way of life. When those cultural barriers are broken down, when neither country seems “strange” or “foreign” to the average person on the streets, relations become easier, the nations just naturally become more friendly.

But trade agreements can also be used to isolate a country. It's just as important to look at who is left out of a trade agreement as who is included in it. This is the hidden side of trade agreements. During the Cold War, it's arguable that the U.S. trade policy of leaving communist countries out of the lucrative trade loop of what we called the Free World, did as much to win the War as any of our military policies. And even as we write this, the US is looking at doing a massive trade deal with almost every nation in East Asia, except China. If you're looking closely and you stop to ask yourself why, you might think this trade agreement is less about trade than about bringing the rest of East Asia more under our influence.

But just be aware that, while trade agreements can be very beneficial, they're not without their costs. While these sort of agreements do mean that poor countries get new opportunities by gaining the ability to sell to their much richer partners, who get much cheaper goods in turn, rich countries often lose jobs to the poorer countries who can offer cheaper labor, jobs like manufacturing. So the richer countries have to find ways to compensate for that. At the same time, in the race to produce the cheapest goods for sale overseas, poorer countries may not enforce the same sort of safety standards or worker protections that laborers in richer countries enjoy - often leading to miserable conditions in their low cost factories.

But if trade agreements are the economic carrot, sanctions are the economic stick. Sanctions deny trade to a country in order to get them to change. Sometimes sanctions are so broad that they encompass everything and become full blown embargoes where no trade is allowed to or from the country in question. But more often, though, sanctions will be focused on specific goods, such as military hardware or advanced technology, limiting trade but not cutting off all contact.

The intent behind sanctions is to cripple the economy of the nation that they're imposed on, either forcing the regime in charge to change its policies or inciting the people of the country to

demand change because of the impact the sanctions are having on them. Truth is, though, there's a lot of debate as to how effective sanctions are.

For example, the U.S. imposed sanctions on Russia when they took over a part of the Ukraine in 2014 and yet the sanctions haven't seemed to have had any impact on Russian policy. And the 50 year US embargo on Cuba has had little effect in terms of achieving US policy goals. But just because sanctions rarely solve a problem by themselves doesn't mean they don't have an effect.

Sanctions serve as a signal. If no sanctions had been put in place on Russia when it took over part of the Crimea, a section of the former Soviet state of the Ukraine, they might have taken that as a sign that the US would not get involved and so might have continued to chip away at the now democratic state of Ukraine.

Sanctions can also serve as a political expedient. They serve as sort of a half measure between inaction and war. If a nation's interests are not so severely threatened by another country's actions that it would go to war over them, or if the nation simply does not have the internal political will to go to war, they can resort to sanctions instead.

Sanctions also serve as a bargaining chip. Some of the most effective uses of sanctions have come when those sanctions were offered to be removed. When coupled with other promises like support for economic development, removal of sanctions can be a powerful bargaining tool when engaging in diplomatic negotiations to get what you actually want.

But sanctions also come at a cost. Not only is there some negative economic impact for the country imposing them, but, far more importantly, sanctions usually have the largest effect on those who are totally innocent of whatever their leaders have done. The poor, the average citizen, these are the people who bear the burden of sanctions. Even with limited sanctions, the populous may be subjected to deprivation and hunger as their leaders pillage the economy for cash to pay for new sources of military hardware or other sanctioned goods.

So, with foreign policy, it's important to look for the “why” behind economic policy to find what other aims besides purely economic ones it achieves. But it's also always important to remember the cost. Very rarely are these deals actually simply “good for everyone”.

But that's true of almost all foreign policy decisions. It's always about weighing the tradeoffs. So join us next time as we discuss how to assess these tradeoffs in matters military and humanitarian. See you then!