



America in the World: Making Global Engagement Work for the United States

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In October 2020, the National Committee on American Foreign Policy (NCAFP) convened eminent scholars and experts on global order and interdependence to discuss the future of globalization in a series of video teleconferences (VTCs) conducted under the Chatham House rule. With an eye towards the next four years of U.S. policy, participants were asked to address the central question of what role the United States should play in an increasingly interdependent international system. Ultimately, it was clear that global interdependence presents distinct advantages for the U.S., though its benefits have not been distributed equally, nor are they well-articulated. However, rather than retreating from the international system, the U.S. should embrace a globalized world, and seize the opportunity to shape the future of the international order and make an interconnected society work better for all Americans.

The following report summarizes the major points of discussion covering the future of globalization and the international system, and outlines specific policy recommendations to address the challenges of global interdependence through domestic revitalization, navigating a shifting international order, and rethinking national security priorities.

What is the Future of Globalization?

At its peak in the 1990s, “win-win” globalization assumed that the geostrategic world was flat, and an economically liberal world order would promote the spread of democratic values. Instead, greater economic interdependence has resulted in democratic and non-democratic states alike taking advantage of power asymmetries and vulnerabilities, resulting in international cooperation that has not guaranteed equitable physical, economic or health security for people around the world or within states. This trend has driven anti-globalization rhetoric and actions that are exacerbated by the ongoing COVID-19 pandemic. Today’s geopolitics are decidedly different from the outcomes expected at the end of the last millennium.

Given domestic pressures and mounting inequalities, a desire to withdraw from an interdependent world was perhaps inevitable. There are two distinct paths a withdrawal might follow: chaotic retreat leading to the retrenchment of individual nations, or a more collaborative model with partners and allies tackling challenges of mutual concern, such as supply chain resilience. While the most pressing issues an incoming administration will have to grapple with will be the ongoing domestic fallout from the pandemic and elevated unemployment levels, the

* *This report reflects the notes and reflections of the authors alone and is not a consensus document.*

U.S. is best served by the latter approach to addressing interdependence, thereby avoiding a politicization of supply chains and a subsequent push for brute reshoring. Although it is just one example of an area in need of collaboration, the issue of supply chains is of immediate concern due to the COVID-19 pandemic.

The future of globalization cannot be a return to the pursuit of win-win strategies from the 1990's and instead requires more flexible policy positions and global relationships to tackle 21st century challenges. For many countries around the world, the idea that economic interdependence today has resulted in asymmetries and vulnerabilities is not new, and the U.S. is now realizing that it can be on the disadvantaged end of an unfavorable power dynamic. Other countries are having active conversations about economic security issues, including U.S. allies like Japan, which recently added an economic division to its National Security Secretariat (NSS). The U.S. needs to be having similar discussions among policymakers.

The U.S. should take the lead to reestablish rules that not only make globalization more effective, but also make it more equitable. However, regardless of the path forward, policymakers will be met with the extant infrastructure that made globalization what it is today, for better or worse. This does not mean the U.S. should tear down the walls of the existing architecture and build new institutions from the ground up, but it should look to reform and build upon existing ones to create a structure in which the American people are better protected.

What is the Future of the International System?

Discussions about the future shape of global interdependence led to a broader conversation about the state of the international system. One participant even noted that the U.S. is witnessing “the greatest world ordering opportunity since the end of the Cold War,” as there is no longer the favorable distribution of power that once allowed the U.S. to pursue a strategy of universal liberalism. This presumed that all countries could live in a world with liberal characteristics, and that non-liberal countries would ultimately join this world order on favorable terms. As a result, there is a need to retire central assumptions of the post-Cold War international order and move towards an approach that more directly addresses global power shifts and China's rise as a peer competitor.

Problematically, the zero-sum nature of current balance-of-power strategies drives conflict. A new strategy will need to be specific about priorities and consider a new mix of tools in a technologically driven world. The most significant challenges facing the future of the international system will be ones that must be weathered rather than defeated.

When considering the future of the international system and the role of the U.S. in it, it is important to examine what has worked, and what building blocks are needed to move forward. There also needs to be an understanding of what has not worked in order to ensure the system is keeping pace with changing conditions. A new vision for the international order will be a post-U.S. primacy world, characterized by multidimensional competition with China, borderless challenges, and a need for great power cooperation. The U.S. should adopt new strategies for the

international order that include building new norms, laws, and institutions in under-governed spaces, and modernizing existing institutions to enhance their durability and flexibility amid shifting power dynamics.

What is the Role of the U.S. in this Changing, Interdependent World?

Rather than turning inward, the U.S. should embrace globalization and pursue deepened cooperation with allies and partners to solve global problems. The U.S. would be best served by committing to leadership of an evolving international system through developing new rules that make globalization fair, and building diverse coalitions to advance a new security order that maintains openness. The U.S. does not have to pursue primacy to achieve these goals.

The most important questions with respect to the future of globalization and the international system are about the U.S.-China relationship. It has been difficult to define an appropriate policy approach to China because the problem is perceived very differently across constituencies, resulting in a China policy that has been highly reactive. Instead of addressing specific instances of bad behavior, the U.S. has responded by devising policies that make it difficult for allies and partners to support. For example, under the Obama administration, there was a strategic attempt to prevent other countries from signing on to the China-led Asian Infrastructure Investment Bank (AIIB). Ultimately, efforts to delegitimize the AIIB failed when U.S. allies joined the initiative, which has now emerged as a multilateral institution complementary to the World Bank. It is difficult to build consensus around flat-out rejection of a position or policy outcome, and emphasis should be placed on proactive, rather than reactive, policies.

As nations, including the U.S., are more willing to resort to using economic tools (i.e. sanctions, export controls, and tariffs) to achieve political and security goals, there will be an ongoing debate about effectiveness and legitimacy of such tools. Whether these tools are effective in achieving security goals will depend on what those goals are. For example, if the intention is to impose economic costs and send signals of disapproval, then sanctions can be a highly effective policy tool. If the goal is to deny an adversary's access to critical technologies, export controls will be effective, to a point. However, an ad hoc, unilateral approach without definitive goals can make these tools ineffective by motivating targeted countries to create their own networks and workarounds; research shows that attempts to compel policy changes through sanctions or other economic coercion is almost never effective. A coercive measure used to score political points rather than meet a tactical or strategic aim can often do more harm than good.

Overall, the U.S. needs to rebuild its credibility both domestically and abroad by undertaking initiatives that can both pass muster in a fractured political system and enable the U.S. to shape international norms in key areas of the world economy. There is a tendency to talk about domestic politics and geopolitical strategy as separate, and efforts to bring these two conversations together in policy discussions is long overdue.

Policy Recommendations

Many Americans no longer see the U.S. as “a force for good in the world” despite positive outcomes that were borne out in the 1990s; and as a result, U.S. policymakers need to rethink how to more effectively promote a U.S. foreign policy agenda at home and to redevelop a foreign policy consensus that better addresses 21st century challenges. The following is a list of policy recommendations for an incoming U.S. administration:

Domestic Revitalization

- First and foremost, it is imperative to invest in the American people and workforce to enhance economic competitiveness. This includes significant investments in infrastructure and innovation (research and development, and STEM education), and providing a safety net that enhances social resilience to economic change. While many European countries spend 2-3% of GDP on long-term investments in worker training and support, the U.S. spends less than 1%.¹ Congress will play an important role in building a domestic policy framework with its budgetary powers and connections to the public.
- Build expertise and capacity to develop coherent strategies and effective policies on economic security in a similar way to how officials advance policies on hard security issues. For example, defense policy discussions often include military officers, Department of Defense civilians, and Department of State officials who work side-by-side and thus often possess strong understanding of each other’s domains. These officials routinely game out scenarios and engage in extensive planning processes.
- Policymakers working on economic security will also need to be well-versed in finance and economics to better understand and debate the merits of specific policy options. Train current and next generation policymakers to better understand complex issues such as global supply chain resilience, first order and second order effects of sanctions, the chokepoint effects of export controls, and the spillover effects of tariffs on particular industries.

Navigating a Shifting International Order

- Focus on climate change as a critical and urgent theme for global cooperation and reshaping the international system. The Paris Agreement was meant to be an initial step toward broader multilateral cooperation, and rejoining it will be an important step forward. Climate change will profoundly shape trade relationships and global development in the coming decades, and trade policy should account for the growing inequalities and distributional problems it has and will create.

¹ OECD (2020), Public spending on labour markets (indicator). doi: 10.1787/911b8753-en (Accessed on 08 December 2020)

- Repair and strengthen Bretton Woods institutions to bolster inclusivity and balance. Specifically, the IMF, World Bank and other development banks should evolve their shareholding structures and management practices in order to maintain relevance and legitimacy.
- While a complete overhaul of institutions like the World Trade Organization and the United Nations is too ambitious, the U.S. can address specific areas in need of reform. It is important to recognize the role of multilateral institutions as a stabilizing mechanism in international affairs, and it is critical that these large international bodies continue to serve a substantive role in policymaking and international dialogue.
 - For example, the U.S. should provide a blueprint for reform of the trade adjudication function in the WTO to perform the essential function of dispute settlement amongst its members and to prevent future tariff wars.

Rethinking National Security Priorities

- Prioritize diplomacy as the leading instrument of American foreign policy. It is difficult to engage in multilateralism when military voices and solutions are over-emphasized. U.S. diplomats and development officials should be empowered to execute a foreign policy agenda that best serves the American people. For instance, officials should drive home the notion that diplomacy yields wide-ranging benefits that are relatively low cost. Deescalating conflict and resolving disagreements are considerably less expensive through sustained dialogue than through the deployment of hard coercive measures that may harm American personnel or disadvantage commercial relationships.
- Encourage policymaking in multilateral forums. Unilateralism can be tempting because it is a quick fix, but multilateralism is more sustainable. The continuity created through work in a multilateral setting also bolsters the credibility of an initiative or set of policies. Multilateralism engages a potentially wide spectrum of partners who can participate in cost-sharing and will be dissuaded from publically changing course on an issue. It also allows initiatives to continue through that body if domestic priorities change. As previously noted, climate change is an issue of immediate concern that can advance the case for multilateralism, as is cooperation on COVID-19.
- Engage allies and partners in smaller, diverse coalitions to have more targeted cooperation based on common agendas and objectives, such as on taxation of internet commerce, or the development of 5G/6G technologies. Engage in plurilateralism and/or regionalism as complements to multilateralism, rather than as substitutes.
- Craft more effective economic security policies to address the issue of power asymmetries and vulnerabilities. Decisions to use coercive economic tools should be guided by goals, which will require foresight and use only as a last resort.

- Regrettably, sanctions are often implemented after an adversary has crossed an ambiguous red line and tend to endure beyond their useful lifespan. New sanctions should come with expiration dates, and existing sanctions programs should be reviewed yearly to spot-check attempts at evasion and to assess their ongoing suitability. The overuse and interminable application of sanctions can provoke efforts to create workarounds that reduce the target's vulnerabilities.
- Develop and promote more resilient supply chains to mitigate global shocks and asymmetries. COVID-19 has laid bare the stark challenges faced by global supply chains. Coordinate with allies and partners to deepen this resilience and avoid a total on-shoring of all U.S. production. This will also require coordination with private entities and businesses, not just governments.

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