

Trade and Security Linkages

Panel: Session VII (Grand Ballroom)

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Organizing Institution: American Enterprise Institute (AEI)

Speakers: Claude Barfield, American Enterprise Institute (Moderator)
Ahn Dukgeun, Seoul National University
Xiong Lili, University of International Business & Economics
John Park, United States Institute of Peace
Lee Jung-Hoon, Yonsei University

Panel Short Summary

Matthew Jensen, American Enterprise Institute
Kim Kyungtae, Seoul National University

The United States' first bilateral trade agreement of the modern era was with Israel, a country of limited economic importance at the time, but significant strategic importance. Dr. Claude Barfield, an economist at the American Enterprise Institute and the moderator of this panel, offered this example to describe how trade and security are inextricably linked. There is some concern that security issues "pollute" the economic discourse and hinder the implementation of optimal trade policy. The consensus on the panel, however, is that the link between trade and security is unavoidable, and may even be beneficial.

Dr. Ahn Dukgeun, professor of Trade Law and Policy at Seoul National University, provided a discussion of the legal aspects of the trade-security nexus. Article 21 of the General Agreement on Tariffs and Trade (GATT) codified exemptions so that countries could protect their essential security interests. The conditions to invoke the article, however, are ambiguous. Member nations can utilize the clause if the nation itself claims an essential security issue, but it is unclear whether, in the case of dispute, what entity has jurisdiction. If the Security Council of the United Nations makes a resolution on the issue, the WTO would accept the decision, but the problem still exists if the council does not operate effectively or does not make such a resolution.

Trade policy is not only influenced by security issues, but can be wielded tactically for security purposes through sanctions, as Dr. Ahn alluded. There can be unintended consequences to the use of sanctions, however. Dr. John Park, of the U.S. Institute of Peace, noted that when one country creates sanctions, other countries may fill the vacuum. In this way, coalitions can coalesce around sanctioned countries. To some extent this is happening in the case of Iran.

Professor Xiong Lili, of the University of International Business and Economics, discussed the security and economic benefits that may stem from wider adoption of the Trans-Pacific Partnership (TPP). Particularly, adoption of the TPP might create deeper economic integration between countries across the Asia Pacific region and align political and security goals. It would also be more efficient than the current “noodle bowl” of bilateral and “mini-lateral” FTAs. Finally, an expanded TPP could level the playing field for US exports to Asian markets and might ease US trade imbalance, releasing some US—China tension. These benefits might not accrue for 10, 25, or more years, but that is but a blink of history’s eye.

The conventional logic is that there is a positive correlation between trade and security, with causation flowing in both directions. Professor Lee Chung Min, Dean of the Graduate school of International Studies at Yonsei University, argues that this logic does not entirely apply to the Asia Pacific Region. The rivalry between China and the United States, unlike Cold War rivalries, is characterized by significant trade flows between regions. This means that as insecurity develops between China and the United States, each country attempts to build coalitions through trade policy and the conventional logic is turned on its head.

As the United States pivots to the Asia Pacific and comes into even closer contact with China, it is likely that trade and security issues will grow in importance. This will affect trade between large economies and will likely play a greater role in development efforts.

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