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CHAPTER FIVE

Prosperity promotion

Of the three central aspects of US Grand Strategy, it was prosperity promotion that most revealed President Clinton's hand in foreign policy developments in the post-Cold War world. Other administrations had addressed economic policy and the importance of foreign trade, but the Clinton administration took this to a new level by incorporating them into US Grand Strategy. The administration's embrace of economic policy within the international sphere ensured it was at the vanguard of foreign policy initiatives, in a timely combination of a new era, a new administration and a new approach to grand strategy. The decision to bring economic policy into grand strategy was a way to redefine policy to minimize the president's lack of experience in international relations as it had been practiced throughout the Cold War. With a new geopolitical era, the administration claimed that old definitions of international relations were no longer valid and it was time for new ideas and concepts. Prosperity promotion as a part of grand strategy had a profound impact on other nations and institutions, giving direction and impetus to the CIA, driving US policy with a new Europe, an emerging China, and new international trading blocks.

Promoting prosperity in US history

The Clinton administration was not the first in US history to harness the power of national economic might. Indeed, its ability to emphasize trade and economic power as an element of grand strategy stemmed in part from the manipulation of economic interests by previous administrations in their effort to win the Cold War. However, while this had been the case, prosperity promotion had not previously been placed at the center of US Grand Strategy.

For 80 years following the American Revolution the United States was, for the most part, content with expansion into the Western territories of North America. The Civil War further ensured that any notions of foreign economic excursions were placed on hold until the 1880s when, with a continent peopled, a constitution defended and a new century looming, the United States began to look overseas for economic growth. US manufacturing output, which greatly assisted in the construction of the nation's railroad network, grew to a point where it was in surplus and in need of markets, as US Gross National Product rose from \$13 billion in 1890 to \$35 billion in 1910, contributing to a rise in overseas trade, from \$93 million in 1880 to \$223 million by 1898.¹

With the dawn of the Industrial Age a more confident United States emerged, which adopted an entrepreneurial approach to the Western hemisphere in particular. The Monroe Doctrine was used to ward off not only unwelcome imperial armadas, but also competition for US economic domination. With European powers seemingly content to colonize Africa and Asia, future Secretary of State James G. Blaine declared it to be "the especial province" of the United States "to improve and expand its trade with the nations of America."² The lack of infrastructure ensured that US efforts to establish an economic foothold did not occur immediately, but Blaine's efforts to establish a customs union to ensure that the United States became "the industrial provider of the agricultural nations of Latin America" was a harbinger of policy to come.³ It was also a sign of change in foreign policy, as the United States deviated from what Secretary of State Gresham called its "traditional and well-established policy of avoiding entangling alliances with foreign powers in relation to objects remote from this hemisphere."⁴ By 1895, Gresham's successor at the State Department, Richard Olney, noted that the United States' "infinite resources combined with its isolated position render it master of the situation and invulnerable against any or all other powers."⁵ Three years later, Albert Beveridge insisted, "fate has written our policy for us; the trade of the world must and shall be ours."⁶

Throughout the twentieth century, successive administrations stressed the importance of international trade, as "foreign commercial expansion and national prosperity seemed intertwined." It was suggested that governments had an obligation to "take every step possible towards the extension of foreign trade" and ensure domestic employment.⁷ Politicians of all persuasions agreed; during the 1920s, Calvin Coolidge insisted that "the chief business of the American people is business" while in 1934, FDR appointed Cordell Hull to his administration and passed the Trade Agreements Act, prompting Henry F. Grady to observe that the United States was "to a greater degree than ever before meshing our domestic economy into the world economy."⁸ Two decades later, Defense Secretary Charles Wilson noted that "what was good for our country was good for General Motors."⁹

Throughout its history, therefore, the United States had encouraged economic expansionism and had, on occasion, militarized such a commitment. Some presidents had even put their names to doctrines designed to maximize this, but this was quite distinct from what the Clinton administration attempted with its grand strategy. The growing importance of economics in the post-Cold War era was becoming apparent during the 1992 campaign, as Michael Mandelbaum noted: “If the US is to play a useful role in the reconstruction of the world’s economies . . . a far greater public appreciation of the importance of particular economic policies will have to be developed.”¹⁰ In Bill Clinton, the United States had a president determined to do all he could to educate the populace as to the role of economics in the post-Cold War world, referencing the economy in a public setting 12,798 times in 8 years, or around 133 times a month.¹¹

Prosperity promotion in the Clinton administration

Governor Clinton had stressed the need to base national security on a sound economic footing from the first moments of his campaign for the presidency. In his Announcement Address, Clinton spoke of the economic challenges posed by Europe and Japan and of the risks to US international standing due to domestic economic decline. In his December 1991 address at Georgetown University, he reiterated his belief that a continued refusal to blend foreign and domestic policy risked harming the economy. Affirming this approach, Warren Christopher told the Senate Foreign Relations Committee at his confirmation hearings that economic growth was the president’s highest foreign policy.¹² The administration utilized economic policy to enhance the nation’s finances and end a mild recession that had contributed to George Bush’s electoral defeat in 1992; it subsequently sought to utilize this element of foreign policy for domestic purposes, to assist in Clinton’s bid for reelection in 1996 and to serve as a powerful legacy once the administration left office in 2001.¹³

Clinton’s domestically focused campaign and his administration’s focus on the economy were both made possible by the end of the Cold War. Beforehand, national survival had dominated policy as successive administrations sought to contain Soviet advances. With the end of the Cold War, the Clinton administration sought to reinforce strategic gains. Whereas a Domino Theory once existed to explain the spread of communism, now such a process was attempted in reverse. The Clinton administration sought to ensure that free markets flourished and replaced command economies. Such thinking was apparent during the campaign and reflected not only the personal view of Governor Clinton, but also that of foreign policy advisers such as Michael Mandelbaum, who observed that in

the post-Cold War world “economic issues will predominate, particularly as former Communist Europe and countries in other regions move toward market institutions and practices.”¹⁴ Mandelbaum may not have joined the eventual Clinton administration, but his thinking was incorporated into policy nevertheless.

Combining economics with foreign policy enabled President Clinton to engage more fully in the subject, finally exclaiming “‘I get it, this is as interesting as domestic policy,’ and from that point on he was deeply engaged. But it didn’t begin on day one.”¹⁵ Blending economics with foreign policy also enabled President Clinton to maintain his commitment to focus on the economy, while initiating a foreign policy that was in tune with the geopolitical realities of the post-Cold War world. Mickey Kantor may have reached too far in his assertion that Clinton was “the first president to really make trade the bridge between foreign and domestic policy” since commerce and foreign policy have long been entwined in the American experience, but Clinton was, however, able to elevate the importance of such issues, freed from the Cold War constraints, to ensure that “trade and international economics have joined the foreign policy table.”¹⁶

To implement the prosperity promotion element of its grand strategy, the Clinton administration sought to implement a variety of structural changes, designed to enhance the status of geoeconomics. This involved changes to the federal bureaucracy as well as to international bodies. Existing entities were adopted and new organizations created to ensure the viability of the policy. New, emerging markets were targeted and a variety of organizations utilized as the administration looked to engage in both multilateral and bilateral negotiations to promote prosperity.

The National Economic Council

The most concrete structural change was the creation of the National Economic Council (NEC) by Executive Order 12835 on January 25, 1993, designed to coordinate domestic and foreign economic policy making. Although previous administrations had sought to coordinate national and international economic policy, President Clinton was determined to have better control of economic strategy than his predecessors and less infighting. Clinton had promised such an entity on the campaign trail, insisting in *Putting People First* that the United States required an “Economic Security Council, similar in status to the National Security Council, with responsibility for coordinating America’s international economic policy.”¹⁷ A memo drafted during the transition noted that the end of the Cold War and the nation’s economic woes demanded “a shift of priority and resources away from national security as traditionally defined, toward the broader problems of making America competitive in a fiercely competitive

world.” The NEC, it insisted, “would be your instrument for assuring that economic policy gets attention equal to traditional national security, working extremely closely with the NSC and its staff when international economic issues are under consideration, and with the Domestic Policy Council and its staff on domestic policy matters.”¹⁸

The NEC was designed to manage the flow of economic advice to the president, direct economic policy making, and ensure that policies and programs were implemented in accordance with the administration’s stated ambitions. President Clinton was adamant that members of his economic team “use this instrument to harmonise their efforts and coordinate policy,” adding his personal stamp of approval to the NEC.¹⁹ The name of the new body was specifically intended to reflect Clinton’s insistence that it enjoy a status akin to the National Security Council. Indeed, “the goal was to do for economic policy what the National Security Council has done for national security policy.”²⁰ The NEC was structured to coordinate both domestic and international economic policy, but with a far smaller staff than the NSC. However, the NSC provided an existing framework that the NEC deliberately mirrored, with a principals committee, a deputies committee, and various *ad hoc* interagency working groups. President Clinton later viewed the successful establishment of the NEC as having been “the most important innovation in White House decision making in decades.”²¹

Economic appointees

The shift from Cold War militarism to post-Cold War economics was apparent in the Cabinet announcements that followed President Clinton’s election. Four years earlier, President-Elect Bush named “one of the strongest foreign policy teams ever fielded in Washington: a group that cast a heavy shadow over the president’s less impressive domestic advisers.”²² The opposite was true under Clinton, who promised to “focus like a laser beam on the economy” and defied convention by prioritizing members of the Cabinet with financial responsibilities.²³ With the precarious state of the US economy and the new priorities of the administration, the appointment of the Treasury Secretary was considered more important than the appointment of the Secretary of State.

Managing the NEC called for a particular individual, respected by economists and politicians alike. President Clinton found such a person in Robert Rubin, co-chairman of Goldman Sachs and a major adviser and fund-raiser to his campaign. Rubin noted that his time at the NSC presented a series of daunting challenges: “we had to define it, we had to create its acceptance within the government process, and then we had to staff it, all at the same time that we were working on the economic plan.”²⁴

Rubin was part of an economic team recruited from academia, business, and politics, designed to inspire confidence in the administration and its economic aspirations, which became responsible for the longest period of economic growth in US history.²⁵

To head the Treasury Department, Clinton selected the Chairman of the Senate Finance Committee, Lloyd Bentsen, whose appointment was, in part, designed to convey a sense of maturity and counter the impression of a young, inexperienced administration. His reputation proved essential in gaining Republican support for NAFTA and GATT and mirrored the appointment of Warren Christopher as a respectable, fatherly figure whom the president found reassuring. Clinton named his fellow Rhodes Scholar Robert Reich as Labor Secretary, since his personal politics precluded him from serious consideration as Treasury Secretary. Although he contributed material to Clinton's campaign and headed the economic transition team, Reich's tenure at the Labor Department was later revealed as having been less than satisfying. Reich and Bentsen clashed over the direction of economic policy and both departed the administration before the start of the second term. Filling out the economic team were Commerce Secretary Ron Brown—who aided Clinton's campaign as Chairman of the Democratic National Committee—and Federal Reserve Chairman, Alan Greenspan, whom Clinton saw no reason to remove, despite his ties to the Republican administrations he had campaigned against. Mickey Kantor was appointed US Trade Representative, while California Congressman Leon Pannetta was appointed to head the Office of Management and Budget, the first in a series of roles that he came to fill in the coming years as his reputation for efficiency blossomed.

Vice President Gore was a key supporter of prosperity promotion, drawing his inspiration from fellow Tennessean, Cordell Hull, who served as Franklin Roosevelt's Secretary of State from 1933 to 1944. Gore often invoked Hull's Trade, Prosperity, and Peace concept, arguing that trade agreements increased global economic stability.²⁶ Gore's influence on policy was further demonstrated by the unprecedented participation of his foreign policy adviser, Leon Fuerth, on the National Security Council. His long-standing participation was cemented on January 9, 1997, when PDD-53 established him as a member of the Principals Committee. President Clinton noted Gore's contribution to the administration, referring to him as "the most influential and constructive force ever to occupy the Vice-Presidency's office."²⁷

Clinton's economic inheritance

Despite having secured the presidency in part due to a pledge to focus on the domestic economy, the administration quickly discovered that the economic conditions they had inherited were far worse than had been

revealed and their ability to rectify the situation was more diminished than they could have imagined. The state of the economy posed “a cancerous threat to the long-term vitality of the American economy.”²⁸ Chairman Greenspan made it clear that the Bond Markets were looking for a clear sign of intent to deal with the deficit as a matter of urgency. If this was not forthcoming, Greenspan warned of spiraling interest rates and an economic downturn that would spell disaster for Clinton’s reelection ambitions. The ensuing debate between deficit reduction and investment caused tension within the administration, particularly between Treasury Secretary Bentsen and Labor Secretary Reich.

As a long standing Friend of Bill (FOB), Reich had been instrumental in devising the economic blueprint for his campaign that called for investment spending and infrastructure development to spur the domestic economy. Reich, along with James Carville, argued that Clinton had campaigned on a pledge to invest in the US infrastructure and that this had the approval of the American people. J. Thomas Cochran, executive director of the United States Conference of Mayors, reminded the White House that the president had promised “an annual increase of \$20 billion to rebuild America and the mayors believe that this promise should be kept.”²⁹ Secretary Bentsen, Robert Rubin, Leon Panetta, and Alan Greenspan, however, cautioned the president to deal with the financial markets first: “By the time he took office, the deficit hawks inside the new administration were winning the debate” to shape its financial priorities.³⁰

The administration’s economic plan was presented to Congress in February 1993, projecting a deficit of \$500 billion over a 5-year period and reduced military spending by \$112 billion over the same period. A major component of this was the deficit reduction plan—initiated as a signal to the markets and the Federal Reserve Chairman that the administration was serious about economic reform. Under these initiatives, the federal deficit fell for 3 years between 1992 and 1995 for the first time since Truman’s presidency and the deficit as a percentage of GDP sank to its lowest level since 1979, from 4.9 percent to 2.4 percent.³¹ Joseph Stiglitz, appointed as Chairman of the Council of Economic Advisers by President Clinton, later observed that “everybody seemed to be benefiting from . . . this *Economia Americana*, which brought unprecedented flows of money from developed countries to the developing world—sixfold increases in 6 years—unprecedented trade—an increase of over 90 percent over the decade—and unprecedented growth.”³²

However, the administration’s ability to deliver on its pledges was placed in doubt by the Democratic Congress, which imposed a nonbinding budget resolution that retained spending caps. This limit on increased spending for domestic programs unless cuts were made elsewhere left the administration with less than \$1 billion for new investments in 1994 and less than \$6 billion in 1995.³³ Outraged, Clinton asked, “Where are

all the Democrats? We are all Eisenhower Republicans here and we are fighting Reagan Republicans. We stand for lower deficits and free trade and the bond market. Isn't that great?"³⁴ This was hardly the reason that Clinton had sought the presidency and these new priorities were indicative of the faltering party unity in Washington as well as further evidence that President Clinton, "the policy wonk, entered the candy store just as its shelves had been emptied."³⁵

The Big Emerging Markets

An early and continuing approach to promoting prosperity was the Big Emerging Markets (BEMs) concept, developed at the Commerce Department, under the guidance of Secretary Ron Brown and Under Secretary Jeffrey E. Garten. The policy was based on a forecast that the ten markets involved held remarkable potential for economic growth and political development in the medium term. Due, in part, to the scale of the development projects that were proposed and required in these nations, estimated at over \$1 trillion over 10 years, the White House sought to assist US businesses secure valuable contracts in a discernable break from previous practice.

The individual locations selected emerged from early horizon-scanning efforts by the Clinton administration to discern innovative ways to aid US companies compete and win in overseas markets. Despite the "developing" nature of the economies in question (Argentina, Brazil, China, India, Indonesia, Mexico, Poland, Turkey, South Africa, and South Korea), they played a role arguably disproportionate to their stature, indicative of the potential for future growth. Maximizing the potential profit for US companies was the basis for the BEM concept of the Clinton administration.

The administration calculated that by the end of its time in office, the BEM nations would collectively be importing more from the United States than either Japan or the European Union and that those import numbers could jump to total more than the figures for the European Union and Japan combined by 2001.³⁶ The Clinton administration envisioned the role that US companies could play in the establishment of new airports, infrastructure projects, telecommunications systems, and financial entities. To ensure that this was achieved, the administration recognized the need to ensure market access to these nations that had historically proved difficult to penetrate due to trade barriers. In this endeavor, the administration revealed its capacity to work in tandem with private enterprise and, in doing so, maximize opportunity for increased outlets for US goods and services.

It was apparent that the nations under scrutiny could well provide a vast outlet for US business opportunities. However, the BEMs also served as regions of potential political development in keeping with the

administration's democracy promotion policy, and by extension proved to be a focus of the administration's security policy, demonstrating once again, the interconnectivity of Clinton's Grand Strategy initiative. In determining where to place emphasis, it was believed that the policy "has the balance about right between aggressively selling (with its inevitable bilateral orientation) and a longer-term effort to liberalize the trade practices of these countries (with an emphasis on World Trade Organization membership and improvements in the treatment of services and intellectual property)." It was feared, however, that viewing these nations solely in terms of commercial exploitation brought with it risks associated with income inequality, governmental corruption, and environmental degradation. "If these issues are not taken seriously in our policies towards these countries, they at least need to be factored into our expectations about how stable they are as commercial partners."³⁷ To succeed, the Clinton administration required the latest data from the nations involved, not all of which was openly available.

The CIA and prosperity promotion

The combination of economics and security was most vividly demonstrated in the administration's use of the US intelligence services, as Clinton's Grand Strategy provided an unlikely solution regarding the future of the CIA. The Clinton administration recognized the need to draw on all aspects of the federal government to enact its policies; redrafting the role of intelligence recognized the need to retain the agency's services, and also to adapt to changing times. In an age with no discernable enemy, the continued rationale for the agency was in doubt. Indeed, as the new administration took office, it was suggested that "to many in Congress and perhaps to the incoming president, the CIA seemed to have lost its traditional enemy and not yet found a role."³⁸

Clinton's Grand Strategy re-tasked the agency to assume new responsibilities in the area of economic intelligence. The administration believed that such a role would "play an increasingly important role in helping policy makers understand economic trends" and that "economic intelligence can support US trade negotiators and help level the economic playing field by identifying threats to US companies from foreign intelligence services and unfair trading practices."³⁹ Elements of the new mission were consistent with their previous tasking, such as the need to assist in military and diplomatic missions and combat terrorism. However, in tasking the CIA to "contribute where appropriate to policy efforts aimed at bolstering our economic prosperity" and to provide "timely information necessary to monitor treaties, promote democracy and free markets and forge alliances and track emerging threats," the administration specifically utilized the CIA in its grand strategy of Engagement and Enlargement.⁴⁰

It was Clinton's predecessor, however, who initiated many of these changes. In 1991, President Bush began the reallocation of CIA resources away from its previous focus "toward new economic targets, as the world marketplace became an ever more important battlefield for America."⁴¹ Previously, up to 60 percent of CIA resources had been targeted on the USSR, a figure that dropped to 13 percent by 1993.⁴² Intelligence analysts continued to address weapons proliferation, counter-terrorism, and traditional espionage activities, but the Clinton administration tasked the CIA with aiding American companies in the global market. During the Cold War, economic intelligence accounted for 10 percent of CIA activity, a figure that rose to 40 percent under Clinton. The intelligence community had always engaged in economic intelligence gathering, but under Clinton this new role helped justify the CIA budget and assist the administration in its efforts to forge domestic renewal. Business intelligence played a crucial role during the Cold War; now intelligence assisted business in the post-Cold War era, as the full weight of the US national security apparatus was brought to bear in maintaining economic security. This was an example of the policy's duality: Clinton's Grand Strategy gave new direction to the CIA, ensuring its continued relevance and, in doing so, the agency's new remit helped revitalize the economy. Such changes were required in a time of uncertainty and change "because national security has taken on a much broader definition in this post-Cold War era, intelligence must address a much wider range of threats and dangers."⁴³

Structural approach

Despite concerns expressed in Congress regarding the administration's adoption of a multilateral approach to national security policy, the White House identified multilateralism more readily with its plans for prosperity promotion. The administration recognized the need for American business to gain access to international markets and the 96 percent of global consumers that lived outside the United States. This was necessary not only to ensure continued innovation and productivity, but also as a means to improve American living standards by improving access to foreign markets. Internal NSC memos reveal the extent to which the administration sought to present President Clinton "as a pioneer in making antiquated institutions fit the new realities of the post-Cold War world and giving birth to brand new institutions and mechanisms for solving international problems."

Therefore, the administration devised a three pronged approach for prosperity promotion: US participation in the development of regional economic bodies including NAFTA and the Asia-Pacific Economic Cooperation forum (APEC); the utilization of and influence over a series of multilateral organizations including the International Monetary Fund

(IMF), the World Trade Organization (WTO), and the World Bank; and bilateral agreements with trading partners. The challenge would be in ensuring that neither the administration, nor the United States was “held hostage to an international bureaucracy and to make global institutions active agents of change.”⁴⁴

Prosperity promotion and regional bodies: NAFTA and APEC

Establishing regional economic bodies was a major focus of the Clinton administration in its initial time in office. The primary focus was securing agreement for NAFTA, designed to create a free-trade zone among the United States, Canada, and Mexico. Negotiations had been initiated by the Bush administration, but were opposed by trade unions and Democrats over fears they would negatively impact US manufacturing. Ross Perot also emerged as a leading sceptic of the initiative and forecasted “a great flushing sound” as jobs and industries headed south to Mexico, leaving their US counterparts decimated.⁴⁵ There was also internal White House concern in July 1993 over the amount of initiatives underway and the implications involved: “In the cases of health care and NAFTA, failure to take immediate action threatens the ability of policy teams to present final proposals in time for September action. Failure to decide also means that we could return to the ‘loss of focus’ theme that injured the president’s standing during the spring” with wide ranging ramifications for the administration.⁴⁶

In addition to the domestic opposition to NAFTA, the administration faced the added challenge of Mexican perception, as a White House memo dated July 23, 1993 insisted, “those working on NAFTA argue that it needs to be launched as early as possible because attacks by NAFTA foes are damaging it and because President Salinas of Mexico will regard the delay as an abandonment, and may tilt in a more nationalist direction.”⁴⁷ The Clinton administration’s support for NAFTA revealed several factors: its readiness to defy union pressure and the Democratic congressional leadership in defense of its New Democrat philosophy, its strategic vision of free trade and free markets, and its concept of prosperity promotion as a component of grand strategy. The White House viewed the agreement as “vital to the national interest and to our ability to compete in the global economy” and as a “pro-growth, pro-jobs, pro-exports agreement.”⁴⁸ The president was adamant; “NAFTA means exports; exports means jobs. No wealthy country in the world is growing more jobs without expanding exports . . . This is a job winner for our country, more jobs with Latin America, even more jobs when we have a new world trade agreement. It all begins with NAFTA.”⁴⁹

Vice President Gore was an early champion of NAFTA and debated the issue with Ross Perot on "Larry King Live," identifying the trade pact as "a starting point for dealing with the common challenges of the Americas." The administration viewed NAFTA as a core element of its grand strategy as it advanced all three of its objectives: "Not only does it mean new jobs and new opportunities for American workers and business, but it also represents an important step in solidifying the hemispheric community of democracies."⁵⁰ The White House defied congressional Democrats to gain support for NAFTA from Republicans and passed the North American Free Trade Act in December 1993, providing a much-needed boost at the end of its first year in office. It also demonstrated that Clinton "was willing to take unpopular foreign policy positions—but not often, and almost always to promote the US economy, such as NAFTA."⁵¹

Passed in the face of overwhelming hostility from members of the Democratic Party, NAFTA had already created more than 100,000 American jobs by 1995, a figure that jumped to almost 310,000 by 1996.⁵² The agreement created the world's largest free trade area and increased trade among its member nations by over 85 percent. In 1997 the Clinton administration anticipated that by 2010, US exports to Latin America and Canada would exceed those to Europe and Japan combined.⁵³ By 1999 US merchandise exports to Mexico had nearly doubled, as Mexico became the second-largest export market for the United States.⁵⁴ By the end of the Clinton administration, Mexico and Canada imported almost 40 percent of all US exports.⁵⁵ Beyond the economic benefits, NAFTA also aided US national security by increasing Mexico's ability to cooperate with the United States on a range of issues including the environment, narcotics trafficking, and illegal immigration.⁵⁶

NAFTA was one of the administration's most recognized successes, described by Henry Kissinger as being "the most innovative American policy toward Latin America in history."⁵⁷ Even administration critic Richard Haass was forced to note that in its first 5 years, NAFTA helped to almost double trade with the US's two largest trading partners and insulate Mexico from recession and political instability.⁵⁸ Paul Wolfowitz conceded, "President Clinton's foreign policy already looks much stronger than it did before his recent victory in the battle over the NAFTA."⁵⁹ The success caused the administration to advocate expanding NAFTA across the Western hemisphere, which in 1995 accounted for over 35 percent of all US overseas sales.⁶⁰ In 1994, hemispheric leaders agreed to negotiate the Free Trade Area of the Americas (FTAA) by 2005.⁶¹ The 1995 Denver Trade Ministerial and Commerce Forum encouraged the decision "to promote trade liberalization and business facilitation throughout the Western hemisphere."⁶² Plans for the FTAA were particularly important as it could, "accelerate progress toward free, integrated markets, which will create new high-wage jobs and sustain economic growth for America."⁶³

The administration also sought to bring Chile into the existing NAFTA agreement.

However, despite its success in securing passage of NAFTA, the establishment of Chile as a NAFTA partner and eventual its success in successfully negotiating more than 300 trade agreements during its time in office, the Clinton administration was unable to leverage support for a regional free trade agreement to cover the Western hemisphere, or for full Chilean accession.⁶⁴ Despite Republican plaudits for ensuring that “one of the most important political successes of this young president challenged the argument that the United States can no longer afford to play an active and engaged role in the world,” the administration’s capacity to expand NAFTA further fell victim to domestic political maneuvering surrounding Fast Track Authority.⁶⁵

Between 1975 and 1994, Fast Track negotiating authority had enabled successive presidents to negotiate international trade agreements that Congress could vote to accept or reject, but not filibuster or amend. President Clinton had inherited Fast Track negotiating authority; however, this lapsed in April 1994 and his efforts to secure its re-instatement were hampered by organized labor and disaffected Democrats, angered over the passage of GATT and NAFTA. The issue had been a major concern to other administrations. Former Secretary of State James Baker expressed his concerns over the expiration of an earlier agreement in 1991, noting, “without it, individual members [of Congress] could literally amend an agreement to death. Opponents of NAFTA saw the Fast Track vote as a chance to derail negotiations almost before they had begun.”⁶⁶ The Clinton administration viewed trade-negotiating authority as essential in its remit to enhance US economic interests. In 1997, the administration observed that securing Fast Track negotiating authority was “a litmus test for trade expansion and US interest in leading the hemisphere toward the creation of the FTAA.”⁶⁷ However, despite it being in place from 1975 until 1994 and again from 2002 to 2007, the Clinton administration was unable to secure congressional support for such powers as “renewal of Fast Track authority languished because of irreconcilable differences between the opponents and supporters of globalization.”⁶⁸

The administration observed that “Congress has consistently recognized that the President must have the authority to break down foreign trade barriers and create good jobs,” but despite this, the Republican-controlled Congress denied the administration Fast Track Authority for the remainder of its time in office, before finally bestowing it on President George W. Bush in 2002.⁶⁹ Clinton’s inability to secure continued Fast Track negotiating authority and the impeachment hearings in his second term did little to assist the situation, despite the advantages that such authority promised for the US economy and broader aspirations of US Grand Strategy. In an example of domestic politics impacting foreign affairs, the FTAA and expansion of NAFTA became victims of the political tensions caused by the

impeachment process that cast a shadow over the Clinton administration's second term in office.

NAFTA proved to be so successful that by 1995 European leaders made enquiries about expanding it across the Atlantic. The Clinton administration considered the concept of a Transatlantic Free Trade Area (TAFTA) following an October 1994 meeting with UK Prime Minister John Major.⁷⁰ Assistant Secretary of State Richard Holbrooke suggested TAFTA would be "part of the intense dialogue on the future of Europe" that would develop in the years ahead, but noted, "it's a good idea whose time hasn't quite come yet."⁷¹ Despite this, President Clinton launched the New Transatlantic Agenda at the US-EU Summit in December 1995 to reduce barriers to trade and investment beyond what had already been agreed in the Uruguay Round of GATT. The move made economic sense as Europe and the United States produced over half of all global goods and services. As President Clinton told the people of Berlin in 1998, transatlantic commerce was already "the largest economic relationship in the world, encompassing more than half a trillion US dollars each year, supporting millions of jobs in both America and Europe . . . Europe's investment in America has now created so many jobs that one of twelve US factory workers is employed by a European-owned firm."⁷²

Beyond Europe, the Pacific Rim was vitally important to the prosperity promotion element of Clinton's Grand Strategy. When the administration came to power, Asia-Pacific was the world's fastest growing economic region. Asia had accounted for just 8 percent of the world's gross domestic product in the 1960s, a figure that jumped to 25 percent by 1994, as Asian economies grew at three times the rate of established industrial nations.⁷³ The Clinton administration announced that the United States, Mexico, and Canada were key members of the Asia-Pacific Economic region, enabling the White House to identify the region as accounting for half of the world's GDP and a third of the global population. The administration convened the first APEC summit in November 1993 to "open new opportunities for economic co-operation and commit US companies to become involved in substantial infrastructure planning and construction" in the area as it sought to promote "open regionalism."⁷⁴

Since 1989 US exports to Asian nations had increased by over 50 percent and, by 1994, US exports to APEC economies accounted for \$300 billion, supporting nearly 2.6 million American jobs. By 1995, US investments in the APEC region reached in excess of \$140 million, almost one-third of all US direct foreign investment.⁷⁵ By 1996, 60 percent of US merchandise exports went to APEC economies and half of these went to Asian countries.⁷⁶ The influence of the APEC economies was felt most evidently in California, Washington, and Oregon, where sales to Asia accounted for more than half of each state's total exports.⁷⁷ Between 1989 and 1994, US exports to many Asian nations increased by 50 percent or more as Asia became America's largest trading partner, with exports

accounting for 2.5 million American jobs. With such figures at stake, the change of heart on China's MFN status becomes understandable: "Three decades ago, Asia had only 8% of the world's gross domestic product. Today it exceeds 25%."⁷⁸ Understandably, a prosperous and freely trading Asia Pacific region was key to the economic health of the United States.

The Clinton administration envisioned a New Pacific Community, "cementing America's role as a stabilizing force in a more integrated Asia Pacific region."⁷⁹ At the second APEC summit, leaders agreed in principle to "free and open trade and investment throughout the region by early in the twenty-first century," as the administration continued to lock the United States into the heart of free trading areas.⁸⁰ Doing so enabled the United States to benefit from and exert influence over, the organization and the region, with the pragmatic aspect of grand strategy never being far from the surface. In 1999, the administration acknowledged that US initiatives in APEC promised "new opportunities for economic cooperation and [would] permit US companies to expand their involvement in substantial infrastructure planning and construction throughout the region."⁸¹ The administration, therefore, continued to utilize foreign initiatives to assist the domestic economy late in its term.

US Grand Strategy reflected the domestic requirements of the administration as the White House increased exports to the APEC region "through market-opening measures and levelling the playing field for US business."⁸² During the administration's 8 years in office, its grand strategy in the region remained consistent in purpose, based on the premise that "a stable and prosperous East Asia and Pacific" was vital to US national security interests. Despite regional economic crises, the administration continued to advocate its approach of "promoting democracy and human rights, advancing economic integration and rules-based trade and enhancing security" on the basis that the three pillar approach was "mutually reinforcing" and provided a framework for its bilateral and multilateral initiatives in Asia.⁸³

NAFTA and APEC were examples of the United States locking itself into the global economy, at the heart of the global structures that dictated the future direction of global trade. The initiatives allowed the administration to unite domestic growth with a foreign policy that advocated free trade and US exports. It was this concept of linking foreign policy to domestic renewal that most appealed to the president. This was the establishment of an international core, including "the major industrial democracies of Europe, North America and East Asia—a community of states with stable governments, liberal societies and advanced market economies, linked by security alliances, economic interdependence and a variety of multilateral governance institutions."⁸⁴ Through its utilization of international trading blocks, the Clinton administration locked the United States into closer trading positions than had been achieved previously and positioned the United States for the twenty-first century.

Prosperity promotion and multilateral organizations

The second aspect of the Clinton administration's structural approach to prosperity promotion was to utilize and influence a series of multilateral organizations including the IMF, the WTO, and the World Bank. These relationships proved to be essential for the economic revitalization the president envisaged for the United States and formed an essential element of US Grand Strategy. However, it would not be enough to passively participate in such organizations; the United States actively sought to influence them and the list of organizations grew during the Clinton years. The concept of seeking multinational solutions was a continuation of policy espoused on the 1992 campaign and was enshrined in grand strategy: "Whether the problem is nuclear proliferation, regional instability, the reversal of reform in the former Soviet empire, or unfair trade practices, the threats and challenges we face demand cooperative, multinational solutions." The administration was forthright in its assertion that, "The only responsible US strategy is one that seeks to ensure US influence over and participation in collective decision making in a wide and growing range of circumstances."⁸⁵

Despite widespread criticism for Clinton's multilateral approach to military engagement, it was in the economic sphere that the administration's true multilateral intentions were most evident. Yet here, too, there were concerns about the manner in which the policies were perceived. Tara Sonenshine, Deputy Director of Communications at the NSC, noted, "the reality is that our administration has come to rely more and more on global, international, multilateral institutions and mechanisms for addressing world problems." This, she explained was not a problem. However, she feared that the administration had "failed to explain why and how we view these institutions and the role of American leadership both in driving these bodies to act, and reforming them in ways that increase their effectiveness."⁸⁶ For the most part, however, the success of this endeavor mitigated any perceived doubts about the viability of Clinton's aspirations in this area.

The administration benefited from excellent timing with respect to economic affairs. It came to power partly due to a mild recession that was effectively over by the time it took office, but which had undermined confidence in the Bush administration. Clinton also inherited a number of negotiation positions that had been initiated during the Bush years. The president's team successfully continued these negotiations to their eventual implementation, enabling the administration to make a series of rapid developments by building on existing foundations. Chief among these were the NAFTA deal and the conclusion of the Uruguay Round of GATT that led to the establishment of the WTO. Clinton argued that the GATT

agreement “not only tears down trade barriers, it also bulldozes differences of party, philosophy and ideology . . . It is an American agreement, designed to benefit all the American people in every region of our country from every walk of life.”⁸⁷

The Uruguay Round of the General Agreement on Tariffs and Trade was concluded in December 1993 at the end of the Clinton administration’s first year in office. It was hailed as “the largest, most comprehensive trade agreement in history,” that promised to create “hundreds of thousands of new US jobs and expand opportunities for US businesses.”⁸⁸ The deal resulted in the establishment of the WTO, designed to provide a forum for dispute resolution. The administration anticipated that the new entity would add \$100–200 billion and hundreds of thousands of jobs each year to the US economy, as well as “provide a new institutional lever” for securing access to new markets.⁸⁹ The Uruguay Round had another unexpected impact according to administration insiders. At a meeting on the issue President Clinton said, “you know, I’m starting to get this!” Charles A. Kupchan recalls “the light bulb going on and him starting to show deepening interest and knowledge and passion for foreign policy issues.”⁹⁰ The agreement had an impact above and beyond the president’s own comfort levels in foreign affairs; however, even administration critic Richard Haass conceded that the WTO “provided a set of rules to govern important areas of world trade and a mechanism for resolving disputes among member countries.”⁹¹

It was clear that the Clinton administration did not see itself as a mere member of the WTO, but as the driving force promoting progressive change, particularly with regard to the admission of new member states. In 1997, it insisted that it was “setting high standards for accession in terms of adherence to the rules and market access. Accessions offer an opportunity to help ground new economies in the rules-based trading system.”⁹² In this respect, no nations were more prominent than China and Russia. At the start of its second term, the administration insisted that it was in America’s interest that China join the WTO, but remained “steadfast” in its effort to ensure China’s membership occurred on “a commercial basis.” This was because China retained “many barriers that must be eliminated” and the administration sought to ensure that necessary reforms were agreed to before accession occurred. Similarly, the administration believed that Russia’s accession to the WTO would play a “crucial part in confirming and assuring Russia’s transition to a market economy, enhanced competitiveness and successful integration into the world economy.”⁹³ Such statements revealed the multidimensional approach that was necessary to global trade initiatives in the post-Cold War world, as the United States sought to deal with nations via multilateral organizations, as well as on more traditional, bilateral terms.

Bilateral agreements

The third component of the Clinton administration's structural approach to prosperity promotion was bilateral agreements, enacted with key trading partners including Japan. When the Clinton administration came to power, Japan was America's second largest export market. At his first news conference with Japan's Prime Minister Kiichi Miyazawa, Clinton insisted "there is no more important relationship for the United States than our alliance with Japan. We are the world's largest economies, with forty percent of the world's GNP between us."⁹⁴ Despite this, tensions simmered over the difficulties involved in accessing key sectors of the Japanese domestic market. The concept of Japan-bashing emerged during the Bush era as the US domestic economic situation soured. During the 1992 campaign, Democrats and Republicans attempted to gain national prominence by blaming Japan for the US economic slowdown.⁹⁵ In addition, Japan's current-account surpluses created problems in the global economy.

Accordingly, the Clinton administration viewed moves to address the trade imbalance with Japan as a priority in its first years in office and continued efforts that had been initiated by the Bush White House. Following years of trade wars, the prosperity promotion aspect of grand strategy sought to ensure that such skirmishes were as much a part of history as the Cold War. Despite initial tensions that led to questions over the administration's commitment to a multilateral trading system—with former US ambassador to Japan Michael H. Armacost lamenting that "trade frictions generated mistrust and resentment that threatened to contaminate our security relations," US Grand Strategy recognized Japan as a major target for prosperity promotion in the 1990s.⁹⁶ Accordingly the administration sought to ensure that "competitive American goods and services" gained access to the Japanese market and sought to ensure that opening its markets stimulated the Japanese economy "both to benefit its own people and to fulfil its international responsibilities."⁹⁷

In July 1993, the Clinton administration and Japanese Prime Minister Miyazawa established the US–Japan Framework for Economic Partnership, designed to address outstanding issues of trade imbalance. By the end of Clinton's first term, 20 market access agreements had been reached under the Framework Agreement that included medical technologies and insurance, as US exports to Japan in these sectors doubled.⁹⁸ Between 1993 and 1996, US exports to Japan increased from \$47.9 billion to \$67.6 billion while the bilateral trade deficit fell from \$59.4 billion to \$47.6 billion.⁹⁹ By 1999, the United States and Japan had signed 38 agreements to open Japan further to American goods and services.¹⁰⁰

The bargaining position of the United States was enhanced by an economic downturn in the Japanese economy. Having entered the 1990s

with a vibrant economy that appeared capable of dominating for decades to come, Japan suffered an ignominious collapse: the bilateral trade deficit with the United States for the first four months of 1998 rose to \$20.8 billion, up 32 percent from the same period in 1996. By 1998, US Grand Strategy advocated reform of Japan's financial sector, efforts to stimulate domestic demand, the deregulation of its economy, and greater efforts to open its markets to US goods and services.¹⁰¹ This combination of a domestic demand-led recovery, a restored financial sector, and deregulation coupled with greater US access to markets defined US Grand Strategy toward Japan in the second term of the Clinton administration.

Prosperity promotion in the post-Cold War world

While Cold War tensions had subsided, the world faced by the Clinton administration was far from stable. The collapse of communism ushered in an era of instability and opened a Pandora's Box of regional conflicts. As the president noted in his Inaugural Address, his administration governed "in a world warmed by the sunshine of freedom but threatened still by ancient hatreds and new plagues."¹⁰² While the administration wanted to enhance the US domestic economy by increasing exports, it recognized the potential dangers involved in selling certain technologies to foreign nations. As a leading manufacturer of technology with potential military applications, the United States was mindful to avoid these products being used by states or organizations in a manner that could threaten American national security. The debate resulted in divisions within the administration over the best course of action: "The Commerce Department actually was constantly trying to argue that foreign direct investment by the United States was the best foreign policy. It was basically the Labor Department verses the Commerce Department verses the Defense and State Department. Defense were worried about Chinese access to technology."¹⁰³

However, it also noted that placing "excessive restrictions" on such exports in a competitive global market did not limit the availability of such goods, but would instead "make US high technology companies less competitive globally, thus losing market share and becoming less able to produce cutting-edge products for the US military and our allies." Clearly, a balance was required in regard to dual-use technology that enabled US sales to flourish overseas while ensuring that export controls continued to protect US national security—without making American companies less competitive globally. This represented a challenge for a nation that led the world in defense contractors, whose sales helped to sustain the domestic economy in key congressional districts and who were themselves part of a corporate structure that included influential media corporations.

Clinton's Grand Strategy resulted in the signing of the Information Technology Agreement to remove tariffs on technology exports, as well as increased US cooperation through the Nuclear Suppliers Group, the Missile Technology Control Regime, the Zangger Committee, the Australia Group for the control of chemical and biological weapons-related items, and the Wassenaar Arrangement for greater transparency in conventional arms transfers.¹⁰⁴ These initiatives were part of a coordinated grand strategy to open markets, restrict WMD proliferation, and ensure US manufacturers remained competitive.

Clinton's Grand Strategy recognized that the US economy was susceptible to events overseas and sought not only to improve the economy of the United States, but also to improve global macroeconomic performance through the G7. The initial aspiration was to initiate a growth strategy by complementing a reduced US budget deficit with lower German interest rates and reduced current account surpluses in Japan. The administration believed that working at a macroeconomic level increased the ability "to prevent and mitigate international financial crises."¹⁰⁵ Indeed, it was the effort to address developing economic turmoil that most drove policy in this area. The administration recognized that although the influence of globalization provided new opportunities for the American economy, it also exposed the US financial markets to increased risks from overseas, with the ensuing dangers to the US domestic economy that the administration had won office pledging to fix: "Global economic turmoil today threatens to undermine confidence in free markets and democracy. Those of us who benefit particularly from this economy have a special responsibility to do more to minimize the turmoil and extend the benefits of global markets to all citizens."¹⁰⁶ Prosperity promotion, therefore, included a decidedly pragmatic domestic element, designed to ensure that the administration did not suffer politically due to foreign economic incidents beyond its control.

In this approach to policy, it is possible to recognize the rationale for the grand strategy's declared policy of seeking to exert control over an ever-increasing number of international entities: control meant the power to influence and direct policy in the best interest of the administration and the United States. By 1998, American unemployment stood at a 28-year low and inflation at a 32-year low. Wages were rising at twice the rate of inflation and the budget was balanced for the first time in 29 years.¹⁰⁷ Despite such positive results, President Clinton remained vigilant, reminding the nation that it must "never lose sight of what the fundamental problem is—we need . . . more growth in this world today."¹⁰⁸ The Clinton administration believed that its implementation of grand strategy contributed to the establishment of a "stable, resilient global financial system" designed to promote "strong global economic growth while providing broad benefits in all countries."¹⁰⁹ Clinton's Grand Strategy was devised to ensure that the future was one of free trade, so that the United States could thrive, but also

the world as well: “As the world’s premier economic and military power and its premier practitioner of democratic values, the US is indispensable to the forging of stable political relations and open trade.”¹¹⁰ By 1999, the administration saw itself as being involved in nothing less than the “worldwide transition from military industrial economies reliant upon government capital to information-based economies reliant on intellectual capital.”¹¹¹

Global implementation

Beyond the structural approaches to prosperity promotion, Clinton’s Grand Strategy contained a series of philosophical elements, based around the concept of Free Trade and Free Markets. The principle of free trade was at the core of Clinton’s concept of security. The White House acknowledged that the post-Cold War world demanded that economics, rather than military power, become the most efficient tool to implement US global leverage. It was in this light that the administration’s focus on NAFTA, GATT, APEC, and the US–EU Transatlantic Marketplace must be viewed; not merely as financial entities, but as vehicles to expand US values and interests in the new geopolitical era. The implementation of these initiatives represented “unprecedented progress towards more open markets both at the regional and global levels.”¹¹²

The Clinton administration was determined that its grand strategy should accurately reflect the varying challenges and opportunities presented by contemporary conditions. Clinton’s team addressed each continent individually to determine how best to implement US strategy and whether one or more of the three components should be prioritized. Clearly, some regions posed more of a challenge than others in allocating resources and priorities. Clinton’s Grand Strategy had an overriding goal in terms of implementation: how to integrate a “commitment to the promotion of democracy and the enhancement of American prosperity” with the “security requirements to produce a mutually reinforcing policy.”¹¹³ However, a quarter of the world’s population was declining in growth, causing Alan Greenspan to observe that the United States “cannot forever be an oasis of prosperity.” Indeed, 30 percent of US growth since Clinton became president had been due to expanding involvement in the global economy.¹¹⁴ America’s ability to offer aid and trade during the Cold War was a key facet in its arsenal of soft powers; however, its slide from being the world’s greatest creditor to the world’s greatest debtor nation had undermined this resource. Emerging democracies may have preferred greater financial assistance, but the US budget deficit tied Clinton’s hands and the funds were simply not available to initiate a latter day Marshall Plan.

Western Europe

US Grand Strategy in Europe was primarily focused on building a continent that was “integrated, democratic, prosperous and at peace.”¹¹⁵ Having been a driving force for closer European integration since the Marshal Plan, the United States continued to promote closer political and economic ties on the European continent. The Clinton administration appreciated the importance of European stability to US national and economic security, since “vibrant European economies mean more jobs for Americans at home and investment opportunities abroad.”¹¹⁶ Economically, Europe was vital to the economic expansion element of US Grand Strategy, since what was good for Europe was seen to be good for the United States: “If Europe is at peace, America is more secure. If Europe prospers, America does as well.”¹¹⁷ Together the United States and Europe were responsible for the production of almost half of all global goods and services, while Transatlantic commerce employed 14 million on both sides of the Atlantic—with Europe accounting for more than 60 percent of US overseas investment.¹¹⁸

The administration sought to continue its work with the European Union in support of its economic goals and was also committed to “the encouragement of bilateral trade and investment in countries not part of the EU.”¹¹⁹ The Clinton administration recognized the opportunity for prosperity promotion in a developing European Union that was seeking to establish itself on the world stage. Just as US Grand Strategy sought to lock the US economy into an ever-increasing number of economic entities, so too was it designed to ensure closer economic cooperation with regional trading blocks and none loomed larger than the European Union. With the nations of Central and Eastern Europe free of Soviet domination, the European Union faced calls to expand, a move the Clinton administration openly supported, so long as it was “appropriate” and welcomed the European Union’s Customs Union with Turkey.¹²⁰

However, the recession that had contributed to Clinton’s victory also impacted Europe, ensuring that economic conditions were far from ideal as the continent continued to integrate. Britain, France, and Germany were all undergoing economic difficulties, with almost 20 million unemployed across the continent. The price of peace was felt most clearly in Germany, which bore the financial burden of national unification. The Clinton administration recognized the economic plight of Western Europe and sought to reduce unemployment and promote long-term growth, holding a jobs conference in Detroit in March 1994 and a G7 summit in Naples in July 1994 to address the issue.¹²¹

The most significant manifestation of US–EU relations in the Clinton years was the December 1995 launch of the New Transatlantic Agenda, designed to enhance US–EU relations “from consultation to joint action on

a range of shared interests, including promoting peace, stability, democracy and development; responding to global challenges; and contributing to the expansion of world trade and closer economic relations.”¹²² This led to the establishment of New Transatlantic Marketplace, designed to reduce barriers to trade and investment, as well as the establishment of the Transatlantic Business Dialogue, Transatlantic Consumer Dialogue, Transatlantic Environment Dialogue, and Transatlantic Labor Dialogue.¹²³ The US–EU Mutual Recognition Agreement eliminated “redundant testing and certification requirements covering \$50 billion in two-way trade.”¹²⁴ Such initiatives were designed to ensure continued dialogue aimed at lowering and eradicating barriers to increased US–EU trade and cooperation. Richard Holbrooke observed at the time that leaders had “to lead to break through the layers of ambivalence, confusion, complacency and history that inhibit reforms. As the great architect of European unity, Jean Monnet, observed, ‘Nothing is possible without men, but nothing is lasting without institutions.’”¹²⁵

On May 18, 1998, the Clinton administration launched the Transatlantic Economic Partnership, designed to strengthen economic and political relations, as well as diminish trade disagreements that had arisen in a number of bilateral relations with EU member states. The partnership addressed issues raised by US companies trading with the European Union, focusing on standards of manufacturing and regulatory issues for biotechnology while seeking to create opportunities for US service industries in Europe.¹²⁶ In January 1999, the Clinton administration welcomed the launch of the Euro currency, noting “the steady progress that Europe has demonstrated in taking the often difficult budget decisions that make this union possible” and insisting that “a successful economic union that contributes to a dynamic Europe” was in US interests.¹²⁷ More broadly, US Grand Strategy in Europe focused on working to meet a series of contemporary challenges, including ways to “build a more open world economy and without barriers to transatlantic trade and investment.”¹²⁸ It was clear that the administration remained committed to “a very rich, active transatlantic agenda.”¹²⁹

Central, Eastern Europe, and Russia

The malaise that was felt in Western Europe could not dampen the euphoria that was evident in Central and Eastern Europe, where the end of the Cold War was most clearly felt. This region of the world presented perhaps the greatest opportunity for full implementation of the US Grand Strategy of Engagement and Enlargement. The Soviet withdrawal enhanced US national security; the end of command economies granted opportunities for prosperity promotion; while the collapse of

communism presented opportunities for democracy promotion. This was identified as early as 1994 when the administration noted its "unparalleled opportunity to contribute toward a free and undivided Europe." Its goal was "an integrated democratic Europe co-operating with the United States to keep the peace and promote prosperity."¹³⁰ However, there was more to grand strategy than American largesse. Prosperity promotion, the most mercantile element of US Grand Strategy, continued to emphasize the pragmatic philosophy of the Clinton White House: "As we work to strengthen our own economies, we must know that we serve our own prosperity and our security by helping the new market reforms in the new democracies in Europe's East that will help to deflate the regions demagogues."¹³¹

The prosperity promotion aspect of US Grand Strategy was dedicated to ensuring that the economies of the Newly Independent States (NIS) were able to integrate into "international economic and other institutions and develop healthy business climates."¹³² The administration declared that the "independence, sovereignty, territorial integrity and democratic and economic reform" of the NIS were important to US interests as it actively pursued bilateral relationships as well as the leadership of international institutions to mobilize resources.¹³³ Primary among these organizations was the WTO, which the administration worked with to ensure accession by Kyrgyzstan, Latvia, and Estonia, in addition to advocating membership for Georgia, Albania, Armenia, Croatia, Lithuania and Moldova, Russia, and Ukraine.

Among the former Soviet states, Ukraine was identified by the administration as being of specific importance. US Grand Strategy sought to rid the nation of a perceived lawlessness that threatened international principles of the marketplace and impeded efforts to implement democratic governance. The US-Ukraine Bi-National Commission was established to coordinate relations and encourage reform. The administration focused its energies on encouraging international support for Ukrainian efforts to reform its economy and energy sector, a move dominated by the closure of the Chernobyl nuclear facility. To succeed, Ukraine needed to attract foreign sources of investment to engender domestic growth and to integrate into the European, transatlantic, and global economic institutions.¹³⁴ To assist in this effort, the Clinton administration took the lead in "securing agreement by the G-7 to make available four billion dollars in grants and loans as Ukraine implemented economic reform."¹³⁵

The evolving nature of US Grand Strategy was apparent in its focus on the Caspian Sea region. Stability in this part of the world was viewed as essential, delivering "security from the Mediterranean to China," as well as enabling the "rapid development and transport to international markets of the large Caspian oil and gas resources, with substantial US commercial participation."¹³⁶ On November 18, 1999, President Clinton attended the signing of the Baku-Tbilisi-Ceyhan pipeline agreement and

the Trans-Caspian Gas Pipeline Declaration in Istanbul, both initiatives designed to bring oil and gas out of the Caspian region as environmentally as possible. US Grand Strategy in the Caspian was driven by economics but this move fully embraced the three-strand approach to foreign policy as espoused repeatedly by Governor Clinton since December 1991. In addition to the economic benefits that US companies would derive from the pipelines and energy supplies, the administration believed the process promised to draw together the Caspian nations of Azerbaijan, Turkey, Georgia, Kazakhstan, and Turkmenistan and encourage them to work together for the betterment of all, increase potential market penetration and opportunities for democracy promotion.

The administration sought to encourage US investment in the region's energy resources for "expanding and diversifying world energy supplies and promoting prosperity in the NIS."¹³⁷ The approach to the NIS continued the Clinton administration's three-pronged strategy: support for market reform in Central and Eastern Europe and the NIS promised to "help new democracies take root by avoiding conditions, such as corruption and poverty, that can weaken democratic governance and erode the appeal of democratic values."¹³⁸ The administration identified Poland as typifying the "new dynamism and rapid growth that extensive, democratic, free market reforms" that US Grand Strategy had made possible.¹³⁹ To this end, the White House sponsored a Trade and Investment Conference for Central and Eastern Europe in Cleveland in January 1995 and worked to encourage inward investment by private US organizations.¹⁴⁰ The administration recognized, however, that the fate of its grand strategy toward Europe would not be decided in Cleveland. Instead, "the circumstances affecting the smaller countries depend in significant measure on the fate of reform in the largest and most powerful—Russia."

Of all the individual nations in the world, none encompassed US hopes and fears more clearly than Russia and no other nation better epitomized the ambitions of US Grand Strategy and its three-strand approach of national security, prosperity promotion, and democracy promotion. Clinton had pledged to continue the emergency aid programs to Russia that President Bush had launched, including food for vast regions that were on the brink starvation, but realized this was not enough. The Russian people may have had political reform, but market reform was proving desperately hard to implement, ensuring that Russians were beginning to question the benefit of the entire reform movement; the ability to vote suddenly appeared less pressing compared to the ability to eat. Clinton saw the situation in Russia as a looming storm that threatened global economic and security assumptions. The end of the Cold War had already led to cuts in defense expenditures and a reduction in perceived threat levels; a potential collapse of the Yeltsin regime and a return to a hard-line Russian government placed all such developments in doubt. However,

given his domestic priorities and weak electoral mandate, President Clinton's ability to seek increased congressional funding for Russia was minimal.

The administration stressed that while it would "continue to promote Russian reform and international integration," US economic and political support depended on Russia's "commitment to internal reform and a responsible foreign policy."¹⁴¹ To help engender economic relations, the Clinton administration liberalized controls on computer exports in September 1993 and eliminated controls on most civilian telecommunications equipment to Central and Eastern Europe, the NIS, and China in March 1994.¹⁴² Reducing trade barriers was a tangible way in which Clinton's Grand Strategy could assist in the economic liberation of Russia and the NIS. With limited funds for an economic bailout, the administration recognized that "The success of market reforms in the countries recently emerged from communism will depend more on trade and investment than official aid."

Despite its fiscal restraints, the Clinton administration provided \$4.3 billion in bilateral assistance to Russia during its first term. US Grand Strategy assisted in the rehabilitation of Russia by fighting inflation and stabilizing the ruble, ensuing that by 1997 over 70 percent of Russia's Gross Domestic Product was generated by the private sector.¹⁴³ Grand strategy ensured that the United States became Russia's largest foreign investor, with commercial transactions valued at more than \$4 billion, as US-Russian trade rose 65 percent.¹⁴⁴ By the end of Clinton's first term in office, more than 120,000 Russian enterprises had been transferred to private hands as grand strategy committed the United States to assisting Yeltsin transform Russian society. The policy helped Russia to privatize more property in less time than any other foreign development venture in history and such developments, coupled with the 1996 elections, led the administration to believe that a new era may have arrived in Russia. The Clinton administration sought to ensure that Russia could not return to a command economy and perhaps nowhere better demonstrated what Leon Fuerth referred to as the Ratchet Principle of Clinton's Grand Strategy.¹⁴⁵

The long-term logic of this approach was highlighted in 1998 as Russia faced an economic crisis. On August 17, Moscow announced that it was devaluing the ruble, imposing a moratorium on bank-held loans and defaulting on its short-term treasury bills. The stock market plummeted as the government struggled to pay its debts and salaries. Talk emerged of Russia having "abandoning the path of reform and returning to policies of the past, even policies that have already failed." Such prospects carried obvious threats to the West, since the situation threatened "not only the Russian economy and prospects for our economic cooperation—at worst, it could have an impact on our cooperation with Russia on nuclear disarmament, on fighting terrorism and the spread

of weapons of mass destruction.”¹⁴⁶ The circumstances caused the IMF and World Bank to shelve a \$17 billion aid package, but the Clinton administration continued to work with the Kremlin “toward passage of key economic and commercial legislation,” as it strove to promote “American investment and Russia’s integration into various international economic institutions.”¹⁴⁷ As the president observed, “never has there been a more important moment to set a clear direction for the future, to affirm the commitment of Russia to democracy and to free markets and to take decisive steps to stabilize the economy and restore investor confidence.”¹⁴⁸

Relations were conducted at the highest levels of government, with Presidents Clinton and Yeltsin developing a relationship based on mutual appreciation of the other’s past and political predicament. In addition, the Gore-Chernomyrdin Commission ensured that the United States and Russia collaborated in the vital areas of defense, trade, and science and technology.¹⁴⁹ Despite the progress, the Clinton administration recognized that much remained to be done in order to build on the reform momentum of the Yeltsin years and ensure continued economic recovery coupled with enhanced democratic freedoms. Grand strategy committed the United States to continue to “promote political and economic reform in Russia, working to create a thriving market economy while guarding against corruption.”¹⁵⁰ Clinton sought a strategy to help Russia become, “a going concern within ten years.”¹⁵¹ Such an exercise was more than the United States could achieve alone, however, and required sweeping internal reform and external assistance on an unprecedented scale, all at a time of widespread economic retraction. As on a range of issues, President Clinton discovered the limits of American power as his aspirations confronted political expediency and Russia became “a fifty-year problem, not a five-year problem,” in which the administration could not have imagined “how much the kleptocracy would grab on as fast as it did.”¹⁵² As the Clinton administration prepared to leave office, it reminded the new occupants of the White House and the Kremlin that only “by supporting historic market reforms in these areas, we help new democracies take root by avoiding conditions, such as corruption and poverty, that can weaken democratic governance and erode the appeal of democratic values.”¹⁵³

China

The Clinton administration believed that China provided the perfect justification for its grand strategy of national security, prosperity promotion, and democracy promotion, since “the emergence of a politically stable, economically open and secure China is in America’s interest.”¹⁵⁴

The administration's primary method for achieving its ambitions was economically driven as it sought to integrate China into the world economic system and gain access to its internal markets by lowering border barriers and removing restraints on economic activity.¹⁵⁵ The Clinton administration sought to use US capital to leverage access and political reform in China: "America must look to the East no less than to the West. Our security demands it . . . Our prosperity requires it. More than 2 million American jobs depend upon trade with Asia. There, too, we are helping to shape an Asia-Pacific community of cooperation, not conflict."¹⁵⁶ The results, however, were decidedly mixed.

China had featured prominently during the 1992 campaign, as Governor Clinton lamented President Bush for "coddling dictators" and moving too quickly to stabilize relations after the Tiananmen Square protests. As John Brummett noted, Clinton "talked tough about removing China's MFN status if it did not change its ways in violating human rights and suppressing its people, but that was an irresponsible, self-penalising idea from which he not so subtly retreated once elected."¹⁵⁷ The Clinton campaign pledged to make China's continued MFN trading status dependent on changes to its human rights laws, an approach that continued in office until the White House recognized the futility of such a stance. The Chinese made it abundantly clear that they were not going to change their stance on the issue and so the administration capitulated, since it "could not get them to budge on human rights."¹⁵⁸ The White House presented the move as a victory that granted "American farmers, businesses and industries with market access to the world's most populous nation."¹⁵⁹ It was, however, a reversal of policy and a climb-down for the administration in the face of unwillingness by the Chinese to negotiate on the situation.

Announcing the shift in policy on May 28, 1993, the Clinton administration noted that China held an important place in US foreign policy: "Its future will do much to shape the future of Asia, our security and trade relations in the Pacific and a host of global issues from the environment to weapons proliferation. In short, our relationship with China is of very great importance." The White House insisted on its commitment "to supporting peaceful democratic and pro-market reform" in China and was "hopeful" that China's "process of development and economic reform will be accompanied by greater political freedom." The administration drew inspiration from the efforts of Governor Patten in Hong Kong, identified as "a catalyst of democratic values."¹⁶⁰ That view was reiterated a year later when the president stressed he was "supporting Governor Patten's efforts to have a genuine, long-term strategy for economic and political success in Hong Kong."¹⁶¹ Such efforts reinforced President Clinton's assertion that "stability can no longer be bought at the expense of liberty . . . The more we bring China into the world, the more the world will bring change and freedom to China."¹⁶² Finally, on May 24, 2000, the House of

Representatives voted 237 to 197 to approve normal trade relations with China. Only 73 of the 237 votes came from Democrats, so the bill passed due to the support of Republicans who only months before had sought to remove Clinton from office; “Clinton achieved a major victory, consistent with his tactic of using trade to promote political and economic ends.”¹⁶³

In keeping with overall grand strategy, the Clinton administration sought to develop an engagement with China that encompassed “economic and strategic interests.” The administration recognized the economic benefits to be derived from China’s development of “a more open market economy that accepts international trade practices.”¹⁶⁴ Doing so, the administration maintained, was in the US national interest and, therefore, it pursued bilateral trade negotiations with China on a range of issues, relating to market access and intellectual property rights, which many in the United States believed were being widely abused. The challenge, as identified by Samuel Berger, was “to steer between the extremes of uncritical engagement and untenable confrontation.”¹⁶⁵ The eventual bilateral agreement on intellectual property rights promised to save US companies billions of dollars in revenues lost because of piracy.

A key goal of US Grand Strategy in regard to China was its membership of the WTO on “commercial terms.”¹⁶⁶ These terms were not for the benefit of China, but for nations such as the United States that wanted to do business there, since a “stable, open, prosperous China, shouldering its responsibilities for a safer world, is good for America.”¹⁶⁷ In 1997, it was agreed that China’s “full participation in the multilateral trading system” was in both country’s interest.¹⁶⁸ When China’s membership of the WTO was finally agreed upon, the administration hailed the decision as “a landmark accord.”¹⁶⁹ Second-term National Security Adviser, Sandy Berger referred to the agreement as “the most constructive breakthrough in US–China relations since normalization in 1979.”¹⁷⁰ Membership of the WTO promised to create opportunities as Chinese markets opened, encouraged economic reform, and enhanced “the understanding of the Chinese people of the rule of law in the development of their domestic civil society in compliance with international obligations.”¹⁷¹

Clinton’s Grand Strategy appreciated that China was a vital market for US goods and services and that exports would support hundreds of thousands of jobs across the United States. To ensure that the US domestic economy continued to thrive via exports to the burgeoning Chinese market, Clinton’s Grand Strategy prioritized the removal of “distorting restraints on economic activity” and China’s full integration into the market-based world economic system.¹⁷² As with so many aspects of Clinton’s Grand Strategy, there was a long-term goal involved in its approach to China. The administration was eager to determine “whether true economic growth will create a large middle class in China; whether the presence of a large middle class spurs democratic reforms because people who are educated want to be participants.”¹⁷³ The success or failure of such an approach

would necessarily be decades in the deciding. Undeniably, however, the US–Chinese relationship developed considerably during the Clinton years to one of “openness and candour.” This is not to say that both sides were always in agreement, but it became possible to “speak openly and honestly in an effort to understand our differences and, if possible, to work toward a common approach to resolving them.”¹⁷⁴

The Western hemisphere

The passage of NAFTA, the completion of GATT, and the Summit of the Americas all represented “unprecedented progress toward more open markets both at the regional and global levels” in the Western hemisphere.¹⁷⁵ Progress in this area was a viable option due to the apparent end of armed conflicts, particularly in Central America, which the administration hoped was a turning point. Drawing a line between the various elements of its grand strategy, the Clinton administration observed that “sustained improvements in the security situation there . . . will be an essential underpinning of political and economic progress in the hemisphere.”¹⁷⁶ The administration believed that many of the positive developments in the Western hemisphere were due to the economic and trade policies that had been initiated since the administration had come to power: by 1998, Latin America became the world’s fastest growing economic region and the US’s fastest growing export market, as exports to Latin America and the Caribbean were expected to exceed those to the European Union.¹⁷⁷

The Clinton administration presented the NAFTA agreement as one of its most important foreign policy achievements—not merely an economic policy success—as it embraced all three components of US Grand Strategy: national security, prosperity promotion, and democracy promotion. Indeed, the administration believed that the growth of market economies in the region offered “an unparalleled opportunity to secure the benefits of peace and stability and to promote economic growth and trade.”¹⁷⁸ As a result, the administration hosted the Summit of the Americas in Miami in December 1994, at which the hemisphere’s 34 democratic nations pledged to negotiate the FTAA by 2005. President Clinton pledged “a more mature and cooperative relationship with the hemisphere” as the summit agreed on areas including counter-narcotics and anti-corruption, health, education, environmental protection, and the strengthening of democratic institutions. The ensuing Summit Action Plan resulted in increased activity between government agencies in the United States and in Central and Latin America on issues relating to finance and the environment.¹⁷⁹

The biggest crisis the administration faced in the Western hemisphere was in regard to the Mexican Peso crisis of 1994/1995. Coming less than a year after NAFTA was implemented, the collapse of the Mexican economy

confirmed the worst fears of those who had opposed the trade agreement and the policy implications that came with it. Fears grew that a contagion could be triggered, resulting in financial crisis in the Western hemisphere and possibly beyond. It was, perhaps, a stroke of good fortune that this crisis related to finance, allowing the president to act with a confidence that may have been lacking in a military operation. As their currency reserves fell to \$3.5 billion, the Mexican government requested a loan of \$40 billion from the United States, a figure that met with fierce opposition on Capitol Hill and among the general population, with 80 percent of Americans voicing their opposition to the bailout.¹⁸⁰

The Clinton administration, however, supported the efforts of Mexican President Zedillo and the economic program he devised to rectify the situation, which gained the support of the IMF.¹⁸¹ Speaking on January 18, 1995, President Clinton referred to the coalition of forces that initially supported a bipartisan agreement as being “significant; it may be historic,” as he and the leaders of both parties in Congress and the Chairman of the Federal Reserve Board agreed to a rescue package. Such a deal, the president stressed, would be a guarantee, “not foreign aid . . . not a gift . . . not a bailout.”¹⁸² In his State of the Union address that month, President Clinton acknowledged the opposition to the deal, but insisted that action was required “not for the Mexican people but for the sake of the millions of Americans whose livelihoods are tied to Mexico’s well-being.”¹⁸³ American jobs, exports, and the safety of its borders were at risk. However, despite the support of the bipartisan leadership, members of Congress sought to attach a series of conditions to any bailout, including demands that Mexico increase border security, destroying any potential agreement.

Instead, on February 21, the White House released \$20 billion from the Exchange Stabilization Fund to the Government of Mexico and the Bank of Mexico.¹⁸⁴ Revenues from crude oil exports and other petrol-based products were used to guarantee these loans. In addition, the United States required Mexico to maintain the value of peso deposits with the United States, ensuring that if the value of the peso dropped against the US dollar, Mexico would be required to further compensate the United States.¹⁸⁵ The IMF increased its contribution to \$17.8 billion and several other central banks increased their participation to \$10 billion.¹⁸⁶ Despite criticism from Rush Limbaugh for “giving away our money and taking away our rights,” the deal turned out well for all involved.¹⁸⁷ By June 1996, Mexico had repaid three-quarters of its debt and US exports to Mexico had exceeded their 1994 postings by 11 percent.¹⁸⁸ Several months later, at his 1997 State of the Union, the newly reelected President Clinton was able to announce that Mexico had completed its loan repayment, 3 years ahead of schedule, with half-a-billion dollars profit to the United States.¹⁸⁹ Even Richard Haass, a noted critic of the Clinton White House, was forced to concede in his assessment of the administration that this constituted an “economic achievement” that had “rescued Mexico from an economic meltdown.”¹⁹⁰

While the administration secured a vital economic success, however, the congressional backlash contributed to the removal of the Presidential Fast Track negotiating authority with significant and far-reaching implications for US Grand Strategy.

Across the continent, the growing popularity and increasing availability of the internet, as championed by the Clinton administration, ensured that the peoples of the Western hemisphere could take increasing advantage of the opportunities created as markets became "connected through electronic commerce and as robust democracies allow individuals to more fully express their preferences."¹⁹¹ The support for the internet revealed the grand strategy's interconnected nature as technology promoted trading opportunities for US companies in overseas markets and championed direct democratic participation by citizens in the hope of encouraging pro-Western governments and increased US national security. By 1998, President Clinton noted that the United States had been founded at a time of "enormous economic upheaval when the world was beginning to move from an agrarian to an industrial economy." He recognized that the world was "drawing up the blueprints for a new economic age," which could design "the architecture for a global economic marketplace, with stable laws, strong protections for consumers, serious incentives for competition, a marketplace to include all people and all nations."¹⁹² It was clear how the Western hemisphere stood to benefit in such circumstances.

The Clinton administration's commitment to the region was personalized by the president, who invested time there in his second term to reinforce the aspirations of his grand strategy. He visited President Zedillo of Mexico in May 1997 and followed that with meetings with the leaders of Costa Rica and various Caribbean leaders in Barbados. In October 1997, President Clinton visited Venezuela, Brazil, and Argentina, on all occasions addressing the challenges that impacted all nations in the Americas: crime, immigration, drug manufacture, and distribution, as well as the potential benefits derived from a continent with a growing democratic base and more accessible markets.¹⁹³

US Grand Strategy in the second term sought to aid nations in the Western hemisphere "translate economic growth into social progress," a move the administration felt was "critical for promoting sustainable growth and sustaining democracy," especially since, despite encouraging progress, nations in the Caribbean and Latin America had the greatest income disparities in the world "with the poorest 20% of individuals receiving just 4.5% of the total income within the region."¹⁹⁴ US Grand Strategy remained committed to prosperity promotion in the Western hemisphere: Canada was the United States's largest merchandise export market and trade partner in the world, as US exports grew rapidly under the US-Canada Free Trade Agreement. Grand strategy in the region continued to utilize the World Bank, the Inter-American Development Bank, and

the IMF, in partnership with Latin American governments and private enterprise “to help the region’s countries in their transition to integrated, mature market economies.”¹⁹⁵ However, Argentina, which had openly embraced the Clinton administration’s free market strategy, suffered its own economic collapse in 2001, but was denied an economic bailout by the newly installed George W. Bush administration. Washington’s attempt to blame Argentina for the financial crisis set off a rise in Anti-Americanism that did much to end support for the proposed FTAA.¹⁹⁶

The commitment to the Western hemisphere and the consistency of the grand strategy in the region were evident from a consideration of PDD-28. Prepared in 1994, it addressed US policy toward Latin America and the Caribbean and committed the administration to a hemisphere “of democratic nations with capable, efficient governments and vibrant civil societies and with open, dynamic economies providing rising living standards for their people and expanding export markets for US products and services.”¹⁹⁷ PDD-28 encompassed the full range of US Grand Strategy initiatives, including national security, prosperity promotion, and democracy promotion. It was reinforced by the president’s statement in his 1997 State of the Union Address that his grand strategy was “about more than economics: By expanding trade, we can advance the cause of freedom and democracy around the world. There is no better example of this truth than Latin America, where democracy and open markets are on the march together.”¹⁹⁸

Africa

Despite proclaiming that most parts of the world were natural locations for its grand strategy of Engagement and Enlargement, the Clinton administration conceded that Africa posed “one of our greatest challenges.”¹⁹⁹ The administration acknowledged that the environmental, economic, social, ethnic, and political challenges associated with Africa contributed to a feeling of “Afro-pessimism.”²⁰⁰ The administration’s ultimate ambition, “a stable, economically dynamic Africa,” depended on the integration of African nations into the global economy. The prosperity promotion aspect of grand strategy, therefore, sought “to assist African nations to implement economic reforms, create favorable climates for trade and investment and achieve sustainable development.” Grand strategy was not intended as an African panacea and the administration recognized that it would be unable to “address every challenge or reap every opportunity” available in Africa. Instead, in a continuation of the pragmatic approach that characterized much of the administration’s approach to policy, the United States would “identify those issues where we can make a difference and which most directly affect our interests

and target our resources efficiently.”²⁰¹ The economic aspect of US Grand Strategy in Africa contained the dual caveat of seeking to aid continental development, while ensuring the United States benefited as a direct result.

As part of the administration's grand strategy in the region, the White House hosted the 1994 Conference on Africa. Attended by President Clinton, Vice President Gore, Secretary of State Christopher, National Security Adviser Lake and more than 200 members of the administration, members of Congress, human rights activists, business leaders, labor groups, religious organizations, development agencies, and academics, the conference addressed the role that the United States could play in the development of the continent. This was the first time the White House had sponsored an effort to bring together regional experts and the administration believed it “produced a wealth of new ideas and a new commitment to Africa.”²⁰² The administration stressed that its grand strategy in relation to Africa sought to promote “democracy, respect for human rights, sustainable economic development and resolution of conflicts through negotiation, diplomacy and peacekeeping” and had deliberately supported efforts to increase an appreciation for the need for “budgetary and financial discipline.”²⁰³

In the first years of the administration, the grand strategy spoke in broad, positive generalities about the desire to address challenges in Africa and “create a synergy that can stimulate development, resurrect societies and build hope.” To do so, the administration sought to draw upon “the knowledge, experience and commitment of millions of Americans to enhance our nation's support for positive change in Africa” and in so doing, strengthen “the American constituency for Africa.”²⁰⁴ The administration established a series of initiatives to formalize relations between South Africa and the United States. One of the first was the US–South Africa Bi-National Commission, formed during the October 1994 state visit of President Mandela.²⁰⁵ The commission was inaugurated on March 1, 1995 and was designed to strengthen the bilateral relationship and identify ways in which the United States could ensure South African Reconstruction and Development Program goals were met.²⁰⁶

Clinton's Grand Strategy sought to “spur economic growth and promote trade and investment by examining new ways to improve the economic policies of African nations and by sustaining critical bilateral and multilateral development assistance.” Efforts to integrate African nations into the global economy presented political and economic benefits to all concerned, but particularly benefited US interests by opening previously untapped markets of more than 600 million people in sub-Saharan Africa to US goods and services. As of 1997 the United States exported more to this region than to all of the former Soviet states combined, but enjoyed only 7 percent market share in Africa.²⁰⁷ Clinton's Grand Strategy sought to ensure that such moves led to an

increase in the 100,000 American jobs that depended on exports to the continent.²⁰⁸

The administration's commitment to Africa was underscored by visits to the continent by senior personnel, as Vice President Gore and the First Lady represented the United States at Nelson Mandela's inauguration in May 1994. The vice president returned to South Africa in November 1995 where he and President Mandela held the first formal meeting of the US–South Africa Bi-National Commission. During his second term, President Clinton made a 12-day trip to Africa in March/April 1998, during which he co-hosted the Entebbe Summit for Peace and Prosperity, along with President Museveni of Uganda, to advance cooperation on conflict prevention, human rights, and economic integration. The trip afforded opportunities to announce “a number of new programs to support democracy, prosperity and opportunity, including initiatives on education, rule of law, food security, trade and investment, aviation and conflict resolution,” as well as providing President Clinton with an opportunity to address “the violent conflicts that have threatened African democracy and prosperity.”²⁰⁹ A meeting of US and African officials followed the trip in March 1999, addressing “security, economic and political issues.”²¹⁰

On March 24, 1998, the administration announced the Education for Development and Democracy Initiative to improve access to technology at community resource centers and increase the quality of education in Africa. The administration planned to provide \$120 million over 2 years to help fund the initiative, which focused on educating and empowering girls. The Africa Food Security Initiative was also introduced to improve African agriculture and food security. Budgeted at \$61 million over 2 years, the program was designed to exacerbate similar efforts being enacted by the United States Agency for International Development (USAID). The focus of the project was to improve African agricultural practices, increase efficiencies, and encourage the use of technology to improve yields and distribution. Finally, the Multilateral Initiative on Malaria was launched to complement the Infectious Disease Initiative for Africa and support the Regional Malaria Lab in Mali.²¹¹ By 2000, the initiative had expanded beyond its original focus on Ethiopia, Mali, Mozambique, Malawi, and Uganda into Tanzania, Zambia, Ghana, and Kenya. Notwithstanding natural disasters, productivity and agriculture incomes in these nations rose and as part of the initiative the countries either met or exceeded their performance targets in 1999 as food security improved.²¹²

The Clinton administration acknowledged that developing countries faced “an array of challenges” as they sought “broad-based economic and social progress” to benefit from the opportunities afforded by the end of the Cold War and the onset of globalization.²¹³ In June 1997, the Clinton administration launched the Partnership for Economic Growth and Opportunity in Africa Initiative, designed to support economic reform in the continent. The plan was to help African countries to pursue

“growth-oriented policies” and encourage them to “sustain growth and development.”²¹⁴ While the plan sought to aid African development, it also fostered US investment and trade in the continent and, as a result, the initiative contained a variety of programs, including “greater market access, targeted technical assistance, enhanced bilateral and World Bank debt relief and increased bilateral trade ties.”²¹⁵ With half the world’s population existing on incomes of less than \$2 a day, it was clear to see why US Grand Strategy took into account the threats posed by hunger, malnutrition, economic migration, and political unrest.²¹⁶ However, the administration only began to advocate the relief of unsustainable foreign debt obligations late into the second term. In June 1999, the administration adopted the Cologne Debt Initiative to reduce the debts of Heavily Indebted Poor Countries, in an effort to promote economic growth and poverty reduction.²¹⁷ The eventual enactment of the African Growth and Opportunity Act on May 18, 2000 marked the beginning of a new relationship between the United States and sub-Saharan Africa, just as the Clinton administration was coming to an end. The bill granted substantial preferential access to the US market for eligible sub-Saharan African countries “and benchmarks towards which current non-eligible countries could aspire and focus their development efforts.”²¹⁸

Reflections on prosperity promotion as grand strategy

The Clinton administration’s decision to “tear down the wall in our thinking between domestic and foreign policy” ensured that this facet of US Grand Strategy bore political dividends.²¹⁹ The White House successfully blended the president’s economic preferences into a grand strategy that promoted prosperity promotion abroad, resulting in economic renewal at home. The economic results of the era were remarkable, with the macroeconomic performance in particular being hailed as “exceptional” by the chairman of George W. Bush’s Council of Economic Advisers, Gregory Mankiw.²²⁰

Clinton’s Grand Strategy prioritized the revitalization of America’s economy, which by 1996 was in a far better state than it had been 3 years earlier. The federal budget deficit had successfully been lowered as a percentage of the Gross Domestic Product from 4.9 percent in 1992 to 2.4 percent in 1995, the lowest since 1979.²²¹ Having campaigned in 1992 promising to focus on the economy, Clinton utilized US Grand Strategy during his first term to position himself for reelection in 1996. Indeed, US Grand Strategy, as espoused in the 1996 National Security Strategy Review, was specifically utilized as part of the administration’s campaign for reelection. By combining economic initiatives with its foreign policy, the

Clinton administration was able to highlight how US Grand Strategy and specifically its trade initiatives, including NAFTA, the GATT agreement, and more than 80 other trade deals, had created more than 2 million American jobs.²²² The 1996 NSSR was determined to demonstrate that the events of the past 4 years had not been predetermined, but had been driven by the administration, often in the face of open hostility and criticism, from both sides of the political aisle.

Much of the prosperity promotion initiative was indicative of the evolving concept of globalization and the developing market-based economies, of which Bill Clinton was an early proponent, having alluded to them in his first Inaugural Address. As Robert Rubin observed, President Clinton was “the first American President with a deep understanding of how these issues were reshaping our economy, our country, and the world.”²²³ From its first days in office, the Clinton administration began “unabashedly using globalization to remake the world in its image.”²²⁴ This was a process the administration was determined to harness and manipulate, estimating that 2 million of the 7.5 million new jobs created since 1993 had been the result of efforts to expand market access for American products. In 2000, President Clinton insisted that globalization was “tearing down barriers and building new networks among nations, peoples and cultures at an astonishing and historically unprecedented rate.”²²⁵ The administration believed that its efforts had resulted in the creation of over 3 million new small businesses and the lowest combined rates of unemployment and inflation in 25 years.²²⁶ The administration stressed that the prosperity promotion element of its grand strategy was good not only for US foreign policy, but also for the national economy and therefore for American voters. Globalization, however, like US Grand Strategy, was about more than economics. As President Clinton noted in his final State of the Union address in January 2000, “Our purpose must be to bring together the world around freedom and democracy and peace and to oppose those who would tear it apart.”²²⁷

The prosperity promotion element of US Grand Strategy was perhaps the most successful element of Clinton’s Grand Strategy, with much of its success being due to the administration’s efforts to lock the American economy into the heart of the developing economic entities, including NAFTA, the WTO, and APEC. Each agreement represented a triumph for international free trade and for globalization. NAFTA established a free trade zone with the United States’s closest trading partners; the WTO provided a mechanism to ensure US access to foreign markets; APEC granted the US access to the emerging markets of the Pacific Rim and “opened markets, expanded export and investment opportunities and protected intellectual property rights for American companies.”²²⁸ The Summit of the Americas provided an opening to the markets in the Western hemisphere, while the emerging Transatlantic Marketplace initiative allowed for even greater US penetration of the European Union. As declassified NSC

memos from 1994 reveal, the administration believed that “with new nations interconnected economically and politically, it is foolhardy NOT to be looking to international bodies for solutions.”²²⁹ Clinton’s success in placing the United States at the heart of these international institutions enabled the United States to lead and mold the bodies according to its own design. Indeed, it was noted that Clinton’s ability to secure trade deals “was to economics what Richard Nixon’s opening to China was to security.”²³⁰ By becoming the common denominator in all these financial entities, the United States was perfectly placed to benefit from and manipulate the direction of global economic policy.

As logical as this approach was, critics suggested that the administration had confused trade policy with foreign policy, with Leslie Gelb lamenting, “A foreign economic policy is not a foreign policy and it is not a national security strategy.”²³¹ Gelb noted that international trade was the only area in which President Clinton had demonstrated conviction, but that despite its successes it failed to provide a framework with which to respond to the challenges that erupted in the 1990s and, was therefore, “a triumph of process over substance.”²³² The promotion of free markets may have given direction to US Trade Representative Kantor and Commerce Secretary Brown, but critics remained unimpressed, viewing it as a policy with no connection to reality, as an aspiration rather than a strategy, “the predictable by-product of Lake, a former professor, pursuing arcane geopolitical textbooks.”²³³ Lake’s time in academia hardly distinguished him from his predecessors at the NSC, including Kissinger and Brzezinski, and it is feasible to conclude that part of the criticism leveled at the administration stemmed in part from the administration’s fundamental approach to grand strategy.²³⁴ As Warren Christopher noted, “it used to be said that balance-of-power diplomacy and arms control were “high politics” and economics “low politics.” The Clinton administration rejected such distinctions, believing instead, “that political and economic diplomacy are indivisible.”²³⁵

The Clinton White House was adamant that it was more productive to assist American companies in the expanding markets of the world than to post the Marines “to quell unrest in economically inconsequential nations,” as global organizations were utilized to aid the US recovery and ensure its continued dominance, through a process of globalization, if not outright Americanization.²³⁶ Such a process was dependent on an engaged and internationalist approach to foreign affairs. As has been revealed throughout this book, and as acknowledged by Jeffrey Garten, “before he was elected, Clinton was promising to recast the entire intellectual basis of US trade policy . . . It was to be placed at the center of foreign policy, becoming at least as important as political and security questions.”²³⁷ Clinton was adamant that the United States must “remain actively engaged in global affairs,” for while the Cold War may have ended, “the need for American leadership abroad” remained as strong as ever, with the president

being personally “committed to building a new public consensus to sustain our active engagement abroad.”²³⁸

However, due to US electoral timetables the policy needed to be results-driven to remain politically viable, ensuring that investments in foreign policy were “proximate and easily demonstrated in terms of job creation, growth, and export market shares.”²³⁹ Therefore, the grand strategy’s prosperity promotion initiative was initially introduced in Central and Eastern Europe and the Asian Pacific region, where nations were in the advanced stages of becoming open-market democracies. There was little point in selecting China as a testing ground for the most sweeping sections of the policy, just as there was little point in selecting a nation in sub-Saharan Africa. Both locations presented near insurmountable obstacles to the speedy implementation of the policy. Rather, it was designed “to protect US strategic interests abroad and Clinton’s personal popularity at home.”²⁴⁰ Accordingly, it was difficult to argue with the results of the initiative.

As the nation prepared to vote in 1996, a *New York Times/CBS News* poll revealed 55 percent approved of Clinton’s handling of the economy, with 70 percent of respondents reporting that they felt the economy was very good or fairly good.²⁴¹ The domestic economic recovery was fueled in large part by the export market, which produced new jobs. The economy grew steadily and constantly throughout the administration’s two terms. Unemployment fell, millions of new jobs were created, and the federal deficit was erased, so that by the election of 2000, debate focused on what to do with the vast and growing budget surplus that had been accumulated under Clinton’s economic initiatives.²⁴²

Conclusion

The prosperity promotion element of grand strategy was central to President Clinton’s endorsement of Engagement and Enlargement. It was as an economic variation of Rollback, based on the premise that in countries where command economies collapsed, free markets, teeming with American goods and services, may thrive. However, the Clinton administration ultimately failed to implement many of its policies, including the introduction of Chile into NAFTA in its second term, due to domestic political obstructions. Clinton may have sought to make the world safe for commerce, but like Wilson before him, he proved more adept at convincing the rest of the world to go along with his ideas than he was with members of the Congress, who spent much of his second term debating whether Clinton should be removed from office. Despite such domestic political issues, it was clear that by the end of the administration’s time in office “the commercial side of it has more or less been a success.”

As Charles Kupchan noted, the Uruguay Round was completed, “there hadn’t been a return of protectionism . . . and that strategy of continued global liberalization is with us and it was born and pushed in the 1990s.” The policy was predicated on the belief that once the newly democratic nations developed market economies, their citizens would seek US goods and services, strengthening ties between the nations and allowing for peace and prosperity to flourish. This was the fundamental aspiration of Clinton’s Grand Strategy initiative and long after leaving office, in an age of ever-increasing Americanization of foreign markets, it is difficult to argue with its success.

The use of economics in US Grand Strategy was “a good way of bringing a president who had been a governor . . . to foreign policy through the back door” and enabled Clinton to marry his interests with the requirement to operate on a global basis. Clinton, like many of his predecessors, came into office with little foreign policy experience and “it took time for him to turn on.” He was, however, “hardwired as a politician, so once you do the foreign policy thing and start talking about constituencies and votes, its like, ‘Cool, I like this!’”²⁴³ Accordingly, US Grand Strategy sought to ensure full US participation over an increasing array of international financial institutions and trade entities. Anthony Lake’s position on this was clear: “If we can help lead the dozens of nations . . . who are trying to adapt to democracy and free markets, we help to create the conditions for the greatest expansion of prosperity and security the world has ever witnessed.”²⁴⁴ By the end of Clinton’s second term in office, with the nation at peace and enjoying the longest economic boom in American history, few would have argued with such a forecast.

Notes

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- 5 Letter from Secretary of State Olney to Thomas F. Bayard, July 20, 1895, *Foreign Relations of the United States 1895 Part I: Great Britain* (Washington, DC: GPO, 1895), pp. 545–562, p. 558.
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- 10 Michael Mandelbaum, "The Bush Foreign Policy," *Foreign Affairs* 70, no. 1 (1990/1991), p. 21.
- 11 Dan B. Wood, *The Politics of Economic Leadership: The Causes and Consequences of Presidential Rhetoric* (Princeton, NJ: Princeton University Press, 2007), p. 4.
- 12 Warren Christopher, "Statement at Senate Confirmation Hearing," *US Department of State Dispatch* 4, Issue 4 (January 25, 1993), p. 45.
- 13 The administration's successful economic policies also contributed to President Clinton's consistently high approval ratings during his second term, which ensured that few Democrats were prepared to abandon the president during the impeachment hearings.
- 14 Mandelbaum, "The Bush Foreign Policy," p. 6.
- 15 Author's interview with Charles A. Kupchan.
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- 17 Clinton and Gore, *Putting People First: How We Can All Change America*, pp. 131–132.
- 18 Memorandum to the President-Elect, quoted in Kenneth I. Juster and Simon Lazarus, *Making Economic Policy: An Assessment of the National Economic Council* (Washington, DC: Brookings Institution Press, 1997), p. 8.
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- 24 Robert Rubin, quoted in Gwen Ifill, "The Economic Czar Behind the Economic Czars," *New York Times* (March 22, 1993), p. A1.
- 25 For more information on the National Economic Council, see Jerel A. Rosati and James M. Scott, *The Politics of United States Foreign Policy*, Fifth Edition (Boston, MA: Wadsworth, Cengage Learning, 2011), pp. 231–258; Jonathan M. Orszag, Peter R. Orszag, and Laura D. Tyson, "The Role of Institutions in the White House: The Process of Economic Policy-Making During the Clinton Administration," in Jeffrey Frankel and Peter Orszag (eds),

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 - 31 NSSR96, p. 27.
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