

Why the Economy is a Foreign Policy Issue

America Abroad spoke with Jarrod Bernstein, chief economic adviser to Joe Biden from 2008 until the spring of this year. Since then he's been at the Center on Budget and Policy Priorities.

"America's economy is a foreign policy issue these days because economics is so global. Obviously capital—by which we mean investments—but we could also talk about machinery, tools and technology. All of these things now travel across borders. And if we're talking about financial markets, then at the click of a mouse.

Right now, we have to look at Europe as largely detrimental. They are dealing with a very deep debt crisis and interestingly, American banks are not all that exposed. They don't hold that much debt from the troubled countries, but American investors do and we export a lot to the eurozone as well.

China is more of a mixed bag. We have large trade deficits with China and that has a lot to do with the fact that they manage their currency in order to make their exports cheaper to us and our exports to them more expensive. So that's problematic. On the other hand, such a large emerging economy has been quite a boon for those American corporations who have been able to figure out how to sell into it. Based on everything I've said so far, it's obviously essential that the next president is very skilled at handling all these interconnected issues unquestionably."

A Continuation of our Roundtable Discussion...

*Guests include: **Carroll Doherty**, Associate Director at the Pew Research Center for the People and the Press; **Susan Glasser**, Editor in Chief of *Foreign Policy Magazine*; **Jennifer Rubin**, columnist and blogger for *The Washington Post*.*

Ray Suarez (RS): Carroll Doherty, he [Jarrod Bernstein] thinks Americans recognize the need for a strong foreign policy hand on the economic tiller, do they?

Carroll Doherty (CD): One of the interesting things you've see in this economic downturn is that there really hasn't been a rise in protectionist sentiment on trade. I think that's a reflection of the public's awareness of the of the interconnectedness. Now this could change. One of the interesting things I'm going to be watching over the course of campaign is how China figures in. Is China going to be seen as a partner, or kind of demon as this campaign goes forward. It would be very interesting to watch that.

RS: Jennifer, if you talk to voters, you probably have to get pretty deep into the conversation until you get to China, NAFTA, Venezuelan oil, Canadian timber, Mexican workers. Yet we are now enmeshed in the rest of the world in a way that you can't think of these things in different parts of your head anymore.

Jennifer Rubin (JR): I don't think it would take all that long to get into these issues. Particularly in parts of the country that are still suffering terribly economically: Ohio and the Rust Belt. You do see both parties trying to address this. You will notice that when Republicans now are speaking out in favor of the three free-trade agreements, they are directly making the jobs argument: "These agreements will allow us to sell our products overseas. That means we'll be able to increase our manufacturing jobs here." You also do see that there is a renewed interest and renewed concern about China not simply because it's an economic superpower but because it's a symbolic issue: America on the decline, China on the rise. You see this coming up in foreign policy, you see this come up in economic policy and it sure doesn't help that their human rights record is so atrocious. So I think China will be in play. Will it be the top issue? No, it won't be the top issue. None of these are. But I think voters are becoming more savvy. And I think in some parts of the country these issues remain very high. When candidates go to Florida, you're going to hear a lot of talk about Hugo Chavez. You're going to hear a lot about the free-trade agreement with Panama. You're going to hear a lot about whether this administration has really supported a democratic, courageous government in Colombia. So I think these issues do come-up. They're not top tier issues, but they come up. As we have all acknowledged, Americans are becoming more sophisticated in part because more of them work for international corporations, and a number of them buy stuff from overseas. These people don't live in a bubble. So they understand, that they may be buying a foreign-made automobile. They may be working for a foreign-owned company. These people are living in a global economy and certainly in the communication age, and in the cultural realm in which we live, these people are becoming more internationally sophisticated to a certain extent.

RS: Susan, do you share Jennifer's optimism about having a more sophisticated conversation about global economics in the next campaign season?

Susan Glasser (SG): I do think that it's not a marginal issue, it's not a second or third tier issue when it comes to the role of China in American politics. I think that we already saw a preview of this in some of the midterm campaigns for Congress a couple years ago and I actually do think that this is going to be front and center at various points in the campaign. What is the American role in the world and the future? Are we destined to lose our preeminent status as the world's largest and most powerful economy? What does China's rise mean to us? Both economically and in security terms, are we going to respond to that? But I do think that this is an important part of the election context.

RS: Carroll Doherty, does the amount of foreign policy discussion over the next 13 months have a lot to do with what happens in the rest of the world over the next 13 months?

CD: I think we've seen dramatic foreign policy events over the last year. I'd like to get back to something that Jennifer said earlier. Obama does better on foreign policy than he does on domestic issues at this point. His approval ratings on terrorism and foreign policy generally are pretty high relative to where he stands on the economy which is interesting. I think it gets back to something that occurred this year we haven't discussed yet, which is the singular foreign policy accomplishment of this year—the killing of Bin Laden. I think to a certain extent, with the public tuned-out to some issues in the Middle East and the Arab Spring, they certainly tuned-in to that.

RS: Jennifer?

JR: I think everything in life is relative and they certainly can't have anything good to say about his economic policies, so by default, he does better in foreign policy. It's also true, so long as America is not attacked, so long as we don't have a terrorist incident on our soil, the president is going to get some credit. From my perspective, it's also because he has moved in the direction of his predecessor to some extent. We haven't closed Guantánamo and he has adopted a number of positions that he certainly ran against with President Bush. I do think that one thing that is interesting, going back to what Susan said, two candidates have actually waded into some rather sophisticated discussion. I talking about Chris Christie. He made an argument at the Reagan Library about America's domestic problems inhibiting our ability to have influence with the EU. That's a pretty sophisticated comment for a guy who's just broadly setting forth his own views. It does go to the issues that we have been talking about, which is America's influence in the world—America's standing. So you do see it come up with some candidates. The other way which it has come up is from Mitt Romney, who has always been an internationalist, always been a free trader. The one thing that I think was significant in his 59 proposals for jobs was a much more adversarial, muscular tone towards China. He talked about trade and currency manipulation. He talked about enforcing America in terms of our rights to intellectual property, so you saw a toughening which is exactly the response to this same sentiment that America is losing, China is gaining, so you do hear hints of this.

RS: Susan, are candidates shying away from having a complicated, nuanced conversation with voters about America's economic difficulty in how it's connected to the rest of the world?

SG: Absolutely they are. I think that they have bet, and probably correctly, that there's no percentage for them in nuance and murky shades of gray. I think the Republicans, almost all of them, perceive this to be an enormous vulnerability on Obama's part and that's why—although you see contradictory messages perhaps when it comes to Afghanistan and when and how to withdraw—you see them united in feeling that jobs and the weakness of the economy are Barack Obama's great vulnerability so they're going to hammer home on that and not in a nuanced way.