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Amigo shoring (1940): Washington's first experiment with "friend shoring" and what it tells us about geo-economic strategy

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ABSTRACT

There has been an intensifying debate lately within America's circle of allies regarding the merits of "de-risking" the economic relations they conduct with autocratic great powers. Sometimes this debate makes explicit appeal to the novel name of "friend shoring." The name may be new, but what it represents – namely an American (and allied) desire to minimize security problems stemming from economic interdependence – can be dated back to the middle of 1940, with the short-lived Inter-American Trading Corporation (IATC). This bold initiative was the first great instantiation of friend shoring in US foreign policy, and was focused upon the Latin American republics to the southward. This article's purpose is to describe and analyze, in theoretical and empirical context, that early, unsuccessful, instance of friend shoring, and to suggest ways in which the IATC experience might be considered of relevance to the contemporary debate over the security consequences of interdependence.

Introduction: The "return" of friend shoring in US strategy

In the run-up to the November 2023 Asia-Pacific Economic Cooperation (APEC) summit, talk was heard of the merits (or lack thereof) of efforts made by China's trading partners to reduce their commercial links with it. Various labels have been advanced to capture the logic of such commercial-diversification strategizing. Among those labels are "decoupling," "de-linking," and "friend shoring."[1] This article focuses upon the latter, and makes the case that its apparent novelty aside, the strategic logic that underpins friend shoring is not new at all. In fact, there was an earlier, if now largely forgotten, bout of enthusiasm for a comparable approach to economic statecraft in US foreign policy. That earlier advocacy occurred a year prior to America's entry into the Second World War, and bore the seemingly innocuous name of the Inter-American Trading Corporation (IATC). What this geo-economic initiative was supposed to accomplish, and how it was to do this, constitute the major questions I address in this article. And though the brief lifespan of the IATC is far out of memory

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today, some implications of that experiment are relevant to contemporary economic strategy.

This article contributes to today's debate, but it does so not by concentrating exclusively upon the "traditional" *transatlantic* dimensions of friend shoring – as important as those undoubtedly are, given that it is in the area associated with the North Atlantic Treaty Organization (NATO) that most of the West's "friends" happen to reside. Rather, this article's empirical focus is upon a less conventional precinct of the transatlantic world, Latin America, and in an era different from our own. True, this is a region that hardly springs uppermost to mind when thoughts turn to today's friend-shoring dilemmas, notwithstanding occasional flurries of excitement regarding the potential of Latin American lithium and other mineral deposits to factor heavily in the emerging "green" economy, and thus to become potential stakes of great-power contestation.[2] But if Latin America now remains reasonably peripheral to those contemporary dilemmas, matters were decidedly different when Washington first experimented with friend shoring, during the panic months of mid-1940, a time when it appeared that a European great power, Hitler's Germany, was about to complete its conquest of *all* of Europe.[3]

In view of the importance being attached to the latest iteration of friend shoring, it is worth taking a look at both the promise and the perils of Washington's first great experiment with the concept. To understand why Franklin D. Roosevelt administration policymakers were willing to entertain an economic vision that can make Biden administration enthusiasts of industrial policy look like acolytes of Milton Friedman, we need to consider the geostrategic context in which "friend shoring 1.0" evolved, with a view to comparing and contrasting the two eras' deployment of economic statecraft.

That comparative analysis unfolds in the following manner. The section immediately below examines the theoretical and practical framework within which the current friend-shoring debate has unfolded. As we will see, this framework really does constitute a fundamental revision of a perspective that, not so long ago, privileged markets over state policy as the best means of allocating value and promoting "interests," including those related to national security. The objective of the Biden administration's economic statecraft (or "geo-economics")[4] is not so terribly different from that of the Trump administration, in that it seeks to reduce the negative security implications stemming from international economic interdependence, through some degree of intervention in the marketplace *via* industrial policy. Following this scene-setting contemporary inquiry, come a pair of empirical historical sections, whose focus is squarely on strategic dilemmas that framed America's initial, and in some ways its boldest, design experiment with what we today call friend shoring, during the crisis of mid-1940.

The first of these empirical sections explores the fundamental geostrategic tension roiling Washington's decisionmaking in the early months of the Second World War – a tension stemming from the expectation that somehow it might prove possible to continue to stay out of the European (and therefore global) balance of power, while at the same time preserving the Western hemisphere as a "zone of peace" isolated from the war raging across the Atlantic Ocean. The second section explores the political-economic challenge posed by Germany to American interests in the event the war were to go better for the Germans than it did for the French and the British. In light of the new and sobering "reality" that dawned during May and June 1940, planners in Washington set to work on solving that German challenge through radical economic measures, with their *deus ex machina* being the short-lived Inter-American Trading Corporation (IATC), accompanied by a set of lesser economic policy ideas. The concluding section discusses the demise of that earlier grand experiment in friend shoring, and asks whether it might have anything to tell us regarding the contemporary debate over friend shoring, and if so, what?

New concept on the block? Friend shoring in the contemporary strategy debate

"Friend shoring" has been one of the more intriguing, and possibly even important, concepts to make its way into current strategic debates in the Western world. Although the tenets underpinning the concept are not terribly new, the label *is* novel, apparently having made its debut as an item of policy discourse in a speech by the US treasury secretary, Janet Yellen, during the summer of 2022;[5] soon thereafter, it was taken up with such gusto by another North American political leader, Canada's deputy prime minister, Chrystia Freeland, that it might even be thought the notion had been concocted in Canada.[6] It had not, but there is merit nevertheless in singling out Freeland, for she has offered a compendious, and useful, way to understand the concept. Asked by a puzzled reporter what friend shoring actually meant, she responded simply that when governments design international trade policies, "we need to be very careful not to have strategic vulnerability to authoritarian regimes."[7]

Although the concept's appearance has sometimes been linked to the havoc the COVID pandemic played with global supply chains, Freeland's response gets us more to the heart of the matter, for friend shoring today is virtually entirely owing to the ongoing sharpening of great-power rivalries – these latter being manifested, chronically, by accumulating fears of Sino-American conflict and acutely, by the Russian war on Ukraine. The implications are fairly clear, for the two North American states, and doubtless many other Western ones as well: they should strive to find some means of preserving the gains to be had from economic interdependence without at the same time exposing themselves to growing security risks that are also, themselves, part and parcel of economic interdependence. In a nutshell, they should conduct less business with non-democratic and threatening states and more with states whose "values" (however ill-defined) they share.

With all the attention being accorded to today's US-led friend-shoring initiatives, it is easy to forget that similar policy objectives had earlier figured in American grand strategy. Indeed, it can sometimes seem that attention only began to be accorded to the security implications of economic interdependence the day before yesterday, and that before then, Washington had always been content to allow the market to sort out value, and to enhance collective interests, with little to no injection of the state into foreign economic policymaking. But of course, the reality is otherwise: it was actually the short period of time from the end of the Cold War to the middle of the 2010s – the high-water years of globalization – that constituted the exception to the rule rather than the rule itself. Starting with the Trump administration, and picking up momentum with the Biden administration, there has been a growing rediscovery of the likelihood that markets, left to themselves, may not turn out to be the most rational allocator of *security* values and best protector of *security* interests, no matter how efficient they may otherwise prove themselves to be in distributing the welfare gains of interdependence.[8]

An important policy address given by President Biden's national security adviser, Jake Sullivan, shows just how far America has drifted from those headier times when it was possible to imagine that expanding economic interdependence would constitute the ultimate in "win-win" situations, making Americans and everyone else richer and more secure in an era in which the specter of great-power war had been laid to rest.[9] Speaking at the Brookings Institution in late April 2023, Sullivan reflected on assumptions that had guided American foreign economic policy over recent years, but were now sorely in need of revision. "Much of the international economic policy of the last few decades," he reminded his listeners, "had relied upon the premise that economic integration would make nations more responsible and open, and that the global order would be more peaceful and cooperative – that bringing countries into the rules-based order would incentivize them to adhere to its rules. It didn't turn out that way." Sullivan did note that although there had been some instances in which the promise of greater interdependence had been fulfilled, "in a lot of cases" it had not.

In two particular instances, he continued, interdependence had spectacularly failed, and in so doing had put America's and other states' security, as well as prosperity, at risk. The instances were those of China and Russia, concerning which Sullivan stated the obvious, that "economic integration didn't stop China from expanding its military ambitions in the [East Asia] region, or stop Russia from invading its democratic neighbors. Neither country," he deadpanned, "had become more responsible or cooperative."

Although not explicitly invoking Janet Yellen's trope of friend shoring, Sullivan went out of his way to stress that while there indeed needed to be a wholesome and fuller embrace of the hitherto taboo notion of "industrial policy" on the part of the US government, this did *not* mean that America was going to retreat behind protectionist barriers, notwithstanding that so many of the country's allies worry this may be what it ends up doing.[10]

> Our objective is not autarky – it's resilience and security in our supply chains. Now, building our domestic capacity is the starting point. But the effort extends beyond our borders. And this brings me to the second step in our strategy: working with our partners to ensure they are building capacity, resilience, and inclusiveness, too. Our message to them has been consistent: We will unapologetically pursue our industrial strategy at home – but we are unambiguously committed to not leaving our friends behind. We want them to join us. In fact, we need them to join us.[11]

Sullivan's words attest to how far removed Washington has become from that period of time spanning the start of the 1990s and the middle of the 2010s – a period more than a few scholars liked to stylize as the heyday of "neo-liberalism," the "Washington consensus," or – better yet – "hyperglobalization."[12] For the US, and many of those "friends" cited by the national security advisor, a new era has dawned, one in which globalization, "hyper" or otherwise, no longer gets praised as the closest thing imaginable to economic, political, and strategic godliness. Instead, discussions of "deglobalization" and its merits are making the rounds.[13] With those discussions has come a renewed interest in economic statecraft and geoeconomics. As had happened in previous eras, thoughts have again turned toward the allure of "relative gains" over that of "absolute gains."[14] It seems hard to recall, today, that there ever *was* a time when economic interdependence was believed to be endowed with so many wonder-working properties as to represent the ticket of admission to an unambiguously better world, an aspiration the Germans liked to rhyme through the expression, *Wandel durch Handel* (change through trade).[15]

But of course there *had* been such a hope-filled time, when few seemed to worry very much about whether the Dr. Jekyll of globalization might transform itself, from the point of view of global and national security, into Mr. Hyde. Today, however, globalization has shown its more sinister side, by having enrichened, and therefore militarily strengthened, states that prove themselves to be not so "friendly" to Western interests after all. These states would prefer to use those economic gains made possible through interdependence not to strengthen but to weaken the Liberal International Order (or LIO). All of this seems so obvious today, yet a few exceptions aside,[16] most scholars and policymakers during those halcyon times of the 1990s and early 2000s did not consider the possible security challenges posed by globalization to be anything seriously to fret about. And who could gainsay the regnant optimism of those years? After all, had not trade liberalization and other instruments of economic integration "worked" to build a prosperous and democratic West following the Second World War?[17] Presumably the same logic could be made to work more generally following the Cold War, converting more and more countries into economic and security partners, just as had been done after 1945, when Germany and Japan were fashioned into central pillars in the postwar order, through that era's liberal policies directed at "engagement" (of former Axis adversaries) and "enlargement" (of the West) – policies that when adopted with the recent German foe in mind, were packaged into what one scholar dubbed the "Wilsonian impulse."[18]

But the liberal order of the post-1945 era was a Cold War liberal order, one from which certain important states were prima facie excluded. With the ending of the Cold War, geopolitical "inclusivity" became the order of the day, such that engagement and enlargement were combining to make it possible to believe that peace could and would break out across the planet. Michael Mandelbaum reflected this vision when he commented, apropos that blissful period following the collapse of the bipolar era, that the "quarter century of the post-Cold War era qualifies as the most peaceful period in history."[19] Those same years represented the triumph of what another scholar, Andrew Bacevich, has colorfully termed the "Emerald City consensus," after the destination of Dorothy and her cinematic companions in *The Wizard of Oz*, eager to have all their dreams fulfilled by the omnipotent wizard presiding at the end of the yellow brick road.[20]

It is understandable that for the US, the successful outcome of the Second World War, and even more the felicific ending of the Cold War, could have reinforced the obvious wisdom dispensed by economists who understood their discipline's iron law of comparative advantage. A rising tide, swelled by the progressive and comprehensive (i.e. multilateral) reduction in trade and investment barriers, would be bound not only to lift all boats and enhance the global commonweal, but in the bargain would make the planet an inherently safer habitation for all states and their citizens. So long as it was possible for policymakers in the US (and perhaps some other Western countries) to imagine that the Emerald City was within reach, there had been little urgency in pondering the security implications of deeper engagement with China, or to think very much about a Russia they considered far too feeble to pose much of a threat.[21] The particular case of China even looked for a while to augur the delightful outcome of undisputed mutual benefit, for not only would the country's rise be, as Chinese leaders prior to Xi Jinping liked to emphasize, a "peaceful" one, but there was a lot of money to be made by American and other Western multinationals eager to do business with the country. To top it all off, their dealings would supply American and other Western consumers with lower-cost goods of ever higher quality, effectively enriching those consumers who managed to hang onto their jobs, by extending their purchasing power.

With the declining appeal of the Emerald City vision, in large though not complete measure due to the emergence of a more nationalistic China under Xi vaunting its self-damaging "wolf warrior" approach to foreign policy,[22] there is once again serious debate about the linkages between economic interdependence and international and national security. In light of the obvious empirical reality, revealed plainly enough by the historical record of periods characterized by *non*-interdependence – namely that protectionism and autarky can themselves also be catastrophic for global security[23] – there is a renewed search in Washington and many other (though not all) Western capitals for some means of preserving "enough" of the structures and norms of economic multilateralism so as to head off a self-destructive retreat to the bad old days of autarky. The way to square this particular circle, it is thought, is to encourage greater economic interdependence within the ambit of one's trusted partners, the "friends" who can be counted upon not to exploit the absolute and relative gains stemming from trade in a way that would jeopardize friendly relations.

This is what Jake Sullivan had in mind in his April 2023 address. He came to praise the liberal order, not to bury it, but it has to be a more constricted geographic order if the negative security consequences of globalization are to be held in check. Admittedly, the Sullivan vision presents some problems. In particular, it raises the confounding possibility that not all of the friends might see things in quite the same way as Washington does. As noted above, most of the debate concerning today's friend shoring has centered on the members of the transatlantic alliance, NATO. There are two obvious reasons for this geographical concentration. The first concerns the effect upon the alliance of Putin's war of aggression against Ukraine – a war that has engendered rallying behavior among and between allies who have, more often than not, been prone to carping endlessly rather than to cooperating seamlessly. For the time being at least, Putin has, ironically, emerged as a solidifier of alliance cohesion; it is true that none of the allies may be doing as much as Ukrainians would implore them to do on their behalf, but they are still doing more than most observers of the alliance would have imagined them capable of accomplishing, prior to February 2022. And they are doing it more or less in step with each other.

The second, much more problematical, reason is China. If for the Europeans, Russia is and remains the main security problem, for the US and Canada, China can be said to be an even greater concern. Thus while unity might rein on the matter of decoupling – or "de-risking," to use the more palliative term preferred by Germans and some other Europeans[24] – from Russia, alliance relations are anything but harmonious when thoughts turn to the question of de-linking, to the extent possible, from China. Evidence of just how controversial friend shoring can be when it is China rather than Russia that is the center of attention comes from a recent meeting held between the French and Chinese presidents, Emmanuel Macron and Xi Jinping. While he was in China in early April 2023, Macron signaled in no uncertain terms that Europe – or at least France, which regularly claims to speak for a "Europe" that does not uniformly recognize its self-appointed role as the bloc's ventriloquist – had no business or interest in taking sides with the United States on the issue of Taiwan, or on the broader question of decoupling.[25]

It is not that Macron soft-pedaled the Russian threat while in Guangzhou, for the French leader made it clear to his Chinese counterpart that Putin's aggression in Ukraine needed to be rebuffed; but what annoyed Washington and worried some NATO leaders, mainly but not exclusively in Central and Eastern Europe (CEE), was the implicit menace Macronian dreams of "autonomy" (obviously from Washington) posed to the solidarity of the Atlantic alliance.[26] For the CEE states, forced to choose between reliance on Washington or a French-led EU for their security, would have little hesitation in opting for Washington.[27] If a selective dismantling of their interdependence with autocratic states – not just Russia but China too – is warranted for the sake of alliance unity, then the CEE states are prepared (with the notable exception of Hungary) to buy into the friend-shoring prescription.[28]

In Latin America and other parts of the Global South, there is, understandably, a wildly different assessment on the matter, one that makes even Macron's (or Viktor Orban's) Laodicean attitude toward friend shoring look like full-throated advocacy of the practice; for leaders in the Global South would prefer not only to give China a free pass on the matter of the negative security implications of interdependence, but they have shown themselves more than willing to turn a blind eye to *Russia* as well. Clearly, they are putting their "interests" ahead of any commitment to democratic values that so many of them assess to be little other than hypocritical posturing on the part of Western developed countries. In a manner redolent of the "non-aligned movement" spearheaded during the Cold War by Yugoslavia's strongman leader, Josef Broz Tito,[29] leaders of the Global South are falling over themselves to demonstrate that their understanding of their own states' interests is not at all congruent with what certain Western countries would prefer them to believe those interests to be.[30] They seek ways to maximize advantage without jeopardizing relations with either the Western democracies or their autocratic great-power rivals, thus they are careful to refrain from choosing "sides" in the face of the return of great-power rivalry – even if one member of the so-called BRICS,[31] South Africa, might be more credibly categorized as a Russian *ally* than a genuine adherent to any Tito-esque non-alignment.[32]

So the current mood among the West's circle of friends (the allies) is mixed: consensus when it comes to Russia, discord when it is China that is the object of attention. However perplexing might be this mood, no one should be terribly surprised by it. Friend shoring today reveals some even if not all of the same contradictions and fissures associated with Washington's first great experiment with trying to limit the security harm occasioned by economic interdependence. Thus it is worth taking a closer look at what it was that inspired amigo shoring – or "friend shoring 1.0" – back in the gloomy atmosphere of mid-1940, and to see how that first great experiment panned out; these are the respective foci of the following two sections. Whether there are any "lessons" for today contained in that earlier episode is addressed in the concluding section.

"With a pistol and a lot of blocked marks"

June 1940 was proving to be a hectic month for America's 32nd president, Franklin D. Roosevelt. The European war had taken a sudden and ominous turn in the late spring. The French were set to sign an armistice with their German conquerors. Even worse, distressingly pessimistic reports were swamping the Oval Office about Britain being about to suffer a fate identical to France's. But if the situation of the European allies was parlous, there was also much cause for concern in America's own hemisphere, given the growing prospect, widely held in the administration to be a certainty, that a Germany triumphant in the Old World would be bound to pursue expansionist aims in the New World.[33] Those aims might not take the form of an overt invasion of certain parts of Latin America – at least not yet, for this nightmare was still thought to be a year in the future – but there was every expectation in Washington that Berlin would be pursuing expansion through other means, especially economic ones.

In the assessment of Roosevelt's key military advisers, the strategic writing was clearly on the wall by that third week of June. In a world suddenly turned upside down, the Army chief of staff, Gen. George C. Marshall, could proclaim with little risk of being contradicted that no foreign real estate was more vital to America's national security than Latin America, where the creation of a network of Nazi satellite regimes in one republic after another "is now staring us in the face." To counter this, Marshall was proposing nothing less than the "preventive occupation of the strategic areas in the Western Hemisphere wherein German or Italian bases might be established to menace the Panama Canal or the Continental U.S.… The essence of the problem is time. Consequently the definite suspension of French *or* British resistance should become the signal for the start of complete mobilization of all our national resources."[34]

The president was not willing to go quite as far as undertaking preventive occupations, though he did recognize that American military intervention in Latin America might become necessary, and had in late May already given authorization to the War and Navy departments to prepare to move an army of a hundred thousand to northeastern Brazil, if need be.[35] But Roosevelt had something other than military action in mind as he escaped Washington's 90-degree mugginess for a working weekend at his Hyde Park, NY, family home. The train pulling into that Hudson Valley town on the morning of 21 June 1940 – the day before France signed its armistice with Germany – carried more than the country's chief executive; also on board were the plans for the most ambitious project of economic statecraft ever conceived by this or any other administration in American history.

Long before anyone ever coined the geostrategic label *du jour* of friend shoring, administration planners were devising a scheme intended to prevent the country's "friends" to the southward – the republics of Latin America – from falling under the influence of a Germany that had already shown itself so masterful at exploiting economic statecraft for political and strategic gain. For the better part of a month, ever since the events on the French battlefield began to take their unstoppable turn for the worse,[36] administration planners had been working feverishly to find the right formula for safeguarding both America's security interests and the economic life of Latin American countries.

For a short while in that spring of 1940, no more vexing issue faced the planners than the question of how, if at all, replacement outlets could be found for Latin American staples exports that had lost their access to crucial European markets, as a combined result of the British blockade and the fighting on continental battlefields. Unfortunately for Latin Americans, the war's outbreak the previous September did not have the same salubrious effect on their region's economies as it had on the economy of the United States, where massive expenditures for defense started to provide the industrial stimulus that years of New Deal experimentation had been unable fully to supply. For the countries of Latin America, particularly those in South America with extensive trade links to continental Europe, the war offered no such bounce; instead, it dealt them a double blow by immediately depriving them, first, of their German market, and subsequently, over the next several months, the markets of those countries brought under Nazi subjugation.

Now, with Germany set to win the war, a new and ominous prospect became apparent in Washington. A triumphant Berlin would be certain to restore its prewar trade connections with Latin America and do so in such a way as to enhance not only its economic interests but, more importantly to Washington, its political and strategic interests as well. So it was that during early June, officials from three executive branch departments – State, Commerce, and Agriculture – found themselves scrambling to ensure that "Germany's purchases shall not be made directly from the Latin American countries." No expenses should be spared, since "whatever the net cost of the program may be, it will be minor in terms of our national effort."[37]

Just how those mooted commercial arrangements were to relate to that national effort had been adumbrated late the previous month, as France reeled from the German assault begun in early May. Two State Department officials, assistant secretary of state, Adolf A. Berle, and departmental economic advisor, Herbert Feis, agreed that the *minimal* consequence of a Hitler triumph in Europe would be Germany's attempt to obtain from sources in the New World the minerals and foodstuffs it needed to replace depleted stocks. "The Germans know this as well as we," noted Berle. "They will, therefore, send trade delegations to the South American countries with a pistol in one pocket and a lot of blocked marks in the other, and invite them to send raw materials and supplies; and incidentally to yield to political pressure of all kinds, resulting in a set of half-Nazi governments surrounding us." To forestall this, Berle knew there could only be one "logical riposte": the US needed to purchase these potentially dangerous commodity surpluses, and then to market them itself so as to assure Germany would not be able to use its purchasing power to gain political influence over Latin American republics.[38]

And this is more or less what the president, that June morning, indicated he intended to do. At an impromptu news conference conducted from his automobile parked at the Hyde Park depot, Roosevelt outlined the salient features of the plan designed to head off much of Latin America's becoming an economic and probable military satellite of the Nazis. Bear in mind, the president instructed the reporters, that the administration's project would entail the joint marketing of the most important staples produced in the hemisphere; it was not intended to be, as some had rumored during the past few weeks, a design for hemisphere autarky, and certainly not an autarky that would come at the expense of staples producers in the US itself. "Unfortunately," Roosevelt lamented, "there are some people that are crooked enough to say that this means the immediate importation of the whole Argentine beef crop and similar things. Well, of course, it does not."[39]

Having said what the project was *not* meant to be, the president proceeded to explain to the press what he hoped it would accomplish. Reading from a prepared statement, he tossed a bone in the direction of his secretary of state, Cordell Hull, and promised that the US would continue to advocate the multilateral reduction of tariffs and other barriers to international trade, objectives that had been the beating heart of the secretary's reciprocal trade agreements program for the past half-dozen years.[40] But the times called for great urgency, and for considerably more direct means of protecting the economy of the Western hemisphere. Accordingly, Roosevelt intended to ask Congress for an astonishing $2 billion to finance a new inter-American organization that would bear the heavy responsibility of marketing the exports of the entire New World south of Canada.[41] That sum may strike us, in our own inflationary age, as a trifling rounding error, but it was far from it, given that the *entire* federal budget for the year in which Roosevelt was speaking had been less than $9 billion in current dollars (compared with $5.8 trillion in 2023), of which amount $1.8 billion was earmarked for defense (compared with $858 billion in 2023).[42]

Thus was unveiled the short-lived career of the Inter-American Trading Corporation, Washington's first attempt, through international coordination backed by US state subsidies, to try to take the security risk out of economic interdependence; earlier ambitious attempts at reducing the security risks associated with international trade, notably Thomas Jefferson's Embargo Act of 1807, had nothing "multilateral" about them, nor were they supposed to have had.[43] But the IATC was going to be different. That so few recall it today has a lot to do with its abbreviated shelf life; had it been a presidency rather than simply a presidential plan of action, we should think of it (if we thought of it at all) the way we think of William Henry Harrison's administration, for each lasted about the same amount of time – roughly a month. Yet the IATC has had more ongoing relevance for public policy than anything associated with the 9th president, who never really had a chance to make much of an impression on anything other than the mattress of his sickbed, to which he had taken shortly after delivering his inaugural address in early March 1841. For unlike the unfortunate Harrison, the IATC represents something that never really dies: it represents a recurring theme in US foreign economy policy, reflective of a desire to devise methods of economic statecraft capable of responding effectively to security challenges. The IATC, in conjunction with a few other less dramatic economic initiatives, symbolizes even if it is not identical in every measure to today's friend shoring. For as Sullivan's remarks quoted above indicate, friend shoring testifies to the aspiration to keep multilateralism alive but on a slimmed-down geographical basis, so that the gains from trade structured according to the principle of comparative advantage might be directed more toward the cohort of America's friends (however defined), and away from its adversaries.

As we are going to see below, what motivated Roosevelt administration planners in 1940 was quite similar in some respects to what has more recently been motivating planners in both the Trump and Biden administrations. The big difference, of course, was that in 1940 it was hard to the point of impossibility for anyone in Washington to figure out how countries whose primary-goods sectors so resembled one another's could be restructured economically, such that the goal of achieving prosperity and security through greater regional economic integration might be attained. While still a problem today, this is less so than it was in 1940, for reasons I will address in the concluding section of this article.

Notwithstanding the differing economic circumstances between the two eras, one thing has not really changed over the past eight decades. Trade is not "just" an economic activity with bearing upon a state's welfare; it is also, as the economist Albert O. Hirschman argued so brilliantly during the Second War, an activity that *inevitably* affects a state's "power," this latter construed in terms either of a state's relative capability or its ability to achieve influence over others.[44] Hirschman memorably branded this dual political impact of trade the "supply" and "influence" effects. It is fitting that the theoretical groundbreaking for today's friend-shoring enthusiasm was undertaken during the Second World War, when Hirschman's book appeared, because not only did *National Power and the Structure of Foreign Trade* supply such an elegant and persuasive intellectual framework for thinking about geoeconomics, but it also had Latin America as one of its two important regional foci, with the other region being the Balkans.

Prior to Hirschman's time, there had been many other attempts, scholarly or otherwise, to probe theoretically the linkages between international commerce and international security.[45] If in the run-up to the First World War some analysts had proclaimed the existence of clear and beneficial connections between unfettered commerce and peace,[46] the fighting itself, and its outcome, could not help but draw attention to the darker side of interdependence, with many arguing that those pre-1914 commercial linkages did not appear to have had any impact upon derailing the Europeans' descent into warfare.[47] Further muddying the theoretical waters was the downturn in global economic and security relations affairs during the 1930s, years that saw the scholars and policy analysts continuing to be divided on the merits of *Wandel durch Handel*, primarily because the Great War had not in any meaningful way solved the "German problem" in international security.

Germans' failure to become convinced that they had actually lost the Great War *militarily* made it easy for their country's post-1933 leadership to look for, and to find, the culprits responsible for the disastrous outcome of November 1918. We know who sat atop the Nazis' list of usual suspects, namely the socialists and the Jews who, in the ravings of Hitler and his followers had done so much to bring about Germany's *political* defeat, by "stabbing it in the back."[48] Not so well recalled today were the arguments being made by less deranged observers, who implicated the structure of global international economics itself as the central element in Germany's security predicament. Germans, more so than autarky-minded policy theoreticians elsewhere, sensed that global free trade could never be the answer to their quest for greater security, because the Great War had just demonstrated how a trade-dependent country could be brought low by economic blockade. For many in Germany during the 1930s, a qualified version of autarky not only made economic sense, but it was also a guarantor of security, providing two conditions were satisfied.

The first condition was that Germany be made bigger, so that it might possess more secure access to the bountiful mineral wealth of an enlarged subsoil over which it could command mastery.[49] Being made bigger implied territorial conquest, and German theorists of *Geopolitik* obligingly laid heavy stress upon the reasons why states that did not grow were condemned to die.[50] This gave impetus to a longing for *Lebensraum*[51] – space needed *not* for the accommodation elsewhere of any (non-existent) "surplus" German population, but rather to help alleviate the country's well-documented deficiencies in raw materials at a time when attention was increasingly being paid to the considerable part "strategic" minerals played in great-power rivalry.[52] The second condition was a recognition that there could be no such thing as perfect autarky, so that what trade needed to be conducted was to be orchestrated in such a way as to enable Germany to derive maximum political gain therefrom. Together, these twin conditions exemplified the German-born Hirschman's two political "effects" of trade, cited above.

Even before the war in which Hirschman's book made it into print, Washington had been developing an acute sensitivity to the possibility – nay, the certainty – that Germany's trade offensive in Latin America was posing a challenge to American security interests. President Roosevelt required no scholarly tutoring to appreciate what troubled him, and even before the war had begun, he never tired of recounting the political and strategic consequences that would inevitably attend Germany's growing economic penetration of Latin America, which had been underway since earlier in the 1930s. For instance, at a meeting with the Editors of Trade Publications in late June 1939, the president described how Hitler could get domination over South America without violating the Monroe Doctrine in any overt manner. Since Europe constituted the only market for important exporting countries such as Argentina and Brazil, to mention just two such biddable lands, the Führer would have overbearing economic and therefore political leverage handed to him as a by-product of any hypothetical future victory over the European democracies. Germany would then be in a position to set the terms of trade, paying for needed staples with manufactured exports of its choosing. "It is," concluded Roosevelt, "a perfectly open and shut thing and, if you have the complete, physical power to do it, you win. Isn't that right? It sounds like a crazy picture, but it is perfectly obvious, it is so sensible."[53]

Assistant Secretary of State Berle certainly grasped the president's logic. He understood that, apart from any economic misfortunes that it might visit upon a smaller trade partner, Germany's bilateral commercial offensive portended deleterious political results, both for that trading partner and the United States. "We have seen," Berle wrote, "that the weaker the country, the worse the bargain which it can get," the allusion here being mainly to the recent experience of Balkan states that had entered into highly asymmetrical bilateral trading agreements with Germany. But the implication for those Latin American republics who might find themselves growing more dependent upon Germany as a customer for their staples was very much on the assistant secretary's mind. "We have also seen that politics goes with trade, until finally the weaker government is virtually forced to give up its political independence, and perhaps even its sovereign life."[54]

What Berle made implicit, others made explicit. The American minister to Uruguay, Edwin Wilson, captured the essence of the administration's narrowing circle of choice in that desperate late springtime of 1940, during the same week in which Roosevelt was announcing the launching of the ill-fated IATC. In a cable to the State Department shortly before the French surrender, Wilson remarked that "it seems unreal for us to urge Uruguay to stand up against the spread of Nazism and to promise military assistance for the maintenance of her political independence unless we are at the same time prepared to promise effective assistance for the maintenance of her economic independence." Wilson spelled out what Uruguay would suffer in the event that Britain, too, was knocked out of the war: "In other words (if Britain goes the way of France) about 72% of Uruguay's total exports [in 1938] were purchased by Germany or countries which will have since come under German domination…. Uruguay will be forced to become economically dependent upon Germany, which obviously implies political dependence as well."[55] And what applied to Uruguay, applied as well to most of the other vulnerable Latin American economies.

Thus could Duncan Aikman, writing at a time when Germany had gained complete control of continental Europe but had not yet vanquished Britain, proclaim that the henceforth unmarketable exports of Latin America were going, unless something could be done about them, to have dire *strategic* consequences for the US. "By letting the neighbors' surplus problems drift… we shall be leaving vital sections of the hemisphere hardy less open to totalitarian control and invasion than if we decided to abandon the defense of the Panama Canal." Aikman warned that should Germany defeat Britain, "our military and political security for years to come may depend on how well we have helped solve the surplus problems…. Even our independence may depend on it."[56]

The German geo-economic challenge

The geo-economic scenario so worrisome to Roosevelt, Berle, Wilson, Aikman and countless other Americans in and out of government had in great measure been a consequence of a trade program introduced in September 1934 by Hitler's minister of economics, Hjalmar Schacht, the financial "wizard" who, as head of the Reichsbank a decade earlier, had been widely credited with extricating Weimar Germany from the monster inflation of late 1923.[57] By the start of the 1930s, Germany's chief economic affliction was no longer inflation; instead, the worldwide depression had generated the new burden of finding some means to sustain the country's imports, now that the foreign lending that had financed the recovery of the Weimar Republic in the 1920s had ground to a halt. The situation became acute when, in 1933, the Nazis came to power and set out to rearm Germany and make it once again a major European (and world) power. But to acquire the raw materials needed to fuel its armaments industries, it was imperative that Germany engage in a vigorous export trade of manufactured goods.

This is what was implied when Hitler proclaimed, as he so often did, that Germany must "export or die,"[58] for only by selling manufactures abroad could the resource-starved country obtain the raw materials needed to restore the level of national power that the Nazis assessed as essential for national survival.[59] In a world that had become acutely short of liquidity, Schacht decided that the wisest course would be to copy and expand upon the bilateral trade techniques that had been practiced by Germany's European neighbors over the previous few years. Thus, Germany did not so much invent as enlarge the scope of such practices; other states, notably Great Britain, had been pioneers in this field, much to the annoyance of Cordell Hull.[60] As noted earlier, the secretary of state firmly believed that free and multilateral trade was a vital force conducing to world peace, holding in the words of the famous economist, Adam Smith, that "the great extent and rapid increase of international trade, in being the principal guarantee of the peace of the world, is the great permanent security for the uninterrupted progress of the ideas, the institutions, and the character of the human race."[61]

Schacht's "New Plan," which went into operation on 24 September 1934, was quite a departure from Adam Smith's vision. Under it, Germany would end up concluding bilateral trade agreements of varying sorts with twenty-five smaller countries, mostly in the Balkans and Latin America, the two regions with which it would be conducting more than half its total trade by the end of 1938.[62] By that latter year, Latin American countries were supplying Germany with 15% of its overall imports.[63] The Schacht plan depended on four methods of steering trade into bilateral channels: clearing agreements, compensation agreements, payments agreements, and the sui generis askimark.

The first of these, the *clearing agreement*, consisted in each of the trading partners' establishing, for the purpose of servicing their two-way commerce, a special fund into which each state's importers would make their payments, and from which its exporters would receive their remuneration. Accounts, handled on a bookkeeping basis that obviated the need to transfer funds from one state to the other, would be periodically balanced to keep imports in harmony with exports. Similar to the clearing agreement, in that no transfers of currency internationally were involved, was the *compensation agreement*, which required that each lot of imports be "compensated" by a shipment of exports of equal value, thus making of trade de facto barter. The third aspect of the Schacht plan took the form of the *payment agreement*, by which one state agreed to set aside, for the purposes of purchasing and debt servicing, most or all of the foreign exchange that it earned in trade with the other state, with the actual discharge of payments being left to international money markets.[64] Fourth and finally was the askimark, an acronym for *Auslander-Sonderkonto-für-Inlandszahlungen*; it was a special currency used only in external commerce, spendable only in Germany, and then only in ways specified by Berlin.[65]

It was this last mechanism in particular, the sui generis askimark, that most bothered the Roosevelt administration. A Commerce Department memo of early February 1939 observed that "there is a tendency to attribute all of our difficulties in meeting German competition to the use of the askimark." In fact, continued the drafters of the memo, this was not always the case, as sometimes the Germans were simply outcompeting their American commercial rivals.[66] Still, they conceded, the askimark *did* provide a political fillip to German companies' "competitiveness." Here is how the mechanism worked. Germany would agree to buy a certain Latin commodity, let's say Brazilian coffee, paying for its purchase not with the ordinary mark, but with the special askimark, an undervalued currency used for external transactions only. Since it was trading with a depreciated mark, [67] Berlin could afford to pay an attractive price for the coffee. But the price was deceptive, for unlike typical blocked currencies, the askimark could be used by its recipient for the purchase of selected items only, whose prices would be fixed arbitrarily by Germany. Thus would Berlin be able to recoup most of whatever "loss" it had incurred in offering the premium for the coffee originally.[68]

Clearly, for Brazil and other Latin exporting countries, managed trade of the sort they did with Germany delivered, in principle, fewer returns than would have been generated by a free-trading order organized multilaterally and governed by "rules" – precisely the sort of order so dear to liberal economic theorists and to Cordell Hull. The problem is that the world of the 1930s was not a welcoming place for that kind of economic order. Germany had embarked on a strategy of exploiting trade as a means of enhancing its power, not just its welfare – indeed, often at the expense of its citizens' welfare. And as for Latin American exporting countries during the depression years, any market was invariably better than no market, a reality pithily captured in a June 1936 remark made by a leading Brazilian agriculturalist, Olavo Egydio de Souza Aranha: "compensation [i.e. aski] marks are worth much more to us than ashes."[69]

Souza Aranha's comment went to the heart of the dilemma facing the Roosevelt administration as a result of the German geo-economic challenge. Much as today's "non-aligned" states take pains to position themselves at some imagined halfway point between the US and its great power rivals, China and Russia, preferring to play the role of Mercutio in the unfolding drama of contemporary friend shoring, so too were Latin American states confronted with the apparently logical, and likely irresistible, temptation to place their material interests on a much higher plane than that occupied by whatever liberal ideology they might profess to esteem. And as for Washington at this time, the German challenge was never primarily considered to be an economic one. It was a *security* challenge first and foremost, one of whose component features was economic statecraft of the kind devised and implemented by Schacht. This point can sometimes be obscured, as was the case during the Vietnam War era, when a "revisionist" interpretation of American foreign policy was making headway in certain scholarly and policy precincts.

To hear it told by some scholars of that era, the main cause of American entry into the Second World War had been the fear that US economic interests would be frozen out of world markets – so much so that the entry into war could be conceived as a war in which capitalist interests basically called the shots on intervention. For scholars such as the University of Wisconsin's William Appleman Williams, the Second World War had to be understood as nothing other than a "war for the American frontier." To Williams and other adherents to what was sometimes labeled the "Wisconsin school," alternatively known as "radical revisionism,"[70] the salient aspect of American grand strategy was the fear on the part of decisionmakers in Washington that America's economic frontiers – to Williams in the Pacific primarily, but also in Latin America and Eastern Europe – would be closed in the event of a totalitarian victory. Although diplomatic historians like Williams tend to be more averse than political scientists to the postulation of causal (or "independent) variables and consequential (or "dependent") variables, this is clearly the logic underlying his (and their) account of US intervention. "Men who began by thinking about the United States and the world in economic terms, and explaining its operations by the principles of capitalism and a frontier thesis of historical development," he declared, "came finally to define the United States in military terms as an embattled outpost in a hostile world. When a majority of the leaders of America's corporate society reached that conclusion, the nation went to war – at first covertly, then overtly."[71]

If we can overlook the audacity of its two chief causal assumptions – that somehow an Areopagus of capitalists cast their "ballots" in favor of war and that this compelled a president whom those self-same capitalists routinely denounced as a "class traitor" suddenly to become the most humble and obedient servant of this council – then the Williams thesis certainly helps us comprehend the geoeconomic stakes associated with the first great experiment in friend shoring. It is just that the frontier thesis as Williams presented it misconstrues the connection between security and economics. There can be no question that economics and security have been, and remain, closely intertwined. They always were, and they always will be; this was the entire point of the Hirschman book, to bring out the implications for national and international security of such an ostensibly purely "commercial" practice as foreign trade. And it is the entire point of today's friend-shoring enthusiasts, just as it was that of those who undertook the first great experiment with friend shoring back in 1940. The question boiled down then, just as it does today, to one of interests: was the security rationale that impelled friend shoring 1.0 – the IATC in particular – simply a consequence of a policy driven by economic interests? Or was friend shoring rather an attempt to utilize economic means for purposes of national security?

The thrust of this article, so far, has been clearly in support of the latter means of formulating the interconnection of economics and security. The great French student of international relations, Pierre Renouvin, once observed apropos the nexus between economic and security interests that it is fruitless to claim that economic considerations play no part in the formulation of a country's – *any* country's – foreign and security policies. "What must be determined," he cautioned, "is whether they have been dominant or subordinate. Sometimes, they have determined or guided political action; sometimes they have served as an instrument of that action. This is not mere hair-splitting; it is an observation basic to historical interpretation."[72]

Renouvin helps us comprehend why friend shoring 1.0 had such a short shelf life. The economic interests to be advanced in 1940 were decidedly subordinate to the country's security interests, such that once those latter interests began to get construed in a radically different manner, the economic interests were necessarily re-interpreted. At its base, the IATC was a counsel of despair, born at a time when it was all but certain that Hitler would everywhere be triumphant in Europe. Such a desolate new order seemingly called for drastic means of economic defense. But what looked to all in Washington as a certainty at the start of the summer of 1940 began to take on a much different aspect by the end of that summer. The Germans did not conquer Britain. They could not, because they could not gain the air superiority over the English Channel that was essential if their hastily concocted invasion scheme (Operation Sea Lion) was to have a chance of success.[73] The Royal Air Force's victory in that summer's Battle of Britain meant, in Washington, that a new strategy for national defense could provide a better means of safeguarding hemisphere security than "hemisphere defense" itself. That new strategy had begun to be implemented with the "destroyers-for-bases" deal of late summer 1940 (approved on 2 August and publicly announced on 2 September), and was predicated upon the idea that the best defense henceforth would be "forward defense," which in the first instance meant providing Britain with armaments (the destroyers), but which later extended to the provision of a wider range of other military and economic assistance (Lend-Lease), as well as outright American naval support (*via* convoying war matériel and other supplies half-way across the North Atlantic, to Iceland) to ensure that the torrent of war-related production churned out by the "arsenal of democracy" would reach its destination.[74]

The IATC, conceived at a moment of great pessimism associated with the direst assessment of British prospects, faded away as quickly as it had appeared, thanks to Britain's demonstration of resolve and its success against the Luftwaffe that summer of 1940. The IATC bore some of the hallmarks of that other hasty plan that had been slapped together as the Germans were rolling through France, notably sharing with the POT OF GOLD the element of grandiosity. Where the war planners envisioned an American army swooping down on an ostensible friend (Brazil) with only the most cursory of "by-your-leaves," the economic planners would presume to conduct the trade relations of the twenty Latin American republics in the same manner that Washington regulated the commerce of the forty-eight states, externalizing what one theorist has referred to as the "Philadelphian system" that underlies American multi-lateralism in foreign policy.[75] At a White House meeting convoked by Roosevelt less than a week after his Hyde Park press conference announcing the IATC, attention was directed to putting meat on that project's bones. At this session on 27 June, the director of marketing of the department of agriculture, Milo Perkins, suggested that a new corporation be created to give substance to the vision of hemispheric economic security, and that it become the giant clearinghouse for trade in the hemisphere. Perkins knew very well, as did the department's secretary, Henry Wallace, that America's own farmers would never stand for the US importing from Latin America commodities that were already being overproduced at home. The next best move would be for the US to be able to control the marketing *elsewhere* of those Latin surpluses; that way, reasoned Perkins, it would be impossible for a triumphant Hitler to exert undue pressure on Latin American exporting states that were, notwithstanding all the gushing rhetoric about the collective identity known as "Pan-Americanism,"[76] increasingly seen to be politically and militarily unreliable, and likely therefore easily to succumb to German blandishments or threats in the event that Hitler won his war.[77] As Adolf Berle summarized this notion: "A line in the Atlantic and a line in the Pacific, and notice to all hands that we are prepared to open economic relations, provided politics on this side of the water are barred."[78]

Hardly had the ink with which Berle recorded those defiant lines been allowed to dry than the bottom suddenly dropped out of the IATC project, for quite unlike the top-secret POT OF GOLD, it had been the subject of much open discussion in Washington and elsewhere during its short existence. The more that was learned about what inevitably became known as the "cartel" scheme, the less viable it appeared. America's own commodities producers needed no prodding to deduce that the IATC was unlikely to benefit them, and skeptical elements in the country's press seconded and amplified those concerns, one journal condemning it as an "almost Hitlerian-sized venture in economic imperialism."[79] Nor were the Latin American leaders exuberant about the prospect of being unable to sell their country's wares to whomever they pleased, and on whatever terms they chose to accept.

Sounding very much like today's "non-aligned" politicians – who profess to see no cause for ceasing to conduct commercial affairs with Putin's Russia just because it happens to be engaged in a war of aggression against a neighbor that had not attacked it – was the president of Latin America's largest country, Brazil's Getulio Vargas. On 11 June 1940, he assessed the meaning of the season's Nazi victories in an important address, delivered to mark the anniversary of the 1865 Battle of Riachuelo, when the Brazilian navy had bested a Paraguayan squadron in the War of the Triple Alliance. Speaking aboard the battle cruiser *Minas Gerais*, Vargas pronounced some words that were widely interpreted as unmistakable evidence that Brazil would be willing, likely even delighted, to entertain an accommodation with the presumptive victor of the war, Hitler. "We are heading into a future different from what has prevailed in matters of economic, social, and political organization," said Vargas, "and we feel that the old systems and antiquated formulas are in decline…. It is necessary, therefore, that we remove the debris of dead and sterile ideas."[80] By this "debris," Vargas meant ideas such as liberalism and democracy, and despite the hasty effort Rio made to assure officials in Washington that the speech was intended for domestic purposes only, the Roosevelt administration was alarmed.[81] Brazil's chief of staff, Gen. Pedro Aurelio de Góes Monteiro, later claimed that he had tried to dissuade Vargas from making this provocative speech, but the president had been adamant, insisting that "it was necessary to give the tree a hard shake so the dead leaves would fall off."[82]

Conclusion: Friend shoring, then and now

As things developed, it was not those dead leaves that fell off; rather, it was Washington's commitment to the strategy of hemisphere defense that succumbed to the pull of geostrategic gravity. It is sometimes claimed that the IATC, which had become a dead letter within a month of the president's introducing it, had been sabotaged by the skillful and persistent opposition of the secretary of state who, according to this rendering, killed it because it represented the antithesis of everything he had ever stood for on trade policy.[83] Cordell Hull, as we have seen, was certainly no proponent of the IATC, but it would have taken a far more influential figure than he had become to have deflected the president, who never really thought all that highly of Hull's economic diplomacy at the best of times,[84] from pursuing a course of action judged to be essential for homeland security. It is true that there were many other critics of the IATC apart from Hull, some inside the US, and some in Latin America. Indeed, as Vargas's ill-advised comments point out, from Washington's perspective, the commitment of the "amigos" to democratic and liberal values could not, to put it charitably, be taken to be an iron-clad commitment.

Stated alternatively, for friend shoring to work, you have to be able to *trust* your friends. And trust was not exactly abundantly distributed within the inter-American "community" at a time when it looked to Latin American leaders as if the economic fate of their countries depended upon their positioning themselves favorably in Hitler's new order. The problem was not just Getulio Vargas; it was more widespread than that, and even if not all of Latin America was governed by wavering types who might prove themselves not to be such "amigos" after all, vast swathes of the region were considered, from Washington's perspective, simply to be too unreliable. This was the assessment made by the Military Intelligence Division (G-2) of the War Department in early July 1940. A memorandum written by the assistant chief of staff for MID, Gen. Sherman Miles, and directed to the chief of staff, Marshall, indicated what was wrong with the friend-shoring option:

> The regimes in all the Latin American republics are unstable and tend to be authoritarian. They have more in common with fascism than democracy…. All of them, but particularly Argentina and Uruguay, are susceptible to the kind of economic pressure that Germany can generate. All of them have traditions of revolution and in all of them are factions which would welcome Axis aid to seize and, in some cases to retain, power.[85]

Nor was it just G-2 that was beginning to subscribe to the view that hemisphere defense was likely to be no defense at all if not conducted far forward, as part of a new defense strategy predicated on keeping Britain in the fight. Other branches of the War Department, as well as the Navy Department, were coming around to the need for a radical revision of the country's grand strategy. On 10 July, the War Plans Division outlined for the chief of naval operations, Adm. Harold R. Stark, the most likely scenario Hitler would pursue should he defeat Britain. First would come the inevitable economic offensive against vulnerable economies, especially those in the farthermost reaches of South America. Then would come "Phase II," inaugurated either by a fifth column uprising in a South American state, or by the bandwagoning to the German side of any of the wobbly governments (the most likely being Argentina's, Brazil's, and Uruguay's). In the wake of Phase II the planners assumed that Germany, no earlier than 1941, would launch an airborne invasion of northeastern Brazil, accompanied by sizable landing operations further south, intended to consolidate footholds in southern Brazil, Uruguay, or Argentina. Finally, the US could expect that Germany and its Axis partners would try to seize the Panama Canal.[86]

It was the changing assessment of the trustworthiness of the Latin "friends" and, just as importantly, the growing evidence that Britain would have far greater staying power than France seemed to have possessed, that led to the scrapping not only of the IATC but of the entire edifice of hemisphere defense, to be replaced by forward defense. "Friend shoring 1.0" had only made sense in the context of a Western hemisphere isolated – and *isolatable* – from great power conflict. Once the Roosevelt administration abandoned as unworkable the vision of hemispheric isolation, then the IATC simply became irrelevant. It became irrelevant because after July 1940 it had become redundant; better means for protecting the homeland were at hand.

Prior to that crucial month, hemisphere defense had appeared to be the only viable means of safeguarding American security while staying out of the European fighting. After July, forward defense had completely dethroned hemisphere defense as the default option. In one month, the country's grand strategy had become revolutionized, because the administration understood that if it did not accept the consequences of aiding Britain – even if those consequences almost certainly entailed American direct entry, sooner or later, into the war – it was going to have to fight Hitler in Latin America, and do so without any effective allies. Adolf Berle, who had hoped against hope that somehow isolation from the European balance of power could be maintained while security could be preserved, eventually came around to the unhappy conclusion after the destroyers-for-bases deal that "war or peace is now a matter of fate." Although, he did not, for a moment, think that Britain was defending the "principles" for which the US stood, he was convinced that this time, unlike during the First World War, "we are helping the English not as a matter of British sentiment, but because we realize that we ourselves will be in difficulties if they go under – quite a different thing."[87]

In light of the very different circumstances separating the world of 1940 from today, we might be tempted to conclude that the only real significance of "friend shoring 1.0" for today's iteration of the aspiration is that there *is* no significance. Such a conclusion would be a mistake, however, for notwithstanding the differing geopolitical circumstances, some implications of amigo shoring are worth taking seriously. Three implications stand out. First, revisiting the events of mid-1940 reminds us, should such a reminder ever be needed, that trade policy *is* security policy – obviously not the entirety of security policy, but an inescapably important component thereof. And in this regard, it really is no exaggeration that what Hirschman had to tell us about friend shoring 1.0 – even if after the fact and only by extrapolation – remains no less relevant today than it was eight decades ago. The supply and influence effects of trade continue to be as crucial in today's era of great power rivalry as they were when Hirschman was so brilliantly explicating them.

Who could doubt that Russia's ability to have turned so menacing owes a great deal to the manner in which its post-1990 economic integration into the Western-led order strengthened its economy, thereby enhancing its military capability? What goes for Russia goes a fortiori for China: whatever else the country's much-commented "rise" of recent decades represents, it is an example par excellence of Hirschman's supply effect. As for the influence effect of trade, in the Russian case it may be said that it is the least important of the two Hirschman effects, judging from the way in which Russia has not really been able to exploit Western import dependence upon its hydrocarbon resources to achieve its aims. Whether China will also reap, through its economic diplomacy, especially its Belt and Road Initiative, equally meager influence returns obviously cannot, at this reprise, be known, though a reasonable supposition would be that something similar would occur in its case, as well.

The second implication of amigo shoring is that it really is hard to make it work. This might seem so obvious a claim as to be trite, but sometimes the obvious deserves a bit of restatement. There is a "bad-news" – in fact, a "worst-news" – implication of the obvious as far as today's friend-shoring enthusiasts are concerned, given the undeniable difficulties involved with trying to develop the kind of industrial policies through subsidization required by friend shoring, without running the risk of stimulating commercial, and probably political, friction within the family of friends itself. Even during the Cold War, it was hard to the point of impossibility to get the Western allies to develop a coherent, rational, and non-rivalrous, alliance "defense industrial" base, notwithstanding the numerous attempts of defense policymakers to show how developing such a base might just be a sine qua non of their future survival.[88] The failure to have constructed a viable NATO defense industrial base during the Cold War should serve as a caution about the limits of industrial policy even when it is demonstrably motivated by a compelling security rationale.

Finally, there is a "good-news" implication that can be derived from the amigo-shoring experience. The quality of the ideological bonds within the cohort of states presuming to share similar if not identical security concerns makes a difference to the functioning of economic statecraft. Friend shoring 1.0 suffered from the reality that, notwithstanding Roosevelt administration attempts to extoll the liberal-democratic credentials of the "Pan-American" community and to invest the "Western hemisphere idea" with mythical properties,[89] there was far too little ideological solidarity among the amigos. Most of the Latin American countries harbored lingering suspicions of American intentions based upon a legacy of unfortunate interactions with what was often stylized as the "Colossus of the North,"[90] and even if it is true that the US image did improve greatly as a result of the Roosevelt administration's Good Neighbor Policy, it is no less evident that Latin American leaders, as Vargas's words on board the *Minas Gerais* testify, might have found it to be fairly easy, and perhaps profitable, to accommodate themselves to the Hitlerian new order. American planners knew this, though they could not say so out loud, for obvious reasons.

By contrast, today's "friends" are much more ideologically aligned than were the amigos of 1940. Obviously, they are not perfectly aligned, but they are ideologically close to each other, many of them as fellow members of the liberal-democratic alliance, NATO, with key non-NATO countries (e.g. Japan, or Australia) clearly under the big tent known as the West. This means there is a greater likelihood of their sensing and acting upon a common security threat than had been the case in 1940. But something else distinguishes this cohort of friends from the amigos of yore: their economies are, as a group, substantially more diversified and integrated than were the economies of the Western hemisphere during the era of friendshoring 1.0. True, as the example of the elusive NATO defense industrial base shows, competitive pressures will continue to percolate even within liberal-democratic security communities and alliances; but the important point is that the members' economies are sufficiently specialized to allow multilateral trade linkages between them to be both economically rational (they add value) and safe from the security standpoint (they do not contribute to building the military capability of states that would do them harm, nor do they endow those states with leverage over the "friends").

There is even a template for a security-driven project that aims to preserve the baby of multilateralism while the bath water of hyperglobalization gets chucked out the window: article 2 of the Washington treaty of 1949, establishing the North Atlantic alliance. Although article 2 never really attained much prominence during the decades of the Cold War, it could provide a useful rule of thumb for friend-shoring endeavors in the current age of great power rivalry. For it calls on the members of the alliance (and by extension other Western "friends," however these latter are to be defined) to "contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them."[91]

During the first cold war (the one with the Soviet Union), this article turned out to be easily superseded by a network of Western-designed economic institutions, constructed under Anglo-American auspices. Thus article 2 became more or less irrelevant – or better yet, redundant. Whether it would be similarly redundant in the second cold war (the one with the two leading autocratic great powers) remains doubtful, if only because those earlier international economic institutions had over time become so "inclusive" as to embrace states whose menacing rise was enabled by those very institutions themselves. *Faute de mieux*, article 2 might just become rediscovered by the Western "friends."

Notes

1. Steven Chase, "Superpower Summit Set for APEC Sidelines," *Globe and Mail* (Toronto), 13 November 2023, A3. On that meeting between the two countries' leaders, see "Flying Tigers, Smiling Dragon," *Economist*, 18 November 2023, 34–35.
2. See "Wrangling Over White Gold," *Economist*, 6 May 2023, 25–26.
3. For that crisis mood in Washington in the middle of 1940, see David G. Haglund, "In for a Penny, in for a Pound: The Trouble with Offshore Balancing and Why It Matters that '1917' Was Not '1941'," *Comparative Strategy* 42 (September 2023), 693–717.
4. On the concepts, see David A. Baldwin, *Economic Statecraft,* new ed. (Princeton, NJ: Princeton University Press, 2020); Robert D. Blackwell and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft* (Cambridge: Belknap Press of Harvard University Press, 2016).
5. Although Yellen may have become the public voice of the concept, it had actually been conceived by Biden administration officials the year before, as a gloss on the previous Trump administration's idea of "ally-shoring." See Kim Richard Nossal, *Canada Alone: Navigating the Post-American World* (Toronto: Dundurn Press, 2023), 186, n. 31.
6. Christopher Condon, Heejin Kim, and Sam Kim, "Yellen Touts 'Friend-Shoring' as Global Supply Chain Fix," *Bloomberg*, 18 July 2022, https://www.bloomberg.com/news/articles/2022-07-18/yellen-touts-friend-shoring-as-fix-for-global-supply-chains#xj4y7vzkg; and Kerry Buck and Michael W. Manulak, "Friend-Shoring Canada's Foreign Policy?" *Policy: Canadian Politics and Public Policy*, 29 October 2022, https://www.policymagazine.ca/friend-shoring-canadas-foreign-policy/; both accessed 11 May 2023.
7. Quoted in Steven Chase and James Griffiths, "Ottawa Halts Participation in China-Led Development Bank," *Globe and Mail*, 15 June 2023, A1, A8.
8. The starting point for this reassessment on Washington's part of the merits of market-driven foreign economic policy, can be taken to be hard-hitting speech given in February 2020 by Donald Trump's attorney general, William Barr, warning of the technological challenge posed to the US by China. See United States Department of Justice, "Attorney General William P. Barr Delivers the Keynote Address at the Department of Justice's China Initiative Conference," 6 February 2020, https://www.justice.gov/opa/speech/attorney-general-william-p-barr-delivers-keynote-address-department-justices-china (accessed 31 May 2023).
9. For the locus classicus of the optimistic perspective, see John Mueller, *Retreat from Doomsday: The Obsolescence of Major War* (New York: Basic Books, 1990). For the retreat from this optimism, see Lee Hsien Loong, "The Endangered Asian Century: America, China, and the Perils of Confrontation," *Foreign Affairs* 99 (July/August 2020): 52–64; and Christopher Layne, "Coming Storms: The Return of Great-Power War," *Foreign Affairs* 99 (November/December 2020): 42–48.
10. Charlemagne [pseud.], "United States, Divided Europe," *Economist*, 3 December 2022, 49.
11. "Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution," 27 April 2023, https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/ (accessed 31 May 2023).

12. The latter being the term of choice for John J. Mearsheimer, "Bound to Fail: The Rise and Fall of the Liberal International Order," *International Security* 43 (Spring 2019): 7–50.
13. Patricia Cohen, "Failures of Globalization Shatter Long-Held Beliefs," *New York Times*, 18 June 2023, 1, 10. For a good causal analysis of the retreat from globalization, see Norrin M. Ripsman, "Globalization, Deglobalization and Great Power Politics," *International Affairs* 97 (2021): 1317–33.
14. Joseph Grieco, Robert Powell and Duncan Snidal, "The Relative-Gains Problem for International Cooperation," *American Political Science Review* 87 (September 1993): 727–43. Also see Michael Mastanduno, "Economics and Security in Statecraft and Scholarship," *International Organization* 52 (Autumn 1998): 825–54.
15. For a reflection on that disappearing optimism, see Paul Krugman, "Is This the End of Peace Through Trade?" New York Times, 13 December 2022, https://www.nytimes.com/2022/12/13/opinion/trade-world-peace.html (accessed 31 May 2023).
16. One such exception, albeit a qualified one, was Paul A. Papayoanu and Scott L. Kastner, "Sleeping with the (Potential) Enemy: Assessing the U.S. Policy of Engagement with China," *Security Studies* 9 (September 1999): 157–87.
17. Instruments that in large measure were of Anglo-American design; see James E. Cronin, *Global Rules: America, Britain and a Disordered World* (New Haven: Yale University Press, 2014); Walter Russell Mead, *God and Gold: Britain, America, and the Making of the Modern World* (New York: Alfred A. Knopf, 2008); Ore Rosenboim, *The Emergence of Globalism: Visions of World Order in Britain and The United States, 1939–1950* (Princeton: Princeton University Press, 2017).
18. Mary N. Hampton, "NATO at the Creation: U.S. Foreign Policy, West Germany and the Wilsonian Impulse," *Security Studies* 4 (Spring 1995): 610–56.
19. Michael Mandelbaum, *The Rise and Fall of Peace on Earth* (Oxford: Oxford University Press, 2019), xi.
20. Andrew J. Bacevich, *The Age of Illusions: How America Squandered Its Cold War Victory* (New York: Metropolitan Books, 2020), 15–16, 88.
21. On the tendency of leaders in Washington to imagine that Russia after the Cold War had become yesterday's problem, see Mary Elise Sarotte, *Not One Inch: America, Russia, and the Making of Post-Cold War Stalemate* (New Haven: Yale University Press, 2021).
22. See Susan L. Shirk, *Overreach: How China Derailed Its Peaceful Rise* (New York: Oxford University Press, 2022); and Hal Brands and Michael Beckley, *Danger Zone: The Coming Conflict with China* (New York: W. W. Norton, 2022). Also see Thomas L. Friedman, "How China Lost America," *New York Times*, 1 November 2022, https://www.nytimes.com/2022/11/01/opinion/china-united-states-trade-economy.html?campaign_id=225&emc=edit_nttf_20221101&instance_id=76277&nl=thomas-friedman&regi_id=62171838&segment_id=111733&te=1&user_id=23a0e0df85dc5b50fc649eea833dabd0 (accessed 31 May 2023).
23. As is argued in Robert B. Zoellick and Jeffrey Gedmin, "We Tried Autarky in the 1930s: It Didn't Work Very Well," *American Interest* 15 (July/August 2020): 12–16.
24. Melissa Eddy, "Germany Says China Trade Could Create Perilous Dependence," *New York Times*, 13 July 2023, https://www.nytimes.com/2023/07/13/business/germany-china-trade.html?campaign_id=2&emc=edit_th_20230713&instance_id=97489&nl=todaysheadlines&regi_id=62171838&segment_id=139281&user_id=23a0e0df85dc5b50fc649eea833dabd0 (accessed 14 July 2023).
25. See Roger Cohen, "French Diplomacy Undercuts American Efforts to Rein China In," *New York Times*, 9 April 2023, 6; and "Macron's Blunder," *Economist*, 15 April 2023, 11.
26. The French aspiration for "autonomy" is a long-standing one within the transatlantic security and defense arena, as is the related French desire for a return to the international systemic dispensation known as "multipolarity." On those French strivings for autonomy, see David G. Haglund, *Sister Republics: Security Relations between America and France* (Baton Rouge: Louisiana State University Press, 2023); for multipolarity, see Stephen G. Brooks and William C. Wohlforth, "The Myth of Multipolarity," *Foreign Affairs* 102 (May/June 2023): 76–91.

27. See Thomas J. Shattuck, "Lithuania's Bet on Taiwan and What It Means for Europe," *Baltic Bulletin*, 12 July 2023, https://www.fpri.org/article/2023/07/lithuanias-bet-on-taiwan-and-what-it-means-for-europe/?utm_source=FPRI+E-Mails&utm_campaign=833d6eabb6-Emailspotlight_2023-07-14-shattuck_&utm_medium=email&utm_term=0_e8d0f13be2-833d6eabb6-179132933 (accessed 14 July 2023). The case is different further west in Europe, where public opinion tends to incline toward the Macron position regarding China; see Steven Erlanger, "Europeans Now See Russia as an Adversary, but Not China," *New York Times*, 7 June 2023, https://www.nytimes.com/2023/06/07/world/europe/europe-russia-china-poll.html?campaign_id=2&emc=edit_th_20230608&instance_id=94498&nl=todaysheadlines&regi_id=62171838&segment_id=134980&user_id=23a0e0df85dc5b50fc649eea833dabd0 (accessed 8 June 2023).
28. Réka Koleszár, "Amid Heated European China Debate, Hungary Stays on a Beijing-friendly Course," *CHOICE Newsletter*, 27 April 2023, https://chinaobservers.eu/amid-heated-china-debate-hungary-stays-on-the-beijing-friendly-course/ (accessed 29 May 2023) (CHOICE is the acronym for China Observers in Central and Eastern Europe). On the Hungarian exception, see "A Toe-Hold in Europe," *Economist*, 27 May 2023, 33–34.
29. On Tito's leadership of this movement, see Ian Kershaw, *Personality and Power: Builders and Destroyers of Modern Europe* (New York: Penguin Press, 2022), 265–92.
30. "The New Non-Aligned: How to Survive a Superpower Split," *Economist*, 15 April 2023, 50–52. Also see "The Nonaligned World: The West, the Rest, and the New Global Disorder," *Foreign Affairs* 102 (May/June 2023): 7–43.
31. A cluster of states that at one time was seen by many to represent the up-and-coming generation of global economic movers and shakers, and whose members are Brazil, Russia, India, China, and South Africa. For that earlier (but now dissipated) exuberance regarding the BRICS' economic prospects, see Fareed Zakaria, *The Post-American World* (New York: W. W. Norton, 2009).
32. Geoffrey York, "South Africa's Closeness with Putin Worries West," *Globe and Mail*, 16 May 2023, A5; Dov S. Zakheim, "South Africa's Russia Problem," *The Hill*, 19 May 2023, https://thehill.com/opinion/international/4010995-south-africas-russia-problem/?utm (accessed 22 May 2023).
33. For the rise (and fall) of Latin America as a geographic cynosure of US foreign policy during the half-dozen or so years prior to US entry into the European balance of power, see David G. Haglund, *Latin America and the Transformation of U.S. Strategic Thought, 1936–1940* (Albuquerque: University of New Mexico Press, 1984); and Michael C. Desch, *When the Third World Matters: Latin America and United States Grand Strategy* (Baltimore: Johns Hopkins University Press, 1993). For contemporary accounts stressing the centrality of Latin America to America's grand strategy, see Carleton Beals, *The Coming Struggle for Latin America* (Philadelphia: J. B. Lippincott, 1938); Thomas Russell Ybarra, *America Faces South* (New York: Dodd Mead, 1939); Albert E. Carter, *The Battle of South America* (Indianapolis: Bobbs-Merrill, 1941); Hubert Herring, *Good Neighbors: Argentina, Brazil, Chile and Seventeen Other Countries* (New Haven: Yale University Press, 1941); and Duncan Aikman, *The All-American Front* (Garden City, NY: Doubleday, Doran, 1942).
34. Marshall presentation to the Standing Liaison Committee, 17 June 1940, War Plans Division, War Department Files, Record Group 165, 4250-3, National Archives, Washington, DC.
35. The plan was code named POT OF GOLD, and in the words of one Brazilian historian, it would have constituted a "politically irreparable error" had it ever been implemented. Paulo de Queiroz Duarte, *O Nordeste na II Guerra Mundial: Antecedentes e Ocupação* (Rio de Janeiro: Record, 1971), 36. For details of the plan, see Mark Skinner Watson, *Chief of Staff: Prewar Plans and Preparations*, United States Army in World War II: The War Department gen. ed. Kent Roberts Greenfield (Washington: Office of the Chief of Military History, Department of the Army, 1960), 96, 106.
36. See Ernest R. May, *Strange Victory: Hitler's Conquest of France* (New York: Hill and Wang, 2000).
37. Commerce Department memorandum on hemisphere defense, 11 June 1940, Harry Hopkins Papers, container 311, Latin American Affairs folder, Franklin D. Roosevelt Library (hereafter FDRL).

38. Unpublished diary of Adolf A. Berle, Jr., 24 May 1940, Berle Papers, box 211, FDRL (hereafter Berle diary).
39. *Complete Presidential Press Conferences of Franklin D. Roosevelt*, 24 vols. (New York: Da Capo Press, 1972), 15: 587 (Hereafter cited *Press Conferences*, date, vol. and p. no.). Although the official announcement of what came to be widely called the "cartel" scheme was not made until 21 June, it had been common knowledge in Washington for the past month that the White House was preparing a far-reaching program of economic coordination to meet the perceived Nazi challenge to the hemisphere. Much to Roosevelt's annoyance, reports had surfaced that Washington would, through the full-scale purchase of surplus commodities, be underwriting the economies of several Latin American countries, at the expense not only of the American taxpayer but also of American producers of those same commodities. Even two friendly journalists had, early in June, written of the soon-to-be-unveiled project that it was "grandiose to the point of impracticality." Joseph Alsop and Robert Kintner, *American White Paper: The Story of American Diplomacy and the Second World War*, 6th ed. (New York: Simon & Schuster, 1940), 82e–82f.
40. Hull's conviction that freer trade was the surest means of rebuffing the German challenge drew criticism, then and later, with one of the most imaginative retrospective assessments coming from his departmental rival and undersecretary of state, Sumner Welles, who invoked the simile of a Civil War politician whose sesquipedalian oratory had been likened to a train of twenty cars from which emerged but a single passenger, save that "in Mr. Hull's trains, the passenger was always the same – the trade agreements program." Yet another critic of Hull's had earlier resorted to a different medium of transport to make the same point about the delusive hope that liberal economics could somehow dissolve security dilemmas: "the voyage of the liberal mind," declared Max Lerner, "takes place, as in Coleridge's poem, in a painted ship upon a painted ocean." Sumner Welles, *Seven Decisions that Shaped History* (New York: Harper & Bros., 1950), 12; Max Lerner, *It Is Later than You Think: The Need for a Militant Democracy* (New York: Viking Press, 1938), 149. On the Hull program, see Stephen Haggard, "The Institutional Foundations of Hegemony: Explaining the Reciprocal Trade Agreements Act of 1934," *International Organization* 42 (Winter 1988): 91–119; and Dick Steward, *Trade and Hemisphere: The Good Neighbor Policy and Reciprocal Trade* (Columbia: University of Missouri Press, 1975).
41. *Press Conferences*, 21 June 1940, 15: 586.
42. *The Budget of the United States Government for the Fiscal Year Ending June 30, 1941* (Washington: US Government Printing Office, 1940), v, viii.
43. See Louis M. Sears, *Jefferson and the Embargo* (Durham: Duke University Press, 1927). Also see, for the economic impact of the embargo, Douglas A. Irwin, "The Welfare Cost of Autarky: Evidence from the Jeffersonian Trade Embargo, 1807-09," *Review of International Economics* 13, 4 (2005): 631–45.
44. Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945). The trend among scholars of international relations has been to interpret "power" as standing for *either* relative capability or influence; Hirschman's book argues that *both* understandings of power are operative in trade policy. For IR debates about power's definition, see David A. Baldwin, *Paradoxes of Power* (Oxford: Basil Blackwell, 1989), esp. chap. 4: "Power Analysis and World Politics: New Trends versus Old Tendencies"; as well as Idem, *Power and International Relations: A Conceptual Approach* (Princeton: Princeton University Press, 2016).
45. Michael W. Doyle, "Liberalism and World Politics," *American Political Science Review* 80, 4 (December 1986): 1151–69; Michael Mastanduno, "Economic Statecraft, Interdependence, and National Security: Agendas for Research," *Security Studies* 9 (September 1999): 288–316.
46. Most famously Norman Angell, *The Great Illusion: A Study of the Relation of Military Power in Nations to their Economic and Social Advantage* (London: W. Heinemann, 1910).
47. One scholar has even claimed that interdependence not only failed to keep the European peace, but that it actually made the continent *more* war-prone than it might otherwise have been. See David M. Rowe, "The Tragedy of Liberalism: How Globalization Caused the First World War," *Security Studies* 14 (July–September 2005): 407–47.

48. On the receptivity of this message, see Daniel J. Goldhagen, *Hitler's Willing Executioners: Ordinary Germans and the Holocaust* (New York: Alfred A. Knopf, 1996).
49. See Hjalmar Schacht, "Germany's Colonial Demands," *Foreign Affairs* 15 (January 1937): 223–34.
50. On this once very influential German doctrine, see Richard Hartshorne, "Recent Developments in Political Geography, II," *American Political Science Review* 29 (December 1935): 943–66; Robert Strausz-Hupé, *Geopolitics: The Struggle for Space and Power* (New York: G. P. Putnam's Sons, 1942); Johannes Mattern, *Geopolitik: Doctrine of National Self-Sufficiency and Empire* (Baltimore: Johns Hopkins University Press, 1942); and Andrew Gyorgy, *Geopolitics: The New German Science* (Berkeley: University of California Press, 1944).
51. See Woodruff D. Smith, "Friedrich Ratzel and the Origins of Lebensraum," *German Studies Review* 3 (February 1980): 51–68; and R. R. Kuczynski, *"Living-Space" and Population Problems*, Oxford Pamphlets on World Affairs, no. 8 (Oxford: Clarendon Press, 1939).
52. On how minerals-distribution issues were argued to contribute to great-power rivalries, because of what Hirschman would later call the "supply effect" of trade, see Brooks Emeny, *The Strategy of Raw Materials: A Study of America in Peace and War* (New York: Macmillan, 1934); C. K. Leith, "Mineral Resources and Peace," *Foreign Affairs* 16 (April 1938): 515–24; C. K. Leith, J. W. Furness, and Cleona Lewis, *World Minerals and World Peace* (Washington: Brookings Institution, 1943); and Alfred E. Eckes, Jr., *The United States and the Global Struggle for Minerals* (Austin: University of Texas Press, 1979).
53. *Press Conferences*, 23 June 1939, 13: 463–64.
54. Adolf A. Berle, Jr., *New Directions in the New World*, 2nd ed. (New York: Harper & Bros., 1940), 9.
55. Wilson to Hull, 17 June 1940, Department of State, *Foreign Relations of the United States* (Washington: US Government Printing Office, 1862–), 1940, 5:1168–69.
56. Duncan Aikman, "Bounty of the New World," *Survey Graphic* 30 (March 1941): 116–19ff.
57. John Kenneth Galbraith, *Money: Whence It Came, Where It Went* (Boston: Houghton Mifflin, 1975), 160–61, takes a skeptical look at Schacht's so-called wizardry of 1923; but for the other side of the story, see Hjalmar Schacht, *My First Seventy-Six Years: The Autobiography of Hjalmar Schacht*, trans. Diana Pike (London: Allan Wingate, 1955).
58. Quoted in Graeme K. Howard, *America and a New World Order* (New York: Charles Scribner's Sons, 1940), 58–59.
59. Among the leading "have-not" countries when it came to natural resources, Germany possessed self-sufficiency in only two of the thirty-five raw materials thought at the time to be essential for waging modern warfare – coal and potash. C. W. Wright, "Germany's Capacity to Produce and Consume Metals," *Mineral Trade Notes*, Special Supplement no. 4 (Washington: U.S. Bureau of Mines, November 1936), 34; Moritz J. Bonn, *The Crumbling of Empire: The Disintegration of World Economy* (London: George Allen & Unwin, 1938), 209; David L. Gordon and Royden Dangerfield, *The Hidden Weapon: The Story of Economic Warfare* (New York: Harper & Bros., 1947), 8.
60. See Percy W. Bidwell, "Latin America, Germany and the Hull Program," *Foreign Affairs* 17 (January 1939): 374–90; Willy Feuerlein and Elizabeth Hannan, *Dollars in Latin America: An Old Problem in a New Setting*, Studies in American Foreign Relations, no. 1, ed. Percy W. Bidwell (New York: Council on Foreign Relations, 1941), 34–35; and Percy W. Bidwell, *Economic Defense of Latin America*, America Looks Ahead, no. 3 (Boston: World Peace Foundation, 1941), 36–41.
61. Quoted in Herbert Feis, *The Changing Pattern of International Economic Affairs* (New York: Harper & Bros., 1941; reprint ed., Port Washington, NY: Kennikat Press, 1971), 13.
62. Schacht, *First Seventy-Six Years*, 328–29; Arnold A. Offner, *American Appeasement: United States Foreign Policy and Germany, 1933–1938* (Cambridge: Harvard University Press, 1969), 98.
63. Norman P. Macdonald, *Hitler over Latin America* (London: Jarrolds, 1940), 22–26.
64. This practice had actually been pioneered by Britain, when it concluded the Roca-Runciman agreement with Argentina in May 1933. Under this agreement, Britain promised

conditionally not to reduce its purchases of Argentine chilled beef below the level prevailing during the spring quarter of 1932, while Argentina pledged that whenever its resorted to exchange controls, it would make available for remittances to Britain the entire amount of sterling earned from its sales in the British market. See Herbert M. Bratter, “Foreign Exchange Control in Latin America,” *Foreign Policy Reports* 14 (15 February 1939): 277–80; Simon G. Hanson, *Argentine Meat and the British Market: Chapters in the History of the Argentine Meat Industry* (Stanford: Stanford University Press, 1938), 267–69; and Tony McCulloch, “Roca-Runciman Revisited: Anglo-American Relations and Argentina during the ‘Infamous Decade,’ 1933–1943,” in *Locating the Transatlantic in Twentieth Century Politics, Diplomacy and Culture: Essays in Honour of Professor Alan Dobson*, edited by Gaynor Johnson (London: Bloomsbury, 2024).

65. Cleona Lewis, *Nazi Europe and World Trade* (Washington: Brookings Institution, 1941), 142–43; Feis, *Changing Pattern of International Economic Affairs*, 58–62.
66. Commerce Department memorandum on German economic competition in Brazil, prepared by J. C. Corliss and George Wythe, 8 February 1939, Harry Hopkins Papers, container 301, “Economic Warfare (II),” FDRL.
67. Ibid. Put alternatively, we could say that the free mark (the reichsmark) was overvalued, not that the askimark was undervalued. By resorting to the latter, Germany could maintain a “competitive” edge internationally without having to devalue, which would have been a fraught move in a country that still lived with the searing memory of the 1923 hyperinflation – a memory that haunted even the Nazis. Notwithstanding that devaluation was thus disguised (unlike in the US, where the currency had been openly depreciated 40 percent in 1934), it was impossible to get around the fact that German consumers were ultimately frequently paying a higher price for commodities purchased through bilateral trading. Eugene Staley, *World Economy in Transition: Technology vs. Politics, Laissez Faire vs. Planning, Power vs. Welfare* (New York: Council on Foreign Relations, 1939), 112.
68. For an excellent account of Brazil’s economic relations with Germany and the United States prior to the Second World War, see Stanley E. Hilton, *Brazil and the Great Powers, 1930–1939: The Politics of Trade Rivalry* (Austin: University of Texas Press, 1975).
69. Quoted in John D. Wirth, *The Politics of Brazilian Development, 1930–1954* (Stanford: Stanford University Press, 1970), 55. Souza Aranha was alluding to the Brazilian government’s policy, starting in 1931, of burning coffee in order to halt the downward slide in its price. See E. Bradford Burns, *A History of Brazil* (New York: Columbia University Press, 1970), 292.
70. To use the term employed by Robert W. Tucker, to distinguish between two schools of revisionist historiography of the post-Second World War years, one of which was made up of right-wing critics of the Roosevelt administration who argued that the president led, lied, or otherwise duped the country into participating in a European war that did not involve any American “vital” interests. By contrast, the other, left-wing school, argued that economic interests *were* seen to be such vital ones that defending them necessitated the country’s going to war. For the radicals, America’s foreign policy could not be dissociated from its capitalist structure, such that they held “not simply that America is aggressive and imperialistic, but that it is so out of an institutional necessity. It is the central assumption that American imperialism must ultimately be traced to the institutional structure of American capitalism that is the common denominator of radical criticism.” Tucker, *The Radical Left and American Foreign Policy*, Studies in International Affairs, no. 15 (Baltimore: Johns Hopkins Press, 1971), 121.
71. William Appleman Williams, *The Tragedy of American Diplomacy*, 2nd ed., rev. and enl. (New York: Dell Publishing, Delta Books, 1972), 161. For other works of this genre during that era, see Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy* (Madison: University of Wisconsin Press, 1964); and David Green, *The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy* (Chicago: Quadrangle Books, 1971).
72. Pierre Renouvin and Jean-Baptiste Duroselle, *Introduction to the History of International Relations*, trans. Mary Ilford (New York: Frederick A. Praeger, 1967), 82–84 (Renouvin authored the chapter in which the quoted words appear).

73. Richard J. Overy, *The Battle of Britain: Myth and Reality* (London: Penguin, 2010).
74. See on these successive phases of US involvement in the European balance of power, Warren F. Kimball, “Franklin D. Roosevelt and World War II,” *Presidential Studies Quarterly* 34 (March 2004): 83–99.
75. Daniel H. Deudney, “The Philadelphian System: Sovereignty, Arms Control, and Balance of Power in the American States-Union, Circa 1787–1861,” *International Organization* 49 (Spring 1995): 191–228.
76. On that ersatz identity, see Uwe Lübken, “‘Americans All’: The United States, the Nazi Menace, and the Construction of a Pan-American Identity,” *Amerikastudien/American Studies* 48, 3 (2003): 389–409.
77. Unpublished diary of Henry Morgenthau, Jr., 27 June 1940, vol. 276: 177–78, Morgenthau Papers, FDRL. A month later, on 26 July 1940, Secretary of War Henry Stimson and Chief of Staff Marshall approved a memorandum from military intelligence recognizing that while the US certainly sought “better mutual understanding” with Latin American militaries, our objective does *not* comprise expectations on our part of being able to use Latin American forces as effective allies in war.” Cited in Stetson Conn and Byron Fairchild, *The Framework of Hemisphere Defense*, United States Army in World War II: The Western Hemisphere, gen. ed. Kent Roberts Greenfield (Washington: Office of the Chief of Military History, Department of the Army, 1960), 179 (emphasis in the original).
78. Berle diary, 30 June 1940, box 212, FDRL.
79. Quoted in William Diebold, Jr., *New Directions in Our Trade Policy*, Studies in American Foreign Relations, no. 2, edited by Percy W. Bidwell (New York: Council on Foreign Relations, 1941), 128.
80. Quoted in Duarte, *O Nordeste na II Guerra Mundial*, 67–68.
81. The speech and the reactions it elicited are discussed in Karl Loewenstein, *Brazil under Vargas* (New York: Macmillan, 1942), 274–75; Alton Frye, *Nazi Germany and the American Hemisphere, 1933–1941* (New Haven: Yale University Press, 1967), 126–27; Carter, *Battle of South America*, 65–67; Frank D. McCann, Jr., *The Brazilian-American Alliance, 1937–1945* (Princeton: Princeton University Press, 1973), 185–87; and Stanley E. Hilton, “Brazilian Diplomacy and the Washington-Rio de Janeiro ‘Axis’ during the World War II Era,” *Hispanic American Historical Review* 59 (May 1979): 201–31, at 208.
82. Quoted in Lourival Coutinho, *O General Góes Depõe*, 2nd ed. (Rio de Janeiro: Livraria Editôra Coelho Branco, 1956), 365–68.
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85. Miles to Marshall, 2 July 1940, “Possible Activities of the Axis Powers in the Western Hemisphere,” Military Intelligence Division, War Department Files, Record Group 165, 2657–244, National Archives, Washington.
86. WPD memo for Stark, 10 July 1940, War Plans Division, ibid.
87. Berle diary, 6 and 15 October 1940, box 212, FDRL.
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91. North Atlantic Treaty Organization, *The North Atlantic Treaty: Washington D.C. – 4 April 1949*, art. 2, https://www.nato.int/cps/en/natolive/official_texts_17120.htm (accessed 20 June 2023).

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