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Trump's Trade Revolution

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Abstract: The Trump administration has reversed a 70-year consensus and transformed both the substance of trade policy and the postwar role the US has played in its global management. It has also reconfigured the role of the president in the domestic trade policy process. Armed with the power and influence the US amassed during its long run as leader of the post-war liberal world economy, the Trump administration has used trade as its principle coercive weapon in foreign policy. It has achieved some success, albeit at high diplomatic cost and by putting at risk America's long-standing structural advantages in the world economy. Given that domestic discontent with the liberal world economy has increased significantly, it is likely that the core aspects of Trump's trade revolution will endure, even if subsequent administrations soften Trump's provocative execution of it.

Introduction

As president, Donald Trump has fashioned himself a populist disruptor who challenges the thinking and policies of the Washington establishment. His decisions to pull the US out of the Paris climate accord and Iranian nuclear deal caused predictable consternation among foreign policy elites. Nevertheless, after 3 years of his presidency, US foreign policy in the priority areas of Europe, the Middle East, and East Asia has been marked more by continuity than by radical change. Although Trump has routinely antagonized European leaders, the US has remained committed to “obsolete” NATO. Similarly, Trump's campaign vow to extricate the country from its “endless wars” in the Middle East has given way to the familiar US pattern of maintaining a forward presence in the region to combat terrorism and contain Iran. President Trump often depicts America's most important East Asian allies, Japan and South Korea, as free riders who should take responsibility for their own security. Thus far, however, he has reinforced America's traditional diplomatic and military presence in East Asia to contain China and denuclearize North Korea.

Yet, in one key area of foreign policy the Trump administration has produced disruptive and profound change. It has orchestrated what could fairly be called

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a revolution in American trade policy. The Trump team has transformed both the substance of trade policy and the traditional postwar role the US has played in its global management. At the same time, it has reconfigured the role of the president and executive branch in the domestic trade policy process. To the dismay of both allies and adversaries, the Trump administration has used trade as its principle coercive weapon in foreign policy. It has achieved some success, albeit at high diplomatic cost and by putting at risk America's long-standing structural advantages in the world economy.

In short, the Trump team has reversed a roughly 70-year consensus on how the US government should approach trade, both conceptually and practically, at home and abroad. It has returned the US to a version of its pre-World War II trade policies, yet now armed with the power and influence the US amassed during its long run as leader of the post-war liberal world economy.

Trump's trade revolution is embedded within a more fundamental reconsideration of US grand strategy. Although it has maintained an activist foreign policy, the Trump administration has rejected hegemony, or the deeply ingrained idea that the US benefits most by acting as a necessary stabilizer in world politics and the principal rule-maker in the world economy. It has not articulated a grand strategic alternative to hegemony; instead, Trump officials have acted more episodically, relying on the opportunistic and tactical exploitation of US power under an "America First" approach to contain threats and extract concessions from allies and adversaries. The Trump administration's transformed trade policy both reflects and reinforces the rejection of US hegemony in favor of a transactional approach to foreign policy.

The broader debate over US grand strategy, pitting deep engagers against retrenchers and offshore balancers, will continue to play out beyond the Trump administration. However, the key features of Trump's trade revolution will likely persist, even if subsequent administrations prove reluctant to execute it with the zeal of Trump's trade warriors. Trump's trade revolution is not simply "from above" – it also builds upon the public discontent over trade that has been growing since the 1990s and was intensified by the great financial crisis and subsequent recession. The idea that America's long-standing liberal approach to international trade ultimately serves the interests of elites, large corporations, and foreigners rather than meeting the needs of ordinary Americans resonates with both the populist right and populist left, and has become embedded in the rhetoric of both Trump administration officials and many of the Democratic politicians who seek to displace them.

The remainder of this essay analyzes the Trump revolution in US trade policy, with attention to the link between trade policy and US grand strategy. The next two sections spell out the postwar consensus that the Trump administration

has overturned, and analyze the key changes in power, interests, and ideas that opened the door to its trade revolution. The following sections take up how and why Trump rejected the long-standing consensus, the employment of trade as an instrument of foreign policy coercion, and the extent to which this new approach has been effective. A final section considers the durability of Trump's trade transformation.

US Trade Policy: A Remarkable 70 Years of Continuity

From 1776 until 1945, trade policy in the US was more consistent with the economic nationalism of Alexander Hamilton than the economic liberalism of Adam Smith. Congress dominated the policy process, setting tariff levels to protect American producers and bring revenue to the federal government.¹ The government promoted US exports, taking advantage of the opportunities afforded by the open trading system managed by Great Britain. This nationalist strategy served America well during its rise to great power status but proved disastrous during the interwar years, when the world looked to the US to step into the international leadership role vacated by an exhausted Great Britain. Yet, rather than recognizing the opportunity and responsibility that went along with its new position as the world's dominant economic power, the US clung to its traditional approach.

The US transition that failed after World War I occurred dramatically after World War II. It involved striking transformations in the substance of US trade policy, in the role the US played internationally, and in the role the executive branch and president played in the domestic trade policy process. Specifically, we can identify *five core features* of postwar US trade policy that were forged in the early postwar era and endured until 2016 with remarkable consistency, across successive Democratic and Republican administrations, and despite significant changes in the international and domestic landscape. These features include the patient yet persistent pursuit of freer trade; the commitment to international liberal leadership; a pragmatic approach to promoting freer trade; an interbranch arrangement that enabled central policy makers in the executive branch to control trade policy; and a close connection between trade policy and US grand strategy.

¹ Douglas Irwin, *Clashing over Commerce: A History of U.S. Trade Policy* (Chicago: University of Chicago Press, 2017), and I.M. Destler, *American Trade Politics: System under Stress*, 2nd ed. (Washington, DC: Institute for International Economics, 1992).

The Patient yet Persistent Pursuit of “Freer” Trade

Although free trade and protection are often treated as binary alternatives, they are more usefully placed at opposite ends of a continuum. Postwar US trade policy reflected a 70-year effort to move the world trading system along that continuum in pursuit of “freer” trade. The US pursued a long-term strategy across successive administrations of coaxing or coercing more and more states to bring additional sectors of their economies into conformity with open trading rules. Immediately after the war the US used its financial power to force its closest allies, Great Britain and France, and its wartime adversaries, Japan and (West) Germany, to abandon their imperial or regional preference systems in favor of global freer trade.² Yet, US policy makers simultaneously recognized that the demands of economic recovery would hamper the ability of its major trading partners to carry out that commitment quickly. So, the US opened its home market asymmetrically to Western Europe and Japan, tolerating higher barriers to trade abroad than what it practiced at home.³ As recovery proceeded, the US pressured its trading partners to open markets and offer more symmetrical access. US policy makers approached trade with the developing world in a similar spirit; beginning in the 1970s the US offered advantageous market access to poorer countries according to a system of “generalized preferences.” It removed those benefits as countries graduated to higher levels of economic development or no longer met eligibility requirements.

Patience applied at home as well. US policy makers recognized that, even in an era of American economic dominance, it would be impractical to expose all sectors immediately to open trade. Free trade needed to proceed with sensitivity to political constraints; a key lesson of the Great Depression held that firms and labor adversely affected by the workings of open capitalism required the support of a social safety net. Thus, the US adopted the “embedded liberal” compromise – it pursued free trade generally yet insisted on selective protection for politically sensitive sectors (agriculture and textiles at first, and later steel and automobiles among others), and adjustment assistance for workers in uncompetitive sectors exposed to international competition.⁴

² Benn Steil, *The Battle over Bretton Woods* (Princeton: Princeton University Press, 2013).

³ Robert Gilpin, *U.S. Power and the Multinational Corporation* (New York: Basic Books, 1975).

⁴ Dani Rodrik, *Straight Talk on Trade: Ideas for a Sane World Economy* (Princeton: Princeton University Press, 2018).

The Commitment to Leadership in an American-Centered System

Alongside transforming its own policy, the US placed itself at the center of the postwar trading order. US officials assumed responsibility for developing and enforcing the rules of that order.⁵ When the prematurely ambitious International Trade Organization foundered in 1947, US policy makers pushed the GATT (General Agreement on Tariffs and Trade) as a more modest alternative, allowing a small group of states to bargain over tariff reductions. Successive GATT negotiating rounds of negotiations under US leadership led to drastic reductions in tariff levels by the early 1970s. By the 1990s, under the Bush and Clinton administrations, the US promoted and completed the most difficult negotiating round and transitioned the GATT into the more ambitious WTO (World Trade Organization). When WTO negotiations stalled in the 2000s, the Obama administration tried to maintain free trade momentum by pushing “mega-regional” deals in Europe and Asia. In promoting the Trans-Pacific Partnership (TPP) President Obama, reflecting America’s preoccupation with leadership, argued that “if the US doesn’t make the rules, China will.” The postwar trading order was not simply a rule-based order – it was America’s rule-based order.

Successive administrations worked to broaden and deepen that order. US policy makers focused initially on the transatlantic core of the world economy, then brought in Japan, pushing against that country’s long mercantilist tradition. The 1974–1979 GATT negotiations were labeled the Tokyo Round as a nod to the importance of integrating Japan.⁶ After Japan, the task was to incorporate emerging and less-developed countries through the aptly named Uruguay and Doha Development negotiating rounds. The end of the Cold War offered the opportunity to integrate Russia, former Warsaw Pact countries, and China into the US-led trading order.

Integration went deeper as well. Once GATT negotiations minimized tariffs, or restrictions at the border, US trade officials turned to non-tariff barriers “behind the border” such as government procurement systems, health and safety regulations, and national business practices. During the Uruguay Round (1986–1994), US officials took the lead in extending coverage to sectors previously neglected by GATT such as textiles and agriculture and to new areas such as intellectual

5 Michael Mastanduno, “System Maker and Privilege Taker: U.S. Power and the International Political Economy,” *World Politics* 61, No. 1 (January 2009), 121–54.

6 Gilbert Winham, *International Trade and the Tokyo Round Negotiations* (Princeton: Princeton University Press, 1987).

property, services, and investment. The quest for freer trade pushed trade negotiations deeply into the domestic political economies of participating states, creating tensions within the embedded liberal social contracts between governments and their societies.

A Pragmatic Approach to Promoting Freer Trade

US policy makers championed the principle of free trade yet proved pragmatic in pursuit of it. Global negotiations under GATT/WTO auspices were the preferred but not exclusive mechanism. US officials proved willing to pursue regional trade agreements as a second-best option when multilateralism stumbled. NAFTA emerged when GATT negotiations stalled during the 1980s, and the TPP took center stage when the Doha Round bogged down during the 2000s. US officials consistently viewed regional initiatives as “building blocks” rather than “stumbling blocks” – as smoothing the path toward deeper global agreements, rather than as competitors to those agreements. When neither global nor regional initiatives were politically feasible, US officials kept momentum by pursuing bilateral free trade arrangements. The second Bush administration completed about one dozen bilateral accords when both global talks in WTO and regional deals faced political opposition at home and abroad.

In the spirit of “violating the rules in order to enforce them,” US officials also resorted selectively to coercive and unilateral tactics to push freer trade forward. The most controversial was dubbed “Super 301,” a legislative instrument that forced the executive branch beginning in 1989 to identify the world’s most unfair traders and demand bilateral, market-opening negotiations with them under strict deadlines and threats of US protectionist retaliation. Critics labeled it “aggressive unilateralism” and complained that the US was acting as a self-appointed prosecutor, judge, and jury.⁷ For their part, US trade officials viewed such tactics as a necessary evil to pry open foreign markets when traditional trade diplomacy had proven ineffective. US Trade Representative Carla Hills famously stated in 1989 that she preferred to open markets with a handshake but would resort to a crowbar if necessary.

Importantly, however, US trade officials proved willing to abandon these coercive tactics when a viable rule-based alternative presented itself. The formal agreement that created the World Trade Organization in 1994 significantly

7 Jagdish Bhagwati and Hugh Patrick, eds., *Aggressive Unilateralism: America’s 301 Trade Policy and the World Trading System* (Ann Arbor: University of Michigan Press, 1990).

strengthened dispute settlement procedures, promising relief to countries who raised specific and credible complaints regarding the unfair behavior of their trading partners. US policy makers were instrumental in strengthening the dispute procedures and agreed to utilize them and abide by WTO rulings rather than take matters into its own hands as they had with Super 301.

An Interbranch Arrangement to Facilitate Freer Trade

America's postwar policy-making process adjusted to facilitate the pursuit of freer trade. The US Constitution grants Congress, not the president, the authority to regulate commerce, and Congress exercised that authority decisively until the disastrous Smoot-Hawley Tariff of 1930. During the Great Depression, Congress delegated tariff-cutting authority to the president in the form of the Reciprocal Trade Agreements Act of 1934 and in the hope of reviving sluggish international trade. The executive branch has dominated trade policy ever since, and for 70 years that tipped the scales in favor of freer trade. The president and executive branch officials tend to be more attuned to America's broad international responsibilities and commitments while members of Congress are generally more responsive to the parochial needs of their (often import-sensitive) constituents.

Yet, ultimate authority over trade policy still rests with Congress, and across the postwar era legislators looked to stiffen the executive's resolve when it appeared *too* committed to freer trade. Section 232 of the Trade Act of 1962 gave presidents the authority to restrict trade that threatened US national security. Section 301 of the 1974 Act enabled presidents to target unfair trading partners. During the 1970s Congress created the Office of the US Trade Representative (USTR), and lodged it in the politically-sensitive White House, when it felt that the executive agencies in charge of trade policy, the State and Treasury Departments, had become too accommodating to America's trading partners. Congress offered "fast track" authority (today, Trade Promotion Authority) to allow presidents to complete increasingly complex trade negotiations and bring them to Congress for an up or down vote. But it also reserved the right to withhold that authority if it suspected such negotiations would not be sufficiently accommodating to US domestic interests.

For postwar presidents, the long reach of congressional authority was both constraint and opportunity. Congress could frustrate presidential trade initiatives, but presidents could also play "good cop" with US trading partners, brandishing the threat of a congressional "bad cop" waiting behind the scenes. Postwar presidents typically used congressional pressure constructively; while they might use protection selectively to buy off powerful interest groups, they more commonly deflected that pressure outward, forcing trading partners to

offer improved market access or face draconian measures from a Congress the president would be unable to control. The president played the role of gatekeeper between domestic interests and the liberal world economy, resisting protectionist pressure and simultaneously pushing free trade forward.

The Linkage of Trade Policy to US Grand Strategy

Finally, US trade policy played an important geopolitical role by complementing and lining up behind US foreign policy. During the Cold War, economic warfare against the Soviet Union and its allies and free trade across Western Europe and East Asia were the economic components of the grand strategy of containment. Trade policy served to isolate America's enemies and cement alliances among America's friends. When trade disputes did emerge among friends, they tended to be resolved in the interest of broader alliance solidarity. This proved a source of considerable frustration to US economic nationalists, who complained that US allies were taking unfair advantage and getting away with it because US executive officials privileged America's diplomatic and security interests ahead of its national economic interests.⁸

Trade policy continued to support broader US geopolitical objectives after the Cold War. In a unipolar setting, containment of the Soviet Union gave way to US efforts to promote and enlarge its hegemonic position globally. US policy makers used WTO negotiations and the financial leverage of the Treasury and IMF to bring less developed economies into conformity with an international economic order, based on privatization and open markets, that reflected US interests and values. The 2002 National Security Strategy of the Bush administration claimed that the end of the Cold War meant there was a "single sustainable model for national success" – the American one.⁹ Successive US administrations sought to enlist China, with the world's fastest-growing major economy, as a junior partner in the American-led order. Bringing China into the WTO was the key component in demonstrating to Chinese leaders that significant economic benefits would accrue to China if it acted as a "responsible stakeholder" in support of US foreign policy and the broader American-centered geopolitical order.¹⁰

⁸ Clyde Prestowitz, Jr., *Trading Places: How We are Giving our Future to Japan and How to Reclaim It* (New York: Basic Books, 1990).

⁹ U.S. National Security Council, *The National Security Strategy of the United States* (Washington, DC: Government Printing Office, 2002), iv.

¹⁰ Paul Blustein, *Schism: China, America, and the Fracturing of the Global Trading System* (CIGI Press, 2019).

Shifting Terrain: Power, Interests, and Ideas

The initial political and economic conditions of the postwar world were extraordinarily accommodating to a US free trade strategy. The US emerged from war with the world's most dynamic economy. Its industrial structure was unscathed and in fact strengthened, while other major economic powers were forced to adjust to the devastating consequences of two world wars fought on their territories. Domestically, an internationally oriented coalition of bankers, traders, and multi-national companies, supported by the State and Treasury Departments, overcame the protectionist coalition of agriculture and domestic-oriented manufacturers that long controlled trade policy. Free trade also enjoyed ideological support: the new elite consensus held that open markets were beneficial for both the US economy and US security. US policy makers, looking back to the 1930s and echoing a long tradition in liberal thought, concluded that enemies in the marketplace became enemies on the battlefield, and that free trade would promote both prosperity and peace.

The 70-year continuity in US trade policy is even more remarkable given that these initial favorable conditions gradually eroded. In terms of relative economic competitiveness, the US found itself a victim of the success of the liberal order it created. Economic power first diffused to US allies in Western Europe and Japan. Europe integrated (with the encouragement of the US) and presented a united front as a trading bloc in negotiations, while Japan took advantage of the opportunity to act as a mercantilist in a liberal world and ran up sizable trade surpluses with the US during the 1980s and 1990s. By the 1980s newly industrializing countries in East Asia followed Japan's export-led growth strategy and became consequential players in the global trading order. China followed a decade or two later, with an even more decisive impact on global commerce and with bilateral surpluses in US-China trade that dwarfed Japan's prior record-setting ones. As a further indicator of power diffusion, by the 2000s America's preferred mechanism for managing the world economy, the G-7 collection of its like-minded allies, had been replaced by the G-20, a disparate group of actors with varying and often incompatible policy agendas.

As America's trade partners became more competitive, and as the US economy became more dependent on trade, domestic support for free trade gradually unraveled. Internationally minded business interests remained steadfast supporters of an open world economy, especially as globalization progressed and global supply chains formed. But by the 1970s labor had turned against free trade, along with industries hit particularly hard by imports including automobiles, steel, textiles, and machine tools. Congress responded to and reflected these pressures by placing more aggressive trade policy tools in the hands of the

executive, and by slowing down liberalization by delaying or withholding trade promotion authority from Presidents Clinton, Bush and Obama. By the 1990s environmental and consumer groups mobilized against multilateral trade deals that they perceived were negotiated in a non-transparent fashion by executive officials working closely with multinational business interests in what one activist, Lori Wallach, called “a system of corporate-managed trade.”¹¹

As relative US power declined and domestic interests fragmented, both Republican and Democratic administrations doubled down in support of free trade. Beginning in the Reagan era, embedded liberalism gave way ideologically to neo-liberalism. Free markets, deregulation, and privatization triumphed over social safety nets at home, and US policy makers promoted “behind the border” liberalization through the Washington Consensus and in WTO and regional negotiations abroad. The Bretton Woods-era belief in social contracts was replaced by the idea that unfettered markets in trade and finance were needed to sustain growth nationally and internationally. By the end of the 1990s US officials celebrated globalization as inevitable, irreversible, and beneficial within and across rich and poor countries. Thomas Friedman popularized the idea and even updated the argument linking free trade and peace with the “Golden Arches Theory of Conflict Prevention.”¹² As globalization intensified, so did US domestic divisions over trade policy. The November 1999 “Battle for Seattle,” in which populist protesters disrupted ministerial meetings of the WTO, symbolized the emerging collision between the elite champions of ever-expanding free trade and the determined populist opponents seeking to undermine it.

The Twin Economic Shocks of the 2000s

The attacks of September 11, 2001 re-oriented US foreign policy around a global war on terrorism and led to what later would be called “endless” wars in Iraq and Afghanistan. To the George W. Bush administration, the war on terror reinforced the need for freer trade, both to cement an anti-terror coalition and to promote development in unstable countries that could serve as terrorism’s breeding grounds. With some reluctance Congress accepted that logic and in the context of the crisis provided Bush the trade promotion authority that had been denied

¹¹ Moises Naim, “The FP Interview: Lori’s War,” *Foreign Policy* 115 (Spring 2000), 29–55 at 29.

¹² Thomas Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 2000). The idea is that countries with a network of McDonalds restaurants have developed middle classes and will avoid conflict with others similarly situated.

President Clinton during his second term. Less than a decade later, however, two economic shocks cut in the opposite direction and emboldened America's free trade critics.

First, the financial crisis that began in 2008 signaled that globalization had gone too far. The US-origin crisis called into question America's neo-liberal model at home and shattered the Washington Consensus abroad. The US response to the crisis – bailing out risk-taking banks and other financial institutions while ordinary people lost their homes and jobs – may have been prudential, but only reinforced the growing populist sense that both the national and global economies were rigged in favor of elites.¹³ When economic growth contracts, protectionist pressures increase, and thus the long recession that inevitably followed the crisis provided further fuel to anti-free trade sentiment.

China's economic rise constituted a second economic shock. When China joined the WTO in 2001, few anticipated the pace and extent of its growth and penetration of US and global markets. China's dominance of US consumer markets began early in the 2000s, but the effects were masked initially by unsustainable growth in housing and construction that preceded the financial crisis. After the crisis the impact of Chinese import penetration, particularly in electorally sensitive parts of the US Midwest, became clear.¹⁴ To economic nationalists, America's liberal order allowed China to trade unfairly and hollow out US manufacturing. Milanovic's "elephant curve" captured the global income distribution pattern of the 2000s that fed the political movements of economic nationalism and populism across the advanced industrial world (see Figure 1). Globalization's big winners were elites in the West and the middle class in China and other developing countries, while its big losers were the middle and lower classes in the US and Europe.

In the face of these shocks and challenges, President Obama proved a reluctant hegemon struggling to maintain America's traditional postwar leadership role. In foreign policy, he tried to extricate the US from the Middle East and "pivot" to East Asia, holding out to China the threat of military containment coupled with the promise of continued economic cooperation if China behaved.¹⁵ In trade policy, resigned to the failure of multilateral negotiations in the WTO, he sought to push TPP and TTIP on a resistant Congress and skeptical activist public. He tried to hold

¹³ Ben Bernanke, Timothy Geithner, and Henry Paulson, *Firefighting: The Financial Crisis and its Lessons* (New York: Penguin Books, 2019).

¹⁴ David Autor, et al., "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review* 103, no. 6 (Oct. 2013), 2121–68.

¹⁵ Kurt Campbell, *The Pivot: The Future of American Statecraft in Asia* (New York: Hachette Book Group, 2016).

Figure 1: The “Elephant Graph” of Christoph Lakner and Branko Milanovic.

the line in favor of international economic openness by reasserting America’s rule-making power, notwithstanding its domestic resistance, while keeping momentum for freer trade as the US and world economies recovered from crisis.

Trump’s Revolution

Donald Trump was an unexpected president. Sensing popular discontent, he positioned himself as an outside agent of change and built an electoral coalition around those “left behind” economically by globalization and politically by demographic and social changes that transformed the US into a multi-cultural nation.¹⁶ In foreign policy, Trump proved inexperienced yet in possession of strong personal views that departed significantly from America’s postwar hegemonic consensus.

¹⁶ In the spirit of the elephant curve, Trump contended in his inaugural address that “the wealth of our middle class has been ripped from their homes and redistributed across the entire world.” The Inaugural Address, Remarks of President Donald J. Trump, Washington, DC, January 20, 2017.

Three aspects of Trump's foreign policy worldview stand out. First, Trump emphasizes transactions rather than relationships. Postwar administrations structured US foreign policy around enduring relationships that included long-term commitments to allies, confrontational approaches to adversaries, and the sustained engagement of states (such as China) that might be coaxed into supporting the US-centered global order. For Trump, international relationships are more episodic. Foreign policy is a series of deals, some positive ("America wins") and some negative ("foreigners win"). Bad deals need to be abandoned or renegotiated. This transactional approach has fallen hardest on US allies, most of whom Trump believes have taken advantage of US generosity in economic and security relations. He has reframed what postwar administrations depicted as relationships of diffuse yet reciprocal benefits into undesirable zero-sum situations in which one side is winning economically at the expense of the other.

Second, Trump perceives an inherent conflict between America's national interests and its international commitments and obligations. Postwar US leaders, Democrat or Republican, have viewed the two as complements rather than substitutes. For Trump, the US must choose one or the other. When he announced in June 2017 his intention to withdraw the US from the global climate accord, he stated that "I was elected to represent the citizens of Pittsburgh, not Paris."¹⁷ Prior administrations believed that maintaining international obligations based in Paris (or Brussels or Tokyo) simultaneously served the interests of the citizens of Pittsburgh (or Boston or Toledo).

Third, rather than viewing America, in the words of former Secretary of State Madeleine Albright, as the "indispensable nation" with the responsibility to manage a liberal international order, Trump sees the US as an aggrieved nation, a patsy over which other states routinely take advantage. The postwar international system US officials so painstakingly created no longer serves US interests. Trump does not reference "U.S. leadership," "the international community," "the liberal order," or the "rule of law" – common phrases US policy makers have long employed to signal America's enduring international role and obligations. His rhetorical insistence on putting America first suggests that maintaining or contributing to global or regional order is not America's job, and to be tempted by it only undercuts US security and prosperity.

Trump's worldview, coupled with a strong belief in his personal negotiating prowess, have produced an erratic foreign policy. In his first year he went to the brink of war with North Korea; in his second he broke US diplomatic norms and

¹⁷ S. A. Miller, "Trump Supporters Plan 'Pittsburgh not Paris' Rally in Washington," *Washington Times*, 2 Jun. 2017.

met personally with the North Korean leader without preconditions. On China he reversed the pattern. Cooperation and summit diplomacy in year one gave way to economic confrontation in year two. He defied his national security advisors and America's closest allies by walking out of the Iranian nuclear deal. He dispensed with the US role as "honest broker" in the Middle East by recognizing Jerusalem as Israel's capital, and he abruptly abandoned the US military position in Syria, bestowing a diplomatic windfall on Iran and Russia. Trump has picked fights with US allies and heaped praise on authoritarian leaders that abuse human rights.

Yet, despite rejecting hegemony Trump has not followed the neo-isolationist logic implied by his America First worldview. His efforts to extricate the US militarily from the Persian Gulf have been frustrated by the imperative to contain Iran and prevent the resurgence of ISIS. He is critical of NATO but, notwithstanding his puzzling personal reverence for Russia's dictatorial leader, has strengthened it against Russian aggression. Trump has reaffirmed the US forward position in East Asia while often complaining that US allies are free riding on that position. In short, he has disparaged US liberal hegemony yet maintained the postwar US tradition of foreign policy activism.

Postwar Consensus Rejected

It is in trade policy that Trump's departure from the postwar US consensus has been most profound and unambiguous. Perhaps the politically inexperienced president was less of a blank slate in trade policy than in foreign policy – his views on trade were well-formed early in his business career and, unlike his views on many political issues, have remained remarkably consistent at least since the 1980s, when he decried the influx of Japanese autos into the US market.¹⁸ More confident of his views on trade policy, he moved early in his presidential tenure to replace establishment free traders with advisors (e.g. Peter Navarro) who reflected his protectionist preferences. Trump's trade instincts have also reinforced his domestic political strategy, playing directly into the "left behind" narrative that is central to the core supporters of his political coalition. In his campaign he tapped into popular social and economic discontents in the American heartland by blaming foreigners who took advantage of open markets and borders to the detriment of ordinary Americans. And, unlike most presidents

¹⁸ Jacob Schlesinger, "Trump Forged his Ideas on Trade in the 1980s – and Never Deviated," *Wall Street Journal*, 15 Nov. 2018.

who govern from the political center after winning office, Trump has continued to appeal to his relatively narrow electoral base, with his trade stance contributing prominently to the effort. To be sure, his trade policies have cut against the interests of US multinational businesses, a traditional bastion of support for Republican presidents. But the Trump administration has tried to offset those concerns by rewarding big business with tax cuts and the promise to eliminate burdensome regulations, accompanied by the president's patriotic plea, which largely has fallen on deaf ears, for US companies to abandon their global supply chain strategies and "come home" to manufacture within the borders of the US.

Trump has made three significant departures from the postwar consensus on trade policy outlined earlier. First, his administration has embraced protectionism as a *matter of principle* rather than a necessary but temporary evil. Although nearly every postwar President adopted some protectionist measures, those moves were consistently viewed as deviations from an ideal – detours on the road to freer trade – rather than as desirable ends themselves. When the Reagan administration imposed restrictions on Japanese autos, for example, they took the form of "voluntary" export restraints (VERs) to make them compatible with the letter (if not the spirit) of GATT rules. Japan responded by producing more autos in the US, and the VERs were dropped 4 years after their imposition. Even long-standing protectionist arrangements, such as the restrictions on agricultural and textile trade adopted during the 1950s, were viewed by US policy makers as temporary measures that needed to be "fixed" at some future date.

Trump, on the other hand, views protectionism as intrinsically desirable. In his inaugural speech he stated that "protectionism will lead to great prosperity and strength," and that his administration would follow two simple rules, "buy American and hire American."¹⁹ As President he frequently boasts of how tariffs enrich the US at the expense of foreign countries, notwithstanding that US importers actually pay the border taxes. Trump's views of trade are shaped, perhaps unconsciously, by the economic principles of mercantilism rather than liberalism. His metrics for trade policy success are not the traditional postwar ones of market access or deeper and broader liberalization, but the state of bilateral merchandise trade balances. Countries with bilateral surpluses are winners, those with bilateral deficits are losers. Thus, the Trump administration has focused its negotiating attention on countries that enjoy surpluses with the US, such as China, Japan, South Korea, and Mexico. The President frequently boasts that trade wars are "easy to win" – not because other states will quickly capitulate

¹⁹ The Inaugural Address, Remarks of President Donald J. Trump, Washington, DC, January 20, 2017.

and make concessions, but because he believes those who begin a trade war from a position of surplus will be more vulnerable to trade disruption than those who are beginning from a deficit position and thus are already losing. As Trump tweeted in June 2018, with reference to the overall US trade deficit, “when you’re almost 800 Billion Dollars a year down in trade, you can’t lose a Trade War!”²⁰

The second major departure follows logically from the first. The Trump administration has re-conceptualized America’s relationship with the postwar trade order it created. It has abdicated America’s role as leader of a liberalizing world economy, as indicated clearly by its reversal of the sequence of America’s preferred mechanisms for trade negotiations. Recall that multilateral negotiations in a rule-based setting were America’s preferred instrument. Regionalism was second-best, and bilateralism a third choice when the first two mechanisms stalled. Unilateralism was a last resort, a signal that US officials had no alternative given the stubborn resistance of their trading partners to liberalize.

The Trump administration has stood that ordering sequence on its head. Unilateralism is the preferred mechanism for trade initiatives, as indicated by the administration’s sudden announcement of steel and aluminum tariffs against multiple trading partners in March 2018 and December 2019, and by the gradual ratcheting up of tariffs on trade with China in 2018 and 2019. When the administration seeks to negotiate, it demands bilateralism. It has forced both potential adversaries (China) and close allies (Japan) to engage “one on one” with the US rather than in regional or multilateral settings. Trump preferred to abandon NAFTA (“the worst trade deal ever”) and work separately with Mexico and Canada; political and legal pressures forced him instead to renegotiate that regional agreement.²¹ He initially demanded bilateral negotiations with Germany over its trade surplus, only to learn it was not possible because the European Union is the legal representative of its member states at the trade negotiation table. His response to Brexit was not to bemoan the fracture of the European Union, but to press the opportunity for a bilateral trade deal with Great Britain.

At first glance, the Trump team’s negotiating preferences might appear consistent with America’s postwar pragmatic approach. The history of GATT/WTO negotiations has demonstrated painfully that the more states involved, the more

20 Josh Zumbrun and Bob Davis, “Trade Tensions Intensify,” *Wall Street Journal*, 4 Jun. 2018, A1.

21 The new United States Mexico Canada Agreement (USMCA), passed by Congress in December 2019, updated the NAFTA incrementally while adding more protection for US auto workers. Trump similarly demanded and obtained a renegotiation of the “horrible” US-South Korean trade deal (KORUS) passed in 2012; the changes were similarly incremental and added protection for US steel workers.

complex the negotiation, and the harder to reach agreement. It is easier to get things done bilaterally and then build up to broader agreements. This interpretation, however, misses the key point – the administration's rejection of regionalism and multilateralism is not simply a tactical preference, but a principled rejection of the liberalizing agenda embedded in those arrangements. The administration has no interest in a "building block" approach to trade negotiations; it believes US interests will be lost, compromised, or undermined in regional or multilateral settings. Trump made a point to walk away explicitly from the TPP, rather than allow it to stall perhaps indefinitely in Congress, and his administration has directed consistent hostility at the WTO.

Notwithstanding its significant flaws, the WTO represents the crowning institutional achievement of US liberal leadership of the postwar trading order. The Clinton, Bush, and Obama administrations were each frustrated by the slow pace of negotiations but maintained the effort in hope of a breakthrough. They also supported the organization's dispute settlement mechanism as critical to the maintenance of a rule-based trading order. The Trump administration has not only abandoned the multilateral negotiating effort, it has attacked the WTO itself. In his first 3 years Trump refused either to appoint or to approve judges to staff dispute settlement cases, in what many perceive as an effort to delegitimize the dispute mechanism and the broader institution in which it is embedded.²² Why attack, rather than simply neglect or bypass the WTO? The WTO, in effect, is the work product of a leadership role the administration no longer wishes to see the US play. It is not interested in the rules of the multilateral trading system or who makes them, just as it indicated, by rejecting the TPP, that it was not interested in who sets the rules in the Asia-Pacific regional context. Trump appears to have concluded that in trade policy, as more generally, rules are a means for weaker states to constrain more powerful ones, and that powerful states have other means at their disposal.²³

Trump's third significant departure follows from the first two. If the US no longer prioritizes free trade at home or liberal leadership abroad, there is no need for the president to serve as gatekeeper between the domestic and global economies. Past presidents defended the liberal order by redirecting US protectionist pressures outward; they promised relief to beleaguered interests at home by opening markets abroad. Instead of straddling this domestic-international divide,

²² Rachel Brewster, "The Trump Administration and the Future of the WTO," *Yale Journal of International Law Online* 44 (2018).

²³ Philip Stephens, "Sanctions are Donald Trump's New Way of War," *Financial Times*, 17 Oct. 2019.

Trump has tacked decisively to the protectionist side, in some cases (e.g. autos) irrespective of whether domestic interests have actually demanded protection. Ironically, his move has been facilitated politically and legally by policy tools Congress gave the president when legislators feared presidents might be overly accommodating to their liberal leadership role.

The most prominent protectionist tool employed by Trump has been Section 232 of the Trade Expansion Act of 1962, a rarely used statute that allows presidents to restrict imports temporarily for reasons of national security. Congress worried during the Cold War about the US ability to mobilize for conventional conflict if, for example, a surge in machine tool imports undercut US domestic suppliers. Trump's resort to Section 232 to justify raising tariffs unilaterally on steel (by 25%) and aluminum (by 10%) imports on national security grounds was clearly a stretch, and understandably met with skepticism among international trade lawyers and even within his own party.²⁴ Later in 2018 the administration strained credibility further by initiating a Section 232 investigation, with significantly higher economic stakes, into US imports of autos and auto parts.²⁵ Commerce Secretary Wilbur Mills did not pretend the US needed to be prepared to fight a 1940s-style conventional war; he defended using 232 on the grounds that US employment and prosperity were national security issues.

The Trump administration deployed a different Cold War-era tool regarding China – Section 301 of the Trade Act of 1974, which allows presidents to investigate and impose sanctions on foreign countries that violate trade agreements or engage in unfair practices. The findings against China were sweeping, citing discriminatory practices in technology transfer, cyber-warfare, and overseas investment.²⁶ Punitive tariffs were imposed initially on \$34 billion of Chinese exports and were increased to cover over \$300 billion by the fall of 2019. In past Section 301 investigations, negotiations with the offending country were undertaken under the threat but prior to the imposition of retaliatory sanctions; in the China case the administration imposed sanctions first and demanded negotiations later.

In 2019, President Trump went even further and floated the idea of “ordering” US companies to stop doing business with China altogether. Although he has not

²⁴ William Mauldin and Siobhan Hughes, “Trump’s Trade Weapon of Choice Alarms GOP,” *Wall Street Journal*, 25 May 2018, A1, and “Trump’s Trade Confusion,” *Wall Street Journal*, 25 May 2018, A14.

²⁵ Jacob Schlesinger, “Trump Sees Car Tariffs as Big Trade Weapon,” *Wall Street Journal*, 2 Jul. 2018, A1. In 2017, the US imported \$29 billion of steel and \$192 billion of autos.

²⁶ Wendy Wu, “The Legal Justification behind the US-China Trade War,” *Inkstone*, 15 Jan. 2019, accessed at <https://www.inkstonenews.com/business/all-about-section-301-law-behind-us-china-trade-war/article/3000476>.

followed through on this extraordinary dictate, he has claimed the authority to do so is available under the International Emergency Economic Powers Act of 1977 (IEEPA). The statute offers presidents, in the words of the Supreme Court, “sweeping and unqualified” powers to respond to a national emergency. Presidents used IEEPA in the past to freeze assets during the Iranian hostage crisis, to punish citizens or banks who have aided international terrorism, or to maintain national security export controls when the specific enabling authority (the Export Administration Act) has lapsed. Even observers sympathetic to a harder line on China have cautioned against the casual invocation of IEEPA, with one calling it the “international economic equivalent of martial law.”²⁷

The Trump administration's routine use of restrictive tools designed in a different era for different purposes has led to “seller's remorse” among at least some members of Congress, who by 2018 introduced legislation designed to rein in a president whom they viewed as abusing Congress' delegation of trade authority. One bill, intended to apply retroactively, would force the president to obtain Congressional approval prior to imposing tariffs under Section 232, and would force the Defense Department, not just Commerce, to weigh in on whether “national security” was at risk.²⁸ Although these concerns are bipartisan, they are unlikely to get much traction since passage (over a presumed presidential veto) would require large numbers of Republican lawmakers to go against the president. Trade policy has begun to resemble inter-branch politics over war powers: members of Congress grumble that the president has overstepped his bounds politically and legally, but in the absence of significant public outcry are unable to mobilize the political capital to stop him.

Trump's departure from the postwar consensus on trade policy has been systematic and profound. In one way, however, his administration's approach tracks with the practice of past presidents. Trump's trade policies do line up behind, and are consistent with, his administration's overall grand strategy. The pursuit of hegemony led postwar presidents to position the US as a “system maker” in the world economy with responsibility for pushing trade liberalization across time and space. The Trump administration, by rejecting this hegemonic aspiration, has in effect liberated itself from the obligations in the global trade area that went along with it. Abdicating the responsibility of liberal leadership has left the

²⁷ Derek Scissors, “Why the China Trade War is Just,” *The Hill*, 3 Sep. 2019, and Stephanie Zable, “What Comes After Tariffs: An IEEPA Primer,” *Lawfare*, 19 Jul. 2018.

²⁸ Lindsay Wise, “Lawmakers Push to Limit President's Tariff Powers,” *Wall Street Journal*, 16 Sep. 2019, A4.

Trump team free to use trade as a weapon, drawing on the formidable economic power the US has accumulated over many decades, to achieve an array of transactional foreign policy objectives. Or, as *The Economist* recently put it, “the world can now see the awesome force that a superpower can project when it is unconstrained by rules or allies.”²⁹

Trade as a Tactical Weapon

The considerable influence the US has derived from its position as the hub of the interdependent global economy has been primarily structural. The rules and norms of the postwar world economy largely reflect US political and economic interests and values, such as open markets for goods and capital and private control of national economies. If structural power is the ability to get others to “want what you want,” the US has been remarkably successful in overall terms.

US policy makers, as a by-product of that success, have inherited a formidable array of potential economic levers that have developed and consolidated over time.³⁰ The dollar remains the world’s principal reserve currency, still constituting roughly two-thirds of global foreign exchange reserves, and the most widely used medium of exchange, accounting for roughly 40% of cross-border financial transactions, even though many of those transactions do not involve the US directly.³¹ Widespread use of the dollar means that foreign governments and companies by necessity interact routinely with US-based financial institutions, which are subject to US laws and regulations. America’s large and affluent domestic consumer market is prized by most foreign exporters, particularly in countries (as in East Asia) that have pursued export-led growth strategies. The US government has encouraged investment in the US home market and promoted outward investment by US multinational firms; consequently US companies are key players in global supply chains, particularly those involving advanced technology. In the all-important electronics sector, for example, China may be the hub of assembly operations, but US based firms supply high value-added components such as

²⁹ “Weapons of Mass Disruption,” *The Economist*, 8 Jun. 2019.

³⁰ Peter Harrell and Elizabeth Rosenberg, *Economic Dominance, Financial Technology, and the Future of U.S. Economic Coercion*, Center for New American Security, April 2019.

³¹ Sam Fleming, “Currency Warrior: Why Trump is Weaponising the Dollar,” *Financial Times*, 1 Jul. 2019.

microprocessors (Intel and Qualcomm) and critical software (Google).³² Financial dominance, a global presence in technology-intensive production, and market size are sources of postwar US power that rival in importance American defense spending and its far-flung network of military bases.

On celebrated occasions, US policy makers exploited these structural assets for tactical advantage. In the Suez crisis of 1956, the Eisenhower administration used dollar dominance to undermine the British currency and force its European allies to accept US dominance in the Middle East.³³ In 1971, the Nixon administration, by closing the gold window and imposing 10% tariffs, coerced US trading partners to revalue their currencies and open their markets. In 1982, the Reagan administration escalated the infamous pipeline crisis by denying European firms involved in the project access to US technology and the US market. Until recently, however, these moves were more exceptional (Nixon's moves were widely characterized as "shocks") than routine. US policy makers proved reluctant to overplay their winning structural hand. In both the Nixon and Reagan episodes, US officials quickly negotiated compromises and retracted their coercive measures in the broader interest of alliance solidarity.

The Trump administration has embraced a different approach. It has made the tactical exploitation of US economic power more routine than exceptional. It has treated structural economic power as a resource to be expended rather than cultivated and conserved. If we think of the US as having accumulated a vast pile of chips by conservatively managing the game of international economics over 70 years, then the Trump administration has been eager to put those chips into play, making big bets to achieve economic and foreign policy goals. To use the currently popular term, Trump has "weaponized" US economic policy.³⁴ The major weapons have been tariffs and economic sanctions. The weaponization of tariffs, described earlier, has been especially controversial because a major goal of the postwar international economic project, undertaken after the dark days of the 1930s and under US leadership, has been precisely the opposite – to depoliticize the use of tariffs and make it very difficult for governments to resort to them unilaterally in the context of trade disputes. Trump's revival of the tariff weapon is unapologetic; on Twitter he proudly proclaimed himself a "tariff man."

In the context of postwar US foreign policy, the use of economic sanctions has been less controversial. Successive US administrations have resorted to sanctions

³² "Global Technology: Pinch Points," *The Economist*, 8 Jul. 2019.

³³ Jonathan Kirshner, *Currency and Coercion: The Political Economy of International Monetary Power* (Princeton: Princeton University Press, 1995), 63–82.

³⁴ Henry Farrell and Abraham Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security* 44, no. 1 (Summer 2019), 42–79.

in pursuit of an array of foreign policy objectives including to combat terrorism, discourage nuclear proliferation, promote human rights, or undermine the governments of what the US considers rogue countries. But here, too, the Trump administration has made its mark. By some measures it has relied more heavily on sanctions than past administrations.³⁵ More importantly, it has signaled an eagerness to resort routinely to “secondary” sanctions – sanctions not directed applied to a final target but to individuals or firms in other countries that do business with that target. In prior administrations, secondary sanctions were used sparingly. US policy makers proved reluctant to disrupt trade with America’s major trading partners and, since secondary sanctions have been widely viewed as extraterritorial infringements on national sovereignty, they tried to minimize the diplomatic disputes such sanctions generate.³⁶ Typically, demands for secondary sanctions emanated from Congress; the president played good cop by waiving the imposition of those sanctions in exchange for some cooperation by its trading partners over the foreign policy issue at stake. Here again, the Trump administration has taken the coercive initiative and turned the exceptional into the routine. It has relied on the centrality of the US dollar and importance of the US market to force secondary actors either to comply with US foreign policy preferences or to face the risk of losing access to those vital economic assets.

Does Enhanced Economic Coercion Work?

The Trump administration’s routine use of economic coercion raises the obvious question of effectiveness. There is no simple yes or no answer; whether coercion works depends on the ambitiousness of the objective pursued and the capacity of the targets identified.³⁷ Not surprisingly, given the economic clout of the US, the administration has achieved some success in coercing more vulnerable targets to achieve relative modest goals. It has been less successful against more powerful targets, especially when US goals have been ambitious. It is also important to assess the costs of these influence attempts, most importantly to US long-term

35 Gibson Dunn, “2018 Year-end Sanctions Update,” 11 Feb. 2019. They show that in its initial two years the Trump administration increased the number of individuals and entities added to the US. “Specially Designated Nationals” sanctions list to roughly 1500. The average for 2002–2016 was about 600.

36 Michael Mastanduno, “Extraterritorial Sanctions: Managing Hyper-Unilateralism in U.S. Foreign Policy,” in *Multilateralism and U.S. Foreign Policy: Ambivalent Engagement*, eds. Stewart Patrick and Shepherd Forman (Lynne Reinner, 2002), 295–322.

37 David Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985).

structural power. The bottom line is the effectiveness of Trump's weaponization of trade has been mixed at best, and with potentially significant long-term costs.

In disputes with weaker states, Trump's ready resort to economic pressure has created diplomatic bruises but achieved some success. The president announced suddenly in May 2019 that he would use IEEPA to impose tariffs of up to 25% on all Mexican goods unless the Mexican government provided meaningful assistance in stemming illegal immigration to the US. Mexico responded with expected outrage at US bullying, but quickly struck a deal to accept and provide housing and jobs to Central American asylum seekers who had passed through Mexico on the way to the US. Trump applied similar pressure to Guatemala, threatening tariffs and a punitive tax on the remittances of Guatemalans working in the US. Although hardly equipped to accommodate migrants, Guatemala reluctantly agreed to serve as a "safe third country," enabling the US to deport asylum seekers to Guatemala if they happened to pass through that country on the way to the US southern border.³⁸ Turkey incurred Trump's economic wrath in 2018 for refusing to release "immediately" an American pastor, Andrew Brunson, being held on espionage charges. The US imposed sanctions on Turkey's Justice and Interior Ministers and doubled tariffs to 50% and 20% on Turkish steel and aluminum. Turkey's President Erdogan vowed to resist and warned Trump that "you are exchanging your strategic partner in NATO for a priest." Yet, as the Turkish lira fell by over 40%, Erdogan decided to release Brunson and focus on broader bilateral issues.³⁹

Overseas private firms are similarly vulnerable to US economic coercion. Secondary sanctions place foreign firms in a difficult spot – they can maintain business with a US target such as Iran, Russia, or Cuba, but at the risk of losing access to US markets or sources of supply. Many foreign firms reluctantly agree to comply with US directives, even though their home governments consider these US demands an illegal infringement on their sovereignty.⁴⁰ The Trump administration has resorted regularly to secondary sanctions, most prominently regarding Iran. When the administration abandoned the Iranian nuclear deal in 2018, it re-imposed the comprehensive US sanctions against Iran that had been lifted when the agreement was struck in 2015.⁴¹ America's negotiating partners, the P-5

³⁸ Adriana Beltran, "Guatemala is no safe third country," *Foreign Affairs*, 25 Sep. 2019.

³⁹ Carlotta Gall, "Turkey Frees Pastor, Easing Tensions with the US," *New York Times*, 12 Oct. 2018.

⁴⁰ Harry Clark, "Dealing with US Extraterritorial Sanctions and Foreign Countermeasures," *Pennsylvania Journal of International Law* (1999), 61–96, at <https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=1371&context=jil>.

⁴¹ Richard Nephew, *The Art of Sanctions: A View from the Field* (Columbia University Press, 2018).

plus Germany, also lifted sanctions in 2015 and, since they wished to preserve the Iranian deal, resisted US demands to re-impose them. The US responded by extending its sanctions extraterritorially, forcing firms based in the P-5 and Germany to choose between Iranian trade and that with the US. Many concluded that their Iranian trade was not worth the cost. By 2019, as the Iranian economy spiraled downward and Iran retaliated by restarting its nuclear activities, European governments watched helplessly as the long reach of US economic pressure undermined the agreement they were determined to preserve.⁴²

The Trump administration has been less successful applying economic pressure to more powerful targets in pursuit of ambitious objectives. Regarding the EU, the administration has set its sights on correcting trade imbalances in general and especially in agriculture, the site of longstanding US-EU disputes. In trade, however, the EU is a peer competitor. Its economic size is roughly equivalent to America's and bilateral trans-Atlantic trade is larger and more balanced than that between the US and China.⁴³ As Great Britain experienced over Brexit, the EU is also a tough and experienced negotiator. EU officials have resisted US demands in agriculture and have retaliated proportionately against US steel and aluminum tariffs. Trump has been reluctant to impose Section 232 sanctions on auto imports in part due to fear of EU retaliation. Ironically, the Trump administration has been most successful in the aircraft sector; the US recently won its 15-year case against the EU Airbus consortium in the Trump-vilified WTO, which affords the administration the legal right to retaliate. Trump has retaliated but only modestly, presumably hoping to encourage a broader bilateral trade deal.

China similarly has sought to resist US economic pressure, even though US tariffs have punished an already struggling Chinese economy. Like the EU, China has retaliated, targeting its response against districts that are electorally sensitive for President Trump. Given its significant dependence on US markets, China is relatively more vulnerable to a bilateral trade war. It is not surprising that China has frequently signaled its willingness to end the war by purchasing significant amounts of US agricultural products. Yet, in this case US goals are more ambitious than adding exports to the bilateral balance sheet. They include structural changes that affect the core of China's state-led development model such as imposing restrictions on state-owned enterprises, lifting barriers to foreign

⁴² Ellie Geranmayeh and Manual Lafont, *Meeting the Challenge of Secondary Sanctions*, Policy Brief, European Council on Foreign Relations, June 25, 2019.

⁴³ In 2018 the US imported about \$700 billion from the EU and exported almost \$600 billion; it imported \$560 billion from China and exported only \$180 billion. Silvia Amaro, "A trade war with Europe would be longer and more damaging than Washington's dispute with China," *CNBC*, 8/22/19.

investment in sensitive sectors, reforming intellectual property practices, and curbing China's indigenous innovation efforts. Here China has been less willing to budge. Moreover, US pressure has reinforced China's instinct that it is better served pursuing self-sufficiency than by making concessions to be a "responsible stakeholder" in the eyes of the US.

An assessment of whether economic coercion works should also consider costs borne by the US. The near-term price of Trump's trade weaponization is readily apparent: diplomatic friction with allies, higher taxes on US consumers, retaliation against US producers, slower growth in the US and global economies, and missed strategic opportunities such as the chance to pressure China with a united alliance front. The long-term costs, however, merit special attention. Over the postwar era the US has grown and preserved its structural power and for the most part has directed tactical coercion against states (e.g. Cuba, North Korea, Iran and the Soviet Union) that it wished to isolate from the US-centered liberal order. By deploying America's structural economic assets as tools of everyday diplomacy, the Trump administration has created incentives for allies as well as adversaries to decrease their dependence on the US as a market, source of supply, and global financial host. It will take time for viable alternatives to take hold in each of these areas; the essence of structural power is that patterns and habits of dependency that harden over time are difficult to break. But they are not impossible to break if other actors perceive mounting costs and risks as a result of structural dependency. The first step is experimentation; the EU, Russia, and China have each begun to explore financial arrangements that work around the all-powerful US dollar.⁴⁴ As the British learned in the early 20th century, structural economic power is long term but not permanent. It is most effective when other actors see no need to reduce their dependence, whether or not they are capable of so doing in the short-term.

Will Trump's Trade Revolution Endure?

The final important question concerns the future of US trade policy considering the revolutionary changes instituted by President Trump. The extent to which these changes are now locked in or reversible is necessarily speculative. The 2020 election is an additional complicating factor; if Trump is re-elected the changes

⁴⁴ Eswar Prasad, "America Beware: Dollar Supremacy is Not Forever," *Financial Times*, 20 May 2018.

become more normalized and less easily reversed. Two points seem relevant, however, whether the post-Trump era begins in 2021 or 2025.

Considering the “war against all” initiated by Trump, it is not hard to envision some type of return to normal in trade policy by either a Republican or Democratic administration. The pendulum has swung quite far, and the next president is likely to see political and diplomatic value in tempering the zealous excesses of the Trump approach, as opposed to continuing as a tariff man or woman and resorting to trade coercion to address economic and foreign policy problems large or small. Given the power transition between the US and China, it is not hard to imagine a continuation of the economic hard line that complements the emerging US strategy of competition and containment. But the next administration presumably will see tactical advantage in resolving differences with US allies without resorting to distracting trade wars to order to project a united front against China and perhaps Russia. Reserving Section 232 and IEEPA for extraordinary circumstances would also help the next president enlist the cooperation of Congress in trade policy and more generally.

But we must also consider what might constitute a return to normal in US trade policy circa 2021 or 2025. It would not likely involve a reprise of the US role as liberal leader of the world economy. As argued above, that role was under siege long before Trump. For some 25 years, significant segments of the US electorate have been at best skeptical and at worst hostile and resistant to free trade, open markets, and seemingly non-transparent negotiations conducted by foreign policy and business elites. No major presidential candidate in 2016 was willing to defend free trade; even Hillary Clinton backed away from the TPP she once lauded as a gold standard for trade deals. In 2020, despite the global controversy and high costs Trump’s trade policy has generated, no presidential contender has positioned a critique of his approach at the center of his or her campaign. Rightly or wrongly, in US domestic politics free trade today is no longer viewed as a difficult yet necessary path to prosperity or as a key component of US global leadership. It is seen more as a source of inequality at home and as an enabler of a rising authoritarian challenger abroad. These deeper sentiments predate Trump and will likely persist long after America’s most unusual president has completed his tenure.

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