Donald Trump: Reconfiguring Global Order

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Chaos seems to mark US policy under President Donald Trump at first blush. But behind what appears (and sometimes is) capricious Trump Administration decision making are policymakers with serious plans. They intend to engage perceived threats to the United States power, while transforming its economy in ways making it less dependent on global supply chains and "reserve assets." Recognizing festering wounds to the US economy while seeing areas of strength, Trump policymakers look to cauterize the former while pivoting more fully to the latter. Trump's presidency has openly engaged in criticizing past US liberal interventionist and neoconservative foreign policy. Branded as "America First" Trump's US does not seek isolationist withdrawal from the globe, but rather a dismantling of institutional structures and alliances that no longer benefit Washington.

The United States can and should continue projecting power far but, not wide, according to America Firsters. Under America First, the national interest does not always align with the "international community," a term America Firsters would regardless see, borrowing a line from Benedict Anderson, as a fictitious "imagined community." America First means dismantling the liberal hegemonic world order, or at minimum the US offloading the bill for it. The cost of that liberal order, with some 750 US military bases abroad, combined with growing power of the BRICS (China chiefly, but not only), signals to America Firsters America's need to retreat from some parts of the world, while continuing to exercise dominance in others.

Related to national security is the fallout from a generation of globalization in labor markets. US offshoring of manufacturing in the post-Bretton Woods period lowered production costs. Cheap goods produced abroad were then purchased by Americans even more cheaply courtesy of the overvalued dollar as the world's reserve currency. This worked great for US consumers, albeit with the intention of also pushing down US labor costs. Globalization enabled the United States to vacuum up global manufactures, while also running up massive government fiscal deficits. As former Vice-President Dick Cheney described it during globalization's heyday, "Reagan proved deficits don't matter." What was once, however, a massive advantage for the United States later became its "twin deficits" *problem.*

In short, the best fit for the US is a realist spheres of influence model, according to the Trump Administration. The criticism of the liberal world order, of course, circles back to the aforementioned economic challenges: on the one hand, the negative economic processes related to global labor organization and America's indebtedness, and on the other hand, the strengthening of emerging international actors. Amongst these entities, the People's Republic of China has long been high on the agenda. During the first Trump administration the president escalated tariffs on goods imported from Asia's giant, which then led to a trade war. According to a Pew Research Center survey from mid-April 2025, although Americans believe that this bilateral trade relationship benefits China more than the US, they are "skeptical that increased tariffs on Chinese imports will have a positive effect on the country or on their own lives." The Trump Administration thinks otherwise.

America's economy entering Trump's presidency looked strong. On the cusp of the great 2008 financial shock, the European Union's dollar GDP was $16.4 trillion, the US' was $14.8 trillion. But by 2024, EU GDP was $18.7 trillion, while the United States posted a GDP of $28 trillion. Thus, in the span of less than a generation, the US went from having a GDP 9.8% short of the EU's in 2008 to leaping ahead with a GDP 32% larger by 2024. These impressive US GDP gains were built on the foundations of financial services, corporate high-value added HQ (headquarters) functions, intellectual property, higher education, and information technology. Yet, there were problems:

Maintaining world order, or empire, was, as we asserted above, expensive. In 2024 the US military budget was $824 billion. This figure does not even count huge “off (or black) budget” items related to security, etc., for which costs are not precisely known. Besides these numbers, we should not forget about the military’s global presence: The US paid for global security costs, protecting important maritime trade routes, chokepoints – not just supporting the American interest, but for instance chiefly helping China trade with the world. These costs were covered, in part, through US borrowing, much of it from abroad. In 2024, the US government deficit stood at $1.8 trillion, or 6.4% of GDP. While the total US debt reached $38 trillion. The last time the US federal budget was in surplus was in the last term of President Bill Clinton, when there were both reduced military expenditures (post-Cold War “peace dividend”) and top marginal income tax rates of 39.6%. And before Clinton’s second term, US budgets were only in surplus in 1969 and before that only for several years in the 1950s.

Decelerating US decline also requires addressing these areas. First is the area of domestic costs. US public pension costs (Social Security and Medicare) face a fiscal crisis. The dedicated taxes (Federal Insurance Contributions Act, or “FICA”) will soon be insufficient to pay for pension costs. FICA taxes in the late 20th century, under President Ronald Reagan, were raised above pension costs. The surplus (a de facto tax on labor) was to finance costs of a future changed 21st century demographic mix creating lower ratios of workers to pensioners. This funding forward model could only work if surplus revenues were invested in productivity enhancing infrastructure creating larger future economic growth and productivity. Instead, the FICA tax surpluses levied on labor were largely used to reduce budget deficits resulting from tax cuts to the wealthy and corporate sectors. In short, to be blunt, the money was taken from labor, with continued borrowing now to pay pension costs running up against the limits of the US to borrow.

Second, reserve assets. Lack of ground rents, given the US had no centuries long accumulation of land ownership from feudalism, meant low land prices and reduced inequality generally in the United States. Additionally, the United States applied tariffs to protect domestic markets and promote industrialization generally starting with their first Secretary of Treasury, Alexander Hamilton’s *Report on Manufactures* in 1791 that gave the US high tariffs, only later rivaled by Russia under the economic leadership of Sergei Witte and Pytor Stolypin in Russia’s late Czarist Russia period.

Third, after the 2008 US financial shock it became clear that China was not limited to being merely a supplier of lower-tier consumer goods to the world, but risked becoming a power that could challenge the United States (an idea encapsulated in the Thucydides trap). Rather than markets paving the path toward liberal democracy, as many US policymakers previously assumed, the ascendancy of Xi Jinping signaled China’s fealty to an autonomous route to development. However, China still depends on the global system, the institutions, and structures that have ensured and continue to ensure its participation in global trade, for example. China does not yet possess the global capabilities that would allow it to defend its interests beyond its borders. Therefore, taking action against Beijing as a rival could cause difficulties in time for a country that is dependent on numerous structures maintained by Washington.

The Trump administration’s goals and responses to the US crises are to:

- Offload costs of US “empire” to other states currently benefiting from it
- Recovery through fall in commodity prices (energy, food, metals, etc.)
- Move from globalization to regional spheres of influence
- Postpone “Armageddon” of global exit from US dollar
- Widen leads in AI, thus requiring cheap energy
- Reduce US government debt levels
- Widen US lead in space
- Reshore US industry

To achieve these goals, a tariff policy was established that fundamentally shapes American economic and foreign policy, to which Washington has put forward the following proposals: First, other countries can accept tariffs on their exports to the United States without retaliation, providing revenue to the U.S. Treasury to finance public goods provision. Critically, retaliation will exacerbate rather than improve the distribution of burdens and make it even more difficult for us to finance global public goods; Second, others can stop unfair and harmful trading practices by opening their markets and buying more from America; Third, they can boost defense spending and procurement from the U.S., buying more U.S.-made goods, and taking strain off our service-members and creating jobs here; Fourth, they can invest in and install factories in America. They won't face tariffs if they make their stuff in this country; Fifth, they could simply write checks to the Treasury that help us finance global public goods. Or more passively, accept conversion of their Treasury Bills into century-long non-interest bearing bonds.

American foreign policy actions can generate results that are drastically different from expectations, and in certain cases can accelerate and amplify problems Washington faces. Although it is evident classic free trade agreements have not formed the basis of American foreign and economic policy for some time, the tariffs introduced and then implemented (and periodically suspended) by the Trump administration, imposed challenges to the United States on several fronts:

First, tariffs have severely affected or even targeted states that have traditionally been in partnership with the United States (e.g. EU, Japan, South Korea), which Washington could rely on for support, for example during its international interventions. Such steps can, on the one hand, harm and jeopardize American global and economic interests, and on the other hand, push actors towards a multipolarity that Washington fears. Similarly questionable are trade actions against states that could be pillars of a coalition against China (e.g. Vietnam and the Philippines). American weaponization of trade and unilateral military expectations make Washington an unattractive, if not unreliable, partner, thus encouraging multilateralism.

Second, Washington's demands that states sever trade relations with China, or even with Russia, as Trump asked India to do, is accelerating states decoupling from the United States not on ideological grounds but primarily based on realistic economic policy considerations.

Third, these steps could also threaten the dominance of the US dollar, and even accelerate decline in confidence of the dollar – further complicating the financing of the deficit. The Trump Administration (Treasury Department) are aware of the dangers (the "Triffin" reserve currency dilemma) but think the crisis is so acute that they must do something even if they risk accelerating the dollar's collapse. However, it is also true that a drastic decline in confidence in the US currency would require an alternative reliable currency, and currently, the currency of no potential player can be considered perfectly reliable or transparent.

Finally, on a global scale, the America First slogan is not necessarily guaranteed to win partners for Washington. It is evident that in the short term, several actors will not be able to free themselves from the security architecture guaranteed by the Americans (see: NATO), but most actors will strive to advance by developing and building their own capacities.

In conclusion, Washington under Trump looks to downsize and rightsize. American economic and military power, while strong, has declined from its post-Cold War unipolar moment. Reduced power has diluted American confidence, thus resulting in the US taking at times a more aggressive posture in an increasingly multipolar world. Meanwhile, the rest of the world grows wary at how the Trump Administration reacts to these changed global ''adjustments" that are creating confusion over where spheres of influence begin and end. The days of America acting to, in the phrasing of Joseph Nye Jr., "winning the hearts and minds" of the world, seems off the table. The United States now retreats from soft power with dramatic cuts to foreign aid and international exchanges, such as its Fulbright program. Rather than winning the world over, under Trump, demands for deference to US authority and power now mark its preferred relations with the world, while it disengages from other parts of the globe.

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