

Trump's Trade War: US Geoeconomics from Multi- to Unilateralism

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ELISABETH WINTER, AUG 31 2018

Criticism on Trump's Trade War

For President Trump, it had been obvious all along: the trade deficit of the United States threatens its national security. Thus, after his administration concluded in a report in February 2018 that steel and aluminum imports do, in fact, threaten national security, he reacted swiftly and imposed steep tariffs on both—regardless of the strong bipartisan advice against it. Many had raised concerns fearing retaliation from abroad and the beginning of an international trade war. Unimpressed, Trump responded to his critics via Twitter: “trade wars are good, and easy to win.”

This infamous tweet became an instant classic and marks the beginning of Trump's trade war with the rest of the world that involves battles mainly but not only with China, but also with close US-allies like Canada and the European Union. The Trump administration has been criticized for launching a trade war for two main reasons. The first argument is based on classic economic thinking that nations are better off when trading with each other. In a world of globalization, trading nations and mutual interdependence, one-sided tariffs will initiate retaliation. This tit-for-tat strategy is considered particularly problematic between highly interconnected economies in a globalized world. Global value chains and the trade of intermediate goods makes it more difficult for tariffs to shift purchases towards domestic goods by increasing the price of foreign goods only. As a result, today's trade wars are even more likely than former trade wars to leave all sides with more expensive and maybe even less goods than before. Accordingly, critics have doubts whether US-Americans will be willing and able to buy American products instead of Chinese steel, Mexican avocados, Canadian wood, or German cars.

The second argument raised against Trump's trade war deals with its political justifications and its political consequences. Trump claims that he is taking actions in trade policy on behalf of national security. His critics, however, maintain that national security is just a selling point and not the real motivation. Some argue that his actions will not do the trick to secure national security at all; in fact, they consider his actions a complete departure from previous strategies of US foreign policy that actually jeopardizes US national security.

Economic statecraft, i.e., the use of economic instruments to achieve foreign policy goals, has been a long-standing matter in US foreign policy making. Nevertheless, Trump's approach to economic statecraft sparks particular attention. Using economic statecraft as an analytical concept, I show that the use of economic instruments has always been important for securing U.S. national interests. But as foreign policy objectives have changed over time, so have the instruments of US economic statecraft. Yet, Trump differs significantly from his predecessors: while their driving motivation has always been the maintenance of an international liberal order that builds the foundation of US success, Trump seems to dismiss this order without any doubts.

Studying Economic Statecraft

Statecraft is foreign policy defined as a purposive behavior that is actively oriented toward an objective. Researching statecraft means to shift the focus from those who govern to their means, to “consider the instruments used by policy

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makers in their attempts to exercise power, i.e., to get others to do what they would not otherwise do." (Baldwin 1985: 8) The study of statecraft is thus about the political act to try to exert power on other countries to achieve individual security interests and the instruments states use for such influence attempts. Depending on the instruments used, different types of statecraft can be classified: diplomacy, for example, refers to influence attempts relying primarily on negotiations as instruments, whereas military relies primarily on violence, weapons, or force. Economic statecraft, in contrast, refers to influence attempts relying "primarily on resources which have a reasonable semblance of a market price in terms of money." (Baldwin 1985, 12)

Following Blackwill and Harris (2016, 22), I define economic statecraft or geoeconomics as "the use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals." Hence, economic statecraft helps a state to secure its national interests by pursuing its geopolitical goals with economic instruments and to react to and deal with other state's geopolitical aspirations. Geoeconomics, or economic statecraft, therefore "combines the logic of geopolitics with the tools of economics, viewing the economic actions and options of a given state as embedded within larger realities of state power." (Blackwill and Harris 2016, 24) Economic statecraft is therefore about the question how to shape economic policies to serve state interests best, including welfare and national security. These economic policies could range from free trade agreements (FTAs) that open markets, to sanctions and embargos that undermine a nation's economic exchange, to tariffs that make foreign goods more expensive and therefore support domestic industries.

The Continuity of US Geoeconomics

Since the end of World War II until today, all US administration have used economic policies as geoeconomic instruments to achieve US security interests. There is clearly a decades long continuity. Nevertheless, within this continuity, there are remarkable variations in the geoeconomic strategies of different administrations. For some administrations, diplomacy or military means were favored over geoeconomics, while others preferred geoeconomics, but opted for different tools such as FTAs, sanctions, or tariffs.

The most famous example for US geoeconomics is certainly the United States' multilateral strategy after World War II. In addition to diplomacy and warfare, the United States used international trade policy to shape the international postwar order. Its continued effort to lower all kinds of discriminatory trade barriers helped to pursue a number of foreign policy objectives, such as promoting economic recovery in Western Europe and Japan, strengthening military alliances against the Soviet Union, and ensuring access to strategic raw materials. Hence, the promotion of a free market has proven as a successful instrument to achieve geopolitical objectives. The multilateral General Agreement on Trade and Tariffs (GATT) and its successor the World Trade Organization (WTO) were successful economic instruments for the United States to achieve these goals. The establishment of a liberal international economic order can be considered as one of the most successful influence attempts using economic instruments ever undertaken. The multilateral WTO that binds all its member states, including the United States, served as a geoeconomic tool for US interests.

Though the United States initiated this order itself, it has never shied away to defy against its own multilateral rules if necessary to secure national interests. Even though US violations were the daily faire, they were focused on specific issues and employed only temporarily. Over the last 30 years, however, US strategy has apparently shifted over the years: the United States has increasingly backed away from its own multilateral project: it implemented a growing number of FTAs, which cover a broad range of issues and are negotiated long-term. This trend is the result of the relative decline of American hegemony. Due to global power shifts, the United States has lost its go-it-alone power in multilateral institutions. The United States has no longer the power to determine the rules of the game alone, while emerging powers are no longer willing to follow its lead. To advance the WTO further, not only weaker powers, but also the United States would have to make concessions to other states. Due to a declining willingness to cooperate, the multilateral organization has been deadlocked for several years by now. The lack of progress in the WTO dismisses it as the forum for making global trade rules. Having been a central cornerstone of the international liberal order, the WTO no longer functions as the primary source of global trade regulation. Hence, multilateral organizations like the WTO are no longer attractive as geoeconomic instruments for US interests.

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Starting in the 1990s, George W. Bush and even more the Obama administration shifted from multilateralism to pluri- and bilateralism as the preferred mode of global trade governance. In the smaller settings of FTAs with only a few like-minded member states, it was easier for the United States to leverage its market power and win results at the negotiation table. Both Bush and Obama aimed to continue U.S. leadership in an international liberal system. Both sought to determine the rules of the game for the benefit of the United States. Yet, they switched to a new set of geoeconomic instruments to do so: since the multilateral WTO was no longer at the command of the United States, they shifted to pluri- and bilateral FTAs. It was no longer primarily the WTO, but FTAs such as the Trans-Pacific Partnership (TPP) or the Transatlantic Trade and Investment Partnership (TTIP) that should help to actively promote US interests abroad.

Trump's strong emphasis on bilateral deals and unilateral actions appears to be just another step in this direction. In parallel to his predecessors, he claims that these FTAs do no longer serve as instruments for US national interests. Trump maintains that they involve too many concessions and are therefore not appropriate to benefit the United States. He seeks to leverage US market power in bilateral deals or with unilateral actions with the goal to not make any concessions at all. Trump also aims to continue to determine the rules of the game to benefit the United States and, to do so, he alters the instruments again: from pluri- and bilateral FTAs to unilateral activism. Against this backdrop, Trump's departure from multilateralism appears less surprising. In fact, there is some continuity in U.S. trade policy making from the early 1990s until today: from a multilateral focus, to preferential instruments until an emphasis on unilateral methods.

Trump's Break: America First Worldwide

Though Trump's strategy shows some continuity, its main feature is his break with previous US geoeconomics. Different to his predecessors, he is questioning the international liberal order. Neither Bush nor Obama's FTAs departed from the ideal of the international liberal order. They shifted from multilateral to preferential geoeconomic instruments, but they have never questioned that international cooperation is beneficial for the United States. International cooperation had been a cornerstone of their economic statecraft activities. Their goal was to protect US interests by maintaining its leading global position within the existing framework--if necessary, they adopted their means to do so, but did not change the framework.

Trump's principle, in contrast, is *America First!* rejecting the idea of cooperation for mutual advantage. For him, international relations are not a win-win situation, but a zero-sum game with only one winning party. Consequently, a policy can serve US interests only if the benefits it provides are exclusively for the United States. Trump truly puts America first and carries out any action needed to serve this goal. Thus, Trump's trade policy plans follow only US interests--no matter whether they could hurt US allies directly or indirectly. All that matters for Trump are US interests exclusively.

Moreover, Trump insists that the United States can no longer tolerate to loose any sovereignty. Though U.S. skepticism against the loss of sovereignty through multilateral treaties is as old as its multilateral engagement, concerns have often been overcome by the expected benefits of multilateralism (Patrick 2001). For instance, the United States was willing to subjugate itself under the rule of non-discrimination within the WTO framework to spread open markets worldwide and eventually benefit from it (sure, as hegemon, the United States was able to get an exception of the rule whenever needed). For Trump, however, any form of U.S. commitment to international treaties equals a loss of US sovereignty and an overreaching to the disadvantage of the United States. Accordingly, it is not acceptable for Trump that the United States approaches its partners in negotiations and agrees to concessions. It is exclusively the interests of the United States that counts and should be enforced. Compromises in international talks are always a loss of sovereignty and are nothing short of a sign of weakness.

He seeks no cooperation but to enforce US interests without making any concessions at all to the PTA partner. For the best dealmaker of all times--as he considers himself--a good deal is a deal that is beneficial for the United States alone, not mutually to both partners involved. To actually enforce this one-sided outcome, he blackmails the other side if necessary. True bilateral cooperation looks different. Trump is not rejecting multilateralism in favor of bilateralism. What he does is rather a pursuit of unilateralism.

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While Trump favors unilateral action above international cooperation, he pursues no isolationism: *America First!* is not intended to isolate the United States from the rest of the world. Instead, the United States should make use of the rest of the world for its own interests--without being considerate of others. Trump's criticism on the international engagement of the United States is not on its involvement in international matters but that it serves not only to the advantage of the United States.

International Unilateralism instead of Multilateral Cooperation

Trump's unilateralism follows prior trends in US politics by departing from multilateralism and realigning U.S. geoeconomic instruments. His predecessors, however, recognized the limits of US power and tried to maintain US leadership by promoting the international liberal order as the foundation of this leadership. Trump, in contrast, appalls about the US disadvantages within this international system. For him, the biggest rival is without doubt China, which supposedly has gained its international power through unfair practices and threatens the national security of the United States. With the use of tariffs as unilateral geoeconomic instruments, he seeks to regain the former hegemon position of the United States--true to the motto: *Make America great again!* Trump changed the geoeconomic instruments of the United States and its objectives.

Trump's unilateral trade war shows that he seeks to lead the United States back to his hegemon position with a ruthless practice of economic statecraft. This goal is of highest concerns to him since--following his logic--it is the only solution to guarantee the national security of the United States. To achieve this goal, it is his job to make sure that the United States is the only beneficiary of any international treaty it signs and that these agreements do not cut U.S. sovereignty. The international liberal order is the wrong instrument for this aim though. In contrast, Trump's favorite geoeconomic instruments are unilateral actions to pursue U.S. interests without taking care of others: launching a trade war with the world.

If prior US administrations diagnosed a relative decline in US power and shifted from multilateralism to bilateralism to maintain the lead of the international liberal order, how is it possible that Trump considers a chance for the United States to succeed with unilateral actions such as a trade war? Of course, it is possible that he will fail with his strategy. Yet, there is a decisive difference: for Trump only US interests count. He has no problem to revoke partnerships. Hence, Trump's strategy may actually succeed and end up being right: for the United States, trade wars are good, and easy to win.

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