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# STRATEGIC TRENDS 2019

**Key Developments in Global Affairs**

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## CHAPTER 1

# Trump and the Weaponization of International Trade

*Jack Thompson*

The Trump administration's trade policies are causing more problems than they solve. They treat friends like adversaries, thereby weakening alliances, and are further complicating the relationship with China. By discarding the current multilateral system in favor of a bilateral approach, the Trump administration is encouraging other countries to view trade negotiations as a zero-sum, power-driven process. In an era of renewed geopolitical competition, this is eroding the dividing line between economic and security issues and, more broadly, undermining the foundations of the liberal world order.



US President Donald Trump and European Commission President Jean-Claude Juncker discuss trade at the White House in Washington, DC, July 25, 2018. *Kevin Lamarque / Reuters*



The nature of the country's engagement with the rest of the world has emerged as a key cleavage in US political culture, and no public figure has done more to facilitate this phenomenon than Donald Trump. When Trump campaigned for president in 2016, he blamed international trade for some of the nation's biggest problems. He argued that previous administrations had betrayed Americans by "aggressively" pursuing "a policy of globalization, moving our jobs, our wealth and our factories to Mexico and overseas." In the process, they had "left millions of our workers with nothing but poverty and heartache." In order to "Make America Great Again," he promised to revamp US trade policy, as part of a broader drive to extract concessions from allies and trading partners. In the process, he is contributing to the partial deglobalization of the international system.

There is a degree of truth in Trump's critique of globalization. Economists debate the scale of the problem, but major trade deals such as the North American Free Trade Agreement (NAFTA), and the impact on the US manufacturing sector of China's integration into the international economic system – the so-called China Shock – have had a significant impact on key sections of the economy. The United States probably experienced

overall net growth because of trade liberalization – millions benefited from these changes, and a majority of voters view globalization in mostly positive terms<sup>1</sup> – but many Americans saw their lives change for the worse. The consequences for these people have been stark: they have endured falling income levels or long-term unemployment, decreased life expectancies, and hometowns that have, in some cases literally, crumbled around them. Not surprisingly, a considerable percentage of this cohort has been politically radicalized.

Trump's trade agenda is designed, first and foremost, to appeal to these people, who understand that globalization has harmed them. In some respects, he has succeeded. At home, Trump has cemented the bond with his political base and earned the approval, or at least acquiescence, of most Republicans – more than 80 percent of whom approve of his job performance. Abroad, he has forced, in particular, Europe and China to reopen existing arrangements and to look for ways to avoid tariffs and other barriers to the US market. His approach has also reinforced the president's message that policies should be based on a dispassionate assessment of US interests, rather than allegedly sentimental concerns about international stability, the maintenance of



longstanding alliances, or the health of the liberal world order (LWO).

In spite of these short-term successes, Trump's trade policies are counterproductive. The president is the first post-1945 US leader to treat allies as if they are competitors. He has directly tied the status of relationships to the outcome of trade negotiations, accusing key partners of taking advantage of the United States. The clear message from Washington – that friends will need to pay more to maintain good relations – strikes many as little more than extortion, and some European policymakers believe he seeks the dissolution of the European Union. This misreads Trump. The European Union's destruction is not a top-tier objective, but the president clearly dislikes Brussels and, when given the opportunity, does not hesitate to undermine it. Nonetheless, European officials are beginning to make long-term plans for the possibility of an adversarial relationship with the United States.

The administration's China strategy is also short-sighted. Though there is widespread acknowledgement on both sides of the Atlantic that Beijing should be confronted about its protectionist trade policies, the president is exacerbating the situation. Instead of a careful approach combining sticks with carrots, and in concert with

other trading partners, the president has instigated a trade war, and done so bilaterally. This is jeopardizing the world's most important economic relationship and destabilizing the international order. Inevitably, trade tensions are inflaming other areas of disagreement – a worrisome prospect when it comes to the world's most powerful nations.

The foundations of the complex, interdependent international system, constructed over decades of painstaking negotiations, are in danger of splintering under the pressure of US hostility. At a time when increased collaboration and more intelligent policymaking are urgently needed to address challenges such as global warming and the recrudescence of extremist and illiberal political movements, Washington has embraced unilateralism and nationalism. This is undermining the LWO – which was already under threat – and making the world a more dangerous place.

### **Trump's Worldview and Lighthizerism**

The current spate of renewed geopolitical competition is reminiscent of a pre-1945, more anarchic era of interstate relations. Similarly, the trade policies of the United States and China call to mind a troubling phase of international history – the heyday of



mercantilism. From roughly the 16th to 18th centuries, European powers sought to maximize their exports as a way to bolster national power, always at the expense of rivals. Policymakers viewed economics and geopolitics as two sides of the same coin, and mercantilist thinking fueled a number of conflicts.

Aspects of the mercantilist worldview resonate with Trump. He has long viewed the LWO – the alliances, trading and financial system, international institutions, and commitment to liberal values that the United States led the way in promoting after World War II – as detrimental to US interests. During the late 1980s and into the 1990s, Trump’s anger focused on Japan and Germany. He accused Tokyo of unfairly limiting access to its markets even as it depended on the protection of a formal security alliance with Washington. In a 1987 advertisement that appeared in several major newspapers, Trump accused “Japan and other nations” of “laughing at America’s politicians as we protect ships we don’t own, carrying oil we don’t need, destined for allies who won’t help.” Trump’s letter was designed to harness the widespread perception that feckless politicians were ignoring the threat allegedly posed by Japan’s economic clout. The advert appeared just as Trump was floating the possibility of a run for president in 1988. In

a 1990 interview, again amidst speculation about a run for higher office, Trump complained that the United States was getting “ripped off so badly by our so-called allies,” such as Japan and West Germany, and vowed that as president he would “throw a tax on every Mercedes-Benz rolling into this country and on all Japanese products, and we’d have wonderful allies again.”<sup>2</sup>

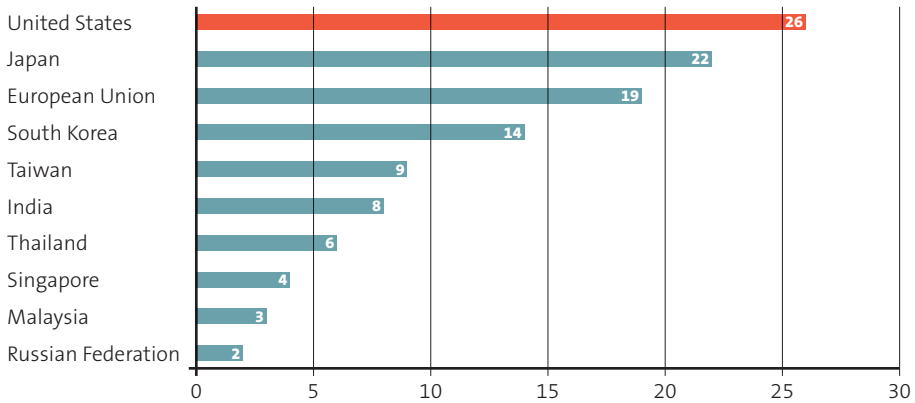
These populist forays served as dry runs for Trump’s 2016 campaign. He is hardly the only politician to exploit voter anger about the vicissitudes of international politics, but he is the first to reach the White House with an explicitly nationalistic trade and national security agenda. In doing so, he has revitalized a strand of thinking that has long lurked on the fringes of conservative political culture – one that combines suspicion of entanglement in foreign problems with fears that the country’s growing diversity and embrace of multiculturalism are eroding the white, Christian values upon which it was allegedly founded. From this perspective, partial disengagement from the international system can appear attractive.

Several senior officials have played a role in implementing the president’s agenda. The most important has been US Trade Representative (USTR) Robert Lighthizer, a trade lawyer



### Top 10 Countries Affected by Chinese Non-tariff Trade Measures\*

As of 2018



\* Non-tariff include barriers such as anti-dumping, countervailing, export subsidies, quantitative restrictions, safeguards, sanitary and phytosanitary measures, special safeguards, state trading enterprises, tariff-rate quotas, and technical barriers to trade.

Source: WTO

and Republican operative. In theory, Lighthizer favors trade liberalization, but he is skeptical of multilateralism. Lighthizer and other administration officials are especially disdainful of the World Trade Organization (WTO). They contend the organization, which admitted China in 2001 as a developing country – thereby placing fewer restrictions on Beijing’s protectionist policies – puts the United States at a disadvantage when it comes to dispute resolution. In particular, they argue that the WTO too often rules against Washington’s use of anti-dumping and anti-subsidy measures. Trump argued in a 2017 interview that the WTO had “taken advantage of this country like you wouldn’t believe. We lose...almost all of the lawsuits.” This perspective is

inaccurate – Washington brings more cases to the WTO than any other country, and wins almost all of them – but it has contributed to the administration’s determination to force countries into bilateral negotiations.<sup>3</sup>

Lighthizer argues that multilateral policies have led to the accumulation of a massive US trade deficit – 566 billion USD in 2017. Though most economists view the trade deficit as benign, or at least not necessarily the result of unfair policies, it has emerged as a crucial consideration in shaping administration policy. For Trump and his advisors, a few trading partners are of special concern. The deficits with China and the European Union, which topped 300 billion and



139 billion USD, respectively, stand out. Mexico, Germany, Japan, South Korea, and Canada also enjoy surpluses with the United States.<sup>4</sup> Not coincidentally, the Trump administration has targeted each of these countries for coercive trade measures.

In lieu of multilateral negotiations, Lighthizer prefers bilateral formats, which allow the United States to more effectively wield its massive economic, military, and political power. Trump agrees. He told members of Congress that withdrawing from the Trans-Pacific Partnership (TPP) agreement paved “the way to new one-on-one trade deals that protect and defend the American worker.”<sup>5</sup> Lighthizer’s approach dovetails with Trump’s tendency to view international politics as a zero-sum game. From the president’s perspective, freer trade does not benefit everyone – there is always a winner and a loser.

The USTR views China as the biggest threat to US interests. Lighthizer argues that the Chinese model of state capitalism has allowed Beijing to undercut the US edge in technology through the use of unfair practices. To an extent, he has a point. In addition to Beijing’s pervasive espionage activities, there are extensive restrictions on foreign companies operating in China. In the automotive industry, foreign

companies must operate joint, 50 percent ventures with local partners. In addition, Beijing often mandates technology transfers to Chinese firms in return for market access and is notorious for failing to protect foreign intellectual property.<sup>6</sup> The Great Firewall places significant restrictions on US social media and tech companies, such as Facebook and Google. This places US firms at a disadvantage, and has raised concerns about democratic norms – both firms are reportedly developing censored versions of their operations for use in China.

The antidote to at least some of these problems, suggests Lighthizer, is the use of punitive tariffs, which will hopefully force Beijing to reform its policies. Meanwhile, he has been encouraging other trading partners to embrace so-called voluntary export restraints. These form part of the renegotiated version of NAFTA – the pending United States–Mexico–Canada Agreement – and appear to be a goal of US negotiations with Europe.<sup>7</sup>

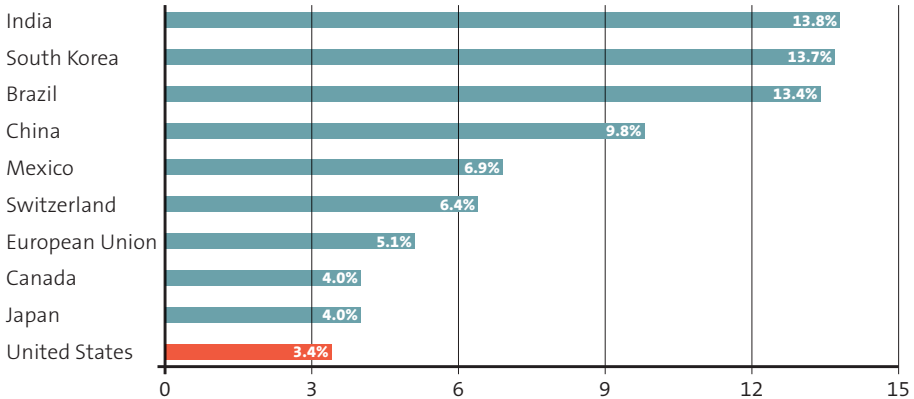
If Lighthizer has formulated many technical aspects of administration policy, the economist Peter Navarro, who serves as Director of the Office of Trade and Manufacturing Policy, has served as Trump’s backbone: every time his colleagues try to dilute a new trade initiative, Navarro reminds the





## Tariff Levels: US and Key Trading Partners

Applied average on all imports as of 2017



Source: WTO

president of his campaign promises. Like Lighthizer, Navarro views the trade deficit as a pressing problem and considers China to be the foremost threat to US economic interests. He has also urged the president to withdraw from NAFTA and argued that German and Japanese policies are unfair. Though his impact waned during the first year of Trump's tenure, Navarro has regained influence and played a key role in recent internal debates about trade policy.<sup>8</sup>

### Trump's Trade Strategy

Initially, not all of Trump's advisors favored an aggressive trade policy. A group of officials persuaded the president not to withdraw from NAFTA – though they failed to prevent his withdrawal from the TPP – and advised

against starting a trade war with Beijing. Gradually, however, these men lost influence or left the administration. The result has been a concerted effort in recent months to transform Trump's extremist rhetoric into concrete policies.

In mid-2018, the administration imposed so-called Section 232 tariffs – which address alleged threats to national security – on 25 percent of steel imports from all countries except Argentina, Brazil, and South Korea, which agreed to voluntary export restraints, and Australia. It also imposed 10 percent tariffs on aluminum imports from all countries except Argentina, which agreed to voluntary export restraints, and Australia. Furthermore, following a so-called Section 301



investigation – designed to eliminate unfair foreign trade practices – the administration imposed 25 percent tariffs on more than 50 billion USD of Chinese goods. When the Chinese retaliated in kind, the president imposed 10 percent tariffs on another 200 billion USD of Chinese goods, with a threat to raise the tariff levels to 25 percent on January 1, 2019, though this threat was later suspended.<sup>9</sup>

At least in the short term, the specter of higher tariffs has borne fruit. Canada and Mexico agreed to renegotiate NAFTA – its successor, the United States–Mexico–Canada Agreement (USMCA), has yet to be ratified – and, though most analysts have concluded that the agreement does not offer significant concessions, it does include voluntary export restraints for Canada and Mexico in areas such as automobiles and dairy products.<sup>10</sup> Canada and Mexico are also still subject to tariffs on steel and aluminum.

In order to avoid the steel tariffs, South Korea agreed to amend the 2012 United States–Korea Free Trade Agreement (KORUS). The revised version of the deal includes modest concessions that should make it slightly easier for the United States to sell cars in South Korea, and more difficult for South Korean companies to sell trucks in the United States.<sup>11</sup>

The administration has yet to extract significant concessions from China, but there is reason to believe that its approach will yield results, at least in the short term. Most analysts believe that, though both countries will suffer as a result of the current trade war, China has less leverage because it exports more to the United States than vice versa, and that it has less tolerance for economic pain. China's growth rate, which has been high since the early 1990s and which has been a cornerstone of the Chinese Communist Party's monopoly on power, appears to be slowing as its economy matures. At the time of publication, Washington and Beijing were in the midst of intense negotiations, with indications that China would make at least modest concessions.<sup>12</sup>

The administration is designing other trade deals in order to intensify the pressure on China. The TPP agreement was designed to reinforce US leadership in East Asia and to allow Washington, if necessary, to more effectively counter Beijing's growing influence. However, it was also intended to encourage Chinese reform, and even to potentially permit Chinese membership. Trump's China policy is much different. The USMCA makes it difficult for Canada and Mexico to negotiate deals with governments that intervene extensively



in their own economies, prevents state-owned enterprises from taking advantage of lower tariffs, and forbids member states from participating in currency manipulation – all provisions aimed at China. The administration views the USMCA as a model, and is currently seeking bilateral trade pacts with key countries in East Asia, including Japan, the Philippines, and Vietnam.<sup>13</sup>

The president initially indicated that he opposed the Transatlantic Trade and Investment Partnership (TTIP), but in recent months the administration has been negotiating with its European counterparts about a deal that would include similar features. At the same time, he has sought significant concessions from Brussels. In addition to the steel and aluminum tariffs, which affect all European steel exports, he has threatened to impose 25 percent tariffs on European (and Japanese) automobiles. The president has issued shifting demands – at times he has pressed European car companies to expand their US operations, at other times he has focused on lower barriers for US agricultural products – but been consistent in his threats to punish the Europeans for what he sees as unfair trade practices. Though the tariffs would affect all European car imports, in Trump's view, Germany is the chief culprit.

### **Trade and Geopolitics: China**

Trump's presidential campaign and early months in office offered conflicting indications about his intentions toward China. On the stump, he vowed to take a tougher stance than previous presidents. He also surrounded himself with advisors with anti-Chinese views, such as former campaign manager and chief strategist Steve Bannon, and Peter Navarro. In a transparent effort to extract concessions on trade, he questioned the one China policy and, in an unprecedented move for a US leader, accepted a phone call from Tsai Ing-wen, President of the Republic of China. The US 2017 National Security Strategy featured antagonistic language, accusing Beijing of wanting "to shape a world antithetical to U.S. values and interests." In an October 2018 speech, Vice President Mike Pence painted the Chinese government as harsh and repressive, accused it of "economic aggression", and claimed it was using stolen US technology to turn "plowshares into swords on a massive scale."

At the same time, Trump selected some advisors with less extreme views, such as former National Economic Council Director Gary Cohn. The president's November 2017 visit to Beijing was characterized by strong personal chemistry with Chinese



President Xi Jinping, and he has taken some steps to assuage China. For instance, despite complaints from the US Congress, he prevented the US Department of Commerce from imposing sanctions on ZTE, which could have led to bankruptcy for the prominent Chinese tech company.

This inconsistent behavior, and high staff turnover in the administration, has confused Chinese policymakers. Nevertheless, there is broad agreement about the outlines of a potential deal. The two sides are in negotiations that could: increase purchases of US goods and services, open access to China's markets, protect intellectual property, and reduce subsidies to Chinese companies. One potential obstacle to any deal is Washington's insistence that Beijing be able to provide credible verification.<sup>14</sup>

Yet any agreement could be overshadowed by several areas in which trade tensions are merging with political disagreements. At the request of the United States, Canada recently arrested Meng Wanzhou, chief financial officer of Chinese tech giant Huawei, on suspicion of breaching US sanctions on Iran. This goes beyond a simple legal dispute. Meng is the daughter of the company's founder and president, Ren Zhengfei, who has close ties to the Chinese political and military elite. The

Chinese government has condemned the arrest of Meng and, in apparent retaliation, arrested several Canadian citizens. The accusations against Meng are part of a list of charges the US Department of Justice has filed against Huawei, in which the company is accused of economic espionage, fraud, and obstruction of justice.

The case against Huawei highlights Washington's concerns about China's vigorous espionage efforts. These include the aggressive recruitment of human sources and large-scale cyber theft. For instance, in December 2018 the US government indicted two Chinese nationals on charges of hacking activities that were allegedly intended to steal data, intellectual property, and confidential business and technological information from companies in many countries. The accused worked for the Chinese company Huaying Haitai Science and Technology Development Company, but are suspected of operating on behalf of the Chinese Ministry of State Security's Tianjin State Security Bureau and of being part of the hacking group often referred to as APT 10.<sup>15</sup>

Western unease about such efforts is not new, but Meng's arrest has focused attention on the extent to which Chinese state and private sector companies allegedly cooperate for



the purposes of industrial espionage. In recent months, a number of governments and corporations – reportedly partly in response to US urging – have ceased using Huawei technology, fearing for the integrity of their communication networks. The US Congress has repeatedly raised concerns about Huawei and ZTE, and in August 2018 Trump signed a bill which included some restrictions on government contracts with the two companies.

The friction over trade practices comes at a tense time in US-Chinese relations. In light of the shrinking imbalance in military power between the two nations, Washington is anxious about President Xi's centralization of political power and formulation of a more assertive foreign policy, especially in the South China Sea. US officials have responded to Beijing's expansive claims in the region, and its militarization of natural and man-made islands, with increased overflights and freedom of navigation exercises. The risk of an accidental outbreak of hostilities is rising – on a regular basis, Chinese planes and ships maneuver dangerously close to US craft traversing disputed waters. To make matters worse, US military officials who would like to establish reliable lines of communication with their Chinese counterparts, partly in order to be able to defuse such situations, have found it difficult to do so.

Even the prospect of a major trade deal appears to be of limited value when it comes to addressing structural problems in the relationship. Many Americans that have traditionally worked for better relations with Beijing, such as academics and corporate leaders, have ceased doing so as they become more hawkish and more pessimistic about the prospects for peaceful coexistence. Meanwhile, though Chinese analysts and policymakers mostly wish to avoid confrontation with the United States, President Xi has clearly lost patience with Deng Xiaoping's advice to his countrymen to "hide your strength and bide your time."

### **Trade and Geopolitics: Europe**

According to Trump, Europe's shortcomings on trade and NATO are interconnected. He argues that spending less on defense has given countries such as Germany an unfair advantage when it comes to fostering economic growth, and he has not hesitated to treat US allies as competitors. For instance, following disagreements with French President Emmanuel Macron about NATO and a European army, he threatened to impose tariffs on French wine imports.

Germany has been the focus of much of the president's animus. The US ambassador in Berlin, Richard Grenell,



a Trump favorite, has taken a hard line with his local counterparts and, judging from the reaction of German politicians and the media, further undermined US standing in the country. Trump's personal attacks on Angela Merkel have been especially problematic. He has frequently criticized and belittled the Chancellor and sought to undercut her political standing at home. In an unprecedented move for a US president, in June 2018, during tense coalition negotiations about immigration policy, Trump encouraged German hardliners by tweeting "the people of Germany are turning against their leadership as migration is rocking the already tenuous Berlin coalition." He argued: "Big mistake made all over Europe in allowing millions of people in who have so strongly and violently changed their culture."

The origins of Trump's hostility are not entirely clear. His mercantilist instincts predispose him to resent countries that have strong export sectors. Merkel's close relationship with former US president Barack Obama probably also bothers him, as does the frequent observation that, with Trump as president, Merkel is now, as one Obama advisor put it, "the leader of the free world."

Whatever the reasons, Trump's unwillingness to distinguish between

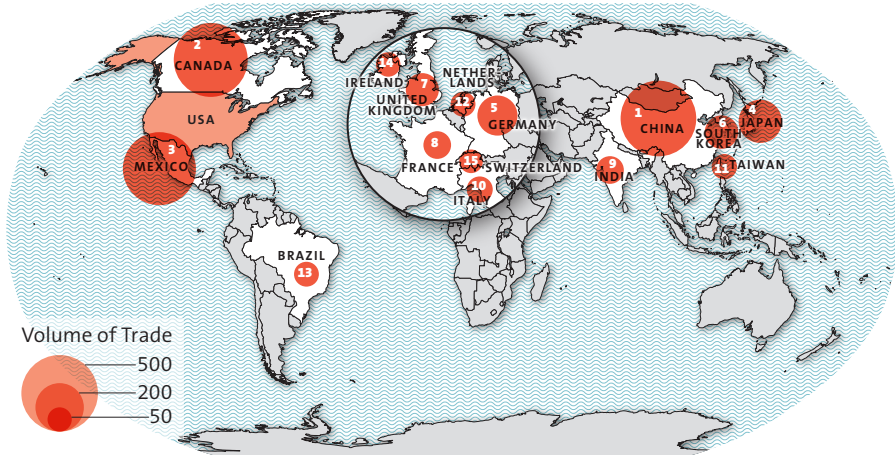
allies and adversaries initially shocked European officials. For much of the post-1945 period, disagreements over trade and other economic issues have been a feature of the US-European relationship. However US policymakers, in spite of frequent frustration, never lost sight of the fact that the headaches that went with serving as the anchor of the international economic system, such as trade imbalances, were a small price to pay for a Europe that was prosperous, democratic, and closely tied to the United States. Even Barack Obama, who urged Europeans to take more responsibility for problems in their neighborhood so that he could focus on other parts of the world, especially East Asia, and who some Europeans accused of disinterest, viewed the alliance as indispensable.

Trump is the first post-1945 president who does not share this worldview. Given his tendency to view international relations in terms of Realpolitik, his dislike for multilateralism and international institutions, and his preference for illiberal leaders, his trade policies should not have come as a surprise to European officials and executives. Nevertheless, they have reacted inconsistently. At times, they have signaled a willingness to fight back. Macron, for instance, declared in March 2018 that Europe would



## Most Important US Trading Partners by Rank

Exports and Imports in billion USD as of 2018



Source: US Census Bureau

“discuss nothing, as a matter of principle, with a gun pointed at our head.” Europe has also leveled retaliatory tariffs on 3.2 billion USD of goods, many of which are manufactured in pro-Trump areas of the United States.

In spite of brave talk about not yielding in the face of US bullying, Europeans have sought to placate Trump. In July 2018, European negotiators made a number of small concessions on agriculture and energy in order to forestall the car tariffs and restart trade talks. Those negotiations have since faltered, as US officials have accused their European counterparts of stalling. As further leverage, a US Department of Commerce study, on

whether to impose Section 232 tariffs on European cars, is due to be concluded in February 2019, though the findings had not been made public at the time of publication. Automobile executives from BMW, Daimler, and Volkswagen have made conciliatory moves, offering to increase operations in the United States.

Trump has also used trade to sow political discord on the other side of the Atlantic. He has not masked his dislike for the European Union and his preference for a more nationalistic, less integrated Europe, and has openly encouraged Britain to withdraw. In the wake of the 2016 election, he promised London a favorable trade



deal in order to limit any economic problems caused by Brexit. However, after Prime Minister Theresa May agreed with her European counterparts on the terms of Britain's withdrawal, Trump criticized the deal and suggested it would prevent a US-UK trade pact.

### **A Threat to the International System**

Trump has demonstrated that economic blackmail by the United States works, at least in a narrow sense. In every case that the administration has threatened to limit access to the US market, trading partners, in spite of vows to the contrary, have agreed to negotiate and offered at least modest concessions.

There are a number of factors pushing Washington toward more aggressive policies and, to an extent, a rethink on trade is warranted. Chinese trade practices and espionage activities, for instance, merit action – though any response would be more effective if it were mounted by a broad coalition of interested countries, instead of the United States acting unilaterally. In addition, though the Trump administration has contributed to the erosion of the dividing line between economic disagreements and political relations, especially vis-à-vis its European allies, China is equally guilty in this regard. It

is worth noting that, at least in some respects, the president is taking action that much of the US public supports – underscoring the extent to which he views trade through a political lens. Though Republicans tend to have slightly more hawkish views, concerns about China transcend party lines.<sup>16</sup>

In spite of modest concessions from trading partners and some potential short-term political benefits, the president's nationalistic trade policies are profoundly damaging. Ironically, US interests have been particularly affected. In spite of Trump's frequent assertions to the contrary, the LWO has, more than any other nation, benefited the United States politically, economically, and militarily. It was a key factor in sustaining US influence after World War II. In an era in which the United States is probably in gradual decline, it needs the support of strong alliances and trading relationships more than ever. Its efforts to partially de-globalize the international system are having the opposite effect, and are providing opportunities to competitors. The timing of Xi Jinping's speech at the 2017 World Economic Forum, in which he portrayed China as a leader of the globalized economy, was not coincidental. His argument, that when "encountering difficulty we should not complain, blame others, or run away from responsibilities ...





Instead we should join hands and rise to the challenge,” was a clear attempt to assume the mantle of leadership discarded by the Trump administration.

Trump’s policies are undermining the international economic system that Washington and its allies spent decades constructing after World War II. This complex, interdependent system is now in danger of collapsing, and the alternative that Trump envisages – a web of bilateral trade deals, with the United States at the center – would harm all parties involved. Such an arrangement would be less efficient than the current multilateral system, which better reflects how international trade works in an interconnected global economy, where supply chains often stretch across numerous countries. Bilateral deals also do a much less efficient job of harmonizing standards and regulations.

The WTO, in particular, is in danger. The United States remains the world’s most important economy, and the administration’s unwillingness to work through the WTO system potentially renders it irrelevant, especially given the relative ease with which Washington has been able to convince its trading partners to enter bilateral negotiations. If Trump’s approach succeeds, it could normalize a zero-sum approach to trading issues.

The consequences of such a development would be dire. Powerful nations would frequently take advantage of weaker trading partners, fueling distrust and, in general, making the international system more dangerous. There would also be a tendency for economic disagreements to lead to political and even military conflict. China and the United States should serve as a cautionary tale in this regard, as they have entered a vicious cycle, wherein trade measures are inevitably seen as designed not just to increase wealth, but to weaken the geostrategic position of the other country.

Trump’s attacks on the underpinnings of the international system, if sustained, could boost nationalist and extremist political movements in many countries, as it undermines the trust necessary to sustain international institutions and democratic norms. In fact, once the process of deglobalization gathers momentum, it will be difficult to resuscitate the old order. The creation of the current multilateral framework was only possible because of the unique circumstances present during and after World War II. Absent a comparable crisis, it is doubtful that the will necessary for such a complicated and politically challenging undertaking would be present.



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