Trump’s America First Policy in Global and Historical Perspectives: Implications for US–East Asian Trade

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Since the end of World War II, the United States has played a leading role in shaping the global economic system. While US influence has waned with the reconstruction of Europe and the rise of China, it has remained the leading power in the international system. The election of Donald Trump, however, represents a significant shift in US trade policy. In its first days the Trump administration withdrew from the Trans-Pacific Partnership and has since taken specific steps to renegotiate trade agreements and protect US industries. Politicizing the importance to reduce bilateral US trade deficits and to bring manufacturing jobs back home, the Trump administration has also utilized trade remedies in addition to the seldom-used safeguards to advance its “America First” economic agenda. Although trade remedy actions—the imposition of antidumping and countervailing duty based on the US Trade Act of 1974—have been critical instruments for US trade, prioritizing trade deficit reduction in US trade policy has the potential to erode the underlying international system and exacerbate rather than resolve the tensions that have spurred nationalistic economic movements. Against this backdrop, in this article we explore the implications of an abrogation of US global economic leadership for the international trading system and US influence more broadly. We also consider the implications for East Asia and the global economy as a whole as China, the European Union, and Japan take on larger leadership roles within the global trading system.

Keywords: America First, trade protectionism, East Asia, global economy, political system.
Introduction

US Protectionism under Trump: The Causes of Disruption in the Global Economy and the Political System

Campaigning with reservations about free trade is not an uncommon in US politics. Bill Clinton campaigned on promises to improve the North American Free Trade Agreement (NAFTA), and Barack Obama promised to renegotiate NAFTA if elected. However, once elected, US presidential candidates have governed as supporters of continued international trade liberalization. Until more recent times, the strong antitrade rhetoric seen from Donald J. Trump had primarily been espoused by minor, nonmainstream candidates such as Pat Buchanan (Chilizza 2016). Trump, in contrast to his predecessors, is the first post–World War II US president to reverse course on promoting international trade liberalization.

Instead, as a candidate and president, Trump has taken the position that the US economy and US workers need to be protected from international competition. In his first major speech on trade as a candidate in the summer of 2016, Trump argued that globalization had shipped US jobs and wealth overseas (Politico 2016). As president, he reaffirmed his views on international trade in his inaugural address, saying that “protection will lead to great prosperity and strength” (Trump 2017a). His appointment of key cabinet officials with a protectionist bent has reinforced the new policy direction at the White House.

Trump has followed through on his rhetoric and taken a series of protectionist steps. On his third day in office, he withdrew the United States from the Trans-Pacific Partnership and affirmed that the administration would negotiate only bilateral agreements (Trump 2017b). With the objective of reducing the US trade deficit, the administration has renegotiated NAFTA and has completed the renegotiation of the US-Korea FTA (KORUS), while also seeking to use trade remedy law to protect US industries, including safeguards on solar panels and cells (Bown 2017). It has also taken the unusual steps of citing national security concerns to expand protections and announced the first self-initiated countervailing duty and antidumping duty case in more than twenty-five years (US Department of Commerce 2017). These actions may be the initial rounds in a new trade war with US allies and China.

This significant shift in US trade policy is a reflection of changes in the global economy and their effects on the US political system. The
US share of global manufacturing has declined from nearly 30 percent in the early 1980s to 18.6 percent in 2015 (Levinson 2017). Over that same period, US manufacturing jobs have fallen from almost 19 million to just over 12 million (Federal Reserve Bank of St. Louis n.d.). After China entered the World Trade Organization (WTO) in 2001, import competition played a significant role in the decline of manufacturing jobs (Acemoglu et al. 2016). One consequence of this dislocation has been the election of fewer centrist US congressional candidates and an increase in the ideological divide in US politics. This has extended to national elections as well, where populist policies have become more appealing to voters (Autor et al. 2017).

**Why This Matters**

Protectionist trade policies are not a new phenomenon in the US; protectionism surfaced in the United States in the late 1930s, late 1950s, early 1960s, and post-1980s (Irwin 2005), with significant impacts on the US role in global trade. For instance, the volume of US imports fell over 40 percent in the first two years after the imposition of the Smoot-Hawley tariffs in June 1930 (Irwin 1998). In the 1990s, it was hotly debated in the US Congress whether the WTO Dispute Settlement Body would undercut US power to counteract unfair foreign trade practices and fail to serve US unilateral interests (Fergusson 2007). The United States did become the champion of trade liberalization in the process of establishing the WTO, but protectionist policies remained.

The recurrence of protectionism in different periods of US history has been driven primarily by the politicization of trade issues. In many cases, trade issues have been utilized as political rhetoric in US domestic politics in order to mobilize popular support and industrial interests. Nonetheless, such efforts have been criticized as populism as they have boosted the approval rating as campaign slogans but have ultimately failed to propose a firm solution to resolving the trade issues at stake in the United States.

Domestically, in comparison to national security issues, trade issues have been considered as secondary or have carried relatively lesser policy weight in Washington, as opposed to matters involving military strategy—resulting in the failure to gather consistent attention from the policy community, academia, and the public. Moreover, issues on trade were never presented in a fully comprehensible way to the US public, due to the technicality of trade dynamics, the use of jargon by trade ex-
perts, and asymmetrical access to information. The speed of trade negotiations and global transactions that occur ubiquitously and simultaneously also discouraged average US citizens from following and tracking fast-paced and detailed updates on trade policymaking.

Although US policymakers have continuously stressed policy intent to implement trade policies that would best serve US interests, they found themselves standing between the winners and losers of globalization at home, due to the unequal distribution of wealth as globalization progressed (Bhagwati and Kreuger 1995). Globally, as preferential trade agreements were signed outside the WTO framework, the "spaghetti bowl effect" created unequal dynamics among the developed and developing world. There were countries that have benefitted from the global trading system and those that have not (Stiglitz 2017). Despite such discomforts, the United States took on the leadership role of the multilateral trading system, claiming the leadership of the global economic order, while signing onto preferential trade agreements as it saw fit. The rest of the world just followed the US lead.

Protectionist policies under Trump are drastic changes to that existing order. As protectionism takes a toll on the global economy and to US consumers, the task of dissecting and analyzing the origins and effects of protectionism from both policy and scholarly perspectives is very timely and significant. There are enduring questions on trade in the liberal international order that signal the US decline on the global stage in our time.

In an effort to provide insights and to put current trade dynamics into perspective, this research article proceeds as follows. The second section addresses the history of US protectionism in the postwar era, highlighting the role of the United States in the global economy and the turning point for US leadership in the aftermath of the global financial crisis. The third section analyzes Trump's trade policy in the context of "America First" by examining its domestic constraints, shedding light upon two factors in the policymaking process—Trump's tweets as the delivery tool of his stance on trade to his constituencies and the role of bureaucracy in Trump's trade policymaking process. The fourth section provides case studies that assess Trump's protectionist actions taken thus far, ranging from the withdrawal from the TPP to the renegotiation of NAFTA and KORUS, as well as trade remedy actions and critical stance on the WTO dispute settlement system. The fifth section concludes with a critical assessment of Trump's trade policies going forward, focusing on the effects of US abrogation of global leadership in trade and actions by other countries that are looking to play a bigger role as they witness the decline of US leadership.
The Origins of US Protectionism after World War II

The US Role in the Global Economy since World War II

In the postwar era, the United States has danced between protectionism and internationalism. Seven decades ago, as the victor of World War II the United States had a head-start in reestablishing the world order and in dictating the terms of global trade without a hint of protectionism. The postwar global order was constructed by the United States at a unique and pivotal moment in which the European and Asian states were severely stricken with the impacts of war. As the victor of war, the United States propelled itself toward the position of leader, exerting geopolitical dominance abroad and enjoying economic prosperity at home, presenting a model that appeared attractive to other countries (Sullivan 2018). Cordell Hull, the longest-serving secretary of state in the history of America from 1933 to 1944, was instrumental in linking trade policy to foreign policy, with the view that commercial agreements would foster international peace and cooperation (Irwin 2008). Immediately following the war, the General Agreement on Tariffs and Trade (GATT) was launched after a series of Anglo-American commercial policy discussions in 1945. Albeit lacking a full-fledged dispute settlement mechanism, it served as a platform on which the United States built its narratives in international economic policymaking through subsequent rounds of negotiations on trade liberalization. As internationalism prevailed in the 1950s and the 1960s, the United States rose as a hegemon in the international economic order, delivering on two clear objectives: providing massive financial assistance to democratic countries in Western Europe and Japan and encouraging imports and ignoring export expansion in US trade in order to bolster the effects of a long-term foreign policy (Cohen, Paul, and Blecker 1996). The Eisenhower administration emphasized resuscitating Japan and Europe by facilitating their expansion, on the notion that “all problems of local industry pale into insignificance in relation to the world crisis.” and did not require reciprocity of Japanese and European counterparts (Lovette, Eckes, and Brinkman 2004, 64).

Internationalism in trade did not last long. Requirements of reciprocity kicked in from the Dillon Round under the GATT (1960–1962), in which the Kennedy administration sought to ensure tariff cuts with a uniting Europe. As the European countries consolidated themselves into
the European Economic Community (EEC; now the European Union), the United States, under the Trade Expansion Act of 1962, authorized tariff cuts up to 50 percent on a reciprocal basis for five years, during which the Kennedy Round was negotiated, resulting in a 35 percent worldwide tariff cut in 1967. Concerns regarding the US economy in the face of foreign competition prompted the US Congress and President Kennedy to delegate the main trade negotiation channel from the US Department of State to the newly created US Special Trade Representative (STR) under the Executive Office of the President, to be led by a tough negotiator in foreign trade rather than a diplomat seeking to build friendships with other countries.

Into the 1970s, the dynamics shifted. US international competitiveness declined considerably, and Japan and Western Europe became the main competitors that kept their currencies undervalued vis-à-vis the US dollar. The United States geared up for protecting its economy in the Trade Act of 1974, which did not challenge the ideal of trade liberalization, but expanded legal loopholes to the practice of liberal trade (Chen, Paul, and Becker 1996). Under this act, the mechanisms for trade remedy investigations such as antidumping and countervailing duty investigations were stipulated, and for the purposes of proper implementation the trade remedy investigation authority was delegated from the US Treasury to the US Department of Commerce in 1980. In the meantime, the US dollar also played a role in the shift of trade dynamics. On August 15, 1971, President Nixon announced that the United States would no longer be obliged to convert dollars held by foreign central banks into gold at a fixed price, ending the Bretton Woods system, under which the United States first enjoyed the “exorbitant privilege” of its currency serving as the key international currency. The United States instead strengthened the dollar standard under the petrodollar system, in which the US dollar became the primary mode of oil pricing and transactions and played an instrumental and dominant role in the international economy. Foreign central banks pegged their currencies to the US dollar, let their currencies float, or allowed a managed-float vis-à-vis the US dollar, making the value of currencies another source of conflict in trade transactions. Hence, the US Treasury’s determinations on whether a trading partner had manipulated its currency value or not through its semiannual reports on Macroeconomic and Foreign Exchange Policies created a signaling effect to US trading partners, oftentimes serving as a prelude to a trade war.

Into the 1980s, trade conflicts with newly industrialized economies became volatile, particularly with Japan, and voluntary export re-
straints did not yield substantial outcomes. When nontariff barriers in Japan remained even after the Structural Impediments Initiative in the early 1990s under the Clinton administration, the US moved to exert protectionism by reshaping the global trading system through the Marrakesh Agreement as an outcome of the Uruguay Round, establishing the World Trade Organization, an international trading system equipped with regulations and a full-fledged Dispute Settlement Body. On intellectual property, the trade-related aspects of intellectual property was inserted into the Annex of the Marrakesh Agreement, as a concerted effort among US companies that sought to ensure the protection of their interests (Sell 2005).

In retrospect, the establishment of the WTO was an act of US internationalism in disguise. By establishing the WTO, the United States manifested its strong intent to lower barriers to trade by opening markets, consolidating leadership as the anchor of globalization and trade liberalization. Beyond the WTO, the United States would keep its trading partners in check through its unilateral trade remedy investigations and determination of currency manipulation. But at the same time, the United States actively engaged in WTO trade disputes, as did many other WTO member states, which, as time progressed, challenged US trade policies that were deemed as unfair trade practices (e.g., zeroing). Soon after the WTO was established, the United States spearheaded the drive for preferential trade agreements (PTAs; e.g., FTAs, regional trade agreements) beyond the WTO framework, and particularly after the Doha Round ended in stalemate, reinforced the drive for PTAs and regional trade agreements, calling on other trading partners to follow the US lead (Dieter 2009).

The Global Financial Crisis, the Rise of China, and the Failure to Pivot to Asia under Obama

In 2000, the 106th US Congress approved Permanent Normal Trade Status for China, allowing it to join the WTO (Pregelj 2001). China’s entry to the WTO became the single most pivotal incident that reformulated the dynamics of global trade. China’s economy grew at an unprecedented pace, and by becoming the leading global manufacturing powerhouse, China rendered itself an indispensable player in international trade and transactions. Post–global financial crisis, China recognized the fallacies of US leadership in global trade and no longer believed that the US hegemony would be sustained in trade (Yong and Pauly 2013). In the 2000s, while the United States was fixated on the Middle East, entering
into war with Iraq and Afghanistan post-9/11, the Chinese economy became increasingly enmeshed not only with the US economy and those of its neighboring states all across Asia, but also with economies across Europe, Africa, the Middle East, and Latin America and in Russia.

Under Obama, protectionism was indeed a recurring theme, but protectionist measures did not stretch beyond boundaries to shake up the global economy as they do now under Trump. For this reason, US counterparts fought back hard, and US protectionist measures did not necessarily come to fruition. Coming out of the financial crisis, the United States battled hard in its trade disputes with China, particularly in intellectual property, poultry, steel, and tires, cases among which the United States failed to deliver on its core interests. In order to rebalance its position in the world, the policy on the US “Pivot to Asia” was proclaimed, and the United States took on a leadership role in the TPP negotiations, sealing the agreement on February 2, 2016, for ratification by TPP member states in their jurisdictions. At the same time, the United States sought to reframe its trade dynamics with the European Union via the Transatlantic Trade and Investment Partnership but was unable to conclude negotiations before Obama left office. Although it was disputed whether the TPP was Obama’s tool to circumvent China by excluding it in the TPP membership (Campbell 2016),³ TPP was sold to the US public by the Obama administration as an agreement that would prevent China from writing the rules of trade—one that would also play a strategic role in US foreign policy (White House, Office of the Press Secretary 2015). Such rhetoric was compounded by Defense Secretary Ashton Carter’s comment that the TPP is “as important as an aircraft carrier” (US Department of Defense 2015). Had the TPP been ratified by the United States, it would have essentially bound the US and Japanese economies together, with the prospects of integrating certain countries of Southeast Asia under the PTA, whose economies China has heavily penetrated via trade, let alone via maneuvers in the South China Sea. Beyond the regional framework, the TPP may also have allowed the United States to update the rules on global trade, post–Uruguay Round, on state-owned enterprises, labor standards, intellectual property, and digital trade—albeit with backlash from activist groups and individual citizens on its heavily disputed contents. Nonetheless, three days after inauguration, Donald Trump announced the US withdrawal from TPP (White House 2017b).
Defining America First and Trade Policy under Trump

The Place of Trump and America First in US Trade Policy

While Donald Trump is not a classic free trader, he has significantly shifted the debate on trade in government policy in the United States. Trump has long-held views on trade that are better described as fair trade or protectionism in the context of post–World War II US trade policy, and the rhetoric of “America First” or “Make America Great Again” reflects a desire on the part of the Trump administration to make a substantial shift in a range of US policies. Underpinning these concepts are the idea that the United States will place its interests above those of others and center its trade and foreign policy around protecting US workers, companies, and jobs (White House 2017a). In a joint op-ed, H. R. McMaster and Gary Cohn (2017) argued that “the world is not a ‘global community,’” but a place where nations “compete for advantage.”

This rhetoric is not unique in US politics, and some of the use of safeguards harkens back to the administration of Ronald Reagan, whose 1980 campaign used the similar slogan of “Let’s Make America Great Again” (Margolin 2016). However, the framing has been different. Reagan spoke of striving “for mutually beneficial relations” with allies in his first inaugural address (Reagan 1981), while Trump called for adversarial decisions on trade and foreign affairs to “benefit American workers and American families” (White House 2017a). The idea that policies could be mutually beneficial is gone under Trump.

Even “America First” is not unique. While the isolationist view of Charles Lindbergh and the America First Committee are often referenced in regard to Trump’s international views, he has not sought to withdraw the United States from the world but rather to maximize US gains from the world. In 2008, John McCain ran on the idea of “Country First,” but the 2008 Republican Platform lacked the nationalist undertones of 2016. It viewed trade as a way to create jobs, as well promote development and democracy abroad. The Democratic Party platform under Barack Obama in 2008 called for a renegotiation of NAFTA that would benefit all three nations rather than just US national interests.

There are fairly consistent themes on trade in Republican and Democratic Party platforms from the post–Cold War era: (1) trade creates jobs and should be expanded, (2) it should be fair, and (3) enforcement
of agreements is necessary. Democratic Party platforms also tend to emphasize the need to include environmental and labor rights in agreements as well as to provide support for US workers negatively impacted by trade. While campaigns and political parties have acknowledged the need for fair trade, they have also been largely protrade in orientation since the end of the Cold War.5

This changed in the 2016 campaign. Both the Trump and Clinton campaigns took more negative views of trade, and their respective party platforms reflected this as well. The Democratic Party platform's section on trade immediately broke from the tradition of trade being beneficial and instead said trade has not worked for millions of US citizens (Democratic Party 2016). The Republican Party platform was also more skeptical. It rejected trade deficits, called for agreements that put US interests first, and insisted on “parity” in trade (Republican Party 2016).

While the shift in the Democratic Party’s position can be attributed to the trade-skeptical positions espoused by Bernie Sanders pushing Hillary Clinton away from her traditional protrade stance and a need to remain competitive with Trump (FeeltheBem.org n.d.), President Trump has long held skeptical views on trade, in 1987. Trump took out full-page ads in the New York Times, Washington Post, and Boston Globe arguing that Japan and other US allies have taken advantage of the United States and calling for the elimination of trade deficits (Kurse 2016). He called on the United States to end its aid policies for allies in Europe and Japan and to present them with a bill for US efforts to safeguard the passage of oil from the Persian Gulf (Trump 1987; Washington Post 1987). The view that US trade partners are ripping off the United States has remained consistent over time (Trump 2000), including much of the current critique of the US FTA with South Korea originally appearing in his 2011 book (Trump 2011) as well as his critiques of US allies’ contributions to defense (Trump 2017g).

In the debate between free trade, fair trade, and protectionism, Trump has consistently argued that he believes in free trade, but that it must be fair trade (Domm 2016; Reuters 2017). In his first address before Congress, he said, “I believe strongly in free trade but it also has to be fair trade” (White House 2017c). In more recent remarks, Trump has also suggested that trade should be reciprocal (Economist 2017). While the call for fair trade is not unique, as all post–Cold War political platforms called for fair trade, with the exception of the 2012 Democratic Party platform, which made references only to unfair trade, Trump has shifted the political debate of fair trade from rules based to
outcome based. Prior administrations defined fair as US firms not facing unfair trade practices and emphasizing that if the rules are fair the United States can compete with anyone, while for Trump “fair” has come to mean that the United States does not have a significant deficit with its trading partners. At the same time, the shift to a focus on the trade deficit has also moved the debate on trade in the United States from absolute gains to relative gains. In this sense, Trump’s definition of fair trade falls into the protectionist rather than free trade camp.

Although Trump has acted on his rhetoric since assuming office, he has not always followed through in the way that he has suggested. The United States has yet to place 35 percent tariffs on US companies that move production overseas (Trump 2016) or a 45 percent tariff on China to bring down the trade deficit (Haberman 2016), but the Trump administration is using tariffs from a Section 301 case tied to Chinese intellectual property practices to place pressure on China to open its markets (Trump 2018). Trump has also failed to follow through on his threats to withdraw from NAFTA and KORUS, though he has begun the formal process of renegotiating each agreement.

Trump’s focus on the trade deficit and the use of trade agreements to reduce the deficit indicate his failure to understand how FTAs play a marginal role in shaping trade flows. Instead, domestic savings and consumption determine the size of the US trade deficit, and as long as US businesses, consumers, and the government consume more than they save, the United States will run a trade deficit (Hufbauer and Lu 2016).

_The Constraints of Domestic Politics on Trump’s Trade Policy_

While many candidates change policy positions after being elected as they learn in office (Dittmer 2017), Trump has largely maintained his campaign position on trade in the first year of his administration. This is partially a function of Trump’s ideological beliefs as outlined above, but he is also constrained by his narrow range of political support in the United States. Traditionally, US presidents come into office with job approval ratings averaging over 50 percent, which gives them a broad base of political constituencies to draw support from and maintain policy flexibility. In contrast, Trump is the first US president in the history of Gallup polling with a presidential approval rating below 50 percent (Gallup 2017). All presidents face periods when approval ratings dip below 50 percent, but Trump has seen his public approval hover around
40 percent for most of his first two years in office (Gallup 2018). This has narrowed the domestic constituencies from which the Trump administration can draw support.

As a result, Trump has less political capital to spend and needs to maintain the support of his political base. In his first year in office, Republicans have been a strong point for Trump as his approval among Republicans has, with a few exceptions, remained above 80 percent (Gallup 2018).

On the issue of trade, despite Republicans being the party of free trade, self-identified Republicans hold less favorable views of free trade than self-identified Democrats. On this issue, Trump appears to reflect this shift in Republican views. Exit polls from the 2016 election indicated that 65 percent of Republican voters saw trade as costing jobs, while 59 percent of Democratic voters saw it as creating jobs (Huang et al. 2016). For nearly a decade, self-identified Democratic voters have had a more favorable view of trade than self-identified Republican voters, a trend that has become starker in the last few years (Jones 2017).

More recent polling by the Chicago Council on Global Affairs and the Pew Research Center has sought to identify core Trump voters and their views. The Chicago Council found that 74 percent of core Trump supporters believe that trade results in the movement of jobs overseas and 58 percent believe that trade deals benefit other countries. It also found that 82 percent of core Trump supporters believe the Trump administration's trade policies will protect US workers (Smeltz et al. 2017).

The Pew Research Center divides conservatives into four typologies: Core Conservatives, Country First Conservatives, Market Skeptics, and New Era Enterprisers. Core Conservatives remain the most politically active and engaged, while Country First Conservatives are the smallest conservative group. However, Trump's support among conservatives is significantly stronger among Core Conservatives and Country First Conservatives. Those two groups are also the most nationalist in the conservative coalition with 64 percent of Core Conservatives and 76 percent of Country First Conservatives believing the United States should follow its interests even when allies disagree. The one area where these two groups divide is the international economy, where Core Conservatives view US involvement as a good thing, while Country First Conservatives do not (Pew Research Center 2017).
The Role of Twitter in Trump’s Trade Policy

President Trump is known for his use of Twitter to communicate directly with the US public. From when he declared his candidacy for president on June 16, 2015, until his State of the Union Address on January 30, 2018, he posted 7,778 tweets. Perhaps not surprisingly, many of President Trump’s tweets are focused on his domestic opponents. More than 10 percent of his tweets are focused on either Hillary Clinton or Barack Obama alone.

While Trump has tweeted more than 800 times about Barack Obama or Hillary Clinton, the major policy issues from the campaign and Trump’s time in office make up only a fraction of his tweets. He has dedicated the most tweets to taxes (221), with health care (182) a close second. In contrast, trade, NAFTA, immigration, and the border wall with Mexico have received less attention. All told, they account for only 10 percent of Trump’s tweets.

Figure 1 Donald Trump’s Tweets on Select Topics including Trade

Source: Donald Trump’s Twitter Account

Source: Twitter account of the president of the United States, Donald Trump: @realDonaldTrump.
Note: Does not include retweets. Collated using trumptwitterarchive.com.
Trump’s view of trade has been fairly negative on Twitter. In his tweets, Trump derides trade deals as bad deals that have increased the US trade deficit and cost US jobs. Nearly 70 percent of Trump’s tweets on trade are critical of US trade with other countries, though that has declined to just below 60 percent since his inauguration.

While Trump’s tweets do not set policy, they do provide signals to his thinking. In Trump’s first hundred days, he issued six executive orders that laid out the foundation of his trade policy, touching on the main themes of trade deficits and manufacturing job losses. These include the withdrawal from the TPP (Trump 2017b), the creation of the Office of Trade and Manufacturing Policy (Trump 2017f), a review of the cause of US trade deficits (White House 2017d), the launch of the Section 232 national security review (Trump 2017d), enhanced collection of enforcement duties (Trump 2017c), and an order addressing trade violations (Trump 2017e). These executive orders all called for the reduction of the US trade deficit and the protection of manufacturing in the United States.

The changes can also be seen in the actions of other agencies that work on trade. In “The President’s Trade Policy Agenda” for 2017, the Trump administration laid out four priorities: defending US sovereignty, strictly enforcing US trade laws, using leverage to open up foreign markets, and negotiating new and improved trade deals (Office of the US Trade Representative 2017a). All these issues fit with the themes of Trump’s tweets. This contrasts with Obama’s Trade Policy Agenda, which focused on the TPP, positioning the United States as the world’s production platform, strengthening trade and investment partnerships,
and enforcing trade agreements (Office of the US Trade Representative 2016).

This shift can also be seen in the Trump administration's negotiations and use of trade restrictive measures. After his first summit meeting with the South Korean president Moon Jae-in, Trump tweeted that the United States would get a “new trade deal” with South Korea (Trump 2017b). This was not something that South Korea had agreed to at the summit (Yi 2017), but a couple of weeks later the Office of the US Trade Representative (USTR) would formally request consultations to amend KORUS (USTR 2017b). The trade restricting measures that the administration's early executive orders have pointed toward have begun to grow. According to the World Trade Organization’s Trade Monitoring Database, trade restricting measures by the United States during Trump's first year increased 18.2 percent over Obama’s first year in office, which coincided with the global financial crisis, and 30.4 percent over Obama’s last year.10

The Role of Bureaucracy in Trump’s Trade Policy

In the United States, trade policy is a delegated authority from the US Congress to the Executive Branch that is conducted under guidelines established by Congress. Policy coordination and decisions are taken through the National Economic Council (NEC), which coordinates international economic policy for the Executive Branch, while negotiating authority is housed in USTR.

New administrations pushing significant policy changes often face an entrenched bureaucracy that seeks to slow or revise the incoming administration’s policies. To overcome bureaucratic inertia, administrations have tried to appoint like-minded officials in key roles or alter the intergovernmental bargaining structures by creating new actors in the bureaucracy. Trump has sought to do both by appointing officials who share his views on trade and creating a new office, the National Trade Council (NTC), to advise on trade policy. Of the four major initial appointments related to trade policy, US Trade Representative Robert Lighthizer, Secretary of Commerce Wilbur Ross, and Peter Navarro in the Office of Trade and Manufacturing under the Executive Office can be described as sharing views similar to Trump. Only the recently departed Gary Cohn, director of the NEC and chief economic advisor to the president, could be described as holding traditional views on trade. As a result, it had been left to Cohn’s successor, Larry Kudlow—a free-trade-oriented former Reagan administration official who
changed his position on Trump’s tariffs on steel and aluminum upon appointment—and national security officials to temper efforts within the administration to withdraw from FTAs and place high tariffs on US trading partners (Paletta and Dawsey 2018).

The efforts to remake US trade policy by creating the NTC were designed to give Peter Navarro a key role in the White House on trade policy that would not require congressional confirmation. Navarro, a longtime critic of China and proponent of the US withdrawal from NAFTA and KORUS (Swanson 2018a), quickly found the NTC downgraded to the Office of Manufacturing and Trade and subsumed in the NEC. However, he has recently been promoted to presidential assistant, so that the noted trade deficit hawk (Navarro 2017) can play a larger role in trade policy moving forward.

Lighthizer and Ross have been stronger voices for Trump at USTR and Commerce, respectively. At USTR, Lighthizer brought like-minded colleagues from Skadden, Arps, Slate, Meagher & Flom to help implement a new approach to trade. Having served as deputy USTR in the Reagan administration, he used the threat of punishing tariffs to negotiate voluntary exports restraints with countries such as Japan. In private practice at Skadden, Arps, Slate, Meagher & Flom, he represented steel and other industries that faced strong import competition, while arguing that conservatives are not free traders but rather pragmatists that embrace protectionism at times as President Reagan did (Lighthizer 2008). In 2011, he defended Trump’s trade skepticism (Lighthizer 2011) and since returning to government has said that he shares ‘Trump’s belief that there is a need to fundamentally change how the US approaches trade policy, that a hard-line approach to China is needed, that trade deficits matter, and that FTAs should reduce the US trade deficit (Center for Strategic and International Studies 2017).

Ross has known Trump since he helped him out of bankruptcy in 1990 (Mufson 2017) and made a fortune buying distressed assets in industries such as steel and textiles that required tariffs to protect them from international competition (Economist 2004). During the campaign, Ross argued that trade deficits weaken the US economy (Ross 2016) and since becoming US Secretary of Commerce has taken up the language of Trump by arguing that the United States should not be forced to accept the rest of the world’s trade surplus (Ross 2017). In response to criticisms that the Trump administration is giving up US leadership on trade policy, Ross has argued that “leadership is different from being a sucker and being a patsy” (Zillman 2018), in essence backing Trump’s contention that the United States has received a raw deal and that must change.
Figure 3  Trump’s Trade Team

Trump’s Trade Team

President Donald Trump

Cabinet
- Department of Commerce
  - Secretary Wilbur Ross
    - Trade promotion and enforcement
  - Gilbert R. Kaplan, Undersecretary for Intl. Trade
- Department of Treasury
  - Secretary Steve Mnuchin
  - Monetary policy
- Department of Agriculture
  - Secretary Sonny Perdue
  - Agricultural promotion and policy
- Department of State
  - Secretary Mike Pompeo
  - Foreign and trade policy
- Department of Defense
  - Secretary Jim Mattis
  - Defense acquisitions policy

Executive Office of the President
- National Economic Council
  - Larry Kudlow, Chief Econ. Advisor
  - Policy coordination
- US Trade Representative
  - Robert Lighthizer
  - Trade policy and negotiations
  - Steven P. Vaughn, General Counsel
  - Jamieson Greer, Chief of Staff
- Office of Trade and Manufacturing
  - Peter Navarro, Director of Nat. Trade Council
  - Policy development
- Council of Economic Advisers
  - Kevin Hassett, Chair
  - Policy advice
- National Security Council
  - John Bolton, Natl. Security Advisor
  - National security policy coordination

Independent Agencies
- US Intl. Trade Commission
  - David S. Johanson, Chairman
  - Enforcement
- Federal Reserve Bank
  - Jerome Powell, Chair
  - Monetary policy
- Ex-Im Bank
  - Jeffrey D. Gerrish, Chairman (acting)
  - Export promotion
- Overseas Private Investment Corp.
  - Ray W. Washburne, President & CEO
  - Assists US firms with foreign direct investment

Source: Created by authors and assistant.
The Cases of Protectionism: The Actions Trump Has Taken So Far on Trade

In Trump’s short time in office, he has taken steps to pull the United States back from its leadership role in the expansion of free trade by withdrawing from the TPP, while pushing protectionist measures such as threatening to withdraw from NAFTA and KORUS and pursuing an expansive definition of national security to place new tariffs on steel and aluminum imports.

In addition to its protectionist steps on trade, the dominant voices in the Trump administration have pushed aside consideration of US foreign policy as a reason for more open trade policies and hence the withdrawal from the TPP and the failure to exclude US allies from the Section 232 tariffs. In the administration’s 2017 Trade Policy Agenda, the Trump administration explicitly rejected the nexus between security and trade that has pervaded US trade policy in East Asia except for a brief period in the 1990s (Koo 2011): “We reject the notion that the United States should, for putative geopolitical advantage, turn a blind eye to unfair trade practices that disadvantage American workers, farmers, ranchers, and businesses in global markets” (USTR 2017a).

The US Withdrawal from the Trans-Pacific Partnership

After the Bush administration’s focus on the Middle East as part of the Global War on Terror, Asian leaders stressed the need for continued US economic engagement in the East Asian region (Brown and Luce 2009). Under the Obama administration, the TPP became the vehicle for US economic engagement in the region and the centerpiece of the Obama administration’s strategic initiative to reemphasize the US role in the region, the Asia Rebalance.

Trade policy under the Obama administration had three objectives: “establishing and enforcing rules of the road, strengthening U.S. partnerships with other countries, and spurring broad-based economic development.” The US engagement in the TPP was designed to develop a high standard agreement that addressed many of the behind-the-border issues that hinder modern-day trade, while at the same time enhancing US influence in the region by embedding the United States economically (Froman 2014). The agreement would also provide the United States with significant economic benefits. Once implemented the TPP would have increased US exports by $357 billion and real US incomes by $131 billion (Petri and Plummer 2016).
In contrast to the Obama administration, Trump set aside the strategic implications for US regional leadership in East Asia and used the US withdrawal from TPP to shift US trade policy to bilateral trade agreements (Trump 2017b). The Trump administration believes that it can use the size of the US economy to leverage better deals in bilateral agreements than it can through multilateral negotiations.

If the Trump administration expected the US withdrawal from TPP would mean the agreement’s end and that the remaining members would pursue bilateral FTAs with the United States, the opposite happened. The remaining members of the TPP reached a new agreement that suspends many of the provisions that the United States had pushed for in the negotiations (Reed and Donnan 2017) and rechristened the agreement as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Only Japan has agreed to undertake a bilateral trade agreement, and US economic leadership in the region has been weakened.

**The Renegotiation of KORUS**

One concession the Trump administration has made to US geopolitical considerations is KORUS. Since the presidential campaign, Trump has consistently derided the FTA as a “horrible” (White House 2018a) agreement and suggested that it has cost the United States 200,000 jobs (White House 2017c). In fact, Trump was set to withdraw from the agreement, but reversed course and committed to renegotiate the FTA after North Korea tested a hydrogen bomb (Donnan and Webber 2017). Trump’s issue with KORUS is the trade deficit, specifically the deficit in goods. Since KORUS came into effect, the US merchandise trade deficit with South Korea has grown from $12.4 billion in 2011 to a high of $28 billion in 2015, though it declined to $22.9 billion in 2017 (US Census Bureau 2018). In contrast, the US surplus in services has grown from $7 billion in 2011 to $12.2 billion in 2017, helping to reduce the overall US trade deficit to $10.3 billion (US Census Bureau, Foreign Trade Division 2018).12

As USTR notes, about 90 percent of the US merchandise trade deficit with South Korea is in automobiles and automotive parts (USTR 2017c; Hufbauer and Cimino-Isaacs 2017). However, that deficit is largely structural as the US automotive market is 10 times larger than South Korea’s. In addition, the growth in the US automotive trade deficit took place as the US auto market was recovering from the great recession and prior to the phase out in US automotive and auto parts tariffs.
The United States and South Korea ultimately reached a deal in principle on KORUS renegotiations, largely focused on autos. The agreement calls for South Korea to double the safety exemption for US autos, loosen emission standards, and extend the phase out of truck tariffs by twenty years. The agreement also has provisions related to pharmaceuticals, textiles, and international dispute settlement (Ministry of Trade, Industry and Economy 2018).

Despite the growth in the US trade deficit, reimposing US tariffs by withdrawing from KORUS would not reduce the deficit. In contrast, it would expand it. According to a study by the US International Trade Commission, the trade deficit with South Korea would have been nearly $16 billion higher in 2015 without the FTA (US International Trade Commission 2016).

However, the revised KORUS was at risk from the Trump administration’s potential Section 232 case on automobiles and automotive parts. The Trump administration has not given Korea an assurance or quota from the 232 process similar to what it has done with Mexico and other countries (Shepardson and Martinez 2018). Without an assurance that South Korea would not face additional tariffs on its automotive exports to the United States, members of the National Assembly have indicated that they would be unable to pass the revisions to KORUS (Jun 2018). Nevertheless, with the Moon administration’s strong intent to have US cooperative efforts on North Korea, the revisions to KORUS were passed in the National Assembly on December 7, 2018 in South Korea, and the renegotiated KORUS is poised to go into effect within 60 days of National Assembly approval.

*Trade Remedy Measures by the Trump Administration*

The most protectionist features of the trade remedy measures by the Trump administration are the deployment of three safeguards on large residential washers and solar panels and cells based on Section 201 of the Trade Act of 1974 and on Chinese intellectual property practices based on Section 301 of the Trade Act of 1974, and the unilateral levy of tariffs on steel and aluminum based on Section 232 of the Trade Expansion Act of 1962 citing national security concerns (Table 1). The competition due to price and technological features compelled the removal of Kenmore and Whirlpool washers from outlets such as Sears, ending a hundred-year partnership between Whirlpool and Sears (Forbes 2017). When the antidumping case on South Korean residential washers was
raised during the Obama administration, South Korea brought a counter claim to the WTO. Safeguards do not imply that the imported items have been dumped on US soil, and thus the safeguard on large residential washers indicates that US export competitiveness in the home electronic appliances has been decreasing considerably for decades.

The imposition of unilateral tariffs on steel and aluminum by the Trump administration is poised to cause substantial disruption to the global trading system. While Canada and Mexico in the course of NAFTA renegotiation have received exemptions and US allies Australia, Japan, and South Korea look to be exempt from the tariff levy, the European Union is planning to bring the case to the WTO citing unfair trade practices. However, with the Trump administration’s decision to move ahead with tariffs on Mexico, Canada, and the European Union after failing to reach an agreement to restrict their imports, all three have also announced that they intend to retaliate against the United States, potentially triggering a trade war (Swanson 2018b).

In addition to the Section 232 case on metals that has created tensions between the United States and allies, the administration is not done...
Table 1  Legal Statutes for Trade Remedies

<table>
<thead>
<tr>
<th>Tariff Type</th>
<th>Trade Remedy Investigation Type under US Law</th>
<th>Trade Remedy Actions under the US Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antidumping Duty</td>
<td>US Code on Payment of Duty (Title 19)</td>
<td>Allow for the determination of dumping by the administering authority and the imposition of duty equal to the margin of dumping</td>
</tr>
<tr>
<td>Countervailing Duty</td>
<td>US Code on Payment of Duty (Title 19)</td>
<td>Allow for the determination of government subsidies toward exportation and the imposition of duty equal to the net subsidy</td>
</tr>
<tr>
<td>Safeguard</td>
<td>Section 201 of the Trade Act of 1974</td>
<td>Permits Presidential authority to grant temporary import relief by raising import duties or non-tariff barriers on import goods</td>
</tr>
<tr>
<td>Unfair Trade</td>
<td>Section 301 of the Trade Act of 1974/</td>
<td>Presidential authority to use trade retaliation using all appropriate means on unfair trade practices</td>
</tr>
<tr>
<td></td>
<td>Section 337 of the Trade Act of 1930</td>
<td></td>
</tr>
<tr>
<td>The Effect of Imports on national security</td>
<td>Section 232 of the Trade Expansion Act of 1962</td>
<td>Authorizes the Secretary of Commerce to conduct comprehensive investigations to determine the effects of imports of any article on the national security of the United States</td>
</tr>
</tbody>
</table>

Source: Compiled based on US Statutes, USITC and the USDOC.
using Section 232's national security exemption to raise tariffs on US trading partners. The Trump administration recently announced that it is opening a Section 232 investigation into automotive imports and their impact on US national security that could further raise tensions with US trading partners and push the United States further into protectionism (US Department of Commerce 2018).

The Trump administration's recent moves to levy punitive tariffs on China via the Section 301 investigations on unfair trade practices (USTR 2018) in addition to the tariffs on steel and aluminum (White House 2018b) have raised the prospects of a trade war with China as well. China announced retaliatory measures in figures almost equivalent to the US tariffs, totaling $3 billion (Ministry of Commerce 2018) and $50 billion (Ministry of Finance 2018), respectively, to each US decision.

Table 2  Trade Remedy Investigations and WTO Dispute Initiations under Trump

<table>
<thead>
<tr>
<th>Trade Remedy Investigations</th>
<th>US Initiation of WTO Disputes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safeguard on Large Residential Washers (TA-201-75)</td>
<td>DS519 China — Subsidies to Producers of Primary Aluminum January 12, 2017</td>
</tr>
<tr>
<td>Safeguard on Solar Panels and Cells (TA-201-76)</td>
<td>DS520 Canada — Measures Governing the Sale of Wine in Grocery Stores January 18, 2017</td>
</tr>
<tr>
<td>Crystalline Silicon Photovoltaic Cells, Whether or Not Partially or Fully Assembled into Other Products</td>
<td></td>
</tr>
<tr>
<td>Section 232 National Security 25% Tariff on Steel, 10% Tariff on Aluminum</td>
<td>DS531 Canada Measures Governing the Sale of Wine in Grocery Stores (second complaint) September 28, 2017</td>
</tr>
<tr>
<td>Section 337 - Intellectual Property</td>
<td></td>
</tr>
</tbody>
</table>

Source: USITC, USDOC, the WTO.

**Criticisms on the WTO**

Upon unveiling plans to impose tariffs on steel and aluminum imports into the United States, Trump has emphasized that the WTO has been a disaster for the United States. He added that while the WTO has been great for China, it has been terrible for the United States. His criticisms of the WTO are in line with the congressional concerns raised prior to the establishment of the WTO in 1994. Over the past two decades, the WTO has become a venue where developed and developing economies
alike could bring cases on unfair trade practices and have their voices heard. As the Trump administration weighs going it alone in exercising trade protectionism via unilateral measures, and as the United States continues to block the appointment of new judges on the WTO Appellate Body to review cases in an intent to force WTO members to renew the rules that address US concerns, the WTO now faces a crisis (Payosova, Hufbauer, and Schott 2018).

Conclusion: The Consequences of Protectionist Policies

Contenders Vying for Global Leadership on Trade, Energy, and Beyond

Although Trump is not the first US president to deploy protectionist tactics and protectionism has been a recurring theme in US trade policy, the abrogation of US leadership under Trump in global trade raises concerns because of the broader scope of the implications. While the European Union and Japan are stepping up in their endeavors to defend the global trading system—the European Union via its WTO dispute initiation on Trump’s tariffs on steel and Japan via the CPTPP—China is the biggest contender for a global leadership role on trade, as demonstrated in China’s Belt and Road Initiative and the Regional Comprehensive Economic Partnership negotiations. China’s centralized governance may accentuate Xi Jinping’s ideas to project economic and military strength domestically and abroad.

Trump’s planned actions against China tell us that it is only the beginning for the Trump administration to act aggressively toward China on trade. We can easily anticipate an exacerbation of the US-China trade conflict in the coming decade, particularly in the areas of intellectual property, notably on trade secrets in cyberspace, patents in science and technology, and trademarks and copyrights. As China aims to make technological progress to outpace the United States under Chinese president Xi Jinping’s strong leadership that will be indefinitely extended in an unprecedented vote by the National People’s Congress, China will revamp its domestic intellectual property regime while continuing to acquire technology via joint ventures with foreign firms in the mainland.

The Trump administration is proactively seeking to reduce bilateral trade deficits with East Asian trading partners via the sale of shale gas. However, the strategy may end up serving only as a shortsighted panacea, as such sales cannot promise a longer range future for the US ener-
gy mix. In the meantime, China is on a quest to acquire further energy resources and to diversify its sources, and the United States would be left behind in the areas of developing and acquiring alternative energy sources (e.g., solar, hydro, geothermal) other than fossil fuel. While the Trump administration is focused on building its strengths as an energy exporter by relying on shale gas exports for the sake of resolving trade deficits, the rapidly shifting global energy trade may leave the United States behind amid changing trends in the energy mix in the global energy market.

**Anachronistic Policies in the Making**

While protectionism may seem appealing with its rhetoric of protecting US citizens from unfair trade practices, it has downsides for US consumers and businesses. The reduction of trade barriers around the world has helped to lower the costs of goods and raise living standards. The Peterson Institute for International Economics has estimated that annually US households have seen gains of upward of $10,000 through the opening of trade since World War II (Bradford, Greco, and Hufbauer 2005). Consumers also benefit through greater product choice. Without trade, US citizens would have fewer choices and might not have enjoyed a product such as spreadable chocolate that the importation of Nutella spawned.

Protectionism also has downsides for US businesses and workers. While Section 232 steel tariffs may lead to increased domestic production of steel and the creation of jobs in the US steel industry, on the whole they will lead to a net loss of jobs as prices rise for steel-consuming industries, such as the automobile industry (Gillespie 2018). The use of tariffs to protect an industry also often results in retaliation by US trading partners, leading to job losses in other industries.

**The Effects of US Surrender of Leadership on Trade: Costs and Damages**

The costs to the United States of increasing protectionism extend beyond the economic costs to consumers and businesses. In the aftermath of the Great Depression and World War II, US policymakers worked to build an open, rules-based international economic order. The hope was to spread economic prosperity and to avoid the trade conflicts of the past. If the United States turns against that system, it will weaken the global economic order that has evolved since World War II and the ability of the United States to shape that order. As the United States turns
against the rules-based order, it will encourage other countries to also create exceptions to protect their products or gain advantages in international competition. A world with a weaker rules-based order would be less predictable, less friendly to investment, and less prosperous.

However, the damage to US leadership globally and particularly in East Asia could extend beyond economics. The Trump administration has not solely focused its attention on areas where it believes unfair trading practices are distorting international trade. Instead, it has taken a largely indiscriminate approach. Such an approach has created uncertainty among East Asian allies, which when added to the administration’s uncertain foreign policy has the potential to weaken alliances and by extension the US ability to lead globally across a range of issues. In the meantime in East Asia, Trump’s approach could hasten efforts by states traditionally close to the United States to ultimately strengthen ties with China as it seeks to assert a leadership role.

Notes

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1. Douglas Irwin (2005) finds that the number of antidumping investigations prior to the 1980s—a trade remedy measure to levy punitive tariffs on items sold lesser than fair value (LTFV) in the United States—were surprisingly large and comparable to the post-1980s levels of activity.
2. Cohen, Paul, and Becker (1996) argue that in the immediate postwar period, the decision not to seek full reciprocity from trading partners in Western Europe and Japan was justified by the overwhelming US economic dominance at the time.


4. The petrodollar system was based on a secret arrangement between Henry Kissinger and King Faisal of Saudi Arabia (Bloomberg 2016).


6. DS294 (n.d.).

7. The crux of the controversy of PTAs was the rise of economic nationalism, as many countries were opting for PTAs particularly in the aftermath of the Global Financial Crisis. PTAs would create negative effects by discrimination against other countries, which is discouraged by the multilateral trading system.

8. As the principal architect of the Pivot to Asia policy under the Obama administration, Campbell (2016) rejects the claim that the TPP was designed to contain China.

9. While on a presidential and national party level the Democratic Party has remained largely in favor of free trade, that has not precluded a majority of members in the House of Representatives from moving away from free trade positions.


11. Statements by Marcus Noland, executive vice president and director of studies at the Peterson Institute of International Economics, at the Korea Institute for International Economic Policy (KIEP) and Associations of Area Studies Conference, “Resurging Protectionism: Challenges for Emerging Economies,” held in Seoul, South Korea, October 19, 2017.


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---------. 2017d. “Remarks by President Trump et al. at Signing of Trade Executive Orders.” March 1.


