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Economic Statecraft in the Age of Trump

Economic statecraft has been at the heart of US foreign policy since the founding of the republic. From the 1807 Embargo Act to the Open Door policies, from the Marshall Plan to the Global Magnitsky Act, US policymakers have wielded economic carrots and sticks to advance the national interest. This has been particularly true since the end of the Cold War. The centrality of the United States to global finance has enhanced American power and made sanctions more appealing to policymakers.

When he was running for president, Donald Trump exulted in his clashes with the foreign policy establishment. When it came to economic statecraft, however, Trump was even more enthusiastic than the foreign policy community. Indeed, one of the things that makes President Trump stand out from his predecessors is the frequency and ambition of his administration's approach to economic statecraft. This president has been keen to use economic leverage to extract concessions across a wide array of security and economic issues. Since taking office, the Trump administration has either imposed sanctions or escalated economic pressure against Canada, Mexico, El Salvador, Honduras, Guatemala, Nicaragua, Cuba, Japan, North Korea, South Korea, Russia, Saudi Arabia, Turkey, Venezuela, Pakistan, India, China, and the European Union. It has also slapped worldwide tariffs on steel and aluminum imports and may do so in the automobile sector. The sanctions target list has included the Iranian Revolutionary Guard Corps, Iran's Foreign Minister, Huawei officials, and International Criminal Court investigators. This is a president whose foreign policy is defined by "maximum pressure" campaigns.

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The Washington Quarterly • 42:3 pp. 7–24
https://doi.org/10.1080/0163660X.2019.1663072

Has the severity and scope of this administration's economic statecraft been productive? Any conclusions about the Trump administration's economic diplomacy must be tentative. After only a thousand days in office, some of its initiatives could bear fruit. Nonetheless, a few preliminary lessons can be drawn at this juncture. First, the administration's use of economic diplomacy to secure economic concessions has achieved surprisingly little, and there is no reason to expect a better record in the future. Second, the administration's maximum pressure campaigns have succeeded at imposing costs on targets but have not led to better bargains. Third, the administration has hamstrung many of its efforts through basic errors of diplomacy. A statecraft gap is emerging between the United States and the other great powers capable of playing this game; simply put, the United States is getting worse at economic diplomacy just as other countries are learning how to adroitly wield economic instruments. By focusing on sticks to the exclusion of carrots, the Trump administration has squandered the United States' economic leverage. In the process, it has also undercut whatever strategic advantages it inherited from its predecessors.

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The Trump View on Economic Statecraft

Economic coercion and protectionism have a spotty track record, but it is possible for Trump to point to instances in American history when they seemed to work. The US economy became the world's largest during a period of high tariffs, a fact that Trump has repeated multiple times.[1] The United States has had significant success with sanctions ranging from the 1956 Suez crisis to the sanctions forcing Libya to end its WMD program. Throughout his adult life, Trump has said that the United States had not used its enormous capabilities to strike better bargains with allies and adversaries alike. He was emphatic on this point in the security sphere. In 1990, he said, "We Americans are laughed at around the world for losing a hundred and fifty billion dollars year after year, for defending wealthy nations for nothing, nations that would be wiped off the face of the earth in about 15 minutes if it weren't for us. Our 'allies' are making billions screwing us."[2] In 2013, he complained: "How long will we go on defending South Korea from North Korea without payment? When will they start to pay us?"[3] In 2016, Trump bashed the Iranian nuclear deal as "a terrible negotiation. It was negotiated by people that are poor negotiators against great negotiators."[4]

Trump made similar comments about the open global economy. For decades, Trump articulated the belief that the United States was on the losing end of the liberal international order. He interpreted trade deficits as a sign of economic weakness and insisted that a renegotiation of these bargains was vital to the United States. In 2016, he characterized NAFTA as "perhaps the worst trade deal ever signed in the history of this country."[5] He also complained about "the stupidity of the trade deals that we have with China, with Japan, with Mexico."[6] In both the economic and security realms, Trump claimed the United States possessed enormous leverage that had not been fully realized. In March 2018, he tweeted: "When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win."[7] A year later, he characterized tariffs as "the greatest negotiating tool in the history of our country."[8] Consistent with his background as a real estate developer, Trump evinced the belief that he could cajole and harangue other countries into making concessions to the United States.[9]

Trump endeavored to convert his worldview into official policy from the first day of his presidency. In his inaugural address, the president pledged, "We've made other countries rich while the wealth, strength, and confidence of our country has disappeared over the horizon … . From this moment on, it's going to be America First."[10] A few days later, he withdrew the United States from the Trans-Pacific Partnership (TPP). In his letter introducing the 2017 National Security Strategy, President Trump pledged that "the United States will no longer tolerate economic aggression or unfair trading practices." The document itself noted, "Economic tools … can be important parts of broader strategies to deter, coerce, and constrain adversaries."[11] Trump's belief in hard-nosed bargaining was also reflected in his staffing decisions, such as US Trade Representative Robert Lighthizer and National Security Advisor John Bolton.[12]

Trump came to the presidency at the perfect moment to attempt a more aggressive approach to economic coercion. Over the previous two decades, US policymakers have updated laws on economic sanctions and export controls to enhance the tools of economic coercion.[13] Successive administrations have exploited the US dollar's central role in global capital markets to enhance the power of financial sanctions.[14] Through correspondent banking accounts, virtually all financial transactions denominated in dollars pass through the United States. The US government has leveraged this chokepoint to block exchanges to entities in Iran, Russia, and elsewhere.[15] The success of these financial instruments flipped the conventional wisdom on

> **Over the previous two decades, US policymakers have enhanced the tools of economic coercion.**

sanctions in Washington, DC. By the time Trump was inaugurated, bipartisan enthusiasm for sanctions had reached an all-time high.

There was also more bipartisan support for elements of Trump's "America First" strategy than is commonly appreciated. Trump was hardly the first US leader to demand greater defense contributions from NATO allies: both president Obama and his secretary of defense castigated European members to spend more. Legitimate concerns about China gaming the system through forced technology transfer and unfair trade practices predate Trump by more than a decade. Nor was Trump the only US politician to demand a redistribution of benefits from the world trading system. In 2016, Ted Cruz, Bernie Sanders, and Hillary Clinton sounded just as mercantilist as Trump did. Growing public fatigue with wars in the Middle East has made economic statecraft seem like a more palatable policy substitute. Enthusiasm for enhanced financial statecraft was bipartisan in nature. Trump's preferred means and ends fall squarely within the political mainstream.

There has also been some support within the scholarly literature for the idea that the United States could exploit its economic and security advantages to secure a better set of deals. Some political scientists have argued that security ties can be leveraged into better economic deals.[16] Economists from Albert Hirschman to Paul Krugman argued that a country running a large trade deficit was in a better bargaining position vis-à-vis its trading partners.[17] Research on economic sanctions indicated that the Trump administration might be primed for success. Many of the suggested targets for economic pressure were US allies and partners, and the academic literature posited that allies are more likely than adversaries to acquiesce to sanctions. Furthermore, the enhanced costs exacted by financial sanctions implied that more concessions should be wrung from targeted states.[18]

The Trump Administration's Actions

Trump's rhetoric has been matched by economic diplomacy. Almost immediately after taking office, Trump withdrew the United States from the Trans-Pacific Partnership (TPP). He demanded that South Korea renegotiate the Korea-US Free Trade Agreement (KORUS FTA) and that Canada and Mexico renegotiate NAFTA, titling its successor as the USMCA (US-Mexico-Canada Agreement). Using an obscure national security provision of US trade law, Trump in May 2018 imposed tariffs of 10 percent on all aluminum imports and 25 percent on all steel imports. The administration blocked the appointment of judges to the WTO's appellate body, ensuring the functional end of that dispute settlement mechanism by the winter of 2019.

The Trump White House also linked trade sanctions to immigration in threatening Mexico and Central America. In 2019 alone, Trump first threatened to close the border and then threatened a series of escalating tariffs unless Mexico agreed to do more to stem the tide of asylum seekers making their way from Central America to the United States. The administration also cut off all foreign aid to El Salvador, Honduras, and Guatemala unless those countries did more to stop the flow of migrants into the United States.

The use of maximum pressure campaigns has proliferated, with the most visible targets being North Korea, Iran, and Venezuela. The administration invested significant diplomatic capital during its first year in office to squeeze the North Korean regime as hard as possible. This included a new round of UN Security Council sanctions, as well as pressure on China for it to enforce those sanctions against its one treaty ally. The United States also encouraged allies and partners in the Asia-Pacific region to clamp down on illicit DPRK activities run out of its embassies and consulates. The Trump administration has insisted that the maximum pressure campaign against North Korea remains in effect despite multiple summits and copious amounts of written correspondence with Kim Jong Un.

The Trump administration followed a similar playbook for Iran and Venezuela. In 2018, the United States withdrew from the nuclear deal with Iran (formally known as the Joint Comprehensive Plan of Action, or JCPOA) and re-imposed financial sanctions on Iran. In 2019, the United States designated the Iranian Revolutionary Guard Corps (IRGC) as a foreign terrorist organization and eliminated exemptions for other countries to import Iranian oil. The expressly stated goal of the administration was to reduce Iran's oil exports to zero.[19] Similarly, in Venezuela, the United States cooperated with the Lima Group to withdraw diplomatic recognition of the Maduro regime. By recognizing Juan Guaidó as the interim Venezuelan leader, the United States was attempting to block the Bolivarian regime from access to Venezuela's official overseas accounts, heightening pressure on an already exhausted economy.[20] In August 2019, the administration also pledged to impose secondary sanctions on any foreign firm doing business with Maduro's regime.

The most significant and frequent target of the Trump administration's economic statecraft has been China. In early 2018, the United States imposed Section 201 tariffs on solar panels and washing machines in response to surges in Chinese imports.[21] That summer, the administration imposed Section 301 tariffs of 25 percent on more than US$50 billion worth of goods. By September, Trump had escalated the trade war by imposing a 10 percent tariff on an additional US$200 billion worth of Chinese imports. After negotiations with China broke down in the spring of 2019, the administration raised the tariffs on the second tranche of goods to 25 percent.[22] In August, the president ordered that China be labeled a currency manipulator and imposed an additional 10 percent tariff on approximately US$150 billion of goods in September. The president has threatened a 25 percent tariff on an additional US$300 billion worth of Chinese imports by the end of 2019.

The Trump administration also began to impose a series of sanctions and law enforcement measures designed to stop the Chinese firm Huawei from establishing the global network standard for 5G, the next generation of cellular network technology offering broadband access. The administration has insisted that the Chinese government will exploit Huawei's role in any 5G network to gain covert access to confidential data, compromising national security. In 2018, the US government banned Huawei phones from being sold at US military installations and banned US government contractors from using Huawei devices. In May of 2019, Huawei was put on the Commerce Department's "entity list," which bans firms from selling inputs to the Chinese company without federal government approval. This administration also threatened allies that cooperation on intelligence-sharing could be severed unless they restricted Huawei's role in crafting their 5G networks.

So, what has been gained from this administration's flurry of economic coercion?

The Limited Utility of Tactical Issue Linkage

Trump's efforts to coercively link economic access with security issues (including the administration's view of immigration) have largely failed. Ironically, this can be seen best in the administration's greatest success to date: its renegotiation of deals with South Korea. In theory, this was the bilateral relationship in which the United States had the greatest leverage: South Korea is a close treaty ally of the United States and relies on the US security umbrella. Trump began applying pressure at exactly the moment when North Korea was ramping up its bellicosity. If there was any point at which Trump could have successfully linked security and economic bargains, it was this one. His administration demanded more favorable terms for KORUS FTA and a greater South Korean contribution to hosting US military bases.

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In the end, new agreements were struck, but the concessions were meager. South Korea agreed to voluntarily restrict steel exports to a lower level. The United States extended some protections against ROK truck imports and got South Korea to raise quotas for US truck imports. These concessions were symbolic; South Korea does not export trucks to the United States, and the United States does not export more trucks than prior quota levels to Korea. In total, these concessions will have no effect on bilateral trade.[23] This dynamic played out again in the renegotiation of the US-ROK basing agreement, in which Seoul agreed to increase its contribution by less than US$100 million.[24] In both KORUS FTA and the basing agreement, the United States secured more favorable terms; in neither case were the concessions particularly significant.

A similar story can be told with respect to the Trump administration's efforts to link Mexico's immigration policies to its access to US markets. In March 2019, Trump threatened to close the southern border unless Mexico cooperated more on immigration enforcement actions, but backed down less than a week later. He then threatened in May to increase tariffs unless the Mexican government took action. After a week of brandishing this threat, Mexico and the United States announced a deal in which both governments pledged to take more aggressive enforcement actions against Central American asylum-seekers. Despite the president's claims of significant concessions, however, press reports suggest that the primary accomplishment was the public codification of terms that had been negotiated prior to Trump's sanctions threats.[25] Trump then claimed the existence of "secret" concessions on agriculture, but Mexican officials denied this, and US officials could provide no evidence of their existence.[26] To be sure, Mexican enforcement actions against Central American asylum-seekers have ramped up, but 2019 refugee flows still exceed previous years.

Other efforts at tactical issue linkage proved to be even less effective. This is best epitomized by the administration attempts to limit Huawei's role in the construction of 5G networks in allied countries. After Canada complied with a US request to arrest the daughter of Huawei's founder, Trump hinted that her case could be resolved as part of a broader trade deal with China.[27] Beijing ignored that linkage, instead arresting two Canadians in retaliation. Similarly, the Trump administration's months-long campaign to convince allies to block Huawei from participating in construction of their 5G networks failed. Only Australia has followed America's lead in effectively banning Huawei. NATO allies refused to do so, forcing the Trump administration to back down on its threats.[28] By May 2019, US intelligence officials acknowledged that Huawei would be likely to control as much as 60 percent of the global 5G network.[29]

Economic Coercion for Economic Purposes

The use of tariffs and trade restrictions to pressure other countries into making economic concessions has a long history in the United States.[30] The Trump administration revived this dormant practice after decades of US reliance on WTO procedures to pry open foreign markets, and its track record in these endeavors could be described as uneven at best and paltry at worst. Its most notable success was the renegotiation of NAFTA into the USMCA. US allies did make some concessions in the renegotiated deal: Canada agreed to reduce import restrictions on dairy, and Mexico agreed to revised rules of origin on automobile components. The USMCA also includes a clause designed to block member countries from launching separate trade deals with authoritarian countries such as China. Nonetheless, trade analysts agreed that 95 percent of the USMCA came from the original NAFTA text, and the changes made USMCA less trade-promoting than its predecessor, angering both partner countries.[31] Furthermore, in order to boost the odds of ratification, the Trump administration had to agree to drop its steel and aluminum tariffs against both countries. Even with this move, USMCA ratification is far from guaranteed as of this writing.

The administration's efforts to use tariffs to force concessions from other allies, such as Japan and the European Union, have proven to be even less fruitful. Indeed, in response to the steel and aluminum tariffs, both countries raised tariffs on a variety of US goods. EU president Jean-Claude Juncker told Trump, "If you want to be stupid, I can be stupid as well."[32] The administration launched bilateral trade talks with both jurisdictions, but it would be difficult to characterize this as a concession. The European Union had been negotiating a Transatlantic Trade and Investment Partnership (TTIP) with the United States under the Obama administration. Similarly, Japan had already made concessions to the United States as part of the TPP negotiations. There is no evidence that either set of trade talks will be completed anytime soon.

Finally, the administration's trade war with China has yielded little but collateral damage. Beijing responded to increases of US tariffs with reciprocal increases of its own, targeted primarily at US agricultural producers. Despite hints at a trade deal being reached in the spring of 2019, China subsequently hardened its position, perceiving that Trump needed a deal to bolster his reelection chances. In response, the United States and China implemented additional rounds of tit-for-tat tariffs, with no end in sight. By summer 2019, China had slapped tariffs on more than US$110 billion of US exports and had hinted at a cutoff of rare earth exports and students studying at US universities.[33]

The economic costs have been significant. US firms ostensibly thought to benefit from protectionism have suffered. The two companies that initially petitioned for protection on solar panels went out of business.[34] Whirlpool's sales and stock prices suffered after tariffs were placed on washing machines.[35] Weaker demand due to higher steel prices caused firms like US Steel to shutter plants and see their stock price fall precipitously.[36] Support payments to farmers affected by the trade war with China exceed the increased tariff revenues collected by 30 percent.[37]

Contrary to Trump's oft-repeated claims that China is paying higher tariffs, econometric analyses confirmed that US consumers and companies are shouldering almost all of the burden.[38] Economists estimate that the trade wars have exacted a deadweight loss in the billions, with monthly costs rising over time.[39] Multiple analyses conducted in the spring of 2019 suggest that a prolonged trade war will wipe out all the gains from the 2017 tax cut for middle-class Americans and shave US GDP growth this year by 0.3 percent.[40] Even administration supporters acknowledge the costs: National Economic Council director Larry Kudlow allowed that "both sides will suffer" from a trade war, and Senator Tom Cotton (R-AR) went so far as to compare the pain borne by US consumers to the sacrifice made by American soldiers during the Second World War.[41]

> Great powers generally do not acquiesce to economic pressure from other great powers.

The failure of tariffs to force China into significant concessions is unsurprising. As a great power rival that would logically anticipate frequent conflicts with the United States in the future, the Chinese government has little incentive to make significant concessions in the present. As a general rule, great powers do not acquiesce to economic pressure from other great powers, for fear that this precedent would undercut their bargaining position in future conflicts.

Given the close ties between the United States, the EU, and Japan, the failure of either of those actors to offer concessions is more surprising. Even more worrisome for the United States is the degree to which its trading partners have adapted to US economic diplomacy by lowering trade barriers with each other. In the years that Trump has been president, the European Union has signed and ratified trade pacts with Japan, Canada, Vietnam, and Mercosur. Despite the US withdrawal, the TPP was ratified. China has continued to push for a Regional Comprehensive Economic Partnership (RCEP) in the Asia-Pacific region. At the same time, Beijing raised tariffs against the United States and lowered tariffs with other key trading partners including the EU. These moves have blunted the economic pressure posed by Trump's tariffs.

The Maximum Pressure Campaigns

The Trump administration's greatest arena of success in economic statecraft has been its further weaponization of finance to enhance its maximum pressure campaigns against countries like Iran, North Korea, and Venezuela. This comes through most clearly in its efforts to ramp up economic pressure on Iran following the US withdrawal from the JCPOA. The United States pressured SWIFT, the Belgium-based messaging network that facilitates cross-border payments, to blackball Iranian banks under US sanctions. The European Union, whose key members remained in the JCPOA and wanted to see the deal succeed, demanded that SWIFT do no such thing. In the fall of 2018, SWIFT acceded to the Trump administration's request, isolating Iran further.

There is no denying that the maximum pressure campaigns have weakened targets. Iran is the healthiest economy of the three countries against which maximum pressure campaigns have been initiated. After the re-imposition of US sanctions, Iran's oil exports fell by more than 50 percent, its GDP contracted, and the value of its currency fell by more than 60 percent.[42] In response to its worsening economic position, Iran has violated the terms of the JCPOA by enriching uranium past agreed-upon levels, signaled its intent to restart its nuclear program, and has been accused of launching attacks on oil tankers and US drones in the Persian Gulf in June 2019. In response, Trump has ordered his more hawkish advisers to tamp down their rhetoric.[43]

Venezuela's economy, suffering from hyperinflation and rationing, is in even worse shape. Nonetheless, these sanctions have failed to generate any concessions. In Venezuela, Maduro remains in power despite a collapsing economy. President Trump has reportedly grown frustrated at the failure of sanctions to dislodge the regime and is "losing both patience and interest in the situation."[44]

The maximum pressure campaign on North Korea did not stop Kim Jong Un from testing its nuclear weapons or its ballistic missiles in 2017. It is more likely that North Korea halted its nuclear tests because it successfully achieved a hydrogen bomb explosion, obviating the need for further nuclear tests. The multiple summits between Trump and Kim have inevitably eroded the isolation of the North Korean regime. Following the breakdown in bilateral talks after the Hanoi summit, North Korea started launching ballistic missiles—a violation of UN Security Council resolutions.

> The maximum pressure campaigns have weakened targets, but there are several problems.

The Trump administration's weaponization of finance has ratcheted up the potency of US economic sanctions. There are several problems with its maximum pressure campaigns, however. The first is that the administration has escalated its demands along with the economic pressure. In Venezuela, the administration is demanding regime change, and the official list of demands placed on the Iranian regime are tantamount to the Islamic Republic's unconditional surrender.[45] With demands so outsized, even the most punishing economic sanctions will not yield concessions.

It is possible that the Trump administration views these maximum pressure campaigns as acts of economic warfare rather than economic coercion; the goal is not to extract concessions, but rather to permanently weaken adversaries. This creates its own risks of escalation, however. If Iran, North Korea, or Venezuela perceive that there is no bargain to be struck with the Trump administration, they have an incentive to escalate their behavior in ways that increase costs to the United States. Kim Jong Un can launch more ballistic missiles, the Maduro regime can weaponize the flow of refugees to destabilize neighboring countries, and Iran has many asymmetrical means at its disposal to destabilize the Persian Gulf region. It is worth remembering that the 1940 US oil embargo of Imperial Japan convinced that government that they had no choice but to launch a preemptive attack on Pearl Harbor.[46] The United States should be concerned that its maximum pressure campaign could force these countries to pursue similarly risky behavior.

The final problem is that the excessive use of secondary sanctions to apply maximum pressure degrades the long-term ability of the United States to wield financial sanctions. The Trump administration succeeded in securing multilateral cooperation in its maximum pressure campaigns against North Korea and Venezuela.[47] The administration's unilateralism on Iran, however, is far more problematic. It represents the first time the United States has used this tool of statecraft without the EU's buy-in. Russia and China were already developing alternative payment schemes to bypass use of the dollar, and the secondary sanctions on Iran triggered India and the European Union to take active measures to work around US financial sanctions.[48] The EU created a special purpose vehicle to enable cross-border transactions with Iran. More disturbingly, multiple European officials discussed the need to reduce EU dependence on the dollar and to promote the use of the euro in its stead.[49] None of these individual responses are particularly significant, but combined, they demonstrate an increase in great power abilities to evade US financial sanctions.

The Long-Term Effects

Two themes dominate the Trump administration's record of economic statecraft. The first is the widespread use of economic coercion. Whether through tactical issue linkage, traditional tariffs, financial statecraft, export controls, or combined uses of multiple measures, the Trump administration appears to have sanctioned almost every major economy in the world. The second theme is the surprisingly low rate of return from these efforts. These measures assisted in the renegotiation of KORUS FTA and NAFTA, but neither case represents a dramatic redistribution of benefits. The trade war with China has yielded nothing beyond economic pain; the same is true of the administration's use of steel and aluminum tariffs. The maximum pressure campaigns have undeniably increased the economic pain felt by ordinary North Koreans, Venezuelans, and Iranians, but it has not forced the brutal regimes in those countries to make any concessions. If anything, these governments have hardened their positions. Most of these sanctions are ongoing, but the academic literature is pessimistic about their outcome; historically, successful sanctions attempts are more likely to end sooner rather than later.

It is certainly possible that, a year or two from now, this record might look better. China and the United States could cut a trade deal more favorable to the United States than the status quo. The Maduro regime might collapse under the weight of its corruption and repression. However, while these outcomes are possible, they are unlikely. The Trump administration has made maximalist demands of target governments that anticipate frequent conflicts with the United States. The president has vacillated widely in his stated demands and frequently contradicted the public statements of his subordinates. This is not a formula for generating successful outcomes.

The long-term implications are more disconcerting. The geopolitical costs of sanctioning other great powers are rising. The administration's bellicosity has helped to cement the Sino-Russian entente into a stronger partnership,[50] which runs contrary to US interests. At the same time, the administration's tariffs and secondary sanctions have alienated the European Union, America's most powerful partner. The economic costs of Trump's statecraft are also increasing. The direct costs of the trade wars are projected to rise to the hundreds of billions for the US economy.[51] The uncertainty injected into the economic environment by all these sanctions and tariffs exact an insidious toll by blunting the incentive for investment. It is unsurprising, then, that foreign direct investment into the United States has shrunk every year since Trump has been in office.[52] Economic growth has slowed and financial markets have become more jittery as Trump's trade wars have dragged on.

The biggest statecraft gap has been the absence of carrots from the US menu.

The biggest statecraft gap between the United States and its great power peers has been the absence of carrots from the US statecraft menu. China and Russia have also ratcheted up their use of economic coercion in recent years. The difference is that those countries, along with the European Union, have deployed economic inducements as well. The European Union developed the Eastern Partnership and inked trade deals with countries such as Canada, Japan, and South Korea. China cut tariffs to other countries at the same time that it raised them against the United States, winning new friends and ameliorating the costs of the trade war.[53] China has also spent years promoting the Belt and Road Initiative (BRI) to cement stronger ties with states in Africa, Asia, Europe, and Latin

America. Even Russia created the Eurasian Economic Union to bolster its regional ties. Not all these initiatives are likely to pan out, but these countries can legitimately claim to be proffering inducements as well as sanctions. In contrast, the Trump administration has eschewed carrots in favor of sticks.

The long-term effects of the administration's approach to statecraft is a world of fewer friends and waning influence. The more that the Trump administration ratchets up barriers to outsiders, the less central the US economy will be to the world. At the same time, traditional US allies in Asia, Europe, and Latin America will expand their ties with other great powers while hedging their economic relationship with the United States. If the Trump administration pursues this path for the next one to five years, the result would be a US economy less central and less productive relative to the rest of the world.

Lessons Learned?

The Trump administration has fused together an array of sanctions, export controls, tariffs, and tactical issue linkage against allies and adversaries alike, applying this toolkit to issues ranging from trade deficits to terrorism. This ambitious effort has led to a few modest concessions from allies and deadlocks among adversaries. Compared to what the statecraft literature would expect, however, any outcome assessment would range from underwhelming to appalling. It is possible that the administration's overall track record will improve, but this outcome is not very likely. The long-term effects of all of these measures will exact an ever-increasing cost on US security and economic interests.

The best that future administrations can hope for is to learn from the Trump administration's mistakes. The most important lessons are also the most banal. Demands made on the target states need to be coherent: the Trump administration claims it wants China to open up its economy, but its unrelenting attacks on Huawei and ZTE have convinced the Chinese leadership to double down on ensuring economic autonomy. On Iran, the administration has failed to clarify whether it is seeking regime collapse or a renegotiation of the nuclear deal. In neither case are Trump's demands proportionate enough to make acquiescence a conceivable outcome for the target.

Similarly, loudly threatening sanctions accomplishes little beyond raising the audience costs for the target, which will also make concessions smaller and less likely. President Trump's repeated threats and climbdowns have made economic coercion more ineffective by eroding the credibility of US threats. The sanctioning of allies should be less frequent; otherwise, the United States will find itself with fewer partners. Over the longer term, the United States needs to develop a reliable doctrine on when to threaten networked sanctions, how to resist being the target of other actors' efforts to weaponize interdependence, and how to use carrots as well as sticks.

The Trump administration inherited some well-oiled machinery to apply economic pressure against other countries. Like any machine, the institutions of economic statecraft need to be properly maintained. Instead, the president and his foreign policy team have redlined every pressure instrument at their disposal. At this rate, the US ability to use economic statecraft to advance its short-term interests will not be sustainable. The end of the open economic order—a key mechanism constraining great power wars—is now subject to debate. As it turns out, trade wars are neither good nor easy to win. Hopefully, future US policymakers will remember this lesson.

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