President Trump’s Foreign Economic Reforms: Preliminary Results

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Abstract—The main directions and preliminary results of the policy of President D. Trump in the foreign economic sphere are analyzed. The reasons for and main goals of the ongoing radical reforms in US foreign economic relations are shown. China occupies a special place in US foreign economic policy. The essence of US claims against China is analyzed, and an assessment of the economic relations between these two countries is given. The author concludes that serious contradictions are inherent in the modern US foreign economic strategy. Many decisions in this area have already resulted in significant losses for American companies and consumers. It is noted that in its strategy, the Trump administration seeks to achieve not only short-term goals (for example, to reduce the foreign trade deficit) but also long-term ones: to strengthen the economic, scientific, and technical security of the United States in the wake of intensifying international competition.

Keywords: D. Trump’s foreign economic strategy, foreign economic reforms, foreign trade, trade deficit, US trade with China, intellectual property, exchange rate, payment balance.

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Among the economic reforms of the D. Trump administration, the key direction is perhaps their foreign economic component. It is quite multifaceted, including Trump’s main preelection promise—to return jobs to the United States; the revision of bilateral trade agreements; a new approach to multilateral trade and economic cooperation; the desire to improve the US trade balance, which has had a gigantic deficit for many decades; and the revision of foreign investment policy. Of course, the foreign economic strategy gives considerable importance to the goals of protecting intellectual property. An important role in foreign economic reforms, even if indirectly, is played by the migration problem, although it undoubtedly has primarily domestic political significance.

Trump’s three years in office allow us to make some preliminary assessments of his foreign economic policy.

FOREIGN ECONOMIC STRATEGY: GOALS AND DIRECTIONS

Officially, the Trump administration’s foreign economic strategy is based on five fundamental principles. As is noted in the 2018 annual report of the US Council of Economic Advisers, these principles imply ensuring the country’s national security, strengthening the American economy, achieving more favorable trade agreements for the United States, promoting US trade law provisions, and reforming the multilateral trading system [1].

Note that these principles declared by the administration undoubtedly require concretization since they do not give a clear and precise understanding of exactly what goals the American government pursues in the field of international trade and other areas of intergovernmental economic interaction.

Let us specify these goals proceeding from the official position of the United States. In accordance with the stated strategy, foreign economic and, above all, trade policy must pursue global national interests and therefore must comply with the national security strategy. In achieving this goal, the administration proceeds from the premise that trade agreements should not strengthen competitors and weaken the American position.

The next key task is to renegotiate trade agreements that are outdated in the opinion of the administration and do not correspond to US interests. The most important in this regard were considered the trade agreement between the United States, Canada, and
Another major goal of foreign trade reform is the active promotion of the principles of American commercial law in relations with US partners. It is noted that the United States no longer intends to tolerate other countries using unfair, in the US opinion, trade practices and intends to seek the application of national American legislation in international trade. The Commerce Act of 1974 is an example of such legislation. According to Article 301 of this act, the President of the United States has the right to retaliate against countries that violate fair trade rules or discriminate against the United States in trade relations, including the imposition of trade quotas, duties, and sanctions. Another tool in the fight for “fair trade” is Article 232 of the Trade Expansion Act of 1962, which deals with the possible impact of imports on national security. Both legislative provisions have already been applied by the Trump administration as a basis for raising tariffs on steel and aluminum and raising tariffs on goods imported from China in the amount of $250 billion. The Trump administration is also more actively than its predecessors using antidumping tools to restrict the imports of its competitors.

An important role in the US foreign trade strategy is assigned to upholding American interests in the World Trade Organization (WTO). The Trump administration has sharply criticized the WTO, noting that the organization is no longer able to exercise a regulatory role in world trade and confront existing challenges. In particular, the practice of resolving trade disputes when the WTO goes beyond its mandate is criticized. Trump has repeatedly accused the WTO of low efficiency, demanding radical reforms in decision-making mechanisms.

According to the strategy adopted, starting from 2018, the United States began to apply restrictive measures in foreign trade, guided by considerations of national security and in order to protect domestic producers. For example, in October and November 2017, the US International Trade Commission concluded that US imports of solar panels and washing machines were detrimental to the production of similar goods in the United States, and therefore the relevant US industries need protectionist measures to protect domestic production and the market. Earlier, in 2017, representatives of both industries applied to the government with a request to conduct an appropriate investigation under Article 201 of the Trade Act of 1974. Note that this was the first investigation of this kind after 2001. As a result, President Trump approved import duties on solar panels worth $8.5 billion and import duties on washing machines worth $1.8 billion.

In retaliation, the Chinese government introduced antidumping and countervailing duties on US imports of sorghum grain in the amount of $1 billion (178.6% of its value). South Korea, in response to the US actions, appealed to the WTO, believing that the United States, in introducing import duties, violates the rules of the international organization.

The second major protectionist measure to protect domestic producers was President Trump’s initiation in April 2017 of an investigation into US steel and aluminum imports from abroad as a threat to national security, under Article 232 of the US Trade Expansion Act of 1962. The result of this investigation was the announcement by President Trump of an upcoming increase in import duties on steel (by 25%) and aluminum (by 10%) in connection with an alleged threat to national security. Subsequently, in March 2018, this increase was supposed to affect the imports of these goods in the amount of $48 billion, mainly from Canada, the European Union, Mexico, and South Korea. Supplies from China accounted for only 6% of the total value of imported steel and aluminum [2].

In June 2018, the United States lifted temporary exemptions from increased customs duties on the European Union, Canada, and Mexico. The EU’s retaliatory measures followed quickly: Europe introduced additional duties on American goods in the amount of $3.2 billion. This includes industrial and agricultural products, as well as motorboats, yachts, motorcycles, jeans, whiskey, peanut butter, etc. Canada, in turn, introduced duties on goods worth $12.8 billion. At the same time, the American government announced its intention to subsidize its farmers in the amount of $12 billion to prevent possible losses as a result of the introduction of new import tariffs.

As a third pillar of the strategy—to tackle unfair trade practices in technology and protect intellectual property—the United States launched investigations against China under Article 301 of the Commerce Act of 1974. According to the US Trade Representative R. Lighthizer, the US losses from illegal trade practices range from $225 to $600 billion annually. In March 2018, the US administration published a report accusing China of such practices and announcing appropriate measures to overcome such phenomena. It was about more than 1300 items of goods from China in the amount of $50 billion on which an additional duty of 25% could be introduced. The list included products from various branches of machine engineering. In retaliation, China published a list of 106 products to be subject to a 25% duty. It consisted mainly of vehicles (aircraft, ships, cars) and agricultural products.

In the months that followed, the parties exchanged updated lists of goods subject to higher tariffs until the United States enacted new tariffs on goods worth $34 billion in July 2018. China immediately responded with a similar measure.

The mutual increase in duties took on the character of a real trade war. In July 2018, US Trade Representative Lighthizer unveiled an upcoming $200-billion
10% tariff hike on imports from China, which included a variety of goods, including computers, mobile phones, and clothing. In August, the United States began to threaten a 25% increase in duties on all these goods.

The fourth direction of President Trump’s new foreign trade strategy was the desire to impose restrictive import duties on cars and their components in the amount of 25% for a total import of $208 billion. So far, decisions on this issue have been postponed. Their introduction, according to many experts, could cause extremely serious retaliatory measures on the part of, in the first place, the US allies—the EU, Japan, and other countries. As the US Trade Representative announced, according to the administration’s current action plan in this area, the administration should have negotiated with interested countries and reached an agreement on trade in automotive products by November 13, 2019. However, no solution to this issue has been found in 2020.

As the fifth major foreign trade initiative, President Trump announced in May 2019 his intention to impose a 5% duty on all Mexican imports to the United States to be financially able to counter illegal immigration from this country. Since an arrangement was reached with Mexico in June 2019 on measures to restrict illegal immigration to the United States, the introduction of this duty, scheduled for June 10, 2019, has been suspended.

Note that American society reacts very controversially and largely negatively to the administration’s policy in the field of international trade. Thus, according to a 2019 survey by the Gallup Sociological Service regarding the first round of the tariff war between the United States and China in 2018, there are twice as many Americans who believe that an increase in trade duties will harm the US economy than those who believe that it is a useful solution for the economy. About 45% of the respondents believe that the long-term effect of these measures will be negative compared with 31% of those who expect positive results from the increased tariffs [3].

The country’s business circles, especially in the agricultural sector, are extremely negative about Trump’s tariff policy. It is the US agriculture that has already suffered tangible losses from China’s retaliatory measures to increase trade duties on US agricultural products.

Many experts believe that, in principle, it is not entirely clear what goals the US administration is pursuing in implementing its foreign economic strategy. Professor D. Irwin of Dartmouth College raises the question of what Trump’s goals are in the trade war with China: is the war of trade duties an attempt to force China to change its foreign trade practices? Or is it an instrument of punishment by destroying economic cooperation [4]?

Relations with China occupy a special place in the US foreign economic policy [5]. First of all, China is the largest trading partner of the United States. After China’s accession to the WTO in 2001, the volume of US–China trade increased from $125 billion to over $700 billion in 2018. During this period, China’s GDP quadrupled and began to occupy the second position in the world table of ranks. However, the US view of China has evolved greatly over the years: from the perception of it as a partner beneficial for the United States to the presentation of it as the main competitor and an immediate threat to America’s national interests.

It would be wrong even now to assess China only from the negative side, as can be seen in the position of the current American administration. In bilateral economic relations, there are certainly both benefits and costs for the United States. For example, between 1995 and 2001, US exports to China contributed to the creation of 1.8 million jobs in the United States, mostly in services, agriculture, and equipment manufacturing. American consumers also benefited from mutual trade. For the period 2000–2007 alone, imports of cheap consumer goods from China amounted to $202 billion, which ultimately led to a gain of $101200 for each manufacturing job lost.

Indeed, job losses in US manufacturing were palatable. From 1999 to 2011, they amounted to 560000, and, taking into account related industries, they are even higher, 2 million jobs. However, if we consider the structure of goods imported from China to the United States by value added, these estimates are clearly exaggerated. For example, in every iPhone imported from China to the United States, the share of value created in China is only 3.6%. The rest was created in the United States as a software product. China only carries out the final assembly of phones.

If we take into account this kind of calculations, then all US imports from China should be reduced by about 32%. It is fair to say that the initial negative effect of interaction with China in terms of the impact on jobs in the country has already ended, and the current stage of economic relations is moving into the area of high-tech competition. Note that since 2010 in the United States there has been no massive transfer of jobs abroad; on the contrary, 1.2 million new jobs have been created in the manufacturing industry over the past eight years.

As was already noted, one of the central issues of US economic relations with China for the US administration is the issue of the trade deficit. Indeed, the US trade deficit with China increased from $81 billion in 2001 to $336 billion in 2017, accounting for 60% of the total US trade deficit [6].

However, many experts believe that the US trade deficit with China must be viewed in the context of the causes of the overall trade deficit, which is not so much the result of restrictions on US exports as...
a reflection of the low saving rate in the United States. This, in turn, requires an inflow of foreign capital to finance domestic investment needs and public debt. Attempts to reduce the deficit without addressing the savings-investment gap are unlikely to change the balance of trade.

Actually, the facts show that the view of the trade deficit as a source of unequivocal losses for the economy is not true. Throughout the 2000s, during periods of sustainable growth and growing employment, the United States experienced an increase in the trade deficit. At the same time, the deficit shrank during periods of recessions and growing unemployment.

Speaking about the US trade balance with China, it is important to note one more circumstance that the formal statistics practically do not consider. Thus, if we take into account the activities of affiliated American and Chinese companies in each other's markets, we can see a much more balanced picture of bilateral economic relations between the countries. In this case, if we consider American investments and sales of American goods through affiliated companies, the role of the United States in the Chinese economy looks much more significant than official statistics indicates. On the contrary, Chinese business in the US market is represented mainly as direct exports from China. Considering the above, it turns out, contrary to official customs statistics, that the United States sells more to China than it buys from China.

Thus, according to calculations made by experts from the Brookings Institution and the American Enterprise Institute, the total sales of American companies to China, including direct exports ($228 billion) and sales of affiliated American companies in China ($574 billion), amounted to $802 billion in 2016. China’s sales to the United States, including direct exports ($523 billion) and sales of affiliated Chinese companies in the United States ($45 billion) are $568 billion. Comparing the exports of the two countries under this approach, we see that the United States had a positive trade balance with China. The difference is that 92% of Chinese exports came from direct shipments from China to the United States, while for the United States, 71% of exports came from sales to China through affiliated companies. Thus, the issue of the trade balance acquires a new dimension [6].

The possible goals of the unleashed trade war with China deserve special mention. The official list of claims against China is as follows.

1. China should stop requiring that US companies operating in the country transfer their technology to them. That is, the inflow of American investments should not be conditioned by the transfer of American technologies to China. In addition, there should be no restriction on the licensing terms for US companies of their technologies in China.

2. It is necessary to put an end to the practice when US companies trading with China must register their business in China as joint ventures.

3. China must stop industrial espionage against American companies and unauthorized cyberpenetrations into American companies to obtain information about new technologies.

4. The Chinese government should stop subsidizing national Chinese companies operating in high-tech sectors of the economy because this gives them unjustified advantages over foreign partners.

5. China should reduce barriers to US agricultural exports.

6. It is necessary to reduce the large US trade deficit in bilateral trade.

7. The Chinese government must stop manipulating the exchange rate of the national currency, the yuan, which gives China an advantage in foreign trade.

Of course, the United States is certainly interested in China meeting all its claims. In practice, it is rather difficult to attain this, especially since many of them contradict each other. Thus, if China, for example, meets the US claim to stop compulsory technology transfer, creation of joint ventures, and the borrowing of intellectual property, this will stimulate outsourcing from the United States on an even larger scale, which contradicts Trump’s call to return jobs to their homeland. Trump’s goal to reduce the trade deficit with China by increasing American exports involves strengthening interaction with China and thus contradicts another strategic goal—to limit China’s scientific and technological progress.

Most likely, Trump deliberately puts forward excessive claims on China, following his favorite tactic: first, to raise the stakes, then, judging by the circumstances, to give in a little and ultimately remain the winner. Of course, the American leader thinks not only in economic and strategic categories when going into a trade and political confrontation with China. His tasks, of course, are tactical as well: to demonstrate the achievement of any concrete results on the eve of future presidential elections. Trade negotiations between the United States and China, which took place in July 2019, again did not lead to an agreement and were postponed until October. The good health of the US economy in 2019 left the US administration with room to maneuver. The Chinese depreciation of the yuan against the dollar in August 2019 again exacerbated the situation in trade relations between the two countries and led to accusations by the United States of currency manipulation.

Only in January 2020 did the countries managed to conclude a preliminary trade agreement; according to it, the United States will not introduce the planned new trade duties in the amount of $6156 billion and will halve the previously introduced 15% duty in the amount of $120 billion. In turn, China promises to increase imports of goods from the United States by
$200 billion, strengthen control over intellectual property, and not devalue the yuan. For Trump, this agreement, even in its current, limited version, is of great importance on the eve of the presidential elections in 2020 [7].

In addition to the large-scale anti-Chinese direction, the goals of raising tariffs on steel and aluminum are not clear, nor is the expected increase in duties on the supply of cars and components to the United States from the EU and Japan. It is not by chance that American automakers oppose such strange protectionism: after all, they receive assembled cars and their components from their foreign enterprises. In addition, it is obvious that higher vehicle duties will directly affect retail prices.

Trump’s intentions regarding the WTO are also unclear. On the one hand, the US administration actively uses this organization as a means to resolve trade disputes, including those with China; on the other hand, Washington sharply criticizes the WTO decisions, which do not support the United States in all cases, and blocked the decision to appoint new lawyers to the organization’s appeal chamber.

Another issue where Trump’s position is highly controversial is the issue of the trade deficit. According to Trump, the trade deficit reflects the degree of US dependence on other countries. Obviously, this is not always true from a macroeconomic point of view. Huge imports of cheap goods into the United States from other countries, primarily from developing ones, created considerable advantages for the United States, allowing the use of the international division of labor in its own interests and curbing inflation. Usually, protectionist measures are introduced with the aim of supporting domestic industries in difficult times for the economy, in conditions when its competitiveness is low. By introducing protectionist measures in a very favorable situation for the US economy, the US administration only creates difficulties for domestic producers, making it difficult for them to interact with foreign partners, increasing production costs, and causing an increase in retail prices.

RESULTS, EVALUATIONS, AND PROSPECTS

How can we explain the inconsistency in the implementation of the foreign economic strategy of the American administration and in the goals of this strategy themselves? After all, they not only bring ambiguous results but also in many respects contradict the entire previous decades-long US foreign economic policy. As evidenced by the facts, the liberalization of trade and the world economy as a whole used to bring many benefits to the United States.

For millions of American households, lowering trade barriers meant lower retail prices and an increase in the variety and quality of goods and services. Free competition in international trade saturated the American market with affordable consumer goods, consumer electronics, household appliances and furniture of all kinds, and quality food. For American citizens, consumer abundance at low prices translated into higher real incomes.

Manufacturers, including importers, have also received many benefits. About half of the annual volume of American imports is not intended for final consumption but for subsequent production as raw materials and equipment. Thus, American manufacturers are highly dependent on imports from overseas to maintain their competitive position. Free trade also offers great opportunities for American exporters. Thus, if American exports to other countries in 2017 amounted to $2.4 trillion, then deliveries of American companies abroad through their affiliates in other countries amounted to $6 trillion [8].

Contrary to the assertions of Trump and the proponents of protectionism, free trade does not at all mean the loss of jobs in all cases. With record-breaking imports and trade balance deficits, the US economy in 2018 had the lowest unemployment rate in the past 50 years (at least according to official data) and a significant increase in jobs in the country.

Of course, many American companies have transferred their production abroad over the past 30–40 years, which negatively affected employment in many traditional sectors of the US economy. Since 1998, the United States has lost five million jobs in manufacturing and related industries, mainly because of relocation of enterprises abroad and growing imports and trade balance deficits, primarily with China.

However, this is not the result of the liberalization of foreign economic relations as such. This is a reflection of the new international division of labor, in which developed countries, primarily the United States, concentrate knowledge-intensive sectors of the economy (both material production and the service sector) based on the capabilities of their scientific and technological potential. As a result, traditional labor-intensive sectors of the economy are moving to countries that do not have such opportunities. Thus, from the point of view of the prospects for scientific, technological, and economic development, this process for the United States is an advantage rather than a disadvantage, as Trump is tirelessly speaking about.

Despite the seemingly obvious advantages from the liberalization of trade and other forms of world economic ties, the Trump administration declares significant damage caused by the modern economic globalization to the American economy. Three areas of foreign economic relations are particularly criticized: the constant deficit of foreign trade, steel imports, and relations with China, which were discussed in detail above.

As for the trade deficit, according to Trump, it means money stolen from Americans. In reality, a
trade deficit is not a result of trade policy. In fact, it reflects the ratio of savings to investments in the economy. The United States saves less than it invests, which means a net inflow of foreign capital, ultimately resulting in a current account deficit. As was noted above, there is the opinion that, in a broad sense, the US trade balance is quite balanced if it includes not only trade in goods and services but also capital flows aimed at US investments abroad and foreign direct and portfolio investments in the United States [8].

The overvalued dollar exchange rate (by 25–30%, according to experts) has a great influence on the growing US trade deficit, which increases the cost of American exports. On the other hand, China, for example, reduced the yuan exchange rate by 10% in 2018 alone, making exports from the country more profitable. As a result of the growing value of the dollar (due to the inflow of foreign capital to the United States, the demand for the dollar is growing, which leads to an increase in its value by 20% since 2013 and by 5.4% in 2018) and increasing imports, the deficit in payment and trade balance is growing. According to experts from the International Monetary Fund, the deficit in trade in goods in the United States may increase by $400 billion in 2020 and reach at least $1.2 trillion. This may lead to the loss of 2.5–7.5 million jobs (according to various scenarios), primarily in the manufacturing industry.

The point is that within the framework of the balance of payments, which takes into account the movement of not only goods but also capital, as well as the income of capital owners and those working abroad, these flows partially offset the actual negative balance in trade in goods (excess of imports over exports). In addition to a surplus in capital dynamics, the United States has a positive balance in trade in services, which also reduces the overall negative balance of both trade and payments.

Another factor seriously changing the structure of the US trade balance is a noticeable decrease in the structure of the commodity trade deficit in the share of oil and petroleum products. In 2008, for example, this value reached 2.8% of GDP, and by 2018 the situation had changed dramatically. Having reached a significant degree of self-sufficiency in fuel, the United States reduced the deficit in oil and petroleum products trade to 0.3% of GDP. At the same time, the main burden of the deficit falls on goods other than oil products, that is, products of the manufacturing industry. The deficit of these goods in 2018 was more than $730 billion, which is 3.8% of GDP [9]. Therefore, a growing trade deficit can have such an adverse effect on manufacturing employment.

Many experts believe that the problem of the growing trade deficit in the United States could be significantly mitigated if efforts were made to depreciate the dollar. This, for example, was done in the 1980s, when the US government agreed with the leading economic partners—Britain, Germany, France, and Japan—to devalue the dollar by 30%. As a result, the US trade deficit fell from a maximum of $152 billion in 1987 to $31 billion in 1991 [9].

Evaluating Trump’s strategy in the field of foreign economic relations, one can come to the following conclusions. In 2018, the US trade deficit increased by 12.5% and reached its maximum over a ten-year period, $621 billion, of which $419 billion fell on the trade deficit with China [10]. Note that the trade deficit in goods amounted to $891 billion. This alone testifies to the negative results of Trump’s trading strategy.

The restrictions imposed on the Chinese company Huawei have seriously complicated the US–China high-tech relationship. In the short term, this will undoubtedly deal a blow to China’s technological development, but in the long term it will rather strengthen the position of the PRC’s scientific and technological complex and make China rely more on its own forces.

From the point of view of domestic political and economic consequences, the US foreign economic strategy, according to estimates, is already bringing losses for American consumers in the amount of $1.4 billion a month, which may have a very negative impact on Trump’s position in the upcoming 2020 elections. At the same time, many in the United States have a very negative assessment of the existing agreements between the United States and China on cybercrime, theft of intellectual property, and manipulation of the exchange rate, believing that China is continuing its previous line in these issues. Thus, by increasing duties on Chinese goods, which negatively affects the US domestic market, inflation, and corporate income, Trump’s strategy does not actually achieve its goals.

However, Trump’s strategy should not be reduced to short-term goals. By his actions, Trump is trying to strengthen the economic, scientific, technical, and political security of the United States against the background of intensifying international competition. A significant role in his strategy was played by the aggravated contradictions of economic globalization, i.e., the very economic liberal order, in the creation of which the United States itself invested such great efforts after World War II.

So far, Trump’s new foreign economic strategy can be seen both as rather modest successes and as a lot of contradictions and failures. Among the seeming victories is the reformattting of NAFTA into the USMCA. Although the changes to the treaty are minimal, the United States has achieved some concessions from Canada and Mexico. However, the agreement has not yet been ratified by the Congress.

The United States has forced both South Korea and the European Union to agree to negotiate a new trade agreement. The countries of Europe took this
step even before the removal of duties on steel and aluminum but refused to negotiate on agriculture.

Japan also succumbed to US claims to initiate bilateral trade negotiations out of touch with the Trans-Pacific Partnership (TPP), from which the United States withdrew. However, Japan is simultaneously strengthening its relations with the remaining TPP member countries.

Trump’s bet on the conclusion of bilateral agreements, of course, allows the United States to seek more favorable conditions for itself in foreign economic relations. However, the limitations of bilateral ties are also obvious. The example of the trade war with China and with other countries shows clearly that the US partners are actively resisting the American diktat and have considerable economic opportunities for an adequate response.

There are several specific negative consequences of Trump’s current foreign economic strategy. In addition to the increased trade deficit, which, of course, has long-term causes, there are negative manifestations of the trade war unleashed by Trump and the increase in trade tariffs. According to a study conducted by Princeton and Columbia universities jointly with the Federal Reserve Bank of New York, in November 2018 alone, new trade tariffs reduced the total income of the US population by $1.4 billion. For 11 months of 2018, the population’s income losses amounted to $7 billion [11].

Of course, the new economic crisis that began in 2020, together with the coronavirus pandemic, has an exceptionally negative impact, including on the foreign economic positions of the United States.

Trump’s announced increase in duties on Mexican exports to the United States (in case of continued illegal emigration to the United States) threatens very serious negative consequences for the US automotive industry. The point is that most of the world’s leading car manufacturers have car factories in Mexico, which carry out both the final assembly of cars and the production of components. These are the leading American car manufacturers (General Motors, Ford, Fiat Chrysler), as well as the largest manufacturers of other countries: Audi, Toyota, Nissan, Honda, and Mazda. Overall, Mexico exports cars and components for them annually in the amount of $93 billion.

If American auto companies that manufacture their products in Mexico do not pass the increase in costs onto consumers (which has its limits), the increase in duties is fraught with multibillion-dollar losses for them. Thus, according to Deutsche Bank, the production costs of General Motors will increase by $6.3 billion, those of Fiat Chrysler Corp., by $4.8 billion, and those of Ford Corp., by $3.3 billion. In total, an increase in duties on Mexican goods will cost about $17 billion for the world’s leading automakers, which will inevitably have a downward impact on the global automotive market [12].

It should be remembered that the car market in the United States has already “sagged” after a record production in 2016, when the sales amounted to 17.55 million cars. The debt of Americans on auto loans is also record breaking, amounting to $1.27 trillion in 2018.

There is the opinion that, intending to increase duties on goods from Mexico, Trump is primarily referring to cars, as well as automobile concerns that ignored his calls to move production to the United States. Thus, General Motors, contrary to Trump’s wishes, did not abandon its intention, announced back in 2014, to build 14 new enterprises in Mexico, although it initially agreed to invest $1 billion in new automobile plants in the United States. However, the company then abandoned the idea and announced a massive closure of factories in the country and the lay-off of thousands of workers. All of this has caused the utmost displeasure of President Trump.

A similar story happened with the Ford company, which in 2016 announced the construction of an enterprise in Mexico to produce Fiesta and Focus cars. In addition, Ford unveiled plans to build a plant in Mexico to produce engines and transmissions. Immediately after the announcement of these plans, Trump promised to impose duties on the company’s exports at 35%.

Thus, intending to increase duties on Mexican goods in the United States, Trump is primarily trying to punish “naughty” car companies that care about their income and competitive positions.

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It seems that the current period of Trump’s foreign economic strategy is only the initial stage of the aggravated competition in the world for markets and economic positions. Sometimes it takes the form of protectionism, based almost on the mercantilist theory of foreign trade of the 19th century, which denied the role of imports in economic development. This simplistic approach to competition is unlikely to be successful. Since the modern world economy is not only global, and this process is more than objective, it is increasingly based on digital technologies, which by definition are international in nature.

How to find the optimal balance between economic security and the country’s competitive positions, its place and role in the world community, and the increasing technological interdependence and the now-global world economy is a question that Trump’s modern foreign economic strategy does not answer.

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