

# The Motive, Impact and Influence of the US Trade Policy Uncertainty

Siyu Tang and Haoran Xu

**Abstract**—This paper studies political demands, trade policy evolution and trade war tactics of Trump administration by examining the Trade Policy Uncertainty. We find that a series of seemingly deviant trade policies of the Trump administration since 2017 were actually seeking re-election through packaging trade war as protecting the interests of the American working class. Trump initiated trade war to obtain federal tax revenue in order to meet his demands of reducing corporate tax, inheritance tax and promote a series of "small government, big market" related political ideology. By analyzing the results of a series of trade policies of the Trump administration, we find that Trump's trade war resulted in trade policy backfiring, the promotion of multipolarity and the accumulation of political bubbles.

**Index Terms**—Trade War Tactics, trade policy uncertainty, trade policy, tax.

## I. INTRODUCTION

Brahma, the creator of religious civilization in South Asia, in whose dream everything in the world is nothing but a bubble. When he wakes up, everything will disappear and fall into nothingness. The United States, the modern version of Brahma in today's international system, plays an irreplaceable leading role in politics, economy, culture, military and other fields. However, President Trump's foreign policy since he came to power has given the world a direct morning call. The political and economic structure of today's world has changed unprecedentedly. In the field of trade, since Trump came to power in 2017, the global Trade Policy Uncertainty [1] has increased significantly due to a series of trade frictions initiated unilaterally by the United States (Fig. 1), the global Trade Policy Uncertainty has increased from 1.29 in the fourth quarter of 2015 to 170 in the fourth quarter of 2019, an increase of 130 times. The US Trade Policy Uncertainty rose rapidly from 43 in January 2016 to 1947 in August 2019 (Fig. 2). China, a strategic competitor of the United States, Japan, a traditional follower, and the European Union, an economically neutral country, have also made corresponding strategic adjustments to their positioning.

Since the founding of the People's Republic of China in 1949, the United States has experienced three major strategic cognitive adjustments towards China.

The first adjustment was in the 1950s, when the role of

China was adjusted from constructive engagement to strategic containment. The second was in the 1970s when the role of China was shifted from strategic containment to constructive engagement with Nixon's visit to China. The third occurred 30 years later when the US listed China as a strategic competitor under the Bush administration in 2001. Marked by the national security strategy report issued by the United States in 2017, China was officially adjusted as a strategic competitor [2].

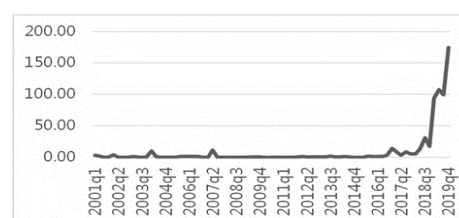


Fig. 1. Quarterly index of Global Trade Policy Uncertainty.

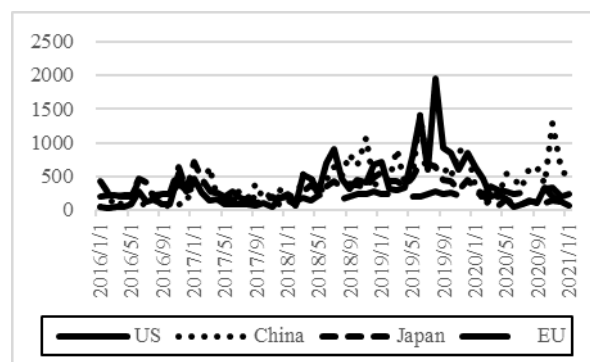


Fig. 2. Trade Policy Uncertainty of major countries.

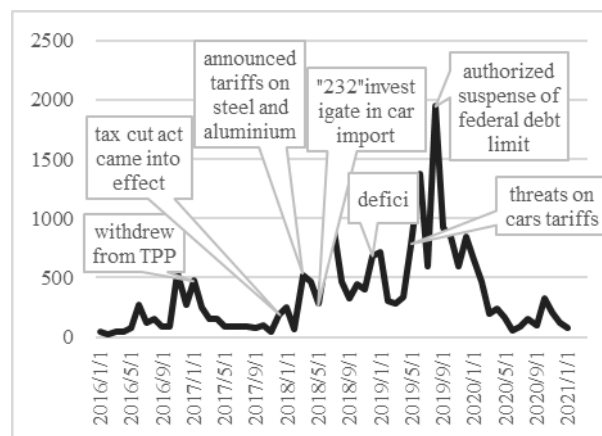


Fig. 3. US Trade Policy Uncertainty.

With the Maastricht Treaty coming into effect on November 1, 1993, the European Union was officially born. The essence of this political entity is between the super sovereign state and international organization, participating in international governance as unified entity through the

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collective decision-making of the sovereign states of the European Union and obtaining the economic, political, security and other interests of the member states of the European Union. EU is not among the major powers' competition driven by ideology of a single country but multiple countries. EU participates in the process of international governance as a neutral state, but has been subject to unilateral economic and trade sanctions by the United States 24 years after its founding.

After World War II, Japan became a branch of independent occupying power of the United States, and it has been undergoing a series of reforms in political, economic, cultural, military, ideological and other fields. The "Yoshida line", "Junichiro Koizumi" and "Shinzo Abe" have come down in one continuous line. Conservatism, based on pragmatism philosophy, has always placed the US-Japan relation in an important position in its diplomatic strategy. Japan has been playing the role of following the United States in the modern international political and economic pattern. However, it was forced to implement the Plaza Agreement led by the United States in 1985, and was sanctioned unilaterally by the United States 32 years later.

In terms of foreign relations of the US, China, as a strategic competitor since the beginning of the century, the EU dominated by Germany and France, as a neutral role, and Japan, as a follower after World War II, after an average of 26 years of relatively stable international political ecology, during the Trump administration, witnessed the essence of today's world system led by the US in the front seat: unilateralism, external attribution, and the US-centered. At the same time, these three political entities have also been making corresponding strategic adjustments to safeguard national interests.

Although we can analyze the impact after the event from perspectives of the political, economic, military and other perspectives by combing the results of trade policy. But we lack the targeted analysis of de-ideology about the motivation of Trump government's trade policy. What is the underlying motive for the Trump administration to launch a trade war? What is the fundamental cost of short-term benefits? And what is the real impact on the international pattern? Based on the analysis of trade policy, this paper tried to provide a new perspective to answer the above questions.

A series of trade policies were carried out of unilateralism, hegemonism and American priority by the Trump administration. Through the anti-institutional establishment created by constant withdrawal and default, Trump has obtained some "default dividends", such as the policy concessions made by Japan and other countries to the United States in the fields of agriculture and automobile. But anti-institutional image destroyed the international leadership and image of the US, which undermined the legitimacy of the US party politics and accelerated the accumulation of the US economic bubble. As a result, the US has experienced four consecutive stock market meltdowns from March 9 to 19 in 2020, soaring unemployment rate and the society division amid the epidemic. This led to a new round of irresponsible policies.

This paper studies political demands, trade policy evolution and trade war tactics of Trump administration from by analyzing the uncertainty of the US trade policies. We find

that a series of seemingly deviant trade policies of the Trump administration since 2017 were actually seeking re-election through packaging trade war as protecting the interests of the American working class. Trump initiated trade war to obtain federal tax revenue in order to meet his demands of reducing corporate tax, inheritance tax and promote a series of "small government, big market" related political ideology. By analyzing the results of a series of trade policies of the Trump administration, we find that the influences of Trump's trade war include trade policy backfiring, the promotion of multipolarization and the accumulation of political bubbles.

This paper analyzes the cause, process, result and tactics of trade war by combing the typical events representing the important timings through the angle of the uncertainty and the evolution of the trade policies of Trump administration. Combining with Trump's own background and political demands, this paper finds that the implementation and adjustment of a series of foreign trade policies of Trump administration were not only rational, but also carefully calculated.

This paper adds to two strands of literature: First, from the perspective of the Trade Policy Uncertainty, this paper analyzes the motivation and tactical arrangement of Trump government's trade policy. The research method of this paper not only gets rid of the thinking inertia of analyzing previous political elite presidents, but also gives a targeted analysis combined with Trump's own characteristics.

Second, taking China, Japan and the European Union as the representatives, this paper analyses the impact and influence of trade wars and adds novel views on trade policy, the US led-international landscape and political bubble. Among 46 presidents of the United States, Trump is one kind, and the other 45 presidents are another kind in terms of personal background. Most importantly, Trump expressed great interest in running for the presidency in 2024 [3]. Therefore, studying the trade policy of Trump administration from corresponding perspective is not only helpful to understand the diversity of American political ecology, social reality and international positioning, but also conducive to make comprehensive policy responses to the Uncertainty in the future.

The rest of the introduction provides literature review. The second part analyzes the Trump administration's political demands, trade policy evolution and transformation; the third part focuses on Trump administration's trade war tactics and motives; the fourth part discusses the policy results and deep influence, and the fifth part concludes.

## II. LITERATURE REVIEW

Most of the literatures analyses the motives and results of Trump's trade war from the macro perspectives of national security, economic and trade relations, international relations and so on. For example, Teng [4] analyses the Trump government's macro strategy from the perspective of national security. Zhang Yuhuan (2018) analyses the strategic situation in Trump administration's foreign economic and trade policy and relations [5]. Dai *et al.* (2018) examine the basic logic and motivation of Trump's trade war from the perspective of global value chain distribution [6]. Wang (2020) studies the trend of the next round of political party

reorganization in the United States from the perspective of election situation and epidemic situation [7].

Some literature also define a series of trade policies of Trump government as irrational attacks. Wang (2017) analyses the characteristics of Trump administration's foreign policy and Sino-US relations [8]. Zhao (2020) uses the concept of "brute power" to summarize the Trump administration's foreign strategy [9].

### III. POLITICAL DEMANDS, EVOLUTION AND TRANSFORMATION OF TRADE POLICY

#### A. Political Demands

There are two main aspects in foreign trade policy that reveals Trump administration's political demands.

The first aspect is building a character of "America First" and "Anti-System". Trump has repeatedly said that his policy was very simple, that was, the United States took priority [10].

Since Trump came to power, he did not only greatly adjust US foreign relations, but also frequently withdraw from international organizations on the ground of "safeguarding national interests" and turned multinational discussions to bilateral negotiations. He has repeatedly refused to provide free assistance to his allies, which helped to reduce his international responsibilities. He has implemented further strategic contraction in the Middle East and Europe and resolutely implemented the diplomatic principle of "America first". By overthrowing a series of political heritages of the Obama administration, pursuing bilateralism and unilateralism, which was completely different from the multilateralism of the Obama administration, he tried to build a character of "Anti-System" and consolidated his voters and strived for re-election.

Second, conform to the expectations of voters and accumulate political capital. Populism and trade protectionism were on the rise. As early as 2007, Pew Charitable Trusts, an American consortium, conducted a survey on people's satisfaction with trade relations in 47 countries. The satisfaction rate of the United States accounted for 59%, ranking the lowest among 47 countries, which was 91% in China, 85% in Germany and 72% in Japan [11].

After the financial crisis in 2008, the protectionism in the United States has risen. The rise of populism showed that people were increasingly demanding that their voices be heard, and even hoping to influence policy-making. This was fully confirmed by the 2016 US election. Because the income and quality of life of the American people have not been improved for a long time, some people began to attribute the economic uneasiness to the huge amount of imported goods, foreign investment and job outflow [12].

In 2018, according to a survey released by Pew Research Center, only 31% of Americans believed that foreign trade would raise wages, 36% believed that foreign trade would create jobs, and 37% believed that foreign trade would lower prices [13]. It fully showed that most people were skeptical of the role of foreign trade in promoting social development. Therefore, Donald Trump, a presidential candidate who advocated trade protectionism and the US priority, immediately won the support of the majority of voters.

In response to the commitment to the voters and political ideas, Trump even repeatedly attacked Japan, the traditional Asia Pacific strategic partner of the United States, and repeatedly denounced Japan for adopting unfair policies in US Japan trade. As a businessman, Trump did not hesitate to launch trade wars against US allies, but also responded to the expectations of voters. Regardless of the general trend of globalization, he insisted on withdrawing from various international multilateral organizations, and advocated maintaining the political concept of "US priority" through bilateral negotiations and pressure. It was doomed that Trump's government's trade policy was short-sighted, egoistic and unilateral in nature, and its political demands were simple, direct and conservative in essence. This showed that the Trump administration's trade policies differ from the previous administrations, and need to analyzed using other methods besides from the perspective of traditional political elites.

#### B. Evolution and Transformation of Trade Policy

There are 3 main stages of the evolution of trade policy. The first one is during the year of 2017, when Trump has just come into office. The second one is in 2018, when Trump has decided to initiate trade war. And the final stage is in 2019, when trade war has entered into white-hot.

On February 24, 2017, according to Reuters, Trump supported the border regulation tax proposed by House Republicans, believing that it could improve the domestic employment rate [14]. This was the first clear signal of imposing tariffs since Trump came to power. However, due to the obstruction of special interest groups and Senate Republicans, the border adjustment tax plan went bankrupt in July. On April 20, 2017, at the request of the US president, the US Department of Commerce launched a "232 investigation" on imported steel products. In August 2017, the US trade representative issued an announcement to formally launch the sixth "301 investigation" against China on the ground of "China's infringement of U.S. intellectual property rights".

On March 8, 2018, Trump signed an announcement to impose 25% and 10% tariffs on imported steel and aluminum products, respectively, and the US Trade Policy Uncertainty index surged by 400% month on month. On May 24, 2018, the "232 investigation" on imported automobiles and parts was carried out. On June 15, 2018, the United States announced a list of goods with an additional levy of \$50 billion on China. On July 6, 2018, the United States began to levy 25% additional tariffs on China, involving 34 billion US dollars. On July 10, 2018, it announced a 10% tariff increase on US \$200 billion of Chinese goods. In July 2018, the president of the European Commission and the United States reached a consensus on the US-EU free trade agreement, excluding auto tariffs. On August 7, 2018, Trump instructed to cut spending by 5% in fiscal year 2020 [15]. On October 16, 2018, the United States announced that it had started the consultation process in Congress, threatening to speed up the negotiation of the free trade agreement with the European Union. If no substantive conditions could be reached, it would restart the automobile additional tariff under the "232 investigation".

On February 17, 2019, the US Department of Commerce

submitted a tariff report on imported automobiles to the White House to assess the security threat, which might eventually lead to the US government imposing a high tariff of 20% to 25% on imported automobiles and parts. In April 2019, the president of the United States said that military spending should be cut. The United States announced that it planned to increase taxes on China on May 10. On May 17, the United States issued an announcement on "adjusting the import of automobiles and auto parts into the United States", requiring foreign auto manufacturers to expand the production scale in the United States and increase the purchase of American parts, and threatening with "232 investigations" and auto tariffs. The US Trade Policy Uncertainty peaked at the end of July 2019. On August 1, Congress passed a bill authorizing a two-year suspension of the federal debt ceiling [16]. The US Trade Policy Uncertainty began to decline rapidly, and the trade war began to subside. On August 23, the United States and Japan reached an agreement that Japan's tariff reduction and withdrawal of some U.S. agricultural products should be at the maximum level of TPP. In October 2019, the United States and Japan signed the US-Japan Trade Agreement and the US-Japan Digital Trade Agreement.

Next, we analyze the transformation of the trade policy.

As is shown in Fig. 3, where we plot the US Trade Policy Uncertainty from January 2017 to January 2021, the Trump Administration's trade proposition has distinct policy style switches in three periods.

The first period is from January 2017 to February 2018.

This was the tentative stage before trade war was officially initiated. The characteristics of this period were that the TPU was very stable, and the Trump administration did not show an obvious tendency to launch a trade war. The Trump administration's focus was mainly on tax cuts. At this time, in order to find a way to control the rise of federal debt caused by tax cuts, Trump was deliberately testing the response of the outside world to the imposition of import tariffs, and had not yet decided whether to adopt the way of trade war. In February 2017, Trump affirmed the proposed border adjustment tax and believed that it could have a positive effect. But Trump had not publicly approved it, because there were other policy options to ease the pressure on federal debt. Therefore, the fluctuation of Trade Policy Uncertainty during this period was very stable.

The second period is from February 2018 to August 2019. This was the period of trade war. This period was characterized by a runaway surge in TPU, and the United States suddenly launched an indifference trade war. Trump administration not only imposed high tariffs on China's 250 billion US dollar imports, but also imposed high tariffs on steel and aluminum on its traditional allies, and even threatened to impose auto tariffs on the European Union and Japan. Once again, the repealed border control tax was quickly and decisively applied to major trading partners, which showed that the Trump administration's core achievements have been threatened and its core goal of re-election has been challenged. Even if Japan, the European Union and China sent out signals to quell the trade war on various occasions and give market concessions without asking for returns, they could not stop the Trump administration from attacking. During this period, the Trump

administration imposed trade sanctions against major strategic competitors, international neutrals, traditional followers, and even Vietnam by generalizing the concept of national security. After that, TPU reached its peak by the end of July 2019.

The third period is from August 2019 to January 2021. From August 2019 to January 2021, was the end of the trade war. This period was characterized by a sharp decline in Trade Policy Uncertainty, without any signs and stable. Trump government's foreign trade policy cooled rapidly, and signed the US-Japan Trade Agreement and the US-Japan Digital Trade Agreement with Japan within two months. The Trump government has no longer threatened to impose auto tariffs on the EU, and has shown great sincerity in trade negotiations with China. This showed that the core political demands of Trump's policy have been met, and trade war was no longer necessary.

#### IV. ANALYSIS OF TRADE WAR TACTICS AND MOTIVES

##### A. Analysis of Trade War Tactics

The trade war happened from January 2018 to August 2019. In the whole, Trump's trade war tactics were exploratory, selective and gradual in time series, and the scale was gradually increasing. Therefore, in Figure 4, it presented three stages, which proved that the Trump administration had its tactical considerations in launching a trade war. Represented by the three typical trade policies, it could be divided into three phases.

The first phase was during January 2018 to March 2018.

This phase was the trial stage of trade war, and its main purpose was to test the external response to the sanctions on commodities with small trade volume.

The first sign was the imposition of tariffs on solar panels and washing machines. The process of trade policy was as follows: on October 31 and November 21, 2017, the US International Trade Commission successively ruled that the import of solar panels and washing machines caused damage to the US solar panel and washing machine industry, and recommended Trump to implement global protective measures. On January 22, 2018, Trump imposed a global protective tariff on US \$8.5 billion of imported solar panels and US \$1.8 billion of imported washing machines. The U.S. government imposed import quota restrictions, taxing 20% for less than 1.2 million units and 50% for more than 1.2 million units. For imported solar energy products, the United States exempted the protective tariff on products within 2.5 gigawatts. After exceeding 2.5 gigawatts, the tariff would be 30% in the first year, and reduced to 25%, 20% and 15% in the second, third and fourth years respectively. The trade volume involved was 10.3 billion US dollars, accounting for 0.4% of the annual import volume, and the tax revenue was 3 billion US dollars. The small volume of trade and the diminishing tax rate showed that the Trump administration's tactics were tentative, which helped to leave room for policy maneuver.

The second phase was during March 2018 to May 2018.

This stage was the rising stage of the trade war, with the foreshadowing of the front tactics. From this stage on, the Trump administration's attitude towards the trade war was

firm and decisive. The main purpose was to increase the scale of taxation.

The first sign was a tariff on steel and aluminum products. The process of trade policy was as follows: on March 8, 2018, Trump signed an announcement to impose 25% and 10% tariffs on imported steel and aluminum products respectively. On June 1, 2018, the US terminated the tariff exemption of 25% for steel and 10% for aluminum products from the European Union, Canada and Mexico. On June 22, 2018, the European Union activated the previous threat of taxing the US imports, designing the US \$3.2 billion drawn from the European Union in 2017. On July 16, 2018, the US trade representative filed a separate lawsuit against Canada, China, Europe, Mexico and Turkey for countermeasures against the US steel and aluminum tariffs. In 2017, the import volume of steel and aluminum in the United States was US \$30 billion and US \$17 billion respectively, accounting for 2% of that year's import volume. The tax revenue corresponding to 25% and 10% tariff rates was \$9.2 billion. Therefore, this stage showed the increase of the scale of the targeted commodities and tax collection, and also showed the selectivity and gradualness of tactics as a whole.

The third phase was during May 2018 to August 2019.

This stage was the threatening stage of trade war. The characteristics of this stage not only showed the leap of tax scale, but also showed the characteristics of delay and threat. The first sign was to levy duties on cars and parts. Vehicles and their parts and accessories were the third largest imports of the United States, accounting for 12.4% of the total imports in 2017. The EU, Japan and other traditional allies were the largest vehicle importers of the United States. Therefore, the main purpose was to put pressure on trading partners and domestic political elites. The process of trade policy was as follows: on May 23, 2018, after steel and aluminum, the US Department of Commerce launched the third national security investigation on imported automobiles and parts during Trump's term of office. At that time, a decision was made on whether to raise the US auto import tariff to 25%. On February 17, 2019, the Department of Commerce submitted the national security report to the White House, and President Trump has 90 days (as of May 18, 2019) to agree or disagree with such findings. On May 17, 2019, after the US Department of Commerce's report recommended "action to adjust automobile imports" to protect national security, President Trump postponed the decision on whether to impose automobile tariffs. The US trade representative must negotiate agreements with the EU, Japan and other countries that the office of the U.S. trade representative "considered appropriate" by November 13, or Trump might decide to impose tariffs. In terms of this process, this stage showed different characteristics from the first two stages: Procrastination and hesitation. Therefore, this stage was mainly to test the bottom line of allies and traditional elites, and threaten the Democratic Party to reach a compromise agreement with the Trump administration in order to implement the core achievement of tax reduction. American foreign policy has always been aggressive [17]. From the whole period of process, the Trump administration's trade war showed smart tactical considerations and phased policy design. Through gradual trial and pressure, while increasing federal financial expenditure by launching a trade

war, Trump constantly tested the bottom line of foreign trade partners and domestic political elites. The ultimate goal was to force the Democratic Party and the Trump government to compromise and create conditions for Trump's tax reduction policy.

B. Motivation analysis

Through the tactical analysis of three stages and the analysis of trade policy changes in three periods, we found that the trade policy of the Trump government was characterized by increasing scale, rapid and irreversible. Combined with Trump's tax reduction policy tendency clearly expressed in the election and his move to launch a trade war against his allies in order to maintain the core achievements of tax reduction, the rapid change of trade policy style must be closely related to Trump's core political demands. We found that the period of the change of the Trump government's trade policy style highly coincided with the occurrence of a series of political and economic events. It also provided evidence to explain Trump's trade policy from the perspective of Trade Policy Uncertainty.

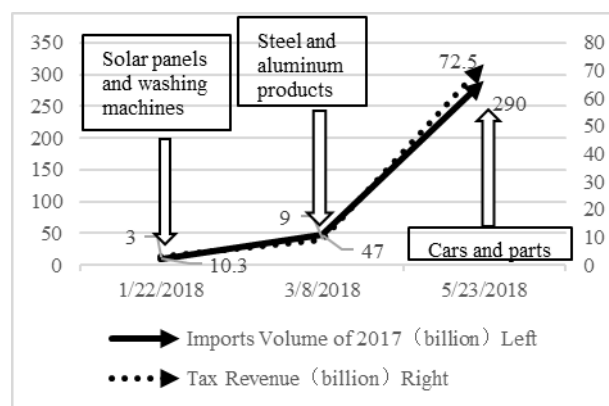


Fig. 4. Three phases of sanction strategy.

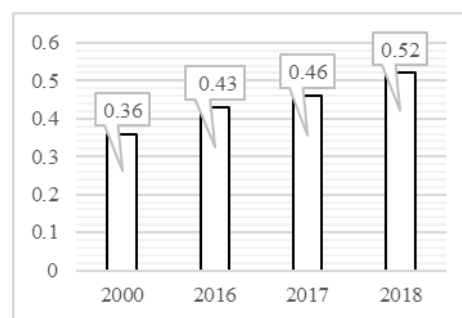


Fig. 5. Federal interest expense (Trillion Dollars).

In terms of Trump's motivation, we first analyzed his personal background and election commitment. We found that Trump's unique family background and experience was one of the main motivations. The Trump family was a giant in business. Trump's parents were troubled by inheritance tax, which also paved the way for the Trump government to implement tax reduction policies such as reducing inheritance tax. Trump himself had no experience in politics. Even before the election, his campaign manager, Kellyanne Conway, was sending her resume everywhere to find a job. That was to say, neither Trump nor his campaign thought there was a chance of winning. As a businessman with bankruptcy experiences in the real estate industry, his main goal was to build momentum for Trump brand. Trump had

grasped the pain point of the United States for his anti-system establishment, but as a businessman, Trump had not noticed that the wave of populism, anti-elites and anti-system in the United States had reached an unprecedented peak. Therefore, we saw a billionaire who was regarded as a leader by the blue-collar working class and eventually became the president of the United States. But the businessman's logic of thinking made Trump manage the most powerful country in the way of managing the enterprise, and regard the country's trade deficit as the loss of the enterprise. This had also become the reason why Trump was willing to raise federal revenue through trade war, so as to achieve the core achievement of tax reduction.

Second, we analyzed Trump administration's federal deficit pressure. We found that increasing federal deficit pressure was the main driving force of his urgent need for federal revenue.

As is shown in Fig. 5, in the 17 years from 2000 to 2017, the annual federal interest expense increased by only 10 million, but from 2017 to 2018, the annual federal interest expense increased by 6 million, and the compound growth rate of annual federal interest expense increased from 1.5% during 2000 to 2017 to 13% during 2017 to 2018. This showed that the tax reduction policy, which was regarded as the core achievement of the Trump administration, has brought strong pressure on the federal finance.

It also suggested that Powell, the chairman of the Federal Reserve appointed by the Trump administration, had not shown the tacit understanding of the Federal Reserve with the president since he took office in February 2018. Tax cuts faced a dilemma, which was driven not only by the pressure of a sharp rise in the stock of federal debt, but also by the political intention to fix individual tax cut act in the 2017 which would be due in 2025 as permanent laws. The second phase of the Trump government's tax reduction plan focused on the sharp reduction of inheritance tax and gift tax from about 55%, which was closely related to Trump's family interests. The Trump government needed to find a way to quickly fill the huge fiscal gap to protect the core achievement of the tax cuts and implement the second phase of the tax cuts.

As a result, the Trump administration quickly revived the previously abolished border control tax and started a trade war against all US trading partners in January 2018. The evidence of Trump's trade war driven by the federal financial pressure was that after Congress passed the suspension of the federal debt ceiling on August 1, 2019, the federal debt pressure dropped rapidly, the Trade Policy Uncertainty also dropped rapidly, and there was no rebound.

Third, we analyzed Trump's political ideas presented in multiple occasions. We found that Trump administration's political ideas was also the motivation to initiate trade wars.

The Trump administration has always sought a bilateral settlement mechanism, biased and acted on almost all multilateral agreements. As early as during the election campaign, the Trump administration scoffed at the "Trans-Pacific Partnership Agreement" (TPP), believing that it would threaten the US economic interests [18].

After Trump came to power, he quickly withdrew from the TPP, showing a confrontation with the traditional political elites. Although in the process of confrontation, the two also

appeared in the process of running in each other [19]. This was reflected in the Trump government from the trade war to the science and technology exhibition, financial war and other policies, but overall, the Trump government was deliberately making difficulties to the traditional allies. Trump has been threatening the EU and Japan with car tariffs, which was almost to be put into action in May 2019. In 2017, the total import of American automobile was about the US \$200 billion, accounting for more than 8% of the total imports. Among them, the EU accounted for 23.5% of the total automobile imports of the United States, which was second only to Canada (24.4%), and higher than that of Japan (22.7%).

Trump administration expressed none inclination towards alliance, but the traditional democratic politics attached importance to the international ally system. Many multilateral international agreements, including TPP, have been the results of many years' efforts of Democratic Party. Therefore, the Democrats couldn't stand Trump's damage to its allies' core interests and its destruction of the US led international ally system. This was also compromised by the Democratic Party, agreeing to suspend the federal debt ceiling. President Trump packaged trade war as "safeguarding the national interests of the United States" and packaging himself as a national hero.

The root reason lied in Trump's firm belief that the United States was the victim of the multilateral trading system and had the ability to rewrite the international trade system through bilateral negotiations. On March 3, 2018, White House economic adviser Navarro said that the US trade partners relied more on the United States, so they would win the trade war [20]. Navarro's statement also showed the Trump administration's determination and confidence in promoting a trade war. Trump's idea of international trade was to abolish or renegotiate bilaterally, ignoring a series of international trade agreements. Set and follow its own principles regardless of others' ideas [21].

## V. POLICY RESULTS AND PROFOUND INFLUENCE

### A. Trade Policy Backfiring

China was the largest trading country of the United States, therefore we took the interaction between the United States and China as an example. The Trump administration was determined to launch trade frictions against China despite opposition voices in the United States [22]. Promoting the US employment and exports of the US manufactured products was not the Trump administration's core motivation to launch a trade war against China, that was why the Trump administration deliberately ignored domestic opposition from the beginning. The following results of the US trade war against China also provided evidence.

In Fig. 6, since 2018, China and the United States' import and export volume have seen a year-on-year growth rate decrease in 2018 and 2019. Especially in 2019, the decline was the biggest.

In Fig. 7, by comparing the growth rate of China's exports to the United States and that of the United States to China, the year-on-year growth rate of Chinese imports from the United States has declined faster than that of the previous year.

Considering that China imports from the US was only one third of the imports of America from China, China has resisted American goods more resolutely. By 2020, China and the United States' import and export volume returned to the level before the trade war.

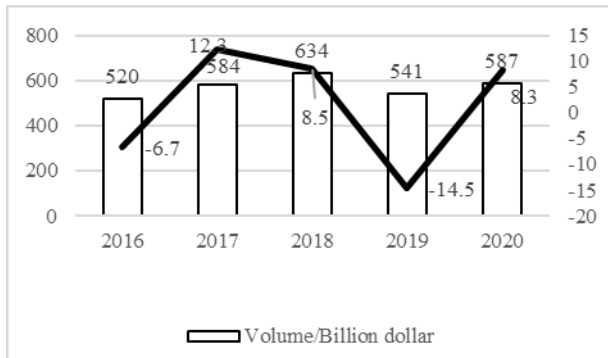


Fig. 6. China-US import and export volume.

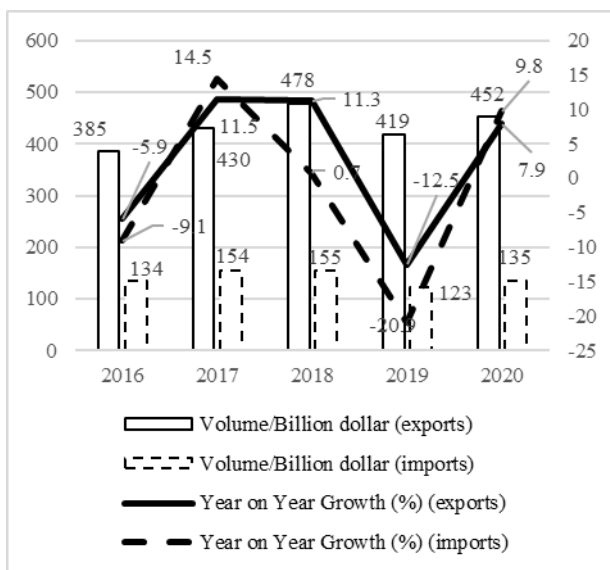


Fig. 7. China's exports and imports to the United States.

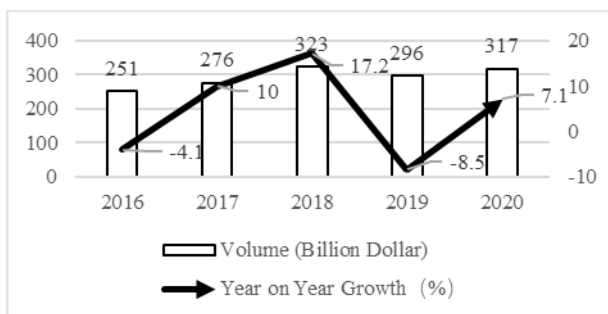


Fig. 8. Trade Deficit of the US from China.

In Fig. 8, after the trade deficit between China and the United States has declined in 2019, it returned to the level of 2018 in 2020. From the data, the trade war has not reduced the trade deficit between China and the United States. In 2020, China surpassed the United States for the first time and became the largest trading partner of the EU.

Therefore, the Sino-US trade war did not "make China pay the price" as Trump claimed. On the contrary, it showed the dependence of the United States on Chinese imports. Moreover, the trade war contributed to the greater achievements of the trade partnership between China and the EU, and damaged the leadership of the United States in the

international trade system.

### B. Promotion of Multipolarization

Japan was a traditional ally and follower of the United States, therefore we took the interaction between the United States and Japan as an example. Today's international system was dominated by western countries represented by the United States and its allies, including Japan. In 2011, Yan (2011) believed that the world was changing from unipolarization pattern to a two-level pattern [23]. But after the Trump administration launched rounds of unilateral trade sanctions, a series of details showed that the world was moving towards multipolarization pattern rather than unipolarization pattern or bipolarization pattern. The United States withdrew from the TPP in January 2017. Trump's withdrawal not only had a great impact on Japan's domestic economic development prospects, but also on Japan's expectation of seeking more regional power [24]. However, unlike Japan's previous tacit acceptance, the Japanese Prime Minister did not fly to Washington to negotiate with the US president. On the contrary, two months later, on March 15, 2017, Japan indicated at the first ministerial meeting after the US withdrawal that it would take the initiative to promote the TPP. This not only showed that the Japan attached importance to the TPP, but also showed Japan's ambition to lead multilateral treaties. The situation about domestic people was, in 2013, 59% of Japanese people believed that the United States did not consider their interests when implementing foreign policy. By 2018, the proportion rose to 71%; In the Obama administration, 60% - 85% of the Japanese people had confidence in Obama. In the Trump administration, the proportion fell by 30% - 55% [25]. Through data comparison, Japanese people's distrust of the U.S. government has increased significantly. The rise of Japanese people's dissatisfaction with the United States would affect the Japanese government's overall strategic positioning and policy application to the United States, and also laid a public foundation for Japan to take more leadership responsibilities in the future.

The situation about Japanese enterprises was as follows: Japan was one of the largest auto-mobile importing countries of the United States. The Trump government has constantly threatened the interests of Japan's core industries with auto tariffs. Even if the Trump government did not put the auto tariff into effect, it also sounded the alarm for Japan, and Japanese enterprises began to look for other possibilities of cooperation. For example, Japan and the European Union had reached an "Economic Partnership Agreement" (EPA), which took effect on February 1, 2019. This marked the birth of the world's largest free trade zone, which covered 600 million people, accounted for about 30% of the world's GDP and nearly 40% of the world's total trade. The agreement eliminated 99% tariff of EU and 94% tariff of Japan, which might increase EU's export to Japan by 32.7% and Japan's export to EU by 23.5% [26]. At the same time, Japan has actively participated in the negotiation of China-Japan-South Korea Free Trade Agreement (FTA) and Regional Comprehensive Economic Partnership Agreement (RCEP), including 16 countries, to further expand Japan's multilateral trade relations [27].

The aggressive political stance of the United States and a

series of selfish foreign trade policies of the Trump administration have pushed one of the closest allies, the strategic partner in the Asia-Pacific region to the other side. The trade war not only accelerated the collapse of the former US-led international system, but also led to the evolution of the international system to multipolarization.

### *C. Discussion*

The " Political Bubble " is the product of rigid ideology, inefficient government institutions and special interests [28]. A series of short-sighted, stimulating, unilateral political, economic and military policies would promote the accumulation of political bubbles.

Since Europe was the birthplace of western civilization, we took the interaction between the United States and the European Union as an example.

The EU is a special political entity whose essence is economic union rather than sovereign state. Therefore, the neutrality of the EU was not because of its independent position in the international system, but because the EU did not have the political foundation to be a reliable ally.

The EU, which was neutral in the international community, has become one of the main targets of Trump's trade war. By observing the EU countries' tough words, sanctions and Countermeasures against the unilateral trade threat of the United States, as well as the further strategic contacts between the EU and Japan, we found that the neutral role of the EU was becoming non-neutral because of the unilateral behavior of the United States. When the EU, which was neutral in nature, began to adjust its role because of the United States, it signaled that the credit of the United States in the international community has declined rapidly. Today's international system is characterized by a central-periphery system [29]. In this system, the United States was the only superpower, which lived upon confidence of other countries in it [30]. The decline of credit and leadership would lead to the accelerated expansion of the " Political Bubble ", and ultimately threaten the founding legitimacy of the United States. McCarty et.al held that the " Political Bubble " was probably a permanent feature of capitalist democracy and put forward "Ideology-Institution-Interest" to analyze the producing mechanism of the "Political Bubble" [28].

The ideology of the United States was related to the will of the ruling party and provided justification for their actions according to their will. Therefore, ideology was irrefutable and totally acceptable. In the aspect of foreign trade, ideology was represented by the establishment of rules and discourse power of the US government and its allies in the international trade system. However, a series of breach of contract and withdrawal from international treaties of the Trump administration overdraw the international credit of the United States. Even though the United States took advantage of its unique international trade position and gained domestic market concessions from some countries through the use of "power leverage" such as pushing and going backwards on its words, it damaged more important long-term strategic interests, such as the international leadership established since World War II and the current international system. When the United States began to oppose its allies in the world, to damage its own position, and to become the Veto System [31], Trump has further pushed the United States to political

decline, and countries with systemic political decline often encounter difficulties in national governance [32]. The expansion of the "Political Bubble" followed.

The institution of the United States is the party, rule-maker. During the term of Trump administration, the struggle between the two parties became white hot. There was even the longest US federal government shutdown in early 2019 and the violent impact on Congress on January 6, 2021. The consequences would be: the reputation of the two parties would be greatly impacted, the role of rule makers and its ruling legitimacy would be shaken, the public's distrust of the federal government has increased, and the implementation of policies would be more difficult. The confrontation and intensification of the struggle between Institutions would become the catalyst for the political bubble.

Interest in the United States refers to the interests coveted by special interest groups and their supporting parties. The president of the United States was a figure in front of the ruling party and its special interest groups. The political demands and strategic considerations of the US president were related to the core interests of the people behind the stage. But the interest pursued by the Trump administration was more personalized. This caused not only opposition from the Democratic Party, but also a major blow to the ruling party and political system of the country [32]. Changing from the voice of the group to the voice of the personal interest, the President of the United States would become the pursuer of the short-term policy and intensify the internal discord within the party, thus leading to the accumulation of the "Political Bubble".

As Marx said, "the economic base determines the superstructure", and most of the research focused on the economic field. GDP growth seemed to be the only solution to all international problems and national development, and thus a series of political reforms and policy plans have been formulated. Almost everyone knew that economic development had its limits and unhealthy times. That was, the existence of economic bubbles and the recurrence of economic crises. However, the bold economic and financial policies adopted by the federal government in recent years and the rapid expansion of the central bank's balance sheet seemed to behoove that after the repeated economic crises in history, the existence of the economic bubble seems to be reasonable. Even if there were four consecutive meltdowns in the US stock market during 10 days from March 9 to March 19, 2020, it didn't cause surprise to any countries, because it was believed to be solved in short time through a series of rescue policies, which had been proved multiple times by history.

However, the "Political Bubble" is totally different from economic bubble. The use of leverage, the overdraft of strategic resources and the disregard of the international community will lead to the rapid growth of the "Political Bubble". When the "Political Bubble" is broken, the mutiny of the armed forces, the change of regime, the split of the state and the collapse of the system are all manifestations, and the result is unsalvable and one-off. This paper holds that politics and economy, regardless of their priority, are mutually complementary. Blindly taking a series of policies to promote economic development as the goal, will inevitably be affected by ideology, populism and economic indicators,



and more or less ignore the current social situation, political stability and international reputation, thus departing from "of the people, by the people and for the people" and becoming "Of the power, by the ideology, for the economy index"

## VI. CONCLUSION

This article takes the United States as the main object of study. Through studying its interaction with the main international political actors, we believed that there was a fatal, irreparable and accumulating political bubble behind the economic bubble.

The Trump administration's trade policy motive was not to launch a trade war to protect the interests of American workers and promote the return of American manufacturing. Instead, he fired a shot first and then drew a target around the bullet hole. In order to defend the core achievement of tax reduction, the Congress represented by the elites of the democratic party refused to raise the federal debt ceiling, so it had to resort to the trade war to increase the federal revenue. Since in the United States, the undertakers of the price rise of cheap imported goods were mainly the middle and lower-class consumers, in order to appease voters, Trump packaged the trade war as a defense of American interests and depicted himself as a national hero.

The Trump administration's trade policy not only failed to achieve the original idea, but also played a role of backfire on the United States itself. The Trump administration's Trade Policy Uncertainty had led the US trading partners to seek other options. Take China, America's largest trading partner. Although the import and export volume of China and the United States declined during the trade war, it rose rapidly in a short time. Not only did the trade deficit between China and the United States return to its original level, but also the United States showed its dependence on Chinese imports. At the same time, due to the trade exclusivity of the Trump administration, China was forced to actively explore other options.

A series of rash trade policies of the Trump administration accelerated the evolution of multipolarization. A series of rashness, exclusiveness and uncertainty in the trade field of the United States led its follower, Japan, to seek the right of making multilateral rules and the leadership of multilateral cooperation. The bilateral, multilateral and regional trade agreements signed by Japan and other countries were far superior to the trade interaction between Japan and the United States in terms of quantity, quality and efficiency, and Japan has been constantly seeking its leading position in the Asia-Pacific region. When the followers of the world's only superpower begin to seek independence and leadership, the process of regional globalization will accelerate, and the international pattern will evolve to multiploidization.

Unilateral trade sanctions launched by the United States have laid the seeds of fundamental harm - the accumulation of the "Political Bubble". The greatest advantage of American political system lies in its ability to correct errors. The rotation of political parties ensures the vitality of the leadership and the innovation of policies. Through healthy competition, the two parties continue to put forward more comprehensive and better strategic plans. But the reality is that there is a "Veto System" in the United States. The fierce

attacks of both parties on social media and the longest shutdown of the federal government due to the fierce struggle between the two parties showed that the competition between the two parties is no longer benign, no longer based on the level of policy competition, but malignant, based on ideological exclusion. The chaotic political environment leads to the failure of the ruling party to respond effectively to public concerns and international changes. The Trump administration's trade policy even forced the politically neutral EU to favor China and Japan. This showed that the ruling party of the United States ignored the change of international pattern. Rigid ideology, slow and inefficient government institutions and special interests breed the "Political Bubble" [28].

## CONFLICT OF INTEREST

The authors declare no conflict of interest.

## AUTHOR CONTRIBUTIONS

Siyu Tang, Haoran Xu conducted the research; Siyu Tang wrote the paper; Haoran Xu proofread reference format; all authors had approved the final version.

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