

Trump's toxic leadership takes its toll on US trade

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In the “America First” world view of President Donald Trump, the complexities of international trade can be boiled down to “exports, good; imports, bad”. Countries and companies that export are winners, while imports are for losers.

The US trade deficit, he says, is proof that his predecessors’ weak leadership has allowed America to be taken advantage of, costing it hundreds of billions of dollars. His remedy to America’s perceived weakness: strength through tariffs and protectionism, with China top of the list for corrective action.

In a tweet earlier this week, Mr Trump proudly styled himself as a “Tariff Man”, going on to claim that his approach was reasserting economic power, bringing billions of dollars into US coffers, and setting the stage to “MAKE AMERICA RICH AGAIN” (his emphasis).

Coming days after apparently agreeing a truce with Chinese President Xi Jinping, Mr Trump has once again shown he has no intention of dropping his impulsive and erratic approach to international relations.

The relationship between Mr Trump’s Twitter stream and reality is frequently one of polar opposites. So do his claims of reasserting America’s supposedly “lost” economic prowess stand up?

In a recent research study, I found that Mr Trump’s toxic approach to economic policy has actually caused a significant hit to US exports. Indeed, I found compelling evidence that far from “winning”, in his first year in office Mr Trump’s alienation of much of the rest of the world slashed more than US\$3 billion (S\$4.1 billion) from US exports.

My study centres on the concept of “soft power”, which is the ability of one country to influence others through persuasion and the attractiveness of its culture, ideals and policies. This contrasts with “hard power”, which involves the use of force, either military or economic, to coerce others to behave in a certain way.

The study compiled data spanning almost two decades from a range of global surveys that track foreigners’ changing perceptions of various major world powers. These are conducted annually by groups such as Gallup, the BBC and the Pew Research Institute and give a clear picture of a country’s soft power – that is, its attractiveness to foreigners. This data was then plotted against annual international trade figures.

From this it emerges that a 1 per cent increase in a country’s leadership approval causes an increase in exports of around 0.66 per cent. In other words, exporters sell more to countries that approve more of the job performance of their leadership.

Correspondingly, a 1 per cent increase in leadership disapproval resulted in a 0.35 per cent decrease in exports.

Looking at foreign perceptions of the United States specifically, between 2016 (the last year of the Obama presidency) and last year (Mr Trump’s first year in office), average net approval by foreigners of American leadership plunged by 24 per cent, from +16.6 to -7.4.

This leads to a conservative estimate that plunging foreign perceptions of Mr Trump and America’s leadership wiped out at least US\$3 billion from US exports.

Indeed, the figure is likely considerably higher, given that in Canada and Mexico (by far America’s largest export markets), the surveys showed that net approval of America’s leadership sunk by more than 60 per cent.

So while Mr Trump may pour scorn on his predecessors for costing America billions of dollars, data shows that his toxic personality has probably been more important in restraining US exports.

The message here is that soft power – the ability of one country to attract another – is of substantive importance in both understanding and influencing international trade.

It is a subtlety that is likely beyond Mr Trump’s nativist zero-sum view of global trade, where one party wins at the expense of another. Notably, this is a rare point on which Mr Trump has actually remained consistent.

Yet, to quote Nobel Prize-winning economist Paul Krugman, a country is not a company. The simple equations of profit and loss that make up a business’ bottom line are not the same as a nation’s trade balance. When I buy chicken rice at a hawker centre, for example, the stall owner does not “win”, nor do I “lose”. We both gain.

Nonetheless, that is the view that drives Mr Trump’s volatile and confrontational approach to global trade.

With his insults and Twitter threats of ever more punitive tariffs if he does not get his way, Mr Trump, it seems, has little regard for the concept of soft power. Yet the data shows that soft power is indeed powerful: It influences both international trade and, through its impact on key political relationships, global security.

So while Mr Trump and his kind place little value in data, evidence, or the word of “experts”, it is important for academics and educators to take a stand for rationality, distinguishing facts from politicised opinion.

In a world of alternative facts, it matters that we keep showing what is really going on and why.

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