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"The New Geoeconomics of the US and Its Consequences for Allies"

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Abstract:

This thesis investigates the evolution of the United States' geoeconomic strategy in the 21st century and examines its implications for allied nations, with a particular focus on NATO and Major Non-NATO Allies. It identifies and analyzes the shift from global economic integration toward strategies centered on economic security, such as reshoring, nearshoring, and friendshoring. These policies reflect growing concerns about trade insecurity and the weaponization of economic interdependence in an era marked by systemic shocks, including the 2008 Global Financial Crisis, the COVID-19 pandemic, and the Russian invasion of Ukraine.

Through a comparative examination of the Obama, first Trump, and Biden administrations, the thesis explores how the U.S. has redefined its economic priorities, moving from a liberal international trade order towards more strategic and often unilateral economic instruments. Particular attention is paid to key legislations such as the TPP, USMCA, and the Inflation Reduction Act and their impact on transatlantic trade relations. The analysis reveals that while these shifts are driven by valid security concerns, they also pose significant challenges to U.S. allies, who must navigate a more fragmented and politicized economic landscape.

Drawing on a multidisciplinary body of literature, the thesis argues that a new country-to-alliance framework is essential for understanding the cascading effects of US policy changes on its partners. By assessing both the motivations behind and the consequences of the US's evolving geoeconomic posture, the thesis contributes to a more nuanced understanding of how economic tools are increasingly intertwined with security objectives in a multipolar world.

Keywords: Geoeconomics, US Foreign Policy, Economic security, Friend-Shoring, Supply chain resilience

Abstract (Deutsch):

Diese Masterarbeit untersucht die Entwicklung der geökonomischen Strategie der Vereinigten Staaten im 21. Jahrhundert und deren Auswirkungen auf verbündete Staaten, insbesondere die NATO und zentrale Nicht-NATO-Verbündete. Im Fokus steht der Wandel von globaler wirtschaftlicher Integration hin zu sicherheitsorientierten Ansätzen wie Reshoring, Nearshoring und Friendshoring. Diese spiegeln wachsende Sorgen über Handelsrisiken und die Instrumentalisierung wirtschaftlicher Interdependenz angesichts systemischer Schocks wie der Finanzkrise 2008, der COVID-19-Pandemie und dem russischen Überfall auf die Ukraine wider.

Durch eine vergleichende Analyse der Regierungen Obama, Trump (erste Amtszeit) und Biden wird gezeigt, wie sich die US-Wirtschaftspolitik von einer liberalen Handelsordnung zu strategischeren und teils einseitigen Maßnahmen verschoben hat. Im Mittelpunkt stehen zentrale Gesetzesinitiativen wie das TPP, USMCA und der Inflation Reduction Act sowie deren Einfluss auf die transatlantischen Handelsbeziehungen. Die Arbeit zeigt, dass diese Strategien sicherheitspolitisch motiviert sind, aber gleichzeitig neue Herausforderungen für US-Verbündete darstellen.

Basierend auf interdisziplinärer Literatur plädiert die Arbeit für einen neuen Analyseansatz, der die Wirkungen US-amerikanischer Politik auf Allianzen stärker berücksichtigt. Sie trägt zu einem besseren Verständnis der Verknüpfung von Wirtschafts- und Sicherheitszielen in einer multipolaren Welt bei.

Schlüsselwörter: Geökonomie, US-Außenpolitik, Wirtschaftliche Sicherheit, Friend-Shoring, Resilienz von Lieferketten

Abbreviations

BRI – Belt and Road Initiative

CEO – Chief Executive Officer

CHIPS Act – "Creating Helpful Incentives to Produce Semiconductors" for America Act

CMA – Critical Minerals Agreement

CPTPP – Comprehensive and Progressive Agreement for Trans-Pacific Partnership

EU – European Union

EV – Electric Vehicle

FEOC – foreign entities of concern

FTA – Free Trade Agreement

GATT – General Agreement on Tariffs and Trade

GDP – Gross Domestic Product

GFC – Global Financial Crisis

IRA – Inflation Reduction Act

LCR – Local Content Requirements

MA – Massachusetts

MENA – Middle East North Africa

MNNA – Major Non-NATO Ally

NAFTA – North American Free Trade Agreement

NATO – North Atlantic Treaty Organization

REM – Rare Earth Minerals

TIFA – Trade and Investment Framework Agreement

TPP – Trans Pacifc Partnership

US – United States

USMCA – United States-Mexico-Canada Agreement

VT – Vermont

WTO – World Trade Organization

Acknowledgement

To my loving family back home in Minnesota, who have supported me all these years, through the pandemic and through hopping continents. I would not have made it this far without your support.

Pledge of honesty

On my honour as a student of the Diplomatische Akademie Wien, I submit this work in good faith and pledge that I have neither given nor received unauthorized assistance on it.

-Patrick Jose Montoya

Introduction

"Liberation Day," as proclaimed by President Donald Trump, marks the beginning of a new era in U.S. trade policy. With the sudden imposition of sweeping tariffs on a wide array of imports, the United States, which has long been seen as the champion of liberal international markets, signaled a dramatic departure from its post-World War II economic doctrine that peaked in the 1990s. What made this moment shocking was not only the unilateral and abrupt nature of the announcement but also that it came from the world's largest economy and importer. For decades, the United States had been a principal architect and advocate of the liberal international economic order. It was a founding force behind the General Agreement on Tariffs and Trade (GATT) and later helped transform it into the World Trade Organization (WTO), establishing a globalized, international economy. However, in recent years, the drive and political will to push forward on this project have not only come to an end, but have also reversed.

The prevailing narrative at the time portrayed Trump's actions as erratic and impulsive, a sharp deviation from U.S. policy tradition. Many observers placed the blame squarely on the president's personal style: his disdain for multilateralism, his distrust of international institutions, and his preference for bilateral agreements that favor the US. While such factors are not insignificant, this explanation obscures a more profound and continuous transformation in American geoeconomic thinking, one that predated the first Trump presidency and persists under his successor, Biden. As this thesis argues, this shift in US geoeconomic strategy spans the past three three presidencies, those of Barack Obama, the first Donald Trump term, and Joe Biden's administration and is characterized by a consistent desire to reduce U.S. dependence on global supply chains, reassert domestic manufacturing, and protect the nation from economic vulnerability in an increasingly multipolar and adversarial world.

Although each of these presidents framed their policies differently, all shared a core objective: to secure America's economic base and reduce exposure to external shocks, particularly those that could be weaponized by rival competitors, primarily China. Barack Obama first articulated this shift in the context of ending "the tyranny of oil,"[1] winding down Middle East wars, and

[1] Barack Obama , "Obama Presidential Announcement" (February 10, 2007), http://obamaspeeches.com/099-Announcement-For-President-Springfield-Illinois-Obama-Speech.htm.

investing in domestic infrastructure and manufacturing. His rhetoric was clear during his presidency, where he argued that "it is time to focus on nation building here at home,"[2] and again in his 2012 re-election campaign, when he declared, "I am running to be the President to make sure that America builds again, that we make stuff."[3] These remarks reflected a deeper philosophical stance: that economic strength at home was the prerequisite for global influence abroad, and that decades of overreliance on foreign oil, offshored manufacturing, and costly military engagements had left the U.S. exposed and overextended.

Donald Trump inherited and dramatically accelerated this logic. His slogan, "Make America Great Again," evoked a return to an era of industrial prowess and economic independence. However, unlike Obama, Trump adopted an aggressive protectionist approach, employing a toolkit that included sweeping tariffs, withdrawal from the Trans-Pacific Partnership (TPP), and the renegotiation of NAFTA into the U.S.-Mexico-Canada Agreement (USMCA). Although his style was more confrontational and less institutionalized, his policies echoed Obama's concerns about the erosion of American manufacturing and strategic autonomy. Trump's trade war with China and his emphasis on bilateralism marked a pivot from the rules-based liberal order of the WTO to a unilateral approach, which has been marked by a domestic rise in economic nationalism in the US.

President Joe Biden, though often portrayed as a return to normalcy and multilateral diplomacy, has largely continued this geoeconomic trajectory. His "Build Back Better" agenda, later rebranded as the Inflation Reduction Act (IRA), emphasizes industrial policy, clean energy investment, and reshoring or friendshoring of critical supply chains. The IRA, in particular, offers extensive subsidies for domestic production in sectors deemed strategically essential, most notably in renewable energies, batteries, and green technologies. Like his predecessors, Biden has identified China as a principal strategic competitor and has worked to reduce U.S. vulnerability to supply chain disruptions and economic coercion. However, his approach places a

[2]Barack Obama, "Remarks by the President on the Way Forward in Afghanistan," whitehouse.gov (Whitehouse, June 22, 2011), https://obamawhitehouse.archives.gov/the-press-office/2011/06/22/remarks-president-way-forward-afghanistan.

[3] Barack Obama, "Remarks by the President at a Campaign Event" (July 5, 2012), https://obamawhitehouse.archives.gov/the-press-office/2012/07/05/remarks-president-campaign-event-0.

greater emphasis on alliances, seeking to coordinate with like-minded partners on technology controls, supply chain resilience, and climate-related industrial investment. Nonetheless, the underlying assumption remains the same: that economic strength is inseparable from national security, and that the liberal international trade order as previously conceived is no longer compatible with U.S. strategic needs.

Together, these three presidencies reveal a sustained, bipartisan reorientation of U.S. geoeconomic policy. While the tactics and rhetoric have varied, the strategic imperative has remained remarkably consistent. The US is no longer positioning itself as the principal architect of an open international economy, but rather as a strategic actor seeking to shape economic flows to serve national interests. This transformation signals the rise of a distinctly neorealist approach to geoeconomics, one that prioritizes state control over market forces, resilience over efficiency, and strategic advantage over global interdependence.

This thesis defines geoeconomics following Robert D. Blackwill and Jennifer M. Harris, who in their book *War by Other Means* describe it as "the systematic use of economic instruments to accomplish geopolitical objectives."[4] Under this definition, trade agreements, tariffs, investment restrictions, subsidies, and supply chain policies become tools not just of economic policy but of national strategy. By adopting this framework, the thesis examines how the U.S. has advanced policies that consider these tools not in isolation, but as part of a comprehensive effort to recalibrate its global role and mitigate systemic exposure to rival powers, primarily China.

The first goal of this thesis is to examine how this geoeconomic strategy differs from the past. During the post-Cold War era, the U.S. largely embraced a liberal internationalist vision, in which economic interdependence was assumed to be both stabilizing and mutually beneficial. Washington pursued trade liberalization through the GATT, now the WTO, supported the integration of China into the global economy, and viewed globalization as a means of spreading democratic norms and market-based governance. The current strategy, by contrast, views interdependence as a potential liability that adversaries can exploit. The shift is profound, suggesting a rethinking not only of U.S. economic policy but also of the very logic of global governance.

[4] Robert D Blackwill and Jennifer M Harris, *War by Other Means Geoeconomics and Statecraft* (Cambridge, Massachusetts London, England the Belknap Press of Harvard University Press, 2016).

The second objective of the thesis is to assess how this strategic shift affects America's allies. The United States maintains a vast network of partners across the globe, including those within the NATO alliance and the group of countries designated as Major Non-NATO Allies (MNNAs). For these allies, the consequences of America's geoeconomic pivot are both material and strategic. On the one hand, new U.S. policies may offer economic opportunities through joint investment initiatives, friend-shoring arrangements, and technology partnerships. On the other hand, they also create new tensions, whether in the form of trade discrimination, supply chain disruptions, or the expectation that allies align with U.S. restrictions on China.

Given the diversity of U.S. allies, this thesis does not attempt to offer a single, unified answer to how they are affected. Instead, it adopts a regional lens, examining the consequences of U.S. geoeconomic strategy for four key geopolitical theaters: Europe, the Indo-Pacific, the Middle East and North Africa (MENA), and Latin America. Each region presents distinct challenges and responses. European allies, for instance, face frictions over subsidies and industrial competition, wishing to maintain liberal internationalism under the WTO. Indo-Pacific partners must navigate between two giants and the growing pressures from the US to reduce reliance on China. MENA countries confront shifts in energy demand and military engagement, while Latin American allies experience both new opportunities for integration and risks of marginalization.

In summary, this thesis argues that a new geoeconomic doctrine is emerging, one that diverges from the liberal consensus of the post-Cold War era and is reshaping both U.S. foreign policy and the global order. This doctrine is rooted in a deeper structural response to the risks of globalization, a reassertion of economic sovereignty, and an emerging strategic competition with authoritarian powers. As the following chapters demonstrate, this new geoeconomic calculus is already redefining America's role in the world and the future of its alliances.

Literature Review

The literature examined is related to "The new Geoeconomic strategy of the US and its consequences for its allies." This produced two main themes from the relevant literature. The first was economic and supply chain insecurity. The second central theme was the rise in the weaponization of interdependence.

These two themes are relevant topics to cover, especially in today's economic and security landscape. For the past few years, many world leaders and news media coverage have become increasingly focused on topics of economic security. Furthermore, sanctions, tariffs, and trade barriers have become a growing topic of discussion, as an increasing number of nations have adopted or hinted at adopting them in recent years. This holds ever more true with the second election of President Trump, who, in his brief time in office, has threatened to raise tariffs not just on strategic rivals but also on some of the nation's closest allies if he does not get his way.

However, the literature found only examines the topics through two lenses. That is, it is either discussed as a world-to-world matter, in which events occur on the world stage and their effects remain on the world stage. The other lens is a country-to-world, where a nation takes action, and its repercussions are felt throughout the world. The only notable exception to this is the recent discourse on US-China and German-Russian relations. These country-to-country cases, however, often evolve into a broader discussion on their impact on the wider world. The reason these two lenses are so heavily used is due to traditional assumptions and practices that emerged from the post-Cold War era and the rise of globalization. In such an interconnected world, the butterfly effect is often felt in some way around the globe, making it difficult to ignore its impact on the rest of the world.

Here lies a notable gap in the literature; world-to-world and country-to-world are very useful for understanding the larger scope of a matter, but miss nuances in security developments and sentiments on a more granular level. Similarly, country-to-country may give a useful understanding of granular development, but also misses the larger scope of the context and how it affects partners close to either nation. A middle ground is missing in a country-to-group or country-to-alliance lens. This lens focuses on the actions of an actor and the repercussions it has on the actor's "in-group". For this thesis, the relevant parties are the US as an independent actor and the repercussions of its actions on its wider alliance network.

Trade insecurity:

Trade insecurity in the international system is a growing topic of debate as major powers move to mitigate these insecurities. For the thesis, it is crucial to discuss this, as it is essential to answering the question of why the US is shifting its geoeconomic strategy. However, the US does not stand alone in these insecurities, as the literature found, shows that it is a growing issue across the West and amongst great powers. Three actors were predominantly mentioned throughout the literature: the US, the EU, and China. All three are acting and reacting in their own ways, with China's export share being considered generally too large to be acceptable by the US and EU. This growing divide between all three actors, is mentioned many times throughout the literature, as risking the fracturing of the global trade system.

Rosa Balfour and Sinan Ülgen write about this trend in the introduction to the collection of papers in "Geopolitics and Economic Statecraft in the European Union," as the end of the neoliberal economic order that came to prominence in the 1990s.[5] While some other authors also recognize this as an end to the neoliberal economic order[6], not all authors do, but all authors seem to agree that the beginning of these trade insecurities traces back to the Global Financial Crisis (GFC) in 2008. Many of the same authors also point to the COVID-19 pandemic and the Russian Invasion of Ukraine as cementing factors in support of fracturing the global value chain.[7]

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[5]Rosa Balfour and Sinan Ülgen, "Geopolitics and Economic Statecraft in the European Union: Chapter 1 Introduction" (Carnegie Endowment for International Peace, 2024). pg. 3

[6] Daniel W. Drezner, "The Dangers of Misunderstanding Economic Interdependence" (CATO institute, September 12, 2023), The Dangers of Misunderstanding Economic Interdependence _ Cato Institute.pdf. Pg. pg. 4

[7]Giovanni Grevi and Richard Youngs, "Economic Statecraft and EU Strategic Interests," Carnegie Endowment (Carnegie Endowment, 2024), Geopolitics and Economic Statecraft in the European Union.pdf. pg. 22

Shekhar Aiyar, Andrea F. Presbitero, and Michele Ruta, "Geoeconomic Fragmentation: The Economic Risk from a Fractured World Economy; Introduction," CEPR (CEPR PRESS, 2023), Geoeconomic Fragmentation_ The Economic Risk from a Fractured World Economy.pdf. pg. 1

The breaking of the global value chain doesn't mean a move towards autarky, however. What Plummer and other authors note is that this fracturing has led to a growth in regionalism, where actors seek to keep the distance of value chains short as a way to mitigate the exposure to risk.[8] This is known as nearshoring, one of the three methods being employed by great powers to bolster their security. For the US, this is done by pulling firms away from China and incentivizing them to set up in Mexico.

The second, less extreme version of this is called friendshoring, where nations encourage firms to establish supply chains in friendly and stable countries. Müller, who wrote "The 'New Geopolitics' of Mineral Supply Chains," notes that this concept was established by the US in 2022 and "refers to the development of economic relationships with 'a network of trusted suppliers from friendly countries that offer multiple independent supply paths'."[9] This strategy holds a dual approach for forging ties with other nations as it "combines economic cooperation with the expansion of political relations with countries that share similar norms and values."[10] The US and the EU have both pursued this policy in different but similar ways. In the US, there was the US CHIPS and Science Act, and there was the EU's European Chip Act.[11] The Authors of the literature also highlight that friendshoring does pursue very real goals and is critical when it comes to fields like the green transition.

Lastly, there is reshoring, which is the redomesticating of a firm's production back into the country. Reshoring is done by putting up trade barriers so that it is most cost-efficient to produce locally, often at a cost to friend and foe alike.[12] This method is the harshest of the three as it seeks

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[8]Michael G. Plummer, "Estimating the Costs of Geoeconomic Fragmentation to the Global Economy," Geoeconomic Fragmentation The Economic Risks from a Fractured World Economy (CEPR PRESS, 2023), https://cepr.org/system/files/publication-files/190366-geoeconomic_fragmentation_the_economic_risks_from_a_fractured_world_economy.pdf. pg. 58
Melanie Müller, "The 'New Geopolitics' of Mineral Supply Chains: A Window of Opportunity for African Countries," *South African Journal of International Affairs* 30, no. 2 (July 14, 2023): 1–27, https://doi.org/10.1080/10220461.2023.2226108 pg. 5
[9]Müller, "The 'New Geopolitics' of Mineral Supply Chains…" pg. 7
[10]Müller, "The 'New Geopolitics' of Mineral Supply Chains…" pg. 7
[11]Beata S Javorcik et al., "Economic Costs of Friend-Shoring," Geoeconomic Fragmentation the Economic Risks from a Fractured World Economy (CEPR PRESS, 2023), https://cepr.org/system/files/publication-files/190366-geoeconomic_fragmentation_the_economic_risks_from_a_fractured_world_economy.pdf. pg. 36
[12]Marijn A. Bolhuis, Jiaqian Chen, and Benjamin Kett, "Geoeconomic Fragmentation: Accounting for Commodities," Geoeconomic Fragmentation the Economic Risks from a Fractured World Economy (CEPR

to cut out or reduce the role of foreign countries in the production of their goods. The trade-off is that they have near-total control or the ability to secure the industry when it is done domestically.

These three methods, however, are not without fault and criticisms. Nearly all the authors who talk about these methods highlighted the fact that it will come at a steep cost. Authors of the paper "Economic Costs of Friend-Shoring" noted that "in the medium run, friend-shoring is bad for most economies and generally leads to real output losses globally… economic costs of friend-shoring are higher than the economic costs of sanctions."[13] These methods may not even work, as one author noted that regional supply chains suffer just as much, if not more, during the pandemic, and domestically made products were hit far harder.[14] This translates into the fact that these initiatives are being pushed not just by a need to diversify away from hostile nations but by a lack of understanding about what they are protecting themselves from.

A large fear was that the interdependentness of a state could be weaponized against it. These fears grew from both the COVID-19 pandemic and the Russian invasion of Ukraine. However, the origin of these fears goes back further and is linked to how the US used the financial reliance on US institutions to inflict punishing sanctions, threatening friend and foe alike who did not comply with its demands.[15] Daniel Drezner, who authored "The Dangers of Misunderstanding Economic Interdependence," stresses the fact that while interdependence can be used in a negative way, there are also positive aspects to it that, when removed or diminished, create the perfect medium for a great power conflict.[16]

A second set of literature emerged when examining this topic, focusing more directly on supply chains and their risks of failure and collapse. The authors write in their paper, "Supply Network Formation and Fragility," that while "Complex supply networks are a central feature of the modern economy… due to the resulting interdependencies, an idiosyncratic shock can cause

PRESS, 2023), https://cepr.org/system/files/publication-files/190366-geoeconomic_fragmentation_the_economic_risks_from_a_fractured_world_economy.pdf.

[13] Beata S Javorcik et al., "Economic Costs of Friend-Shoring," pg. 29

[14] Drezner, "The Dangers of Misunderstanding Economic Interdependence" pg. 9

[15] Drezner, "The Dangers of Misunderstanding Economic Interdependence" pg. 10

[16] Drezner, "The Dangers of Misunderstanding Economic Interdependence" pg. 14

cascading failures and disrupt many firms."[17] The paper by Aymeric Vié and Alfredo J. Morales reaffirms this, writing that "Whether they arise from investments, trade or supply chains, interdependencies are increasingly important in contemporary economic systems… at the same time, they also introduce paths for risk contagion and generate large-scale vulnerabilities to systemic failure."[18] What they outline in both papers is that complex networks generate higher levels of productivity; however, in doing so, they expose the entire network to failures.[19] On top of this, in the paper "Supply Netwrok Formation and Fragility," their model "leads to the counterintutive conclusions that a policy intervention that works well in terms of increasing reliability in normal times can still fail to remove fragility to aggregate shocks."[20] What this means at a policy maker or firm level is that even if measures are put in place to ensure the security of the general supply chain, shocks in the international supply chain will still be susceptible to having adverse effects in the domestic markets.

The paper by Vié and Morales highlights some similar key points that authors have mentioned that "sparser networks may have a lower productivity but are more resilient to the probability of failure."[21] What their research highlights is that a reduction of trade networks can bring about more stability, but at a high cost of reduced productivity, while the inverse brings about higher levels of productivity, yet this creates a low level of resilience to failures in the trade network.

There was another recurring theme that emerged in the literature regarding trade insecurity. With the GFC of 2008 and the COVID pandemic, both were relatively naturally occurring without an ill incentive behind them. However, the Russian invasion of Ukraine saw Russia attempt to coerce and punish Europe for its support for Ukraine. Russia did this by limiting gas exports to the EU, resulting in a continent-wide energy crisis. Using a nation's connections to outside

[17] Matthew Elliott, Benjamin Golub, and Matthew V. Leduc, "Supply Network Formation and Fragility," *American Economic Review* 112, no. 8 (August 1, 2022): 2701–47, https://doi.org/10.1257/aer.20210220. pg. 3

[18] Aymeric Vié and Alfredo J. Morales, "How Connected Is Too Connected? Impact of Network Topology on Systemic Risk and Collapse of Complex Economic Systems," Computational Economics 57, no. 4 (July 24, 2020): 1327–51, https://doi.org/10.1007/s10614-020-10021-5. pg. 3

[19] Vié and Morales "How Connected Is Too Connected?" pg.4
Elliott, Golub, and Leduc, "Supply Network Formation and Fragility," pg. 3

[20] Elliott, Golub, and Leduc, "Supply Network Formation and Fragility," pg. 34

[21] Vié and Morales "How Connected Is Too Connected?" pg. 26

resources to try to manipulate the state's behavior is known as Weaponized interdependence, which is the subject of the next theme.

Weaponization of Interdependence:

Weaponized interdependence has, in the past few years, grown into a topic of great concern amongst those concerned with security and economics. It, however, is not a new topic of discourse, being a subject talked about by the very same people during the height of the neoliberal order in the 1990s. Drezner notes that neoliberalism of this time generally argued that interdependencies "would constrain the use of force across most issue areas."[22] LaBelle notes in a review of energy independence that for neoliberal economics, which brought about globalization, interdependence was a must.[23] Interdependence in this era was also a mechanism of security in which states could bind each other to ensure the security of all. Energy was used as a weapon in the 1970s to punishing effects, yet instead of breaking the system, Labella notes that the usage of the energy trade as a weapon "in an era of neoliberal economic reforms… built a structure of interdependence to prevent another energy crisis.[24] As the age of neoliberal dominance wanes following the GFC, followed by the dual crisis of the early 2020s, of the Covid pandemic and the Russian invasion of Ukraine, interdependence has rapidly fallen out of favor, entering contemporary discourse now as something skeptics see in these dual crises, the validation of their skepticism. One reason may have to do with perspectives, with the growingly influential realists seeing interdependence bluntly as a "dependency on another state."[25] Similarly, the authors of "The Weaponization of Trade" note that "The 1930s saw the Realist interpretation of trade interdependence at its historical apex, with countries trying to avoid economic vulnerabilities by relying on military expansion rather than on peaceful trade relations."[26] When taken from this perspective, it is easy to see why many using this framework, whether policymakers or academics, would find it hard to support such a relationship.

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[22] Drezner, "The Dangers of Misunderstanding Economic Interdependence" pg. 3

[23] Michael Carnegie LaBelle, "Energy as a Weapon of War: Lessons from 50 Years of Energy Interdependence," *Global Policy* 14, no. 3 (June 7, 2023), https://doi.org/10.1111/1758-5899.13235. pg. 5

[24] LaBelle, "Energy as a Weapon of War," pg. 13

[25] LaBelle, "Energy as a Weapon of War," pg. 11

[26] Lukas Feldhaus et al., "The Weaponization of Trade a Study of Modern Trade Conflicts from the Mid-1900s to Present" (2020). pg. 74

Convenient too, as Drezner notes, "new security fears about interdependence meshed nicely with policymakers searching for a post-neoliberal worldview."[27]

One commonality amongst the sources mirrors the earlier sources from the theme of insecurity, which began with the GFC of 2008. The GFC breaks the illusion of the infallibility of the West's neoliberal economic order. The interconnectedness of the global financial system was dragged down when the US, a central hub of finance, sank. The US, as this central hub of finance, was and is able to wield it in a coercive manner. The US reinforces this with effective secondary compliance measures, as noted by the authors in "The Uses and Abuses of Weaponized Interdependence." In their book, they note how the US was able to reinforce its economic sanctions when applying maximum pressure against Iran by forcing EU companies to comply even when the EU tried to protect them.[28]

In the analysis by the Authors "The Uses and Abuses of Weaponized Interdependence," they, unlike many of the authors, not only define what Weaponized Interdependence is but also what counts as it. They demarcate what Weaponized interdependence is as "when economic networks are heavily asymmetric, so that they are effectively dominated by hubs (that is, highly connected nodes), and when state actors with coercive power have the appropriate institutional capacities to seize upon these hubs."[29] Countries with sources of vital and non-abundant resources are the best primed under this definition to weaponize interdependence, as they are often a central hub for these goods. In 2022, the world saw on full display how Russia attempted to use its central hub position for gas to Europe.

There is, however, one significant flaw with the liberal usage of the weaponizing interdependence: "necessity is the mother of invention." Much of the literature explored comes back to a similar conclusion. It's a short-term weapon that does not really work, often hurts the user significantly as well, and loses its potency fast. Trump lost the confidence of his European allies and failed to get them to support a UN Security Council arms embargo. Iran moved

[27] Drezner, "The Dangers of Misunderstanding Economic Interdependence" pg. 4

[28] Daniel W Drezner, Henry Farrell, and Abraham Newman, "The Uses and Abuses of Weaponized Interdependence" (Washington, Dc: Brookings Institution Press, 2021). pg. 231

[29] Drezner, Farrell, and Newman "The Uses and Abuses of Weaponized Interdependence," pg. 291

towards China, which gladly bought the nation's gas and oil. The Authors of "The Uses and Abuses of Weaponized Interdependence," write that "in return for sanctions cooperation, countries like India and Turkey have leveraged various Trump concessions contrary to other U.S. interests."[30] They point out that by using its financial strength as so, the only push others to reduce their reliance on this, something seen by not onyl nations heavily sanctioned by the us like Russia and Iran but also by allies like the EU. Russia makes for another general example across multiple examined works, as it is highlighted that the EU did not crumble and bow to Russian demands but instead applied one of the most basic economic principles when not in a monopoly, find an alternative seller. In doing so, Russia has had to sell much of its oil cheaper than it would like, while the EU must buy it at a higher price than it did before. While it is far from Mutually Assured Destruction, it was a lose-lose situation in the end for both.

Conclusion:

Throughout the literature, there was a recurring motif that while none of the subjects were new, the way they were being examined and addressed was different from anything produced since the end of World War 2. One of the authors mentioned that the kind of thinking we are seeing today about this subject was similar to that of the 1930s or the end of the inter-war period.[31] When it came to both subjects of trade insecurity and weaponized interdependence, many pieces of the literature were intertwined with one another, finding that both subjects fed off each other in a dangerous downward spiral.

Trade insecurity literature has generated some key elements for its subject. First, its goals are different from past protectionist measures, and it seeks to mitigate interdependence on other nations. However, it is only great powers that seem to be focused on this, primarily because they are trying to get away from actors who might be able to weaponize it, which is also other great powers. For weaker powers, they are often at the behest of these larger powers, yet they still have agency if they play the game right.

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[30] Drezner, Farrell, and Newman "The Uses and Abuses of Weaponized Interdependence," pg. 233
[31] Feldhaus et al., "The Weaponization of Trade," pg. 74

Second is that the reaction to trade insecurity or its perception is one of three moves. Either it is to reshore industry back home, giving the nation far better control over it. Nearshore, the industry is in a bid to keep industry in the region to best mitigate the risk that distance poses. Last is to friendshore the industry and as a result keep it within a power's sphere of influence. However, there is an issue with all three, and that is that they do not really work all that well during a crisis, all while coming with significant hits to productivity.

Literature on weaponized interdependence follows a similar path, where the GFC of 2008 is the benchmark year to use, as it broke the neoliberal model. The Russian invasion of Ukraine was a significant moment for the West as it showed that it could be used against them to significant effect. Much of the literature also focused on how the US was a very liberal user of this kind of coercion, and that the deterioration of trust only escalated since then.

This literature becomes particularly relevant to the thesis, as it reveals a critical blind spot in existing academic frameworks: the absence of a country-to-group or country-to-alliance lens. While much of the existing research focuses either on broad global trends or isolated bilateral relationships, it overlooks how the geoeconomic strategies of a dominant actor like the United States reverberate within its alliance structures, especially among NATO and MNNA allies. The reviewed literature demonstrates that U.S. policy shifts toward trade protectionism and the increasing use of economic tools for strategic ends have material and political consequences for its partners. Yet, there is limited analysis of how allies perceive, respond to, and are shaped by these shifts. This gap matters deeply: as the U.S. engages in nearshoring, friendshoring, and reshoring, which is often justified by the logic of economic security and minimizing exposure to weaponized interdependence, its allies are not just passive observers. They are economically entangled and strategically implicated, frequently having to adapt their own policies or absorb the costs of decisions taken in Washington. Therefore, this thesis aims to help fill that analytical gap by examining how U.S. geoeconomic actions affect its alliances, not just in terms of policy alignment or divergence, but in how they redefine the strategic and economic compact that underpins allied cooperation in an era of heightened global competition.

Theoretical Framework

For this thesis, two distinct sets of theories are implemented to build the framework. The nature of geoeconomics is found in the use of economic power to pursue geopolitical outcomes. As a consequence, individual theories from either a political or an economic dimension often struggle or fail to encapsulate the thoughts that go into geoeconomic strategy. For this reason, the theoretical framework is split along this line of politics and economics.

For the political half of the framework, the thesis pulls primarily from Neorealist theory as presented by Kenneth Waltz in his book, with John Mearsheimer's take on neorealism being included as well. Kenneth Waltz's main contribution is the creation of neorealist theory, with his stance within neorealism being described as defensive realism. John Mearsheimer comes in with his own approach called offensive realism. On the economic side, economic nationalism and protectionism will be used, with works by Robert Gilpin being included to bridge together the US national interests to international economics.

Neorealist Theory:

Neorealist theory is used in this thesis because it perceives the international order as an anarchical system and the consequences for states that come about because of it. One of the core tenets of Neorealist theory is that the international system is one of anarchy and that entities must rely on themselves, with self-help being the driving action in this system.[32] Waltz importantly notes that "A self-help situation is one of high-risk —of bankruptcy in the economic realm and of war in a world of free states."[33] It is in that aspect of anarchy and self-help that the two key elements are touched upon: insecurity and the need to weaponize everything to one's advantage. John Mearsheimer builds on this, writing in his book "The Tragedy of Great Power Politics," that "a great power will defend the balance of power when looming change favors another state, and

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[32] Kenneth Waltz, "Theory of International Politics ," in *Http://Slantchev.ucsd.edu* (Addison-Wesley Publishing Company, 1979), 78–193, http://slantchev.ucsd.edu/courses/ps240/03%20Anarchy,%20Hierarchy,%20and%20Sovereignty/Waltz%20-%20Theory%20of%20International%20Politics%20(Ch%205-8).pdf. Pg.111

[33] Ibid

it will try to undermine the balance when the direction of change is in its own favor."[34] While this sentiment can be applied to numerous real-world scenarios, the primary scenario is the upcoming great power competition between the established US power and the rising power of China. For both, the structure of the international system and the insecurity it brings naturally push actors into conflicting positions.

These Neorealist theories are not without criticism, which becomes apparent when compared to classical realism. In Keith L. Shimko's paper, "Realism, Neorealism, and American Liberalism," he notes that unlike Realism, "Neorealism is ultimately not a view of the human condition."[35] Because neorealism does not hold a pre-defined condition for humanity, it branches away from traditional realism. Without a defined standard to hold humanity to, it offers neorealism the ability to be flexible in the outcomes of state conflicts.

However, many argue that there are irreconcilable aspects of humanity that cannot be overcome, primarily the desire to dominate each other. Shimko writes that for neorealists, "actors are motivated by a fear of each other, there is no inevitable, objective conflict of interest; overcoming these fears would provide both security."[36] In this scenario, there is ultimately nothing to fear but fear itself. This provides an outlook that implies the international state of anarchy can be overcome through either domination or cooperation. For realists, however, he writes, "When actors are motivated by a desire to dominate each other, there is an inevitable conflict of interest."[37] For realists, the destabilizing flaw in the international order is human nature, one that will inevitably lead to conflict.

Regardless of which is true, for American international thought, neorealism has largely prevailed in contemporary times. Shimko concludes that while America does have realism, "the version of realism which dominates American thinking about international relations does not derive from the conservative philosophical premises that provided the foundation for much classical realist

[34] John Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001), https://samuelbhfaure.com/wp-content/uploads/2015/10/s2-mearsheimer-2001.pdf. Pg.20
[35] Shimko 20

[36] Shimko 21
[37] Shimko 21

thought."[38] Instead, for the US, it pulls from its traditional liberalism as a substitute due to a lack of true intellectual conservatism. For this reason, when examining how the US approaches the international sphere in a non-liberal manner, it should be done from the dominant perception, as perceptions largely dictate how one acts and reacts to the world around them.

Economic Theories:

To understand the economic calculations being made by the US, the thesis uses economic nationalism and works by Robert Gilpin to analyze such moves. In the book "Economic Nationalism in a Globalized World," the author notes that "That national identity and economics are closely and significantly related, and that globalization processes may in fact reinforce rather than weaken these relationships."[39] Economic Nationalism goes beyond the promotion of domestic industry but instead exists as a push to defend domestic industry and ensure a domestic supply of said goods, avoiding international dependencies. Ensuring domestic production as a security measure from outside forces is crucially relevant to this thesis, as Obama, Trump, and Biden all take actions and make justifications along such lines. Complicating this objective, however, is that supply chain complexity has increased by many magnitudes over the past three decades. Making it impossible to keep all production domestic and ensure its stability or control. The perceived growing inability to protect not just domestic industry but also national sources of critical resources has led to a security panic.

The insecurity being felt can be reflected in the key concept this theory brings into play: Protectionism. Protectionism is an economic defensive stance that aims to protect specific industries from international markets. Most nations participate in this at some level, most often with agriculture, to better ensure a stable food supply. This made sense in a simpler time, as without food, a nation could not feed its people and thus collapse in on itself and die. In contemporary times, food is no longer the sole crucial item holding up society; there are now things such as energy, R.E.M.s, and semiconductors.

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[38] Shimko 22

[39] Mark R. Brawley, "Economic Nationalism in a Globalizing World," *Perspectives on Politics* 4, no. 01 (February 24, 2006), https://doi.org/10.1017/s1537592706820141. Pg.1

Actions and threats by actors on the world stage have shown that reliance on critical material from an outside supplier exposes the entire nation to risk. Europe defied Russia when it began its invasion of Ukraine and subsequently had its gas imports dramatically throttled and reduced. The result was a continental energy crisis that resulted in rampant inflation and higher operating costs for all businesses. These higher operating costs were painfully felt by consumers, especially when it came to food prices, leading to a sharp increase in the cost of living.[40]

Robert Gilpin writes in "The Politics of Transnational Economic Relations" about the behavior of the United States towards Japan in the 1970s, saying that "In the eyes of the United States Japan's economy is no longer weak and vulnerable, necessitating special consideration by the United States." Those considerations largely focused on "import curbs against Japanese goods" and that American interests had "to take precedence over foreign policy and strategic considerations."[41] While the US targeting Japan has changed, the same calculus is still being used by the nation, this time against China, a nation whose economy is, in many regards, stronger and far more fortified than the US's own economy. However, what makes this significantly different compared to the US-Japan dispute is that they represent the two largest economies in the world. When the two largest economies feud, the repercussions are felt the world over.

In regard to the American economic system, Robert Gilpin writes in "Economic Evolution of National Systems," that "The American model of the economy rests on the assumption that competitive markets exist and, if not, should be made to exist."[42] When he talks about the international economic system, he holds this fact to be true: that of an America that pushes for a fair, competitive market. While he targets Japan as the main opposition to this, it is fair to say that this logic can be applied to China today.

In this paper, Robert Gilpin also holds a few more key points to be true that this essay will focus on. They are the role of a liberal vs nonliberal society in the economy. For liberal societies, he

[40] EESC 5

[41] Robert Gilpin, "The Politics of Transnational Economic Relations," International Organization 25, no. 3 (1971): 398–419, https://doi.org/10.1017/s0020818300026229. Pg 20

[42]Robert Gilpin, "Economic Evolution of National Systems," *International Studies Quarterly* 40, no. 3 (1996): 411–31. Pg. 7

writes, “In those ‘liberal’ societies where the welfare of the consumer and the autonomy of the market are emphasized, the role of the state tends to be a minimal one…In such societies, however, the "weak" state frequently becomes the captive of interest groups.”[43] The implication is that these liberal states are at the behest of economic actors and forces. This explanation can be used to analyze the historical actions of the United States and why oil influenced its involvement in the Middle East, or how the United Fruit Company prompted the US to overthrow the democratic government of Honduras.

Gilpin also posits, however, that “the presidency… is poorly equipped to guide the national economy.”[44] While this thesis does not directly prove whether or not this statement is true about the office of the presidency, it will stand in opposition to it. The thesis will be built upon the past three presidents' actions and how it has altered the domestic economic landscape, or in short, how they have guided the national economy.

For nonliberal societies, Gilpin writes, “These ‘strong’ states may, in fact, be largely autonomous from society and can direct economic activities in directions that they consider to be socially or politically desirable.”[45] Writing for his time, Gilpin describes a range of control that states have from Japan, which has a firmer grip on the economy, to the USSR, characterized by its command-style economy.[46] For contemporary relevance, China, not Japan, can be readily replaced as America's primary economic rival. China can be considered a “strong” state that is firmly in control of its economy, although it has moved away from the command economy of its past.

Robert Gilpin and his analysis of the US, its economy, and the economic nature of international relations are not without fault. One of the largest issues has to do with the relevance of much of his work, which operated in a time when the liberal economic order was unmatched and most nations were falling into line with it. His neoclassical economic theory came at the peak of American hegemony in the world. Now the world is a very different place, post-2008 financial

[43]Gilpin, “Economic Evolution of National Systems,” pg. 6
[44] Gilpin, “Economic Evolution of National Systems,” pg. 8
[45] Gilpin, “Economic Evolution of National Systems,” pg. 6
[46] Gilpin, “Economic Evolution of National Systems,” pg. 6

crash, the American model of international economics and trade has been stained with doubt. Today, America has been pushing back against many of the internationalization efforts of the 1990s and 2000s, undertaking policies that actively seek to keep or return certain businesses and industries back into the domestic market.

By combining these theories, utilizing neorealism and economic nationalism, the thesis establishes a foundation for understanding not only how but also why the United States has altered its geoeconomic strategy. It will be used to examine how, since 2007, each president has signaled and contributed to this shift and how they have created the new direction the US has begun taking. While theories can not accurately predict the future, they show patterns in how states act and can show what the consequences of this shift will be for the allies of the US.

Methodology

Research Design

To investigate the proposed research problem above, specifically how the geoeconomic strategy of the United States has changed and its consequences for its allies, this thesis will undertake a qualitative approach. Using a multiple case-study method, the past actions that have affected the United States will focus on the acts of the past three presidents. Breaking it up by president creates three distinct periods, with each showing a different stage of development for shifting to this new strategy. The two terms of the Obama presidency will be the first case, which will look at the pivot to Asia and the TPP. The Obama administration is the longest at eight years, with Trump and Biden both serving only one term, as actions taken beyond 2024 are yet to be seen. From the Trump case, key focus points will be similar but will be highlighted with his raising of tariffs, the trade war with China, all in the context of the renegotiation of NAFTA. Last will be Biden's term as president, which will focus on how he handled both the COVID-19 pandemic recovery, the shocks from the Russian invasion of Ukraine in 2022, and his commitments to maintaining and raising trade barriers with China, the major trade policy that will be attached to this is the Inflation Reduction Act.

When analysing how this shift has affected US allies, a similar qualitative approach will be taken. To narrow down the list of what may be considered an allied nation as opposed to just a friendly nation, it will be limited to NATO members as well as MNNA, as listed by the State Department. To avoid overgeneralization, the US allies will be divided into four groups, and within each group, there will be beneficiaries and those who lose out. The four groups used will be NATO allies, many of whom are also EU members. The Pacific allies, who are now in higher focus, as the US repositions itself in that region to match the threat posed by China. This will be followed up by the MENA nations, discussing their role as an energy provider during times of uncertainty and the green transition. Last will be the Latin American nations and the balancing act that must be played between the US and China.

Data Collection

The data will consist of the impact of various presidential agendas as reflected by major trade-influencing policies. Presidential actions, executive orders, signed legislation, and other official communications will be analyzed to assess the intended direction of U.S. trade policy under different administrations. This includes examining how presidents framed their economic strategies and the specific goals they aimed to achieve. Particular attention will be paid to policies such as the Trans-Pacific Partnership, United States-Mexico-Canada Agreement, and the Inflation Reduction Act, among others. These sources will help uncover both the rhetorical and strategic shifts in U.S. trade and economic priorities. Public addresses and national security strategy documents may also be used to identify the broader geoeconomic rationale behind each administration's approach.

Secondary sources will be drawn from reputable think tanks, research institutions, and academic journals to support the interpretation of policy outcomes. These resources will provide valuable insights into the real-world effects of presidential actions, including expert assessments and critical evaluations. Supplementary data, such as U.S. import and export figures with key nations, will be gathered from official databases like the U.S. Census Bureau, the International Trade Administration, the World Bank, and others. This empirical evidence will help illustrate how trade volumes, supply chains, and bilateral trade balances have shifted in response to policy changes. By combining qualitative analysis of leadership intent with quantitative trade data, the study aims to build a comprehensive understanding of how U.S. geoeconomic strategy has evolved and what that means for its allies.

Obama and the TPP

Background

Obama began his presidency with what could be described as the end of America's absolute hegemony. What Obama had inherited was a nation in crisis, first and foremost, the Great Recession that had borne down on not just the US but on a large swath of the world. Michael G. Plumme would write "that the halcyon days of free trade are over, with the global financial crisis of 2008-09 demarcating its peak."[47] Coupled with being entrenched in wars that were rapidly becoming unpopular in Afghanistan and Iraq, Obama would have a major issue to tackle from the onset of taking office.

During this period, when the US was in the throes of the Great Recession, China would make the most of this opportunity to break away from the US order and rise as a global economic power. China would, during this time, adopt policies that would move away from being a rule-taker to one that was a mix of a rule-breaker and rule-maker.[48] The rise of China is not a matter of if or even when anymore, but a question of how far it will go. In 2001, when China joined the WTO, China's GDP was 1.3 trillion dollars. 20 years later, it had skyrocketed to over 18 trillion dollars to become the second-largest economy in the world and the largest exporter.[49] When the Global Financial Crisis hit, the authors of the paper "The TPP and the Pivot: Economic and Security Nexus" note that for China, this was a possible "trigger event."[50] While the US was ground zero and hit very hard, China was one of the last nations to feel the effects and one of the first to move past it.[51] This would come to a head throughout 2010 when China would begin pursuing more hostile policies that defied the US-based order. Of note was an incident between a US Navy ship and the Chinese Navy in the South China Sea, an issue that has become far too common in the 15

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[47]Michael G. Plummer, "Estimating the Costs of Geoeconomic Fragmentation to the Global Economy," Geoeconomic Fragmentation The Economic Risks from a Fractured World Economy (CEPR PRESS, 2023), https://cepr.org/system/files/publication-files/190366-geoeconomic_fragmentation_the_economic_risks_from_a_fractured_world_economy.pdf. Pg. 45

[48]ZHAOHUI WANG, "The Economic Rise of China: Rule-Taker, Rule-Maker, or Rule-Breaker?," *Asian Survey* 57, no. 4 (2017): 595–617, https://www.jstor.org/stable/26367769. Pg. 3-4

[49]Statista, "China: GDP at Current Prices 2013-2023 | Statistic," Statista (Statista, April 12, 2023), https://www.statista.com/statistics/263770/gross-domestic-product-gdp-of-china/.

[50]Tun-jen Cheng and Peter C. Y. Chow, *The TPP and the Pivot: Economic and Security Nexus* (The US Strategic Pivot to Asia and Cross-Strait Relations, 2014). Pg. 5

[51]Cheng and Chow "*The TPP and the Pivot*" pg. 5

years following it.

In the wake of this, the Obama administration sought to officially reposition itself in East Asia to better handle Chinese pushback and provide better guarantees to nations in the region, as well as defend its security interests. In 2011, Obama would roll out the "Pivot to Asia" that would highlight that "the United States would be expanding and intensifying its already significant role in the Asia-Pacific."[52] Thusly, by doing so, the US has ended a level of ambiguity that the US held on to about China, recognizing it as an "adversary and a hypothetical target for contingency plans."[53] In order to do this, the Obama administration would need to pursue multiple avenues of approach. It would go in two primary directions: a military direction, where the US started to increase its military presence in the region, and an economic direction to tie it to the region and give regional players an alternative to China. To pursue its economic interests, the US went all in on talks in a burgeoning free trade agreement (FTA) that was called the Trans-Pacific Partnership.

Historically, "the US administration was more concerned with the military, hard-core strategic interest in Asia than economic ties with Asia."[54] The focus on "hard strategic interests" can be traced to how the US perceived economic and security issues. For much of the Cold War and into the 1990s, the US put its focus on "high politics," which primarily involved security, while economics was relegated to "low politics" that received far less attention and was usually set aside when a security issue arose.[55] This strategy, however, still relied on a strong economic position to effectively support security interests, which the US had in surplus during much of the Cold War and into the 2000s.

The GFC gave China the opportunity not only to expand its economic strength but also to defy the US's economic strength. China has, in recent years, been able to exert "its economic leverage onto many of its neighborhood countries."[56] Coupled with a rapidly growing and modernizing

[52]Mark E. Manyin et al., *Pivot to the Pacific? : The Obama Administration's "Rebalancing" toward Asia* (Washington, D.C: Congressional Research Service, 2012).
[53]Cheng and Chow "*The TPP and the Pivot*" pg. 6
[54]Cheng and Chow "*The TPP and the Pivot*" pg. 2
[55]Ibid
[56]Cheng and Chow "*The TPP and the Pivot*" pg. 2

military during a time when the US faces a period of economic downturn and protracted and costly wars in the Middle East, it has put China in a prime position to challenge the US[57]. To match China on the economic front, while also assisting with its own economic recovery, the US would use the TPP as its central pillar with a few objectives in mind. The first was to shift the region away from bilateral trade agreements and instead adopt a multilateral FTA that would benefit all members.[58] The second was to use the multilateral FTA to set the rules and standards to rein in China if it hoped to forge closer economic relations in its own region. Third, it was to cement its relationships with the countries in the region and provide better guarantees for them.

From Bi to Multi-lateral

While the US under Obama would become the TPP's main architect and driver, it would actually be started by Brunei, Chile, New Zealand, and Singapore in 2005, with the US joining in 2008 at the end of the second Bush term.[59] The US would ramp up and expand the talks to include more nations as it raced to secure a framework. One major concern was that if the US was left out of these talks, or if a rival project headed by China would be successful, then the US could see itself cut out of the Pacific. The exclusion of the US was something that could not be tolerated as "economic interests in the Asia-Pacific region has significant security and military implications"[60] that the US could not let go so easily as China's influence grows. A multilateral FTA was a weapon that would greatly benefit either of the great powers, unlike regular bilateral FTAs. The main thought in the US logic for a multilateral FTA was that it "will deepen economic integration among member countries in the region by liberalizing trade among member countries as a whole."[61] It would also get ahead of China as it would "become a major policy maneuver for the United States to exercise its economic leadership in the region."[62] The trade bloc was not just for show, as it was set to create a mutually beneficial trading environment for all of the members.

[57]Ibid
[58]Cheng and Chow "*The TPP and the Pivot*" pg. 9
[59]Cheng and Chow "*The TPP and the Pivot*" pg. 3
[60]Manyin et al., *Pivot to the Pacific?* pg. 25
[61]Cheng and Chow "*The TPP and the Pivot*" pg. 9
[62]Cheng and Chow "*The TPP and the Pivot*" pg. 9

The benefit of a trade bloc and security in the region was a US calculation that is rooted in neo-mercantilism. That "Security and prosperity are interdependent. Security is the key to prosperity."[63] Broadly, for the US, this TPP agreement would "increase U.S. access to the growing markets… help stimulate the growth in U.S. exports, generate export-related jobs, and foster an economic recovery."[64] These were short-term goals critical to the Obama administration, which was steering the nation out of the Great Recession. There were also key aspects that sought to make the FTA more appealing to the US domestically while also challenging China. These key aspects were the "enhancing the protection of U.S. intellectual property rights and ensuring that U.S. companies are competing in a more fair and impartial regional market."[65] With these aspects put into the FTA, the Obama administration constructed a strong argument on the economic front as to why the US should be a part of this agreement, one that could push back against skeptics and anti-globalists.

For the other eleven members that would become signatories to the TPP, there were much stronger economic incentives to join on top of the soft guarantees that came from the US putting their interest into the region. Overall, the TPP members were expected to see an increase of 1.1 percent in real income by 2030.[66] This hides, however, the true scale of the benefit that was expected to be seen. In relative terms, Vietnam would have seen the largest increase at 8.1 percent, while the US would see the smallest at 0.5 percent. However, this dramatically changes when looking at it in absolute terms, with Vietnam only seeing a $41 billion increase compared to the US, with a $131 billion increase.[67] While for the US, this is a small increase, for many of the participating nations that are looking to develop and grow their GDP, this is a significant boon that can not be overlooked. When examining the impact on exports, there was a similar story told with all participants seeing an overall increase of 11.5 percent in their exports, with Vietnam seeing the largest at 30.1 percent, followed by Japan and Malaysia at 23.2 percent and 20.1 percent, respectively.[68] However, before these benefits could materialize, all nations had to

[63]Cheng and Chow "*The TPP and the Pivot*" pg. 13
[64]Manyin et al., *Pivot to the Pacific?* pg. 26
[65]Ibid
[66]Shujiro Urata, "The Trans-Pacific Partnership: Origin, Evolution, Special Features and Economic Implications," *Southeast Asian Economies* 35, no. 1 (April 30, 2018): 22–38, https://doi.org/10.1355/ae35-1d. pg. 15
[67]Urata "The Trans-Pacific Partnership" pg. 15
[68]Urata "The Trans-Pacific Partnership" pg. 16

be on board in order to counter China effectively and make a lasting deal; Japan would prove to be a strong holdout.

Reining in China

In order to effectively stand against China and its newly emerging rule-breaking ways, the trade bloc needed two key elements: first, strong rules that work for all, and second, enough economic weight for it to matter. Japan's entry into the TPP was seen as critical, as its inclusion would have made the bloc represent 40 percent of the world's GDP and increase the US export market alone by $60 billion.[69] Japan, however, would only join later, in response to China escalating the territorial conflict in the East China Sea, seeing the geostrategic benefit of entrenching the US in the region as China became more hostile.[70] The main issue that Japan faced was ensuring its agricultural sector was not negatively impacted. In order to secure Japan's inclusion in the TPP, the US underwent bilateral talks with the nation. What was thought to be a hard battle instead turned into a rather quick affair, as tension with China made Japan accept the unfavorable conditions for quicker entry into the TPP negotiations.[71] The result was Japan's entry in 2013, and the final stretch of negotiations to solidify the TPP. In 2015, China would make a move to undermine the TPP by proposing an alternative, the Belt and Road Initiative (BRI).

China would initiate the BRI due to the fears that the TPP would put it at a great disadvantage. They were primarily concerned with the rules-based order that the US was implementing and instead, "attempted to forge a cooperative group of countries by stressing a pragmatic approach to yield visible outcomes in infrastructure development."[72] When this was announced, the US and Japan were some of the first to decry it and express concern about what it meant for the TPP and the region as a whole. "Obama exhibited his eagerness to wrap up the trade talks, stating: 'If we don't get this done, if we're not the ones engaged out there writing the rules, and China is

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[69]Bernard K Gordon, "Trading up in Asia: Why the United States Needs the TransPacific Partnership," *Foreign Affairs* 91, no. 4 (2012): 17–22, https://doi.org/10.2307/23218036. pg. 4
[70]Cheng and Chow "*The TPP and the Pivot*" pg. 14
[71]Hidetaka Yoshimatsu, "US-Japan Negotiations on the Trans-Pacific Partnership: Domestic Societal Interests and International Power Developments," *Asian Survey* 56, no. 6 (December 1, 2016): 1145–67, https://doi.org/10.1525/as.2016.56.6.1145. pg. 11
[72]Yoshimatsu, "US-Japan Negotiations on the Trans-Pacific Partnership" pg. 22

writing the rules in the fast-growing [Asia-Pacific] market. . . we're going to be locked out.'"[73] The Congressional Research Service goes into further detail, highlighting that "China's leaders have been promoting the use of its currency, the renminbi, as an international currency for transactional purposes"[74] in an attempt to dethrone the US dollar with its own.

China had to attempt to provide an alternative to the TPP because it sees the East Asian region as belonging to its sphere of influence, similar to how Russia views the former soviet republics as belonging to it. China can also not viably contest or participate in a trade regime that is pro-business for all. Today, China has been seen export dumping, and subsidizing its exports to undercut global competition, attempting to make other countries dependent on it. The main principles of the TPP stand in stark contrast to this, with a key feature of the TPP being "its emphasis on the establishment of a business-
friendly environment, under which global supply chains enterprises of various sizes can be established."[75] The TPP also covers things such as "regulatory coherence, transparency, anti-corruption,"[76] and, of important note for China, state-owned enterprises. A report from Stanford's Center on China's Economy and Institutions found that 68 percent of the total capital of all firms was owned by firms that were partly or totally owned by the state.[77] These rules and regulations made it very difficult for China to break into the trade agreement, as it was set on terms that China would not meet. China, however, is a large market and a power that could, if it wanted, crush many of these nations individually; only the US has the size to take on such a challenge properly and is thus an important guarantor to have in the region. This is where much of the draw is for the member states; they want the US to function as a regional guarantor, but must find mechanisms in order to engage with the US in such a manner.

[73] Ibid
[74] Manyin et al., *Pivot to the Pacific?* pg. 27
[75] Urata "The Trans-Pacific Partnership" pg. 7
[76] Urata "The Trans-Pacific Partnership" pg. 12
[77] Stanford University, "Reassessing the Role of State Ownership in China's Economy," sccei.fsi.stanford.edu, January 15, 2024,
https://sccei.fsi.stanford.edu/china-briefs/reassessing-role-state-ownership-chinas-economy.

Soft Guarantees

The TPP serves as an anchor that would keep the US in the region, not through a solid commitment, as in NATO, but rather through economic security ties. For the US, the TPP provides a vast and diverse network of trading partners, interlinked with one another, allowing the nation to diversify away from China and into a controlled, rules-based trading system with itself as its leader. For the US in general, the Asia Pacific region as a whole has been marked as a vital region for both the global and the US economy.[78] Its allies in the region and the nations that depend on the US presence to protect them from China are, however, less convinced. That said, the US has underlined that the TPP is important to implement for the wider pivot, just as the pivot is important for the TPP, and that the two initiatives are on "parallel tracks."[79] The US used the TPP as a mechanism of assurance because by the mid to late 2000s, "American security commitments to its Asian allies were diluted by a decade-long neglect of increasing apprehension in many Asian countries facing, for some right on their doorstep, a rising and assertive China."[80] The US had been embroiled in conflicts in the Middle East.

The US faced a significant issue and a harsh reality that its partners in the region had to confront: the US was stretched across a world where the parity between it and its direct adversaries, primarily China, was rapidly shrinking. In the "Pivot to the Pacific," they note that there are risks to the pivot, primarily that "In an era of constrained U.S. defense resources, an increased U.S. military emphasis on the Asia-Pacific region might result in a reduction in U.S. military capacity in other parts of the world."[81] This has created a capability-building mission for the US and its allies, with part of the pivot's effort being put towards "strengthening the independent security capacity of key 'partner states' through more flexible security assistance mechanisms."[82] Two key elements are necessary to achieve this: a multilateral diplomatic effort that enables nations in the region to collaborate on specific issues across various areas, and an economic framework and agreement to better meet the supply needs of both civilian and military resources.

[78] Manyin et al., *Pivot to the Pacific?* pg. 24
[79] Cheng and Chow "*The TPP and the Pivot*" pg. 12
[80] Cheng and Chow "*The TPP and the Pivot*" pg. 1
[81] Manyin et al., *Pivot to the Pacific?* pg. 2
[82] Manyin et al., *Pivot to the Pacific?* pg. 15

While the US has many bilateral agreements with most nations in the region, this approach is ineffective for working with the entire region. The TPP solves this issue by bringing all of the relevant US partners together under one framework that ties each member to the region, pushing the US commitment from any one individual nation to a commitment to all the nations. This effort is widely encouraged by the Asia Pacific community, as leaders in the region "generally prefer that U.S. engagement in East Asia be anchored in a strong U.S. commitment to the region's multilateral institutions,"[83] with the TPP being used as a tool that "builds confidence among Asian nations in the strength of U.S. engagement in the region."[84]

The US, using the TPP, was able to successfully alter its long history of bilateral FTAs and prove the merits of a regional multilateral FTA. The TPP was a demonstration that the US could generate benefits in a more precise manner than under the WTO, which began to stall in the Doha round, while making the benefits larger than it could under a bilateral agreement. The US was able to eliminate rival competitors while also establishing a framework for an agreement that would encourage competitors to adhere to a specific set of standards that penalized exploitative and bad-faith practices. The US was also able to use the TPP as a soft commitment and compromise to the region that was seeking security guarantees from the US, which was beginning to suffer from fatigue of its interventionist policies. The US needed an alternative that did not force it to give guarantees while also remaining committed to the region at large, which is what made part of the pivot or rebalancing so difficult. By the end of 2015, the US had successfully concluded the negotiations and created a framework for the 12 members to work under, pushing for free and liberal trade.

By 2016, the US had lost too much faith in the WTO and opted to cripple the institution by vetoing the ascension of any judge to the appellate body. Part of the issue was that the US began to feel restricted by the WTO and that it had begun to swing in favor of other states, including rival states. The TPP showed that the US could still create large region-spanning FTA that accomplishes similar objectives, if not more than the WTO. However, the turn of the presidency

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[83]Manyin et al., *Pivot to the Pacific?* pg. 21
[84]Manyin et al., *Pivot to the Pacific?* pg. 23

to Trump would also see the withdrawal of the US from the TPP, with the hope of the US returning to it one day.

In the meantime, the remaining 11 members took the existing framework and built the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), ratifying it in 2018. The CPTPP maintained much of what was negotiated under the TPP, resulting in a quick negotiation. China would express interest in joining, but many of the members were hesitant as the original TPP was built with standards that are juxtaposed to many of China's practices. The bloc of trading partners also wanted to have the CPTPP as a bulwark against the economic strength of an ever increasingly hostile China. There is still hope that the US will eventually reconsider its decision to leave and apply to join, and any effort to keep the US in the region is beneficial.

Trump, in his first term, would advance the US pivot to Asia in many unexpected and volatile ways. As seen during his presidency, trade was a tool of power that was to be used to exert control in more ways than had previously been expected. This would come to ahead when, in the middle of a trade war with China, he would conduct the renegotiation of the North American Free Trade Agreement (NAFTA) into the United States-Mexico-Canada Agreement (USMCA).

Trump and USMCA

Background

Trump, in his first term, ran on a platform of reorganizing US trade with the world, primarily to address concerns about the trade deficit and to bring manufacturing jobs back to the nation. At Trump's election night acceptance speech, he highlighted the need to rebuild the nation and renew the American dream, coupled with strengthening the economy.[85] Through his campaign, he had highlighted the dismal state of US manufacturing and the general need to bring it back to the nation. While he broadly targeted trade issues, which he blames for the loss of blue-collar jobs, as it allegedly exposes US workers to 'unfair' competition and lower standards from abroad."[86] For Trump, trade was a major issue for both foreign and domestic politics; he would repeatedly say how, as evidenced by the US trade deficit, many countries were scamming and disrespecting the US while also stealing US jobs that belonged in America.

There was a framework that Trump worked under when running for president that he kept when he became president. It was not that trade in itself was bad, but that trade deficits were inherently bad and that there should be a baseline level of industry kept domestically, reflecting a neo-mercantalist mindset. While the fledgling TPP agreement was easy to withdraw from, his second main target was the NAFTA agreement, often likening it to the worst trade deal in history. Unlike the TPP, which only finished negotiations less than a year before he began his first term, NAFTA had a quarter of a century of history under its belt and two of the US's largest trading partners behind it. It was a huge risk to renegotiate it for the US, as NAFTA was a large multilateral trade deal that underpinned much of the US manufacturing industry. NAFTA encompassed a $19 trillion market in 2014 with close to half a billion consumers, with roughly $3 billion worth of goods transported crossing the three nations' borders.[87]

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85 ABC News, "FULL TEXT: Donald Trump's 2016 Election Night Victory Speech," ABC News, November 9, 2016, https://abcnews.go.com/Politics/full-text-donald-trumps-2016-election-night-victory/story?id=43388317. pg. 2-3

86 Lorena Ruano, "World Trade and Trump," *European Union Institute for Security Studies*, March 2017, http://www.jstor.com/stable/resrep06920. pg.1

87 Carla A. Hills, "NAFTA's Economic Upsides: The View from the United States," Foreign Affairs 93, no. 1 (2014): 122–27, https://www.jstor.org/stable/23526942. pg. 2-3

Yet by October 2018, the renegotiations concluded with the NAFTA agreement becoming the USMCA. It would be passed by all three members and go into effect before the end of his term. When announcing the success of the deal at a press briefing, he would remark how, because of NAFTA, the US "lost 4.1 million manufacturing jobs, and 1 in 4 auto jobs."[88] He highlighted that the new deal he made was built on principles of fairness and reciprocity, while also being modernized and pushing forward more protections for workers in all three countries.[89] This chapter examines two items, the first being what tangible impacts the renegotiations had for the US and for its neighboring partners. Second was how Trump would, with the renegotiation of NAFTA, solidify and demonstrate the position that the US would be taking in future trade developments.

Impact of the Renegotiations

NAFTA was a large multilateral trade agreement that oversaw many aspects of trade between the US, Canada, and Mexico. Coming into force in the 1990s, its main effect was felt with it, "eliminating tariffs on all industrial goods, guaranteeing unrestricted access to agricultural trade…, opening up a broad range of service sectors, and instituting national treatment for cross-border service providers."[90] To protect companies it also had in place significant and strong "protections for patents, trademarks, copyrights, and trade secrets,"[91] all items Trump would highlight as lacking when mentioning reasons for the trade war with China. Critics of NAFTA, however, would claim that the partnership was flawed and heavily favored Mexico in particular at the disadvantage of the US, claiming that the agreement was to "Mexico's gain and America's pain."[92] Trump would claim that not only were it manufacturers who suffered under the NAFTA agreement, but US farmers as well.

Most of the USMCA made general improvements and changes that were not very radical. Many of the changes were, in fact, either updating the scope of items to include digital goods, rebalancing of items, or attempting to close loopholes that non-party nations exploited. A

[88]Donald J. Trump, "Remarks by President Trump on the United States-Mexico-Canada Agreement." pg. 2
[89]Trump, "Remarks by President Trump," pg. 2, 4
[90]Hills, "NAFTA's Economic Upsides," pg. 2
[91]Ibid
[92] Hills, "NAFTA's Economic Upsides," pg. 4

significant portion of the renegotiations was updating the agreement to include many items involving the digital sphere. In the new USMCA, chapter 19 is dedicated to digital trade, which broadly seeks to promote the same standard of trade liberalization as is the goal with trade in general. It aims to "prohibit customs duties on digital products, discrimination against digital products from a NAFTA party, data localization …, government mandates to disclose source code, and higher thresholds for duty-free sales of goods across borders."[93] This update meant there were now clear rules and regulations put into place for digital goods, both regarding data that goes across the border and for goods ordered online. The USMCA also clarified that digital intellectual property rights, such as source code, do not need to be transferred to a state in order to conduct business. While it is only applicable to the three members that make up USMCA, it sends a clear message to other trading partners of the US, especially Europe and China, that digital trade is still trade and must be respected. It should be noted that this is not Trump who built most of this framework, but an aspect of the scrapped TPP that was adopted as it still met the needs and goals of the US.

A significant loophole that was closed, the USMCA closed an automotive loophole that allowed third nationals to avoid US tariffs by finishing automotive assembly in Mexico. Under the USMCA, automotive vehicles must now source 70% of steel and aluminium used in the vehicle from North America, and 40% of the labor cost that goes into the vehicle must also pay a wage at or above $16 per hour.[94] The $16 minimum wage leads to one of two major changes that the USMCA had compared to NAFTA, labor laws, and worker rights.

Labor conditions are a necessary, yet costly, aspect of running a company and for a nation, an economy. When the wave of globalization started in the 1990s and into the 2000s, many companies moved their production to different parts of the world, especially to China, or just outsourced the work to companies in other countries that could do it cheaply, primarily because they spent less on their respective labor. This would sour people's opinions on globalization, as

[93]Anupam Chander, "What the Trump Administration's NAFTA Priorities Get Right (and Wrong) about Digital Trade," *Council on Foreign Relations*, September 15, 2017, https://www.jstor.org/stable/resrep29993. pg. 5

[94]Joshua P Meltzer, "The Impact of US Tariffs on North American Auto Manufacturing and Implications for USMCA," Brookings, May 13, 2025, https://www.brookings.edu/articles/the-impact-of-us-tariffs-on-north-american-auto-manufacturing-and-implications-for-usmca/.

many would blame these other countries for stealing their jobs. For Mexico and its maquiladoras, factories on the US-Mexico border manufacturing products for the US, NAFTA proved to be a huge boon as it could, tariff-free, sell its exports at highly competitive costs to the US and Canada. Wages for workers in the maquiladoras were only 10 to 20 percent of those for manufacturing workers in the US and Canada.[95] It has been found that amongst the maquiladoras, as well as with the Mexican federal government, there have been multiple instances of collusion.[96]

For the USMCA, it was relatively easy to put in many of the labor law requirements, as both the US and Canada already had similar labor laws domestically, and in Mexico, many worker unions were pushing harder and harder for many of these changes to be implemented. However, this is not always the case in multilateral trade deals, especially large ones. The WTO is the most notable entity for reducing trade barriers, but crucially, "has long refused to make workers' rights and labor standards part of its disciplines except for one clause allowing trade measures against products of prison labor."[97] NAFTA had a framework, and completely getting rid of the agreement would have made addressing these labor concerns and leveling the playing field much harder between the US and Mexico. The WTO's failure to address these concerns made it very easy for Trump to continue the paralyzation of the WTO, as many of its actions would undermine the economic development of the US. The fledgling TPP also drew many concerns for similar reasons, that each nation being very different made it impossible to put adequate labor standards in place that allowed the US to remain competitive in key industries.

A New US Trade Position

Bilateral FTAs, however, offer the best method for the US to address the concerns, as the US can work one-on-one with each nation to develop the best compromise for both nations. The more signatories that are added, the harder this is to do, especially for the US as the economic parity between it and the rest of the world has rapidly shrunk since the turn of the century. The push for

[95] Lance Compa, "Trump, Trade, and Trabajo: Renegotiating NAFTA's Labor Accord in a Fraught Political Climate," *Indiana Journal of Global Legal Studies* 26, no. 1 (2019): 263, https://doi.org/10.2979/indjglolegstu.26.1.0263. pg. 24
[96] Compa, "Trump, Trade, and Trabajo," pg. 24
[97] Compa, "Trump, Trade, and Trabajo," pg. 35

small FTAs and FTAs outside of the global international sphere was first seen with Obama, who attempted to pivot many of the bilateral FTAs into one regional FTA. Trump would go further and reject even the regional FTA of the TPP, and would instead focus on prioritizing "bilateral trade agreements over multilateral ones on the grounds that the former are more beneficial to U.S. interests."[98] Both Obama, through starting the practice of paralyzing the WTO appellate body, and now Trump through his remarks and actions with NAFTA show that the political will of the US has shifted markedly when compared to the Cold War and post-Cold War era. While it could be seen as anti-globalization, it might be better to describe it as a correction to a more strategic form of globalization.

The US still pushes, under the first Trump administration, for the liberalization of trade, especially in the digital sphere, as well as the services in general.[99] However, as great power competition in the form of a bolder China and more aggressive Russia returns, the US finds itself with a dangerously low level of manufacturing capabilities and technical expertise in many important industries. Part of the reason for the USMCA was to pull back in certain industries, a process now referred to as reshoring. In Trump's press briefing about the USMCA, he highlighted that "we need steel and we need it badly for defence."[100] Trump also highlighted that the rules for how intellectual property is handled are crucial. While the USMCA was able to expand upon these protections, and these protections can be established through bilateral trade agreements, not all respect them.

Trump marks the trade with China as having significant issues. He highlights beyond the trade deficit and the dumping, that there is a "tremendous problem with theft of intellectual property with China."[101] The ends for Trump seem to be a general increase, not in international security, but in US security, and the means are through granular-level trade.

One way Trump can secure the US is through manufacturing and, by extension, the protection of intellectual property, including that in digital spheres. NAFTA is the first major hurdle to pass, as

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[98]Chander, "What the Trump Administration's NAFTA Priorities Get Right," pg. 5
[99]Chander, "What the Trump Administration's NAFTA Priorities Get Right," pg. 6
[100]Trump, "Remarks by President Trump," pg. 17
[101]Trump, "Remarks by President Trump," pg. 16

it is the largest single trade agreement the US has. His goal state was different from the post-Cold War era, of cheaper goods and higher consumerism. He states that he wants to "transform North America back into a manufacturing powerhouse… We're going to be a manufacturing powerhouse, and allow us to reclaim a supply chain that has been offshored to the world."[102] In times of conflict, the US has had one major advantage that allowed it to come out on top: industrial capacity. In World War II, the US production capacity was unmatched, and by the end of the war, it allowed the US to assume superpower status. However, undercutting of wages and material costs saw manufacturing leave the US and eventually explode in China.

Now, the US is faced with a great power competitor that has the industrial capacity to match, if not beat, the US in all key strategic industries. Rare Earth Metals (REMs) have become a huge strategic concern for the US, as China holds 85 percent of the world's processing capacity, with the US relying on 78 percent of its supply to come from China.[103] The US, facing entrapment by China's dominations over certain strategic markets, coupled with a significant trade deficit, would have Trump start the first wave of the Trade War with China. Trump could, with the renegotiation of NAFTA concluding, begin to challenge China from a more confident position. Things would get complicated, however, near the end of his term, as the first wave of the trade war would be cooling down, the world would be frozen by the COVID-19 pandemic, which would affect Trump's successor, Biden, who would have to steer the US out of not just the pandemic and a hostile China, but from the repercussions of the Ukrainian invasion.

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[102] Trump, "Remarks by President Trump," pg. 7

[103] Richard Cree, "Commodity in Focus: Rare Earth Metals," Export.org.uk, 2025, https://www.export.org.uk/insights/trade-news/commodity-in-focus-rare-earth-metals/.

Biden and the IRA

Obama's presidency marked a shift away from the international system, culminating in his focus on regional trade agreements and the WTO's paralysis. Trump, his successor, was able to take this shift and break away from the old international trade liberalization, adopting and instilling economic nationalism and protectionism. Biden, however, was given the greatest opportunity among the three presidents to impact the US's geoeconomic strategy. Biden came into power in a time when the US and the world were still reeling from the pandemic, and the US needed to find a way to build back. He would first put forward the ambitiously named "Build Back Better" bill, though it failed to pass through Congress. He would later put forward and successfully pass the much more blandly named yet effectively similar "Inflation Reduction Act" (IRA) that, while a domestic bill, would have a significant impact on the US trade policy.

Background

The IRA, amongst a few companion bills like the CHIPS Act, would reflect on Biden's presidency how they viewed and handled trade. Biden would, to the initial surprise of many, maintain much of the Trump era trade policies with trade protection and management, industrial policies that put up certain trade restrictions, and an overall undermining of the multilateral trade system of the WTO.[104] While many of the initiatives that Biden takes in his term in office are not necessarily unique and can be attributed to undertakings that Trump took, what he did was cement the US position on how it handles and perceives trade. The IRA exemplifies this with how it deals with green technology and its manufacturing. While predominantly posing as a clean energy, climate change-friendly bill, it holds two objectives in mind, one being energy security and the other being REM security. This focus on security reveals a disconcerting fact: the US believes it is or will be facing a threat that has the capacity to dominate aspects of world trade to the point that it must restructure trade in a way that isolates itself from these perceived hostilities. Biden would cement the pivot to Asia and the protectionist stance, both key aspects of the previous administrations, using the IRA policies as an anchor.

[104] James Bacchus, "Biden and Trade at Year One: The Reign of Polite Protectionism," *Cato Institute*, no. 926 (December 18, 2023): 23–71, https://www.jstor.org/stable/resrep40430. pg. 1

The IRA was a massive bill that tackled various domestic-based issues. Two key areas that it targeted were healthcare and, more consequentially for trade, green technologies. It tries to do this in two key ways: one is to encourage more manufacturing domestically, and the other is to reorder the supply chains, especially around REMs and similar critical materials, to be in the US's favor and diversify away from China.

The Impact of the IRA on Trade

By mid-2024, the IRA has invested $126 billion and has created 150,000 new jobs, all in the green technology-related manufacturing.[105] Biden would anecdotally quote a CEO he met with in his one-year speech on the IRA, saying that the CEO "called it the 'Manufacturing Renaissance Act"' because it's bringing jobs back to America, manufacturing here in America. Made in America."[106] The IRA holds provisions known as Local-Content Requirement (LCR), which is in violation of the WTO. According to the authors of a policy paper on how the EU should respond to Biden's IRA, it is "the first time that the US has enacted WTO-inconsistent local-content requirements."[107] This is no longer a passive strangluation of the WTO systeme but a rejection. It is a significant as it signals that "the system's historically most powerful sponsor no longer cares,"[108] and when the main player in a systeme no longer cares about the rule, there is a risk of a runaway effect where nobody adhears to the rules and norms.

Biden's IRA went about this in a few ways, predominantly through subsidies and tax credits. These would go first to manufacturers of green technologies like wind turbines and electric cars, using the LCR as a guide on how to disrupt these subsidies and tax credits. There are production subsidies for not just green technologies but also the raw material that goes into them, like REMs, steel, aluminum, and graphite.[109] Producers of these materials are able to receive up to 10% of the production cost as a tax credit. Renewable energy producers also receive a 10% tax credit if all the energy production equipment is from the US, which also meets the minimum

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[105] Gracelin Baskaran and Meredith Schwartz, "An Evaluation of the Inflation Reduction Act," *JSTOR* (Center for Strategic and International Studies, 2025), https://www.jstor.org/stable/resrep67473.8. pg. 4

[106] Joe Biden, "Remarks by President Biden on the Anniversary of the Inflation Reduction Act," https://bidenwhitehouse.archives.gov/briefing-room/speeches-remarks/2023/08/16/remarks-by-president-biden-on-the-anniversary-of-the-inflation-reduction-act/. pg. 2

[107] David Kleimann et al., "How Europe Should Answer the US Inflation Reduction Act," *JSTOR* (Bruegel, February 2023), https://www.jstor.org/stable/resrep48672. pg. 3

[108] Kleimann et all., "How Europe Should Answer the US Inflation Reduction Act." pg. 3

[109] Kleimann et all., "How Europe Should Answer the US Inflation Reduction Act." pg. 4

LCR requirements.[110] The heavy use of LCR in the IRA is a strategic trade tool and weapon that the US is using to restructure trade in the world, using trade "for geopolitical and for other non-trade purposes, especially against perceived competitors such as China."[111] The US is doing this partly through its bilateral trade network by including countries with which the US has an FTA, particularly regarding the REMs and graphite, to be included on these LCRs.[112] Japan notably has a Critical Minerals Agreement (CMA) with the US. [113] Currently, the rate is set to 50 percent of these minerals must be from these sources or the US to comply with the LCR, but that provision is set to expand to 80 percent by 2027.[114]

The US also weaponizes this structure of trade by also targeting foreign entities of concern (FEOC) in an effort to cut them out of their supply chains, both directly and indirectly. There are four nations that are on the US's FEOC list: China, Russia, Iran, and North Korea.[115] These are all nations that the US perceives as risks to its domestic supply chain if included. In practice, however, it has been proven far harder to remove China from the US REM trade. For starters, there are legislative loopholes that mean Chinese shell companies are able to get around the ownership clause. Unless the loophole is closed, China will still be able to greatly influence the import of these goods through nations with an FTA with the US.[116] Second is that at least for the moment, none of the FTA-related nations have access to sufficient levels of the materials needed for many of the green technologies, like batteries.[117] China dominates this field, however, with products like graphite being dominated by the nation. China holds command of 77 percent of the natural graphite production, over a 95 percent production share of synthetic graphite, and effectively all of the world's graphite refining, while the US must import all of it.[118] Critical flaws in trade where the US is wholly reliant are the issue that people in D.C. have been grappling with, while also being supported by domestic companies that lobby for industry to be done

[110]Kleimann et all., "How Europe Should Answer the US Inflation Reduction Act." pg. 5
[111]Bacchus, "Biden and Trade at Year One." pg. 4
[112]Baskaran and Schwartz, "An Evaluation of the Inflation Reduction Act." pg. 5
[113]Ibid
[114]Ibid
[115]Ibid
[116] Baskaran and Schwartz, "An Evaluation of the Inflation Reduction Act." pg. 6
[117]Ibid
[118]Baskaran and Schwartz, "An Evaluation of the Inflation Reduction Act." pg. 7

domestically. These shifts have created a new undercurrent of political will in the US, one that is no longer solely focused on reducing prices but on securing supply.

Domestic Will

In a review of Biden's trade policy, Bacchus notes a dissonance between voters' desires and the lobbying of interest groups when it comes to trade. Voters, for the most part, still seem to be in favor of trade, with Democratic voters having a stronger preference for trade.[119] Yet, domestic interests, like labor groups, have swayed the party into adhering to a policy that is fearful of competition, making "any defense of freer trade by a Democrat… politically perilous."[120] Freer trade used to be a topic that both sides of the aisle could agree on, and policies that pushed it would receive bipartisan support. After Trump, there is now a similar consensus by the Republicans on how trade should be dealt with as economic nationalism takes hold in the party.[121] Even on the American political fringe, those who hold seats in Congress adhere to the trend of going against international trade norms. Bacchus points out that even progressives like "Bernie Sanders (VT) and Elizabeth Warren (MA)... are outright protectionists."[122] The result is that while party lines may dictate how members vote, the IRA was minimally contested on the grounds of trade once passed.

Allies like the EU were the first to speak out against it, as unlike many of the US allies in the Pacific and the Americas, the EU and the US have no FTA or other deal allowing the EU to benefit from this. Ultimately, for the EU, "the consequence could be large losses of export to the US."[123] The effect of the IRA is already being seen with investments, as the EU has noted that investments are being pulled away from the EU and into the US. Yet even in the face of a protectionist, anti-international US, the EU has seen that not all hope for a cooperative US is lost.

During the pandemic, the US refused to join the Ottawa Group, a coalition of WTO members that coordinated the reduction of trade barriers on medical equipment. The US rejected

[119]Bacchus, "Biden and Trade at Year One." pg. 6
[120]Ibid
[121]Ibid
[122]Bacchus, "Biden and Trade at Year One." pg. 7
[123]Kleimann et all., "How Europe Should Answer the US Inflation Reduction Act." pg. 9

participation, despite both the EU and Canada being part of the group. The reason the US gave was that unfettered liberalization of trade policy has led to the fragile supply chains seen at that time.[124] This was a blunt omission that the US felt the global trading environment had deteriorated and that overliberalization, in its eyes, was becoming a major national security concern. Signs of this stance hardening emerged during the transition from Trump to Biden. Biden would make remarks that he would not conclude any new trade deals until there had been sufficient investments made domestically that benefited workers and communities as a whole.[125] Even as the new president came into power and the tone had changed, the message could still be considered the same: "America First."

However, with the IRA, Biden stressed that this was not to become an "America Alone" trading strategy. Biden highlights that the US should do more to define and develop the "'rules of the road for the world' to ensure fair treatment for American workers and to protect the environment."[126] The IRA achieves both objectives by structuring trade networks in a way that should attract jobs to the US while also providing nations that comply with US demands the opportunity to greatly benefit from the US domestic market. Nations with FTAs are the ones who are primed to benefit from such deals if they can restructure their export markets in a way that can capitalize on this.

War and security

The Ukraine war has justified this strategy for the US, while also complicating it. For the US, the Ukraine war is "a warning that America's strategic partners in the Pacific could face a future Chinese threat to their energy imports that could be as serious as the one Europe faces."[127] It validates the US goal of diversifying important industries, especially those in energy-related sectors. Keeping important supply chains in hostile nations creates strategic chokepoints for these hostile nations to use. Europe saw this as energy supplies from Russia were dramatically reduced, and the continent saw energy prices spike to a painful degree. It also highlighted that

[124]Bacchus, "Biden and Trade at Year One." pg. 3
[125]Bacchus, "Biden and Trade at Year One." pg. 5
[126] Ibid
[127]Anthony H. Cordesman, "Creating a New Energy Strategy for a Post Ukraine War World," *JSTOR* (Center for Strategic and International Studies, 2022), https://www.jstor.org/stable/resrep42788. pg. 3

the US needs to pull away from the fossil fuel trade, as it also creates exploitative weaknesses. The IRA works as a strong driver for clean energies while crafting the future of this trade in its favor by having reliable partners, being its main importing source.

The war complicates the US strategy, however, as it demonstrates that while it can avoid the worst of the weaponized disruptions, secondary nations, primarily its allies, may not be able to. For the US, this means that "the only way to provide added security for America's Asian strategic and trading partners may be to provide better defenses of their sources of exports and the maritime routes that deliver such exports through the South China Sea and Strait of Malacca."[128] It complicates the US position because it gives China multiple avenues of attack if it wishes to disrupt US commerce. There lies a flaw in the IRA that the US is too slow to adjust to. China has, in fact, been circumventing many of the US's LCRs, and while the US is in the process of finding ways to eliminate the loopholes that allow this, the polarized nature of the US political system paralyzes it from taking any effective action.

Biden cements, using the IRA, with general bipartisan support, a global trade regime no longer built on the values of internationalism and the WTO. That is not to say that Biden or the US rejects trade with the world; the US still favors trade and finds it beneficial. However, with the rise of economically competitive actors that can effectively manipulate the trade environment to their advantage, the US can no longer support a single international trading regime. While the US was in control of the international trade regime, it could use its weight to dictate how things were done and manipulate it to its advantage. With the loss of industrial capacity and the rise of China, the US can no longer confidently participate in a unified trade regime without risking damage to itself.

The IRA shows that the new course for the world is one of bilateral deals. One where the US will trade, but it must ensure a minimum level of manufacturing ability in a given sector. For a nation to trade with the US to the fullest, it must establish a bilateral FTA and, in doing so, gain the US's trust and confidence. What the US wants is a fractured trade regime, where tariffs are negotiated on a per-state basis. The efficiency that came with the liberal international trade

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[128]Cordesman, "Creating a New Energy Strategy for a Post Ukraine War World." pg. 3

regime brought about by the WTO has fallen out of favor and is seen as too high a price to pay for the possible compromise of domestic security. In a fractured global trade network, the US will become better equipped to dominate its chunk of the fractured network while being able to better mitigate coercive actors' influence on its import market.

If the IRA does, in fact, signal that the US has settled on this course of a fractured world trade network, its allies are in the most precarious situation. They will have to figure out how to react to this shift, what they have to gain from the US doing so, and importantly, how much they have to lose from it. However, not all of the US allies are made equal, and as the US settles into a post-pivot to Asia era, some will have more attention while others will have less, for both better and worse. By region, there are three sets of US allies that can be best defined. First, are its long-standing and traditionally closest allies in Europe, the NATO alliance members and Canada. Then there are the MNNA in the Pacific, many of whom share an FTA with the US and or border China, the US's chief rival at the moment. Third, there are the nations across the Global South, predominantly located in South America and Africa, with many also sharing strong ties to China due to its role as a benefactor to the region.

The Impact on Allies

The pivot to Asia and the adoption of a different geoeconomic strategy have significantly altered the priorities of the US and where it allocates its resources. While at times it seemed the US had near infinite resources to spend, that era has passed, and the US is beginning to feel its constraints as others have more resources to push back on it. This reprioritization of both trade and strategic focus goes hand in hand, as much of the drive to alter trade dynamics comes from issues arising with China. What is certain is that the US is preparing for a world where it co-exists with China not just as competitors, but as systemic rivals. Such a shift, however, leaves many of the US's allies with questions about where their place is with the US and what the future of their relationship will look like with a more defensive US posture. There are four main regional groups where the US allies are located: The EU and NATO, the Pacific allies, the MENA nations, and the Latin American Allies.

Each region will be impacted in different ways, and nations within said region will not be affected the same way. However, as the US has declared and is finalizing its pivot to Asia, the subsequent restructuring of its trade networks to mitigate the weaponization of interdependence will play out across different regions. The US NATO allies in Europe make up a significant chunk of the NATO members. Canada, however, is the only case from this group of allies that is located in North America, but will still be included even though it is in the subchapter that broadly focuses on Europe. There are a few other fringe nations that will be included in regions they are near, but don't quite match. In those cases, they will be included in the subchapter about the region, but will be given extra attention to address this where needed.

NATO Allies

The NATO allies have experienced numerous disruptions since the US pivot to Asia and are expected to face further challenges as the US-China rivalry unfolds. After the fall of the USSR, NATO found itself in the dilemma of either going "out of area" by expanding the scope of its operations or "out of business" due to a lack of purpose. During Obama's presidency and the pivot to Asia, NATO saw a dramatic reduction in US attention to the alliance. In 1989, there were over 300 thousand US troops in Europe; by the end of Obama's presidency, there were fewer than 62 thousand, with minimal change through 2021.[129] This lack of focus on the continent has also been seen in how the US handles trade with the continent.

As the US turns towards a protectionist stance, the EU has slowly become an entity to compete against rather than one to cooperate with. Trump tariffs had it hard for the continent, with the EU being the hardest hit US ally.[130] This forced the EU's hand to respond with $3 billion in tariffs on US exports, with an additional $4 billion lined up. It was in the Biden presidency that relations began to normalize between the US and the EU. However, even under Biden, the negotiated-down steel and aluminium tariffs reflected how the US is tightly managing its trade,[131] not liberalizing it.

The EU can largely expect more of this arms-length managed trade, and expect more of it, they should. Biden's IRA was seen largely as a negative thing for Europe and its own green industry, but there are multiple signs that this may not be entirely the case. It still is unclear how much, if any, real investments have been diverted away from the EU as a result of the IRA, with many EU-related projects still obtaining plenty of funding needed to go through on their projects.[132] While the IRA may affect export and import markets, the EU has an opportunity to work with the US as a known, reliable, and key ally to the US to mutually benefit from the US goals of green technology, and use the US as a bulwark against Chinese dumping, particularly with EVs and batteries. The EU must not forget that it can be a key player, depending on how it shifts its weight. The Biden presidency proved this when it "set out a strategy for facing China on trade, it has been that of combining with the EU, Japan, and other Chinese trading partners to challenge abusive Chinese trade practices through joint action."[133] While the US embraces a fractured, de-internationalized world trade system, it still recognizes that there are global players it needs to work with in order to address its security concerns.

[129] Statista, "U.S. Troops in Europe 2021," Statista, 2025, https://www.statista.com/statistics/1294309/us-troops-europe/.
[130] Bacchus, "Biden and Trade at Year One." pg. 14
[131] Ibid
[132] Kleimann et all., "How Europe Should Answer the US Inflation Reduction Act." pg. 10
[133] Bacchus, "Biden and Trade at Year One." pg. 18

Canada occupies a unique position as the sole NATO ally on the same continent as the US and the C in the USMCA. It has been and continues to be one of the US's closest trading partners that the US cannot do without. Raising serious tariffs against Canada risks causing significant and lasting damage to the US, as both economies are deeply intertwined. Canada may face a boisterous second Trump administration, but being so fundamentally important to the US, there is little that Trump could do in any serious action against it. While the EU may face a more distant US, Canada may, at worst, face a frustrated Trump who will seek a nominal win and consider it an ego satiating victory.

The Pacific Allies

The Pacific allies comprise a diverse range of actors in the Western Pacific region and extend into Asia. Allied nations in this region include "Australia, Japan, New Zealand, Pakistan, the Philippines, South Korea, Thailand," with Taiwan receiving the benefits of an MNNA nation without receiving a formal designation[134] as such to be in compliance with its one-China policy. Here, many of the nations can look to benefit from the new US trade policy. The US is seeking to avoid having China weaponize its exports to the US by diversifying among friendly allies in the region. This is where the first hurdle is for a nation in this region, Pakistan. Due to a long and complex history, Pakistan finds itself sandwiched between the Chinese influence spreading in its nation through the Belt and Road Initiative. This close relationship has been greatly beneficial, but has come at the cost of the US reconsidering its MNNA status with the nation. During Biden's presidency, a bill was introduced in 2023 to eliminate Pakistan's status, which failed. Another bill was introduced in 2025 to again try to repeal its status.

Unlike Pakistan, which the US is seeking to remove as an ally, the other nations are seeing far higher levels of engagement with the US. As the US drives forward on bilateral agreements and fragments the international trade order, many of these nations will be considered as key players and actors, especially in outweighing China in the region. Currently, Australia and South Korea enjoy FTA and MNNA status with the US and are both critical actors in its attempts to diversify away from China. South Korea offers the US much in the way of technical components and products, while Australia holds a bounty of natural resources, including REMs that could be

[134] US Department of State, "Major Non-NATO Ally Status," United States Department of State, January 20, 2021, https://www.state.gov/major-non-nato-ally-status/.

exploited to the benefit of the US. Both members, like most others on this list, are in lock step with the US when it comes to issues such as the South China Sea and North Korea.

Japan, the Philippines, and Taiwan represent the front lines of the US containment strategy against China and are must-hold territories in order to ensure secure trade in the region under its supervision. Both also make for key trading partners in the region that can also be used to disrupt trade flows into and out of China. Japan, while not having an FTA with the US, enjoys close ties to Washington with an established US-Japan trade agreement (USJTA), a digital version of this agreement, and the previously mentioned Critical Mineral Agreement.[135] This has not gone unnoticed by congressional members, and there is a general growing call for the US to establish a full FTA with the nation, though some disagree, as Japan is a significantly competitive economy that may negatively impact US industry more than it would help it in an FTA.[136] Taiwan holds a critical position for the US as the nation is the world's foundry for semiconductors and the only manufacturer of the most advanced semiconductors in the world.[137] This criticality for not just the US but the world in general makes it like the new oil, and while others have some amount of capacity to export, most can not compete with it, nor with its high quality. Since the pivot, Taiwan has seen a heightened interest from the US to keep it out of the hands of China and as 2027 approaches it still seems that the US is fully prepared to go all in on the region and keep the island safe, not for its own democracy but for its strategic position for trade, and for its semiconductor exports.

The Philippines faces a similar problem with China as it risks losing a significant portion of its maritime economic zone to China's nine-dash line. With the US pivot and the election of a non-China-friendly president, the nation is seeing a resurgence from the US. Trade, however, has not seen a significant change, with trade between the two nations still being largely dictated by the 1989 bilateral Trade and Investment Framework Agreement (TIFA). While trade has been beneficial for both nations, the Philippines' economy is too small to be of significant concern to

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[135]Congressional Research Services , "U.S.-Japan Trade Agreements and Negotiations," Congress.gov, 2025, https://www.congress.gov/crs-product/IF11120.
[136]Congressional Research Services , "U.S.-Japan Trade Agreements and Negotiations."
[137]Richard Elkus, "A Strategy for the United States to Regain Its Position in Semiconductor Manufacturing," *Www.csis.org*, February 13, 2024, https://www.csis.org/analysis/strategy-united-states-regain-its-position-semiconductor-manufacturing.

the US at this stage. However, there are opportunities for integration in the US green transition and for the Philippines to become a provider of certain parts.

The MENA Allies

The Middle East North African allies are left in a position of leverage while also seeing a withdrawal of the US military in the region. The MENA nations are nearly all oil-rich or have reserves of certain critical resources in the REM categories. Nations with MNNA status in this region include Bahrain, Egypt, Israel, Jordan, Kenya, Kuwait, Morocco, Qatar, and Tunisia.[138] Bahrain, Israel, Jordan, Morocco all have FTAs with the US[139] and remain strong partners in the region. Egypt, likewise, has a TIFA with the US and a Qualified Industrial Zone agreement with the US that if a product has a minimum amount of value that comes from Israel, the US will waive import duties.[140] For the US, many of these nations are friendly to the US, though they have notable ties to China. The region serves as a major energy supplier and can significantly assist the US in its endeavors to secure energy resources for not just itself but also its allies. As energy demands continue to grow, US allies in both Asia and the EU, who could see or have seen significant energy disruptions, could turn to nations in this region to fill in the gaps, even if there are efforts to switch to renewable energy.[141]

This is critical for the US, as while they have achieved a relative energy independence, many of its allies outside of the MENA region are extremely dependent on energy imports. The EU saw this when Russia weaponized its energy imports in 2022, which had a knock-on effect on the US through the price of EU exports to America. Many of the Pacific allies are also dependent on energy imports that flow through the South China Sea, which China is contesting control of. Ensuring energy exports from MENA nations allows the US to ensure that it has a secondary level of energy security by ensuring that nations from which it imports critical goods can continue to flow into the nation relatively undisturbed.

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[138] US Department of State, "Major Non-NATO Ally Status."
[139] United States Trade Representative, "Free Trade Agreements | United States Trade Representative," Ustr.gov, 2023, https://ustr.gov/trade-agreements/free-trade-agreements.
[140] US Department of State, "Egypt - United States Department of State," United States Department of State, August 23, 2023, https://2021-2025.state.gov/countries-areas/egypt/.
[141] Cordesman, "Creating a New Energy Strategy for a Post Ukraine War World." pg. 7

Latin American Allies

The remaining three allies located south of the US are Argentina, Brazil, and Colombia. The US has an extensive trade network in the region, with many Latin American nations having FTAs with the US. Yet, only Colombia is an MNNA member with an FTA with the US in the region. Argentina, with its rejection of BRICS+ and its closer alignment with the US, has undergone an effort to try to open discussions to establish an FTA with the US under the second Trump administration, with Trump signaling soft support for it.[142] For these three nations, they have a critical choice between America and China. Colombia and Argentina are both nations that will, when push comes to shove, work with the US over China. The US holds a special interest in Argentina due to the potential trade of critical resources that the US needs to ensure its green transition, primarily in the form of significant copper and lithium deposits.

Colombia and Argentina can expect continued trade and interest as regional partners as long as they favor US business over China. There are very few avenues through which either nation's trade with the US could be weaponized against it, and very few ways it can weaponize its trade with China. Brazil, on the other hand, has a bit of a complex geopolitical position to deal with. It is an MNNA nation and has worked closely with the US, but economically, it does more trade by volume to China, exporting $105 billion in 2023, compared to the exports to the US at only $35.1 billion .[143] Another reason for these tensions is Brazil's membership in the BRICS+ trade alliance that stands starkly opposed to the US domination over the trading environment and the use of the US dollar as the worlds reserve currency. While these facts may be true, it does not mean that Brazil is a friend of China and a competitor against the US. Brazil is ultimately less focused on the West Pasifc theater and more focused on stability in its neighborhood and addressing more traditional North-South issues than East-West dividends.[144] Relations between

[142] Buenos Aires Herald, "Trump Signals US Open to Trade Pact with Argentina," Buenos Aires Herald, March 4, 2025, https://buenosairesherald.com/politics/trump-reveals-us-open-to-trade-pact-with-argentina.

[143] OEC, "OEC - Brazil (BRA) Exports, Imports, and Trade Partners," Oec.world, 2023, https://oec.world/en/profile/country/bra.

[144] Ryan C. Berg et al., "The Future of U.S.-Brazil Security Cooperation: Opportunities Presented by Brazil's Major Non-NATO Ally Status," www.csis.org, July 15, 2022, https://www.csis.org/analysis/future-us-brazil-security-cooperation-opportunities-presented-brazils-major-non-nato-ally.

the two seem to be on the up as the MNNA designation was given to the nation only in 2019, when relations between China and the US had already soured. There is the theory that the two nations are destined to be "natural rival," however, both nations have largely seemed to define this with cooperation between the two since 2014[145] and throughout the past three presidencies.

Ultimately, the US geoeconomic position has moved away from the liberal international trade order, rejecting the WTO, and securitizing its trade to protect it from bad actors that would seek to weaponize some aspect of it against the nation. This does not mean, however, that the US is rejecting trade and moving to autarky; it only means that the US is becoming cautious with whom it trades. For allies, this has meant different things; for the EU, it is a US that economically treats the bloc more as a competitor than as a partner, raising trade challenges for the bloc to overcome. For allies in the Pacific, the US is one that is far more proactive with the region, flirting with the idea of a regional trade bloc but maintaining and slowly expanding its bilateral agreements, with FTAs being pushed forward as it settles in a new position after its pivot. The MENA nations will see a US that will engage with them in a way that seeks to shape the region's oil export policies to help stable allies in various different regions, as well as establish REMs supply chains from the regions to feed its growing demand and wean it off China's supply. Latin America will see the least overall change, but will, in the short term, face a tariff-happy second Trump presidency, which will attempt to support its own domestic industry in a vain but self-destructive manner.

[145] Berg et al., "The Future of U.S.-Brazil Security Cooperation."

Conclusion

The past fifteen years have witnessed a striking evolution in the United States' geoeconomic strategy; an evolution shaped not only by changes in presidential leadership but also by broader structural transformations in the global economy. As this paper has demonstrated, from the Obama administration's attempt to revitalize U.S. leadership through the TPP, to Trump's repudiation of multilateralism in favor of economic nationalism, to Biden's embrace of industrial policy through the IRA, the U.S. has moved steadily toward a more assertive, security-driven approach to economic statecraft. This shift marks the emergence of a new geoeconomic paradigm in which economic tools are no longer merely instruments of prosperity but also of strategic competition. This transformation carries significant consequences for the United States' allies, particularly those within NATO and the MNNA framework, who now face the challenge of adapting to a U.S.-led order that is increasingly shaped by domestic political priorities, national security concerns, and global rivalry with China.

During the Obama years, geoeconomics was framed in the language of integration and liberal order-building. The TPP was designed not only as a trade agreement but also as a geostrategic project to bind the U.S. more closely to the Asia-Pacific region and to set the rules of trade before China could do so. This was complemented by the broader "pivot to Asia," which sought to rebalance American attention away from the Middle East and Europe toward the dynamic economies of East Asia. Obama's approach had begun to differ with the post-Cold War tradition of liberal internationalism: using a multilateral trade agreement in an attempt to reshape supply chains in order to secure U.S. influence in a world increasingly characterized by diffuse economic power. In short, attempting to partially fracture the world trading system to its benefit.

The election of Donald Trump marked the reversal and end of the use of multilateralism in pursuit of this goal and in general. Trump's administration rejected the TPP outright and recast U.S. trade policy as a matter of national sovereignty and something to leverage bilaterally. The renegotiation of NAFTA into the USMCA solidified this approach, emphasizing domestic production, dispute resolution mechanisms favorable to U.S. firms, and state-to-state bargaining over the use of liberal international multilateralism. Trump's method represented a much harsher method that focused first on establishing an industrial base within the US before considering how it could benefit from trade with others. In geoeconomic terms, the U.S. shifted its focus from shaping global markets to reshaping them around its own domestic market interests.

Biden's administration has not returned to Obama-era liberalism. Instead, it has deepened the turn toward economic nationalism in a more strategic and coordinated fashion. The IRA highlights this shift by coupling massive subsidies for clean energy and domestic manufacturing with climate policy goals. The IRA seeks to reindustrialize the U.S. economy, reduce dependence on foreign non-trusted supply chains, especially those flowing from China, and create new domestic manufacturing capacity for geoeconomic resilience. While Biden's rhetoric is much softer than Trump's, his policies reflect a bipartisan consensus on the need to secure economic sovereignty and use economic tools as instruments of geopolitical competition.

This shift has given rise to a new kind of American geoeconomics, one that integrates elements of industrial policy, export controls, and supply chain management into a coherent strategic doctrine. It is a vision of economic policy that rejects international liberalism and instead views it as a domain of contestation in which states seek to shape, deny, and protect flows of goods, capital, and intellectual property. From intellectual property protections aimed at slowing China's technological rise to reshoring incentives embedded in U.S. climate legislation, economic instruments are now openly deployed as tools of strategic power.

This transformation has far-reaching implications for U.S. allies, regardless of their region. For many of these nations, the shift in U.S. geoeconomic strategy is both a source of opportunity and a cause for concern. On the one hand, closer alignment with the U.S. can yield privileged access to capital, technology, and political support. On the other hand, it can also expose allies to new forms of dependency and vulnerability. The IRA, for example, has provoked backlash from the EU, who see the US's domestic subsidies as protectionist and incompatible with WTO rules.[146] Likewise, U.S. export controls on advanced technology, particularly semiconductors, have placed pressure on Asian allies such as Japan, South Korea, and Taiwan to fall in line with U.S. policies, even when doing so risks economic retaliation from China.

The emerging pattern is one of "geoeconomic alignment," in which allies are increasingly expected to support U.S. strategies not only in the military domain but also in trade, technology,

[146] Bacchus, "Biden and Trade at Year One." pg. 13

and investment policy. For NATO countries, this means recalibrating transatlantic economic ties to accommodate U.S. industrial priorities, risking their own competitiveness and economic autonomy. For MNNAs, particularly in the West Pacific, the U.S. economic strategy offers insurance against Chinese coercion but also ties them to a volatile and politicized U.S. domestic agenda. In both cases, the asymmetry of power in the alliance relationship becomes more visible: the U.S. sets the geoeconomic agenda, and allies must adapt.

Moreover, the new U.S. geoeconomic strategy complicates the traditional international trade model that has underpinned US global policy since World War II. One where security is no longer absolutely guaranteed by the US, even if the nation successfully aligns itself politically and keeps its markets open to the US. The U.S. still provides security, but it increasingly expects allies to support its economic and technological priorities as well. This redefinition of alliance obligations, like increasing military spending to 5 percent, can generate tension, especially in democratic systems where domestic economic interests and political coalitions may not align neatly with U.S. demands. EU resistance to the knock-on effects of the U.S. weaponizing financial systems like SWIFT, for instance, reflects growing discomfort with the idea that strategic alignment requires economic conformity.

Nonetheless, it would be a mistake to see this only as a story of friction and decline. The new geoeconomics also creates opportunities for deeper cooperation, particularly in the fields of green technology. The IRA will redefine the supply chains of green technologies, and the growing emphasis on "friend-shoring" all suggest a soft attempt to build a new kind of strategic economic community. If successful, these efforts could lay the foundation for a more coherent Western geoeconomic bloc, one capable of collectively responding to authoritarian economic statecraft and shaping the rules of global commerce in the twenty-first century.

The challenge, however, lies in managing the inherent tensions between strategic convergence and economic diversity. U.S. allies differ in their industrial capacities, risk perceptions, and regional priorities. A unified geoeconomic strategy requires not only coordination but also compromise on subsidies, on standards, and on strategic objectives. The U.S. will need to show greater sensitivity to allied concerns, just as allies will need to invest more in shared capabilities and decision-making structures.

The United States is no longer the champion of globalization; it is now a strategic actor that uses economic tools to pursue national advantage in a multipolar world. This marks a decisive break with the post-Cold War neoconservative narrative, presenting both risks and opportunities for its closest partners. Whether this new geoeconomic order becomes a source of cohesion or contention will depend on the ability of the U.S. and its allies to reconcile their strategic interests with the political and economic realities of a deeply interconnected but increasingly fragmented world.

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