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The Shaping of the 'Trumpian' World Economic Order

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This paper discusses the way in which Donald Trump, the new American President, is unravelling the global political and economic orders that had been painstakingly established over a long period of time. The foundation of the old order was laid right after the end of the Second World War in Europe and was built upon during the days of the Cold War. Its evolution hastened following the collapse of the Soviet Union in 1991. With the Cold War's ideological conflict over, Francis Fukuyama, a reputable sociologist, claimed that history had come to an end – it had ended, he believed, since the world would no longer be engaged in ideological conflicts.² However, governance is more than the pursuit of ideologies. It also includes the way nations interact with one another and the institutions they create to promote these contacts. Trump has shown

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² Francis Fukuyama, *The End of History and the Last Man*, New York, Free Press, 2006.

indifference to both the ideology of governance as well as the international frameworks within which the world's nations are expected to operate. As such, he will profoundly affect the way the world works. What the world is now heading towards is the quick dismantling of the old system. The result is likely to be chaos in the world economic order.

Introduction

Future historians will see the transition from the presidency of Barack Obama to that of Donald Trump as a turning point, not only for the United States (US), but also for the entire world. No two leaders could be more different. The first left the office filled with hope for mankind. His successor came in full of pessimism. Addressing the United Nations in September 2016, Obama had highlighted, “The most important fact about the state of global affairs. Life on the planet was good and getting better.” He proclaimed, “War is down while life expectancy is increasing. Democracy was taking hold and science had beaten back many diseases. A girl in a remote village is able to download the entirety of human knowledge on a hand-held small phone.” Obama concluded, “A person born today is likely to be safer, healthier, wealthier and better educated than at “any time in human history.”³

Obama projected the same line of thinking even when he spoke at smaller gatherings in the many countries he visited during his eight-year tenure. At a town hall-style meeting with young people in Malaysia, he did not give up on his optimistic view. “If you have a choice of when to be born and you didn’t know ahead of time who you were going to be – what nationality, whether you were male or female, what religion – but you had said ‘When in human history would be the best time to be born?’ – the time would be now.”⁴

³ For the full speech, see <http://time.com/4501910/president-obama-united-nations-speech-transcript/>. Accessed 20 June 2017.

⁴ The quotes are from David Nakamura, “Where Obama saw a world filled with hope, Trump sees ‘a mess’”, *The Washington Post*, 4 April 2017, p A6.

However, this is not the world in which Trump lives. At a news conference in mid-April 2017 with the North Atlantic Treaty Organization Secretary-General, Jens Stoltenberg, he declared the world to be a mess. “It’s crazy what’s going on,” he said. “Whether it’s the Middle East or you look at – no matter where – Ukraine – whatever you look at, it’s got problems, so many problems. Right now”, he concluded, “it’s nasty.”⁵

Which of these two points is correct, ask historians with good knowledge of the past. To some, Trump’s stance seems to be in line with what Rick Shenkman, author of *Political Animals: How Our Stone-Age Brain Gets in the Way of Smart Politics*, suggests, namely, negative talk leads to fear and wins political support.⁶

Trump’s Reading of what went wrong in America

In his inaugural address delivered on 20 January 2017 when he was sworn in as America’s 45th president, Trump left no doubt where his country would head under his charge. It was a vision totally different from that of all those who led the country after the end of the Second World War. The US will look after its interests, not those of the world outside its borders. “We the citizens of America are now joined in a great national effort to rebuild our country and restore its promise for all of our people. Together, we will determine the course of America and the world for many, many years to come. We will confront hardships but we will get the job done”, said the new president. In the past, “Washington flourished but the people did not share in its wealth. Politicians prospered but the jobs left and factories closed. The establishment protected itself but not the citizens of our country. Their victories have not been your victories. Their triumphs have not been your triumphs, and while they celebrated in our nation’s capital, there was little

⁵ See <https://www.whitehouse.gov/the-press-office/2017/04/12/joint-press-conference-president-trump-and-nato-secretary-general>. Accessed on 24 June 2017.

⁶ Rick Shenkman, *Political Animals: How Our Stone-Age Brain Gets in the Way of Smart Politics*, New York, Basic Books, 2016.

to celebrate for struggling families across our land.”⁷ This was the speech of a populist leader who will write public policy based on popular opinion and expectation.

A lot that went wrong in the US and had resulted in Trump’s victory at the polls could be attributed to the world order that existed and had produced what had come to be referred to as globalisation. This had led to what the new president called “American carnage”. This had happened because the US had allowed the world to take advantage of its magnanimity. “For many years, we’ve enriched foreign industry at the expense of American industry...One by one, the factories shuttered and left our shores with not even a thought about the millions of American workers that were left behind. The wealth of our middle class has been ripped from their homes and then redistributed all across the world.”⁸

Speaking on behalf of the people who had suffered and had voted him into office, Trump promised to look after those hurt by the world order that was in place. The new president was prepared to delink his country from the old and discredited international system that was the cause of the carnage. “We assembled here today are issuing a new decree to be heard in every city, in every foreign capital and in every hall of power. From this day forward, a new vision will govern our land. From this day forward, it’s going to be only America first. America first.”⁹

Two causes of what Trump saw as America’s decline stood out – international trade and international migration. If he was given the opportunity to govern, he promised his enthusiastic audiences that he would constrain both. He would pull America out of the trade deals his predecessors had negotiated and he would build a “high and beautiful wall” to keep the Mexicans from entering his country illegally. Even those who were arriving legally – and many of these were Muslims – were making his country less

⁷ See <https://www.whitehouse.gov/inaugural-address>. Accessed on 24 June 2017.

⁸ Ibid.

⁹ Ibid.

Christian. His supporters began to understand that, making America great again meant “making it white again” and “making it Christian again.”¹⁰

Trump was prepared to play hardball with world leaders to implement his “America first” agenda. He aroused the ire of the Mexican president by insisting that his country pay for the “big and beautiful” wall the US was going to build to keep the Mexicans out. Following the call, the Mexican president cancelled his scheduled trip to Washington. Trump hung up on the Australian Prime Minister when the latter reminded him of the promise made by Obama to take in 1,250 refugees who were stranded in a remote island off the Australian coast. However, the most revealing exposure of the way Trump was likely to manage his country’s relations with other nations came from the meeting in early March 2017 with the German Chancellor Angela Merkel when the American president, in the words of one commentator, “put on his most truculent and ignorant performance.” According to this account, “Trump knew nothing of the proposed European-American deal known as the Transatlantic Trade and Investment Partnership, little about Russian aggression in Ukraine or the Minsk agreements and was so scatterbrained that German officials concluded that the President’s daughter Ivanka Trump, who had no formal reason to be there, was the more prepared and helpful.”¹¹

Restructuring the Global Trade Order

While the way he conducts himself in meetings and encounters with foreign leaders will have consequences for America’s presence in world affairs, Trump’s approach to international trade and climate change will be considerably more significant for the globe’s future. International commerce is by far the most important element in the process which the economists have labelled as ‘globalisation’. Any interference with

¹⁰ Hrafnkell Haraldsson, “Don’t Let Them Kid You: In All the Ways that Matter, Trump Really is an Evangelical”, Politicususa, 11 July 2016.

¹¹ Roger Cohen, “The offender of the free world,” *The New York Times International Edition*, 29 March 2017, p10.

trade will have immediate negative results. Those concerning global warming will have an impact over a longer period of time.

When policy makers across the world turn their attention to economic matters, their thinking is guided by some assumptions. One of them concerns international trade and how it is conducted by various players in the global system. Over the last 75 years, the world has constructed a system of exchanges that is guided by rules which countries have agreed to follow. The fact that some aspects of the post-Second World War global economic order were quickly put in place, while the one relating to trade took half a century to be agreed upon, is an indication that international commerce is always hard to regulate. There are strong interests involved. It was only in 1995 that the World Trade Organization (WTO) was created while the International Monetary Fund and what came to be called the World Bank Group were quickly established. The WTO was founded after a series of rounds of negotiations had lowered the barriers to trade. The organisation's main function was to create a mechanism to resolve disputes that were bound to result among trading partners. The US was an active user of these provisions in the WTO. However, Trump has taken several actions that will weaken, if not destroy, the painfully created global system as he does not appear to have a deep understanding of the international economic relations. Cordell Hull, President Franklin D Roosevelt's long-serving Secretary of State, once wrote, "If we could increase commercial exchanges among nations over lowered trade and tariff barriers, and remove unnatural obstructions to trade, we would go a long way in eliminating war itself."¹² This advice was followed as the victors of the Second World War began to construct a new international economic order.

The old order helped different groups of countries in different ways. The countries that benefited the most belonged to the formal regional trading arrangements such as the European Union (EU), Mercosur (the association of the southern states of Latin America) the North America Free Trade Area (NAFTA) and the Association of Southeast Nations

¹² Eduardo Porter, "Trump and Trade: Extreme Tactics in Search of a Point", *The New York Times*, 31 January 2017.

(ASEAN). The EU is a union of 27 nations of Europe and a political-economic entity in which there is free flow of goods, services and people. It was the most advanced of the various regional associations that dotted the global landscape. A regional arrangement also helped small East Asian nations to progress economically by using low-wage but well-educated labour to produce cheap manufactures for the world's rich markets. As a result of several rounds of negotiations held under the auspices of the General Agreement on Tariffs and Trade, tariffs in developed countries for imports from developing nations had dropped significantly, helping the East Asians to increase their earnings from exports.

However, Trump sees these arrangements from an entirely different perspective. He is obsessed by trade deficits, believing that those on the wrong side of the equation are being hurt and weakened. He had convinced himself that, in negotiating the various deals, including the establishment of the WTO and the writing of the NAFTA, his country had given more concessions than it had received. He focused on these “symmetries” in crafting his approach towards China, Mexico and the United Kingdom (UK). With the first two, the US had developed deep trading relations based on trade agreements, including supporting China to become a member of the WTO in 2001. Although China had run a large trade surplus with the US, a significant part of this was the result of exports of goods produced in China by American factories, including investments from large multinationals like Apple and Boeing. A robust trade and economic relationship was forged with Mexico in the context of the NAFTA, which was negotiated by the George H W Bush's Republican administration. However, it was Bill Clinton, Bush's Democratic successor, who was able to get the US Congress's approval for the deal. In that respect, the NAFTA was a product of bi-partisan consensus. With the UK, the US had forged what was usually described as a special relationship. Trump sought to detach this long-term ally from its moorings in Europe. The American president was wary of multi-country alliances that, he believed, made it difficult for him to negotiate deals. In his book with Tony Schwartz, *Trump: The Art of the Deal*, he had taken a zero-sum

approach to deal-making.¹³ Maximising your gain meant minimising that of the party one was negotiating with. That calculus was not possible in a multi-country framework.

As John Nash, the Nobel Prize winning economist, had demonstrated, aiming for the “second-best” outcome by the negotiating parties resulted in stable outcomes.¹⁴ This came to be known as the Nash equilibrium. Trump’s approach could result in long-term instability both at home as well as abroad. As an avowed deal-maker, he had a strong preference for bilateral arrangements rather than working within the scope of rule-based multilateral systems. He saw the world from a binary prism – all dealings were zero-sum games. Applying this to international affairs meant that the US should maximise its returns and minimise those of the parties it was working with.

The Trans-Pacific Partnership (TPP) agreement, which took nearly eight years to negotiate, is the largest regional trade accord ever, having brought together the US and 11 other Pacific Rim nations. Together, these countries account for 40 per cent of the world’s economy. It was intended to lower tariffs while establishing rules for resolving trade disputes, setting patents and protecting intellectual property rights. It was not an asymmetric arrangement. According to one account, “Obama officials argued that it benefited the United States by opening markets while giving up very little in return. In particular the United States and Japan, the world’s largest and third-largest economies, came together in a free-trade pact.”¹⁵ Until the negotiations of the TPP, Japan had not entered into any regional trading arrangement; not willing to dilute the deeply entrenched economic interests such as the country’s rice growers.

During the campaign for the presidency, Trump railed against the TPP, often calling it the worst deal ever made by the US. He argued that the people from the country’s rust belt believed (wrongly) that they would suffer more as they had already lost jobs to international trade. American companies had fled to preferred destinations like China and

¹³ Donald Trump and Tony Schwartz, *Trump: The Art of the Deal*, New York, Ballantine, 2015.

¹⁴ John Nash, *Essays on Game Theory*, New York, Edward Elgar, 1997.

¹⁵ Peter Baker, “Upending trade policies, Trump scraps Asia pact,” *The New York Times*, 24 January 2017, p A1 and A12.

Mexico, where wages were low, and workers were not unionised and, therefore, could not agitate for better remunerations and working conditions. Manufacturers left the US but did not lose markets in their own country. They brought back what they manufactured abroad to be sold at home. Jobs were lost but consumers had gained. Trade experts believed that counting job losses as well as consumer gains, the US was a net gainer from growth in international trade, not a net loser as Trump had argued.

Whether the TPP, when fully implemented by the countries involved, would have resulted in a net loss for the US was a hard proposition to prove. At the same time, the manufacturers who stayed back produced goods that were not in high demand in foreign markets. They were mostly for domestic consumption. The US imported more and exported less which caused it to have large trade deficits. China and Mexico were the two countries that became the symbols of this asymmetric trade relationship. Trump, during the long campaign for the presidency, had promised actions against both China and Mexico. However, he chose the wrong action to produce the promised results. There are several reasons why pulling out of the TPP will not do any favour to his country or to his base.

The net impact of the TPP was not explained to the citizenry by the policy makers who had crafted it. The 11 countries that were persuaded to partner the US felt that they had to make significant adjustments in their production systems to accommodate American preferences. This was the reason why it took Obama a couple of years to negotiate the deal. The main outcome of the agreement would have been to level the playing field towards the US rather than tilt it towards its main trading partners situated along the Pacific Rim. China was not included in the list of countries that negotiated the trade pact. Cancelling it, therefore, will not affect China directly; if anything it will enhance its stature in the field of international commerce.

The US economy was much more open than some of its large trading partners in the Pacific. Japan, Mexico and South Korea had relatively closed systems. Also, they did not regulate the production system as much as the US. Labour and environmental laws were

much more rigorous than those in the US, which added to the cost of what its companies produced at home. The TPP had provisions that would have led to the creation of more open markets in the Pacific Rim. It would have also introduced US-type of regulations in the member-countries.

Trump promised that he would scrap the TPP the moment he entered office. He kept his word. On 23 January 2017, three days after having been sworn in, the new president issued an executive order taking his country out of the agreement. Academic opinion was mostly negative about Trump's international trade moves, in particular the decision to pull out of the TPP. "This abrupt action so early in the Trump administration puts the world on notice that all of America's traditional economic and political alliances are now open to reassessment and renegotiation," said Eswar Prasad, a professor of trade policy at Cornell University who was a staff member at the International Monetary Fund and looked after that organisation's work on China. "This could have an adverse long-term impact on the ability of the US to maintain its influence and leadership in world economic and political affairs," he was quoted in an assessment of Trump's move.¹⁶

After he signed the TPP-exit executive order, Trump's senior associates indicated that the new administration would negotiate bilateral deals that they said were easier to enforce. In these, the US would set strict restrictions on the part of the negotiating partners to abide by the terms of the deals. "If somebody misbehaves, we are going to send them a letter of termination," the president explained. "Thirty days and they'll either straighten it out or we are gone."¹⁷

There is some irony in the fact that the economic group most pleased with the TPP-exit move was one of those that had opposed Trump's candidacy. "Today's action draws a line in the sand that hopefully is just the start of President Trump's promised pro-worker, pro-income growth agenda", Leo Gerard, who heads the United Steel workers, said the

¹⁶ Ylan Q Mui, "Demise of TPP shifts U.S. role in world economy," *The Washington Post*, 24 January 2017, p A6.

¹⁷ "Trump Acts on Promise to Withdraw from Trans-Pacific Partnership", See <http://www.npr.org/2017/01/24/511355717/trump-acts-on-promise-to-withdraw-from-tpp-nafta-could-be-next>. Accessed on 24 June 2017.

day after the president signed the executive order. However, one constituency that was a strong Trump supporter during the campaign was unhappy with the TPP decision. Farmer groups were hoping to sell a glut of American agricultural products in new markets, particularly to Japan and South Korea. “It is critical that the new administration begins work immediately to do all it can to develop new markets for US agricultural goods,” said Zippy Duvall, President of the American Farm Bureau Foundation.¹⁸

The countries that had signed the TPP had been pressured to do so by Obama’s administration. Even then, most of them were unhappy with Trump’s withdrawal of the US from the deal. “The plan was popular among US allies in Asia, particularly Japan, the world’s third-largest economy”, wrote Emily Rauhala and Anna Fifield in an assessment for *The Wall Street Journal*. And even after Trump made good on his promise to withdraw from the trade deal, Japanese Prime Minister Shinzo Abe signalled that he would continue trying to convince the new US administration of its benefits. “I believe President Trump recognizes the importance of fair trade, and I’d like to concentrate on getting him to understand the strategic significance of the TPP agreement”, Abe told the Diet, or Japanese parliament, a day after the announcement from Washington about the TPP.¹⁹

The Asian leaders did not relish the thought of being locked into a room negotiating with the US president who, in his own words, had practiced the art of the deal. This phrase became the title of his autobiography.²⁰ The Pacific Rim’s smaller nations wanted each other’s company in order to work an agreement in regional trade matters. Bilateral trade relations will result in a messy, hard-to-manage regional system. The Philippines and Singapore were already shifting towards the China-backed Regional Comprehensive Economic Partnership, a likely arrangement that includes a number of nations represented on the TPP. On 23 January 2017, New Zealand’s Prime Minister Bill English said it was imperative that his country pursue new deals. “We don’t have the choice America has.

¹⁸ Both quotes from William Mauldin, “TPP exit makes sharp shift on trade,” *The Wall Street Journal*, 24 January 2017, p A4.

¹⁹ Emily Rauhala and Anna Fifield, “China not cheering U.S. pull out from Pacific trade pact,” *The Wall Street Journal*, 25 January 2017, p A14.

²⁰ Donald Trump and Tony Schwartz, *Trump: The Art of the Deal*, op. cit.

It's big enough that they can make a living [by] selling things to themselves", he said. "We have to trade."²¹

Reworking the NAFTA

The TPP was not the only trading arrangement that Trump struck off after taking office. The NAFTA was also the subject of the 'Trumpian' ire in the presidential campaign.

The NAFTA is an example of a trade agreement among rich and less-developed nations, binding Canada, Mexico and the US into one virtual market. The most significant consequence of the NAFTA was to establish supply chains, in which parts and components criss-crossed national boundaries before final products were produced. Automobile manufacture was one of the more affected industries in which the US exported advanced technology and sophisticated parts for assembly in Mexico. Completed cars came back into Canada and the US to be sold to the customers in these two countries.

Mexico has lived through a complicated history with the US, its neighbour to the north and the northeast. The seminal event in the Mexican-US history was the 1846-1848 war that led the US to take more than half of the Mexican territory. Mexico's early 20th century dictator Porfirio Diaz famously said, "Poor Mexico, so far from God and so close to the United States." The Americans were behind the 1913 assassination of Mexico's first democratically-elected president. That episode lent support to the Mexican revolution that resulted in the death of 700,000 people. Democracy did not return to the country for 90 years.

Mexico's relations with the US were patchy for most of the 20th century; up until the conclusion of the NAFTA in 1993. Cross-border trade in drugs was the main reason for the souring of relations. After the Mexican drug lords tortured and murdered a US Drug

²¹ Emily Rauhala and Anna Fifield, "China not cheering U.S. pull out from Pacific trade pact," op. cit.

Enforcement agent, Ronald Reagan temporarily closed the border. However, the conclusion of the NAFTA changed the nature of the relationship as well as how the Mexican youth viewed their northern neighbour. In a 2015 survey of attitudes around the world towards the US, the Washington-based Pew Research Center found one of the biggest generation gaps in Mexico – 74 per cent of Mexicans between the ages of 18 and 29 years had a favourable view of the US compared with 55 per cent among those aged 50 and older.

The NAFTA had contributed to this change in attitude in Mexico about the US. “[The] NAFTA has created a mentality among younger Mexicans that the gringos are not our enemies”, says Armando Santacruz, president of a Mexican company that distributes chemicals throughout Latin America. “Every day, Mexicans had less of a chip on their shoulder. It was all: ‘Let’s get down and do business, Mexicans and gringos’.”²²

However, that began to change with Trump’s arrival on the American political scene. He built his support base in part by blaming a number of his country’s problems on Mexico. In a 2015 speech with which he launched his campaign, he attacked Mexican immigrants, calling them rapists, thieves and criminals. He proceeded to build his White House bid on promises to construct a border wall, deport millions of Mexicans who were living in the US without documents and to pull out of the NAFTA. While determined to change the contents of the NAFTA, Trump did not withdraw his country from it. Convinced that the author of *The Art of the Deal* could negotiate with the Mexican president, he invited Enrique Pena Nieto to visit him in the White House. The new American president had scheduled a meeting for 31 January 2017 but, before the two leaders met, Trump ordered work to begin on building the border wall and insisted that it will be paid for by Mexico. The Mexican president cancelled the meeting and set principles that he said would guide any negotiations between the two countries. In an address to his nation on 23 January 2017, three days after Trump took the oath of office and delivered his inaugural address, the Mexican president “described a Mexican future categorically different from the one

²² Quoted in David Luhnow and M. Schlesinger, “Mexico’s teetering U.S. ties,” *The Wall Street Journal*, 6 February 2017, pp A1 and A6.

outlined by Trump for the US in his inaugural address. Where America would reassess its adherence to free markets and its station as a guardian of the liberal democratic order, ‘Mexico would reaffirm itself as a nation open to the world, that participates in global markets with high value goods and services.’ Pena Nieto added, “Mexico doesn’t believe in walls.”²³

On 27 January 2017, the two presidents had an hour-long telephone conversation and agreed to proceed on a range of bilateral issues, including trade, immigration and cross-border trafficking of drugs and weapons. By including weapons as an item on the agenda, the Mexicans were throwing the ball back into the American court. About 70 per cent of the firearms seized in Mexico from 2009 to 2014 were traced back to the US, according to a 2016 report by the Bureau of Alcohol, Tobacco and Explosives, amounting to more than 73,000 guns.

The two presidents agreed to leave the discussion about the wall and its funding out of the negotiations. According to a statement issued by the office of the Mexican President following the conversation, “With respect to payment for the border wall, both presidents recognized their clear and very public differences in their stances on this very sensitive issue, and agreed to solve these differences as part of a comprehensive discussion of all aspects of the bilateral relationship.” Trump talked about this discussion at a news conference later the same day. “We had a very good call. The border is soft and weak, drugs are pouring in, and I’m not going to let that happen”, he said. “I have great respect of Mexico. I love the Mexican people [but Mexico] has negotiated us and beat us to a pulp through our past leaders. They’ve made us look foolish.”²⁴ There was little doubt that the standoff with Mexico’s president was the first full-blown foreign policy clash with a foreign leader of the Trump administration. There are broad implications of this feud.

²³ Azam Ahmed, “Preparing to meet Trump, Mexican leader seeks common ground and leverage,” *The New York Times*, 24 January 2017, p A12.

²⁴ Kirk Semple, “Trump and Mexican president speak by phone amid dispute over border wall,” *The New York Times*, 28 January 2017, p A14.

The actions taken by the new president within a week of his arrival in the White House were moving the world towards a trade war. On 23 January 2017, after issuing the executive order that took the US out of the TPP, he met some business executives in the White House. He told them he would punish companies that shut factories in the US and moved jobs overseas by imposing a “very major” border tax. He told a German newspaper that the BMW might have to pay 35 per cent border tax on cars imported from a new factory in Mexico. In that case, the German manufacturer was not moving production out of the US, but moving from Germany, China and South Africa to Mexico. Were such a tax to be imposed, it would certainly lead to cases to be filed at the WTO that would allow retaliatory measures to be adopted by the affected countries. While the Canadians had not joined the debate, both Mexico and the US wished to renegotiate the NAFTA. Some of what Washington wanted to add to the decades-old agreement would have been taken care of by the provisions incorporated in the TPP. Canada, Mexico and the US were all members of the TPP.

As was the case with so many other instances of Trump’s unhappiness, the one about the way the US was being treated by its trading partners was based on faulty premises. In his inaugural speech, he railed against trade, “The wealth of our middle class has been ripped from their homes and then redistributed across the globe.” If oil and gas are excluded, the US trade has been largely balanced according to a Congressional Research Service report issued in 2015. The US had trade surpluses with Canada and Mexico in services, which amounted to US\$54.6 billion (\$75.6 billion) for Canada and US\$315 billion (\$436.5 billion) for Mexico in 2015.

Walking back on Global Warming

As he had done in the case of international trade, Trump retracted his country from the positions it had taken on climate change during the Obama presidency. Democratic administrations had pursued anti-global-warming goals with greater enthusiasm than those headed by Republican presidents. The US, under the direction of the then-Vice

President Al Gore, took the lead in negotiating the Kyoto protocol in 1997. However, when the reins of power landed into the hands of the Republicans and George W Bush became president, the Kyoto protocol was allowed to die. With Obama going to the White House in January 2009, climate change was back on the American agenda. In the summer of 2015, while on a visit to Beijing, Obama concluded a deal with Xi Jinping, his Chinese counterpart. That deal committed the two countries to reducing the amount of carbon they were emitting into the atmosphere. Since the American economy was much more advanced than that of China, it was to follow a more aggressive approach in limiting carbon emissions. This understanding prepared the ground for the success of the climate conference held in Paris in November-December 2015. The conferees adopted a programme signed by nearly 200 countries which pledged to abide by the targets they had set for themselves in reducing carbon emissions. The US and China committed themselves to meeting the goals that had been agreed to in Beijing by the two presidents. The Obama administration took a number of steps by using executive orders to meet the Paris agreements.

However, it was clear that Trump had no interest in keeping his predecessor's pledges. During the presidential campaign, he had called climate change a hoax created by China and promised to unwind Obama's measures to curb global warming. He signed an executive order rescinding nearly a dozen measures enacted by the Democratic regime. While signing the order in the presence of coal-miners, Trump said that he was determined to create more coal-mining jobs. In rejecting his predecessor's approach to global warming, he was going against accepted science and economic thinking. There is irrefutable evidence that human action was responsible for global warming. The year 2016 was the warmest year on record, surpassing the records set in succession by the years 2014 and 2015. And there was agreement among economists that more coal-mining jobs had been lost by technological change rather than by climate policy.

Michael Bloomberg, a former mayor of New York, in a newspaper article as well as in a co-authored book, referred to the research done by Moody's Investor Services that gave hope that, notwithstanding Trump, the planet was not doomed. In the Moody's report,

there was indication that considerable progress had been made in developing new non-carbon emitting sources of generating power. According to its findings, the wind power could displace up to two-thirds of coal-fired power production in 15 mid-western states. The average cost of wind power had dropped to US\$20 (S\$27.70) per megawatt, compared with more than US\$30 (S\$41.5) for electricity from many coal plants in the region. It was not realised that more than 250 coal plants – almost one half of the total number operating in the country – have decided in recent years that they will close or switch to cleaner fuels. According to Bloomberg, “Washington isn’t putting these plants out of business; the Obama administration’s Clean Power Plant hasn’t even gone into effect yet.”²⁵ However, he was worried about a different consequence of the Trump initiative. While the new president’s executive order was not likely to reverse the progress the country was making, “when we made the commitment in Paris, we were about a third of the way there, thanks mostly to the closing of so many coal plants”, wrote the former mayor. Trump’s move will not slow down the use of coal for power generation. However, it will have another serious consequence. “Claims that the United States will no longer be able to meet its Paris obligations give other countries an excuse to walk away from theirs. How terrible it would be if a misunderstanding of American climate leadership – which is not based in Washington and never has been – led to an unraveling of the Paris agreement.”²⁶

Conclusion

Within a couple a couple of months after assuming power in Washington, Trump, the new American President, used executive orders as the device to influence domestic and world affairs. These were drafted quickly and in great secrecy. As the news magazine, *The Economist*, wrote in its long review of the young Trump presidency, “The reason for this bullish insouciance is both straightforward and alarming. The president’s currently

²⁵ Michael R Bloomberg, “Climate progress, without Trump,” *The New York Times International Edition*, 1 April 2017, p 11. See also Michael Bloomberg and Carl Pope, *Climate of Hope, How Cities, Businesses and Citizens Can Save the Planet*, New York, St, Martin’s Press, 2017.

²⁶ Ibid.

most influential advisers believe that he has a mandate to blow up norms of good governance.”²⁷ If the new president’s policy pronouncements are creating chaos, so be it. This is what his most ardent supporters want from him.

Trump’s actions in office made clear that he had little interest in preserving the more-than-70-year old world order. Its main element was to have the world’s nations conduct relations with one another within rules-based international frameworks – bilateralism had been surrendered in favor of multilateralism. Trump abandoned this approach in three critical areas – international commerce, climate change and global warming, and the movement of people across international borders. The first two of these three are covered in this paper.

In financial institutions, decisions were not taken on the basis of one-country-one vote but were weighted by the shares which countries held in these bodies. However, there was a problem with these provisions to limit ‘majoritism’ since changes were not made in the system of governance to match the changes in the relative economic and military powers of the countries. The rise of China, India and Brazil was not accommodated by the way the global institutions were structured. However, the bilateralism favoured by Trump is not the solution to restructure the global system.

As a result of the US approach towards international trade, it appears that China has stepped in to provide the leadership the world needs. Similarly, China has also taken the lead in urging the established financial institutions to change the ways in which they did their business.

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²⁷ “What the visa ban shows about American foreign policy – A divided nation seeks a divided world”, *The Economist*, 4 February 2017.