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## We're moving toward a world of fortress economies

Trump's order to U.S. firms to get out of China is just one symptom

By **Henry Farrell** and **Abraham Newman**

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In an extraordinary series of tweets, President Trump raised tariffs on China and “hereby ordered” American companies to start “looking for an alternative to China” and perhaps bring their companies home to the United States. He announced, “We don’t need China and, frankly, would be far better off without them.” Trump’s statements led to a big fall in the stock market.

Like many previous Trump statements, the immediate policy implications are unclear. Trump may move to make it far more difficult for U.S. companies to do business with China by invoking emergency powers, but he also might abandon the threat if it seems too politically costly, or if he believes he can get trade concessions from China.

Nonetheless, his statements demonstrate how the world economy is changing — and not just because of Trump’s erratic policy choices. As we discuss in a new article for International Security on “weaponized interdependence,” states are beginning to perceive globalization as a threat to their national interests.

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**It's not just trade but also security.**

Trump's tweets suggest he is primarily concerned about economic competition. He claims the United States has lost trillions of dollars because of its relationship with China, and that China has stolen hundreds of billions of dollars worth of U.S. intellectual property. This is the context in which he argues that the United States would be better off without China.

However, other people in the administration (and in previous administrations) have advocated a "decoupling" of the economies of the United States and China, because deep interconnections pose security risks. Until relatively recently, many national security analysts thought that economic interdependence — that is, close economic connections and ties — between the United States and China was good for security. If China's economy depended on the United States, and vice versa, neither would want to hurt the other. Now, as the Brookings Institution's Thomas Wright wrote in a [prescient article](#) in 2013, the security consensus is shifting. Interdependence is viewed as a threat to security, rather than a bulwark, because it allows governments to threaten each other. Now, the U.S. military fears crucial components that are manufactured in China may have been compromised, while China fears the United States wants to cripple its ability to develop advanced technology.

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Under the Trump administration, the trade and security agendas have mostly reinforced each other, leading to efforts to transform the trade and manufacturing relationship with China. Sometimes, they have clashed. Security and law enforcement officials wanted strong measures against the Chinese company ZTE for its flouting of U.S. export control laws, but Trump bargained away the harshest penalties in return for trade concessions. If Trump implements the maximalist policies that he threatens, cutting economic ties with China, the trade and security policies are likely to be in alignment again.

### **The worldwide consequences are drastic.**

This isn't just a one-time hit to the stock market. The new hostility to cross-border ties will have transformative consequences for the world economy. It is hard to exaggerate how deeply entwined the U.S. and Chinese economies are. Over the past 20 years, manufacturing has become globalized, so that final products are made with components from multiple suppliers, many of them Chinese. Even partial efforts to disentangle these complex relationships are likely to have extraordinarily wide-reaching consequences.

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Countries besides the United States are taking similar steps. China itself has accelerated its technology development program so that Chinese firms will not have to rely on U.S. subcontractors. Other countries, too, are hardening their attitude to globalization. On Wednesday, a leaked European Union report suggested that the E.U.'s key executive body wanted to build up its own capabilities to impose unilateral tariffs on the United States and boost European companies that could compete with Facebook and Alibaba.

We are moving from a globalized world economy to a fortress economy in which individual countries, or groupings like the E.U., see international interdependence as a risk rather than as an opportunity, and build new walls to defend their national economic systems. Some actors, such as the E.U., are doing this for primarily defensive reasons, and others for offensive purposes. Trump's statement is a blunt and crude expression of a general economic transformation that we are only beginning to understand.

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