



Biden's Geo-Economics Forces De-Globalization

Dr. Josef Braml

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Summary

Under US President Joe Biden America continues to threaten the rules-based world economic order and is pushing the trend towards de-globalization. Although the new Biden administration rhetorically seeks more "values" and the "community of democracies," the United States is still at its core seeking to protect its national interests with all its economic and military power.

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Analysis

In his first "100 days," specifically in US trade policy, President Joe Biden has not yet turned his multilateral rhetoric into action. This is particularly important for Europe. Biden has not reversed the aluminum and steel tariffs imposed by his predecessor, Donald Trump, on America's "allies," nor has he ruled out further tariffs, such as on cars. While Biden has abandoned the blockade on the appointment of the new Director-General of the World Trade Organization (WTO), Ngozi Okonjo-Iweala, he maintains the US blockade on reappointing judges for the WTO's appellate body. With the blockage of the dispute settlement function, the United States under the Trump and Obama administrations rendered inoperative the heart of the WTO and thus weakened an important body of the international economic order – the Biden team has done little to nothing to undo these consequential decisions. Instead of using the WTO, and thus the rules-based order, to limit China's neo-mercantilist economic policies, Biden continues thus far the unilateral economic course pushed by his predecessor with the right of the economically and militarily strongest.

World trade order still under threat

In particular, President Trump has repeatedly portrayed the multilateral world trade system as a bad deal for America. Drawing the "military trump card" by imposing punitive tariffs (on steel and aluminum) on national security grounds, he not only achieved his protectionist trade policy goals, but also undermined the credibility of the WTO.

The combination of trade and security policy has brought about a consequential paradigm shift: it is questionable whether the WTO can settle disputes at all over trade measures based on national security given the inadequacy of the WTO's rulebook on this issue. Following the example of the United States, other countries could, for their part, impose tariffs in the name of their national security. That would definitely contribute to the end of an already endangered international trade order regulated by the WTO.

In other respects, too, the United States is endangering the functioning of the WTO by blocking the replacement of vacant judicial posts on the appellate body. Since December 2019, the WTO's legally binding dispute settlement procedure including an independent appeals mechanism has been suspended. In particular, the United States will continue to criticize the fact that in many cases the appellate body has exceeded its powers and in its judgments has affected the rights of the United States to use trade defense measures.

In any case, the United States, in its obsession with national sovereignty, assumes that a WTO ruling against the United States will not automatically lead to a change in its laws or trade practice. Conversely, however, American trade laws should be enforced worldwide with all the power at the United States' disposal. Henceforth, US geo-economics, using economic "weapons" such as the dollar to manipulate markets, further undermines the rules-based order.

At the same time, the United States also criticizes the WTO for being incapable of countering trade-distorting practices by non-market countries such as China. The rules are too weak or too outdated to deal with state-subsidized trade, state-owned enterprises, forced technology transfer, or the theft of intellectual property. As a result, the United States has been aggressively and unilaterally targeting its competitors, using all its economic and political power as leverage to force reciprocal market access and better trade relations.



Geo-Economics: Economy as a weapon

In the increasing geo-economic competition, especially between the USA and China, but also with America's "allies," economy is no longer the goal, but a means for geostrategic purposes. America's "allies" in Europe are also being forced to buy more US "freedom gas" instead of cheaper Russian gas and to pay for the infrastructure needed for transportation, such as liquefied natural gas (LNG) terminals. Those in Europe who still expect to do business with Iran underestimate the military and economic power of the United States. The US government may continue Trump's hardline by openly (or diplomatically, behind closed doors) threatening to stop giving Germany intelligence and to sanction German companies that continue to do business with the Chinese supplier Huawei.

European decision makers in politics and business should recognize the seriousness of the precarious situation in the United States and its effects: because of its economic plight exacerbated by the COVID-19 pandemic, and huge debt, which now – with at 100.1 percent of its gross domestic product (GDP) – exceeds the country's economic power, the United States need to share this (economic) burden with its allies. No one should be surprised if under Joe Biden the US administration will all the more so try to capitalize on the economic and, in particular, military dependence of its allies in Europe and Asia.

European allies should remember that Trump has only exacerbated existing transatlantic conflicts in security and trade policy. Already in the Obama/Biden administration, the United States put pressure on the Europeans to take on more burdens and, as agreed at the 2014 summit in Wales, to spend "two percent" of their economic output on defense in the future. In order to achieve this goal, Germany will most likely be encouraged by the Biden/Harris government to "buy American" armaments in order to remain technologically dependent.

The United States will continue to manage or manipulate trade, energy, financial, and data flows, especially through (secondary) sanctions. Above all in the technology sector, for example in the case of 5G/Huawei, Washington will remain intransigent towards allies: in the struggle for technopolitical spheres of influence, in which future economic and military supremacy is at stake, the United States will increase pressure on third countries such as Germany and put it before the choice of doing business with either America or China. The result could be a world divided into Chinese and American standards and systems. That would be the end of the international economic order and globalization as we still know it today.

Remarks: The opinions expressed in this contribution are those of the author. This article first appeared in the blog *Future of Globalisation*, Deutsches Institut für Entwicklungspolitik (die)/International German Development Institute (gdi), on May 6, 2021.

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About the Author of this Issue

Dr. Josef Braml is an US expert at the Center for Advanced Security, Strategic and Integration Studies (CASSIS), University of Bonn, Germany, and Secretary General of the German Group, The Trilateral Commission. He is the author of the book "Trump's America – At the Expense of Freedom" ([„Trumps Amerika – Auf Kosten der Freiheit“¹](#)). He also publishes current analyses via his blog [„usaexperte.com“²](#).



Dr. Josef Braml

¹ https://www.luebbe.de/quadrige/buecher/politik-und-gesellschaft/trumps-amerika-auf-kosten-der-freiheit/id_6359392

² <https://usaexperte.com/>