

Bachelor's degree in International Business

Title: Has Trump's brand of populism affected International business?

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HAS TRUMP'S BRAND OF POPULISM AFFECTED INTERNATIONAL BUSINESS?

This study aims to determine whether Donald Trump's brand of populism has had a negative impact on international business. Trump is known as a populist who carries out protectionist measures and classical economic theory tells us that protectionism negatively affects international business. In view of that, the hypothesis of this work is that Trump has been bad for international business. A literature review of the impact of Trump's policies indicates that he has provoked several trade wars and while a few domestic companies have benefited from it, the impact both on US economy and on international business has been negative. This has been the case because his policies create uncertainty.

Keywords: International business, populism, protectionism, trade, investment, trade war

¿HA AFECTADO EL POPULISMO DE TRUMP EL MUNDO DE LA EMPRESA INTERNACIONAL?

Este estudio pretende determinar si el populismo de Donald Trump ha tenido un impacto negativo en el mundo de la empresa internacional. Trump es conocido como un populista que lleva a cabo medidas proteccionistas y la teoría económica clásica demuestra que el proteccionismo afecta negativamente al mundo de la empresa internacional. En vista de esto, la hipótesis de este trabajo es que Trump ha sido malo para la empresa internacional. Un análisis de publicaciones sobre el impacto de las políticas de Trump indica que ha provocado varias guerras comerciales y que, mientras algunas empresas nacionales se han beneficiado de ello, el impacto tanto en la economía estadounidense como en el mundo de la empresa internacional ha sido negativo. Esto se ha debido a que sus políticas crean incertidumbre.

Palabras clave: Empresa internacional, populismo, proteccionismo, comercio, inversión, guerra comercial

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INTRODUCTION

Over the latest years, an outstanding political phenomenon has occurred all over the world, but mostly in the Western countries: the increase of populist parties, in particular far-right parties. The best example of this increase of far-right populism in Europe is probably Brexit, in the United Kingdom. On June 23, 2016, 51.9% of the British voted in favor of UK going out of the European Union (EU) after a campaign based on identity politics. Yet, the world best-known example is probably Trump reaching the Presidency of the United States of America in January 2017.

These events are expected to have an impact on international business since one of the key elements of the far-right populism is closed borders and all political actions that imply isolation in terms of closing borders to other countries are expected to have (following the neoliberal economic paradigm) negative direct and indirect effects on trade and investments. This is an assumption that it is generally made and I am going to analyze if that has been true in Trump's case. Has Trump's brand of populism had a negative impact on international business?

In order to answer this question, this work is structured in five chapters. In the first chapter, the main concepts are defined: what is considered as populism, what is international business and the impact that populism is expected to have on international business. In the second chapter, I define Trump's brand of populism stating the main ideas of his populism and, in specific, what his trade and investments policy consists in. The third chapter then describes the methodology followed to test the hypothesis that Trump's brand of populism has had a negative impact on international business. The chapter discusses how to measure the impact of Trump's policies on international business and when the hypothesis is to be considered rejected. Chapter 4 presents the results and chapter 5 concludes the research.

1. INTERNATIONAL BUSINESS AND POPULISM

The objective of this chapter is to establish the relationship existing between populism and international business. The chapter is structured in four sections. In the first section, there is an explanation of what is understood as international business. For the second section, the term of populism is defined and it is given a hint of its history. In the third one, it is analyzed if there is any relationship between both terms and if so, what are the links between them. Finally, in the last section the chapter is concluded.

1.1. International business

In English language, the term 'international business' is very ambiguous. This term is generally used in two different ways: as a synonym of enterprise or as related to the activity of trade and investment. When talking about international business in regard to enterprises, the term mostly refers to multinational firms. A multinational enterprise can be considered as "a company controlling income-generating assets in at least two different countries" (Colli, 2016, p. 1). It involves every kind of economic activity developed in a different country than the country in which the company is based. Barba Navaretti and Venables (2006) define multinationals also as "firms that own a significant equity share of another company, henceforth subsidiary or affiliate, operating in a foreign country" (p. 2).

International businesses are frequently assumed to be large companies, whether in size of sales, proportion of market value or even number of employees. Most of multinationals are indeed large companies. Global Justice Now (2018) shows that sixty-nine out of the top-100 economic entities, in terms of 2017 revenue, are multinational corporations. Nonetheless, not all international businesses are large ones. Nowadays, it is very common to see small and medium enterprises (SMEs), going into an internationalization stage. A growing amount of SMEs, family-owned or individually owned, invest nowadays abroad and are characterized for being:

Much smaller than the giant global companies in the top rankings, they also cross their respective national borders and operate production facilities abroad, thanks to a number of favourable conditions which allow them to act globally with a relatively reduced financial organisational and managerial effort (Colli, 2016, p. 1).

Taking into account that globalization is defined as "the rapidly growing interpenetration and interdependence of countries worldwide through increasing border transactions in goods, services and capital and through the more rapid diffusion of technology" (van Verhaegen, 2012, p. 240); in a world in which this has become such a key component of our everyday life, businesses are more likely to succeed if they are internationalized.

Regarding the other interpretation of international business, the one related to trade and investment, it refers both to the export and import of goods and services to/from a different country (trade) and may involve foreign investments, particularly foreign direct investments (FDI). Foreign direct investment can be defined as follows:

Foreign direct investment reflects the objective of establishing a lasting interest by a resident entity in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise, and a significant degree of influence on the management of the enterprise (OECD, 2008, p. 48).

When applying the definition to business, an FDI is given when the direct investor, the enterprise of the home country, acquires ten percent or more of the ordinary shares or voting power of an enterprise abroad, the one in the host country (IMF, 2003). This ten percent represents a sufficient segment of voting power for the direct investor to have influence in the management of the enterprise. Within the framework of direct investment, the OECD (2008) differentiates three types of enterprises: a subsidiary, in which the investing enterprise holds of more than fifty percent of the voting power; an associate, the direct investor has control over at least a ten percent of the voting power but no more than fifty of it; and fellow enterprises, where no enterprise has enough or any voting power in each other to the extent of implying FDI influence, yet they have a common parent.

This research understands international business both from an enterprise perspective and from a trade and investment one. It considers that trade and investment are the result of the international operations of enterprises and therefore that changes in trade and investment indicate changes in international business.

Rugman and Brewer (2003) affirm that modern multinational is not a “post-World War II phenomenon” (p. 11) and that there have always been essential differences from one home country to the next in the evolution of multinational enterprise. Moreover, each host country has had a different way of adapting to multinational enterprises’ contributions. Over the course of history, there have been problems of consistency in the measurement of FDI, and the emphasis on studying multinationals has been on manufacturing multinationals while service-sector multinationals are still to be explored.

In the case of the United States (US), Wilkins’ studies determined that the internationalization of the American businesses started at the end of the nineteenth century and a large segment on the history of foreign investments in the US came from non-US multinationals (as explained in Rugman and Brewer, 2003). A study of the history of the American enterprise made the following point with regard to the former American multinational:

The traditional American model of multinational enterprise that was characterized by foreign direct investment (FDI) aiming at exploiting firm-specific capabilities developed at home and a gradual country-by-country approach of internationalization, dominated the global economy during much of the post-World War II period (Guillén & García-Canal, 2009, p. 23).

When American multinationals were the main ones in the market of international business, they were “bigger than their purely domestic competitors and enjoyed larger market shares, more likely to be found in industries where competition is highly imperfect and based on

product differentiation, and rewarded by smaller year-to-year fluctuations in their consolidated earnings” (Bergsten et al., 1978, p. 260).

To recapitulate, there are two different ways of understanding the term of international business. On the one hand, it refers to any company controlling income-generating assets in at least two different countries. This category includes all types of enterprises that are investing abroad: multinationals, SMEs, family-owned or individually owned businesses. On the other hand, international business alludes also to both trade and non-domestic investments (FDI), those companies that invest in others of a different country. Since these two definitions of international business are not incompatible, this research understands that international business is reflected both in the number of enterprises having international operations and to trade FDI indicators. Last fact to keep in mind is that the US business started its internationalization at the end of the XIX century.

1.2. Populism

The term ‘populism’ is one of the most media-used concepts nowadays, but still there are many interpretations concerning its definition. In the latest literature, the concept of ‘populism’ has been characterized by emotionally-charged political appeals to addressing crises. While some authors distinguish between right and left-wing populism, scholars agree that both share common characteristics: anti-elitism, anti-pluralism, direct representation and protectionism (Stoker, 2019; Brubaker, 2017; Müller, 2017; Mudde and Kaltwasser, 2017; Urbinati, 2014).

“Anti-elitism” represents the belief populists have concerning the difference of social classes. They believe there is a privileged elite that does not deserve to be above the ordinary citizens. In fact, they defend that ordinary citizens should prevail over the criticized elites. Populists consider there is a usurpation by the elite of the people’s democratic control. Populism is based on “the distinction between a pure and sovereign people, on the one hand, and a corrupt and unresponsive political elite on the other, and the moral primacy of the former over the latter” (Stoker, 2019, p. 8). The so called ‘Us’ versus ‘Them’ politics depicts on a large extent the populist point of view, in which ‘Us’ represents ‘the people’, the ordinary citizens, whereas ‘Them’ refers to the elite classes that benefit from privileges that ‘the people’ cannot. This leads to an “anti-intellectual” communication style. The populist style devalues in a performative way the complexity of speech “through rhetorical practices of simplicity, directness, often accompanied by an explicit anti-intellectualism (...) that valorizes common sense and first-hand experience over abstract and experience-distant forms of knowledge” (Brubaker, 2017, p. 367). In populism, it is also very important and taken into account what is called “body language”, embodied ways of doing and being enacted in the populist oratory.

Populists also stand up for “anti-pluralism”, which means that they recognize only a type of society. They do not support diversity among citizens and “rely on the myth that there is an authentic, homogeneous ‘people’ whose values and interests they understand” (Stoker, 2019, p. 8). Supporters of populism view opponents as the real enemies of the people and often tend to demonize them in the political debate. It is linked to a defense of “majoritarianism”, which is

defined as the “assertion of the interests, rights, and will of the majority against those of minorities” (Brubaker, 2017, p. 365).

The third characteristic of populism: the element of direct representation, involves what some call “narcissism”. It implies “anti-institutionalism”, that is, the distrust of populists towards intermediary institutions that interfere in the relationship between leader and supporters. In populism, the leader is a very important figure, as it has to represent and express what people want and believe. Urbinati states that “intermediary institutions such as parliament, non-governmental organisations or the media that threaten this direct representation” (as cited in Stoker, 2019) of the leader to the people, are a focus for criticism or control. This so-called direct representation finds its essence in direct communication with the people through the TV and social media. There is a “tendency to dismiss others as sources of fake news or speaking for special interests rather than the people. The populist leader claims to speak directly for and to the people” (Stoker, 2019, p. 8).

Finally, “protectionism” comes in three forms: economic, security and cultural. The first is to face the foreign threat to domestic producers, workers and debtors; the second to face threats arisen from terrorism and crime; and the third, to protect the familiar life environment from outsiders (who differ in cultural issues such as religion or language, among others) (Brubaker, 2017). The message is always the same: the people will be protected from the others (either the domestic elite or foreigners).

Even though populism is frequently seen as a right-wing ideological movement, it is not always this way. In fact, within the examples mentioned by Brubaker (2017) of contemporary populists, we can find, on the one hand, political figures of left-wing populism such as Jean-Luc Mélenchon in France, Syriza in Greece, Jeremy Corbyn in the United Kingdom, and Bernie Sanders in the US, but also Podemos movement in Spain. On the other hand, there is the right-wing populism, with politicians leading the movement such as Norbert Hofer in Austria, Marine Le Pen in France, Geert Wilders in the Netherlands and Donald Trump in the US, including UK Independent Party movement too. In Italy, populists from both sides have been able to form a governing coalition. The Five Star Movement (FSM) stands up for more left-wing views, for instance, same-sex marriage and a strong environmental agenda, whereas the Lega Nord defends its ideology from a right-wing point of view, being this anti-European and xenophobic, among others. In the European Union, all populist movements have a degree of Euroscepticism (the European Union is thought as an unnecessary and harmful institution for European countries), although left wing populists tend to have a less radical view of that.

To sum up, even though left-wing and right-wing populism may be considered different, they have several characteristics in common, of which the following ones stand out: anti-elitism, anti-pluralism, direct representation and protectionism. Anti-elitism represents the populists’ belief of a usurpation by the privileged elite of the people’s democratic control, whereas anti-pluralism stands for an only type of ‘people’ whose values and interests populists understand. Direct representation symbolizes the rejection populists have to any kind of institution or media that can meddle in the relationship that the populist leader has with their supporters, and

protectionism includes facing the economic threat to domestic producers, workers and debtors presented by foreigners.

1.3. Links between international business and populism

In order to analyze whether Trump has affected international business or not, it is crucial to explain the link between populism and international business. When searching for articles that connected both topics, I looked into the academic databases of Web of Science, Google Scholar, and Cercabib (UB Database), but, surprisingly, none of them had any article related to this. The fact of not finding any result made me consider that the type of relationship between international business and populism may not be direct, but an indirect one.

When looking into the definition of populism, we cannot find any characteristic referring to international business specifically. Still, one of the main features of populism is the economic protectionism, also known as trade protectionism, whose main idea consists in protecting domestic producers, workers and debtors from the foreign ones that are seen as a real threat. Abboushi (2010) defines several approaches that are followed in order to perform trade protectionism: increasing prices of imported goods, by applying tariffs and quotas on imports; restricting access of foreign producers to the domestic market, by implementing quotas and harder regulations on imports or by controlling currency and manipulating exchange rates; and reducing costs for domestic producers, by offering them subsidies and controlling currency and manipulating exchange rates. Since any of these barriers would affect trade and investment, they would consequently also affect international business decisions.

Several studies point in this direction. The OECD in 1985 (as cited in Abboushi, 2010) researched the effects of protectionism in several countries' manufacturing industries finding that there was stifled economic growth and depressed investment due to increases in domestic prices, and that a fall in imports simultaneously implied a fall in exports. The study by Jean and Reshef (2017) on the consequences of protectionism in general also concludes that it has a negative effect in business. In the first place, import tariffs and quotas can adversely affect domestic producers in the case they use imported intermediate goods. Secondly, export markets are likely to be affected by protectionist measures, which would result in depressing demand and thus, profitability too. Regarding effects of protectionism on investments, it is crucial to keep in mind the importance of exchange rates. Protectionist countries tend to manipulate exchange rates, as mentioned above, which can distort factors such as "international capital flows, cross-border investments or differences in forward-looking expectations" (Jean & Reshef, 2017, p. 6). Lastly, the research claims that in a situation in which a country follows trade protectionist measures, its trade partners could increase also their own level of trade protection in response, and such trade war could result into an international trade war that could get out of control. On a very general level, it would increase inflation, due to increase on prices of imports, making central banks to raise interest rates. This would make stock markets to decline, uncertainty would grow and it all would result into an increased cost of debt and a large drop on investment (Jean & Reshef, 2017).

To sum up, populism is expected to negatively affect international business. While the latter implies exchanges in terms of trade and foreign investments, the former promotes protectionism. Since protectionism is expected to have a negative impact on international business, then populism indirectly affects international business.

1.4. Conclusion

In order to develop the principle objective of this paper, which is to determine whether Trump's populism has had an impact on international business, it is essential to establish the connection between international business and populism. The term international business is understood as both multinationals and trade, representing commercial exchanges of goods and services, and investments, specifically FDI. In regards to populism, it is characterized not only by anti-elitism, anti-pluralism and direct representation but also by protectionism. Since protectionism, or economic policy-making based on protecting the domestic market, is expected to negatively affect international business, then populism is also expected to negatively affect international business.

2. TRUMP'S BRAND OF POPULISM

This chapter has the main goal of defining Trump's brand of populism. It is divided into four sections. The first section provides an overview of populism in the US and the second focuses on the one developed by the current US President Mr. Donald Trump. The third section studies the protectionism of Trump based on an "America first" platform, and finally, there is the conclusion for the chapter.

2.1. Populism in the US

Ruckno (2017) claims that the populist movement was born in America in the late 1880s. It started as a claim of an economic nature by Southern and Midwestern farmers of the US. The main cause of this movement originates in the period in which cotton prices in the South dropped to a very great extent and a huge drought affected the plateau of the Great Plains. That situation generated a problem in farmers' pockets, as they had to face financial difficulties. At the same time, bankers decided to take advantage of them to have greater profits and increased lending rates up to the point of being exorbitant. Naturally, farmers were not fond of bankers' actions and came resent to them. Another event that occurred and did not help in diminishing farmers' displeasure was the excessiveness of prices charged by the railroad barons. All this resulted in the creation of the People's Party whose members were known as the Populists. The principal ideas this political party defended were the abolition of national banks, a graduated income tax in which the tax rate would rise as income levels rose, direct election of senators, an eight-hour workday, and government control of all utilities including railroads. They also supported an anti-elitist ideology.

Later on, the Populists were divided into two: fusionists and the already existing Populists. Fusionists represented the part of the movement that wanted a merger with the Democrats, while former Populists preferred to stay as the People's Party. At the end, fusionists prevailed, and the People's Party faded away entirely in 1896, at the time when fusionists supported Democrat William Jennings Bryan in his presidential election of that year. Nevertheless, populism never vanished entirely. During the second half of the twentieth century, it came back to represent the people. At that moment, liberals were no longer the populists but the new elite, and the populists emerged from the right side of American politics. This new populism was instigated by two important figures: Joseph McCarthy, who "launched a crusade against Communism that targeted left-leaning academics, the Ivy League educated, and Hollywood actors and producers" (Ruckno, 2017, para. 7); and George Wallace, who put all the blame on corporate bureaucrats and liberals for the poor economic and political situation at that moment in the US. Basically, these new representative figures of populism challenged the way of governance in democracies at that time and called for a democracy that gave people what they actually wanted. From that moment onwards, the Right in the US has kept a hint of anti-elitism in its populism.

Kazin (2016) defines two types of populism throughout the history of the US that can be related somehow with all the events connected with the development of the populist movement. One

is against corporate elites and those in the government facilitating them to reach that position. They use the concept of “the people” with no kind of specificities connected to ethnicity or religion. They defend the so-called “civic nationalism”, an idea that implies “the people ruling”, hence controlling the course developed by local, state and federal governments affecting the people’s life, as well as a society in which every individual has the same rights regarding life, liberty and pursuit of happiness and free of discrimination related to ethnicity, religion, race and sexual orientation (Gerstle, 2015). This first category might be connected with the initial conception of the creation of the populism, which was based on the fight towards the elite that had more privileges than the actual people and was perceived as unfairness. The second category of American populism conceives the term of “the people” in a more ethnically tight way. While they side with the other type of populists by being against elites in big business and government, they stand up for the so-called “racial nationalism”, an understanding of “America in ethnoracial terms, as a people held together by common blood and skin color and by an inherited fitness for self-governments” (Gerstle, 2017, p. 4). Hence, this kind of populism can be related to the one that arose during the second half of the twentieth century, which blamed liberals, communists and left-leaning academics, among other figures, for the former political situation at that moment. Despite having their differences, both types of populism arise as a response to real people’s problems and complaints: “an economic system that favors the rich, fear of losing jobs to new immigrants, and politicians who care more about their own advancement than well-being of the majority” (Kazin, 2016, p. 18).

After the George Wallace’s “third-party presidential bid got in 1968 a 13.6 percent of the vote” (Ruckno, 2017, para. 7), populism got side-lined in the North American political field until now. Following Ruckno (2017), to understand why populism has made such a radical comeback into the current US politics of the 21st century, it is crucial to date back to the time of the 2008 financial crisis. The well-known financial crisis that started one decade ago and affected the whole world was the trigger for a large and long-standing resentment towards Wall Street agents and Washington insiders, which had a big influence on the 2016 US presidential campaign. Two kind of populist movements emerged: left-wing populism, headed up by Bernie Sanders, and Donald Trump’s right-wing populism. The first adapted the framework that the People’s Party had left after its dissolution in the twentieth century. Sanders defended a point of view that opposed income inequality and the billionaire class, and he directly addressed his rhetoric to the millennial voters’ and their idealism. Yet, he was considered as too Utopian to be realistic and Hillary Clinton became the Democrat frontrunner. That was not the case of Trump in the Republican Party.

2.2. Trump’s brand of populism

Right from the start, Trump developed a populist speech with two key elements in it: nativism and anti-elitism. He ran on an ‘America first’ platform that challenged existing Republican Party views on issues such as free trade, immigration, and American intervention in foreign affairs (Ruckno, 2017). Additionally, Donald Trump “added a big dose of narcissism and turned his movement into a cult of personality” (The Week, 2015, para. 6). His message found an audience with disaffected voters in the South and Midwest, many of whom have grievances

that closely resemble the original agenda of the People's Party (Ruckno, 2017). As Haley Barbour, former State of Mississippi governor and current member of the Republican Party, stated: "Trump is the manifestation of people's anger. People all around the country want to send Washington the bird and they see him as the gigantic middle finger." (Kenneth, 2016, p. 267).

One of the most significant issues regarding Trump's populism is his slogan of 'Make America Great Again'. Its origin dates back to the 1980 presidential campaign, when Ronald Reagan, ex-governor of the State of California, came up with the famous quote of 'Make America Great Again'. Reagan claimed there was a human tragedy at that moment in the US caused by Jimmy Carter, who was the president of the US at that moment, and he spoke that jointly "(...) we can, and so help us God that we will, make America great again" (Vavreck, 2015, para. 10). In the case of Trump, it was in his first presidential candidacy speech, through which he announced he was running for president of the US in 2016, where he suggested that he was the one to make possible to take back America to its good times: "Sadly, the American dream is dead. But if I get elected president I will bring it back bigger and better and stronger than ever before, and we will make America great again" (PBS NewsHour, 2015).

The assumption of Donald Trump being an actual populist can be proved through a comparison between the main features of general populism and the way in which Trump has fulfilled them. In the first place, as previously explained, populism is based on an anger towards the elite classes, arguing that they are not the ones that should prevail, but "the people". From a point of view of right-wing populists such as Trump, the elite is favoring inferior and weaker classes such as immigrants or Islamists (Judis, 2016). Donald Trump, in his presidential campaign, accused those who were then in the government of being "corrupt politicians", whom he referred to as "our very stupid leaders in Washington DC", for, in Trump's opinion, allowing illegal immigrants easy entry, ... allowing "radical Muslim extremists to run free in the Middle East and eventually find their way into the US" (Kenneth, 2016, p. 26). Moreover, he "ran a campaign advertisement using images of money to warn against rich and powerful forces in Washington" (Michels, 2017, p. 190). He also favors an informal and easy way of communication since it is the elite that uses formal or sophisticated style to feel superior to the others. A study of Trump's communication style developed by Ahmadian, Azarshahi and Paulhus (2017) showed that his speeches "reflected substantially more grandiosity, less formality, and greater dynamics" (p. 52), and that makes them more appealing to the people that most of the time make use of the informal talk.

A second element of the populism is opposing social diversity by recognizing only a type of "people" and society. Michels (2017) points out that Donald Trump has inflamed ire towards Hispanics, Muslims, African Americans and Jews. The day he declared his presidential candidacy, he said the following regarding Mexico and Hispanics in general:

When do we beat Mexico at the border? They're laughing at us, at our stupidity. And now they are beating us economically. (...) When Mexico sends its people, they're not sending their best. (...) They're sending people that have lots of problems, and they're bringing those problems with us. They're bringing drugs. They're bringing crime. Their rapists. And some, I assume, are

good people. (...) They're sending us not the right people. It's coming from more than Mexico. It's coming from all over South and Latin America. (...) But we don't know, because we have no protection and we have no competence, we don't know what's happening. And it's got to stop. (PBS NewsHour, 2015).

Ever since, Trump has claimed that there is going to be built a wall on the border of US and Mexico, and that Mexican government will be the responsible of paying it fully.

He did not only attack Hispanics on his speech, but he also did it with Middle Eastern people, accusing them all of being Islamic terrorists and claiming that they, as Americans, should have act upon them for some time now: "Islamic terrorism is eating up large portions of the Middle East, they've become rich. (...) They don't pay interests because they took the oil, that when we left Iraq, I said we should've taken. So now ISIS has the oil, and what they don't have, Iran has" (PBS NewsHour, 2015). Regarding Jewish, one controversial issue is that he did not mention them in an attempt to honor the dead on the Holocaust Remembrance Day. Donald Trump still uses the slogan of "America first", even though he knows it is associated to pro-Nazi ideas of the 1930s (Michels, 2017). He also makes reference to the 'silent majority'. This term was coined in the 3 November 1969 speech of former US president Richard M. Nixon, in which he appealed to those who had not joined the demonstrations against Vietnam War at that time. He said: "and so tonight – to you, the great silent majority of my fellow Americans – I ask for your support", as to him, there was a majority of Americans that were being silenced by those against the Vietnam War in the media (Thelen, 2017). Trump adopted the concept of 'silent majority' and said in one of his speeches: "The silent majority is back, and it's not silent. It's aggressive".

As explained in the previous chapter, another main component of populism is that direct representation implies a closer relationship between the leader and their voters, without any third party involved such as institutions or the media. Donald Trump dismisses and delegitimizes any news coming from "left-wing" media, CNN and MSNBC in example, by claiming them to be "fake news" or favoring some specific groups rather than the people in general (Stoker, 2019). Trump's political strategy, conversely, consists in using "far-right" news agencies and talk show hosts, such as Fox News or Sean Hannity, "to engage voters and to consolidate his political message" (p. 8). Nevertheless, his main channel of communication with his supporters is Twitter. His Twitter account has always been a polemical issue, since there is where he openly reveals everything he thinks, from retweeting postings by white supremacist groups (Michels, 2017) to verbally attacking people on his tweets, in fact the famous newspaper The New York Times "printed a list of all the 289 people, places and things the Republican candidate had insulted on Twitter during his campaign" (Winberg, 2019, para. 26). This narcissism is linked to anti-institutionalism or a distrust of intermediary institutions. This group includes governmental institutions and non-governmental organizations, although it is mainly focused on governmental ones, and more specifically, the parliament. Trump asserted that people in the government had been manipulated by those that had the real power. He expressed openly: "We look at politicians and think: this one's owned by this millionaire. That one's owned by that millionaire, or lobbyist, or special group" (Kenneth, 2016, p. 266).

Last but not least, Donald Trump opposes globalization, which represents “the rise of multi and transnational corporations, their investors, banks, insurers, and the managerial and professional classes that power them” (Gagnon et al., 2018, p. ix), as it expands the gap there is between the elite and the ordinary people. He also stands by an economic protectionism which focuses mainly on the interests of domestic producers, workers and debtors.

To sum up, Trump’s brand of politics is populism. His politics comply with all the characteristics of populism: anti-elitism, anti-pluralism, direct representation and protectionism. Since the research focuses on international business, in the next section it is the protectionist characteristic of Trump’s populism that is explored more in detail.

2.3. Trump’s protectionism: “America first”

As Skonieczny (2018) contemplates in one of her articles, populism can be conceived as a “narrative where the core ideas of it are used in story-form to connect a subject (the people versus the elite) theme to a problem (free trade that destroys the middle class) and a resolution (protectionism)” (p. 64). Taking into account this illustration, one can say that ever since he announced himself for the presidential candidacy, Donald Trump has intended to carry out measures to “make America great again” with a tendency to protectionism, as it will be demonstrated in the following paragraphs. One of the main issues to keep in mind when analyzing US policy changes is that even if the change is applicable on a national scale, as the US is one of the major world powers due to its size and large connectivity, any policy change regarding trade matters will have a worldwide effect (Ariff, 2018).

During the course of the presidential campaign, Donald Trump promised his audience that he would carry out some economic measures to the benefit of the whole country. Since he entered into the government, Trump administration has focused on “creating jobs and attracting foreign direct investment (FDI) in the domestic market” (Park, 2018, p. 78) through both a reduction of taxes within the US and an increase on tariffs on imports and a reduction of taxes on exports. Park (2018) made an interesting comparison pointing out that the protectionism of the US has a strong similarity to the economic system called ‘mercantilism’. According to Mercadal’s (2019) definition of mercantilism, former countries practicing mercantilism during the sixteenth and eighteenth centuries had the objective of creating “a beneficial balance of trade with two purposes: attracting commodities like gold and silver and increasing domestic employment” (para. 1), which resembles to the previously mentioned main focus of Trump administration. Additionally, mercantilism has an understanding of the world trade as a game in which there are winners and losers, depending on their trade balances. That is why the American government perceives that its role is crucial in its trade relations with big world powers such as Japan, the EU or China, as well as in any free trade agreement the US participates, such as the Trans-Pacific Partnership (TPP) and the new North American Free Trade Agreement (named USMCA). Taking into account “mercantilism’s simplistic analytical framework”, President Trump took many trade-related decisions explained below (Park, 2018, p. 79).

The main issue with these intended economic measures of Trump is his own idea of the causes of US trade deficit. While most economists consider that “the aggregate US trade deficit is

determined by broad macroeconomic forces, notably private savings and investment, government deficits, and the exchange rate for the dollar, rather than by trading conditions with individual countries” (Hufbauer & Jung, 2016, para. 7), the present US administration claims that US trade deficit should be “solved” through new trade agreements. Peter Navarro and Wilbur Ross, economic advisors in Trump’s presidential campaign, wrote about how Donald Trump would deal with the trade deficit: “Trump proposes eliminating America’s \$500 billion trade deficit through a combination of increased exports and reduced imports” (Navarro & Ross, 2016, p. 18). As shown in Table 1, an analysis carried out by the US Bureau of Economic Analysis (included in Hufbauer & Jung, 2016) of the previous status of exports and imports balances of major countries with the US showed that most of the big economic powers turned out as winners of trade and the US becomes the loser of it. Because of that, Trump defends bilateral trade agreements only with individual countries in which the US can actually benefit from it (Hufbauer & Jung, 2016).

**TABLE 1. 2015 US GOODS AND SERVICES TRADE
BALANCES WITH MAJOR COUNTRIES**
2015, BILLIONS OF DOLLARS

Country	Exports	Imports	Balance
Brazil	60	34	25
Canada	338	332	6
China	165	499	-334
France	50	65	-15
Germany	80	157	-77
Hong Kong	48	16	32
India	40	70	-30
Italy	25	55	-30
Japan	108	164	-55
Korea	65	84	-19
Mexico	267	325	-58
Saudi Arabia	30	23	6
Singapore	43	25	17
Taiwan	38	49	-10
United Kingdom	123	111	12

Source: Reprinted from “US Bilateral Trade Balances: A New Guide to Trade Policy?” (2016)

Regarding trade agreements, Trump promised during the election campaign to withdraw from the Trans-Pacific Partnership agreement, known as TPP (VanGrasstek, 2017). On the one hand, Obama, who was the one who decided the US would participate in the TPP, presented

this agreement as a “pro-globalization opportunity for American workers”, although his rhetoric focused on businesses and encouraging to build “elite relationships with other businesses in foreign cultures” (Skonieczny, 2018, p. 65-66). On the other hand, neither Sanders nor Trump, both populists of 2016 presidential election, supported Obama. Trump wrote against the TPP in the USA Today:

The great American middle class is disappearing. One of the factors driving this economic devastation is America’s disastrous trade policies. (...) America’s politicians — beholden to global corporate interests who profit from offshoring— have enabled jobs theft in every imaginable way. They have tolerated foreign trade cheating while enacting trade deals that encourage companies to shift production overseas (Trump, 2016, para. 2, 3, 9).

After Donald Trump entered into the government, although the TPP had not entered into force yet, he indeed maintained his position of withdrawing the US from the aforementioned trade agreement (O’Gorman & Stadnyk, 2017).

Another promise Trump made during his election campaign regarding trade agreements was a renegotiation of the clauses of the North American Free Trade Agreement (NAFTA) or, in the worst situation, even the withdrawal of the US from it (O’Gorman & Stadnyk, 2017). After several years of negotiations, the three countries (the United States, Mexico and Canada) have reached an agreement. They have agreed on a new trade deal called USMCA, which stands for United States-Mexico-Canada Agreement. Although the original NAFTA remains in effect, there is intention to carry out a smooth transition from the old one to the new one. According to Trump’s statement found in the official website of USMCA, it is a new trade agreement that “solves the many deficiencies and mistakes in NAFTA, greatly opens markets to [US] farmers and manufacturers, reduces trade barriers to the US and will bring all three Great Nations together in competition with the rest of the world” (as cited in Office of the United States Trade Representative, 2018).

A third electoral promise of Trump regarded China. He promised to raise tariffs on all Chinese products and to force the Chinese government to stop its unfair trade practices. He started raising tariffs to Chinese products in 2018 and since then a trade war has ensued with China retaliating with tariff increases to each new increase in US tariffs towards Chinese products. In several occasions, trade measures taken during this trade war have been directed towards specific businesses, such as ZTE in 2018 and Huawei very recently, in May 2019. Despite several rounds of negotiations, the governments of both countries have yet been unable to reach an agreement (Bown & Zhang, 2019a).

His aggressive trade policy has also affected its relations with Japan and the European Union. After raising tariffs on their exports of steel and aluminum in 2018, he is now menacing to raise tariffs of their car exports to the US unless they agree on a bilateral agreement with the United States (Hufbauer & Lu, 2019). Notwithstanding, Donald Trump intends to negotiate a new trade agreement with the European Union, one that addresses US concerns more in-depth than the Transatlantic Trade and Investment Partnership (TTIP) was. Following the objectives for the US-European Union Negotiations report released in January 2019, US claims that “U.S.

exporters in key sectors have been challenged by multiple tariff and non-tariff barriers for decades, leading to chronic U.S. trade imbalances with the EU” (Executive Office of the President, 2019, para. 2), and therefore they want to improve their trade relations and make it equal for both sides. Likewise, Trump is willing to negotiate a US-Japan Trade Agreement (USJTA) due to the importance of a good relationship between the US and Japan as they are “the world’s first and third largest economies, respectively, representing about 30 percent of global Gross Domestic Product” (Executive Office of the President, 2018, para. 2). These negotiations have been proposed in an attempt to satisfy Japan and the European Union to diffuse political tensions and prevent possible retaliation, but always bearing in mind what is best to the US itself.

Naturally, as one might have expected, new variations regarding US trade policy are focused on favoring, firstly, the US, and after, the rest of the countries. As Trump spoke more than once, his intention was to put “America first”, and his economic objectives were increasing the growth of the country and try to “bring it back to the higher growth trend or higher than prevailed prior to the 2008-2009 crisis” (Salvatore, 2018, p. 485).

2.4. Conclusion

Donald Trump is the current image of the first successful right-wing politician of the modern populist movement. He has known how to be heard by the people, and though being a triumphant figure in the business field, he has been able to take his place in the field of American politics with an anti-elite discourse. Trump fulfils the main elements to apply to as leader of the American right-wing populism: anti-elitism, anti-pluralism, direct representation and protectionism. Interestingly, as businessman, he has convinced his supporters that there is, in fact, a corrupt elite that can be found in the government, whose strings are pulled by powerful millionaires of the business world. His presidential campaign was based on the slogan “make America great again”, and always keeping in mind that America is first. With this rhetoric, he was able to win people’s support and convinced them he was the most suitable candidate for the US presidency.

Trump’s populism includes trade protectionism. Donald Trump criticized most of the trade agreements that were in force during Obama’s governance and promised the people he would change them or even withdraw from some of them on the benefit of the United States. As summarized in Table 2, ever since he became president, Trump has tried to negotiate or re-negotiate bilateral trade agreements so as to ensure that the US gains more than the other country from the deal. He has also provoked a trade war with China and tensioned its relations with its traditional allies (Canada, Mexico, Japan and the European Union).

TABLE 2. SUMMARY OF PROTECTIONIST MEASURES TAKEN BY THE TRUMP ADMINISTRATION PER COUNTRY¹

Intended measure	Regions involved	Trump's reasons for this measure	Impact of this measure
Withdrawal from the Trans-Pacific Partnership (TPP) agreement	11 nations of Asia-Pacific region	<ul style="list-style-type: none"> No specific reasons (political nature reasons)² 	US withdrawal from TPP agreement
Renegotiation of the North American Free Trade Agreement (NAFTA)	Mexico and Canada	<ul style="list-style-type: none"> "Worst trade deal ever" signed by the US Trade deficits with Mexico and Canada proved US got ripped-off Unfair trade practices by its partners Loss of millions of US manufacturing firms and American jobs³ 	Replacement of NAFTA with a new deal: USMCA (United States-Mexico-Canada Agreement)
Imposition of tariffs and other measures to prevent unfair trade practices by China	China	<ul style="list-style-type: none"> Unfair trade practices of China ("currency manipulation, counterfeiting, lax regulations and subsidies")⁴ Amount too large of Chinese imports 	China's retaliation through tariff increase and tension between nations
Improvement of trade relations with the European Union	EU Member States	<ul style="list-style-type: none"> Trade deficit with the European Union⁵ 	Invalidation of TTIP and negotiations over a substitutive new deal
Development of fair FTA with Japan	Japan	<ul style="list-style-type: none"> Harmed US exporters of automobile, agriculture and services sectors Trade imbalances with Japan⁶ 	Negotiation of USJTA

¹ Information based on chapter 2.3.

² Data taken from "The TPP: Origins and Outcomes" (Schott, 2018a).

³ Reasons explained in "The United States-Mexico-Canada Agreement: Overview and Outlook" (Hufbauer & Gliberman, 2018)

⁴ Quotation from article "Free Trade Agreements and Globalisation: In the Shadow of Brexit and Trump" (Melchior, 2018, pp. 4-5)

⁵ Fact taken from "United States-European Union Negotiations" (Executive Office of the President of the United States, 2019)

⁶ Information based on "United States-Japan Trade Agreement (USJTA) Negotiations" (Executive Office of the President of the United States, 2018)

3. METHODOLOGY

This chapter gives an outline of the research methodology that has been followed to test the hypothesis that international business has been negatively affected by Trump's brand of populism. This chapter is structured in four sections. The first one justifies the choice of both research question and hypothesis, whereas the second one explains Trump's trade war and highlights main events that made them important to analyze. The third section explains the process of testing the hypothesis and when said hypothesis would be rejected, and the final one briefly summarizes the methodology followed in this research paper.

3.1. Justifying the research question and hypothesis

Nowadays, every decision taken at a national level is probably going to affect the other countries. This is because of two movements: globalization and trade liberalization. Globalization interconnects every country with each other in any kind of field, and trade liberalization does it in the specific area of business. What is true is that there are some particular countries more likely to affect the others, of which one of them is the US.

Since the election of Donald Trump as President of the US, his trade policy has been in the spotlight. As explained in chapter 2, Trump is a very different president to the previous ones because of his way of acting and thoughts of his own: he is a populist businessman but defends many protectionist measures. Donald Trump stands by the idea of an existing corrupt elite, in this case, it is the government that is manipulated by powerful millionaires of the business world. With his protectionist slogan of "America first", he has always claimed to want to do what is best for America: from changing or withdrawing from most of the free trade agreements the US participates in, to trying to develop bilateral trade agreements with individual countries, as he considers the US is not getting as benefitted as it should have by taking part in these. Trump is a right-wing politician who meets the main criteria of populism: anti-elitism, anti-pluralism, direct representation and, most importantly for this research, protectionism. As chapter 1 explains, international business is linked to both trade and investment. Since protectionism is a characteristic of the populism and protectionism affects trade and investment, international business is indirectly linked to populism.

Thereby, it makes sense to believe that Donald Trump's government has had effects on the business field, particularly on international business. This paper focuses on finding out if this is true, therefore the research question of this study is the following one: *Has international business been affected by Trump's brand of populism?* For this question, and according to the theoretical framework already provided, the hypothesis affirms that Trump's brand of populism has had a negative effect on international business. The main reason to argue that these effects are negative is because protectionism, way of economic policy-making followed by Trump, is perceived as harmful for the economy in terms of international impact by economic theory. This, in combination with mercantilist hints in Trump's thinking, regarding his conception of world trade as a game in which there are winners and losers depending on their

trade balances, states the main reason to believe international business has been negatively affected by Trump's populism.

3.2. Trump's trade war

As it has been previously briefly mentioned, there is an on-going trade war between the US and China that started in half 2018 that we know of, but it is definitely not the only trade battle Donald Trump has started since he became the US president. According to an article of PIIIE written by Bown and Kolb (2019)¹, there are five different current trade fights within the big trade war. These battles are not usually aimed at specific nations, as it may be thought, they tend to be directed to foreign sectors and industries that, according to the US government, could cause injury a direct negative impact to the North American ones. Taking trade war as "a situation in which countries try to damage each other's trade, typically by the imposition of tariffs or quota restrictions". (Lexico.com online dictionary),² the five trade fights may each be considered a separate trade war since they all started with Trump menacing to raise or raising protectionist measures and one or more third countries retaliating.

Firstly, one of the trade wars involves solar panel and washing machine industries. At the end of the year 2017, the US International Trade Commission (USITC) claimed through two different statements that the quantity of both crystalline silicon photovoltaic cells and residential washers was extremely large, injuring domestic industries. The USITC recommended Donald Trump imposing restrictions on imports of that nature, who on January 22, 2018 actually implemented them in the form of safeguard tariffs. These tariffs were imposed on 8.5 billion dollar imported solar panels and 1.8 billion dollar imports of washing machines. With the imposition of these tariffs, China, South Korea and a few more countries ended up harmed. With the intention of mending this but also in a retaliatory response, on April 17, 2018, China applied antidumping duties on 1 billion-dollar US exports of sorghum to its territory in the context of previous antidumping and countervailing duty investigations of this, although several months later Chinese duties were lifted after negotiations with the US arguing public's interest was not to face the grain sorghum tariff imposition. Even so, both South Korea and China filed WTO disputes against US solar panels and washing machines tariffs.

A second fight taking place on the trade battlefield concerns steel and aluminum US imports. On April 20, 2017, Donald Trump announced an investigation of possible threats that steel and aluminum imports could cause to the US national security, whose results led to, on March, 1, 2018, the imposition of import tariffs on about a third of US steel imports and 45 percent of aluminum imports. Whereas the European Union, members of NAFTA, Brazil and several more countries were exempt from the tariffs, on April 2, 2018, China, whose 2.8 billion-dollar exports got affected by the tariff, retaliated by applying tariffs on US exports totaling 2.4 billion dollars. Although previously exempted, on June 1, 2018 the EU, Canada and Mexico stopped getting benefitted from the exemption and got directly affected by the imposition of the tariff. In

¹ Data from the following analysis that does not have any specific citation implies that has been taken from the article "Trump's Trade War Timeline: An Up-to-Date Guide" (2019)

² "Trade war" dictionary entry (Lexico.com online dictionary, n.d.)

light of the foregoing, these countries also retaliated by targeting 12.8 billion-dollar US exports in 2017 exports value. Moreover, on August 10, 2018, Trump decided to increase tariffs imposed on Turkey exports to the US, who also responded in a retaliatory manner. In the most recent event of this battle, US has lifted steel and aluminum tariffs on both Mexico and Canada in May 2019.

A third trade war is based on unfair trade practices for both technology and intellectual property (IP), a war that has involved China. This battle started on August 18, 2017, when Donald Trump asked the US Trade Representative through a presidential memorandum to consider carrying out a national security investigation of China in regards of its trade actions, practices, laws and policies that could have a harmful effect on America's intellectual property rights, technology development or innovation. With the development of this investigation, the US government concluded that China was actually carrying out unfair trade practices in relation to intellectual property, technology transfer and innovation, which resulted in the imposition of tariffs from the US side on \$46.2 billion-dollar Chinese exports to the US. China, as it was expected, retaliated in the same way and applied tariffs on 106 US exports to China, most of them coming from transportation and vegetable products industries. In reaction to this, the US counter-retaliated and increased its range of tariffs, as well as China, subsequently, did. From then on, this trade war has become an endless loop of applying higher and higher tariffs on each other. Up to 34.2 billion-dollar Chinese machinery, mechanical appliances and electrical equipment exports have been subject of Trump's tariffs (Bown, 2018). Despite the efforts of negotiating a truce in the G-20 summit of December 2018, a deal was never reached and this new kind of "Cold War" has kept going on since, starting to get out of control and to have far more impact than it was supposed to.

As previously mentioned, sometimes operations on these trade wars are addressed to specific enterprises. That was the case of ZTE, a Chinese telecommunications and networking equipment enterprise that during a period of 2018 was banned from US export privileges. In 2017, the US Department of Commerce found out that ZTE had been illegally trading telecommunications equipment to Iran and North Korea and misleading the US government through false statements. The US punished them by means of monetary penalties and the possibility of activating a suspended denial of export privileges in the case the US agreement was not met by ZTE. In April 16, 2018, the US Department of Commerce activated the suspended denial order against ZTE in response to false statements during the probationary period (U.S. Commerce Department, 2018). Although the ban was lifted in July 13, 2018, after ZTE paid the pending monetary penalties, this action largely damaged ZTE production, since "American companies are estimated to provide 25 percent to 30 percent of the components used in ZTE's equipment" (Stecklow et al., 2018).

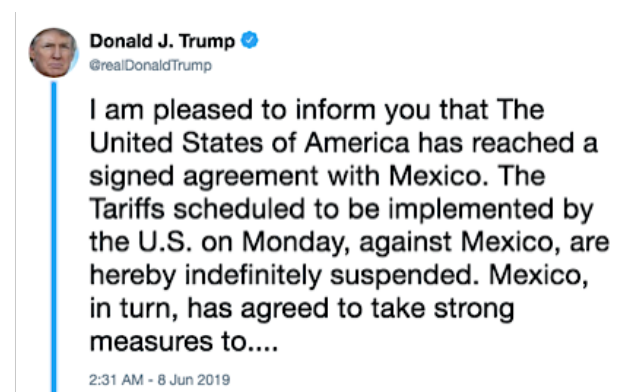
Another targeted enterprise in this trade war has been Huawei. In May this year, the US government added Huawei to the Entity List since the Commerce Department declared this enterprise is involved in activities that are contrary to the national security interests of the US, specifically developing and supplying 5G telecoms equipment. From Donald Trump's point of view, Huawei could use 5G network to install a hidden layer through which the Chinese

government would control worldwide communications, including North American ones. This addition to the Entity list implies that any intention of sale or transfer from an American technology to Huawei requires a license that could be denied if it is perceived that could harm U.S. national security, that is, fundamentally, an almost total blocked access to US technology for Huawei (U.S. Commerce Department, 2019).

Another trade battle that Donald Trump has started involves the car industry. As with other products before, the launch of a national security investigation on May 23, 2018 was approved to find out the economic impact of imported autos and parts into the US, and a rise of US duties to 25 percent on all autos and parts imports was considered. A deal was reached regarding the effects a tariff on autos could have to Canada and Mexico, and with the signing of the USMCA, they got assured they would be exempt in the case this possible tariff was applied as long as they complied with the new established issues of limiting their imported quantity or value of imported goods. Under the new rules, only cars whose content is produced in the US by at least a 75 percent would be exempt of any tariff, while the current level is at 62.5 percent (Schott, 2018b). There has been no more progress on this side of the trade war since on May 17, 2019, when Trump decided to delay the decision on the imposition of auto tariffs and possible export restraints to EU and Japan exports to the US.

In view of recent events concerning Mexico migration, a new front has just opened on the battlefield of this trade war. In chapter 2, the issue regarding the building of a US-Mexico wall planned by Trump was very briefly discussed, as even though it was one of his populist measures, it was not expected to have an actual economic impact in the field of trade. Surprisingly, on May 30, 2019, same day in which the Trump administration officially ordered to start the process of approving the USCMA, Donald Trump announced his intention of imposing 5 percent tariffs on all Mexico exports to the US. With that, Trump invoked the 1977 International Emergency Economic Powers Act (IEEPA). This law “provides the President broad authority to regulate a variety of economic transactions following a declaration of national emergency” (Casey et al., 2019).

This tariff was to come into force on June 10, 2019, with the main objective of addressing the matter of illegal migration at the US-Mexico border. On June 7, 2019, Donald Trump tweeted:





Donald J. Trump 
@realDonaldTrump

....stem the tide of Migration through Mexico, and to our Southern Border. This is being done to greatly reduce, or eliminate, Illegal Immigration coming from Mexico and into the United States. Details of the agreement will be released shortly by the State Department. Thank you!

2:31 AM - 8 Jun 2019

Source: Donald Trump's Twitter account (2019)

With that, he ceased the imposition of the tariff that would have had an effect on approximately \$350 billion US imports from Mexico, which would have increased the tension between countries and would have harmed their trade relations.

To sum up, Trump has been using different trade instruments to ensure that "US wins". By so doing, the US has raised tariffs, established quotas and even trade policy to pursue immigration policy objectives. It is not surprising that there is agreement among observers that the US trade policy under Trump has shifted towards protectionism.

3.3. Hypothesis testing

To determine whether the hypothesis that Trump protectionism is having a negative impact on international business can be rejected, this research carries out a review of the literature on the impact of Trump economic policies on international business. A review of the literature implies the review of current knowledge with the aim of improving and organizing the already existing information on the field of research, and identifying areas where further research is needed, either because there is lack of data or it is a topic uncovered (Webster & Watson, 2002). Due to time and resources constraints, the data for the review of the literature mainly comes from a single database: articles from Peterson Institute for International Economics (PIIE), a North American think tank, pro-trade and specialized in international economic policy. Its focus on international economic policy ensures the following up of Trump policies as well as an interest on their economic impact from an international perspective. Its pro-trade stance ensures a critical perspective and therefore prevents a pro-Trump diatribe. Moreover, if the articles from such a think tank consider that Trump's policies have had a positive net effect on international business, one could assume that this research hypothesis can be rejected. Additionally, I will use some other articles to explain in greater detail the subject matter.

To select the articles, several searches were carried out in the PIIE database of publications. Since international business is directly linked to trade and investment, the key words used in the searches were: "Trump trade and investment" and "Trump FDI". The first search produced 292 results, and the second one 14 articles. Due to lack of time and space, the analysis carried out in this has been based on articles covering the trade wars declared by Trump since he entered into the US government. The articles were selected taking into account the year of

publication as well as the focus of the article. Regarding the former, the selection has favored the more recent articles, those published not earlier than a year and half ago, early 2018, for two reasons: for the research to be as updated as possible yet also because PIIIE publications build up one from the other so that the latest publications are expected to take into account previous publication on the subject covered by the article. As to the focus of the article, the selection has favored those publications dealing with the impact on trade of deals with third countries, general effects caused by already imposed tariffs and quotas and foreign investment in the US. The objective was to select articles that covered the impact of as much of the trade wars described in the previous section as possible.

The research sets its roots on the article "*Trump's Trade War Timeline: An Up-to-Date Guide*" (Bown & Kolb, 2019), which provides a historical framework of all Trump's trade battles. This article together with others that cover all trade war battles have the main goal of determining the impact on international business of the trade wars explained in the previous section and summarized in Table 3. Has the impact of all these trade wars been negative?

TABLE 3. SUMMARY OF MAIN ACTIONS TAKEN BY TRUMP DURING THE TRADE WAR

Action taken	Trade battle involved	Regions/ enterprises affected by the action	Trump's reasons for this action	Consequences of the action
Global safeguard tariffs on imports of solar panels and washing machines	Solar panels and washing machines	<ul style="list-style-type: none"> • China • South Korea • Malaysia • Singapore • Mexico • Thailand • Vietnam 	Imports have injured US solar panel and washing machine industries	<ul style="list-style-type: none"> • China imposes retaliatory antidumping duties on US sorghum exports (and a later lifting of them) • South Korea and China file WTO disputes
Imposition of import tariffs on steel and aluminum	Steel and aluminum	<ul style="list-style-type: none"> • Russia • China • Japan • United Arab Emirates • Taiwan • Turkey • India • Vietnam <p>Exempted: South Korea, Brazil, Argentina, Australia</p>	National security investigation finds steel and aluminum imported goods threaten US national security	<ul style="list-style-type: none"> • China and Turkey's retaliation through tariffs on US exports • Previously exempted countries Canada and Mexico (again exempted thanks to USMCA) and EU retaliate on US goods
Steel and aluminum tariffs rise on Turkey	Steel and aluminum	Turkey	Turkey is one of the major exporters of steel to the US	<ul style="list-style-type: none"> • Turkey's larger retaliation with tariffs on US exports
1,333 Chinese products under consideration of tariffs	Technology and IP unfair trade practices	China	National security investigation says China carries out unfair trade policies regarding IP, technology transfer and innovation	<ul style="list-style-type: none"> • China's retaliation with tariffs, becoming an endless loop of higher and higher tariffs • Failed attempt to reach an agreement between US and China • Trigger of a new kind of "Cold War"

Action taken	Trade battle involved	Regions/ enterprises affected by the action	Trump's reasons for this action	Consequences of the action
Ban on ZTE from US export privileges	Technology and IP unfair trade practices	ZTE (Chinese enterprise)	<ul style="list-style-type: none"> - Illegal trade of telecommunications equipment to Iran and North Korea - Misleading US government through false statements 	<ul style="list-style-type: none"> • ZTE banned from participating in any export transaction • Monetary penalties on ZTE • Later lift of the ban • ZTE harmed due to necessity of American products for its own production
Addition of Huawei to the Entity List	Technology and IP unfair trade practices	Huawei (Chinese enterprise)	<ul style="list-style-type: none"> - Huawei developing and supplying 5G telecoms equipment - Chinese government could control worldwide communications if a hidden layer is installed by Huawei through the 5G - US national security at risk 	<ul style="list-style-type: none"> • Block on technology sales and transfers from US companies to Huawei • China retaliates with a “blacklist” of “unreliable” foreign entities¹, increase of tariffs on US products and issuance of a white paper concerning US-China trade relations² • China's threats to “weaponize” supply-dominance of rare earth minerals (80% of US imports are Chinese)³
Possible tariffs on imported autos and parts	Car industry	<ul style="list-style-type: none"> • EU • Canada • Japan • Mexico 	National security investigation on imports of autos and parts of cars	<ul style="list-style-type: none"> • Exemption of Canada and Mexico due to USMCA • Tariff imposition on hold
Economic measure to deter Mexico migration	Mexico migration	Mexico	To address the migration coming from the US-Mexico border	<ul style="list-style-type: none"> • Tariffs imposition on all US imports from Mexico

Source: Based on article “Trump’s Trade War Timeline: An Up-to-Date Guide” (2019)

¹ Information taken from “China retaliatory tariffs on US goods come into force” (Srinivas & Pandey, 2019)

² Data found on “The US-China Trade War: A Timeline” (Wong & Koty, 2019)

³ Information acquired from “China rare earth prices soar on their potential role in trade war” (Daly & Singh, 2019)

3.4. Conclusion

The main object of this research paper is to find out whether Trump's brand of populism has had effects on international business. The suggested hypothesis alleges that populism followed by Donald Trump has had a negative impact on international business, upholding that Trump is a populist figure who has followed trade protectionism, which economic theory expects to have adverse effects in international business. To test the hypothesis, I propose to carry out a literature review on this topic. The core of the analysis is to assess the impact of the trade wars presented above in table 3. This is to be done with the help of several PIIIE articles, together with some additional ones to provide a better understanding of the trade war's effects. By identifying the type of impact and whether the impact positive or negative for international business, it will be shown if the hypothesis can be rejected or not.

4. RESULTS

This chapter carries out a literature review on the impact of Trump's populism on international business with the main goal of establishing whether Donald Trump's policies have negatively affected international business or not. To that end, secondary sources are analyzed to establish the consequences of Trump's trade wars and the reasons behind those consequences will be analyzed. The chapter is divided in six sections. Besides the conclusion, each of the other five sections corresponds to one of the trade wars initiated by the US Administration since 2017.

4.1. Trade war #1: Solar panels and washing machines

Solar panels and washing machines trade war was the first one in the set of Trump's trade wars. The beginning of this war goes back to January 2018, when President Donald Trump announced the imposition of global safeguard tariffs on 8.5 billion-dollar imported solar panels and 1.8 billions of dollars washing machines imports. Despite the fact that member states of the WTO are allowed to establish tariffs and quotas to safeguard their domestic production when their domestic producers are suffering serious injury due to an increase in imports under certain circumstances, it is a protectionist measure. South Korea filed WTO disputes alleging that the safeguard tariff was not used correctly and neither was fair. China, in its part, retaliated economically by targeting \$1 billion of US sorghum exports with tariffs, although later lifted this imposition during its negotiations with the US regarding another trade war. Even so, China also filed a WTO dispute claiming the existence of an unfair safeguard tariffs imposition followed by Trump (Bown & Colb, 2019).

This trade war has not been the subject of many articles in PIIE. This is probably due to the fact that safeguard tariffs are a normal WTO measure, and although they have an economic impact, they are not supposed to affect too much international business. It has of course affected US sorghum imports and has led to the reduction of trade in washing machines and solar panels between the US and the rest of the world, but these protectionist measures did not cause too much uncertainty in the field of international business (Bown, 2018). The tariff on sorghum imports was removed quite quickly by China, and the safeguards imposed by the US government are known to be temporary, since WTO rules establish temporary limits to them. Bown and Zhang (2018) considered, however, that all events during this short but intense battle were a prelude of what was coming. This trade war was also one of the foundations of what is currently the US-China trade war, whose effects have been really harmful on international business, as will be further explained on the next sections.

4.2. Trade war #2: Steel and aluminum

Regarding steel and aluminum trade war, it started with a National Security investigation that resulted in tariffs on a third of US steel imports and 45 percent of aluminum imports. Originally, the EU, Canada, Mexico, Brazil and several more countries were exempt, while China was

not. Later on time, the EU, Canada and Mexico also stopped being exempt and together with India, China and Turkey, retaliated against US exports, mostly agricultural ones.

As expected, As expected, this trade war has affected international business. Foreign retaliation has resulted in a 12 billion-dollar subsidy to soybean farmers from the US government, as 64 percent of total US exports soybeans have been affected by retaliatory tariffs. In this case, US is providing monetary facilities to trade to a specific sector, which is a protectionist measure. Moreover, US tariffs have negatively affected US companies that buy those materials from foreign companies. Following Keynes and Bown (2019a), tariffs on steel and aluminum were aimed to restrict overseas metal imports, and through that, to directly help domestic steel and aluminum sectors. The problem is that none of other sectors or consumers were borne in mind when tariffs were imposed. As Schott (2019) put it: “a few US steel companies and their workers have benefited from the new protectionist measures, but many have been hurt by higher input costs and lost sales abroad due to tit-for-tat retaliation” (para. 10).

David Weinstein from Columbia University explains why this happens (in Keynes and Bown, 2019a). US firms used to buy raw materials, such as steel and aluminum, from foreign intermediaries. In light of tariffs imposition and subsequent increase on prices, US producers started to use lower quality inputs. This implied a loss on producers' competitiveness due to higher costs on foreign input materials, and thereby, they begin to put in the market lower quality products, which directly affects consumers. In the case they kept using foreign materials, US firms would have higher production costs to deal with as domestic demand of materials went up, so new price is most of the time transferred to consumers. Thus, whether US producers kept using foreign materials or started to use domestic inputs, either domestic consumers or producers get worse off with steel and aluminum tariffs. As foreign competitors had to face new tariffs, US firms were able to raise their prices and still get price-advantaged. Regarding that, statistics show that US companies increased its prices up to 1.1 percent and that foreign imports to US in targeted sectors had dropped by 5 percent relative to untargeted sectors, which has resulted in an impact on the US supply chain network, as firms were having difficulties to find new sources of supply.

More importantly, these measures may have been politically rather than trade motivated. Amit Khandelwal from Columbia Business School (in Keynes and Bown, 2019a) finds that determined US tariffs were imposed to protect a specific region of voters, composed by States such as Ohio, Pennsylvania, Wisconsin... what is known as the “rump belt” of the US, who indeed benefitted from the tariff. This showed that, to a certain extent, Trump had imposed those tariffs in a political-oriented vision, which damages the whole international business context and gives rise to concerns that Donald Trump could be carrying out unfair trade practices for political reasons. The WTO allows its members to raise tariffs above the so-called bound tariffs or to do it in a discriminatory way through its Article XXI. Nevertheless, this exemption (contrary to safeguards) has almost never been used because it is considered as a measure of last resort. In fact, it had previously just been used by WTO members in cases of war.

Unlike for the solar panels and washing machines trade war, and in light of a larger worldwide impact, there are many more articles covering this trade war. This suggests that there is much more concern towards this battle. The explanation for that relies on issues previously explained. Steel and aluminum tariffs and subsequent actions taken by both China and US have had an impact over trade and investment, but also have increased uncertainty over which are the rules for trade affecting companies' strategic decisions.

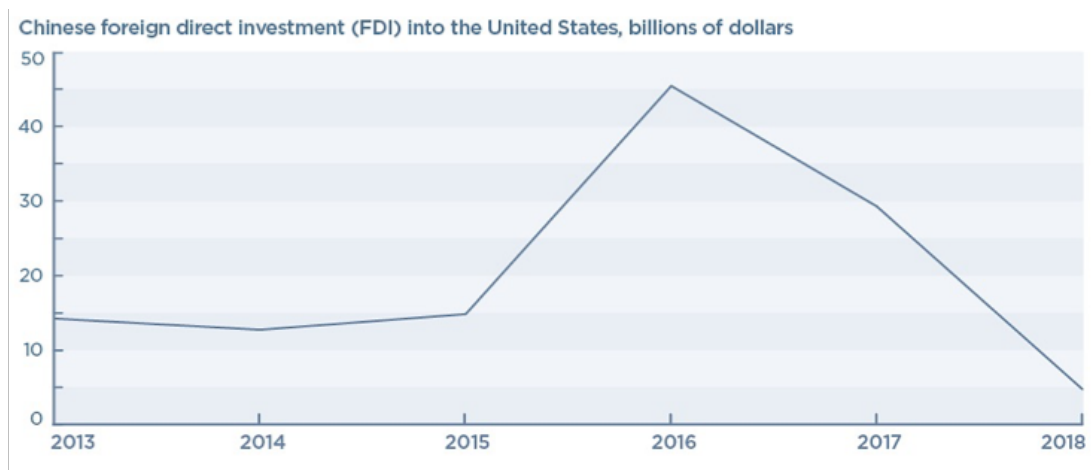
4.3. Trade war #3: Technology and intellectual property unfair trade practices

Technology and intellectual property unfair trade practices trade war is one of the most known US trade wars. As explained in the previous chapter, it started with a National Security investigation on China's trade practices and led to the raising of tariffs on 46.2 billion dollars of Chinese products. In response to that, China retaliated and also imposed tariffs on US products. US-China spiral of retaliations was the trigger of what we know today as the US-China trade war, which some even begin to call the "new Cold War".

Bolt, Mavromatis, and Van Wijnbergen (2019) show that such trade wars not only have an impact on business in China and the US, but also in third countries. They assessed the macroeconomic effects of the US-China trade war on the Euro Area through EAGLE (Euro Area and Global Economy) which consists in "an open economy DSGE model that account for international macroeconomic interdependence – within the euro area, but also globally" (Gomes as cited in Bolt et al., 2019, para. 3). Findings of the analysis show that the euro area could actually profit from the trade war as they receive cheaper imports from China, those that were supposed to go to the US, and also benefits from US firms' decreased competitiveness in response to tariffs and appreciating dollar. Nevertheless, all those benefits are in the short-run, and the final global impact of the US-China trade war is negative. The research shows that retaliatory tariff wars lead to lower output in the long-run and they also decrease consumption and investment not only on both sides of the trade war but also in third countries (including the Euro Area).

Moreover, trade wars have a negative impact on investment. Schott et al. (2019) show that Chinese FDI into the US reached its peak in 2015 and then started to drop in 2016 reaching almost zero levels in 2018 (see Figure 1). The authors consider that this evolution is the result of both the national security investigation on China's trade practices and the new US legislation enabling its Administration to monitor and sanction FDI from China.

FIGURE 1. PROGRESS OF FDI FROM CHINA INTO THE UNITED STATES



Source: The Rhodium Group.

Source: Reprinted from “Investment from China into the United States Has Fallen to Nearly Zero” (2019)

In May 2019, the Chinese enterprise Huawei was added to the US “Entity List”, that implied a block on technology sales and transfers from US companies to Huawei. In regards to international business impact, clearly Huawei and its trading partners have been directly affected. But, apart from that, this action has caused other economic reactions. Ghaffary (2019) has explained that tariff increases have also affected major US tech companies, as fraction of its sales depend on Chinese consumer market. In view of that, Apple will have to decide whether they will be the ones to deal with those added costs or they will transfer it to consumers in form of higher prices. Additionally, rural sector of US, unexpectedly, have also been adversely affected by this trade war. This is because rural carriers depend on Huawei technology to “provide cheaper equipment that Western manufacturers can offer” (para. 24).

Trade barriers to China have not just been in the form of tariffs: investment protection rules have also been used. All this has increased uncertainty for international business over the future, since it has been demonstrated that Trump administration is prepared to use whatever measure it considers necessary whether it complies with WTO rules or not.

4.4. Trade war #4: Car industry

Car industry trade war consists basically on duties on all US imports of automobiles and auto parts. It was supposed to mainly affect EU (mostly Germany and United Kingdom), Japan, Canada and Mexico, although the latter two would be exempt with the USMCA signing. This trade war is temporarily on hold due to Trump’s pending decision on tariffs imposition.

One of the effects this trade war would have is related to Japan’s business. Japan was the third biggest autos and parts exporter to the US in 2018 and has a bilateral trade surplus with the US. This ensures a highly competitive US auto market. Also, Japanese car producers largely invest in US-based production. FDI from Japan has grown from \$6.2 billion in 1990 to \$42.1 billion in 2017. All this makes Japan the country most prone to get adversely affected by

an imposition of tariffs on US auto and parts imports, as it would not only break in on trade but also would cause confusion over both investment and production of Japan in the US (Hufbauer & Jung, 2019). Main cost of this trade war would be in the form of uncertainty for international business, since Japan is a very important trading partner to the US due to the high level of trade and investments between the US and Japan. If US-Japan trade relations deteriorate, international business field would be affected.

Schott (2019) wrote his suppositions on how the auto industry trade war could generally harm international business if National Security Investigation findings led to an increase in protection without rules regarding period of time and targets of the imposition (thereby, different from safeguards). On the domestic side, US production of vehicles would get more expensive caused by rise in prices of necessary inputs, which would result in higher consumer prices and/or reduced corporate profits. At the same time, already high production costs due to steel and aluminum tariffs are putting at risk US auto industry output and employment. On the foreign side, apart from the actual imposition of the tariff that would increase export costs and US imports price, foreign investment into the US would decrease due to higher production costs and larger difficulties to export. Furthermore, by applying this kind of tariffs, Trump would be fostering a less competitive US auto industry, together with a decrease on investment in US plants and a loss on jobs in the US sector.

In sum, again the expected consequences of trade war are not really positive, not even for the car industry located in the US. While their cars would be protected from external competition, prices of inputs will go up and investment down. Most importantly, such a trade war, based on spurious trade reasons would not help decrease uncertainty.

4.5. Trade war #5: Mexico migration

Most recent trade war concerns Mexico migration. Trump intended to impose a 5% tariff on all US imports from Mexico to address the illegal migration passing through the US-Mexico border. Despite the fact that countries reached an agreement, the origination of this trade war has caught by surprise rest of the world and has actually had a global impact.

Keynes and Bown (2019b) discussed about the likely economic impact of the US-Mexico border issue trade war. In the first place and as a very accurate assumption, trade between US and Mexico would definitely decrease. As in the previous trade wars, consumer products would be directly hit by the tariff, which would have an immediate impact on consumers, but on a larger extent than normally would occur, as many Mexican goods are imported into the US, and the tariff would affect all kind of imports. Also, approximately a 30 percent of Mexican goods use US components in their production, and with the tariff their final value would get increase on a great level, thereby, a greater price to pay for consumers. Moreover, US domestic economy would also get adversely affected because US firms use Mexican inputs for production too, especially in areas like Texas, Michigan and upper Midwest, that rely on trade with Mexico, specifically in the auto industry. It is also important to consider monetary impact because, even if exchange rates cannot predict the exact impact it would have, most of the international trade is invoiced in dollars, so it would definitely affect worldwide business

if dollar was to get revalued. For his part, Posen (2019) expressed his expectations on the macroeconomic impact this announcement is likely to have even though the tariff has not been imposed. He guesses that there is going to be a significant drop in equity market and a worsening of productive foreign investment (including US investments), and that companies will be looking for alternatives to “locate their headquarters and production activity – and erode the US tax base” (para. 7).

Regardless of the actual tariff enforcement, the mere origination of this trade war has alerted international countries because Donald Trump has utilized a trade policy for a non-trade purpose. The announcement of this tariff reduces actual possibilities of the approval of the USMCA free trade agreement. Even if this trade war has temporarily been postponed, it definitely has had its own impact on international business, as it has started to spread anxiety at the possibility of, just as Trump has done, using non-trade arguments to engage in protectionism. In view of this specific trade war event, uncertainty for international business has heavily increased because the US economy has stopped to be considered as one of the most stable economies worldwide, and companies are looking for other nations with more solid economies in which to establish themselves. This all comes with the reasoning that Trump has clearly demonstrated that he can take decisions that are over the rules for political purposes.

4.6. Conclusion

Analyzing the five trade wars, a conclusion can be drawn from it. All the trade wars have led to an increase in protection and retaliation. Nonetheless, there are a few trade wars that PIIIE observers and analysts are more concerned about. These trade wars are the ones that allow protection measures to be determined by political decisions taken by the Trump Administration. This implies that instead of establishing clear rules on the time span of the protection measure or on the discrimination between countries that it is allowed, these measures do not follow any kind of rules and, thereby, lead to a higher level of uncertainty. In light of tariffs and other protectionist measures applied during the trade wars as well as the attached uncertainty for international business, further drops in trade and investment levels are expected. For all these reasons, while Trump protectionism may be beneficial for some domestic companies, it is damaging international business.

5. CONCLUSIONS

The aim of the present research was to determine if Donald Trump's brand of populism has had a negative impact on international business. The hypothesis was that this is the case for two reasons. The first reason is that Trump can be considered a populist and his policies include protectionist measures. The second reason is that following classical economic theory, protectionists policies are expected to have a negative impact on international business.

The research shows that Trump's special brand of populism has led the US to start different trade wars. Following a literature review of PIIE publications on the details and impact of these, trade wars indicate that the hypothesis cannot be rejected. While Donald Trump actions have had positive impacts on several domestic businesses, the impact on international business has been negative. The US may have imposed tariffs with a valid argument or not, and in a degree of fair trade practice or not, but what is clear is that these actions in conjunction with retaliation have not had good impact on the economy, which, ultimately, affects international business. This issue refers to producers and consumers, both domestic and foreigners, who have been the ones bearing the cost of the imposed tariffs. Here is how it works. In light of restrictions on imports, US producers in need of foreign input have had to act upon the tariff imposition. An option was to keep buying foreign materials, but now for a higher price. This could result in either a higher price to consumers or lesser profits for the company. To avoid this situation, another option was to start buying lower quality inputs, which is harmful for consumers because a noxious product would be place in the market. Those domestic businesses that were not targeted by tariffs had an advantage over those actually targeted, and this could lead to a loss in competitiveness and, at the same time, a raise in prices of products, which is an unfair trade practice. Foreign producers would have to face the new tariff and would be worse off in relation to domestic ones.

The literature review also indicates that some trade wars have had more impact on the international field than others. The most negative trade wars are the ones that have involved National Security Investigations. While members of the WTO are allowed to protect themselves if their national security is affected by trade, this exception to WTO normal rules implies a degree of flexibility in the application of protectionist measures that are usually reserved to war situations. This is because this exception does not establish any kind of rules in regards to the validity period of the tariff imposition or any regulated discrimination between countries. Such flexibility leads to an environment of uncertainty for international business. The literature review indicates that after seeing Trump applying trade policies with political-oriented arguments, companies are starting to worry about future expectations on US trade actions and are thinking on establishing in different regions to avoid sudden US tariff impositions. This issue also involves FDI, as foreign investment into the US is expected to decrease for the same reason stated above: uncertainty (which implies a higher risk).

Having said that, it is here we think on the future and ask ourselves: what is next? There is an issue of Trump's way of applying protectionism that is causing worry and anxiety: the fact that US-China trade war can really become the new Cold War. Up to now, no important figure has clearly announced that, but analysts, observers and journalists are starting to call it as the new Cold War, and, truth to be told, there are very few steps to lose control over this trade war and that it gets out of hand. What is surprising is that the fact that US trade wars involve most countries over the world, Trump attacks both foes and allies. This may lead to the creation of unexpected alliances, such as China and the European Union to save the WTO. These alliances would have never been imagined if it was not for the consequences Trump's trade wars have had on them. We will have to keep updated on the next US moves in the business framework, and hope that, at some point, Trump stop taking political-oriented decisions and that with this, international business world get to cool off and return the peace between national economies.

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