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To cite this article: Shawn Donnelly (2024) Political party competition and varieties of US economic nationalism: trade wars, industrial policy and EU-US relations, Journal of European Public Policy, 31:1, 79-103, DOI: 10.1080/13501763.2023.2226168

To link to this article: https://doi.org/10.1080/13501763.2023.2226168
Political party competition and varieties of US economic nationalism: trade wars, industrial policy and EU-US relations

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ABSTRACT
This article identifies two distinct varieties of economic nationalism in the United States that have strong and lasting implications for transatlantic trade relations and traces their origins to how the two major parties use narratives to form competitive coalitions including trade critics since 2020. The Republican Party links trade critics with culture war supporters, allowing them to enhance their collective impact on domestic and foreign policy, including confrontation with Europe on trade. Democrats’ pursuit of trade critics in 2020 and beyond means a focus on domestic development and industrial policy appealing to centrist and progressive voters, and eschewing trade agreements. This developmental economic nationalism offers room for allied interdependence across the Atlantic.

ARTICLE HISTORY Received 1 November 2022; Accepted 11 June 2023

KEYWORDS Economic nationalism; political parties; polarisation; transatlantic trade; trade and technology council; industrial policy

How much and what kind of economic nationalism pervades the US party system? How do political party reactions to contestation over trade affect strategy toward Europe? This paper argues that Republican and Democratic Parties react to a highly polarised political environment by creating distinct positions and policies that mobilise new voters seeking better growth and jobs, joining them with existing supporters and ideology. Republicans prioritise trade wars over open, multilateral trade, since their core supporters abhor domestic government intervention, especially industrial policy, to compensate for failing trade performance. Democrats meanwhile focus on domestic economic development, in which government uses industrial policy to invest, create

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infrastructure, and support private sector initiatives to create critical technologies, sectors and jobs (Di Carlo & Schmitz, 2023) as an alternative. Competition for potential swing votes revolves around competing narratives of trade and culture wars (Republicans) versus Investing in America, plus social and civil rights (Democrats) that mesh well with the parties’ non-trade narratives and societal coalitions. While progressives would like investment in social welfare as well, much of this gets cut in legislative negotiations with Republicans and centrist Democrats, leaving industrial policy as the bipartisan result. Polarisation and trade policy (Dür et al., 2023) are linked through this competitive coalition-building built on distinctive party narratives.

While this leads to convergence on economic nationalism, its implications for Europe contrast sharply. The Democratic focus on domestic industrial development leaves room for positive sum outcomes with Europe provided Europeans respect US efforts to prioritise development over trade. The Republican version focuses on trade expansion and tariff protection, which favours zero-sum negotiations and allows far lesser room for compromise. This paper shows that economic nationalism has taken root in the party system as a lasting feature, and is no longer limited to who is President, or which party holds office, though the variety matters.

This paper contributes to the literature on economic nationalism, foreign economic policy and its domestic roots. It pays particular attention to how party competition for the support of previously marginalised trade critics results in political initiatives that embody economic nationalism, as well as different varieties based on narratives that hold coalitions of trade critics and other societal groups together.

Following Gourevitch’s (1986) treatment of political economy approaches to national development and international trade, I posit that trade preferences of producers and voters are insufficient on their own to drive foreign economic policy, but that political parties seek to combine their support with other voters through political ideas. This analysis entails two main components: a focus on political party narratives and policies in which political parties link societal groups into coalitions; and an analysis of how those electoral strategies lead to varieties of (economic) nationalism, with implications for trade policy.

The impact of trade preferences on foreign and domestic economic policy is therefore contingent on interest aggregation and articulation strategies of political parties, particularly the narratives they use to bind together economic, cultural and other support groups. Political parties focus on either domestic economic development or on aggressive trade wars in response to polarisation, in line with their respective electoral strategies. Parties with supporters bearing grievances against a wide variety of identity and ideological issues have incentives to support mercantilism to further their social and cultural goals. Catch-all parties have incentives to pursue the same voters with concrete industrial policy platforms that compensate for previous losses to
trade. I expand the IPE literature on expected trade preferences that identifies societal groups likely to support trade or protectionism and add a third policy alternative: domestic economic development, which has industrial policy at its core designed to spread benefits throughout the country and work together with business (Di Carlo & Schmitz, 2023).

A narrative-based approach offers advantages over sectoral trade theory, in which political parties should support open trade when export sectors are competitive due to relatively abundant land, labour, or capital assets, neglecting or compensating those who lose (Blanchard et al., 2016; Frieden & Rogowski, 1996). Since the United States is rich in capital and land but has a relatively small labour force with low skill levels in some manufacturing (rust belt) industries, capital and agriculture should favour the expansion of trade, while unskilled labour tied to weakly competitive industry should oppose it, blaming decline on unfair trade. American political party polarisation incorporates precisely the group we would expect to remain unheard, just as civil society organisations protested against the Transatlantic Trade and Investment Partnership (Dür et al., 2020). It also incorporates competitive exporters that feel aggrieved by foreign protectionism and demand offensive action Dür (2010).

**Narratives and coalitions: the core argument**

There is more than one alternative to open international trade when parties pursue the support of trade critics. Trade wars may be pursued to achieve relative gains, or domestic development prioritised and trade neglected. International commitments may be respected (liberal economic nationalism) or disregarded (mercantilism) (Helleiner, 2021). Political parties aggregate and articulate economic interests as part of an effort to consolidate support from societal coalitions that include non-economic voters (Gourevitch, 1986; Rogowski, 1990). Ideas found in electoral talking points, policy initiatives, parliamentary hearings and media commentary are used to build that support base in ways that resonate with other party supporters (Hooghe & Marks, 2009). Parties that are already home to aggrieved or disaffected voters with political or cultural backlash agendas have incentives to extend that narrative to backlash against trade, promising offensive countermeasures to alter the balance of trade to the homeland’s relative advantage (Colantone et al., 2021). Anti-system parties create reinforcing cleavages across economic and cultural support groups and force a response if they can win office. In contrast, catch-all parties seeking broad-based societal support have greater incentives to focus on policies that appeal to both mainstream voters with little desire for change and concessions to new and potential swing voters who might otherwise join the backlash party. Economic development strategies as an alternative to unfettered liberal trade and offensive trade wars are a likely outcome.
Overall, the harsher the political party’s views of the cultural mainstream and foreign trade, the more offensive trade relations will be. In contrast, the more catch-all the party, the more likely a more developmental economic nationalism should result.

**Competition, narratives and coalitions**

Contemporary political party literature incorporates insights into how political discontent about a variety of issues, including trade, translates into new anti-system parties (ASPs) and foreign economic policies. Hopkin and Blyth (2020) argue that collusion by mainstream parties to support neoliberal economic policies that embrace open trade, de-industrialisation (shift of working-class jobs to overseas locations with cheap labour) and austerity since the 1990s generates political grievances that new anti-system parties mobilise in distinct ways: with the right blaming foreigners and the left blaming capital for economic and social deprivation. Zürn (2022) and Mudde (2004) see overlaps in economic and political grievances against elites, their ‘cosmopolitan bias’ of cultural and economic openness and promotion of legal equality of all individuals regardless of heritage for their loss of economic, social and political status. De Vries et al. (2021) frame the critical mass for ASP influence on state behaviour as determined by a trifecta of societal dissatisfaction, political party mobilisation through narratives (ideational entrepreneurship), and institutional rules favouring electoral victory, like countries with plurality, winner-take-all voting systems like the US.

Öniş and Kutlay (2020) concur that these parties use identity and material interest narratives simultaneously with domestic and foreign policy effects. Right-ASPs cultivate an economy-identity nexus narrative to bind together grievance supporters, giving them critical mass and staying power, and allowing each group the power to punch above its weight in setting policy goals that the others support. They also use authoritarian methods to ensure their power over critics. Furthermore, these parties network with like-minded counterparts abroad (a national-global nexus) to bolster support. ASPs make use of both overt statements and indirect ‘cues’ that rally aggrieved voters (Stephens-Dougan, 2021).

In short, the key to electoral success for any political party under conditions of societal distress lies in narrative-driven platforms and policies that link economic and other, political cohorts together into a critical, electable mass. We extend this argument to contend that party systems with two main competitors force centrist catch-all parties to compete with anti-system parties for backlash voters or decline. This leads to their own narratives, cues and policies that appeal to trade critics as well as existing supporters. This provides a potential for common ground with ASPs, even as other polarising issues divide them.
Competing party strategies also entail differing narratives of whether and how the state should provide relief to trade critics. Right-ASPs courting a socially conservative electorate that views big government negatively can most easily promote trade wars and tariffs instead of public services. Protection for domestic industry promises economic and social benefits through business, not government, while foreign governments ‘pay’. Centre-left catch-all party narratives can promote direct government engagement in strategic investment, research, development and industrial capacity-building, and a stronger focus on domestic investment, jobs, production, wages and consumption (both public and private) than attacking others outright. Political platforms promoting state involvement in infrastructure investment provide a middle ground, and are more naturally bipartisan as long as investment steers clear of polarising identity issues.

Summing up, the rise of anti-system parties should lead to two kinds of coalition building, with two kinds of economic nationalism and implications for external trade. (1) A right-ASP binds together critics of trade, full democracy and political rights and uses authoritarian methods to secure and exercise power if required. The result is a hard, mercantilist, economic nationalism that promotes trade only to push exports. (2) More mainstream, catch-all parties will seek to aggregate nationalist and more trade-friendly positions, resulting in a softer, more developmental economic nationalism with strong industrial policy features along with attempts to privilege relations with democratic governments. (3) The degree of mercantilist or developmental economic nationalism in foreign economic policy depends on party control of key policy-making institutions. In the US case, the Presidency, Senate and House of Representatives.

The rest of the paper proceeds in three main steps. First: it analyses political support for the Republican and Democratic parties from groups with identifiable trade and broader cultural priorities and then demonstrates the use of narratives in securing this support. Second, it studies specific trade initiatives and ideas from the parties. Finally, it conducts the same analysis for domestic economic development policy which shows the extent of bipartisan overlap.

**Culture war, trade war and domestic economic development narratives**

In this first section, we show the alignment of specific societal cohorts to the two main political parties between 2016 and 2023, the narratives that hold them together into a stable alignment, the institutions that determine their access to decision-making and finally, the orientation of each party to a specific form of economic nationalism.
The 2016 general election saw Republicans unite under the Make America Great Again (MAGA) slogan, which included a complaint against economic free-riding by major trade powers, particularly China (Brown, 2019). The Democratic campaign saw division between progressives (Sanders) and moderates (Clinton) over social welfare programmes and trade and crucially, Clinton’s dismissal of trade critics and other Republican supporters as ‘deplorables’. The 2020 election saw the Democratic Party shift to embrace rather than reject voters disappointed with foreign trade.

Data from the American National Election Survey (2022) shows public support for national preferences in trade, with a third taking a hard nationalist position that parties compete over. More respondents favoured increased limits on imports (V202229: 49/39 per cent), but moderately over strongly (V202230: 50.7/36.7). Respondents were split on how international trade impacted US jobs: with 31.8 per cent saying hurt; 16.4 per cent saying helped; and 39.5 per cent saying neither (V202365). Nearly half saw China as a strong threat to the US (49 per cent) or moderate one (25 per cent) (V202400), with similar figures for Russia (V20241). This contrasted heavily with friendly attitudes to Germany. Furthermore, data from the Brookings Institution confirmed that Republicans enjoyed strongest electoral support from the country’s weakest economic areas, representing only 29 per cent of GDP in 2020 (Muro et al., 2020), and minority of votes, but a blocking minority of Senate seats and a majority of seats in the 2022 House elections thanks to institutional advantages (below). The American public therefore showed broad support for economic nationalism, but Republican supporters favoured more radical restrictions than the general public.

Pew Research Center data (2021) on ideological trends among US voters provides insight into societal preferences on trade as well as culture issues. Traditional Republicans supporting older narratives of small government, low taxes, open but fair trade and transatlantic unity made up only 14 per cent, plus Republican-leaning independents another 19 per cent. They were increasingly replaced in primary elections by this MAGA/anti-work base, including Liz Cheney of Montana, who challenged the January 6 attempted coup. MAGA Republicans and self-identified Christian nationalists each made up 23 per cent of the party’s support, for nearly half the party. These groups supported America First in trade, but also reversing rights and recognition for women, people of colour, LGBTQ communities and non-Christian faiths, while upholding and expanding unrestricted rights to firearms. By 2023, Florida governor Ron de Santis had transformed the MAGA slogan into a ‘war on wokeness’, appealing again to the radical base rather than the general public across economic and identity lines (Posner, 2023).

Democrats present a reverse image, with 23 per cent identified as establishment (trade-friendly middle class) and 28 per cent as mainstay (working
class/unionised) supporters. These groups shared priorities for social welfare, employment and international engagement, but also democracy over authoritarianism after 2016. Left populist (social welfare) and progressive voters (culture, gender, race) covered 16 per cent and 12 per cent of support respectively. These groups responded positively to Biden’s *Battle for the Soul of the Nation* election campaign, which appealed to combination of expectations for a return to democratic principles, political rights, social welfare and domestic development, both economic and social. These groups, together with mainstay supporters, favoured a more interventionist state with domestic investment and were critical of trade with China as a policy that exports jobs abroad. Together with establishment supporters and independents upset at authoritarian overreach, they together formed a temporary anti-MAGA majority that disadvantaged Republicans in 2020 (Sargent, 2022). After the election the Democratic campaign narrative shifted to *Build Back Better* and *Investing in America*, which offered industrial policy-style domestic economic development as a core programme appealing to party followers and independents, especially in rust belt states like Ohio, Pennsylvania and Michigan, as well as farm belt states of the Midwest (Winders, 2009).

The Pew Research Center (2021) also found striking differences between Republican and Democratic voters on foreign policy and trade, particularly regarding relations with allies. Democrats largely saw American interests aligned with those of its allies and favoured friendly relations with Europe. In contrast, MAGA Republicans, traditional nationalists and evangelical Christians who together formed a majority within the party, believed America’s allies were taking advantage of the US and demanded retribution. This treatment of allies as ‘foes’ and use of Section 232 of the Trade Expansion Act (TEA) against them in June 2018 had greatest support in the House, with its more frequent elections than traditional Republicans in the Senate, who opposed trade wars based on unsubstantiated claims of national security threats. A result is a radical shift against trade versus a modest one. Trade agreements are taboo for the Biden administration’s focus on domestic economic development.

**Narratives and party coalitions**

The combination of polarisation and of economic nationalism started with the Republican party and its successful combination of three groups that became the MAGA core in 2016: white supremacists, broadly understood, seeking to end federal guarantees of voter and civil rights since the 1960s (Anderson, 2016; Highton, 2020; Levitsky, 2021); evangelical Christians seeking to end the separation of church and state, and additionally, constitutional rights to abortion since the 1970s (Dochuk, 2010; Jardina, 2019);
and economic nationalists seeking to reverse the country’s opening to international trade and subsequent de-industrialisation since the 1990s. This latter group harboured particular criticism for the economic rise of China at America’s expense (Brown, 2019; McQuarrie, 2017). The party only embraced this latter group in 2016, changing the nature of the party and emboldening the other two cohorts. Strong internal cohesion and mutual support led to a harsh, mercantilist approach to economic nationalism.

Unable to win majorities, and rejecting the implications of compromise, MAGA Republicans drilled down to build and hold a coalition of backlash communities (Galvin, 2020; Norris & Inglehart, 2019) with agendas to roll back religious, racial, and trade policies to the 1950s. Other Republicans tolerated these demands in pursuit of traditional goals, such as tax reduction and deregulation (Norris, 2022). For trade, this means that economic nationalism with particular hostility to China, which supporters blame for America’s decline (Kunz, 2020), is not a passing phase but entrenched into the party.

Haglund (2020) sees the Democratic Party follow its competitor’s lead on China while taking a friendlier stance toward Europe consistent with their more liberal identity. Democrats tempered support for international trade with increased domestic support for rust and farm belt voters, which shows up in domestic reindustrialization and infrastructure programmes, aggressive agricultural trade bargaining, and a neglect for further trade agreements. The limits were found in social programmes favoured by progressives, which centrist Democrats and Republicans refused to support.

**Institutions, and party responses to polarisation**

Party competition works within an institutional framework that allows over-representation of (MAGA) Republicans in state legislatures, the House of Representatives, the electoral college that selects the President, and permits a blocking minority of 40 per cent of Senate votes. These institutional openings allow the GOP to show MAGA supporters that they get results grievance supporters want, entrenching their influence. Blight (2013) ties continued support for these institutions to grievance politics dating to the 1789 constitution. He illustrates how the antebellum Deep South insisted on these institutions then to protect white supremacy – slavery – from the more populous Northern majority. States’ Rights doctrine was added later to repudiate federal authority over the states. While the Civil War ended this claim temporarily, the ‘peace among the whites’ in 1875 (Douglass, in Blight, 1993) effectively restored it, allowing states to impose racial segregation and prevent black Americans from voting or holding office. The federal government’s insistence on restoring rights over the objections of states in the 1965 Voting Rights Act has tied states’ rights and white supremacy to this day (Blight, 2013), as well as evangelical Christianity today.
Using the Supreme Court was and remains another institutional tool to prevent and dismantle majoritarian civil rights protections that ensures continued MAGA involvement in the Republican-led coalition. Securing Republican justices to this body and other courts is central to Republican party strategy, inducing change without electoral victory and incentivizing party unity across its identity and economic supporters. The Court’s role as friend of minority rule is confirmed in rulings to protect slavery (Dred Scott v. Ferguson, 1857), state rights to impose segregation (Plessy v. Ferguson, 1895), to restrict voting rights (Shelby v. Holder, 2013), which terminated the federal government’s review of state voting restrictions in the South under the 1965 Voting Rights Act, to end restrictions on corporate (largely Republican) donations to political parties (Citizens United, 2010), to end constitutional rights to reproductive health care (Dobbs v. Jackson, 2022), and to bar restrictions on guns (New York State Rifle & Pistol Association v. Bruen, 2022). The Supreme Court is also hearing a case promoting independent legislature theory (Moore v Harper), by which (largely Republican) state legislatures could overturn majority victories in federal elections if they believe the election was stolen by Democratic supporters, reflecting another MAGA grievance narrative (Herenstein & Wolf, 2022). The 2022 rulings have in common a view that federal powers and constitutional rights are to be dismantled, and state’s rights to Make America white and Christian again be restored, which a PRRI/Brookings survey found enjoyed 29 per cent support from US voters (Sanchez et al., 2023). Republican appointments to the Court depend on GOP over-representation (next).

Li and Leaverton (2022) outline how partisan gerrymandering additionally favours ultra-safe Republican seats and majorities in Congress, which Stephanopoulos (2021) shows go back to the era following the Civil War. Thomsen (2017) and Woon (2018) show that as gerrymandering led to more one-party Republican districts, MAGA supporters used primary elections to eliminate traditional centrists. Elected Republicans are more likely to be beholden to the MAGA coalition as a result, rewarding a strategy of ‘drilling down for support’, rather than appealing to more centrist voters. The Democratic counterstrategy to Republican advantages and voter restrictions remains to mobilise ever more turnout to overwhelm GOP defences. This increased turnout came from progressive and civil rights Democrats and anti-MAGA Republicans in 2020, and pro-investment centrists in 2022. Together, this behaviour both entrenches Republican radicalisation and the Democratic response.

Federal institutional arrangements give elected officials ample opportunity to block or shape trade relations. The United States constitution grants Congress power to set trade agreements. Presidents have broad competence in foreign policy, and between 1972 and 2021 possessed enhanced trade negotiating powers under the Trade Promotion Authorization. Under the
TPA, the United States Trade Representative (USTR) could conclude agreements on behalf of the US, and Congress could ratify or reject, but not significantly modify them. With the expiry of TPA in July 2021, power over agreements reverts to Congress, where MAGA Republicans held critical votes in slim majorities in 2023, and Presidents are limited to executive agreements within existing statutory parameters (Claussen, 2017; Congressional Research Service, 2022a, 2022b). Two committees attract the most discussion and oversight: the Senate Finance Committee Subcommittee on Trade and Finance and the House Ways and Means Committee Subcommittee on Trade. Even when Congress has different parties in control of House and Senate, ratification relies on party compromise, given Senate supermajority requirements to advance legislation. Hearings with the USTR (next) provide the sharpest picture of Congressional demands on trade and links with other policies.

**Foreign economic policy: build back better or America first?**

The Biden administration focussed on narratives of domestic economic development (*Foreign Policy for the Middle Class* (FPMC), *Worker-Centered Foreign Policy* (WCFP), *Build Back Better* (BBB): below) and toned down trade conflict with Europe. It also kept several Trump-era trade restrictions and tools in place and introduced programmes with protectionist elements. Simultaneously, it pursued informal discussions with democratic allies in Europe (Trade and Technology Council) and the Indo-Pacific (Indo-Pacific Economic Forum) to privilege trade and investment with allies, not China. All three programmes however have protectionist elements or effects, for example tax credits and subsidies for electric vehicle production, that can only go to US (and later North American) manufacturers.

Data on the Biden Administration’s foreign economic policy and the position of parties in the US Senate for 2021 starts with the 12 May hearings on the President’s Trade Agenda, with the Senate Finance Committee’s Subcommittee on International Trade, Customs, & Global Competitiveness. This also served as the confirmation hearing for the US Trade Representative (USTR) Designate, Katherine Tai. Asked about trade, Tai stated: *Trade agreements would have to wait for progress on the President’s domestic agenda ‘for the middle class’* (U.S. Senate, Committee on Foreign Relations, 2021). *Trade disputes with Europe would be resolved*, including mutual complaints about aircraft subsidies to Airbus and Boeing, about American tariffs on European steel and aluminium under Section 232 of the TEA, Section 301 determinations (barring technology sales to China) and Europe’s proposed digital services tax *so attention could be focussed on domestic jobs and growth in the United States*. Developmental economic nationalism can be seen in a focus on domestic rebuilding and jobs, while building constructive ally
Tai responded to Democratic critique about the continued use of Section 232 by indicating the administration would keep it as a tool for future use, despite its association with mercantilist power politics.

Senator questions reflected a centre-progressive / offensive divide, with unity on countering China. Most Democratic questions revolved around how labour and environmental standards might be applied to addressing American trade grievances with other states to level the playing field, and how they might be part of proposals to reform the WTO and revive multilateralism in trade (Senators Wyden (D-OR), Warren (D-MA), Brown (D-OH) and Cortez-Masto (D-NV)). Democrats also supported prioritising domestic re-industrialisation over trade, removing China from critical infrastructure and supply chains, especially for chips and batteries (Senators Stabenow (D-MI) and Bennett (D-CO)), differentiating friends from rivals as trade partners, and getting European cooperation to choose the US over China in the process (Senator Warner, D-VA). Economic nationalism was therefore more developmental and progressive than mercantilist, primarily about building American jobs rather than attacking others, except for China.

Republican Senators in contrast, together with Texas Senator Cornyn (D-TX) demanded action to ensure that other countries, especially China, respected the intellectual property (IP) rights of American firms. Technology theft and forced IP transfer by China, rather than Europe, posed both economic and national security threats (Senators Crapo, R-ID; Grassley, R-IA; Lankford, R-OK; Toomey, R-PA; Cassidy R-LA; and Danes R-MT). Tai pledged to upgrade and use trade policy tools to counteract these unfair practices as part of a worker-centric trade agenda.

These patterns were repeated in the Senate Foreign Relations Committee, as seen during nomination hearings in April 2021 for the post of Under-Secretary of State, Economic Growth, Energy & Environment. Nominee Fernandez linked trade and China policies to domestic development, and cooperation with Europe. He pledged ‘to build resilience and reduce reliance on the PRC’, to rebuff China’s ‘efforts to challenge the current economic order’, and to seek a multilateral solution on minimum tax together with Europe to ensure that companies pay their fair share to the US and EU tax systems (U.S. Senate, 2021, pp. 61–63). The President would need to ‘make significant new investments in the United States for American workers before he signs any new trade deals’, but seek to set aside trade irritants with Europe to generate goodwill on collective action. This again demonstrates a form of economic nationalism that focuses first on domestic economic development and cooperation with allies against an authoritarian adversary.

Senator statements from both parties cast relations with Europe through the lens of a united approach to China, particularly surrounding the security risks of adopting Chinese 5G/6G in Europe, but also on EU–China trade talks. Republicans added attacks on EU regulation of tech giants and its proposed
digital tax, both of which it deemed protectionist, and sought change from Brussels without US adjustment (U.S. Senate, 2021, pp. 38–39).

Discussion with the House Ways and Means Committee saw the USTR stress even more strongly trade opportunities for farmers opened up by the administration, and linking farmers to the WCFP (USTR, 2023).

Outside of Congress, the administration paid particular attention to farm belt voters seeking government initiatives to break down barriers to exports, and rust belt voters seeking new factories, jobs and economic development: Biden’s Agriculture Secretary visited constituents in 2022 Trump had neglected, campaigned, telling the American Farm Bureau Federation ‘you have a partner in the White House’. Packages included trade talks with China (to ensure it bought everything it had committed to buy under Trump, $16 billion short in 2022), better export infrastructure, but also domestic economic development: paying farmers for climate mitigation, especially cultivating cover crops alongside corn, soybeans, wheat and cotton (Abbott, 2022). Biden also underlined that under this approach rather than trade wars, farm exports were growing again (Finn, 2022).

Similar attention was paid to the rust belt and middle class: with the Foreign Policy for the Middle Class in 2021 (stressing infrastructure and welfare); and the Worker-Centered Foreign Policy in 2022 (stressing manufacturing investment & jobs). Putting workers at centre of trade policy targeted higher labour standards, safer workplaces, and a race to the top globally, in part by pushing back against China’s unfair ‘economic policies and practices’ together with allies and partners and making strategic investments in the US economy (American Rescue Plan, the Made in America Office and the bipartisan infrastructure law). These positions mirrored Republican talking points on China particularly. But they also sought deals with allies, particularly Europe, Canada and Mexico to improve supply chain resilience and link trade to progressive issues dear to the Democratic party: racial equity, underserved communities, worker organisation, gender equity and relations with first nations (USTR, 2022a, 2022b).

Developmental economic nationalism with industrial policy features, rather than mercantilist economic nationalism was on display in US-EU Trade and Technology (TTC) talks that started in September 2021 to set aside inherited conflicts and work together as allies as each rebuilt their domestic economies. Statements from Secretary of State Blinken, Secretary of Commerce Raimondo and EU Commission VP (Competition and Digital Age) Vestager praised the overall relationship, support for democracy and an interest in improving trade, investing in clinical research, artificial intelligence, reconfigured supply chains and initiatives to support (global) economic recovery. One conflict stuck out: the EU’s green tax (Europe’s Carbon Border Adjustment Mechanism), which had not been resolved (U.S. Department of State, 2021). US retaliation for EU subsidies to aircraft maker Airbus...
were waived before the first meeting, showing the White House and not the TTC was responsible for strategy and breakthroughs.

Despite White House concessions and general goodwill, the US Commerce Department showed tougher stances on transatlantic trade tensions. Department Senior Vice President for European Affairs Marjorie Chorlins’ acknowledged the need to agree on a new Privacy Shield to secure legal access for US data-driven businesses, to fight cyberthreats and to shape standards for emerging technologies, but argued that European digital regulations (the Digital Services Act on illegal content and the Digital Markets Act combatting anti-competitive practices by big tech platforms) and proposed taxes (Digital Tax) under the heading of tech sovereignty risked morphing into digital protectionism, which the US would oppose. In addition to using the same standards across the Atlantic, she hoped the EU and US would both fight what the US saw as China’s unfair practices in the techspace (AmCham, 2021b). This economic nationalism therefore differentiates US treatment of China versus American allies in the world of digital competition, regulation and protectionism.

These sentiments were echoed shared by the American Chamber of Commerce in Europe. ACCE head Susan Danger indicated business community willingness to cooperate, having a strong interest in managing transatlantic data flows, but expected no formal agreements, given persistent trade conflicts and differences of opinion on China, which Americans viewed as a threat to Western values and a systemic rival, rather than just an economic competitor. The EU would ideally scrap its 2020 investment treaty with China, coordinate on export controls and investment screening, and develop a unified stance on unfair Chinese subsidies (AmCham, 2021a).

It is illustrative to see lobbying from AmCham and the National Association of Manufacturers in early 2021 in favour of unbridled economic liberalism and formal trade agreements, and to see the weak reception it has in Congress and the White House before adopting a more nationalist stance. Zeng et al. (2021) show US business lobbies pushing for an acknowledgement of how global value chains link domestic and foreign producers, together with foreign direct investment, making trade wars unattractive and trade partnerships beneficial. AmCham and the NAM feared continued disadvantages to American producers as the price for inputs rose with protectionism. However, these calls went unheard, and as shown above, AmCham ultimately adopted an economic nationalist outlook on transatlantic relations. This demonstrates business adaptation to the economic nationalist consensus among political parties.

Following the first TTC meeting, the Biden administration’s foreign economic policy targeted improved relations for Europe where solutions paid off directly and clearly for American companies. One of the first of these was a deal on a global minimum tax for corporations. The deal was
negotiated under the auspices of the Organization for Economic Cooperation and Development (OECD) and set a minimum tax rate of 15 per cent of revenue in any jurisdiction the company operated. The proposal for this minimum tax came from the Biden administration to help pay for domestic infrastructure investments and social services contained in the Build Back Better initiative, to fulfil 2020 campaign pledges to ensure that wealthy multinationals paid their fair share of taxes, and also to prevent American digital platforms from being singled out to pay a European Digital Tax (Leali, 2021).

A second deal was agreed on 31 October 2021 to partially lift tariffs against products from the EU (effectively introducing quotas for European steel and aluminium), in return for reductions in retaliatory EU tariffs (most notably jeans, motorcycles and bourbon) (Lau & Herszenhorn, 2021). These were greeted by the U.S. Chamber of Commerce, which maintained that the tariffs had harmed American manufacturers by soaring metal prices and retaliation, while leaving ‘untouched the true problem of Chinese steel and aluminium overcapacity’ (France 24, 2021).

A third agreement consisted of a joint move by the EU and the US to establish new rules and terms of trade for green steel (over steel produced with more polluting and climate changing methods). This deal would effectively erase EU tariffs on steel produced with traditional energy (Carbon-Based Adjustment Mechanism) for US companies, and according to the White House, contain costs for working Americans (White House, 2021), turning those tariffs instead on the rest of the world. These deals were negotiated bilaterally, and partly in the context of the TTC.

The 2022 President’s Trade Agenda presented in March (USTR, 2022a) continued a domestic focus that served potential Republican voters as much as traditional Democratic ones. It touted agreements with other countries, including Europe, that expanded trade access abroad, particularly for US farmers (showing attention to the farm belt, particularly pork, shellfish and milk producers, and following up on Trump administration agreements with China in these areas). Attention to the rust belt community was addressed by agreeing with Europe on common standards for steel produced with renewable energy that would disadvantage China. At the same time, it underlined labour, environmental standards in TTC talks while championing digital openness and a need for market economies to work together to overcome Chinese resistance to unfair trade practices that were undermining confidence in the WTO (U.S. Senate, 2022). In addition, it prioritised cooperation between Europe and the US as both reconfigured global supply chains.

The Biden Administration encountered no fundamental Senate pushback to this approach. However, Republicans (Crapo (R-ID)) continued to seek more aggressive, formal trade promotion agreements in 2022 that addressed unfair foreign advantages, from European digital taxes to Chinese forced IP
transfers, which would mean a somewhat tougher approach to other countries based on a less compromising economic nationalism (U.S. Senate, 2022).

A fourth agreement on data was discussed around and after the May 2022 meeting, with the US accepting privacy requirements and the EU accepting state surveillance for national security. Privacy Shield 3.0 would regulate transatlantic data flows, securing access for US tech platforms and other companies. This covered both private industry data use and state surveillance for counterterrorism activities that had been successfully challenged twice by the EU Court of Justice (most recently Shrems II in 2020, see Rotenberg, 2020). By the fall of 2022, industry and the Commerce Department accepted that European privacy demands had to be honoured to secure continued access to European data (Scott, 2022c).

Russia’s war against Ukraine in 2022 provided a breakthrough on the state surveillance component of the deal, which had undermined previous versions, by defining more sharply the norms of state surveillance. The US Director of Intelligence and Head of CIA shared information on Russian communications and activities between November 2021 and Russia’s invasion to the EU (Joel, 2022; Schwartz & Sevastopulo, 2022; Scott, 2022b). By the 15–16 May 2022 TTC Summit, the EU accepted the value and necessity of allowing surveillance to help secure Europe and coordinate responses (Dombrovskis, 2022). Privacy Shield 3.0 was announced by a White House executive order on 7 October 2022. It permitted US surveillance gathering with EU consultation and vice versa (Manancourt et al., 2022).

The effects of the war also accelerated joint discussions on a fifth area: the onshoring and friendshoring of critical industries, technologies for economic and security purposes, with greater implications for transatlantic relations with China. An EU representative stated in April 2022: ‘We’re starting to show promise in the key working groups dealing with export controls, foreign direct investment screening, but also supply chain resilience in key sectors, [such as] semiconductors and others’ (Dombrovskis, 2022; Scott, 2022b).

Conflict over anti-trust regulation of large digital platforms (Digital Markets Act (Scott, 2022a)) remained unresolved, though Democratic Senators Warren (MA) and Klobuchar (MN) had tabled US legislation with the same purpose and effect that could bridge the divide informally: the Competition and Anti-trust Law Enforcement Reform Act, and the American Innovation and Choice Online Act (Scott, 2022a; U.S. Senate, 2022). At the time of writing, a decision was still pending. However, the pattern of the White House seeking win-win deals with Europe that create common standards, regulations and taxes suggests a continued US effort to align US and EU rules to serve domestic political demands.
Overall, we see a pattern of developmental economic nationalism in the United States in Democratic-controlled bodies, with Republicans espousing a more mercantilist economic nationalism, which can take the upper hand if they win control of those institutions. Domestically, this allows the Biden administration to pursue industrial policy investment in infrastructure, onshoring and friendshoring in ways that its core voters, plus rust belt and farm belt voters can support, and using informal talks to reach middle ground with both the Europeans and with big business. This eschews formal agreements, which would require formal ratification and much higher demands from mercantilist Republican Senators to pass than the current model.

**Domestic policy: industrial policy, social investment and economic development**

The distinction of two forms of economic nationalism, where they overlap with bipartisan support, and where they split into polarisation are further shown in the domestic economic development agendas of the Biden administration, which rest heavily on industrial policy. This section covers four domestic legislative packages that test the room for agreement on economic nationalism, and the impact of party coalition narratives on other matters. These are two infrastructure bills with very different outcomes (part of Build Back Better), and two other bills that pursued economic nationalism in different ways, with different paths to passage based on how much support Democrats could secure from economic nationalists (the Chips and Science Act 2022 and the Inflation Reduction Act 2022). They test the degree of focus on domestic economic development versus trade relations (hostile or friendly), and economic versus social and political issues that reflect an economy-identity nexus. It makes parallels in foreign economic policy.

Build Back Better, the White House domestic economic plan, was broken into two infrastructure bills in 2021 to minimise objections from both Republicans and centrist Democrats about benefits for progressive voters. A $1.7 trillion bill to provide social infrastructure (medicare extensions, child care, medical leave, police reform and support for poor families) failed on the opposition of centrist Democrats (Manchin and Sinema) who ostensibly rejected the cost of the proposals and were sensitive to Republican-leaning voters (Romm, 2022).

In contrast, the second bill on physical infrastructure, totalling $1 trillion and passed in November 2021, enjoyed strong bipartisan support from centrists and many Republicans, including those who remained strong supporters of Donald Trump in the impeachments hearings regarding the January 6th attempt to overthrow the US government. This shows
bipartisanship and polarisation side by side. State governments subsequently applied for investments in roads, rail, bridges, sea and airports, broadband internet, electric vehicles and charging infrastructure (Shepardsen, 2022).

The Chips and Science Act passed in July 2022, also with bipartisan, filibuster-proof support (64–34 votes). The bill provided $280 billion in funding, with 52 billion to support domestic semiconductor manufacturing in 7–10 locations, including the battleground state of Ohio, money to support related research, and funds to set up regional development hubs. Considerable stress was placed on self-sufficiency in chips as critical for the entire economy and the broad economic advantages and jobs flowing from the legislation. Commerce Secretary Raimondo added that the U.S. share of global semiconductor production at 12 per cent was far lower than the 40 per cent it had previously had, and that rebuilding was a necessary and positive step, in addition to keeping up in a technological race with China (Wang & Sotomayor, 2022). Not only was production required to be American, but additional October 2022 regulations also barred companies, US citizens and residents from contributing to Chinese semiconductor development for national security reasons (Liu et al., 2022).

The Inflation Reduction Act (July 2022) brought back some climate and health-care items that failed to pass in 2021 and unleashed industrial policy investments for climate control. It passed under the reconciliation procedure (which allows simple majority Senate votes for budgetary bills) with no Republican support. The IRA provided funds to support the development of climate protection technology (green energy and vehicles), health care (to contain the cost of certain drugs) and included the introduction of a 15 per cent minimum corporate tax agreed with the EU to help pay for these innovations. Crucially, tax credits and funds for electric vehicles required manufacturing and employment to be exclusively American, to the ire of EU and other governments (Romm, 2022). A crucial difference to the previously failed infrastructure bill is that social spending and service provision was no longer a key objective, allowing the Senators for Arizona and West Virginia to support it. Benefits for minority communities would happen through jobs (White House, 2022).

We see in these four examples, that where cultural narratives and issues prevail (social infrastructure bill), polarisation prevents legislative passage. In contrast, where domestic infrastructure, manufacturing and jobs are key and foreign economic rivalry is strongest, (bipartisan) agreement on domestic investment and reshoring of supply chains succeeds. Economic nationalism stresses domestic development to court rust belt voters with high-tech investments in Michigan, Ohio, and New York (Whalen, 2022a, 2022b, 2022c) as well as farmers seeking exports.
This bipartisan economic development strategy generated sufficient voter support that Republicans failed to successfully blame Democrats for inflation in the 2022 mid-term elections. Backlash against the Supreme Court terminating abortion rights in Dobbs v. Jackson also countered voter discontent over inflation (Santhanam, 2022). However, approval ratings for President Biden’s administration performed much better than alternative candidates, either from the Republican Party, or within the Democratic Party as of February 2023. According to a PBS/Maris poll, Biden had positive ratings, and dominant support (83 per cent) within the Democratic Party, and better approval than either Trump or his Republican challenger Ron DeSantis, whose main narrative was a war on ‘woke-ness’, with no economic alternative (Santhanam, 2023). The success of the Democratic strategy suggests developmental economic nationalism will continue as a feature of the American political party divide for the foreseeable future.

**Discussion and conclusions**

The American path of political polarisation is driven by race/identity/cultural issues, enhanced by how political parties embrace trade critics as a core part of their electoral strategies. This leads to two different approaches to economic nationalism: developmental and mercantilist. The first neglects trade in favour of domestic economic development while the second attacks it as a threat to the United States. The Republican Party was the first to embrace a new sort of voter concerned by economic decline since the 1990s, uniting them with other voters with grievances about the decline of white, Christian supremacy since the 1960s. Make America Great Again appeals to and links economic nationalists and culture warriors simultaneously, allowing trade critics to punch above their weight in foreign economic policy and culture warriors to do the same in their own area of concern. MAGA Republicans are not the entire Republican Party, but control increasingly more of it, as they use the primary system to install supporters, to remove traditional, trade-friendly Republicans from office, and resort to authoritarianism and violence (Kleinfeld, 2022). These developments support a mercantilist, zero-sum form of economic nationalism that drove trade wars during the Trump administration, and still has a powerful voice in Congress. This shift is strongly entrenched enough to persist well into the future and affect policies in the Democratic Party as well. Like De Ville and Gheyle (2023) show in this volume looking at the EU, politicisation and polarisation have entered the party system and government as a lasting feature, not an exception. The Republican Party will stick to its strong mercantilist positions to retain its new supporters, and the Democratic Party will continue to pursue a developmentalist agenda that appeals to a broad
electorate, including voters tempted by Republican mercantilism, and neglects foreign trade.

Party competition ensures this continuity. The Democratic Party, which this article concentrates on, offers resistance and an alternative to the domestic and foreign policies of its rival, but is forced to attract the same new voters that Republicans won over in 2016 to book electoral successes instead of losses. In foreign and domestic economic relations, this means eschewing any hint of returning to trade talks at all, much less any geared at open economic liberalism or constraints on domestic government interventionism. There are no votes on or discussions of trade agreements in Congress precisely because there is nothing to be gained by doing so in the current environment. Domestic economic development is the formula used to link together progressive and centrist cohorts that normally vote Democratic with independent voters who might otherwise vote Republican for economic reasons. For the same reason, however, the term industrial policy is avoided, since this invites Republican opposition on ideological grounds of opposing big government intervention. Building Back Better and Investing in America are not only Biden administration slogans, but large investment programmes targeted at states that are only recent converts to the Republican vote, and which might weaken the link between economic nationalists and culture warriors that feeds Republican Party power. These programmes also contain explicit commitments to do no trade deals until domestic needs are dealt with. This could take a generation or more, given the great ambitions of the infrastructure programmes and the lack of any further common ground between the polarised parties. The success of this strategy is borne out by the passage of large budgetary packages in Congress, some with strong bipartisan votes, and the failure of MAGA Republicans to undermine these results by forcing retroactive cutbacks in budget ceiling negotiations.

Coalition analysis examining narratives and linkages binding together various societal cohorts therefore provides strong explanations of policy outcomes. The successful aggregation of globalisation critics under the narrative of America First, the singling out of China as the culprit for America’s industrial demise, and the promise to make America Great Again from 2016 to 2020 underlines the mistake of assuming that because the losers of open trade (American manufacturing workers) were in a minority, that they would fail to have influence over foreign economic policy in competitive party systems. To the contrary, it shows the importance of narratives and linkage across groups motivated by economic and identity issues (in this case racial, gender, cultural and religious) as crucial in explaining economic nationalism that trade critics alone were unable to achieve. Once these new cohorts are in play, both parties are forced to compete for them to have a chance at office. This is doubly true for Democrats, who tend to secure more votes in
various elections, but not necessarily leverage that into electoral successes and legislation, given the institutional disadvantages they face to win office and pass laws.

Narratives and linkage are also key to understanding why the Democratic failure to embrace trade critics in 2016 and dismissing them as ‘deplorables’ contributed to electoral loss, while narratives of domestic development as a larger priority than trade served the party well in 2020 and beyond. In short, both parties face incentives to mobilise societal support critical of trade and tie it into broader coalitions of specific groups through convincing, albeit competing narratives. This leads to a further question moving forward of how strong and resilient this shift in party politics has become. If a shift in parties and the societal coalitions attached to them creates new and enduring issue cleavages, we speak of political party system realignment (Norris & Inglehart, 2019 Sundquist, 1983). Is it possible to speak of a realignment, in which these changes of issue cleavages and reliable voter support for political parties, are largely permanent fixtures for the next generation or so? This might be the case, but it will take time and further study to confirm. What is already clear is that polarisation over what American commentators call culture wars has already taken place, beginning no later than the election of Barack Obama to the presidency, and continuing strong to this day. The current battleground of economic nationalism is not about the choice between trade or protectionism, but between two varieties of economic nationalism: an offensive economic nationalism predicated on attacking foreign trading partners, pushing for relative gains and sometimes reaching formal agreements to solidify those demands; and a developmental economic nationalism predicated on re-industrialisation, infrastructure building, research and development. Each of these varieties further resonate with the domestic policy preferences of the respective parties and their support bases. Republicans can square offensive nationalism, tariffs and trade wars with minimal public services and investment. Democrats can square domestic development and neglect of trade more easily. The future debate over the ‘Soul of America’ in domestic policy and its linkages to forms of economic nationalism continues.

These developments also mean that political opposition to formal trade agreements is no longer only the area of NGOs as it was during the Obama administration (De Bièvre & Poletti, 2020). It has taken up shop within the party system and is here to stay for the foreseeable future. For the transatlantic relationship, this means a need for Europe and other trade partners to recognise that the new normal of trade relationships will remain highly informal for the foreseeable future. Europe will also need to recognise that the Democratic Party’s focus on domestic development over trade is the most EU-friendly variety of American economic nationalism it will see.
Note

1. That followed from electoral deadlock between north and south.

Acknowledgements

The author wishes to thank Dirk de Bièvre, Andreas Dür, Scott Hamilton, Jonathan Polk, Julian Hoerner, Ferdi de Ville, and three anonymous reviewers for helpful comments.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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