

THE NATURE OF AMERICAN ECONOMIC STATECRAFT ON CANADA UNDER TRUMP

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Abstract

This paper discusses the concept of American economic statecraft under the Trump administration, with a specific focus on how it applies to U.S.-Canada relations. The study analyses the evolution of U.S. economic policies, with the inclusion of the burden of tariffs, trade renegotiations, and a shift towards protectionism under Trump's "America First" agenda. The paper uses a descriptive and qualitative analysis to highlight the tactical or intentional use of economic statecraft to safeguard U.S. national interests and its impact on Canada's economy, which has resulted in trade wars and tense bilateral relations. The paper utilises comparative analysis of Trump's economic policies across both of his service terms in office, paying strict attention to the 2018 steel and aluminium tariffs and the renegotiation of the North American Free Trade Agreement (NAFTA). This will be achieved by drawing on theories of realism, economic nationalism, and dependency theory. The study emphasises how Trump's economic statecraft has resulted in a disruption of traditional trade relations, thereby prioritising short-term national gain over long-term regional stability. The findings suggest that while U.S.-Canada economic ties remain strong in the meantime, Trump's aggressive and nationalist approach has initiated hesitation and tensions. The paper concludes with recommendations for a more cooperative and negotiated approach to trade, encouraging bilateral negotiations to prevent future or more strain on U.S.-Canada relations and to preserve long-term economic stability.

Keywords: *economic statecraft, American economic statecraft, trade wars, nationalist, protectionism*

Introduction

The international political system over time has evolved which has produced sovereign states. To avoid conflicts international organizations were implemented to foster cooperation among countries but it still doesn't stop these states from looking out for their personal interest and the want to acquire more influence in terms of power, military, economy, and diplomacy. This introduced the concept of what is called statecraft in the international political system. Statecraft is the process of safeguarding a country's interests in its territories through tools and strategies. Countries make use of statecraft in interacting with each other to their advantage. This is not just achieved at a domestic level but at an international level. States will use any means to advance

their military, economic influence, diplomatic influence and overall, interest. Statecraft comes in different types which are economic statecraft, diplomatic statecraft, military statecraft, and political statecraft. In a world where the economy of a country determines the influence it can have on a global scale; the tool of economic statecraft is powerful in that the policies placed help to strengthen the economic situation of a country. Economic statecraft suggests using economic policies as one of the tools to attain national objectives in foreign relations among countries at a strategic level. During Donald Trump's first presidency from 2017 to 2021, the United States implemented a forceful and transactional method of economic diplomacy, exclusively with its close allies like Canada. Trump's economic strategies were characterised and are still characterised by protectionist policies, and trade renegotiations, with the use of tariffs as a force to reform trade in North America. This paper explores the characteristics or nature of American economic statecraft towards Canada under the Trump administration. It would also identify the outcome of the American economic statecraft he is implementing, which has resulted in trade wars.

Methodology

This paper gives a descriptive discourse and analysis of the U.S. economic statecraft on their close ally Canada under Trump's first, and second presidency. It showcases the impact on bilateral relations through key policies such as tariffs and trade negotiation. The paper uses qualitative research to analyse America's economic policies, statements, and new trade agreements with other countries. This will aid in understanding the nature of economic statecraft.

The paper will also use comparative analysis to compare Trump's economic statecraft from his previous administration to his recent one. The paper will collect its data from secondary sources such as news websites, Reports, and articles relevant to discussing the topic.

Literature Review

The American economy statecraft is one vital tool used by the American government to establish national security. This is in line with the National Security Strategy of 2017, which states the importance of economic security as it affects national security. Also, Christopher S. Chivvis and Ethan B. Kapstein agree in line with this statement as they argue that US economic policy is often debated without a clear understanding of its implication to its national security (Christopher and Ethan, 2022, pg. 3). A statement from the appointed U.S. secretary for treasury under the Obama administration Jacob (2019) states that economic statecraft for the united state of America is a crucial pillar and continues to grow over time. This shows that economic statecraft is one of their most yielded tools for global politics. Whatever policy is implemented by the U.S. is to safeguard the country, as that is one of its paramount priorities. These policies are also implemented to achieve global or foreign objectives for the United States of America. This is in line with Richard Maher, who says that economic statecraft is one of the extents to which the United States has competed with China strongly. This attests to the impact of economic policies in achieving the goal of being a superpower, not just a superpower but a hegemon.

These Economic policies involve the use of trade, sanctions, financial policies, and investment to promote national stability and security as well as influence the behaviour of other countries. This influence is to better suit the interests of the US. Richard Maher, in his article "US Economic Statecraft and Great Competition", made mention of David Baldwin's classic Economic Statecraft, which was issued in a new edition in 2020 that pays attention to instruments such as trade and

foreign aid as a strategy of economic statecraft. This simply shows how foreign aid is administered to allied countries to assist developing countries and strengthen alliances that would boost America's influence in global politics. A good example is USAID, which serves as a tool in assisting countries financially, thereby giving the U.S.A. a good standing on influence globally. It is important to understand that their alliances on economic bases are made with countries that share the same democratic values, and concerns in terms of security and international policy commitment (Chivvis and Kapstein, 2022, pg. 3). This is one of the reasons why the U.S. has made an economic alliance in terms of funding the military as a member country of NATO as the only western country with many EU countries.

Also, the global use of the U.S. dollar has fostered influence in the aspect of finances, which has made it easy to place sanctions on defaulting states. This has also made it possible for the US. To have control over the International Monetary Fund (IMF) and World Bank, which results in a boost to their economy. This shows the inherent importance of America's economic statecraft as a powerful tool and as a capitalist country during the Cold War and after the Cold War. Nevertheless, David et al (2020) state that the United States of America no longer possess as much power as it had before, stating that the level of its influence has been devalued due to factors arising from issues like the COVID-19 pandemic (David et al, 2020). Furthermore, states that issues like the pandemic, funding countries in conflict such as Ukraine and the constant expenditure going into the USAID, as well as international organisations, have drastically affected the economy of America over time. This has mandated Trump to make a huge shift towards protectionism.

Economic Statecraft Under Trump: A Shift to Protectionism

Trump's first regime was all about an "America First" economic policy that resulted in a move from the conventional way of U.S. trade strategies, highlighting protectionism over multilateralism. This tactic has affected Canada, one of America's allied countries and America's second-largest trading partner, to a policy shift that has caused an increase in tension between both countries. This was possible through trade Tariffs and Economic Pressure. This is one of the most heated traits of Trump's economic statecraft to Canada, which was the burden of tariffs under the justification of national security. Trump Administration of 2018 on matters of Steel and Aluminium Tariffs: In 2018, they imposed a 25% tariff on steel and a 10% tariff on aluminium imports from Canada under Section 232 of the Trade Expansion Act of 1962. He justifies this move on the grounds of national security, regardless of his long-standing relationship with Canada. This action warranted a retaliation from Canada with counter-tariffs on all U.S. products that target goods such as whiskey, orange juice, and steel. This amounted to \$12.6 billion at that time (Tax Foundation, 2025).

In his second term as the president of America, he still maintained the same policy but with a more forceful demand for compliance with implemented tariffs. According to Trump, the tariffs placed on Steel and aluminium will reduce the threat to their national security by reducing the oversupply of metal into the country. He also states that this will reduce the illegal flow of drugs and migrants into the country while causing an increase in the GDP of America's economy by 24% (The White House, 2025). Furthermore, according to a report from The Guardian, these tariffs placed on Canada's steel have impacted them greatly. (The Guardian) Also, Calvin Woodward, a reporter in an AP news article, highlights that Trump's tariffs on Canada have resulted in a retaliation of tariffs on all U.S. goods as well as on electricity supply to American states at 25% by Ontario (AP NEWS, 2025). This announcement prompted Trump to impose an additional 25% tariff on the previous

tariff. Making it a 50% tariff placement. According to the BBC news website, Trump has placed a halt on the extra 25% tariff he imposed on Canada. Stating that negotiations need to be made when tension between both countries has cooled down (BBC News, 2025)

He also makes known that this traffic put into place would aid in annexing Canada as the 51st state of the United States of America. As he calls “economic force” (New York Times, 2025). He aims to use economic policies to forcefully annexe Canada with all its natural resources. This fact is stated to be true as the prime minister of Canada, Mark Carney, said days before he was sworn in on Friday. “The Americans want our resources, our water, our land, our country. Think about it. If they succeed, they will destroy our way of life” (Carney, 2024). One of Trump's other focal props for his economic statecraft was the renegotiation of the North American Free Trade Agreement (NAFTA), which he believes is the "worst trade deal ever made." Trump has proceeded to make new agreements which include stricter rules on auto manufacturing, labour standards, and intellectual property protections that would benefit America and America on a large scale, especially with regards to wages and taxes.

Theoretical Framework

The theories of International Relations are what give better explanations as to why and what the reason is behind events that have taken place within politics at a national or global scale. This paper relies on the theory of realism, dependency theory, and hegemonic stability theory to highlight the reasons behind Trump's economic statecraft for America. Realism as a theory of IR emphasises a state's pursuit of national interest, security and power. This is because Realists believe that the state possesses the nature of humans which is selfish, so any action or policy a country or a state implement is to gain more and protect what it already has. The economic policies made by Trump seek to protect America and Americans with the implications of tariffs and trade renegotiation with its allied countries. This only portrays self-interest, and a power-based approach to increase the influence or strength of the U.S. economy at the expense of its 2nd closest ally Country Canada. This act undoubtedly proves that a country will always place its self-interest first above any other. This also questions the nature of America's foreign policy, which countries of the world believe to be collaborative and diplomatic.

Also, this action of Trump highlights the Economic nationalism theory that advocates for the protection of its domestic factories and prioritising economic sovereignty over global trade cooperation. He considers that investments from these allied countries should foster investment in the U.S. to safeguard its economy. The demonstration of Trump's tariffs on Canadian goods and the term "America First" trade policies shows his nationalist approach to America's economic statecraft. Henceforth, these trade barriers would also result in a reduction in foreign goods being imported into the country and encourage an increase in U.S. production within the country which will in turn create a massive cut to the high cost of living and boost economic growth. All this is at the expense of a strained relationship with its ally country Canada.

Dependency theory claims that a developed nation maintains economic dominance over less powerful economies. This is achieved by keeping them reliant on unequal trade structures. Furthermore, this American economic statecraft placed on Canada is a form of controlling access to the U.S. market to reinforce Canada's economic dependence. The U.S. and Canada's imbalance in trade and forced reductions in USMCA display asymmetrical power dynamics as a key principle of dependency theory. This theory suggests that a dominant economic power, which is referred to

as hegemon, upholds order in the global economy. It is evident that the U.S., as a hegemonic power, shapes trade agreements, tariffs, and regulations that benefit its interests through economic force on Canada, with the belief that they must comply.

Trump's economic statecraft, most importantly, reviews Trump's mandate to reaffirm American dominance over North American trade through renegotiation of deals in favour of the U.S.

Findings and Discussions

Trump's economic statecraft toward Canada was and is still categorised as a shift from cooperative trade relations to a more protectionist and transactional approach. This approach has heightened economic tension between both countries, with the hope that Canada will succumb to the pressure placed on it through tariffs. This pressure will enable Trump to annexe Canada as the 51st state of the U.S., increase their economic standing by resulting in to increase in investment within the country and curb excessive importation of steel into the country. All this he categorises as national security for the U.S. through the renegotiation of NAFTA and tariffs. Furthermore, there is heightened tension in trade or trade wars between both countries. They both fight to secure their national interest regardless of their close relationship. Also, Trump's administration is mainly driven by the United States' interest in an "America First" plan, which has substantial effects on North American trade, diplomatic relations, and economic stability.

Suggestions from findings show that U.S. economic statecraft under the Trump administration is primarily driven by short-term economic gain rather than long-term regional stability. This is probably due to his only four-year term in office. This is with the hope of increasing the influence of the U.S. and maintaining its dominance globally. The swift transition from multilateral cooperation to a more unilateral and protectionist stance has disrupted years of deeply rooted economic relations between the United States and Canada. The renegotiation of NAFTA into the USMCA demonstrates that although economic interdependence remains a reality, the Trump administration has explored ways to create a rebalancing of trade terms in favour of the United States, often through confrontational means.

Moreover, Trump's use of tariffs as an economic weapon has put a strain on trust between the nations, leading Canada to explore more strategies to reduce its dependence on the U.S. market. The trade interruptions have not only caused an impact on businesses but also warrant attention to concerns about the reliability of the U.S. as a business partner among policymakers.

Despite tensions, the U.S. and Canada trade has remained as both countries continue to be each other's largest trading partners, proving the strength of their economic ties despite their differences in politics. However, the period of Trump's administration in both terms has portrayed a significant move from the cooperative trade relations that had been present in previous decades. Trump's economic statecraft toward Canada is exceedingly transactional, nationalistic, and sometimes unpredictable, thereby underlining economic self-interest over conventional allyship.

Conclusion

It is clear to say that Trump's economic statecraft towards Canada was and still is confrontational and nationalistic, with priority being set on U.S. economic interests at the expense of Canada, not minding their close relationship over the years. Although their economic integration has remained strong, the period during Trump's first and second terms has remained marked by trade disputes,

tariffs, and a transition toward managed trade rather than free trade. However, the resolution of USMCA in 2020 stabilised relations somewhat, though tensions lingered in the past and present. It is undoubtedly evident that for Trump in his pursuit of “America first”, economic statecraft is a remarkable tool to maintain their interest of influence globally in military, trade and diplomacy without considering its effect on allied countries. This move will also make America “great again”.

Recommendations

It is acceptable for the U.S. to want to protect its interests and maintain its dominance as a country that has maintained power over decades. From the evidence provided concerning the American economic statecraft under Trump's regime. It would make more sense to approach the issue of trade in a cooperative approach. This is because an immediate change of policies that have been deeply rooted, especially with Canada, can warrant Canada forming new alliances with other countries, which can, in turn, harm the economy of America in the long run. This is because Trump's implementation of economic policies would only jeopardise relationships. This can result in a loss of trust between both countries, as Canada is finally looking outside the box to avoid depending on the U.S. trade market. Although Trump believes that his policies are to protect the national security of the country, a cooperative effort rather than a unilateral stand would go a long way. As a hegemon, if countries begin to lose faith in the U.S., there would be an automatic form of alliance with other superpowers, which the U.S. considers their competitors or enemies, which could result in a decline in its influence and loss of global outreach. In the future, compliance and negotiation with Canada would be a proper solution to trade disputes rather than a confrontation. Also, the establishment of bilateral trade forums could assist in reducing economic uncertainties.

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