Peculiar policy: Trump's influence on international investment

Universiteit Leiden

Bachelor Project: 'Foreign Policy in Times of US Decline'

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INTRODUCTION

On January 20, 2017, Donald Trump was inaugurated as president of the United States of America. With his "Make America Great Again' campaign, which was based on the strategy 'America first', Trump polarized the state even more than it already was. There are Americans who are glad that a president is finally choosing the US above the rest of the world. At the same time, people are worried about how Trump as president is going to affect the state negatively. This division goes beyond the classic division of Republicans versus Democrats; even a few Republicans are doubting the policy of Trump. As founder of the current international order including a majority of its institution, the United States has been a world power for a long time. However, in Trump's speeches it became clear that he did not agree on how the treaties and agreements were concluded and with the role the US played within the institutions. Trump had a more protectionist vision. This became apparent soon after he was inaugurated when president Trump announced on January 30, 2017, only ten days after the inauguration, that the US would withdraw from the Trans-Pacific Partnership Agreement which was only official for one year (United States Trade Representative, 2017). It turned out that the withdrawal from the Trans-Pacific Partnership Agreement was the first of many to come. In the four years as president, Donald Trump withdrew, or planned to withdraw, from multiple treaties and agreements. Six months after the inauguration on the 1st of June 2017, the US left from the Paris Climate Accord. The US has always been hesitant towards climate agreements which made it special that they signed the Paris Accord. Trump said about the Accord that it was "the latest example of Washington entering into an agreement that disadvantages the United States to the exclusive benefit of other countries" (White House, 2017). In October of 2018, withdrawal from four international agreements is announced by the Trump administration (Galbraith, 2019, p. 132). The most recent withdrawal was from the World Health Organization (WHO). This is noteworthy as the US is one of the founding members of this organization. Donald Trump heavily criticized the North Atlantic Treaty Organization (NATO) and the World Trade Organization (WTO) as well. Both organizations the US founded and seen by many as protectors of the liberal values, security and trade, in the world; values that always have been important to the US. With Trump as president this might change.

Donald Trump is an unusual president with criticizing the international institutions and withdrawing from treaties. However, some academics go a step further and call Trump an illiberal president (Ikenberry, 2018, p. 7). The arguments are that Donald Trump does not respect liberal values, like security and trade. Besides, the US has been the leader in the liberal international economy for years, but the hostile attitude towards the WTO from Trump has influenced the economic order negatively. This has academics arguing that the US is pulling away from the international order. In the book by Jervis, Gavin, Rovner and Labrosse (2018) the negativity of Trump towards the world order is discussed. They even state that “Trump’s rhetoric is an attack on the foundation of that trust [the basic norms in the international order]” (Jervis et al, 2018, p. 11).

However, you could argue that these academics are too quick to judge. Just because Trump withdrew from a few major organizations and agreements does not necessarily means that the US is no longer a leader. Being involved in the liberal international order goes beyond established institutions and trade agreements. A part of the liberal international order, and thus the liberal international economy, is investment. This is a part that is not discussed a lot in the media or in the academic literature regarding Trump’s policy. Agreements in the investment world were not as common as trade agreements, but they are developing and more bilateral investment treaties (BITs) are agreed upon. It is becoming more common to include investment provisions in other treaties as well. In other words, the liberal international economy does not only exist of trade agreements, the international investment treaties (IIAs) are important as well.

Since the focus of the media and the scholars is on trade agreements and the international institutions, this thesis will focus on the international investment agreements. This is a general term for all the agreements that include investment. It will examine whether president Trump is also withdrawing in this area of the liberal international order. To do this, there will be looked at the IIAs and at the foreign direct investment (FDI). The aim of this thesis is to answer the research question: *to what extent does the investment policy of the Trump administration influence the conclusion of IIAs and their distribution of FDI?*

This thesis will start with the theoretical framework in which the existing literature and the theoretical base for this thesis will be discussed. This is also the basis for the expectations that arise from the theories. In the second section the methodology of this research will be explained. This will start off with the operationalization and conceptualization. The research design and case selection will follow. After the methodology the results and analysis will be presented which will be followed by the last part, the conclusion and discussion.

THEORECTICAL FRAMEWORK

Literature review

In his article *'Trump, American hegemony and the future of the liberal international order'* (2018), Stokes discusses the liberal international order. He states: "the 'liberal' component of the LIO (liberal international order) has often meant the promotion of a specific kind of neoliberal global economy: free markets, deregulation of capitalism and the rolling back of state interference in the domestic economy" (Stokes, 2018, p. 135). Just like other existing literature, Stokes mainly writes about how president Trump acts differently than his predecessors towards foreign economic relations and free trade. Where the US was always the most supportive state for free trade, under Trump there is a discontinuity (Stokes, 2018, p. 137). Stokes and other scholars have looked at the development of trade under the Trump administration, but the investment side has been left nearly untouched. In the article *'The Global Economy, FDI, and the Regime for Investment'*, Helen V. Milner (2014) addresses what role investment has in the world by focusing on foreign direct investment. It is important to look at investment in order to create a complete view on how Trump is acting in the liberal international order. As Milner writes: "FDI has become one of the most important economic flows in the global economy" (Milner, 2014, p. 2).

In her article Milner (2014) also describes the differences between the sorts of treaties. She explains that there is a big difference between trade regulations and investment regulations. While there are global trade agreements, there are not any global investment treaties. All of them are bilateral or regional and the BITs are the most common of these agreements. Milner explains why it is important to have investment agreements. Namely because with investment the investors need to know how their money is used. BITs are the mechanism that provides a credible commitment and it allows host countries "to overcome the time-inconsistency problems that FDI raises" (Milner, 2014, p. 4).

Just like Milner already mentioned, Simmons (2014) and Miller (2017) write in their articles about how there are not any multilateral agreements. Simmons (2014) writes about the rules, or as Simmons calls it 'regime', that has strongly developed over the past years. Simmons' definition of the 'international investment regime' is: "the collection of often decentralized (even sometimes incoherent) rules about the promotion and protection of foreign direct investment" (Simmons, 2014, p. 13). This definition is interesting because it contains two concepts that are central in this thesis, namely decentralized and foreign direct investment. The reason that foreign direct investment (FDI) is a part of this thesis is explained on the basis of the article by Milner. The decentralization part is the focus on the international investment agreements (IIAs), like BITs. She writes that there is not a multilateral agreement on investment like there is with trade. Investment rules are developed in a different way, namely through customary law. Simmons blames the lack of a multilateral agreement on the major capital-exporting states, because they could not agree on the terms (Simmons, 2014, p. 15). Concerning the topic that the major states in the international order are failing to come to an agreement, Scott Miller wrote the article *'International Investment Policy: prospects for U.S.-China Cooperation on Global Investment Policy'* (2017). He writes that finding a way to come to an agreement would be of importance to both since it would protect their investors. However, there are some fundamental issues that are working against this agreement and this is not going to change any time soon. This is the reason why the negotiations for the BIT, that started in 2008, are stalled. The US and China are not solving this disagreement, instead they are using other institutions to find a way to cooperate (Miller, 2017, pp. 67-68). Miller ends his article with the following sentence: "However, reforms should not become an excuse for protectionism, should not target any single country, and should not undermine the basic open investment policy that the United States has followed since the Reagan administration" (Miller, 2017, pp. 68-69). However, it seems like that is exactly what president Trump is doing. He is withdrawing from many international agreements and institutions and he is creating the image of China being the enemy. The question here is, is Trump also undermining the basic open investment policy?

Not every academic thinks that BITs are a great new development in the international order. There is a more critical vision on BITs in the article *'Reconsidering the motivations of the U.S. bilateral investment treaty program'* by Adam S. Chilton (2014). He noticed that once the BITs came up for voting they all passed without opposition. This made him wonder whether BITs actually have value because if that is the case why is there not more opposition? Chilton comes up with the theory that the US signed BITs to improve the relations with developing states that are important to the US interests (Chilton, 2014, p. 374). This critique is not a problem for this thesis since Chilton's theory still implies that the US is involved in the world order and not pulling away from it.

To sum up, investment treaties and the FDI are becoming more important in the liberal international order. Yet, it is often neglected when academics are analyzing Trumps foreign policy.

Theories

The underlying theory for this thesis is the liberal international order theory, also called liberal internationalism from G. John Ikenberry. This theory is used in most of the articles that are discussed. The theory is clarified in the article by Ikenberry (2018). According to Ikenberry liberal internationalism offers "a vision of open and loosely rules-based order. It is a tradition of order-building that emerged with the rise and spread of liberal democracy, and its ideas and agendas have been shaped as these countries have confronted and struggled with the grand forces of modernity" (Ikenberry, 2018, p. 8). What can be concluded from this is that liberal internationalism is much more than just the existing institutions. It is about ideas and norms that have come with it. Ikenberry captured these norms and agendas in five key subjects that together make liberal internationalism. The first one is about openness and it concerns trade and economic growth. This is the key factor where the articles and this thesis is based upon.

One of the theories that relies on liberal internationalism is the hegemonic stability theory (HST), described in the article by Stokes (2018). This theory explains what the logic is behind hegemonic leadership. It is believed that the existence of a benign hegemon is needed in the world. This thought of liberal internationalists is based on the hegemonic stability theory. According to Stokes the category of hegemon that the US falls into with Trump as president is called the structurally advantaged hegemon. This means that the hegemon has the power to shape the world system to their interests to create advantages. This would imply that it would be best for the US to stay active in the world in order to keep the ability of influencing other states. The other theory by Stokes is transactional bilateralism. In Stokes' article Trump is seen as a president who embodies cost-benefit bilateralism. This means that Trump makes his foreign policy based on transactional relations rather than by ideals such as human rights and democracy (Stokes, 2018, p. 137). These transactional relations are embodied in the bilateral investment treaties and thus according to this theory Trump would still support the BITs and distribution of FDI if the US gains from them.

In Milner's symposium (2014) the article by Allee and Peinhart is discussed and they developed a theory on how BITs are concluded. This theory looks at how BITs are concluded from a different perspective than the transactional bilateralism from Stokes. Allee and Peinhart argue that power imbalances have a great influence on the conclusion of BITs. They say that "rich capital-exporting countries and firms are able to get host countries to sign the most constraining agreements when the power imbalances are greatest" (Milner, 2014, p. 7). The theory implies that when power imbalances are great the BITs are concluded more easily than when the imbalance is small. This means that the conclusion of BITs, and thus the distribution of FDI, will not contain the states that are a power rival of the US, like China. This theory is different from the cost-benefit bilateralism since that theory argues that the US would conclude treaties with every states as long as they gain from it.

Since the theories are not supporting one outcome, three expectations can be derived from these theories. The first one is that that there is no significant difference from the development of IIAs and the distribution of FDI compared to the years before the Trump administration. This expectation is supported by the cost-benefit bilateralism theory by Stokes. The US will continue to conclude treaties and distribute FDI as long as they gain from it. A second expectation is that the United States is selectively excluding states from their IIAs and FDI. This is supported by the hegemonic stability theory in the way that they want to strengthen their position as hegemon by excluding China. The theory by Milner about the power politics supports this second hypothesis as well. Since the imbalance between China and the US is becoming smaller, they will not reach an agreement, thus will China be excluded from the IIAs with the US and the amount of FDI will decline. The last one is that the US is withdrawing from IIAs and is spending less FDI. This would mean that the US is following the same trend that is going on with the trade agreements and institutions. This is based on Ikenberry because he argues in his article that the US now has a president who is “hostile to liberal internationalism” (Ikenberry, 2018, p. 7). In other words, Trump is skeptical about agreements and institutions and does not want to be a part of it.

METHODOLOGY

Conceptualization & operationalization

In this thesis, there are concepts that need further clarification in order to get the validity and reliability that it needs. The terms used in the research question and in the overall research can be interpreted in different ways and therefore conceptualization is needed. The concepts that need clarification for a better operationalization are: investment policy, international investment agreements and foreign direct investment.

The first concept that arises in the research question that needs a clear definition is ‘investment policy’. It is a key concept and it needs conceptualization in order to be able to correctly answer the research question. The definition of investment policy that is used is captured by the OECD, the Organization for Economic Co-operation and Development. They published a document called ‘Policy Framework for Investment’ (PFI) in which they describe investment policy. According to this document investment policy is connected to “a country’s laws, regulations and practices that directly enable or discourage investment” (OECD, 2011, p. 2). The policy includes transparency, dispute settlement and rules. The investment policy of a state has a lot of influence on how the investors act. Investors value transparency, property protection and non-discrimination (OECD, 2011, p. 2). This thesis will not go into depth on how the investment policy of the US is formulated, but it is important to know how investment policy is written in order to understand what kind of consequences it can have for the actions of the states. The aim is to investigate if the investment policy of the US is still open for the world order or if this is focused on America like the trade policy.

A second concept, that has been mentioned multiple times already, are international investment agreements (IIAs). This definition is given by the United Nations Conference on Trade and Development (UNCTAD). UNCTAD wrote a three-volume set of rapports on international investment agreements in 2004. The definition that is used in this thesis comes forth from volume 1. UNCTAD describes IIAs as follow: “They are the most effective means for developing and applying international norms, with respect to GDI as in other areas. On the one hand, their contents reflect the common, agreed positions of more than one State; on the other, they are legally binding, and States are under a duty to conform to their provisions” (UNCTAD, 2004, p. 17). Furthermore, IIAs are formed on all different kinds of levels: bilateral, regional, plurilateral and multilateral. This thesis looks at the different forms of IIAs since this is an overarching concept that includes BITs, TRIMs and TRIPs, but they are also included in regional agreements like NAFTA and ASEAN (UNCTAD, 2004, pp. 17-18).

The last concept that is of importance is foreign direct investment (FDI). For the definition of FDI UNCTAD is used as source. They define FDI as “an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor” (UNCTAD, 2007, p. 245). In other words, FDI is an investment that allows a state to have significant influence on another state and it is long-term. Long-term would suggest that president Trump is tied to FDI spending that has been done by his predecessor. However, Trump has proven by withdrawing from long-term institutions that it is not impossible to end these kinds of relationships.

Now that the concepts of this thesis are discussed, it is time to make them operational and applicable to this research. The number of IIAs concluded and the distribution of FDI represent what kind of investment policy president Trump is acting on. Trump’s investment policy is ranked from open to less open to concluding IIAs and the distribution of FDI. That ranking is linked to the expectations for this research. The categories in the ranking are: Open, semi-open, and less open. The investment policy is considered open when there are no significant changes from the period previous to the Trump administration. When the investment policy is selective on which states are involved in the IIAs and FDI, the investment policy is semi-open. The investment policy is less open if the US is withdrawing from IIAs and is distributing less FDI. This categorization is described in table 1.

Table 1 The ranking of openness of Trump's investment policy

Ranking of openness	Investment policy
Open	The investment policy of the US has not significantly changed. The number of conclude IIAs and the distribution of FDI stayed the same.
Semi-open	The US is selectively excluding states from their IIAs and FDI distribution.
Less open	The US is withdrawing from IIAs and is spending less on FDI.

Research design

The research consists of two parts. Together these parts aim to answer the research question. The reason that there are two parts in this analysis is because a president does not always have the same investment policy for concluding IIAs and distributing FDI.

In the first part a cross-sectional comparative historical research is conducted regarding the number of concluded international investment agreements during the Trump administration. This is compared to the number of IIAs concluded in the Obama administration. The reason why it is compared to the Obama administration is because this gives a clear image on how the Trump's policy differs from a president who was considered as open to the liberal order. In order to provide an answer for the second expectation, the expectation that the US is selectively excluding states from their IIAs and FDI distribution, a distinction is made between the political relationship of the states that are involved in the IIAs that is concluded. The distinction that is made is whether a state is an ally or a rival. This is not always clear and that is why a third category will be added. This third category is called neutral. A state is an ally of the US when it is a member of NATO or when it has another long-term relationship to the US. An example of a long-term relationship is being a trade partner with the US for over ten years. Rivals of the US are states of which president Trump talked negatively about. These are China, Iran, North Korea and Russia. The other states are seen as neutral. This categorization is described in table 2.

Table 2 Political relationship of states with the US

Political relationship	States
Ally	NATO, long-term relationship with US
Rival	China, Iran, North Korea, Russia
Neutral	Other states

The second part focuses on the distribution of FDI. First the total spending on FDI by the US is analyzed. After that FDI spending in two opposite states are compared in order to see if states are treated differently. For this part a most different system design (MDSD) is used because this type of research allows to compare states that are different in many variables but have an important similarity. In this case that means that two very different states are compared in order to determine whether the US is treating states differently. The similarity is that both states are receiving FDI from the US.

Case selection

For both parts of the research the same time periods from which data is extracted is used. This time frame is under the Trump administration from January 2017 until December 2019. The years of the Obama administration that are used are from the last four year; this means from January 2013 until December 2016. The year 2020 is not be included. The reason for this decision is that COVID-19 spread across the world since January 2020. This pandemic has influenced the world in unforeseen ways. These extraordinary circumstances could give a different outcome if they are included in the research. An outcome that will not display the investment policy that president Trump intended.

For the first part of the research, which is about the concluded international investment agreements, a database from the United Nations Conference on Trade and Development (UNCTAD) is used. On their website for investment policy, they have different kinds of policy tools. One of these tools is the International Investment Agreements Navigator. This tool shows all the IIAs that have been concluded in the world. The chosen economy is the United States and the kind of IIAs that are involved are the Bilateral Investment Treaties (BITs) and Treaties with Investment Provisions (TIPs). The reason for involving TIPs as well is that it is becoming more common to include investment agreements in more general treaties. If this thesis would only include BITs, it would give an incomplete representation of the number of IIAs concluded by the United States.

For the second part a MDSD is conducted. In this part the FDI spending of the US is researched in general and specifically regarding two states. These two states are the United Kingdom, a long-term ally of the US and China, a state president Trump called the enemy. The choice for these two states is made in order to obtain a good view of whether Trump is selectively treating states different than others. The theory described by Milner (2014) argues that because China is a power rival of the US, the consequence would be that the US would not conclude an IIA and that less FDI will be distributed to China than the UK. China and the UK differ on many aspects but have an important aspect in common. The variable that they have in common is that they are both important and major actors in the liberal international order since they are both members of the UN security council. However, they differ in relation with US, political system and ideology. How much incoming FDI both states receive is dependent of the investment policy of the United States. There is an overview in table 3 of the differences and similarities.

Table 3 Most Different System Design (MDSD) China and United Kingdom

	China	**United Kingdom**
Political situation	Authoritarian	Monarchy; Democracy
Relation with US	Rival	Ally
Ideology	Communist	Liberal
Similarity	Important, major actor in liberal international order.	Important, major actor in liberal international order.
Dependent variable	Amount of incoming FDI from US.	Amount of incoming FDI from US.

The data that is used for the research is from the database of the World Bank and from the Bureau of Economic Analysis (BEA) from the U.S. department of commerce. On the website of the World Bank the foreign direct investment in- and outflows of every state is found. For this thesis, the data is specified for the United States. This results in receiving information about the net outflows of the United States regarding FDI from 1970 until 2019. This is a great overview to create a proper image on how the United States has been spending their FDI in the past years. For the data from the BEA the investment type used is 'United States direct investment abroad', because this thesis examines the amount of investment spend in China and the United Kingdom.

RESULTS

Based on the theories and the literature review three expectations were set. Since every expectation could find support in one of the theories, there is not a clear expectation for the outcome of the research. The research is executed as described in the case selection and the results of that research will be discussed in the following sections.

Part I: International Investment Agreements (IIAs)

In the database from the United Nations Conference on Trade and Development there is a distinction made between bilateral investment treaties (BITs) and treaties with investment provisions (TIPs) and both are covered by international investment agreements (IIAs).

The result on the bilateral investment treaties is surprising. Since 2008 the United States have not signed any BITs. In other words, no BITs have been signed under the Trump administration nor when Obama was president. There can be multiple reasons for this gap but in order to find those reasons more research on the circumstances in which BITS are concluded needs to be done. When comparing the last four years with Obama as president with the years that Trump is in the White House there is not a difference, because in both periods no BIT was signed. This result would mean that the first expectation is followed; no significant change. This expectation is supported by the theory of cost-benefit bilateralism by Stokes (2018) which states that the US will continue to conclude treaties as long as they gain from it. However, no treaties were signed and thus this expectation does not fit entirely. The expectation can be interpreted in two ways with this result. The first interpretation is that according to the theory treaties are concluded if they gain from it which means that the US did not conclude any treaty because they would not gain from it. The other interpretation is that Trump is following the investment policy of Obama which is not concluding BITs. In order to give an answer to which one of the two interpretations is right, more research on the ongoing BIT negotiations needs to be done. It can be that the US does want to conclude treaties but that the negotiations take a long time. An example of an ongoing negotiation is the BIT with China. There have been negotiations with China since 2008 but they have been stalled as was mentioned in the article by Scott Miller about the future of investment policy of the US and China (2017). An explanation for the stalling of the negotiations can be found in the theory of power politics by Milner which does imply that the second expectation could be true as well. The US could be selective in their conclusion of IIAs, but again more research needs to be done. To conclude, there is no difference between the Obama and Trump administration when it comes to concluding BITs. The underlying reason could differ. This means that there is not one expectation that fits the results, expectation one or two could be correct.

The United States did sign treaties with investment provisions since 2013. The results of this research are presented in table 4.

Table 4 Treaties with Investment Provision signed since 2013

Number	**Date of signature**	**Title of agreements**	**States involved**	**Political situation**
1	30-11-2018	USMCA	Canada, Mexico & U.S.	Ally
2	13-01-2017	Paraguay – U.S. TIFA	Paraguay & U.S.	Neutral
3	23-03-2016	Argentina – U.S. TIFA	Argentina & U.S.	Neutral
4	04-02-2016	TPP	Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia	Ally/Neutral
5	07-05-2015	Armenia – U.S. TIFA	Armenia & U.S.	Neutral
6	05-08-2014	ECOWAS – U.S. TIFA	ECOWAS (Economic Community of	Neutral

			West African States) & U.S.	
7	18-12-2013	Libya – U.S. TIFA	Libya & U.S.	Neutral
8	28-05-2013	CARICOM – U.S. TIFA	CARICOM (Caribbean Community) & U.S.	Neutral
9	21-05-2013	Myanmar – U.S. TIFA	Myanmar – U.S.	Neutral

While analyzing the data presented in table 4 there are a few things that stand out. First of the number of treaties concluded under the Trump administration. Only one treaty has been signed in contrast with the eight treaties that were concluded in the four years before Trump's presidency. This is a significant difference between the different administrations. We can conclude from this result that Trump did not have the same investment policy when it comes to signing treaties as Obama. This result also implies that a trend is going on that investment provisions in treaties are more popular than bilateral agreements. However, more research needs to be done to be certain. Although the numbers are showing a difference already, this is not the only aspect that needs to be looked at in order to give a complete answer on the research question.

Another aspect that needs attention is the states that the only agreement under Trump is concluded with. The states involved are Canada and Mexico; neighboring countries. The circumstances of the conclusion of this treaty fit well with the transactional bilateralism theory by Stokes (2017), just like the result of the BITs. By concluding this treaty, it seems that Trump still wants to be involved in the world, but only with states the US can gain from. Canada and Mexico are neighboring countries who are most likely to have the most interaction with the United States and thus the US would benefit from having a treaty with states they can gain most from. However, the theory by Stokes supports the expectation that there is not a significant difference between the two presidential periods in time, but that is not the case. Trump is signing less treaties which is a result that confirms expectation three; Trump is withdrawing from signing IIAs. This expectation finds support as well in the withdrawal from the TPP by Trump, ten days after the inauguration. This treaty was concluded in February 2016 by the Obama administration. The fact that Trump is withdrawing from treaties like TPP makes the presumption that the third expectation is true stronger.

However, the last information that needs to be taken into account is sheds a different light on the case. There is not a big difference between the political situation in states with which the US concluded treaties. Trump concluded a treaty with Canada and Mexico. Obama concluded a treaty which involved Canada as well; the TPP. Because Trump only concluded one treaty it is hard to say if this similarity would stay the same, but for now you could say that this result supports the first expectation. However, is the political factor a strong enough factor to support expectation one while all the other factors are pointing at expectation three? The answer is no. The number of treaties signed and the withdrawal from the TPP are the most important results in this part of the research, because those factors are most likely to be influenced by Trump's investment policy while the political situation in a state could be a coincidence with only one case as proof.

The conclusion of part I of this research is that the results are not pointing to one expectation to be true. The results on the conclusion of BITs are supporting expectation one, no difference with previous administration, while the results of the TIPs are mostly supporting expectation three, significant difference. Nevertheless, this is a provisory conclusion. The results of the second part are equally important in order to answer the research question.

Part II: Distribution of US Foreign Direct Investment in China and the United Kingdom

Milner (2014) argued in her article that foreign direct investment (FDI) has evolved into an important economic flow in the liberal international order. FDI is regulated in International Investment Agreements (IIAs), but the development of these agreements does not always go hand in hand with the distribution of FDI in the world. That is why in this part of the analysis the focus is on FDI only. This gives a more complete representation of the investment policy of the US which does not only consist of the number of concluded IIAs but the distribution of FDI as well. First the total spending on FDI is discussed which is followed by examining the FDI spend in China and the United Kingdom. China and the United Kingdom are addressed in order to find out if there is a difference in how the US is treating an ally (the UK) and a rival (China). This gives the ability to see if second expectation is correct.

In figure 1 the total net outflow of foreign direct investment between 2013 and 2019 is presented. This figure shows the amount of FDI spend throughout the years and creates an overview in which the differences between the two administration are clearly visible.

What is seen in the figure is that the FDI outflow during the Obama administration was, with a slight decline, stable. The first four dots, which represents the Obama period, are relatively close together if you compare it with the three dots that follow. The figure shows that the year that Trump became president the FDI outflow was higher than the years before. However, this was followed by a steep drop in 2018. In 2019 the outflow was bigger than the year before but still low compared to the years 2013 till 2017. Due to the big differences in the FDI outflow during the Trump administration, it is hard to conclude whether one of the expectations is correct here. This result shows that either Trump did not have one clear line in his investment policy about FDI or that other factors played a big role in the FDI outflow of the US.

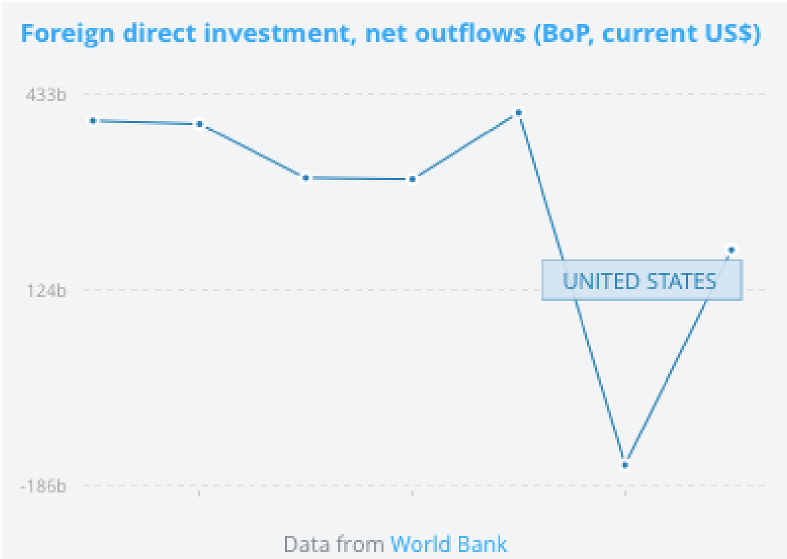

Figure 1 Total FDI outflow from the US between 2013 and 2019

The total outflow of FDI by the United States is inconclusive. The results on the FDI spend in China and the United Kingdom are inconclusive as well. In table 5 an overview of the distribution of FDI from the US in China and the United Kingdom can be found.

Table 5 US FDI spend in China and the United Kingdom

State	**Year**						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
China	60.454	82.244	92.150	97.458	105.146	109.332	116.203
United Kingdom	537.714	631.666	632.327	747.425	815.059	796.564	851.414

While analyzing the result of FDI that the US spend in China and the United Kingdom, there are two aspects that need discussion.

First, both China and the United Kingdom received more foreign direct investment in 2013 than in 2019. In the years between an increase is seen as well. In 2019, China receives almost the double amount of FDI than it did in 2013, a difference of 56 thousand dollars. However, compared to the amount that the United Kingdom receives it still is not a high amount. The United Kingdom receives over 300 thousand dollars more in 2019 than in 2013. This result indicates that the first expectation is correct. Even though the amount spend on FDI in China and the United Kingdom is higher during the Trump administration than it was during the Obama administration, the distribution of FDI did follow the same trend during both administrations. In order words, the reason for the conclusion that there is no difference is because during both administrations there was an increasing line in the amount spend on FDI in China and the United Kingdom.

The second point in this analysis is surprising. Figure 1 showed that in 2018 the outflow of US FDI was extremely low compared to the other years. This leads to the expectation that the steep drop would be visible in the amount of FDI spend in China and the United Kingdom. The amount of FDI spend in China in 2018 is 109.332 dollars and in 2017 this was 105.146 dollar. This means that even though the US distributed significantly less FDI in 2018, the amount in China did not decline. This is a different story in the case of the United Kingdom. The amount of FDI that the UK received in 2018 is 796.564 dollars while they received 815.059 dollars in 2017. This means that the US distributed less FDI to the United Kingdom, an ally. This is a surprising outcome because according to the power politics theory by Milner (2014) it should have been China who would receive less FDI because they are the power rival. This would lead to a reversed second expectation, namely that the US is selectively distribution less FDI but not to its rival but to its ally. However, this decline in the distribution of FDI is only in that specific year. In 2019 the amount is higher than it was in 2018 and in 2017. Besides, a one-year decline which was that substantial implies that there was another factor that influenced that decline.

The main conclusion of part II of this research is that the results are inconclusive. There is not a clear line in the distribution of FDI by the US during Trump's presidency. For every expectation something can be said. The first expectation is supported by the increasing amount of FDI spend in China and the UK from 2013 until 2019 which indicates no difference between the Obama and the Trump administration. The only exception is the year 2018 when the UK received less FDI. This fact implies that the US is selectively excluding states from their investment policy and thus supports the second expectation. However, it is odd that the UK is excluded instead of China which would be the case according to the power politics theory. The third expectation is supported by the result on the total spending of FDI by the United States. The increase in 2017 and the steep decline in 2018 shows no clear line which is a big contrast with the stabilized spending of FDI by Obama.

DISCUSSION

That IIAs and FDI are becoming more important throughout the years has been established by Stokes (2017) and Milner (2018). The gap in the existing literature needs to be closed in order to fully understand the foreign policy of president Trump and not only the most obvious actions that made the news. This thesis made a start in researching this part of the foreign policy. However, limitations are inevitable with doing research.

First, the research looked at the number of IIAs that were actually concluded. However, entering into negotiations shows that your state is open to treaties as well, but it can also show that a state pretends to be open to negotiations but has such high conditions that an agreement will never be reached. To get a more comprehensive perception on how open Trump is to concluding investment treaties, following research should strive to include the ongoing investment treaties negotiations with regard to the conditions a state has. A second aspect that needs to be looked at is the significant drop in the outflow of FDI in 2018. This thesis assumed that all other factors stayed the same and that the differences in distribution of FDI were caused by the investment policy of president Trump. However, this drop in FDI outflow is remarkable. For future research it is crucial to look into the factors that influence the amount of FDI outflow. This could lead to another explanation for the exceptional drop in FDI in 2018. If there is another cause, the conclusion derived from the results, that Trump is open to distribution FDI, only gets stronger, because that can mean that Trump wanted to spend more on FDI but was limited due to other reasons. Lastly there are some factors that could contribute to a more comprehensive image on how the US is distributing their FDI over the world. This research used China and the United Kingdom. Two opposites with a surprising result, the UK received less FDI in 2018 than the year before while China's amount kept on increasing. In order to be able to make a more general statement future research should look into more states that receive FDI from the US. A broader study could show whether the US spend less FDI on other allies in 2018 or that the UK is the exception. If the US spend less on multiple allies in 2018, a remarkable commotion is going on that needs to be looked at.

CONCLUSION

When Donald Trump got elected as president it quickly became clear that he was not a president like the ones that came before him. His protectionist policy and the withdrawal from long-term institutions and treaties from which the US was one of the initiators off resulted in academics arguing that he was an unusual president. The system is changing under Trump and articles and books called *'The end of the liberal international order?'* by Ikenberry (2018) or *'Chaos in the liberal order: the Trump presidency and international politics in the twenty-first century'* by Jervis, Gavin, Rovner & Labrosse (2018) arose. The purpose of this thesis is not to give an answer on how the liberal international order is affected by Trump, but to fill a gap in the existing literature regarding the investment policy of Trump.

The results on the first part about the IIAs are not pointing to one expectation. The only exception that is not supported by the results was the second one. President Trump is not selectively excluding certain states from the conclusion of IIAs. No difference was found between the two presidents regarding the signing of BITs. However, a significant difference was established while examining the TRIPs. During the Trump presidency only one TRIP was signed compared to the eight TRIPs that were signed in the four years before. Besides, Trump withdrew from one of those eight TRIPs; the TPP. Taking all of the results into account, the conclusion is that Trump's investment policy is less open to concluding treaties. There is a significant difference between the investment policy of Trump and Obama since he is concluding less IIAs and is withdrawing from a major treaty.

The results on the second part about the distribution of the FDI were less conclusive. The general spending on FDI by the US during the Trump administration was extremely irregular which made it hard to derive a clear policy. By only looking at the total amount spend on FDI, Trump spend less than Obama which leads to the conclusion that Trump is less open to distribution FDI. However, the significant decline in 2018 could have other causes than Trump's investment policy. On the other hand, president Trump followed the same trend in distributing more FDI to China and the UK every year (with the exception of 2018 in the UK). This leads to the conclusion that the US is open to the distribution of FDI.

The general conclusion of this thesis is that even in his investment policy, Trump is an unusual president. Where the conclusion of the first part was that he is less open, the conclusion of the second part is the opposite. Thus, no general conclusion can be derived from the results. The conclusion and thereby the answer to the question of this thesis is as followed: president Trump's investment policy is less open to concluding treaties but open to the distribution of FDI. The administration does not exclude states selectively and thus the power politics theory does not play a role here.

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