

## **Strategic Shifts in Economic Security: An Analysis of U.S. Trade Policies and Quantum Technology Frameworks**

**Tseng, Yu-Hsiang** | Research Associate, The Second Research Division, CIER

**Lee, Meng-Ru** | Associate Analyst, The Second Research Division, CIER

**Lin, Chen-Chun** | Senior Analyst, The Second Research Division, CIER

### **Strategic Transition: The Emergence of the New Washington Consensus**

The global economic governance model undergoes a fundamental transition as the United States moves from the market-oriented Washington Consensus toward a security-focused framework defined as the New Washington Consensus. National Security Advisor Jake Sullivan articulated this shift in 2023, identifying the previous reliance on market efficiency and globalized supply chains as a source of strategic vulnerability. The current strategy integrates economic security, supply chain resilience, and middle-class stability into the core of national defense. This redirection transforms the role of the government from a mere rule-setter to an active market participant that employs specific policy tools to defend domestic industries and secure future technological advantages.

### **Reconstructing the Production Economy: Logic and Strategic Goals**

The second Trump administration prioritizes the concept of a Production Economy to reverse the long-standing consumption-driven economic model. This strategic pivot aims to reconstruct domestic manufacturing capabilities which suffered during decades of globalization. Data from the United States Trade Representative indicates that the country lost approximately 100,000 factories between 1993 and 2016 while the trade deficit expanded beyond 1 trillion dollars. The administration justifies this focus through several economic arguments, including the high-wage premium associated with manufacturing jobs and the job multiplier effect where one manufacturing position supports approximately 1.6 service-sector jobs in local communities. Furthermore, domestic production serves as the necessary foundation for research and development activities and ensures the maintenance of a defense industrial base capable of rapid wartime conversion.



## **Mechanisms of Trade Defense: Differentiated Tariff Frameworks**

The administration utilizes specific legal instruments to enforce a complex, differentiated tariff architecture that breaks away from the traditional most-favored-nation trade order. The International Emergency Economic Powers Act (IEEPA) serves as a flexible tool allowing the President to regulate economic transactions in response to national security threats. Under this authority, the government plans to impose 25% to 35% tariffs on most goods from Canada and Mexico unless they comply with USMCA standards. China faces a specialized 10% tariff on all goods under the same justification. Furthermore, Section 232 of the Trade Expansion Act mandates 50% tariffs on steel and aluminum, while global automotive parts face a 25% duty. The government is currently investigating additional products for potential tariffs, including semiconductors, pharmaceuticals, critical minerals, drones, and aircraft. Lastly, the global reciprocal tariff mechanism is designed to impose additional levies, ranging up to 41%, on countries that maintain persistent and substantial trade surpluses with the U.S.

### **Economic Realities: Analysis of Tariff Impacts and Trade-offs**

Economic modeling of these tariff policies reveals a complex set of consequences for the American economy. Reports from the Yale Budget Lab estimate that the current tariff structure will likely cause a 1.3% increase in general price levels in the short term, as importers transfer costs to consumers and downstream manufacturers. The simulation predicts that real GDP growth will decrease by 0.5 percentage points in 2025 and 2026, leading to a long-term reduction in the GDP level of approximately 0.35% or 105 billion dollars annually. While the manufacturing sector may see a 3.2% increase in long-term output, other sectors like construction and mining face contractions of 4% and 2.1% respectively due to rising material costs. These policies also demonstrate a regressive effect on income distribution, where the bottom 10% of households face a tariff burden equal to 2.7% of their income compared to 0.8% for the top 10% of households.

### **Establishing Technological Dominance: The National Quantum Initiative**

Technological leadership constitutes a secondary front in this economic security strategy, with quantum technology serving as a primary focus due to its potential to reshape materials research and sensing capabilities. The National Quantum Initiative Act (NQIA), passed in 2018, established a cross-agency coordination mechanism under the White House Office of Science



and Technology Policy to accelerate development in this field. Between the fiscal years of 2019 and 2025, the federal government allocated over 6 billion dollars to quantum research, with annual budgets rising from 456 million to nearly 1 billion dollars. Budgetary trends indicate a transition from foundational quantum science toward practical applications such as quantum sensing for geological exploration, medical imaging, and defense purposes. The federal quantum ecosystem coordinates three main pillars: civilian agencies like the Department of Energy (DOE), defense agencies such as DARPA, and intelligence organizations like the National Security Agency (NSA). These entities collaborate with private industry and academic research centers to ensure the rapid deployment of quantum breakthroughs into the national security apparatus.

### **Defensive Guardrails: The Small Yard, High Fence Strategy**

To protect these technological advancements, the United States employs the "Small Yard, High Fence" strategy to restrict the progress of strategic competitors. This defense mechanism integrates export controls from the Bureau of Industry and Security with investment restrictions from the Department of the Treasury. The 2024 regulations classify quantum computing as a global export control category, restricting the transfer of hardware like dilution refrigerators and specialized software. Simultaneously, the Outbound Investment Security Program prohibits American capital from flowing into specific quantum technology sectors in China, Hong Kong, and Macau to prevent the transfer of smart money and management expertise. Furthermore, the Federal Bureau of Investigation monitors academic collaborations to prevent the unauthorized transfer of research results related to critical and emerging technologies.

### **Conclusion: Navigating the New Economic Security Paradigm**

The United States is currently forging a new national strategy that prioritizes security over efficiency, marking the end of the traditional era of globalized trade. The integration of trade protectionism and technological containment functions as a singular mechanism to ensure national survival in a competitive geopolitical environment. While these policies introduce economic costs such as inflation and reduced growth, the current policy hierarchy places supply chain autonomy above short-term economic gains. Global industries and partners like Taiwan must now navigate a landscape defined by high trade barriers and restricted technological exchange. Success in this new paradigm requires a delicate balance

between maintaining innovation momentum and adapting to a world of heightened geopolitical risk.