BIRLING Think Strategically The Triple Threat: The Dangerous Allure of Protectionism, Nationalism, and Isolationism

June 23, 2025

Francisco Rodríguez-Castro, President & CEO

Dropping bombs in pursuit of peace

As most Americans were preparing their Saturday dinners at precisely 6:40 PM EST, the global order shifted dramatically. A coordinated U.S. military strike unleashed overwhelming force on Iran's nuclear infrastructure. Several B-2 Spirit stealth bombers dropped fourteen GBU-57 Massive Ordnance Penetrators—each capable of demolishing deeply buried facilities—while a combination of strategic aircraft and submarine platforms launched a total of seventy-five precision-guided munitions. The operation, which targeted uranium enrichment facilities, missile development sites, and command bunkers, marked not only an escalation in Middle East tensions but a reassertion of unilateral American power.

In his post-strike address, President Trump described the bombing campaign as a "spectacular military success," claiming that the destruction of Iran's nuclear facilities would open the door to peace. His closing words, "**Now is the time for peace**", underscored the administration's belief in deterrence through force. It is a modern invocation of an older doctrine: **peace through strength**.

It seems to me that Dropping bombs in pursuit of peace is like setting fire to a house to make it warmer.

While the intent may be to deter conflict, history warns that overwhelming force rarely generates lasting peace in the absence of diplomacy, legitimacy, and mutual trust. Instead, it often invites escalation, hardens adversaries, and destabilizes regions—placing the pursuit of peace on the most violent footing possible. In an instant, the doctrine of strategic restraint gave way to the assertion of dominance, a hallmark of the ideological triad this essay seeks to examine.

The Three Dangerous ISMS

In times of upheaval, nations often turn inward, seeking refuge in ideologies that promise safety and renewal through exclusion: **Protectionism**, **Nationalism**, and **Isolationism**. These three forces—the "Three Isms"—resurface whenever societies feel vulnerable. They offer emotionally powerful, deceptively simple answers: close the gates, praise the homeland, and disengage from the world. But history has shown that when the United States has embraced these doctrines, it has not found prosperity or peace—only deeper crises, diminished stature, and the seeds of conflict.

Protectionism: The Illusion of Economic Safety

President Trump has frequently cited President William McKinley as one of his heroes—admiring him for his economic nationalism, substantial tariffs, and "America First" ethos. But McKinley's presidency also offers a cautionary tale. He signed into law the **Dingley Tariff Act of 1897**, which raised duties to record highs at the time. Like later episodes of protectionism, this act provoked international tension and increased consumer costs without materially improving industrial productivity. While the U.S. experienced economic expansion during McKinley's era, it was driven more by industrial innovation and territorial expansion than by tariffs themselves. Ironically, McKinley's presidency ended in tragedy. In 1901, he was assassinated by an anarchist who opposed his pro-corporate, imperialist, and economic policies. His death ushered in the presidency of Theodore Roosevelt—who would take a more progressive and internationally engaged approach.

Equally significant were McKinley's **imperial policies**. Under his leadership, the United States engaged in the **Spanish-American War** in 1898, which resulted in the U.S. acquisition of Puerto Rico, Guam, and the Philippines and the establishment of a protectorate over Cuba. These moves marked a definitive shift from continental expansion to overseas empire-building. McKinley defended this imperialism in moral terms, framing it as a civilizing mission. Yet the annexation of the Philippines led to a brutal and bloody conflict—the **Philippine-American War**—that cost over 200,000 Filipino lives and exposed the contradiction between American democratic ideals and colonial practices.

McKinley's imperialism represented the ideological fusion of economic protectionism and nationalist expansionism—an early iteration of the Three Isms. His presidency thus offers more than a historical footnote: it provides a case study of how the pursuit of national greatness through exclusionary economic and military dominance can lead to enduring geopolitical and moral consequences. McKinley's legacy underscores the volatility and political risks inherent in employing protectionism as a means to achieve national greatness.

The United States has experimented with protectionism several times, but none more disastrously than during the Great Depression. In 1930, as global financial systems were buckling, Congress passed the **Smoot-Hawley Tariff Act**, which raised tariffs on over 20,000 imported goods. The theory was that this would safeguard American jobs and agriculture. Instead, it ignited a global trade war. Countries from Canada to France retaliated with their own tariffs, choking off international commerce. Between 1929 and 1933, world trade plummeted by more than 60%. The domestic impact was equally severe. U.S. farmers, already burdened with debt and falling prices, saw their export markets vanish. Manufacturing jobs collapsed, and consumer goods became more expensive. Rather than insulate the American economy, protectionism deepened the crisis and prolonged recovery.

In the years following World War II, U.S. leaders recognized that economic recovery required open trade and mutual interdependence. The **General Agreement on Tariffs and Trade (GATT)**, established in 1947, laid the foundation for decades of global economic expansion. The postwar boom—especially between 1947 and 1973, when U.S. GDP grew at an average annual rate of 4% and global trade expanded fivefold—was driven by liberal trade policies, integrated supply chains, and a growing global middle class.

Trump 2025: The Return of Tariff-Centric Protectionism

President Donald Trump's second term has seen a renewed embrace of protectionism. With Executive Order 14257, he enacted sweeping tariffs: 60% on Chinese imports, 25% on Mexican and Canadian goods, and a blanket 10% on all other imports. Branded as "reciprocal tariffs," these measures echo the logic of Smoot-Hawley.

The economic results are measurable. Inflation has ticked up 2.3 percentage points above forecast due to import cost increases. The average American household now pays an estimated \$1,200 more per year for goods. U.S. exporters face retaliatory barriers in 19 key markets. Manufacturing job growth, which had stabilized in 2023, has reversed, shedding over 200,000 jobs by mid-2025. U.S. GDP growth, projected at 2.1% for the year, has slowed to 1.2%, mainly due to reduced investment and trade disruptions.

Just as in the 1930s, protectionism has not insulated the economy; it has weakened it. While the administration frames these policies as economic nationalism, their effect is inflationary pressure, global uncertainty, and a decline in U.S. competitiveness.

Nationalism: From Pride to Prejudice

Nationalism has a dual face. In its benign form, it fosters unity and pride. However, history reveals how easily it can morph into exclusion and division. In the early 20th century, as waves of immigrants arrived, the U.S. government responded not with integration but with restriction. The **Immigration Act of 1924** established quotas that favored Northern Europeans and virtually barred Asians. It was the legislative embodiment of ethnic nationalism.

This exclusionary ideology persisted into the 1930s when the U.S. government turned away the *MS St. Louis*, a ship carrying over 900 Jewish refugees fleeing Nazi Germany. Most were sent back to Europe. Over 250 later died in the Holocaust. Nationalist sentiment, cloaked in fears of cultural dilution and economic strain, hardened American hearts.

In World War II, nationalism culminated in the internment of over 120,000 Japanese Americans—most of them U.S. citizens—under Executive Order 9066. Their only crime was ancestry. The same nationalism that celebrated liberty also sanctioned mass incarceration without due process.

Trump 2025: A Revival of Exclusionary Nationalism

President Trump's second term has rekindled the rhetoric of cultural and ethnic nationalism. New immigration caps, efforts to revoke birthright citizenship, expanded travel bans, and repeated portrayals of immigrants as criminals or invaders have reshaped public discourse. Economically, this approach has led to significant labor shortages, particularly in agriculture, construction, and elder care. In states like California and Florida, the undocumented labor pool has declined by over 15%, driving up costs and delaying projects. Restrictive immigration policies have also dampened enrollment in U.S. universities, with international student applications dropping 20%, costing higher education institutions an estimated \$6 billion in lost tuition and related expenses.

The risk is profound: as nationalism narrows the definition of who belongs, it alienates millions of Americans. It fractures the pluralism at the core of U.S. democracy and undermines the ideals upon which the nation was founded.

Isolationism: The Retreat from Responsibility

In the wake of World War I, President Woodrow Wilson championed the League of Nations, believing global cooperation would prevent future wars. However, the U.S. Senate rejected the treaty in 1919, fearing foreign entanglements. The result was a retreat into isolationism.

During the 1920s and 1930s, the U.S. turned inward. It slashed immigration, refused to join international organizations, and passed neutrality acts that prohibited arms sales to nations at war—even as fascism rose in Europe and Asia. The belief was that oceans and borders would protect the homeland.

But isolation proved illusory. By the time Japan attacked Pearl Harbor in 1941, the world was already engulfed in war. America's delayed entry came at an enormous cost—in human lives, economic strain, and loss of global influence.

Only after 1945 did the United States embrace its global role, establishing NATO, the IMF, and the United Nations. This engagement helped establish an order that, although imperfect, stabilized the world and sustained American power.

Trump 2025: Strategic Isolanism Masquerading as Strength

President Trump's foreign policy is not pure isolationism but a selective retreat. His administration has withdrawn from climate accords, reduced support for the United Nations, and challenged NATO allies to pay their fair share or risk disengagement. He has slashed foreign aid and questioned the value of multilateralism.

In economic terms, this has left trade and investment agreements in a state of flux. U.S. influence in Africa, Latin America, and Southeast Asia is being overtaken by China, whose Belt and Road investments now account for over \$100 billion annually in areas once dominated by American firms. The U.S. share of global foreign direct investment inflows has declined from 21% in 2019 to 15% in 2025.

Trump favors bilateralism—"deals" over diplomacy. However, that approach undermines collective action on global challenges, including pandemics, climate change, cyber threats, and terrorism. The world's most pressing problems cannot be solved unilaterally.



Ronald Reagan, 1989: "If we ever forget that we are One Nation Under God, then we will be a nation gone under".

"The American sound is hopeful, big-hearted, idealistic, daring, decent, and fair. That's our heritage. That's our song".

The Modern Mirror: A Historical Echo

The ideological architecture of President Trump's 2025 policies bears a striking resemblance to historical movements abroad, particularly Germany's descent into authoritarianism under the guise of national restoration. In 1930s Germany, the rallying cry to **"Make Germany Great Again"** was not merely populist rhetoric—it was a call to restore lost pride, reverse economic suffering, and assert national dominance. Adolf Hitler and the Nazi Party capitalized on national humiliation following the Treaty of Versailles, widespread unemployment, and hyperinflation to promote a platform rooted in protectionism, ethnonationalism, and autarky.

- **Protectionism**: Nazi Germany imposed rigid trade barriers and emphasized economic selfsufficiency, resulting in inefficiencies, resource scarcity, and an economy that was disproportionately focused on military production.
- Nationalism: German identity was tied to racial purity, leading to systemic persecution of Jews, Roma, Slavs, and other minorities.
- **Isolationism**: The regime withdrew from the League of Nations, rejected international treaties, and pursued a unilateral and expansionist foreign policy that destabilized Europe.

While the U.S. today is not pursuing anything remotely comparable in scale or violence, the ideological **mechanics of grievance-driven populism** are strikingly parallel:

- Like Germany, the U.S. is seeing the revival of a **golden-age narrative**: "Make America Great Again" idealizes a past defined by perceived cultural purity and economic dominance.
- As with Germany's 1930s protectionism, Trump's tariffs and trade policies isolate the U.S. from allies and increase economic vulnerability.
- Cultural nationalism is on the rise, where immigrants and minorities are framed as threats to American identity and security.
- The withdrawal from multilateral institutions echoes the interwar rejection of diplomatic cooperation that proved so costly for Europe and the world.

Understanding this parallel is not to equate outcomes but to heed **structural warnings**. History shows how economic frustration, political disenchantment, and cultural anxiety can fuel ideologies that erode democracy and global order. As we face challenges from artificial intelligence, climate crises, and geopolitical instability, the lesson from Germany is clear: greatness is not reclaimed through fear and exclusion but through openness, leadership, and moral resolve.

President Trump's second administration represents a revival of the Three Isms:

- **Protectionism**, once again, threatens to collapse trade flows, increase inflation, and damage U.S. exports.
- Nationalism, stoked with cultural resentment, risks dividing the nation and alienating allies.
- **Isolanism**, pursued in the name of strength, erodes the very leadership role that gave America its 20th-century global influence.

These are not speculative concerns. They are patterns with historical precedent. Each time the U.S. has walked this path, it has faced long-term consequences: economic hardship, diminished moral leadership, and, at times, war.

Choosing Leadership Over Fear

To reject Protectionism, Nationalism, and Isolanism is not to abandon patriotism—it is to **honor it**. American greatness has always come from engagement, openness, and moral clarity.

- When America built alliances after World War II, it helped build peace.
- When it welcomed refugees and immigrants, it enriched its culture and economy.
- When it led global trade and innovation, it shared prosperity far beyond its shores.

The antidote to the Three Isms is leadership rooted in **vision**, **responsibility**, **and courage**. A nation that retreats into itself shrinks in spirit. One that embraces the world grows in purpose.

The Final Word: The Unspoken Vulnerability of Puerto Rico

Amid these ideological shifts, one critical question arises for Puerto Rico: where do its U.S. citizens stand in this new order? Puerto Ricans are American citizens by an act of Congress, not by constitutional guarantee. We lack full voting representation in Congress and cannot vote in presidential elections unless we move to the mainland. While legally citizens, Puerto Ricans have always occupied a gray area in the American political imagination—**linguistically, culturally, and historically distinct** from the mainland model.

In an era where rigid cultural criteria increasingly define nationalism, the risk is real: how long before that distinction becomes a pretext for marginalization? If U.S. citizens born on the island are already excluded from equal political participation, what guarantees do they have under a regime that tightens its definition of who truly belongs? When policy and rhetoric begin to measure Americanness by language, religion, or cultural conformity, territories like Puerto Rico may find themselves **disenfranchised further**, or worse, forgotten altogether.

Puerto Rico is a living contradiction in America's democracy: fully bound by federal authority but perpetually excluded from its full benefits. In the climate of the Three Isms, this contradiction grows more perilous, raising profound questions about equality, sovereignty, and the permanence of American citizenship for those who reside on the margins of the republic.



As Theodore Roosevelt Said, "The things that will destroy America are prosperityat-any-price, peace-at-any-price, safety-first instead of duty-first, the love of soft living, and the get-rich-quick theory of life. It is a duty—not detachment that defines greatness. Let us rise, not retreat. Let us build bridges, not walls. Let us lead, not isolate. The time to choose is now".



Francisco Rodríguez-Castro, President & CEO • frc@birlingcapital.com PO Box 10817 San Juan, PR 00922 • 787.247.2500 • 787.645.8430

The Triple Threat: The Dangerous Allure of Protectionism, Nationalism, and Isolationism

Think Strategically (i) is a publication prepared by Birling Capital LLC and is a summary of certain recent geopolitical, economic, market and other developments that may be of interest to clients of Birling Capital LLC. This report is intended for general information purposes only, is not a complete summary of the matters referred to, and does not represent investment, legal, regulatory or tax advice. Recipients of this report are cautioned to seek appropriate professional advice regarding any of the matters discussed in this report considering the recipients' own situation. Birling Capital does not undertake to keep the recipients of this report advised of future developments or of changes in any of the matters discussed in this report. Birling Capital. The man and log symbol and Birling Capital are among the registered trademarks of Birling Capital. All rights reserved.