

Trump administration document lays out trade war agenda

By Nick Beams
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For more than seven decades, one of the central pillars of bourgeois economics has been the conviction that nothing resembling the US Smoot-Hawley Act of 1930 should ever again see the light of day, lest it produce a new economic and political disaster.

The legislation, under which the US imposed a series of tariffs and other trade restrictions, worsened the impact of the Great Depression, helping to create the conditions that led to the eruption of World War II.

It is therefore a measure of the extent to which the Trump administration intends to overturn the entire post-war international trading system that the provisions of this act are cited as mechanisms by which the US could bypass the World Trade Organisation (WTO) in pursuit of its economic nationalist “America First” trade agenda.

The invocation of Smoot-Hawley is contained in a document circulated to Congress last week in which the Trump administration sets out its national trade agenda for 2017. The document makes clear that the administration intends to go far beyond the repudiation of the proposed Trans-Pacific Partnership and the revision of the North America Free Trade Agreement, but has set its sights on overturning the framework of the WTO, under which international trade relations are currently regulated.

The initial draft of the report contained a statement making clear its central thrust: “Ever since the United States won its independence, it has been a basic principle of our country that American citizens are subject only to laws and regulations made by the US government—not rulings made by foreign government or international bodies. This principle remains true today. Accordingly, the Trump administration will aggressively defend American sovereignty over matters of trade policy.”

This particular paragraph was removed from the final draft submitted to Congress, but the entire document makes clear that the administration stands ready to defy rulings of the WTO wherever and whenever it chooses.

The document sets out four major priorities: 1) defence of US national sovereignty; 2) strict enforcement of US trade laws; 3) the use of all possible sources to “encourage” countries to open their markets and protect US intellectual property rights; and 4) the negotiation of new and better trade deals with countries in key markets around the world.

It says that as a general principle, the US will favour bilateral rather than multilateral negotiations and will renegotiate and revise trade deals “where our goals are not being met.” In other words, in the language made famous by *The Godfather*, individual countries will be made “an offer they can’t refuse.”

The document does not propose that the US withdraw from the

WTO, but that existing US legislation be used to counteract and override WTO decisions that are seen to be inimical to its interests. It notes that Congress has made it clear that Americans “are subject only to US law”—not to WTO decisions, and it cites the Uruguay Agreements Act under which the US became a member of the WTO when it was established in 1995, replacing the General Agreement on Tariffs and Trade established in 1948.

That legislation states that if a WTO disputes settlement report “is adverse to the United States [the US Trade Representative shall] consult with the appropriate congressional committee concerning whether to implement the report’s recommendation, and, if so, the manner of such implementation and the period of time needed for such implementation.” According to the document, this confirms that “WTO reports are not binding or self-executing.”

It goes on to cite another section of the act that states: “No provision of the Uruguay Round Agreements, nor the application of any such provision to any person or circumstance, that is inconsistent with any law of the United States shall have effect.”

“In other words,” the document states, “even if a WTO dispute settlement panel—or the WTO Appellate Body—rules against the United States, such a ruling does not automatically lead to a change in US law or US practice.”

Reaching back into the history of US trade legislation, the document examines a series of laws that assert the primacy of US laws.

“Consistent with the strong textual foundation in the GATT and then WTO Agreement,” it notes, “Title VII of the Tariff Act of 1930 provides the United States with the authority to impose antidumping and countervailing duties on imports that are either ‘dumped’ (sold at less than their fair value) or subsidized—if such imports cause or threaten material injury to a domestic industry.”

The Tariff Act of 1930 is more commonly known as the Smoot-Hawley Act, in accordance with the names of the legislation’s sponsors.

The Trump document states that other long-standing laws also address situations where government action may be appropriate, citing Section 201 of the Trade Act of 1974, which provides that the president “may impose relief if increasing imports are a substantial cause of serious injury.” It notes that this “safeguard” provision was used most recently by President George W. Bush in response to a “harmful surge of steel imports.”

The report cites legislation introduced by the Clinton administration in connection with the US joining the WTO that indicates Washington expected the new agreement to be even more effective in “addressing foreign unfair trade barriers.”

However, it claims that “large portions of the global economy do

not reflect market forces,” and “important sectors of the global economy, and significant markets around the world, are distorted by foreign government subsidies, theft of intellectual property, currency manipulation, state-owned enterprises, and numerous other unfair practices.”

Moreover, WTO bodies have been making “activist interpretations” of WTO agreements, “untethered from economic realities,” which “effectively hamstringing the ability of the United States and other WTO members to respond effectively to these real-world unfair trade practices” within WTO rules. “Accordingly, the Trump administration will act aggressively as needed to discourage this type of behaviour—and encourage true market competition.”

The documents claim that WTO rules are drafted on the implicit assumption that countries implementing them are based on free market principles, but there are “several large countries” that do not operate in that way in the organisation of their economic system and it is time for a “more aggressive approach.”

The assertion that there are countries that do not abide by free-market principles is initially framed in broad-brush terms. But the latter part of the document gets down to specifics, levelling attacks on China and the damage it has allegedly caused to the US economy.

Framing its attack within populist claims to be defending the interests of American workers, it says that with the entry of the US into a number of trade agreements from the late 1980s, Americans were promised stronger economic growth. A review of what has happened since 2000—“the last full year before China joined the WTO”—shows that this expectation has not been met.

It cites a series of figures, including the rise in the US trade deficit for manufactured goods from \$317 billion in 2000 to \$648 billion last year; the trade deficit with China, up from \$81.9 billion in 2000 to almost \$334 billion in 2015; the fall in median income (in 2015 dollars) from \$57,790 in 2000 to \$56, 516 in 2015; the fall in manufacturing jobs from around 17 million to around 12 million; and the slowing in the rate of growth in American industrial production, from an expansion of 71 percent in the period from 1984 to 2000 to just 9 percent in the period 2000 to 2016.

But the expressed concern for the loss of jobs and real wages, for which it seeks to blame China, is a cover for the real cause of alarm—the relative decline of the position of the US within the global economy.

In 2000, the report notes, the US accounted for 30.6 percent of world gross domestic product as compared to 3.6 percent for China. Last year, the US accounted for 24.7 percent of global GDP, while China accounted for 15.1 percent.

Describing the overall figures on jobs, wages, trade and the rise of the Chinese economy as “alarming results,” it notes that the relative economic decline of the US is “even more dramatic” if GDP is measured on a purchasing power parity basis, which takes account of the differing costs of living. “Under this measure,” it says, “the US share of global GDP fell from 20.7 percent in 2000 to only 15.6 percent in 2016. Meanwhile, China’s share grew from 7.5 percent to 17.9 percent.”

Summing up these results, it concludes that “while the current global trading system has been great for China, a giant economy that does not act on the basis of market principles, the United States (and many other countries) that practice market-based capitalism have struggled over the last 16 years.”

Pointing to the “strong team” assembled by the Trump administration—the collection of “America First” nationalists, outright

fascists, billionaires and military personnel that make up the cabinet—it says that it is committed to “defending America’s national sovereignty,” enforcing its trade laws, and using American leverage to open markets. The report promises “significantly more action on all of these fronts in the near future”—a clear warning to the rest of the world.

The Trump trade doctrine represents a sea change in international economic relations and underscores a warning made almost 90 years ago by the Russian revolutionary Leon Trotsky, who wrote that it in the period of its economic decline, American imperialism would exercise its hegemony even more openly and more ruthlessly than in the period of its rise.

The content of the new system being advanced by the Trump doctrine can be fully grasped only from an understanding of what it seeks to replace. The agreements reached under GATT and then enshrined its successor, the WTO, were intended to prevent the re-emergence of the trade wars of the 1930s that led ultimately to all-out military conflict among the major imperialist powers.

These agreements were authored by the US in a deliberate rejection of “America First.” They were based on the recognition that American imperialism’s own economic and political interests required an expanding world economy.

The breakdown in these relations underscores the vital point made by the leader, along with Trotsky, of the Russian revolution, Vladimir Lenin, more than 100 years ago in his work *Imperialism*, in which he examined the objective economic forces that has led to the outbreak of World War I.

Lenin emphasised that there could be no permanent agreement among the capitalist “great powers” because economic developments would lead to a change in their relative positions, and this would give rise to the drive for a new “settlement,” leading to further wars. This was because, in the final analysis, capitalism had no other way of resolving its conflicts.

This is what is now taking place. The Trump administration’s assertion of “America First”—backed by substantial sections of the financial and corporate elites, as the rise in the stock market demonstrates—is based on the recognition that America’s relative economic dominance, on which the post-war arrangements were founded, has significantly eroded.

That must now be “corrected” through the launching of trade war, as this document draws out, accompanied necessarily by stepped-up preparations for war, the other central plank of the Trump agenda.

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