

Trump launches trade war

By Nick Beams
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US President Donald Trump has taken a major step toward launching an international trade war by slapping a 25 percent tariff on steel imports and a 10 percent tariff on aluminium.

The measures recall the Smoot-Hawley tariff of June 1930, which played a significant role in the economic and ultimately military conflicts of the ensuing decade. They were announced Thursday at a hastily convened White House meeting of 15 steel and aluminium executives.

In imposing a global tariff hike, rather than selective measures, Trump took the toughest option presented to him in a report submitted by Commerce Secretary Wilbur Ross concerning action to be taken under “national security” provisions of legislation adopted in 1962.

The military implications of the move are underscored not only by the legislation used to invoke it, but also by earlier remarks Trump made when commenting on the Ross proposals. He told a meeting with members of Congress last month that in a conflict “we don’t want to be buying steel [from] a country we are fighting.”

The measures were announced after an internal battle within the administration in which Treasury Secretary Steven Mnuchin, National Economic Council Director Gary Cohn and Defense Secretary James Mattis, among others, reportedly opposed to the move.

While the main fire of the rhetoric emanating from the White House has been directed against China—the announcement was made as a representative of the Chinese government was in Washington to discuss easing trade tensions—the measures will impact most heavily on some of America’s nominally closest allies, including Japan, South Korea, the European Union and Canada.

Last month, Pentagon head Mattis said in a memo in response to the Commerce Department’s options that

he was concerned about a global approach because of the “negative impact on our key allies,” and called for more “targeted” tariffs.

But Trump told the industry executives he did not want any country excluded from the tariffs because if one country was exempted, others would try and obtain similar treatment.

Trump said he would sign the order for the tariffs next week and the measures would be in place for a “long time.”

The bellicose character of the measures and their wide sweep were emphasised in remarks by Trump to the industry executives. People, he said, had “no idea how badly our country has been treated by other countries,” which, he said, had “destroyed” the US steel and aluminium industries. “When it comes to a time when our country can’t make aluminium and steel, then you almost don’t have much of a country,” he added.

These remarks echoed a trade policy report released on Wednesday that said the administration was concerned that the World Trade Organisation, which administers global trade relations, was not acting as envisioned and “as a result, is undermining America’s ability to act in its national interest.”

The Trump measures brought an immediate response from Europe. The European Commission president, Jean-Claude Juncker, accused Trump of invoking national security to impose protectionist measures to boost US domestic industry.

Underscoring the significance of the move for broader strategic relations, he said: “The EU has been a close security ally of the US for decades. We will not sit idly by while our industry is hit with unfair measures that put thousands of European jobs at risk.”

He warned that the EU would take “countermeasures against the US to balance the situation.” In anticipation of increasingly protectionist measures, it has been

reported that the EU has prepared a list of US exports against which it could take action.

China is also preparing action, with reports that it is considering retaliation against US exports of soybeans and sorghum following the decision by the Trump administration in January to slap steep tariffs on washing machines and solar panels.

The chairman of the Japan Steel Information Centre, Tadaaki Yamaguchi, said the policy was “ill-advised and naïve.” He continued, “It will inevitably invite retaliation from America’s most reliable allies, ultimately hurting America’s non-manufacturing industries as well.”

Former International Monetary Fund economist and now Cornell University economics professor Eswar Prasad said the Trump moves “herald a declaration of open war on major trading partners and undercut the multilateral trading system.” This could lead to “a period of open and aggressive trade hostilities with some of America’s major trading partners” and undermine the rules of the WTO, which the US was instrumental in forming.

While the measures have the full backing of the steel and aluminium industries and are supported by the trade unions and sections of the Democratic party, opposition has been voiced both from within the Republican party and by industry groups that depend on cheaper imports of steel and aluminium.

The president of the National Foreign Trade Council, Rufus Yerxa, said: “These massive tariff hikes will raise costs for many crucial American industries—autos, machinery, construction, energy and many others. These are huge sectors, and the negative impact will far outweigh any benefits.”

Representatives of the car industry have warned that the tariff increases would lead to higher prices for consumers.

Roy Hardy, president of the Precision Metalforming Association, told the *New York Times* the tariffs would hit “the US manufacturing sector, and particularly downstream US steel and aluminium consuming companies,” and that companies using steel employ many times more Americans than the steel industry.

In his remarks to the Senate Finance Committee yesterday, the chairman of the Federal Reserve, Jerome Powell, did not comment directly, but said tariffs were “not the best approach” to handling trade problems.

Fears over the implications of the Trump administration measures were reflected on Wall Street, with the Dow Jones Industrial Average falling by 420 points—the third successive day of 300-plus point declines—along with significant falls in other indexes, wiping out virtually all of the gains of this year.

In an expression of the mounting instability in the financial system, the first two days of losses this week were sparked by fears of rising interest rates. Yesterday’s decline appears to have been sparked by other concerns. It was accompanied by a move to safety, with the yield on 10-year Treasury bonds falling as investors increased their purchases of more secure financial assets.

The way in which the tariff decision was announced expressed the extreme instability of the Trump administration, which is beset by mounting pressures from the investigations into its Russia connections. According to reports, members of the administration were in the dark about what was going to take place, and just an hour before Trump made his remarks a White House spokesman said no announcement was expected that morning.

However, any conclusion that these measures and their far-reaching implications for geo-economic and strategic relations are simply the product of a chaotic and conflicted Trump White House would be a fundamental misreading of the situation. They are the outcome of the protracted decline of the US in relation to its old rivals and new challengers, which it is now attempting to reverse by lashing out against both its perceived enemies and nominal allies with economic and ultimately military measures.

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