

EU threatens retaliation to Trump's trade war measures

By Peter Symonds
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European leaders yesterday threatened trade retaliation after President Trump announced global tariffs of 25 percent on steel imports and 10 percent on imports of aluminium. Trump, however, responded with a series of tweets making clear that he does not intend to back down on a move that could provoke an escalating trade war.

European Union (EU) trade commissioner Cecilia Malmström told the *Financial Times* that the EU would have little choice but to challenge US tariffs in the World Trade Organisation (WTO) and impose its own tariffs and other retaliatory measures. Warning of the danger of a trade war, she said: “We risk seeing a dangerous domino effect.”

European Commission president Jean-Claude Juncker suggested in the German media that plans were being drawn up to tax American goods such as Harley-Davidson motorcycles, Kentucky bourbon and blue jeans if the planned tariffs on steel and aluminium were implemented. The choice of goods was targeted at the home states of key US Republican leaders.

In a swipe directed against Trump and his administration, Juncker added: “None of this is reasonable, but reason is a sentiment that is very unevenly distributed in this world.” He said that European trade retaliation would conform with WTO rules.

Trump's announcement triggered international criticism and warnings, including from US allies that will be among the hardest hit if the tariffs go through next week. While the Trump administration's rhetoric has been directed against China and Russia, Russia is only the fifth-largest source of US steel imports, and China the eleventh-largest.

In Germany, Steffen Seibert, a spokesman for Chancellor Merkel, rejected the US tariffs, warning that

they could lead to a global trade war that would not be in anyone's interest. The president of the German Steel Federation, Hans Jürgen Kerkhoff, declared that the measures violated WTO rules and urged the EU to react.

France's economy minister Bruno Le Maire said the US tariffs would have a major impact on the European economy and a number of French companies, including in steel and aluminium which were in a “particularly fragile” state. He warned that a trade war between Europe and the US “will only result in losers.”

American allies pointed to the hypocrisy of the Trump administration in invoking national security rules in trade legislation to implement the tariffs.

Canadian foreign minister Chrystia Freeland declared: “It is entirely inappropriate to view any trade with Canada as a national security threat to the United States.” Prime Minister Justin Trudeau branded any tariffs on steel and aluminium as “absolutely unacceptable.”

Canada is the top supplier of steel to the US, accounting for about 17 percent of total American steel imports. “Canada will take responsive measures to defend its trade interests and workers,” Freeland warned.

Japanese trade minister Hiroshige Seko responded similarly, saying he saw “absolutely no impact on American security” from Japanese steel and aluminium imports. Shares in Japanese and South Korean steel and aluminium corporations, like their European counterparts, fell sharply yesterday.

Trump, however, responded to the international backlash with a belligerent tweet. “When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win,” he declared.

“Example, when we are down \$100 billion with a certain country and they get cute, don’t trade anymore—we win big. It’s easy!”

Trump followed up hours later by repeating his protectionist credo: “We must protect our country and our workers. Our steel industry is in bad shape. IF YOU DON’T HAVE STEEL, YOU DON’T HAVE A COUNTRY!”

In reality, a downward spiral into full-blown trade war threatens a major contraction in world trade and the world economy and a further acceleration of geo-political tensions that are already driving the world towards war.

Within the United States, industry groups and economists are already warning that higher steel and aluminium prices in the US would make key manufacturing sectors such as auto, aerospace and whitegoods less competitive internationally. Amid the falls and volatility on Wall Street sparked by fears of trade conflict, these companies were the hardest hit.

Michael Arone, chief investment strategist at State Street Global Advisers, told the *Financial Times* that auto manufacturers faced increased costs for what were significant inputs. “They will have a choice whether to pass those costs along to consumers or become less profitable,” he said.

Trump’s announcement has sharpened divisions in US ruling circles and compounded the intense political crisis within his own administration. Hard-line advocates of protectionism such as Commerce Secretary Wilbur Ross have vigorously defended the planned tariffs and dismissed the potential fallout.

Speaking on Bloomberg TV, Ross backed the imposition of the tariffs against all countries, rather than targeting particular exporters. “We have to deal with a global problem on a global basis,” he said, in order to stamp out exports being routed through third countries to evade trade restrictions.

Ross told CNBC that the Trump administration was “going to fight back,” adding, “In any war there may be a few casualties. That just comes with the nature of the beast.” He dismissed the concerns of manufacturers, declaring that the increased cost of a can of Campbell’s soup as a result of higher steel prices would be miniscule.

However, according to the *Politico*, Trump’s top economic adviser, Gary Cohn could be on the point of

resigning over the tariff announcement. Cohn, a former Goldman Sachs executive and director of the National Economic Council, is a mouthpiece within the White House for the interests of finance capital and an opponent of protectionism.

Politico reported: “The tariff decision on Thursday capped several weeks of freewheeling and often caustic debates that one White House aide called ‘absolute chaos’ and featured loud disputes between Cohn and White House trade adviser Peter Navarro, a leading advocate of tariffs.”

The article also noted that Cohn’s opposition to tariffs “was echoed by most of the members of Trump’s national security team, including national security adviser H.R. McMaster, Secretary of State Rex Tillerson and Defence Secretary Jim Mattis.” They are concerned about alienating key allies in Asia and Europe right at the point that Washington is intensifying military operations in Syria and preparing for imminent war against North Korea.

Trade war and war are intimately interconnected as the US seeks to undermine its main rivals in its bid for global hegemony. It is no accident that propagandists for trade war such as Ross and Navarro are above all antagonistic to China, which Washington regards as its chief obstacle to world domination.

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