Trump threatens “substantial” increase in anti-China tariffs

By Nick Beams
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US President Trump has threatened to escalate the trade war against China unless an agreement is reached on a “phase one” deal with Beijing. The threat came in a speech to the Economic Club of New York yesterday in which he lauded the policies of his administration and its “America First” agenda.

The interim trade deal, agreed to in negotiations last month, was due to have been signed off at the now-cancelled Asia-Pacific Economic Co-operation meeting later this week. But no date has been set for a time and place of the signing. There are also doubts over whether an agreement will even be reached because of China’s demand that there has to be some rollback of existing tariffs—a prospect ruled out by Trump in remarks last week.

He doubled down on those comments in his address to the New York gathering of corporate chiefs, investors and bankers.

Trump claimed a deal with China was “close” but then issued his new threat to escalate the tariffs already imposed—a 25 percent levy on $250 billion worth of mainly industrial products and 15 percent on a further $112 billion worth of goods—if an agreement is not made.

“I tell it to everybody: If we don’t make a deal, we’re going to substantially raise those tariffs, they are going to be raised very substantially,” he said.

He added a warning that this would be “true for other countries that mistreat us too.”

This shot was directed principally at the European Union over negotiations for a trade deal in which the US wants an opening up of European markets for US agricultural products—a move that the EU has insisted is off the table.

The Trump administration secured the negotiations in July 2018 under the threat of the imposition of a 25 percent tariff on auto imports on “national security” grounds—a move that would have a devastating impact on the German auto industry.

The administration is to decide within the next few days whether to proceed with the new levies. At this stage it is expected to grant a further reprieve, leaving the threat in place, ready to be imposed unless the EU makes concessions.

Under conditions which the International Monetary Fund has described as a “synchronised” global slowdown, the increasingly dog-eat-dog struggle for markets and profits was very much to the fore in Trump’s address as he directed attention to the question of the Fed and its interest rate policy.

The US was “directly competing with countries that are actively cutting interest rates” in order to improve their position but the Federal Reserve “does not let us play in that game.”

“We’re paying actually high interest. We should be paying by far the lowest interest.”

The US was at a “competitive disadvantage” because it had not followed the European Central Bank to reducing interest rates to negative levels.

“Give me some of that money, I want some of that money,” he said.

Trump pointed to the rise of the stock market under his administration noting that the S&P 500 was up by 45 percent, the Dow by 50 percent and the Nasdaq by 60 percent but insisted those figures should be higher.

“If we had a Fed that worked with us, we could have added another 25 percent to those numbers,” he said.

In a bid to maintain the electoral support of voters in industrial states, Trump advanced a series of bogus claims on the state of the US economy.

“We have ended the war on American workers, we have stopped the assault on American industry, and we have launched an economic boom the likes of which we have never seen before," he said.

The latest figures on US GDP, issued at the end of last month, showed that the American economy expanded by only 1.9 percent on an annualised basis in the third quarter, down from a 2 percent expansion in the second, and the lowest rate since the end of 2018. One of the most significant features of the data was the fall in fixed non-residential business investment, now at its lowest rate since the end of 2015.

On a year-on-year basis GDP increased by 2 percent, the slowest pace of Trump's presidency and well below the level of 2.5 percent for 2018, putting his stated objective of a 3 percent growth rate out of the question.

In his claims about the "booming" US economy, Trump focused attention on the administration's corporate tax cuts. But the reality is that much of this money has not gone to expand investment, let alone increasing wages, but has been poured into share buybacks aimed at boosting share market prices.

This year it is expected that S&P 500 companies will spend up to $1 trillion buying up their own shares after spending $800 billion in 2018.

One of the most egregious expressions of this process is Apple. Despite falling profit margins, Apple has increased its market capitalisation this year by more than $400 billion to $1.16 trillion, with its shares rising by 65 percent so far this year. Over the past decade Apple has spent $320 billion buying its own stock, the largest amount for any S&P 500 company.

As for Trump's claims to have boosted the wages of American workers, these were countered by a detailed report issued by the Brookings Institution issued earlier this month.

It found that an estimated 53 million American workers aged between 18 and 64 were low-wage workers with a median hourly wage of just $10.22 and a median annual income of $17,950.

The report said that "stagnant and unpromising low-wage work is prolific and deepening" and "economic growth has exacerbated inequalities, with the most vulnerable at the risk of being left behind."

One of the authors of the report, Marcela Escobari, told Bloomberg that with the further development of automation the situation would worsen. "Both the industries that are growing and the industries that are shrinking are low wage" and that available work "is going to be more low-wage work," she said.