# US and Europe drift toward trade war

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In the wake of the financial crisis that erupted in 2008, leading capitalist nations and blocs of nations are employing increasingly aggressive forms of protectionism to advance their interests.

The issue of protectionism arose sharply this week when the European aviation company EADS announced it was abandoning its bid for a $35 billion contract to build 179 tanker jets for the US military.

Politicians in Berlin and Paris angrily accused the administration in Washington of protectionism in favour of Boeing, the leading US manufacturer of military planes. One leading member of the German Free Democratic Party, part of the ruling coalition in Berlin, called upon his government "to pressure the United States to cease its protectionist tendencies."

Others were even more blunt. Joachim Pfeiffer of the Christian Social Union, another partner in the German coalition government, fumed: "This is a scandalous, unacceptable act. This needs to become a political issue with the USA."

Garrelt Duin of the opposition Social Democratic Party declared, "This is a sleight of hand on the part of the Yanks… The Americans only talk about free competition when it is to their advantage. You can't simply change the rules of the game just because you don't like the winner."

For its part, the French Foreign Ministry sent a threatening letter to the United States on Tuesday warning that Europe would "consider the implications" of the Pentagon's decision to favour Boeing over the European consortium EADS.

There can be no doubt about the use of protectionist measures by the US administration. They have been a hallmark of the administration led by President Barack Obama, backed by his allies in the trade union bureaucracy. However, the complaints being made by European politicians are utterly hypocritical.

A number of media commentaries have made clear that America, Europe and individual nations within Europe have for many years jealously guarded the interests of their own defence industries. Only days ago a number of European countries agreed to free up €3.5 billion to enable EADS to complete the construction of the A400M military transport.

The German *Handelsblatt* wrote: "The common transatlantic defense market is little more than an illusion… In fact, Europe doesn't really have an open defense market… The Germans, Brits and French guard their domestic defense industries very closely, hindering public bidding processes and mergers."

Differences between the Atlantic partners are not restricted to the sphere of military contracts.

Another growing rift emerged this week with the announcement by leading German and French politicians that they favored the establishment of a European Monetary Fund. Against the background of the European debt crisis, German Finance Minister Wolfgang Schäuble called for such a European fund, quickly adding that it would not represent a rival to the US-dominated International Monetary Fund. But it is well understood that a European Monetary Fund would, in fact, represent precisely that. One comment in the *Financial Times* summed up the feeling in European political circles: "The thought of Washington bailing out a eurozone country is intolerable."

The plans for such a European fund are in their early stages and there are influential politicians and financial interests in Europe that are opposed, but the thinking behind the project is clear. Leading European nations, with Germany to the fore, are seeking the same powers to override the national sovereignty of individual countries and impose drastic austerity programs as those exercised by the IMF—but without the interference of the United States.

Similar considerations lie behind the recent announcement by the French and German governments

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they are contemplating measures to prevent various forms of speculation, such as credit default swaps and short-selling against currencies and government bonds. The objections being raised in European capitals against such forms of speculation are not based on any principled opposition. The governments in Berlin and Paris were quite willing to provide hundred of billions of euros to their respective banks to cover their losses from such practices. Their main concern is the predominance of US banks in this field and their ability to wreak havoc on the euro. Some minimal legislation, they have concluded, could assist in preventing American financial interests from unduly intervening in European financial affairs.

The war of words over the collapsed EADS contract and tensions over Wall Street manipulation of European markets are only the latest in a series of far-reaching political and economic conflicts between Europe and its biggest trading partner, the United States.

At the start of February, European political circles expressed consternation following an announcement by the US State Department that President Obama would not be attending a major European Union summit planned in Madrid for May.

On February 11, the European parliament voted against an agreement that would have allowed American investigators access to European bank data transfers via the SWIFT network. American officials reacted with shock to the decision.

The list of contentious issues between the transatlantic partners could be extended to include the Afghanistan war, environmental policy, and the US response to the earthquake in Haiti.

Further conflicts are looming in the sphere of trade and economic policy. Europe is currently preparing to sign a number of free trade agreements with Asian countries. Summing up the European strategy recently, the European trade commissioner deplored the fact that Europe had been unable to transform its economic power into political influence, and laid out the continent's priorities for the immediate future: "India, Canada, Ukraine, Latin America, the Mediterranean area are likely to dominate our agenda over the next two years … together with upcoming talks with Singapore and the updating of our trade relationship with China."

The same race for markets and raw materials is being pursued by American big business. Major confrontations between European and US interests in these regions are inevitable.

For over five decades following the Second World War, a firm political partnership between the US and Europe based on a strong America and a weak Europe was the bedrock of relative stability in the Western Hemisphere. This partnership is now rapidly unraveling. The post-war industrial powerhouse of America has long since been in decline, and Europe, led by Germany and France, is increasingly flexing its political and military muscles.

Protectionism and trade war are the invariable response by the major capitalist powers to the deepening crisis. The cheerleaders for such a policy are the trade unions and social democratic bureaucracies. Their promotion of economic nationalism is inseparable from their support for brutal austerity measures by their respective governments against the working class.

The fault lines which led to two world wars in the last century are still in place. The only means to prevent trade war from once again turning into armed conflict between nations is the independent mobilization and unification of the working class on the basis of a socialist and internationalist perspective.

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