

On eve of Brexit referendum, mounting warnings of global trade war

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On the eve of Thursday's referendum on the United Kingdom's membership in the European Union (EU), an event that threatens to substantially destabilize the world economy, the World Trade Organization (WTO) has warned that protectionism is on the rise as world trade stagnates.

The threat by Britain to leave the EU is only the most visible expression of growing tendencies toward economic nationalism and autarchy, expressed in the rise of right-wing nationalist politicians such as Donald Trump in the United States, Nigel Farage in Britain, Marine Le Pen in France, and similar figures in other countries.

On Tuesday, the WTO said in a report that between October 2015 and May 2016, members of the G20 group of leading industrialized nations implemented new protectionist measures at the fastest rate since the WTO began keeping records in 2009.

During this period, the WTO stated, the G20 economies applied "145 new trade-restrictive measures, equating to an average of almost 21 new measures per month." This was "a significant increase compared to the previous reporting period at 17 per month."

As a result, the total number of trade-restrictive measures in place in the G20 economies grew by 10 percent over the period under review. The total number of trade restrictions currently in place in these economies stands at 1,196, up from 324 in mid-October 2010. Only 20 percent of trade barriers created since 2008 have been eliminated after their implementation.

The report points to a stark discontinuity in the relationship of world trade growth to economic growth between the periods before and after the financial crisis. In the post-2008 period, the growth of trade has averaged just over half of its pre-2008 level. The WTO noted: "The slow pace of trade growth relative to GDP

growth over the past four years stands in contrast to the period from 1990 to 2008, during which merchandise trade grew 2.1 times as fast as world GDP on average."

World trade plunged in 2015, led by a fall in commodity prices and export volatility. The report explained, "The dollar value of world trade fell sharply in 2015 and remained down around 13 percent year-on-year through the fourth quarter."

The tendencies toward economic nationalism are likely to intensify as a result of what a growing number of economists are beginning to warn could be an essentially indefinite period of economic slump.

Earlier this year, Maurice Obstfeld, chief economist at the International Monetary Fund, warned that the "increasingly disappointing" world economy was threatened by a "synchronised slowdown" amid the threat of another financial meltdown and mounting protectionism. "Across Europe the political consensus that once propelled the European project is fraying," with a "rising tide of inward-looking nationalism," he warned.

"One manifestation is the real possibility that the United Kingdom exits the European Union, damaging a wide range of trade and investment relationships," Obstfeld said, adding, "In other advanced countries as in Europe, including in the United States, a backlash against cross-border economic integration threatens to halt or even reverse the postwar trend of ever more open trade."

In comments before the US Senate on Tuesday, Federal Reserve Chairwoman Janet Yellen reiterated her concerns, which she first raised earlier this month, that the ongoing tendencies toward economic slump might continue indefinitely. "We cannot rule out the possibility expressed by some prominent economists that the slow productivity growth seen in recent years

will continue in the future,” she said.

She also warned of the repercussions of a decision by Britain to leave the EU, saying such an outcome could trigger a sell-off in financial markets and even posed the possibility of a recession in the United States.

The vast majority of the new anti-trade measures have taken the form of “anti-dumping” cases, in which the countries implementing anti-trade measures accuse other countries of intentionally selling products below market rates. Some 40 percent of those cases have targeted metals, primarily steel.

Last month, the US Commerce Department announced it would impose duties of as much as 500 percent on Chinese steel, beginning as soon as this summer, after concluding that Chinese steel companies were “dumping” their products onto US markets.

Global overcapacity in the steel industry has led to massive global layoffs, including the effective halting of production in Britain with the closure of Tata Steel’s operations in that country. Earlier this year, China announced 500,000 layoffs in the steel industry and 1.3 million in the related coal industry.

This month, the US approved a case by US Steel, the country’s biggest steel producer, seeking a ban on steel imports from its Chinese competitors, this time using alleged attempts by Chinese companies to steal commercial secrets as a pretense.

The case points to the very real possibility that the next US president could ban all steel imports from China, a move that would have enormous economic and geopolitical consequences. Simon Evenett, a professor of international trade at the University of St. Gallen in Switzerland, told the *Financial Times*, “This should be setting off alarm bells... It is really a nuclear option.”

The collapse of world trade and the rise of protectionism are widely believed by economists to have been major contributors to the Great Depression of the 1930s. The Smoot–Hawley Tariff Act of 1930 is believed to have contributed to slashing US exports and imports by more than half.

In the wake of the 2008 financial crisis, G20 members pledged not to repeat what they saw as the mistakes of the 1930s and to avoid responding to slowing growth by enacting trade-war measures. But amid an ongoing and deepening economic slump and worldwide overcapacity, combined with mounting

political opposition and social struggles by the working class—the tendencies that prevailed in the 1930s—all of the world’s capitalist economies are increasingly turning to the promotion of militarism, rabid nationalism and right-wing economic populism.

In the 1930s, the rise of economic protectionism, under conditions of an insoluble economic crisis, became the antechamber of World War II. Today, the same conditions increasingly prevail throughout the world. International institutions created in the post-war period to counter the tendencies toward national autarchy and inter-imperialist conflict, including the European Union, are falling apart at the seams. This trend, regardless the outcome of this week’s EU referendum, will only increase in the coming years, as the tendencies that have dominated the post-2008 period—economic slump, financial parasitism and the growth of economic nationalism—intensify.

Ultimately, as in the 1930s, these tendencies, rooted in the internal contradictions of the capitalist nation-state system, have no peaceful resolution. They are at the root of the continual military provocations by the United States against Russia and China, as well as the virulent growth of militarism in countries that played a leading role in World War II such as Germany and Japan.



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