

Trump scraps TPP and outlines trade war agenda

Mike Head**23 January 2017**

Just as he vowed he would, US President Donald Trump effectively killed off the Trans-Pacific Partnership (TPP) trade bloc on his first day in office, as part of his aggressive “America First” agenda to boost the US economy at the expense of the rest of the world.

Within hours of assuming power, Trump’s White House web site not only affirmed his intention to withdraw from the TPP. It placed that decision side-by-side with a demand for the renegotiation of the North American Free Trade Agreement (NAFTA) with Canada and Mexico, adding to the consternation in capitals around the Asia-Pacific, especially in Tokyo, Mexico City, Ottawa and Canberra.

As one of the Trump administration’s six highest priorities, alongside “An America First Foreign Policy” and “Making Our Military Strong Again,” the web site declared that the United States government would pursue a course of “rejecting and reworking failed trade deals” that had allegedly produced “a mounting trade deficit and a devastated manufacturing base.”

“This strategy starts by withdrawing from the Trans-Pacific Partnership and making certain that any new trade deals are in the interests of American workers. President Trump is committed to renegotiating NAFTA. If our partners refuse a renegotiation that gives American workers a fair deal, then the President will give notice of the United States’ intent to withdraw from NAFTA.”

While cynically couched in terms of a “fair deal” for American workers, this is a nakedly nationalist and protectionist agenda that seeks to halt the protracted decline of US capitalism, bolster corporate profits and further enrich the American financial elite. It goes hand in hand with threats of crippling tariffs, such as 45 percent penalties on Chinese imports that could trigger

a global trade war, with devastating results for workers in America and all around the world.

This is not a retreat into US isolationism but a dramatic ramping up of the offensive, already commenced by the Obama administration, to reassert US hegemony throughout the Asia-Pacific over its economic and strategic rivals, notably China and Japan. The 12-country TPP itself was never a free trade agreement. It was a US-led economic bloc directed especially at undermining China, which was excluded from the TPP, and ensuring the unrestricted plundering of the region’s resources and markets by US financial, media, pharmaceutical and other transnational giants.

The TPP was a key aspect of Obama’s “pivot to Asia”—a concerted military, diplomatic and economic drive to encircle and dominate over China. As Obama stated repeatedly, the purpose was to ensure that the US, not China, “writes the rules of the road for trade in the 21st century.” As part of this quest, the TPP sought to cement alliances across the region, particularly with Japan and Australia, Washington’s two key military allies, both of which hoped to gain greater access to US and other TPP markets.

By jettisoning the TPP and targeting the two decade-old NAFTA, Trump has made it clear his administration will not work within the old, post-war framework that sought to avoid the outright trade wars that erupted during the 1930s, collapsed world trade and set the stage for World War II.

The TPP agreement states that it can go ahead only if at least six of its 12 original members ratify the deal, and if those six countries represent 85 percent of the combined gross domestic product (GDP) of all 12 countries. That means the deal cannot come into force if the US fails to ratify it, because the US accounts for more than 55 percent of the total GDP.

There was dismay in ruling circles throughout the region, especially in Japan, where Prime Minister Shinzo Abe has banked on the TPP as a major pillar of his “Abenomics” program to end the country’s prolonged stagnation. Japan’s auto and corporate giants have also used NAFTA to establish low-wage operations in Mexico as means of gaining entry to US markets. About 1,000 Japanese companies operate in Mexico today, spearheaded by Toyota, Nissan and Honda, which utilise their factories in Mexico as exporting hubs to the US and Canada.

In a last-ditch effort to avert a TPP pull-out by Trump, Abe last month secured the Japanese parliament’s formal ratification of the treaty, even though Trump had made his intentions very clear. Last week, Abe also conducted a quick-fire trip to the Philippines, Australia, Indonesia and Vietnam in an effort to shore up Japan’s position.

While in Australia, Abe and his Australian counterpart, Malcolm Turnbull reaffirmed their support for the TPP, issuing a joint statement that it remained an indispensable priority because of its “significant economic and strategic benefits.” Even though Abe and Turnbull also pledged their commitment to their respective military alliances with the United States, Trump has bluntly dashed their plea to retain the TPP.

According to yesterday’s *Yomiuri Shimbun*, the Japanese government now has been forced to review its trade policy. Japan Chamber of Commerce and Industry chairman Akio Mimura released a statement condemning Trump’s “America first” policy, saying it would promote the spread of protectionism, “significantly disrupting the system of open trade that has supported the growth of the global economy.”

The nervousness is also palpable in Australia’s corporate and media elite, for whom Trump’s inauguration message that “the whole world must be made to fear us” not only points to trade wars but escalates the danger of military conflict between the US, on which Canberra depends militarily, and China, Australia’s largest export market.

Today’s *Australian Financial Review* editorial described Trump’s declarations as “chilling for the future of world trade.” Turnbull’s government is still saying it will go “flat out” to rescue the TPP, or try to concoct a “Plan B” treaty without the US. Trade Minister Steve Ciobo met officials from Japan, Canada,

Mexico, Singapore and New Zealand last week in Switzerland to discuss ways to “take the TPP forward” without the US.

The Chinese regime’s reaction to Trump’s statements was muted. The normally strident *Global Times*, a state-owned media outlet, said negotiations around China’s rival to the TPP, the Regional Comprehensive Economic Partnership (RCEP), “could finally see some momentum” but “no one is celebrating yet as countries, including China, still try to grasp specific policies and actions the US might take going forward.”

The 16-nation RCEP would include countries in the Association of Southeast Asian Nations, China, Australia, India, Japan, South Korea and New Zealand, but not the US. High-ranking Japanese and Chinese trade officials met in Tokyo last month to advance RCEP. If these moves continue, China will not be the only country in Trump’s sights. Japan could find itself increasingly at odds with Washington.



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