

Trump steps up trade war agenda

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The address by US president Trump to the ultra-right-wing Conservative Political Action Conference (CPAC) last Friday saw a further elaboration of the trade war agenda which is at the heart of the economic policies of his administration—a program which has already brought warnings of devastating consequences for the world economy.

It has been immediately followed by a report in the *Financial Times* (FT) that the administration has asked the US Trade Representative's office to draw up a list of mechanisms that could be used to unilaterally impose trade sanctions against China and other countries.

According to the article, people briefed on the move said the goal was to find ways to circumvent the disputes settling procedures under the World Trade Organisation (WTO) that have governed international trade relations since 1995. If successful, such manoeuvres could lead to the eruption of a trade war.

This is in line with Trump's remarks on trade at the CPAC. Like all his public utterances, it was not so much a speech as a rant, denouncing the trade deals of the past which Trump maintains are the cause of the decline in the economic performance of American capitalism. And to chants of "USA, USA" from the crowd, it was accompanied by a commitment to carry out "one of the greatest military buildups in American history."

Outlining the reasons for his decision to withdraw from the 12-nation Trans-Pacific Partnership (TPP) negotiated under Obama, Trump set out the way he envisages trade deals to be negotiated in the future.

"We're going to make trade deals, but we're going to do one-on-one ... and if they misbehave, we terminate the deal. And then they'll come back and make a better deal. None of these big quagmire deals that are a disaster."

In his confirmation hearing as commerce secretary, Wilbur Ross elaborated the view of the administration on multilateral agreements. Negotiations with 12 countries, as in the TPP, involved concessions which in turn take a "little nick" out of the United States. "Keep doing that 12 times. You get a lot of nicks," he said.

The "America First" policy does not only apply to trade. Bloomberg has reported that in discussions held last Thursday Treasury Secretary Mnuchin told the governor of the Bank of England, Mark Carney, that the Trump administration would promote US national interests in any discussions on financial regulation.

According to a statement released by the US Treasury on the talks, Mnuchin noted that "one of the administration's core principles for financial regulation is to promote American interests

in international financial regulatory negotiations." The statement echoed an executive order issued by Trump on February 3 that said the US would "advance American interests in international financial regulatory negotiations and meetings."

This strident assertion of American economic nationalism is not just directed against the TPP and the North America Free Trade Agreement (NAFTA) with Canada and Mexico, which Trump says he wants to renegotiate. As the FT report shows, the administration's agenda is far wider. During the election campaign Trump described the WTO as a "disaster," threatening that the US would withdraw from the organisation if it did not agree to the imposition of import taxes and other measures directed against countries regarded as damaging American economic interests.

The turn by the US to bilateral agreements was also the message delivered by Trump's chief White House strategist Stephen Bannon to the European Union earlier this month. According to a Reuters report, he told the German ambassador to Washington that he regarded the European Union as a flawed concept and that the Trump administration preferred one-on-one agreements.

Responding to the report, one EU official told Reuters: "There appears to be no understanding in the White House than an unravelling of the EU would have disastrous consequences."

The White House confirmed that the meeting had taken place but said the report of the conversation was inaccurate. However the essential thrust of Bannon's remarks was underscored by Trump's remarks at the CPAC gathering.

EU trade ministers are holding an informal meeting this week at which they will discuss their response to the new trade agenda being formulated in Washington amid warnings of its implications.

Earlier this month, the finance minister of the French government, Michel Sapin, said the Trump administration posed a "grave risk" to international trade, in an address to a gathering of international economists in Paris. He said the EU member states would have to stand up to Trump in order to "prevent the collapse of global institutions."

"Neither France nor Europe, he said, "can watch helplessly as our economic institutions risk being dislocated ... As the world's largest trading bloc, the EU will continue to protect and defend its own interests and will do whatever it takes to counter Mr Trump's trade policies."

Others, including West German chancellor Angela Merkel, have said that the EU will have to look to closer economic ties with other countries and regions if it cannot get agreement with the US.

The fear in European and international circles is that "America First," in which trade is conceived of as a zero sum game, leads down the path of the trade wars that exacerbated the Great

Depression of the 1930s and played no small part in creating the conditions for World War II.

In the latter years of the 1930s, as it became apparent that another world war was virtually inevitable, President Roosevelt's secretary of state Cordell Hull drew the conclusion that one of the reasons for the coming war was the formation of rival trade and economic blocs. He determined that mechanisms would have to be put in place to ensure this did not take place in the post-war world.

After defeating its two main rivals, Germany and Japan, militarily, and having ensured that the previous economic hegemon, Great Britain, had been bled white economically, the US used its position of global economic dominance over the world capitalist system to establish a new economic order based on free trade.

This policy could be described as one of enlightened self-interest. It was based on the recognition that if the trade relations of the 1930s returned, this would have disastrous consequences for the world economy, including the US, which depended on an expanding world market, leading to enormous social upheavals and bringing with it the prospect of social revolution, not least in America.

Based on this analysis, the US was the chief instigator of the General Agreement on Tariffs and Trade (GATT) that came into effect in January 1948. With the aim of a substantial reduction of tariff and other trade barriers" and the "elimination of preferences," it was the foundation of the post-war international trading system.

GATT did not abolish tariffs and duties, but it established the principle that trade concessions offered by any country could not be selective; if they were granted to one, they had to be granted to all. This was aimed at trying to eliminate the kind of preferential treatment that had led to the formation of trade blocs in the 1930s.

The various rounds of trade negotiations under GATT ensured an expansion of world trade which helped underpin the post-war economic boom. GATT was replaced by the World Trade Organisation in 1995. But its history has been significantly different.

Negotiations commenced on a new set of trade liberalisation measures in 2001—the so-called Doha Round. But under conditions of worsening global growth, particularly after the 2008 financial crisis, they became stalled, leading to the virtual abandonment of the Doha Round in 2014. The breakdown in the establishment of further trade agreements has seen the growth of deals involving a select number of countries, of which NAFTA and the proposed TPP were examples, constituting a breach of the principles laid down in 1948.

In putting forward the TPP, which deliberately excluded China, the Obama administration maintained that its aim was to make the US the centre of a web of trade and investment relations.

Well before the accession of Trump to the US presidency, the rise of limited and regional trade deals and the disintegration of the GATT-WTO global framework had led to growing concerns that world trade was increasingly coming to resemble a "spaghetti bowl" of potentially conflicting deals.

Like so many of its other policies, the Trump administration's trade measures represent both a continuation of those of its

predecessors but also a qualitative change. Now even multilateral deals are to be scrapped and the US will engage in bilateral agreements, with the threat they will be torn up as soon they become disadvantageous for it and the contracting country forced to make a new deal on terms dictated by Washington. And mechanisms under the WTO for settling disputes will simply be bypassed.

The Trump agenda has sparked widespread concerns about where the world capitalist system is heading. In a comment last month on Trump's inaugural address, *Financial Times* economics columnist Martin Wolf characterised it a "declaration of economic warfare."

"Once the hegemon attacks the system it created, only two outcomes seem at all likely—its collapse or recreation of the system around a new hegemon," he wrote.

While Wolf did not spell out the implications of his analysis, they are clear. Both roads lead to war. In the case of a collapse, the trade system descends into an economic war of each against all, the logic of which is that each of the major powers seeks to eliminate its rivals—ultimately by military means.

The other scenario, based on the establishment of a new hegemon—Wolf raised the prospect of an alliance between Europe and China—goes in the same direction. The replacement of one power by either a single power or group of powers is not some kind of peaceful transition. As the history of the 20th century shows, world capitalism has never settled the question of its fundamental economic relations in this way, but only through world war.

Trump's economic and trade agenda is setting the world once again on this course, threatening the very destruction of civilisation itself.



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