

The growing threat of global trade war

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Aggressive moves by the Trump administration in pursuit of its economic nationalist “America First” agenda are bringing the world close to trade war—a conflict with significant military implications.

Two major initiatives by the US administration over the past month have ratcheted up global tensions, bringing the threat of retaliatory actions from the European Union and China.

In late January, the US slapped major tariffs on the imports of solar panels and washing machines directed against China and also South Korea.

This was followed by the recommendation earlier this month from commerce secretary Wilbur Ross that tariffs and other restrictive measures be introduced against the imports of steel and aluminium. The Ross recommendation was the outcome of a lengthy investigation conducted under section 232 of the 1962 Trade Expansion Act which allows restrictions on imports to be imposed by the president on the grounds of “national security”, a provision sometimes described as the “nuclear option” in trade relations.

The report said the increase in the imports of both metals in recent years “threaten to impair our national security” and Ross has sent the report to Trump with a range of options for restrictions, including a 24 percent global tariff on steel and a 7.7 percent tariff on aluminium, for action by April.

The militaristic overtones of the trade measures were underscored by Trump in his remarks to members of Congress last week when he said that while he wanted to keep prices down, steel and aluminium were needed for national defence and “if we ever have a conflict I don’t want to be buying steel [from] a country we are fighting.”

The move against solar panels and washing machines brought an immediate response from China. Bloomberg reported that within days the Chinese government was studying the impact of restricting imports of soybeans, for which China is America’s biggest export market. China has also launched an anti-dumping investigation against US exports of grain sorghum.

The invocation of section 232 against steel and aluminium has brought an immediate reaction from both China and Europe. A spokesman for the Chinese government warned

that if other countries followed the US move it would have “serious ramifications” for the international trading order and that if the US hurt China’s interests “we will certainly take necessary measures to protect our legitimate rights.”

Germany’s *Frankfurter Allgemeine Zeitung* reported this week that European Union officials were preparing a swift response to any US measures on steel and aluminium, possibly targeting agricultural products as well as Harley-Davidson motor cycles.

While EU officials have refused to comment on the report, European Commission spokesman Margaritis Schinas has said Brussels would be “deeply concerned” by any measures hitting European businesses. “We would be taking appropriate action to defend EU industry, and we stand ready to react swiftly and appropriately in case our exports are affected by any restrictive trade measures from the United States,” he told a press briefing.

While Schinas said that “we are not in a trade war,” a longer-term perspective was provided by the leading German business paper *Handelsblatt*. It commented that historians had often compared the period leading up to World War I to the stumbling of sleepwalkers. “It is no different with trade wars. The verbal rearmament that is currently taking place between the US, Europe and China also runs the risks of escalating the conflicts over cheap steel and aluminium exports into an open trade war.”

In another sign of rising global economic conflicts, the minutes of the European Central Bank meeting held on January 24-25 revealed concerns over statements by US treasury secretary Steven Mnuchin that a weak dollar was good for the American economy. In his press conference at the time, ECB president Mario Draghi criticised the remarks in unusually strong terms for going against agreements at International Monetary Fund meetings that countries would not deliberately devalue their currencies to try to gain competitive advantage.

According to the minutes, concerns were expressed in the meeting “about recent statements in the international arena about exchange rate developments and, more broadly, the overall state of international relations”. The latter reference pointed to the recognition that the system of geo-political

and geo-economic relations set in place after World War II is visibly disintegrating.

While the ever-increasing threat of global trade war and the breakdown of the post-war economic order have been sparked by the actions of the Trump administration, its origins do not lie there.

Rather, they are rooted in deep-seated contradictions of the global capitalist economy that are now bursting to the surface in the form of trade war, great power rivalry and the threat of world war.

Reviewing the catastrophe of the Great Depression and its consequences, members of the Roosevelt administration correctly drew the conclusion that one of the principal factors which propelled World War II was the trade war conflicts that had engulfed the world in the 1930s.

Consequently, the US worked to establish a post-war economic order based on promoting ever-freer trade and banning trade war measures. This system, enshrined in the Bretton Woods monetary agreements of 1944 and the establishment of the General Agreement on Tariffs and Trade in 1947, rested, in the final analysis, on the economic strength of the United States.

But the very economic growth the US promoted contained a profound contradiction. The reconstruction of the global capitalist economy, and the revival of Germany and Japan in particular, undermined first the absolute and then the relative economic supremacy of US capitalism on which the international system was based.

The first cracks appeared in 1971 when the Nixon administration unilaterally scrapped the system of fixed currency relations established at Bretton Woods by removing the gold backing from the US dollar.

The near-half century since then has been characterised by ongoing financial and economic turbulence and the continuing decline in the position of the United States. Today, it is confronted not only by its old rivals—Germany and Japan against which it went to war—but by new ones, in particular China.

The global financial crisis of 2008, the most serious economic breakdown since the Great Depression of the 1930s, has intensified these trends, to which the US has responded. It now finds that the post-war economic arrangements, which it established, work against its interests and has sought to overturn them and maintain its global hegemony through increasing bellicosity both economically and militarily.

This did not begin with Trump. It formed the heart of the economic policies of the Obama administration and its attempts to establish a new economic order in Asia, centred on the US through its Trans-Pacific Partnership, specifically excluding China, and the corresponding Transatlantic Trade

and Investment Partnership aimed at Europe.

These specific policies have been scrapped by the Trump administration, but the essential agenda of seeking to maintain the global dominance of the US against its rivals has continued. This drive is being intensified by the fact that since the financial crisis of 2008 the world economy has failed to recover to its previous levels under conditions where the massive growth of financial speculation over the past decade threatens to set off an even more severe financial crisis.

Markets in a vast range of commodities—from basic metals such as aluminium and steel, to agricultural goods, textiles and hi-tech goods, to name just some examples—are now characterised by so-called “over-production” and a dog-eat-dog struggle for profits.

In this, the 200th anniversary of the birth of Karl Marx, the extreme relevance of the analysis he developed, as far back as the Communist Manifesto 170 years ago, should be recalled.

Even at the beginning of industrial capitalism, he pointed to the essential meaning of its crises. “In these crises” he wrote, “there breaks out an epidemic that, in all earlier epochs would have seemed an absurdity—the epidemic of over-production” leading to a “universal war of devastation” in which the productive forces have to be destroyed because there is “too much civilisation, too much industry, too much commerce.”

The bourgeois politicians, scribes, pundits and global think tanks all know from historical experience that the growth of trade war and world war, to which it is inextricably linked, is insanity. But they are powerless to prevent it because this madness springs not from the minds of politicians or the mistaken policies of this or that government but from the irresolvable contradictions of the capitalist mode of production—as Marx so clearly identified—above all, that between the global character of production and the nation-state system in which the profit system is rooted.

The only solution to these contradictions is, as Marx also made clear, the taking of political power by the international working class and the reconstruction of society on socialist foundations. The intensifying drive to trade war—with even more devastating consequences than that of the 1930s—underscores the historical urgency of this task.



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