

The historic significance of Trump's trade war measures

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Last Thursday's announcement by President Donald Trump of sweeping tariffs on imports of steel and aluminium marks March 1, 2018 as a date that will resonate in economic history.

It is not just the size of the tariffs themselves—a 25 percent impost on steel and 10 percent on aluminium—that is significant, but the fact that they are being imposed on “national security” grounds, a justification supposedly reserved for wars or national emergencies.

The measures threaten to set off a series of retaliatory measures by Canada, the European Union, Japan, South Korea and other nominal allies of the US, as well as China.

In the lead-up to the actual signing of the tariff measures by Trump, expected later this week, there is a push by US allies for exemptions. But that appears to have been ruled out by the head of the Office of Trade and Manufacturing Policy, Peter Navarro, who said over the weekend that while there may be exemptions for specific businesses, they would not apply to individual countries.

Whatever the immediate outcome of these manoeuvres, the decision is an historical turning point. As the *Financial Times* noted, “By invoking national security as the grounds for the new trade barriers Mr. Trump has crossed a line in the international trading system.”

This trade war measure is a major step in the dismantling of the system of economic relations established by Washington itself after World War II to prevent a repetition of the destructive global conflicts that marked the first half of the 20th century—conflicts that had deep economic roots and threatened the very survival of the capitalist system.

Writing on the outbreak of World War I, Leon Trotsky explained that its objective significance lay in the irreconcilable conflict between the global economy and the economic framework of the national state. “But the way the governments propose to solve this problem of imperialism,” Trotsky wrote, “is not through the intelligent, organised cooperation of all of humanity's producers, but through the exploitation of the world's economic system by the capitalist class of the victorious country, which country is by

this War is to be transformed from a Great Power into the World Power.”

The contradiction to which Trotsky pointed—between the global economy and the system of rival nation-states in which capitalist property is rooted—was not overcome by the war. Rather, it continued to deepen, leading to an economic war of each against all in the Great Depression, culminating in the eruption of the Second World War just two decades after the conclusion of the First.

Reviewing the state of international relations in the late 1930s as the world prepared for war, US Secretary of State Cordell Hull and others in the Roosevelt administration concluded that a major factor driving the inevitable new conflagration was a breakdown in the international trading system and the formation of rival blocs. If war was to be prevented from erupting again in the post-war period, then a new economic order had to be established, based on expanding markets and a stable international monetary system.

This was the origin of the international monetary system established at Bretton Woods in 1944 and the General Agreement on Tariffs and Trade in 1947 on the initiative of the US.

But while the new system prevented a return to the 1930s and helped avert the prospect of socialist revolution which many feared would result, it did not overcome the fundamental contradictions of global capitalism that Trotsky had so clearly identified.

The post-war order was based primarily on the supremacy of the United States as the preeminent world economic power. However, the very post-war economic expansion it generated, and the consequent revival of the two main rivals of the US, Germany and Japan, undermined the supremacy of the US on which the post-war order was grounded.

By the end of the 1960s, barely two decades after the new order had been established, these contradictions were finding their expression in the widening balance of payments and trade deficits of the US, leading to the decision by President Nixon on August 15, 1971 to remove the gold backing from

the US dollar—the basis of the monetary system established in 1944—and impose higher tariffs on imports.

The succeeding period has been characterised by two interconnected processes: the further integration of the world economy through the globalisation of virtually all production processes and the ongoing decline of the US, in relation to both its historic rivals and emergent new ones, above all China.

It is from the re-emergence of this contradiction—between the world economy and the nation-state system, at a far more intense level than when Trotsky identified it in 1914—that the actions of the Trump administration arise.

The tariff measures, imposed under conditions where manufactured goods containing steel and aluminium, the initial targets in the trade war, cross borders often on multiple occasions during their production, are not the result of the insanity of Donald Trump and his “America First” cohorts in the White House.

Rather, they flow from the historic irrationality of an economic system that is not based on the “intelligent, organised cooperation of all of humanity’s producers,” but is completely subordinated to the never-ending struggle for markets and private profit.

Trade war measures did not begin with Trump. Significant measures were taken by the Obama administration, which drew the conclusion that the very economic order established by the US at the conclusion of World War II was now working against the interests of American capitalism.

Two key initiatives under Obama—the Trans Pacific Partnership centred on Asia (to the exclusion of China) and the Transatlantic Trade and Investment Partnership aimed at Europe—were intended to secure a new system based on American dominance.

Both have been effectively scrapped, but the essential objective continues under Trump, in a form that recalls Trotsky’s observation some 90 years ago that in a period of crisis, the hegemony of the US would operate “more openly and more ruthlessly” than in a period of boom, as America sought to extricate itself from its maladies at the expense of its rivals.

The Trump measures have brought opposition within the US, especially from industry groups that point out that as users of steel and aluminium they will be disadvantaged by the measures in the struggle for markets. Fears are also being expressed that the US tariffs will bring retaliation from Europe, Japan and other US “allies.”

The *New York Times* warned in an editorial yesterday that the Trump measures could be the first in a host of such actions, sending the US “into a much broader trade war, the likes of which the world hasn’t seen since the Great Depression.”

Times does not ~~Oppose~~, trade war as only wants it to be better targeted, noting that if Trump “were truly interested in getting China to reduce its excess production, he would have worked with the European Union, Canada, Japan, South Korea and other countries to put pressure on Beijing.”

In other words, instead of using a blunderbuss, Trump should have deployed the economic equivalent of a Cruise missile.

Such opposition within the ruling class to the Trump measures should not, however, give rise to false hopes that somehow reason and rationality will prevail. It should be recalled that the Smoot-Hawley tariff measures of June 1930 were also denounced at the time. But that did not prevent their passage, triggering a full-scale trade war that played an immense role in creating the conditions for the eruption of World War II.

Nor will the Trump administration be deterred by warnings that it is initiating a similar global conflict. The position of the administration is that trade war has been going on for some time, only now the US is stepping up to the ramparts.

Whatever the immediate outcome of the present conflict, the underlying drive will continue because the Trump measures are rooted not in the psyche of the present occupants of the White House but in the irresolvable, objective contradictions of the capitalist mode of production.

This means that the fight for world socialist revolution must be taken forward as the “practical program of the day,” as Trotsky explained at the outbreak of World War I. It is the answer of the international working class to the program of war and dictatorship of international capitalism.



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