

# Australian government obtains “national security” exemption from Trump’s trade war measures

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Alarmed by the prospects of a devastating global trade war, Australia’s government anxiously sought exemptions from US President Donald Trump’s punitive steel and aluminium tariffs on the grounds of “national security.”

Prime Minister Malcolm Turnbull’s government put its case in terms of preparations for war, echoing the militarist rationale that Trump gave for proposing the tariffs. Last week, Trump told members of Congress: “If we ever have a conflict we don’t want to be buying steel [from] a country we are fighting.”

Today Trump tweeted that he would exempt Australia on this basis: “Spoke to PM @TurnbullMalcolm of Australia. He is very committed to having a very fair and reciprocal military and trade relationship. Working very quickly on a security agreement so we don’t have to impose steel or aluminium tariffs on our ally, the great nation of Australia.”

The Turnbull government argued that retaining steel production in Australia was vital for its \$200 billion military spending program, which includes the construction of new submarines, frigates and patrol boats. It also emphasised the intensifying integration of Australia’s armed forces into those of the United States.

Foreign Minister Julie Bishop told Sky News on Thursday: “We have made the point very clearly that no two countries could claim to be closer than Australia and the US in terms of our defence and security and intelligence sharing and the interoperability between our militaries.”

A March 7 letter to Trump from the American Australian Business Council was even more explicit.

“Australia is increasing the size of its defence budget by 4.7 percent every year until 2025,” it said. “This will see Australia’s defence spend reach 2.2 percent of GDP in 2023, above the level the United States is requesting of our allies.”

“The majority of Australia’s military equipment is imported, providing substantial opportunities to US companies, and over the past decade, Australia has been the fourth largest importer of US military equipment, ahead of Japan, Israel or any European nation.”

The letter said Australia’s steel and aluminium industries were “essential” to Australia’s “own national security and defense” and “crippling these industries in our critical Pacific ally could seriously jeopardise our own power projection, readiness and repair capabilities in the Southern Hemisphere.”

The document was signed by the CEOs of powerful corporations, including Rupert Murdoch’s News Corp, Dow Chemical and Northrop Grumman, a major weapons supplier, as well as JP Morgan’s global chairman of investment banking.

More broadly, Trump’s trade war moves have sent shockwaves through Australia’s ruling establishment for both political and economic reasons. Any US-China trade war would have shattering consequences for Australian capitalism, which depends heavily on exports to China. It would also heighten the dangers of war, with Australia directly involved.

Just a week before Trump outlined his measures, Turnbull had led the country’s largest-ever corporate delegation to Washington to commit to even-closer strategic, military and economic ties, and plead for protection from any US trade barriers.

Turnbull's government, which is increasingly unstable, had also claimed it had a previous guarantee from Trump that Australia would be exempt from any such tariffs. Journalists were told the understanding came after a meeting between Turnbull and Trump at the G20 summit in Hamburg, last July.

In a sign of the concerns wracking Australia's corporate elite, Reserve Bank of Australia governor Philip Lowe this week condemned Trump's tariff plan as "highly regrettable and bad policy."

Addressing an *Australian Financial Review* business summit, Lowe warned that the steel and aluminium tariffs could "turn very bad" if other nations retaliated, leading to "counter retaliations [that] could turn into a very big shock to the global economy."

According to modelling by Deloitte Access Economics, a US-China trade war would eliminate 20,000 jobs in Australia, wipe \$5 billion off national income within a year, and cut business investment. The impact would double to \$10 billion within a decade.

Moreover, these calculations were premised on the unlikely prospect that such a conflict would not spread wider throughout the world economy. Already, European Union members have warned of retaliation against Trump's tariffs.

Because of its reliance on raw material exports, overseas students, tourism and foreign investment, Australian capitalism is extremely vulnerable to any wider trade war.

Australian Industry Group chief executive Innes Willox told Sky News a trade war would quickly escalate. "We don't want to get caught up between the stampeding elephants of the US, China and Europe in a global trade war," he said.

"Because we are such a huge export nation we stand to be among the biggest losers from a global trade war so we have to be the ones trying to pull the elephants together."

Already, one company has fallen victim to US protectionism. Perth-based Simcoa, which employs about 170 people and in 2016 sold \$US34 million in high-grade silicon to the US, was among several firms targeted by Washington's anti-dumping measures.

Simcoa was hit by a 51 percent tariff because the US alleged that tax breaks by the federal and Western Australian state governments for research and development, as well as differential resource royalties

between states, undercut American rival Globe Specialty Metals.

Australian companies are small players in US steel and aluminium markets, annually exporting about \$274 million worth of steel and \$276 million in aluminium. However, the tariffs could threaten BlueScope's steelworks at Port Kembla, near Wollongong, which still employs about 3,000 workers despite massive cuts over the past three decades.

BlueScope's US subsidiary, Steelscape in California and a Washington state plant, import steel from its Australian and Asian operations to manufacture metal-coated steel and painted steel coils for non-residential buildings and construction in the US.

The trade war fears have added to concerns in ruling circles about the fragility of the Australian economy. Trump's tariffs and another "America First" policy—huge corporate tax cuts—could see investment withdrawn to the US.

This is under conditions where the systemic lowering of wages and record household debt levels could burst a housing price bubble that has largely kept Australian capitalism afloat since the mining boom imploded in 2011.



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