US “allies” scramble for tariff exemptions

Nick Beams
10 March 2018

US strategic allies around the world are seeking ways to have their countries excluded from the tariffs imposed by the Trump administration on steel and aluminium, invoking “national security” considerations.

Attention will be directed to Europe over weekend where the European Union’s chief trade negotiator, Cecilia Malmström, is meeting with US Trade Representative Robert Lighthizer in Brussels today.

The meeting was not called in direct response to Trump’s measures—it was scheduled 10 months ago to discuss, among other things, overcapacity in global steel markets. But it is now shaping up as an indication of how both sides will proceed.

Last Wednesday, the EU threatened to impose counter-tariff measures against US exports into Europe, including on bourbon and various foodstuffs amounting to around $3.5 billion, if the US measures go ahead.

Speaking at a panel discussion yesterday in Brussels, Malmström again took issue with the Trump administration, emphasising the strategic relationship between the EU and the US.

“We had been in talks with our American friends for quite some time to explain to them that whereas we share the concerns over overcapacity in the steel sector, this is not the right way to deal with it,” she said.

“And it is certainly not the right way to include Europe in that because we are friends, we are allies, we work together, we cannot possibly be a threat to national security in the US so we are counting on being excluded.”

The indications so far, however, are that the EU will get short shrift. White House National Trade Council director Peter Navarro, who was among the leading proponents of the measures, is a strident opponent of both China and Germany on trade. Trump earlier responded to threats of EU retaliation with a warning that tariffs could be imposed on imports of European cars.

Malström said she hoped the EU would obtain an exclusion. If not, the EU and other countries would take up the case in the World Trade Organisation (WTO). “We are also preparing with member states a list of rebalancing measures [the imposition of tariffs on US goods] that could possibly enter into force,” she said. “We hope that will not be the case of course, because nobody has an interest of escalating this situation, but if we have to do that, that’s what we will do.”

The battle for exemptions threatens to deepen the rift between Britain and the rest of the EU, of which the UK is still formally a member, despite the Brexit vote. Divisions have emerged over the announcement that British international trade secretary Liam Fox will travel to Washington next week to “maximise the UK’s case for exemption.”

According to one press report, EU sources said that if Britain secured favourable terms, Brussels would regard this as a “breach of trust” and against the rules of the EU.

In television comments, Fox emphasised that Britain was not in the same position as the EU. “We produce very high-value steel, some of which can’t be sourced in the United States—and so these tariffs will simply push up the price of steel there. We also make steel for the American military program, so it’s doubly absurd.”

However, the European Commission’s position is that it will not tolerate special treatment for the UK or any other EU member that seeks to cut a separate deal.

The commission vice-president in charge of trade policy, Jyrki Katainen, said yesterday: “We cannot accept that the EU is divided into different categories. We don’t want to see the division between the member states.”

German Chancellor Angela Merkel said she would leave negotiations on the tariffs to the EU but Germany viewed the measures “with concern.” She backed the

© World Socialist Web Site

EU plan for counter-measures but “the preference should lie with talks.”

Japan, which is an ally of the United States, is also seeking an exemption, as is South Korea, which could be hard hit.

At a press conference yesterday, Hiroshige Seko, Japan’s minister for trade and industry, said: “It’s extremely regrettable and I’d like to work on the Americans to exempt us. Tit-for-tat retaliatory measures don’t profit any country. I’d like to consider the necessary response in the WTO framework.”

South Korea has virtually no chance of an exemption because the US regards it as a conduit for cheap re-processed Chinese steel.

Hopes that the WTO and its so-called rules based order can prevent a drive toward open trade war are based on a failure to recognise the implications of the shift being undertaken by the United States.

The dominant position in the White House is that the WTO system has worked against the interests of the US. This view is not an invention of Trump and his “America First” supporters. It was emerging under the Obama administration, which sought to develop new arrangements to place the US at the centre of a network of economic pacts, such as the Trans-Pacific Partnership (TPP).

Speaking at yesterday’s Brussels panel on trade, Robert Zoellick, who served as US trade representative under President George W. Bush, pointed out the far-reaching implications of any WTO ruling on the Trump measures.

“Here’s the risk: The WTO decides, well, the EU, or whoever brings action is right, this isn’t national security,” he said.

“But then what happens when [commerce secretary] Wilbur Ross or somebody else says ‘wait a minute. Those people in Geneva can decide what is in America’s national security. Should we be part of the WTO?’

“Or, the reverse, the WTO says ‘well, we let countries decide their own national security.’ Then you’ve created a very big loophole.”

In other words, the objective logic of the US move, based on the invocation of “national security”—the tying of trade to military considerations—leads to a breakdown of the entire post-war trading system. In its place, there is a return to dog-eat-dog relations that had catastrophic consequences in the 1930s, playing a major role in creating the conditions for World War II.

Opposition to Trump’s measures in US ruling circles is not grounded on their disastrous global implications. The objection is that they have been misdirected and should be more clearly focused on securing allies for a conflict with China.

US Business Roundtable president Josh Bolten, who was White House chief of staff under President George W. Bush, summed up this position in an interview with the *Financial Times.*

“They are offending and damaging the very people who we need to help us with the China problem,” he said. “Exemptions just make a very bad decision slightly less bad. All the major problems with the decision remain.”

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site