

Trump orders “national security” probe into auto industry

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In a move that could trigger a major escalation of global trade conflicts, President Donald Trump has ordered the US Commerce Department to conduct a national security investigation into automotive imports.

The probe, which could lead to tariffs as high as 25 percent, will be conducted under section 232 of the 1962 legislation that the administration used to impose tariffs on steel and aluminium imports earlier this year.

The new investigation, which brought global condemnation, was directly linked in statements by the administration to economic preparations for war.

Commerce Secretary Wilbur Ross said: “There is evidence suggesting that, for decades, imports from abroad have eroded our domestic auto industry. The Department of Commerce will conduct a thorough, fair and transparent investigation into whether such imports are weakening our internal economy and may impair our national security.”

In an interview with the business channel CNBC, Ross said: “Economic security is military security. And without economic security, you cannot have military security.”

A Commerce Department statement said automobile production had long been a source of American technological innovation. The investigation, it declared, would consider whether the decline of domestic production threatened to weaken the economy by reducing the development of autonomous vehicles, fuel cells, electric motors, advanced manufacturing process and other cutting-edge technologies.

Trump said in a statement: “Core industries such as automobiles and automotive parts are critical to our strength as a nation.”

The language parallels that employed to denounce high-tech development by China under its “Made in China 2025” program, which is regarded as threat to

US economic and military supremacy.

The connection between the auto industry probe and the issue of war was made explicit by Don DiMicco, the former chief executive of Nucor Steel, who now serves in US Trade Representative Robert E. Lighthizer’s advisory council.

“What was it that gave us the ability to outmanoeuvre Germany and Japan [in the second world war]?” he asked. “It was our auto industry. It was our industrial might. Everything was here.

“Is [the issue] Nissan versus Jaguar versus GM? No. It’s having the ability to have the supply chains here, if, God forbid, you get into a conflict and don’t have the supply chains we need. Every war we’ve fought since World War II has been a conventional war. And in a conventional war, the strongest economy wins.”

The tariff measures, if implemented following the investigation, will directly hit key nominal strategic allies of the United States, including Japan, Mexico, Canada, South Korea and, above all, Germany, which sell the bulk of cars imported into America.

The US imported 8.27 million cars and light trucks last year, worth \$192 billion. More than half came from plants in Mexico and Canada, which are currently involved in renegotiating the North America Free Trade Agreement with the Trump administration. The latest measures are a means of applying increased pressure to secure greater concessions.

As shares of Asian carmakers fell sharply on the news of the investigation and possible tariffs, Japan responded in a sharply-worded statement.

“If they [the US] were to go ahead with such wide-ranging trade restrictions, it would throw the global market into confusion,” Hiroshige Seko, minister of economy, trade and industry said. “There could be a negative effect on the WTO [World Trade

Organisation] multilateral trading system. It is extremely regrettable.”

Toyota, the major Japanese car exporter to the US, took issue with the rationale offered for the measures.

“The section 232 investigation is intended to cover threats to national security,” the transnational stated. “Given the global nature of the automobile industry, and the fact that last year nearly 12 million vehicles were manufactured in the US, such a determination seems implausible.”

In South Korea, the government called an emergency meeting with car industry officials to discuss the situation.

The European Union, which already faces the imposition of a 25 percent tariff on steel and aluminium at the beginning of next month, condemned the auto move and its supposed motivation.

“We believe that there is no justification for the US to impose tariffs on steel and aluminium on grounds of national security,” a European Commission spokesman said. “Invoking national security would be even more far-fetched in the case of the car industry.”

The head of the German Chambers of Industry and Commerce, Eric Schweitzer, said if US invoked the tariffs it could add as much as \$7 billion to the cost of German car exports.

“We have to see this almost as a provocation,” he said, expressing concern “that the US is distancing itself ever further from free and fair trade.”

Trump has long made clear that he wants to see a reduction in the German trade surplus with the US, to which auto exports alone contributed more than \$16.7 billion last year.

China added its voice to the condemnation of the US moves. A commerce ministry spokesman said that Beijing opposed the “abuse of national security clauses, which will seriously damage multilateral trade systems and disrupt the normal international trade order.”

The investigation has sparked opposition in the US. Rufus Yerxa, the president of the National Foreign Trade Council, a trade policy group representing US companies, said he feared the administration had “crossed the Rubicon into wholesale protectionism.”

“Lots of countries have resorted to protectionism when their economies were doing badly. It almost never works. But Trump may be the first leader ever to do it when the economy is booming. He’s trying to fix

a problem that ain’t broke. The auto industry is healthy.”

The head of a major car dealers’ association, Cody Lusk said: “To treat auto imports like a national security threat would be a self-inflicted economic disaster for American consumers, dealers, and dealership employees.”

Such opposition is grounded on the premise that, because Trump’s measures are so disruptive to global economic relations, an appeal to rationality can bring about, if not a reversal, then at least a course correction within the prevailing system.

Such a view ignores the transformation in US policy-making, of which the Trump administration is the expression. In a trend that began before the present administration came to office, the US increasingly regards the present global order as inimical to its interests. It views economic relations as a test of strength with its rivals, in which military capacity, be it in the area of manufacturing or technology, assumes ever-greater importance.



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