

Deep divisions over US trade policies at G7 finance ministers meeting

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In one of the most significant conflicts in the more than forty-year history of such multilateral meetings, finance ministers from six of the seven nations in the G7 joined together at the end of last week to issue a statement condemning the US for its trade policies.

The statement drawn up by Canada, which hosted and chaired the meeting, held in Whistler, British Colombia, sets the stage for an even bigger conflict when government leaders of the G7 meet in Charlevoix, Quebec on June 8–9.

Across the Pacific in Beijing, talks held over the weekend between US and Chinese officials over a program to increase US exports to China ended without any statement being issued by the two sides, as the deadline looms for the imposition of US tariffs on at least \$50 billion worth of Chinese goods.

The Chinese state-run news agency Xinhua said there had been “positive, concrete” progress in some areas, but then made clear that the tariff threat was the key sticking point. “If the US rolls out trade measures including tariffs, all the agreements reached in the negotiations won’t take effect,” it said.

The statement from the G7, agreed to by Canada, the UK, Germany, France, Italy and Japan, pointed to the “negative impact of the unilateral trade actions of the United States.” This referred to Washington’s imposition of tariffs on steel and aluminium on “national security” grounds.

“Concerns were expressed that the tariffs imposed by the United States on its friends and allies, on the grounds of national security, undermine open trade and confidence in the global economy,” the statement said.

The aim had to be to restore “collaborative partnerships to promote, free, fair, predictable and mutually beneficial trade,” which had been put at risk by US actions against other G7 members.

In his remarks on the meeting, Canadian Finance

Minister Bill Morneau said that “unfortunately the actions of the United States ... risk undermining the very values that traditionally have bound us together.” Speaking to reporters, he added that there had been a consensus among the six that the Trump administration’s actions were “destructive to our ability to get things done,” and he asked US Treasury Secretary Steven Mnuchin to convey the “regret and disappointment” of the other six nations to President Trump.

Even before the message was delivered, Trump had given his reply via Twitter, saying the US “at long last must be treated fairly on trade.” He added, “If we charge a country zero to sell their goods, and they charge us 25, 50 or even 100 percent to sell ours, it is unfair and can no longer be tolerated. That is not free or fair trade, it is stupid trade.”

Speaking after the meeting, several finance ministers pointed to the unprecedented character of the division. Calling the US tariffs on steel and aluminium “deeply deplorable,” Japanese Finance Minister Taro Aso said, “I’ve been to these meetings for a long time. But this is a very rare case where opposition to the United States was unanimous.”

Aso said the G7 ought to be telling China to follow global rules, but “by taking measures that violate G7 and World Trade Organization rules, the United States is actually benefiting China. That’s wrong.”

French Finance Minister Bruno Le Maire referred to the “G6 plus one” and expressed “total incomprehension” over the US actions. He said the European Union was ready to proceed with retaliatory actions and Washington had only a few days to de-escalate the trade conflict.

According to one participant at the meeting, cited by Reuters, Le Maire directly asked Mnuchin, “How can you get China to respect international law if you don’t?”

German Finance Minister Olaf Scholz voiced the opposition of other members of the G7 to the decision of

the US to pull out of the international nuclear agreement with Tehran and the threat by the US to impose sanctions on European countries that continue to trade with Iran. “There were several issues discussed at the G7 over which there was no agreement,” he told reporters. “That’s really quite unusual in the history of the G7.”

Mnuchin rejected claims that the US was circumventing international trade rules or abandoning the system of global economic relations it had built after World War II. In an expression of the “America First” agenda of the Trump administration, he directed attention to the handouts of hundreds of billions of dollars to US corporations and the ultra-wealthy.

“I don’t think in any way the US is abandoning its leadership in the global economy. Quite the contrary,” he declared. “I think that we’ve had a massive effort on tax reform in the United States which has had an incredible impact on the US economy.”

Seeking to push back against the isolation of the US within the G7, Mnuchin said there was support for Washington’s push against China over its alleged forced technology transfers and other policies. But in doing so, he made clear why there has been little or no progress on reaching an agreement with Beijing. Mnuchin said the talks, led Commerce Secretary Wilbur Ross, were not simply about the export of more US goods to the Chinese market.

“I want to be clear,” he said, “this isn’t just about buying more goods, this is about structural changes. But I also fundamentally believe that if there are structural changes that allow our companies to compete fairly, by definition that will deal with the trade deficit alone.”

But the “structural changes” the US is seeking to impose, with tariffs directed against goods manufactured under Beijing’s “Made in China 2025” program, amount to nothing less than the transformation of China into an economic semi-colony of the US.

Washington is demanding that China end state subsidies to key industries, which it says give them a major advantage in global markets, and that it cease efforts to develop high-tech industries, accusing China of stealing American intellectual property. The prevailing view in the military and intelligence establishment is that China’s efforts to outstrip the US in the high-tech sector constitutes a threat to the economic and military supremacy of the United States.

The intransigence of the US on this question was laid out in the broad demands presented to Beijing at the beginning of last month, which included the demand that

China not “oppose, challenge, or otherwise retaliate against the United States’ imposition of sanctions on investments from China in sensitive US technology sectors or sectors critical to US national security.”

While there was no statement from either side on the weekend’s discussions in Beijing, it was widely reported that Chinese negotiators had stipulated that tariff threats had to be removed. According to one source cited by the *Financial Times*: “The Chinese are asking that the Trump administration publicly announce that they will not impose tariffs, and that’s a non-starter.”

Earlier comments by Mnuchin, following discussions in Washington, that tariffs had been put “on hold” were described by anti-China hawk Peter Navarro, the White House adviser on trade, as an “unfortunate sound bite” and were followed by the decision that the list of Chinese goods to be targeted would be finalised on June 15 and implemented “shortly” thereafter, and that there would be an announcement by June 30 on restrictions to be placed on Chinese investment.

Reflecting the increasingly besieged character of the Trump administration on trade, White House economic adviser Larry Kudlow let fly with a disjointed and semi-coherent rant, blaming all and sundry for breaking trade rules “all over the place” and declaring that Trump was simply responding to decades of trade abuse.

“Don’t blame Trump,” he told “Fox News Sunday.” “Blame China, blame Europe, blame NAFTA, blame those who don’t want reciprocal trading, tariffs rates and protectionism.”

With Kudlow regarded as heading up a quasi-free trade faction within the Trump administration, it is clear that the divisions exposed at the G7 finance ministers meeting are set to widen at the summit to be held on the weekend.



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