Trade war and the eruption of economic nationalism

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One year ago, there was a conflict in major international economic bodies over the refusal of the United States to include a commitment to “resist protectionism” in communiqués and statements.

The phrase had been regularly invoked by international organisations such as the International Monetary Fund and the G20 in response to the eruption of the global financial crisis in 2008. Indeed, the leaders of the major capitalist powers regularly congratulated themselves over the following years that, in response to the most significant economic breakdown since the Great Depression, they were not going down the path of the 1930s.

The lessons of history had been learned, they claimed, and there would be no repeat of the trade war and other protectionist measures that played a key role both in deepening the Depression and creating the conditions for the eruption of World War II.

Twelve months after the outbreak of the war of words, what is the situation?

The United States, invoking “national security,” has imposed tariffs of up to 25 percent on steel and aluminium imports from the European Union, Canada, and Japan. The EU will today impose retaliatory tariffs, and Canada is likewise preparing to impose tariffs on the United States.

Next month the US will start to impose tariffs on $50 billion worth of Chinese goods, directed at high-tech products, with threats to impose imposts on a further $200 billion worth of Chinese goods, and the possibility of tariffs on an additional $200 billion after that if China goes ahead with its threat to retaliate.

The key issue in the conflict with China is not primarily the US trade deficit—the US has rejected moves by China to increase its imports from America—but the moves by Beijing to enhance its industrial and technological capacities under its "Made in China 2025" plan. The US regards this perspective as a threat to both its economic and military supremacy.

In a comment published in the *Wall Street Journal* this week, Peter Navarro, Trump’s White House economic adviser, made clear that what he called “Beijing’s audacious plan to dominate emerging technology industries” would not be tolerated, that China’s investment in “strategic technologies” posed “the gravest risk" to “America’s manufacturing and defense industrial base” and that “economic security *is* national security.”

In other words, the economic warfare being conducted by the United States is bound up with the drive to reduce China to the status of an economic semi-colony, and this agenda will be imposed by military means if necessary.

The trade war measures being imposed by the US against both its “strategic allies” and what it calls its “strategic competitor,” China, are, from the standpoint of the development of man’s productive forces, totally irrational.

In the more than eight decades since the disastrous tariff and currency wars of the 1930s, the global economy has become a far more profoundly integrated organism, with virtually every commodity the product of a vast and complex international division of labour in which many components of products cross international borders several times before emerging in their final form.

But the very irrationality of the US measures, imposed under the banner of “Make America Great Again,” does not mean there will be some pullback.

On the contrary, as Trotsky observed some 80 years ago, while the prospect of harmonious economic development on a nationalist foundation was completely impossible, the economic nationalism of an authoritarian or fascist state was a “menacing reality insofar as it is a question of concentration all the economic forces of the nation for the preparation of a new war.” These measures signified that a new world war was “knocking at the gates.”

Trotsky’s warnings resonate in the current international political situation. In every country, the precepts of liberal democracy are being torn apart amid the re-emergence of the authoritarian and fascist forms of rule that characterised the 1930s. Today, as in that period, again in Trotsky's words, “Everyone defends himself against everybody else, protecting himself by a customs wall and a hedge of

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bayonets."

As the WSWS outlined in yesterday's Perspective column, there is now a global war against immigrants. In the United States, Gestapo-like raids are being launched with the use of language against immigrants that recalls that of the Nazi regime in Germany. European politics is dominated by the rise of increasingly right-wing and fascistic movements—in Germany, Italy, Hungary and elsewhere—speaking with the voice of those who carried out the worst crimes of the 20th century.

The fact that the breakdown of the entire economic order and its attendant political consequences is being spearheaded by the United States—the supposed guarantor of international stability—is of the most profound historical significance.

The launching of trade war and the return to economic nationalism is the outcome of deep and irresolvable contradictions within the global capitalist system, above all that between the global character of the economy and the division of the world into rival nation-states and great powers, struggling against each other for markets and profits.

In the final years of the 1930s and into the war years, key sections of the US political establishment drew the conclusion that any return to the nationalist policies of that decade would bring about an economic disaster and create the conditions for socialist revolution. This understanding was the basis for the construction of the post-war order founded on the promotion of free trade and the renunciation of protectionist and beggar-thy-neighbour economic measures.

Rather than seeking to crush its former economic and strategic rivals, the US sought to promote their economic growth through measures such as the Bretton Woods monetary agreement, the Marshall Plan and the General Agreement on Tariffs and Trade. These policies were carried out not on the basis of any US benevolence, but were grounded in calculated self-interest—the recognition that the economic advance of the US depended on the expansion of the world economy as a whole.

These conceptions formed the basis of the post-war economic order. But the very growth of the world economy steadily undermined the dominant position of the US within the world economy. In the past 30 years, the globalisation of production has accelerated this tendency. Now the US is confronted not only with the increasing economic power of its old rivals, Europe and Japan, but the emergence of a new "strategic competitor" in the form of China.

Sections of the US ruling elite came to conclude that rather than enhancing the position of the United States, the very post-war system it had constructed was now undermining it. This assessment did not begin with the Trump administration, but formed the centre of the international economic policies of the Obama administration. It insisted that a new system had to be constructed, based not on multilateralism, but on the establishment of a new regime that placed the US at the centre of a network of global economic relations.

This was the nationalist core of the Obama administration's proposal for a Trans-Pacific Partnership, excluding China, and Obama's corresponding plans for Europe.

While Trump scrapped both of these plans, the economic nationalism that formed their essential content has now been developed and expanded in even more virulent form. The aim is to reestablish the economic dominance of the US by any means necessary: the prosecution of trade war and economic nationalism, accompanied necessarily by increasingly authoritarian measures, and the assertion of American military might in every corner of the world.

Even as they criticise Trump's imposition of tariffs on the United States' NATO allies, the Democrats praise the US president's trade war measures against China, and even demand their expansion. The bipartisan support for these policies makes clear that trade war and protectionism are not merely a product of Trump, but of American capitalism.

There are those who vainly hope that somehow, in some way, in the face of the madness of trade war and economic nationalism, the US can be made to see reason and undertake a course correction, if not a reversal. This is an illusion. There can be no return to the past because the economic foundations on which it was based have been shattered.

The only way out of the breakdown of the global capitalist system and all the attendant horrors it is producing is the unified struggle of the international working class for political power and the socialist transformation of the world.

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