

# Trump fires opening shot in trade war against China

Nick Beams  
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The Trump administration has gone ahead with its threat to impose tariffs on China under section 301 of the 1974 US Trade Act, imposing levies on \$34 billion worth of Chinese goods from midnight, with a further \$16 billion to be targeted in the near future.

The action is the first shot in a direct trade war against China, with President Donald Trump telling reporters yesterday that more is to come.

Pointing to the inevitability of escalation, Robert Holleyman, former deputy US trade representative in the Obama administration, said: “Once these tariffs start going into effect, it’s pretty clear the conflict is real. If we don’t find an exit ramp, this will accelerate like a snowball going down a hill.”

China said it would respond immediately with “equal scale, equal intensity,” with major targets including soybeans and sport utility vehicles (SUVs).

According to lists published by both sides, the US tariffs will cover 818 categories of goods from China, while the Chinese measures will hit 545 categories of products from the US.

One of the key issues now is how the US responds to the Chinese counter-measures. In the war of words leading up to today’s actions, Trump threatened to impose additional tariffs on up to \$400 billion worth of Chinese goods if Beijing retaliated against the US.

The interconnections between the two largest economies mean that the escalating trade war will involve companies around the world.

Warning of the consequences, Bruce Blakeman, a senior executive at the US agricultural giant Cargill, said: “The impact of trade conflict will lead to serious consequences for economic growth and job creation and hurt those who are most vulnerable across the globe.”

Such is the intertwining of the operations of the major corporations that the US measures directed against China will also hit American and other foreign-owned firms. At

a press conference in Beijing yesterday, Chinese Ministry of Commerce spokesman Gao Feng said: “The US is firing shots to the world, including to itself.”

Gao pointed out that \$20 billion worth of Chinese-made goods targeted by the Trump administration were manufactured by foreign companies, including from the US.

Foreign-owned companies operating in the US that export to China are being dragged into the conflict. The German firms Daimler and BMW, which manufacture in the US and export SUVs to China, will now have a 40 percent tariff imposed on their products, worsening their position against rivals that are not impacted, such as Toyota.

German auto firms and other auto makers face another potential hit if the Trump administration imposes tariffs, possibly as high as 25 percent, following an investigation to examine whether imports jeopardise US “national security.” Trump has indicated he expects the results of the probe, under section 232 of the 1962 Trade Expansion Act, to be released within three to four weeks.

The largest business lobby group in the US, the Chamber of Commerce, warned that Trump is risking a global trade war.

“The administration is threatening to undermine the economic progress it has worked so hard to achieve,” the Chamber’s president, Tom Donohue, said in a statement to Reuters. “We should seek free and fair trade, but this is not the way to do it.”

The US measures are aimed at Chinese hi-tech industries, in line with a Trump administration plan to deal a blow to Beijing’s efforts to move up the value chain under its “Made in China 2025” plan.

White House economic adviser and prominent anti-China hawk Peter Navarro said, “China has targeted America’s industries of the future” and Trump “understands better than anyone that if China successfully

captures these emerging industries, America will have no economic future.”

Navarro and others in the administration have insisted that economic security is inextricably linked to national security and China’s rise in hi-tech development threatens to undermine US military supremacy.

This outlook is shared by leading members of the Democratic Party. Senate Minority Leader Charles Schumer last week criticised the Trump administration for not being tougher on China. He declared that Beijing’s failure to change its behaviour could harm the US economy “for generations to come.”

But the integrated character of hi-tech development, in which components cross borders during the manufacture of the final product, means that US companies will be hit by the trade war measures.

According to a report in the *Financial Times*, if the tariff measures were meant to reassure American chipmakers, they have failed. “The complexity of the semiconductor supply chain means US companies will be hurt more than their Chinese counterparts by levies, according to the Semiconductor Industry Association in Washington,” it said.

Key sections of US industry and the political establishment insist that while action must be taken against China’s move to hi-tech development, the administration is jeopardising its position by taking tariff measures against its potential allies, such as Canada, Japan and the European Union.

This outlook was summed up yesterday in a *Financial Times* comment piece authored by Ohio’s Republican governor, John Kasich. He wrote: “America’s first war, for its independence, began with ‘the shot heard around the world.’ Sadly, the latest one—a trade war supposedly in defence of US economic independence—is beginning with a shot to the foot.”

What Kasich called “China’s disregard for intellectual property rights” and other nations’ “inequitable protection of favoured industries” had tilted the playing field and had to end. But such action had to be taken in conjunction with others. World Trade Organisation processes had to be modernised to seek relief from “unfair trade practices.”

Kasich added: “Modernising the world trading system is only possible if there is something left to modernise. The administration’s disregard for the rules-based system the US helped establish and its full frontal assaults on trading friends and foes alike are akin to a knife fight in which the one who bleeds out last ‘wins.’ It risks leaving an

essential infrastructure in tatters.”

The White House mindset that “surgery always requires killing the patient first” left the US with fewer partners to “protect democracy’s essential freedoms against the likes of Russia and China.”

In this view, the potential economic and military threats to US dominance must be combated, but the Trump administration is going about it the wrong way.

*Financial Times* economics commentator Martin Wolf wrote a column on Wednesday on the implications of “Trump’s war on the liberal order” in the name of promoting US national security. He cited a warning by Adam Posen of the Peterson Institute for International Economics that the trade conflicts will “break down the separation between commerce and national security, raising the risk of significant escalation of conflict.”

In other words, conflating economic relations with national security increases the risk of military conflict.

Wolf wrote that “Trump’s narrowly transactional approach, driven by ignorance and resentment, risks disaster.” The foundations of the “post-war economic and security order ... are now in doubt,” he continued.

But the threat of “disaster” does not come from the mindset of the present occupant of the White House. It emanates from the contradictions of the capitalist world order in which globalised production—the complex integration of the labour of workers around the world—is in conflict with the division of the world into rival nation states, through which great powers each seek to enhance their position against their “strategic competitors.”

These contradictions have found their expression in the trade war measures initiated by Trump today, with others set to follow, both against China and other US rivals.



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