

Trump touts tariffs and trade war following NAFTA renegotiation

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The United States, Canada and Mexico agreed late Sunday night to replace the quarter-century-old North American Free Trade Agreement (NAFTA) with a new “US-Mexico-Canada Agreement,” or USMCA.

Sunday’s deal was reached after 13 months of tense negotiations and a final week punctuated by threats from Donald Trump and other top US officials that they would proceed without Canada and impose a 25 percent tariff on Canadian auto exports to the US.

Under the new deal, both Mexico, a country historically oppressed by US imperialism, and Canada, a lesser imperialist power that has long been a key US ally, made significant concessions in the face of US demands that the continental pact be refashioned to make it an even more explicit US-led protectionist trade bloc.

Both the substance of the agreement and the manner in which it was negotiated were meant as a message to the more substantial global economic rivals of Wall Street and Washington, above all China, that the US will use all the means at its disposal, including ultimately its military might, to prevail in the struggle for markets and profits.

The US was once the cornerstone of the post-World War II liberal order. Today it seeks to counteract economic decline and uphold its global dominance through “America First” economic nationalism and the ruthless assertion of its interests against ostensible allies and rivals alike. Tariffs, trade war and an insistence on bilateral negotiations, outside of the World Trade Organization (WTO), in which the US can more readily use its economic heft to threaten and bully, have become Washington’s modus operandi.

With threats to abrogate NAFTA, Trump first cajoled Mexico into a bilateral deal, announced in late August, and then used this template and threats to exclude Canada from a “new NAFTA” to intensify pressure on Ottawa.

At a White House press conference on Monday, Trump boasted that his imposition of 10 a percent tariff on aluminum and a 25 percent steel tariff, and his threat to introduce a 25 percent auto tariff, had proven crucial to the new trade pact. “Without tariffs, we wouldn’t be talking about a deal,” declared the US president, who then went on to mock those critical of his willingness to employ trade war measures as

“babies.”

Significantly, under the USMCA deal Washington has not rescinded either the steel or aluminum tariffs on Canada or Mexico. These will be the subject of a further negotiation and remain in force, said Trump, “until such time as we can do something that would be different, like quotas.”

Trump threatens China

Underscoring the global implications of the new North American trade pact, Trump coupled his bragging with an attack on China and demands that countries around the world, from Brazil to India, cede to US demands for concessions on trade and investment.

The US president, who has imposed tariffs on \$250 billion worth of Chinese goods, claimed that Beijing wants negotiations “very badly,” but that the US needs to inflict more damage on the Chinese economy first. “Can’t talk now because they’re not ready,” said Trump. “Because they have been ripping us for so many years, it doesn’t happen that quickly.”

The connection between USMCA and Washington’s economic war on China is underscored by one of the 12 side letters to the agreement. It grants the US effective veto power over any attempt by Canada or Mexico to negotiate a free trade pact with a “non-market economy,” a clear reference to China. This includes the right to transform USMCA into a bilateral agreement, excluding the third member if it has ratified such a free trade deal.

USMCA will also give Washington further leverage over monetary policy in Canada and Mexico through the creation of a committee to review North American macroeconomic policy.

At his press conference, Trump reiterated his threat to impose a 25 percent auto tariff under the same Section 232 “national security” provision that he used to implement the steel and aluminum tariffs. This included a specific warning to the European Union that if the US is unsatisfied with the progress of talks on a trans-Atlantic trade deal, Washington will sanction German and other European car exports to the US.

The latter threat comes after Trump used the auto tariff threat last week to successfully bully South Korea into formalizing changes to the 2012 South Korea-US trade agreement and coerce Japan into giving up its opposition to bilateral trade negotiations with Washington.

USMCA provides Canada and Mexico with exemptions from the auto tariffs, but not other future Section 232 tariffs.

As in the 1930s, the eruption of trade war is paving the way for a military conflagration. Trump and his advisers regularly draw the connection. On Monday, Trump said that the US will continue to use Section 232 to defend industries that are “strategic,” i.e., necessary for waging war. His remarks were seconded by Commerce secretary Wilbur Ross, who said the aluminum and steel tariffs against Canada and Mexico required a separate negotiation from the USMCA because they relate to “US national defense.”

Canada is the largest exporter of both aluminum and steel to the US, and in July it imposed \$13 billion (CAN \$16.6 billion) in retaliatory tariffs on US goods.

Continued US enforcement of the tariffs was just one of several major concessions Canada’s Liberal government accepted, with the clear support of the most powerful sections of Canada’s ruling elite, in signing on to the new trade pact. With three-quarters of Canada’s exports going to the US and Canada’s global position dependent on its military-security partnership with Washington, Canadian big business views its alliance with the US as pivotal to upholding its own imperialist interests.

Other concessions made by Canada include an extension from eight to 10 years of patent protection for pharmaceutical drugs, the opening up of Canada’s supply management-controlled dairy and poultry markets to US imports, and the relaxation of restrictions on Canadians’ ability to buy products from foreign online retailers. US negotiators also achieved their goal of a sunset clause, although it was extended to 16 years from the original proposal of five years.

For its part, the Trudeau government is touting the removal of Trump’s threat to impose tariffs on Canadian-made cars and auto parts and the retention of a dispute resolution mechanism contained within Chapter 19 of the original NAFTA deal, which provides for a bilateral committee to rule on trade conflicts.

The Canadian auto industry also expects to benefit from the changes the US dictated to Mexico on auto trade. These include raising the percentage of cars and auto parts that must be produced within North America from 62.5 to 75 percent before the vehicles can be traded tariff-free, and the phase-in of a stipulation that 40 percent of the value of a car must be built by workers making at least \$16 per hour.

At their respective press conferences on Monday, both Trump and Canadian Prime Minister Trudeau tried to promote their reactionary trade deal as a victory for workers and the “middle class.”

The unions: allies of Trump and Trudeau

In this, they have enjoyed the support of the trade union bureaucracy on both sides of the border. Top leaders of the AFL-CIO and many of its largest unions have met repeatedly with Trump. They have endorsed his reactionary economic nationalism and in August they praised his bilateral deal with Mexico.

Jerry Dias, the president of Unifor, Canada’s largest industrial union, hailed the unveiling of USMCA as “a great day for Canadians.” “There are some incredible victories in this deal,” enthused Dias, who has acted as a close and trusted adviser to the Trudeau government throughout the NAFTA renegotiations.

Dias and his fellow union bureaucrats on both sides of the border have for decades connived in the big business assault on the working class, imposing wage cuts, layoffs and attacks on benefits and conditions. They are celebrating USMCA because they think it will swell their dues income by forcing the “insourcing” of production from Mexico, driving Mexican workers onto the streets and expanding the multiple-tier, low-wage sector they have helped create in the US and Canadian auto industries.

This was spelled out by Dias, who, upon hearing of the initial agreement between the US and Mexico in August, stated: “There is no question that Mexico will lose some of the jobs that they have managed to take over the years. So, I think this is a positive development for Canada.”

It is nothing of the sort. The reality is that trade war and the promotion of economic nationalism go hand in hand with an intensified assault on the working class. Trump’s imposition of trillions in tax cuts for the corporate elite has been mirrored by a shift to the right within the Canadian political establishment, as exemplified by right-wing Ontario Premier Doug Ford, who has vowed to outdo Trump’s tax cuts to maintain “Canadian competitiveness.”

Workers must oppose the unions and all those who seek to line them up behind their “own” bourgeoisies under conditions of deepening economic and military tensions. Instead, workers in the United States, Canada and Mexico must unite their struggles for decent-paying and secure jobs and develop a counteroffensive in alliance with their class brothers and sisters around the world on the basis of a socialist program.



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