

After North America trade deal, Trump to escalate trade war against China

Nick Beams
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With the renegotiation of the North American Free Trade Agreement, now called the US-Mexico-Canada Agreement (USMCA), announced on Monday, the Trump administration has put in place the conditions for an intensification of its trade war against China. Tariffs have already been imposed on \$250 billion worth of Chinese goods, with Trump threatening imposts on a further \$267 billion.

When the measures against China were first mooted there was broad agreement in US political circles for action against Beijing over its so-called “market distorting” policies, i.e., state subsidies for major industries, and its acquisition of technology either through alleged forced transfers by companies operating in China or through theft. However, there was criticism that in imposing tariffs and issuing threats against US “strategic allies,” including Japan, the European Union and Canada, the Trump administration was weakening its position in dealing with its key adversary.

Over the past two months, the trade landscape has changed. In July, Trump and Jean-Claude Juncker, the president of the European Commission, reached an agreement for the US and the European Union to enter negotiations on a reduction of tariffs and for joint action against China over its trade practices. The US extracted the agreement under threat of imposing auto tariffs of up to 25 percent.

As Trump emphasised at his press conference on Monday, “If we don’t make a deal with the European Union, we will put a tariff on cars.”

The agreement with Juncker was followed by an agreement last month with Japanese Prime Minister Shinzo Abe, again under the threat of auto tariffs, that Japan and the US would start negotiations on a bilateral trade deal, something Abe had up to then rejected, rightly fearing that in such negotiations, rather than multilateral talks, Japan would be in a weakened position.

The threat of auto tariffs was again the key issue in securing agreement from Canada after several months in which talks had been stalled.

Throughout his press conference, Trump extolled the virtues of this weapon of trade war, claiming that countries that had not wanted to enter discussions were now calling for talks. He said that “because of the power of tariffs and the power we have

with tariffs, we, in many cases, won’t have to use them. That’s how powerful they are, that’s how good they are.”

Trump set out his version of economic history to buttress his position. In 1913, he said, the US ended the use of tariffs and went to a different system in 1918. This was followed by the Great Depression and “then in the 1930s they said we’d better start charging tariffs. We need some money to come into our country again.”

He did not elaborate further. But the favourable citing of those measures in support of his own is extremely significant, because for the past seven decades one of the central planks of international trade policy has been the insistence that tariff wars must be avoided because they played such a central role in deepening the Depression and creating the conditions for the Second World War.

Trump brushed this history aside, insisting that without his tariffs there would not have been a deal, dismissing as “babies” those “out there that talk about tariffs.”

In his remarks he emphasised a central theme of some of his closest economic advisers in the White House: that the lowering of trade deficits and the breaking up of global supply chains and return of key manufacturing industries to the US are essential for “national security.”

The agreement would transform America into a manufacturing powerhouse and “allow us to reclaim a supply chain that has been off-shored to the world because of unfair trade issues,” he said.

It was a theme to which he returned on several occasions, underscoring the military component. “A pillar of national security is economic security and trade,” he said, adding that the US had to have “a strong manufacturing base and manufacturing sector.”

He continued, “We need a thriving economy and those are all essential ingredients to national security... We’re building our military like never before. It’ll be stronger than ever before.” And the rockets, jets and guided missiles that are being made are “all being made in the United States.”

That the focus of the USMCA deal is to enable the US to better prosecute its economic war against China was emphasised in a number of reports on the agreement. According to the *Wall Street Journal*, White House officials

have concluded that striking a deal with Canada and Mexico gives the administration more ammunition in the “high stakes battle with China on economic issues and national security.”

By removing the threat of a North American trade war it will make the continent more attractive for investment. The *Journal* wrote: “When combined with tariffs against China, which boost the cost of production there, foreign companies will start moving out of China, the administration calculates. That would weaken China’s ability to produce next-generation technology and put additional pressure on Beijing to make trade concessions sought by the US.”

According to Stephen Bannon, the extreme right-wing economic nationalist and former White House strategist, the central objective of the Trump administration has always been to pull investment out of China and reshape global supply chains, but this had been diverted by the conflict with US allies over steel and aluminium tariffs. “NAFTA was the key to pick the lock on the global supply chain,” he told the newspaper.

Commenting on the agreement, National Economic Council Director Larry Kudlow told reporters: “We’re sending China a message. They’re not going to break up the allies.”

Bloomberg also reported the agreement as directed against China, saying that Trump “looks to be preparing for a potentially protracted economic war with China by clearing the decks of disputes with America’s trading competitors.” It cited the managing director of an investment fund who noted that for several months the US had a “multi-pronged attack on its trading partners,” but now it could “zero in on China.”

The *Financial Times* commented that a benefit of the agreement for the Trump administration is that “it provides a truce on trade with America’s top allies, allowing it to focus on its escalating confrontation with China.”

And confrontation is what the Trump administration has in store as it seeks to inflict economic pain on China in order to bring it to its knees and force it to bow to US demands. Trump ruled out discussions with the Chinese leadership, saying, “[I]t’s too early to talk. Can’t talk now, because they’re not ready, because they’ve been ripping us for so many years.”

China has offered a series of concessions, including more purchases of US exports and even the participation by foreign companies in its industrial and technological development under its “Made in China 2025” plan. But these moves are not regarded as adequate. Total subservience is being demanded.

While preparing to escalate economic conflict, the US has stepped up pressure in other areas, sailing a warship over the weekend near two Chinese outposts in the Spratly Island chain claimed by Beijing and cancelling scheduled security talks between the US Secretary of Defence and his Chinese counterpart.

The significance of China is also underscored in a key section of the USMCA, which stipulates that if any of the parties concludes a trade deal with a “non-market” economy—that is, China—the others can withdraw from it.

Throughout his press conference Trump hailed his trade war measures as bringing a new era of prosperity for American workers, with the return of high-paying jobs. This is a lie. The notion that America or any other capitalist economy can prosper on the basis of economic nationalist measures is, as history has demonstrated, a reactionary utopia.

In the ten years since the global financial crisis of 2008, the American economy has been “restructured” through a series of measures ensuring permanent low wages and the development of new forms of ever more intense exploitation, such as those employed by Amazon. At the same time, the financial system has become an institutionalised mechanism for siphoning the wealth created by the working class into the upper stratum of capitalist oligarchs.

At their root, the trade war launched by Trump, and the military measures that will inexorably flow from it, are a desperate attempt to overcome the protracted economic decline of the US from its once dominant position. However the nationalist attempt to reverse the economic tides of history, which have seen the integration of the labour of billions of workers worldwide, can lead only to economic crises and a new world war.

An enormous problem now confronts mankind: How to bring the economic forces created by the labour of the global working class under its conscious control, how to overcome the contradiction between the development of global production and the division of the world into rival nation-states and great powers.

As Marx explained, no problem ever arises without at the same time the material conditions for its resolution also arising. The solution lies in the unification of the struggles of the working class in the US and around the world on the basis of an international socialist program.



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