

The global slowdown: US trade war comes home

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The term “decoupling,” referring to the severing of trade ties between the United States and China, has, to quote one commentator, become the “talk of Washington.” The two countries are embroiled in what has been widely described as a “new cold war,” in which, in the words of former Treasury Secretary Hank Paulson, an “iron curtain” has descended over the Pacific.

In place of what the *Washington Post* called a “bipartisan consensus in favor of broad engagement with China,” substantial sections of the American foreign policy establishment are supporting the Trump administration’s policy of disentangling the myriad economic links between the world’s two largest economies amid the growth of protectionism and military conflict.

But Thursday’s events have given a hint of what such a “decoupling” will look like in the 21st century globalized economy. Amid bear markets in Germany, China and Japan, a relentless fall in commodity prices, signs of slumping consumer spending and mounting layoffs and plant closures in auto and other industries, the American ruling class fears that the global slowdown is spreading to the United States.

For the first time in 16 years, Apple Inc, the world’s most profitable company, was forced to cut its sales projections for the coming year, citing the deepening economic slump in China and attributing it to the US trade war.

The announcement prompted a 660-point selloff on the Dow. After closing the worst December since the 1930s, the US markets have had their poorest two-day start for a new trading year since the collapse of the dot.com bubble.

Apple CEO Tim Cook wrote, “While we anticipated some challenges in key emerging markets, we did not

foresee the magnitude of the economic deceleration, particularly in greater China.” He continued, “We believe the economic environment in China has been further impacted by rising trade tensions with the United States.”

A trader cited by the *Wall Street Journal* was more direct: “All of it is coming home to roost more directly in the United States... the slowdown is here and happening.”

The speed of the reversal in sentiment is striking. “Just weeks after Federal Reserve officials penciled in two interest rate increases in 2019, half of investors now expect the central bank to cut rates this year, up from about 10 percent a day earlier,” wrote the *Wall Street Journal*.

The same day as Apple’s warnings, the ISM manufacturing index for the US posted its biggest one-month fall in factory activity since the 2008 financial crisis.

These figures have prompted warnings that US growth will not merely see a gradual slowdown over the course of several years, as is broadly predicted by global institutions, but could follow China and other developing countries into a sharp and deep recession. Such a recession, international in scope and intensified by trade war, could spark a global financial crisis on the scale of, or larger than, the 2008 crash.

This is because none of the fundamental causes of the 2008 crisis have been addressed. The holes in the banks’ balance sheets were simply filled with money spit out by central banks through quantitative easing and ultra-low interest rates. The economic “recovery” since 2008 has been financed by an expansion of global debt, which, according to figures published by the International Monetary Fund last month, has hit an all-time high of \$184 trillion.

Meanwhile, events like Malaysia's 1MDB scam, in which global financial institutions such as Goldman Sachs extracted hundreds of millions of dollars in fees to facilitate the theft of billions of dollars, show that the types of large-scale fraud that led to the 2008 financial crisis remain prevalent.

But unlike the 2008 crisis, in which the major economies vowed to cooperate and pledged to avoid trade war, the United States has initiated trade war measures against not just China, but also against dozens of other countries, including its European NATO allies. As in the 1930s, these trade conflicts have the potential of magnifying the scale of a global recession.

The growth of "great power competition," and the resulting trade and military conflicts do not arise from the mind of US President Donald Trump. Rather, they represent the assertion of a fundamental and insoluble contradiction of capitalism: the conflict between global production and the nation-state system. That is why, despite the unprecedented worldwide integration of economic life, communications and scientific research, the ruling elites all over the world are pursuing nationalist trade policies and military rearmament.

Writing just months after the collapse of Lehman Brothers, WSWs International Editorial Board Chairman David North observed: "The most essential feature of a historically significant crisis is that it leads to a situation where the major class forces within the affected country (and countries) are compelled to formulate and adopt an independent position in relationship to the crisis."

The ruling elites in the United States and all over the world responded to the 2008 financial crash by seeking to make the working class bear the full brunt of the crisis. The investments of the financial oligarchy were made whole, then doubled and tripled, as a result of bank bailouts, deregulation and tax cuts. Meanwhile, the working class faced a decade of stagnant and declining wages, spearheaded by the expansion of low-wage production at the US automakers as part of their restructuring carried out by the Obama administration and its trade union partners.

With the eruption of a new global recession, the ruling elite will operate on the basis of the same playbook—intensifying the ruthless policy of austerity it has pursued since the financial crisis.

But the past decade has not been in vain. The year

2018 saw a substantial growth of the class struggle, including a wave of strikes and protests by teachers in the United States, strikes by delivery and logistics workers, airline pilots, auto workers and others on virtually every continent, and explosive protests by workers from Iran to Latin America. The year concluded with the eruption of mass anti-austerity protests in France, independent of the trade unions, and moves to form rank-and-file committees by auto workers in the United States and plantation workers in Sri Lanka.

The ruling elites, with their legitimization of trade war and "great power conflict" and their efforts to rehabilitate the fascist legacy of the 1930s, are paving the way for a repeat of all the horrors that characterized that decade.

Only the independent revolutionary movement of the working class offers humanity a way forward out of this morass. In the face of renewed attacks by the ruling elite, workers all over the world must enter into struggle under the banner of socialist internationalism, with the aim of overthrowing the capitalist system and securing a peaceful and prosperous socialist future.



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