

# Trump's Mexican tariff threat hits global markets

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Global financial markets have been delivered a shock with the announcement by US President Trump that he will impose a 5 percent tariff on all Mexican goods from June 10, rising to 25 percent by October, in support of his demand that its government take action to halt the flow of refugees into the US.

Equity markets around the world finished a negative month on Friday as shares were sold and yields on government bonds fell in a rush to safety on the back of the announcement.

The markets have been roiled by the fact that Trump—in addition to his economic war against China, the threat of auto tariffs on Europe and Japan, the blacklisting of the Chinese telecom giant Huawei and the threat to cut off Britain from intelligence sharing if it uses Huawei gear in its telecom networks—has added another dimension to trade and financial instability.

That is, in pursuit of his political agenda amid the deepening factional conflict within the US ruling class, Trump is prepared to resort to the unprecedented use of economic measures, with far-reaching international ramifications.

The immediate impetus for the tariff move was the renewed calls for Trump's impeachment following the surprise remarks on Wednesday by Special Counsel Robert Mueller, in which he contradicted White House claims that his report into supposed Russian interference in the 2016 election had exonerated Trump of criminal violations.

Trump responded late Thursday with the Mexican tariff announcement, seeking to mobilise his right-wing and nationalist supporters by intensifying his war on immigrants and refugees in the name of “border control” and “national security.” The tariff move is being invoked under the International Emergency Economic Act, which allows the president to bypass

Congress in carrying out a wide range of economic measures.

US markets closed lower on Friday because of concerns over the impact of the tariff measures themselves and the broader issues flowing from the mixing of trade and immigration. Jay Timmons, the president of the National Association of Manufacturers, said the Trump move had created a “Molotov cocktail of policy.”

The proposed tariffs would have “devastating consequences on manufacturers in America and on American consumers,” he continued, adding, “We have taken our concerns to the highest levels of the administration and strongly urge them to consider carefully the impact of this action on working families across this country.”

David Schwietert, interim president of the Auto Alliance, which represents US and foreign car manufacturers in Washington, warned that any barrier to the flow of commerce across the US-Mexico border would have a “cascading effect,” harming consumers and threatening jobs and investment.

In the wake of the tariff threat, US market indexes lost more than 1 percent on Friday. The Dow fell by 355 points, or 1.4 percent, ending its sixth consecutive week of losses, the longest losing streak since 2011. The S&P 500 fell 1.3 percent, while the Nasdaq dropped by 1.5 percent.

The tariff move led to divisions within the administration, with *Wall Street Journal* reporting that US Trade Representative Robert Lighthizer was “not happy” because it would jeopardise passage of the US-Mexico-Canada Agreement (USMCA) by Congress.

After the *Journal* report, the trade representative's office was forced to issue a statement saying Lighthizer supported what the president was doing. It is doubtful,

however, if Lighthizer even knew about it until the last minute. Democratic Congressman Earl Blumenauer said he had spoken with him about the USMCA on Thursday afternoon but there was no mention of the tariffs.

There are divisions within the Republican Party over the move. Chuck Grassley, chair of the Senate Finance Committee, which oversees trade, said it was a misuse of “presidential authority and congressional intent.”

Senator Lindsey Graham came out in support, tweeting, “I support President Trump’s decision to impose tariffs on Mexico until they up their game to help us with our border disaster.”

White House trade adviser Peter Navarro sought to calm the markets, telling the business channel CNBC that investors should look at the situation calmly, and that “this is actually a brilliant move by the president to get Mexico’s attention.”

There was a shocked international response from financial analysts and commentators.

Ulrich Leuchtmann, an analyst at Germany’s Commerzbank, told the *Financial Times*, “Sometimes you have to reconsider everything you ever considered a certainty. Today is such an occasion.”

Krishna Guha, the vice chairman of the investment banking firm Evercore ISI, pointed to the long-term implications of Trump’s move in his comments to the newspaper.

“It suggests that Trump trade policy might well mean a permanent state of endemic uncertainty and instability in the global trading system, not simply a hard-headed sequential re-set of prior arrangements that started with Mexico and proceeds via China to Europe and Japan,” he said.

The wider implications of the latest Trump moves, in which the US has shown that it is prepared to use economic leverage and power to advance its interests well beyond trade, were pointed to by Martin Moeller in remarks to the *Wall Street Journal*. The next target could be NATO members that are not lifting military spending in line with US demands, he suggested.

“If a NATO member isn’t complying, tariffs could also be used as a weapon against such a country to force whatever political issue they have,” he said.

Such comments point to the fact that the Trump trade and economic agenda does not operate within the framework of the post-war system—set up and sustained

over decades by the US—but aims to completely overturn it. This involves a process in which all arms of the American state are “weaponised”—from the detention of Huawei executive Meng Wanzhou in Canada on the initiative of the US Justice Department, to the use of “national security” powers to impose tariffs on steel and aluminium and possibly autos, to the Commerce Department’s blacklisting of Huawei and other Chinese firms.

Recalling nothing so much as the economic and political turbulence of the 1930s, there is an objective logic to this process, now accelerated by Trump’s latest move. It points to the mounting danger of war as the US strives to maintain its position of global dominance by all means necessary.



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