

# Trump's tariff threats bring warnings of "recession, poverty and conflict"

Nick Beams

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Even before he officially takes office on January 20 and begins implementing his policies, the ascent of Donald Trump to the US presidency has sent tremors through the world economy.

The main issue, at least to this point, is the effect of the tariff hikes Trump has advanced—a 60 percent imposition of all goods from China and a 10 to 20 percent tariff on imports from other countries.

The summit meeting of the Asia Pacific Economic Community (APEC)—an organisation established in 1989 to promote free trade—held in Lima, Peru, over the weekend was dominated by a man who was not even there.

As Bloomberg reported: “At first, speakers tiptoed around saying his name for the first few hours of the two-day conference... Once the floodgates opened, however, Trump was just about all people talked about.”

Delivering a keynote address, without directly naming Trump, Vietnam's president Luong Cuong, drew attention to the key concerns, warning that “isolationism, protectionism, and trade wars lead only to recessions, conflict and poverty.”

He was not just making a general defence of the free trade order but would have had in mind the position of Vietnam. In recent years it has generated the fourth largest trade surplus with the US—after China, the European Union and Mexico—as a result of the shift of some manufacturing from China.

Its trade surplus now makes it a target for an attack by Trump who told Fox Business in 2019 that Vietnam “takes advantage of us even worse than China.”

In the course of discussion and commentary, the protectionist US Smoot-Hawley legislation of the 1930s and its disastrous consequences are increasingly being recalled. It is estimated to have led to a 14

percent contraction in world trade, setting off economic conflict that played a significant role in creating the conditions for World War II.

In a meeting with outgoing US president Joe Biden on the sidelines of the APEC meeting, China's president Xi Jinping stuck in the main to his usual phrases about the need for global cooperation to overcome the difficulties facing humanity for which “neither decoupling nor supply chain disruption is a solution.”

He told Biden he was ready to work with Trump to improve the relationship between the world's two largest economies.

But he did deliver a warning: “If we treat each other as an adversary or an enemy, viciously compete with and harm each other, the Sino-US relations will encounter twists and turns or even regression.”

He specifically took issue with the US policy of denying China access to the most advanced AI chips and other technology on “national security” grounds. US national security adviser Jake Sullivan has characterised the ban as a “small yard, high fences” policy.

Xi told Biden this policy should not be pursued by major economies. His warning carried some weight because, as a number of analysts have noted, while China may have been caught somewhat on the backfoot by the tariffs of the first Trump administration it is much better prepared for the second.

As the *Financial Times* (FT) noted in a recent article, China has introduced anti-foreign sanctions laws against firms deemed to be acting against its national interests.

“An expanded export control law,” the article continued, “means Beijing can also weaponise its global dominance of the supply of dozens of resources

such as rare earths and lithium that are crucial to modern technologies.”

It cited remarks by Andrew Gilholm, head of China analysis at a consultancy firm, who said the damage Beijing could inflict on the US in retaliation had been underestimated.

“I keep telling our clients: ‘You think you’ve priced-in geopolitical risk and US-China trade warfare, but you haven’t, because China hasn’t seriously retaliated yet.’”

China is not the sole target of Trump tariff warfare. Europe is very much in the firing line. While US stocks have surged ahead since the election, albeit with something of a downturn in recent days, European markets have taken a hammering because of fears of what US tariffs will bring.

“Investors fear that Europe will be in the front line of the coming trade war,” Chris Turner global, head of markets at the financial firm ING, told the FT.

Markus Hansen, a portfolio manager at another firm, told the newspaper: “Trump’s not messing around. His administration wants to get going on tariffs from day one.” European companies “will find themselves in the crossfire.”

The tariff war comes as European manufacturing firms, especially in the continent’s largest economy, Germany, have had the cheap energy basis of their growth over the past several decades shattered by the US-NATO war against Russia in Ukraine. German manufactured prowess was in no small part powered by cheap Russian energy. That has now gone.

Europe is being hit on two sides. On the one hand, it faces a direct attack from the US as Trump deepens the measures against the EU he initiated in his first term. At the same time, it could be caught in the pincers of the US-China conflict. One of the consequences of US measures will be that China will seek to increase its exports to Europe.

Some of the geo-economic problems confronting the EU were outlined in a recent article on the major US foreign policy journal *Foreign Affairs*.

It said that in recent years EU officials had announced a series of measures to strengthen the bloc.

But the new situation required more than “drafting agendas and appointing well-meaning leadership.” The EU was hamstrung by numerous institutions and 27-member states and suffered from “internal

dysfunction when it comes to geoeconomics.”

Those conflicts were recently on display when the European Commission decided to impose a 40 percent tariffs on Chinese electric vehicles. The move was opposed by five countries, spearheaded by Germany, where the vitally important auto industry opposed the move fearing retaliation would hit its Chinese export market. Another 12 countries abstained.

Pointing to the global economic warfare, still in its initial stages, in which Europe is embroiled, the article said the bloc’s policy was largely reactive.

Adopting the language of the foreign policy establishments of the major imperialist powers, it said policy focused on “protecting Europe from China’s unfair trade practices, Russian aggression, or the United States’ potential imposition of sweeping tariffs.”

“And even in these points, there is little agreement among EU member states or even within European institutions. European policymakers say they aim to ‘de-risk’ from China, but they cannot settle on a definition of what that concept means or what it would entail in practice.”

Whatever the conflicts among them as they confront the deepening contradictions of the global capitalist order, there are two things the European powers agree on: First, the need to build up the military as economic conflicts intensify and, second, the intensification of the attacks on the working class, as has already begun in the German manufacturing and auto industries, to make it pay for the crisis they confront.



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