

Trump imposes steel and aluminium tariffs as global economic war expands

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The economic war being waged by US president Trump against the rest of the world by means of tariff imposts and the threat of tariffs if foreign governments do not comply with US demands is expanding virtually on a daily basis.

Having imposed a 10 percent tariff on China, to which Beijing responded with a series of duties on \$14 billion worth of US goods, including liquified natural gas, coal and farm equipment, Trump announced he would impose a 25 percent tariff on all steel and aluminium imports into the US.

The announcement was made to reporters as Trump was en route to the Super Bowl on Sunday. “Any steel coming into the United States is going to have a 25 percent tariff. Aluminium too.”

Signing off on the executive order yesterday evening, Trump said the tariff would apply to all imports and there would be no exclusions for particular products as the measures were a response to “foreign players” who were “undermining US producers of steel and aluminium.”

Trump officials said the previous product exclusion process was a “loophole” that was now being closed.

The blanket coverage has led to a desperate scramble by steel exporters such as Australia, one of the most closely aligned countries with the US, to try to secure an exemption. How far that will go remains to be seen, but it appears that any exemptions will be few and far between because the tariffs will hit countries that are all nominally US allies.

The main immediate targets of the steel tariff are Canada, the largest external supplier, followed by Brazil, Mexico, South Korea and Germany. Canada is also the largest foreign source of aluminium with its smelters supplying about 44 percent of US needs.

China is a relatively small exporter of steel and aluminium to the US, but in the longer run it is the main target, as drawn out by *New York Times* China correspondent Keith Bradsher in an article published yesterday.

He noted that China “dominates the global steel and aluminium industry. Its vast, modern mills make as much of both metals, or more, each year as the rest of the world combined.”

In the past much of this output has been consumed internally in manufacturing and construction. But with the slowdown in

the Chinese economy—the official growth rate target of around 5 percent is the lowest in three decades—export markets have become more important. According to the article, Vietnam now buys “enormous quantities” of semi-processed steel from China which then completes the production process and exports it as Vietnamese steel.

The measures introduced so far—the suspended imposition of 25 percent tariff against Canada and Mexico, the additional 10 percent tariff on all Chinese goods and the 25 percent impost on steel and aluminium—are only the beginning.

As a *Wall Street Journal* (WSJ) article put it, whatever the outcome of the immediate tariff disputes “current and former Trump administration officials say they remain only a small slice of his trade agenda.”

The next major target is Europe which could be hit as early as this week. Trump has denounced the treatment of the US by the European Union as an “atrocious,” saying that Europeans “don’t buy our cars, they don’t take our farm products, they take almost nothing and we take everything from them.”

The EU accounts for about 15 percent of US imports with machinery, pharmaceuticals and chemicals prominent in its exports. The European auto industry is also a target. Trump has also threatened to hit back at European attempts to impose regulations and taxes on US high-tech and social media giants in Europe.

“I think Europe is in for a massive trade war,” Robert O’Brien, Trump’s first-term national security adviser told the WSJ. “I do not believe the president is going to put up with this type of action against America’s biggest companies.”

The European Commission, the executive body of the EU, is reported to have drawn up plans to respond to US tariff hikes with officials saying “all options” are on the table.

But there are divisions within the bloc. Some maintain, along with European Central Bank president Christine Lagarde, that appeasement needs to be attempted by offering to buy more American products, such as LNG.

Others maintain that appeasement will only bring more demands from the US. In its statements so far, the European Commission has emphasised the need for a unified response, conscious of the divisions within its ranks. These were reflected in the split over the US-inspired imposition of tariffs on

Chinese electrical vehicles which a number of countries, including Germany, opposed while others abstained.

One of the aims of the Trump regime will be to exploit these divisions as it seeks to impose its “America First” agenda. Faced with this attack, the EU is confronting one of the most serious crises in its history.

In an interview with Bloomberg, Alicia Garcia Herrero, a senior fellow at the Brussels-based economic think tank Bruegel and chief Asia economist at the French investment bank Natixis, said that “Europe is going to split, no doubt.”

Amid the daily blitzkrieg of US tariff and trade war measures, three general tendencies can be delineated.

In the case of the initial threatened 25 percent tariffs against Mexico and Canada, which although suspended may still be carried out, the aim was to force the two governments to take action. This was in order for Trump to claim victory on a central component of his domestic agenda, namely his assertion that he will stop the flow of the drug fentanyl and the so-called “invasion” of illegal immigrants.

A second strand is the “snake oil salesman” claim that tariffs will boost US government revenue, pay for the major tax cuts he is seeking to push through and raise money from foreign companies to help pay down the ballooning US government deficit.

As Trump declared when signing off on steel and aluminium tariffs: “This is a big deal—making America rich again.”

Tariffs will certainly raise revenue, but not from foreign entities. Tariffs are a tax on American importers of goods, who pay the impost not the company exporting the goods, and ultimately by the American consumer in the form of higher prices.

The third prong of the tariff offensive is connected to geo-strategic objectives rather than strictly economic ones.

In fact, the economic objectives are internally contradictory. On the one hand, Trump says that the dollar is over-valued, and this has impeded America’s competitive position in global markets. But on the other, the imposition of tariffs tends to worsen this problem because it raises the value of the dollar and thereby the price of US goods.

Furthermore, Trump has insisted that the dollar must retain its status as the global reserve currency—it is this exorbitant privilege as it has been called that enables the US government to run massive deficits not possible for any other country. Losing that position, Trump has said, would be akin to losing a war. But if the value of the dollar falls, as he has advocated, then its role as global reserve currency is undermined.

These contradictions point to one of the central driving forces of the global economic war. Its aim is to use tariffs and the threat of tariffs, lifted to an extent where they begin to cripple rival economies, to ensure their subordination to the global objectives of US imperialism. The message of tariffs is: obey our dictates or you will be crushed.

Such methods have been developed before Trump, such as

through the imposition of sanctions, cutting Russia off from the international payments system as well as the measures used against Iran being two major examples. Now they are being massively extended.

Trump has said he is not in favour of sanctions because they lead to moves to find an alternative to the dollar as a means of payment, weakening its position as the global reserve currency and so he prefers tariffs.

Out of the chaos of the tariff wars a new global order is being developed, and it has come to the attention some of the more astute bourgeois commentators.

Writing in the *Financial Times* yesterday, foreign affairs correspondent Gideon Rachman said: “You have heard of neoliberalism and neoconservatism. Now welcome to the age of neoimperialism.”

Rachman drew attention to what he said was the “most striking moment” in Trump’s inaugural address, namely his pledge that the US “will once again consider itself a growing nation—one that increases our wealth, expands our territory.”

It was neither coincidental nor accidental that as he advanced tariff measures from day one Trump also declared that America would “get Greenland,” by force if necessary, that Canada should become the 51st state and then there would be no tariffs, and the US would “take back” the Panama Canal.

Rachman falsely lumped together the US with Russia, over its reactionary war in the Ukraine—the result of NATO provocations—and Beijing’s claim that Taiwan is part of China (still recognised, at least officially in international circles, even by the US) as expressions of neoimperialism.

But he did make one vital point with regard to the US, noting that “Trump’s overseas ambitions are combined with an intense focus on crushing ‘the enemy at home.’”



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