# Trump steps up tariff war as US recession threat grows

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US President Trump has proceeded with the imposition of a 25 percent tariff on aluminium and steel imports, refusing to grant any carve-outs or exemptions for long-time US allies, including Japan, South Korea, Taiwan and Australia.

The European Union (EU) has responded with a series of retaliatory measures imposing tariffs on $26 billion worth of goods, including Kentucky bourbon whiskey and Harley-Davidson motorcycles. Further tariffs are to be imposed in April.

In a further escalation, Trump said yesterday the US would take countermeasures.

"Of course I'm going to respond," he told reporters. "The problem is our country didn't respond. Look, the EU was set up to take advantage of the United States."

Following the Oval Office clash with Ukrainian President Zelensky, the tariff war is another blow to the all but collapsed post-war Transatlantic alliance.

The response in Australia is no less significant. While the economic fallout is not so great—Australia is only a minor exporter of steel and aluminium—the political consequences are enormous. The refusal of the US to grant an exemption, or even to take a phone call from Prime Minister Albanese, is being regarded as an existential blow to the US-Australia alliance that has been foundational to the post-war political order.

The tariff measures went ahead, despite lobbying from US businesses concerned they will have a major impact on the economy. The lobby group even included the country's largest aluminium company, Alcoa, which warned that the tariff hikes could threaten tens of thousands of jobs and raise prices for American consumers.

In its explanation of the refusal to grant exemptions, the White House pointed to the central issue of China. It said that carve-outs, such as those that had been made in the past, "inadvertently created loopholes" which allowed Chinese-made steel to come into the US via those countries duty-free.

The intensity with which Trump is proceeding with his global economic war was illustrated on Tuesday in a social media post issued in response to a threat by Canada, since withdrawn, to impose a surcharge on power supplies.

"If other egregious, long-time tariffs are not likewise dropped by Canada, I will substantially increase, on April 2nd, the tariffs on cars coming into the US which will, essentially, permanently shut down the automobile business in Canada. Those cars can easily be made in the USA!" he wrote.

April 2 is the date on which a range of government departments will report on the implementation of the central thrust of his tariff war, the so-called "reciprocal tariff" program.

This goes far beyond the imposition of like tariffs on countries such as India which have relatively high tariffs on US goods. It will set in motion retaliation via tariffs for the internal policies of individual countries that are deemed to be inimical to US corporations.

For Europe, this includes measures such as the Value Added Tax (VAT), environmental regulations and measures to impose taxes and regulations on the activities of the social media and high-tech giants. In Australia, even the pharmaceutical benefits scheme (PBS) which the US has long opposed, could be a target for "reciprocal" action.

The global Trump tariff war will accelerate the recessionary trends already showing up in the US economy. These were highlighted in the report on job tracking by the firm Challenger, Gray and Christmas issued last week, which detailed the largest number of job losses since the financial crisis of 2008–2009.

"US-based employers announced 172,017 job cuts in February, the highest total for the month since 2009 when 186,350 job cuts were announced," the report said.

It was the highest total for any month since July 2020, in the midst of the COVID-19 pandemic, when 262,649 cuts were announced.

Perhaps even more significant than the overall numbers is the rate of increase in job cuts.

"February's total is a 245 percent increase from the 49,975 cuts announced once month prior. It is a 103 percent increase from the 84,638 cuts announced in the same month last year," according to the report.

Commenting on the numbers, Andrew Challenger, senior vice president of the firm, said: "Private companies announced plans to shed thousands of jobs last month, particularly in retail and technology."

With the impact of DOGE actions "as well as cancelled government contracts, fear of trade wars, and bankruptcies, job cuts soared in February," he continued.

Retail has been the hardest-hit sector, reflecting a downturn in consumer confidence and spending. Total job cuts for the first two months of the year were 45,375, an increase of 572 percent from the 6,571 job cuts announced for the same period in 2024.

Fears of a recession were fuelled by an interview given by Trump to Fox News last Sunday, in which he declined to rule out either inflation as a result of his tariff hikes or a recession. Asked to comment on the possibility of a recession—the Atlanta Federal Reserve has warned of a 2.8 percent contraction in the first quarter—Trump dodged the issue.

"I hate to predict things like that. There is a period of transitions, because what we're doing is very big. We're bringing wealth back to America. That's a big thing, and there are always periods, it takes a little time."

Trump's sudden reluctance to make predictions stands in marked contrast to his "snake oil" electioneering rhetoric promising a new "golden age" virtually from day one.

Asked to comment on the potential for tariffs to cause inflation, Trump replied: "You could get it. In the meantime, guess what? Interest rates are down."

But, contrary to Trump, the fall in interest rates, as reflected in the decline in the yields on 10-year Treasury bonds, is not a sign of economic health but is the outcome of the pricing in by investors of the likelihood of a recession.

At the start of the year, with the US Federal Reserve indicating that it was in no hurry to lower rates, the market consensus was that there would likely be only one interest rate cut this year. The consensus now is that there will be three, totalling three-quarters of a percentage point by the end of the year, because the Fed will be forced to intervene to try to prevent the economy falling into recession.

At the centre of what has been characterised as the "exceptional performance" of the US economy over the past three years, compared to other major economies, has been the growth of consumption spending.

However, this has been a highly skewed picture because analysis of Fed data has shown that spending by the top 10 percent of income earners—households making $250,000 a year or more—accounts for 49.7 percent of all consumption spending, comprising almost one-third of gross domestic product.

Now the worsening conditions for the vast majority of the population are starting to show up in consumption spending data.

Nominal personal spending fell 0.2 percent between December and January as against an expected rise of 0.1 percent, the largest fall since the beginning of 2021. Adjusted for inflation, personal consumption was down by 0.5 percent with the biggest falls coming in consumer durable goods, particularly cars.

The index of consumer confidence issued by the Conference Board fell seven points in February to 98.3, the sharpest fall since August 2021 and well below the prediction of 102.5.

Conference Board senior economist Stephanie Guichard said it was the third consecutive monthly decline. "Views of current labour market conditions weakened. Consumers became pessimistic about future business conditions and less optimistic about future income," she said.

"Pessimism about future employment prospects worsened and reached a tenth-month high."

In another indication of growing economic stress, the *Financial Times* reported that "serious delinquencies on credit card balances hit a 13-year high at the end of last year, with steep interest rates increasingly squeezing households."

Another purported factor in American exceptionalism was the strength of the private sector dynamism as reflected in a "strong" labour market.

However, in a recent article titled, "The US economy is headed for recession," FT columnist Tek Parikh noted that "government, healthcare and social assistance accounted for two-thirds of new jobs created since the start of 2023 (and half of the 151,000 non-farm payrolls added in February.)"

The full effect of the sweeping DOGE cuts has yet to be felt, but according to an estimate by the financial firm Evercore ISI, the cuts could total half a million jobs this year, possibly rising to 1.4 million.

On top of the decline in the real economy, there is the ever-present fear that the sell-off on Wall Street can precipitate a financial crisis. The S&P 500 index has declined almost 10 percent from its high recorded on February 19, and total market capitalisation has dropped by $4 trillion since then.

The Trump regime is signalling that it is determined to press ahead both with its tariff war against the world, which has thrown business planning into chaos, and the attack on all forms of government spending which in any way benefit the broad mass of the population.

In remarks on the weekend, Treasury Secretary Scott Bessent dismissed the idea that Trump would ease some of his savage cuts as a result of an adverse reaction on the markets.

"There's going to be a natural adjustment as we move away from public spending to private spending," he said. "The market and the economy have just become hooked. We've become addicted to this government spending. And there's going to be a detox period."

These comments make clear that global economic war is inseparably connected to a war against the working class at home. They are two sides of the same coin and can only be fought on the basis of opposition to all forms of nationalism and an independent political struggle for a socialist program.