

Trump escalating US economic war with looming “reciprocal tariffs”

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At the beginning of next month US President Donald Trump’s economic war against the rest of the world will be intensified when he receives a report on the imposition of so-called “reciprocal tariffs.”

The designation creates the impression that US tariffs will be imposed on goods from countries that have higher tariffs than are applied to their exports to the US. Countries, such as India, along with others which have a higher tariff regime aimed at trying to protect their domestic markets, will be hit hard.

But they are not the central target.

The new regime is aimed at major economies, in particular the European Union but many others as well. The US is set to take action via tariffs in response to any domestic policies which are deemed to adversely impact on the profits of its corporations.

This includes measures such as the value added tax (VAT) in the EU, regulations in Europe and elsewhere covering the social media and high-tech giants, subsidies, state assistance and social services such as the Australian Pharmaceutical Benefits Scheme (PBS).

This means that the US tariffs so far—the 25 percent impost on steel and aluminium, the 20 percent tariff on Chinese goods and the 25 percent tariff on Mexican and Canadian goods—are just preliminary skirmishes, initial forays in the war to be unveiled when economic officials report back to Trump on April 2.

How extensive the escalation will be remains to be seen due to the vast set of calculations which have to be made, both of a technical and political character, but there is no doubt about the eventual intended scale of the operation. It is spelled out very clearly in the executive order issued by Trump on February 13 to set it up.

That document states that the administration will “work strenuously” to determine the “reciprocal tariff” to be imposed on any country in response to measures that are deemed to adversely impact the US.

This will include:

- Tariffs imposed on US goods.
- Unfair taxes imposed on US goods, including a VAT.
- Costs to the US arising from non-tariff barriers or measures and “harmful acts” such as subsidies and “burdensome regulatory requirements.”
- Policies that cause exchange rates to deviate from their market value to the detriment of the US.

Then, just to make sure that all bases are covered, the order says that action will be taken against “any other practice” that US officials deem to impose “any unfair limitation in market access or any structural impediment to fair competition with the market economy of the United States.”

The order says it will consider all measures that disadvantage the US, whatever they are called, and “regardless of whether they are written or unwritten.”

The Australian PBS, together with similar measures in a range of other countries which subsidise medicines for patients, could be one of the targets in the “reciprocal tariff” war following a submission to Trump by the major US drug companies on March 11.

The submission from the Pharmaceutical Research and Manufacturers of America (PhRMA), representing the major drug firms, illustrates the wide range of policies which could be considered the subject of retaliation.

“Egregious and discriminatory pricing policies in several markets including Australia, Canada, the European Union, Japan and Korea undervalue American innovation, threaten billions of dollars of lost sales and undermine American competitiveness, jobs and exports,” the submission said.

The Australian PBS was established in July 1948 as part of the post-war concessions made by governments in all the major capitalist countries, fearing an upsurge of struggles of the working class unless action were taken against a return to the conditions that had prevailed in the

1930s.

Under the scheme the government purchased drugs from the pharmaceutical companies and made them available to patients for whom they had been prescribed at a heavily subsidised rate.

There was only limited coverage at the beginning but with the vast expansion of medical science and pharmaceutical remedies in the past eight decades, the scheme has grown accordingly. In the 2023-24 financial year there were 930 medicines listed on the scheme with the government spending \$17.7 billion on the cost, or 91.6 percent. The rest was supplied by patients charged a maximum of \$31.60 for each script covered by the scheme.

The PBS has long been a target of the US pharmaceutical industry, which views it as inimical to its interests. The industry rakes in billions in profits, much of which is used for share buybacks that boost stock values on Wall Street as CEOs are richly rewarded through stock options and other mechanisms for increasing “shareholder value.”

In an article last week, the *Australian Financial Review* recalled the direct intervention by President Barack Obama on trans-Pacific trade negotiations in 2015 when he made two phone calls to then Australian Prime Minister Malcolm Turnbull, to push the demands of the US pharmaceutical giants.

In a separate section of its submission to Trump, the PhRMA sets out its objections to the Australian PBS, using language tailored to reflect that in the Trump executive order. It directs fire against the Pharmaceutical Benefits Advisory Committee (PBAC), the group which advises the government on whether drugs should be included in the subsidised scheme.

“PBAC,” it said, “conducts biased health technology assessments that compare innovative medicines to the lowest comparator.” The PBS imposed “unreasonable patient access delays” on new medicines and “Australia creates unnecessary data requirements and other administrative hurdles to secure PBS listing, causing significant delays.”

According to the PhRMA, this amounts to a non-tariff barrier to US companies and a restriction on trade—the implication being that such action comes within the framework of Trump’s program for the imposition of “reciprocal tariffs.”

The emphasis placed on what the PhRMA called unnecessary delays is significant because it goes to the heart of the profit-making model of the pharmaceutical

giants. They depend on the appropriation of the super-profits reaped from an innovative drug before the price falls because of the manufacture of generics, bringing a decline in returns. This is a never-ending race to sustain high profit margins.

It remains to be seen what action the Trump regime will initiate on April 2 and subsequently. Insofar as the PBS is concerned it could include tariffs on the export of pharmaceutical products to the US. The Australian blood plasma giant CSL is reported to be already considering what effect potential tariffs could have on its operations outside the US.

Australia has only been marginally impacted by the 25 percent tariff on steel and aluminium, despite pleading by the government for an exemption, but pharmaceuticals are among the top Australian exports to the US.

Moreover, the trade war agenda is so broad that retaliatory action may include imposts on other exports to the US such as wine and beef. The National Cattlemen’s Beef Association, representing 175,000 producers, has launched an offensive with a submission to the US Trade Representative, one of the departments charged with delivering the April 2 report.

“The US-Australia free trade agreement is by far the most lopsided and unfair trade deal for US cattle producers,” the submission said.

The Australian situation is not a special or exceptional case. Rather, it is indicative of the investigations and submissions taking place across the board involving all the so-called “trading partners” of the US, friend or foe alike, now regarded as having “ripped off” the US for decades and which must now be put in their place, if necessary, by punitive tariffs.

There is also a significant feature of the Australian case, likely to be replicated more broadly. The targeting of the PBS, a concession to the needs of the working class, restricted as it may be, is a warning that nothing is off limits as far as the US economic war is concerned. It will not only hit industries and jobs but will reach right down to seek to rip away any social concessions made in the past which are regarded as inimical to the insatiable thirst of giant corporations for profit.



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