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USA

Trump's trade war on the world

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Trump's conflict with Canada and European countries over trade grabbed headlines during the G7 summit, but there are deeper factors involved, writes Lee Sustar.

Smacking down Canada while wooing North Korea may appear to be just another example of the impulsive behavior a man singularly unqualified to be president of the United States.

But however destabilizing Donald Trump's policies may be, they reflect an increasingly sharp debate in the U.S. capitalist class over how to cope with challenges from both a rising China and longstanding allies in the West and Japan.

If Trump targeted Canada during the Group of Seven (G7) summit in Quebec, it's because the U.S. wants the rewriting or even the elimination of the North American Free Trade Agreement (NAFTA) as a warning to the rest of the world to bend to Washington's agenda "or else."

Trump's hostility to G7 countries, even as he was preparing to flatter North Korea's Kim Jung-un, signals much more than his typical boorishness. [\[1\]](#)

This dynamic isn't confined to the U.S. and its reality TV president, but rather the latest phase of an ongoing shift in world politics that has seen the rise of right-wing populism at the expense of established political parties across the industrialized world and a sharp turn toward economic nationalism that is breaking from decades of free trade and deregulation policies of neoliberalism. [\[2\]](#)

The precise shape of the economic nationalism that comes next is still hard to determine. But Trump's election, the UK referendum on "Brexit" from the European Union and the new Italian government's clash with Germany over EU policies portend a new period of great power competition.

The rivalries aren't simply economic. Beyond tariffs and trade barriers, Trump's showdown with Europe is underpinned by raw imperial power.

For example, any European company with business in Iran could soon be barred from doing business in the U.S. as a violation of renewed U.S. sanctions following Trump's rejection of the Iran nuclear deal. [\[3\]](#) Meanwhile, Trump's ambassador to Germany is openly backing far right political forces that want to weaken the EU from within. [\[4\]](#)

The U.S.-EU trade battle over steel and aluminum and the resulting diplomatic crisis must be seen in that context. Likewise with Trump's proposal for Russia to rejoin the G7.

Trade tensions between the U.S. and EU are nothing new. Such conflicts, however, are usually handled through bureaucratic channels, via the World Trade Organization (WTO), a multinational body set up in 1995 by the U.S., the major European countries and Japan to impose a global trading order favorable to all of them.

The then-dominant economic powers used the WTO "as well as the International Monetary Fund (IMF) and World Bank" to pry open the formerly closed economies of the former USSR and China, as well as many Latin American and African countries as they become integrated into the world market.

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The WTO imposed a version of “free trade” on poorer countries while regulating conflict between the major powers — such as the perennial conflict between Boeing and Europe’s Airbus over commercial aviation, or the price of certain agricultural goods.

U.S.-EU conflicts over steel are chronic too: In 2003, the WTO okayed the EU’s imposition of \$2.2 billion in retaliatory tariffs after the Bush administration, in a move backed by the United Steelworkers union, first imposed tariffs on imported steel. [5]

As new entrants to the WTO, rising powers like China were expected to abide by conditions that favored the established players.

But things didn’t turn out that way. Since China joined the WTO in 2001, it has emerged as a dynamic new center of capital accumulation, moving from a low-wage export platform for U.S., European and Japanese companies to a global competitor in its own right.

China’s hyper-speed industrialization injected growth into the world system by boosting the economies of commodity exporters in Africa and Latin America. But it also laid the basis for world economic instability — by contributing to a crisis of overcapacity and resulting downward pressure on profits. The growth binge, heavily reliant on debt, slowed dramatically during the recession of 2007-08. [6]

The coordinated global stimulus policies of 2009 — including government bailouts of the banks, the nationalization of entire industries and massive government spending — kept the Great Recession from turning worse than it already was.

When growth resumed, China again became the pacesetter, pulling many developing countries along. The World Bank predicts that China alone will account for 35 percent of the growth in world gross domestic product (GDP) in 2018-19. [7]

China’s economy is full of contradictions, with its heavy dependency on debt. The Bank for International Settlements (BIS) estimated that by mid-2017, China’s debt-to-gross domestic product ratio reached 256 percent, compared to the 190 percent average for emerging countries and 250 percent in the U.S. [8]

China’s debt-driven expansion also exacerbates the problem of overproduction, which is the dynamic driving down prices and setting the stage for the trade wars in steel and aluminum. But at the same time, China is making a bid to compete with huge Western and Japanese multinationals in aerospace, microchips and more.

The rise of China and persistent subpar economic growth in the U.S. have become the focus for protectionist policymakers around Trump.

Growth in the U.S. has averaged about 2.2 percent since the end of the recession in 2009, compared to a 3 percent average annual growth rate since 1945. It has taken nearly an entire decade for U.S. GDP to recover from the Great Recession a decade ago. The U.S. remains mired in what former Treasury Secretary Lawrence Summers calls “secular stagnation.”

Along with the decline of U.S. relative economic strength is an intractable crisis for U.S. imperialism as the result of failed wars in Iraq and Afghanistan, which have opened the door for both China and Russia to reassert their influence from Africa to the Middle East. [9]

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All this represents a challenge for a U.S. capitalist class that has been lacking ideas and leadership to cope with the decline.

Trump's "America First" politics represent a populist gloss on a serious project by elements of the U.S. ruling class to come to grips with this. This is expressed in the Trump administration's National Security Strategy document that focuses on regional powers China and Russia rather than the "war on terror." [\[10\]](#)

The conflicts around trade are driven by these same questions.

Peter Navarro, the China-bashing academic oddball who is director of the National Council on Trade, furnishes Trump with talking points. But the agenda is driven by a billionaire businessman, Wilbur Ross, who took up the role of Commerce Secretary to implement this program, not because he needed the job.

Another key player is U.S. Trade Representative Robert Lighthizer, who led U.S. negotiations in the 1980s that squeezed Japan hard to contain the U.S. trade deficit. [\[11\]](#)

The economic nationalists orbiting around Trump represent a minority view within Corporate America, where the success of free trade make CEOs reluctant to face change. The mainstream media, inevitably, has reflected this view in the highly critical "not to say panicky" views of Trump's performance at the G7.

But change is already here. Neoliberalism, free trade deals like NAFTA and bodies like the WTO were embraced by Washington because they strengthened and consolidated U.S. dominance on the economic scene. If they are proven to be impediments to that end, they must be ignored or abandoned.

The U.S. decision to abandon the Trans-Pacific Partnership trade deal "promised by both Trump and Hillary Clinton during the 2016 U.S. presidential election" was a watershed event. [\[12\]](#) Even NAFTA, engineered to lock in U.S. power in the North American economy, can be jettisoned.

While many trade wars erupt during economic crisis, this one comes as an economic recovery has taken hold in most of the world.

The International Monetary Fund reported in April 2018 that "the global economic upswing that began around mid-2016 has become broader and stronger," even while signaling caution over the hangovers from the crisis "chiefly, "higher debt levels worldwide" and political aftershocks leading to "nationalistic policies." [\[13\]](#)

That was a not-so-veiled reference to Trump and the right-wing forces that have upended or displaced or pressured established political parties in much of Europe in recent years.

The trend toward economic nationalism is likely to strengthen in the next recession "which is coming, even if its start can't be predicted and looks distant now." [\[14\]](#)

The trigger may be unpayable debts, a crash in the financial markets or a slow slide in corporate profitability. Rising interest rates set by central bankers like the U.S. Federal Reserve may choke off growth too soon.

Whatever comes next, a post-neoliberal world economy is emerging. Even if Trump steps back from all-out trade war now, economic nationalism and shifting trade blocs will become cornerstones of U.S. economic policy. It's a conflict

in which working people "whether in the U.S. or in the rest of the world" have nothing to gain.

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- [1] <http://socialistworker.org/2018/06/11/trumps-bluff-bluster-and-bombast-in-singapore>
 - [2] <http://socialistworker.org/2018/04/10/trade-wars-episode-i-the-empire-lashes-out>
 - [3] <http://socialistworker.org/2018/05/16/the-return-of-the-regime-change-hawks>
 - [4] <https://www.nytimes.com/2018/06/06/opinion/trump-richard-grenell-ambassador-germany.html>
 - [5] http://socialistworker.org/2003-2/477/477_13_SteelPolitics.php
 - [6] <http://socialistworker.org/2015/09/29/driving-the-world-toward-a-new-slump>
 - [7] <http://uk.businessinsider.com/global-gdp-growth-contributions-chart-2017-6?r=US&IR=T>
 - [8] <http://www.capitalwatch.com/article-1782-1.html>
 - [9] <http://socialistworker.org/2017/12/11/empire-and-the-middle-east-in-the-age-of-trump>
 - [10] <http://socialistworker.org/2018/02/08/the-return-of-great-power-rivalry>
 - [11] <https://www.nytimes.com/2018/03/09/us/politics/robert-lighthizer-trade.html>
 - [12] <http://socialistworker.org/2017/01/03/the-trumponomics-con-game>
 - [13] <https://www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018>
 - [14] <http://socialistworker.org/2017/02/03/what-does-it-mean-to-make-america-first>