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Trump steps up trade war agenda

By Nick Beams
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US President Donald Trump signed two executive orders on trade policies yesterday that represent a significant escalation in the “America First” trade war agenda of his administration.

The first order commissions a report, to be released in 90 days, on a country by country, product by product, investigation into trade practices that contribute to the \$500 billion US trade deficit with the rest of the world. The second calls for an investigation into the better collection of antidumping and countervailing duties imposed on imports by the US.

The signing of the orders comes as Trump prepares for a meeting with Chinese president Xi Jinping next week. China accounts for \$347 billion of the US deficit.

On Thursday Trump tweeted that the meeting with China would be “a very difficult one in that we can no longer have massive trade deficits.”

A large part of those deficits is the result of US companies that have established operations in China and then import the finished products into the US. Trump said these firms had to “be prepared to look for other alternatives.”

Trump has repeatedly pointed to the Chinese trade surplus as the reason for its growth, contrasting it with the declining position of the US. But in fact China trade is roughly in balance, as the surplus with the US is offset by its deficit with other countries.

The Chinese vice-foreign minister Zheng Zeguang said the surplus with the US was the result of the global distribution of industries and the division of labour. He said that if the US relaxed its control on high-tech exports to China and facilitated Chinese investment in the US it would be “helpful” in addressing the trade imbalance between the two countries.

Peter Navarro, director of the White House’s National Trade Council, said the orders were an “historic moment.” They were not just a “China story,” he said, claiming they were directed at “trade abuses” and the under-collection of duties.

Drawing out their implications, commerce secretary Wilbur Ross said the measures were “designed to let the world know that this is another step in the president fulfilling his campaign promise” to tackle trade abuses.

Speaking to the American business channel CNBC, he countered criticisms that the US was initiating a trade war.

“We are [already] in a trade war,” he said. “We have been for decades. The only difference is that our troops are finally coming to the rampart. We didn’t end up with a trade deficit accidentally.”

Making clear that the rest of the world, not just China, is the target, he continued: “Our trade deficit overall is about \$500 billion a year. Quite miraculously, that equals the net trade surplus with the rest of the world.”

Announcing the orders, Trump said “thousands of factories have been stolen from our country” and the “theft of American prosperity” would end.

Speaking from the Oval Office, Ross said the measures marked “the beginning of a totally new chapter in the American trade relationship with our partners overseas.”

After Trump’s election on an “America First” agenda, there was speculation that the trade war rhetoric that marked his campaign, signalling a return to the kind of measures that proved so disastrous in the 1930s, would be toned down somewhat once he took office.

Ross took the opportunity to dispel such illusions.

“If anyone had any doubts about the president’s resolve to fix the trade problems, these two executive orders should end that speculation now and for all time,” he said. The report on the trade deficits would “form the basis” for further action by the administration.

The latest measures are in line with a document presented to Congress earlier this month in which the Trump administration outlined its trade agenda. It invoked a series of American laws

that could be used to undermine or bypass what it considers to be adverse trade relations and rulings from the World Trade Organisation.

Among the measures cited was the Tariff Act of 1930, more commonly known as the Smoot-Hawley Act, which is regarded as having played a significant role in contributing to the trade war measures of the Great Depression that played a significant part in creating the conditions for World War II.

Ross's remarks about getting "troops" to the rampart, made in the context of the escalation of militarism under the Trump administration, are not simply a rhetorical flourish but recall this history.

The administration may not even wait for the reports to be brought down in three months' time before initiating action, and already measures are under way.

Yesterday Sigmar Gabriel, the German foreign minister, warned that the Trump administration was taking a "dangerous step" after the Commerce Department had announced a tariff on imports of steel. Besides China, Germany has been a major target with Navarro and others in the administration, who claim it has benefited in export markets because the euro is undervalued relative to the former currency, the Deutschmark.

Gabriel accused the administration of abandoning international principles of free trade.

"The US government is apparently prepared to provide American companies with unfair competitive advantage and other producers, even if such action violates international trade law," he said, calling on the Europe Union to formally complain about the measures to the World Trade Organisation.

Under the order, following an investigation into the pricing of steel plate from Germany and a number of other countries, the administration will be able to collect tariffs before a final determination in May.

While amounts are not large relative to the overall trade deficit—Germany and France exported respectively \$196 million and \$179 million worth of steel plate to the US in 2015—the decision is expressive of a wider agenda.

Gary Hufbauer of the Peterson Institute for International Economics told the *Washington Post* that the forceful German response indicated that the Trump administration is "pushing the envelope."

Last month, the G20 meeting of finance ministers removed from its communiqué a phrase committing members of the organisation to "resist" all forms of protectionism, at the insistence of US treasury secretary Steven Mnuchin.

The hope was expressed that by the time of the summit of leaders to be held in Hamburg in July, the Trump administration would soften its position. The latest measures indicate that far from

any moderation, trade war, with all its potentially devastating consequences, is going to be rapidly escalated.