

Donald Trump's Tariff War

By [Dr. Binoy Kampmark](#)

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"To protect our Country, we must protect American Steel!" [Donald J. Trump](#), Twitter, Mar 5, 2018

*As an agent of chaos, US **President Donald Trump** is keeping busy. Last week's announcement that tariffs will be imposed on steel and aluminium imports - 25 percent on the former, 10 percent on the latter - has not gone down well with various trading partners. The Chinese, as ever, are playing a middling game, while Mexico and Canada fume. The European Union is focusing on specific US products to bruise. Allies such as Australia have been left scratching for clarity, aggrieved that friendships matter less than populist politics.*

To these can be added a smorgasbord of aggressive suggestions waged from the platform of Twitter by the US Commander-in Chief, all having one distinct register: the inequality supposedly inherent in global trade vis-à-vis the US.

"The United States," [he shot](#) on March 3, "has an \$800 Billion Dollar Yearly Trade Deficit because of our 'very stupid' trade deals and policies." US "jobs and wealth are being given to other countries that have taken advantage of us for years."

"What's been allowed to go on for decades is disgraceful," reiterated the president to executives gathered in the cabinet room. "You will have the protection for the first time in a long while and you're going to regrow your industries."

"If the EU," [tweeted Trump](#) on March 3, "wants to further increase their already massive tariffs and barriers on US companies doing business there, we will simply apply a Tax on their Cars which freely pour into the US. They make it impossible for our cars (and more) to sell there. Big trade imbalance!"

The issue with Mexico and Canada is further complicated by Trump's insistence on Monday that the tariffs be linked to negotiating a new trade pact that would reshape NAFTA. Shaped as such, a tariff regime on steel and aluminium would effectively become hammers of persuasive force.

"We're not backing down... Right now, 100 percent (chance we proceed with tariffs)," threatened Trump from the Oval Office, following up with the suggestion that "it could be a part of NAFTA."

Unconvincingly, Trump also claimed that "a trade war" was not on the horizon, despite the muscular action that promises a bold reaction. European Union officials have already considered hitting various American icons of trade: jeans, bourbon, Harleys. Such points are

of no concern to Trump and his chief trade advisor, [Peter Navarro](#) of the National Trade Council, who are hoping to call their bluff. Besides, [boasts](#) the inconsistent president,

“trade wars are good, and easy to win.”

The free traders and pushers are the ones who have been left baffled, even if it had been churning in the works from 2016. Opposition from the market wing within the GOP, one hostile to the populist heartbeat, is trenchant, though these are the same individuals who have failed to sell a palatable vision of economic success to a lost America.

A [spokeswoman](#) for **Paul D. Ryan**, the Republican House speaker, pushed the unmistakable line that Trump was fanning the flames of an inevitable global trade confrontation.

“We are extremely worried about the consequences of a trade war and are urging the White House to not advance with this plan.”

Even the [Department of Defense](#), mindful of how “the systematic use of unfair trade practices to intentionally erode our innovation and manufacturing industrial base” might well pose “a risk to our national security”, is sceptical. Military requirements for aluminium and steel, it claims in [a memorandum](#) for the Secretary of Commerce, “each only represent about three percent of US production.” To impose such tariffs would have a “negative impact on our key allies regarding the recommended options within the reports.”

Other conservatives have engaged in nail biting exercises of concern. [David Frum](#), who sees the republic being nibbled and gnawed to death by The Donald, is reminded of previous tariff onslaughts that yielded impoverished returns. To engage them is to engage in cost raising exercises beyond specific products such as aluminium and steel. Whether it is vacations, apartment rentals, beer or cars, the unpleasant, monetary knock-on will be felt.

Frum also reminds readers of another parallel: that Trump’s moves echo another form of opportunistic nostalgia, that of the Nixon era when the Bretton Woods agreement was abandoned and a surtax imposed on all imports. The policy had less to do with economic prudence than electoral object: winning the 1972 election.

“The ‘shock’ disrupted the world economy and profoundly angered formerly trusting friends already uneasy over the war in Vietnam.”

There would be no exceptions. As [Navarro](#) explained,

“As soon as [the President] starts exempting countries, he has to raise the tariff on everybody else. As soon as he exempts one country, his phone starts ringing with the heads of state of other countries.”

This did not mean, assured Navarro, that certain exemptions on products would not apply.

“There will be an exemption procedure for particular cases where you need to have exemptions so that business can move forward.”

The scramble for seeking favourable treatment is already on. Merely because Trump has done the unpardonable for free market ideologues does not mean that market players are stuck. He remains the president of the corporation. Australia's own major steel exporter, BlueScope, may well get a kind nod from regulators given its presence in the US, notably California, which receives its product.

Weakly, the political figures of US allies are hoping to draw upon the capital of friendship in winding back Trump's policies.

"Australia and America have been allies in all sorts of adversity and conflict," comes the damp observation of Labor opposition leader **Bill Shorten**. "I hope at times like this that all of our friendship counts for something."

For all that unwarranted emoting, Foreign Secretary [Lord Palmerston's observation](#) from 1848 remains salient:

"We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow".

Forget, in other words, the immutable construct of friendship and geniality on the international stage. Revise friendships and alliances. For policies on tariffs to change from a US perspective domestic, not international concerns, will matter most.

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***Dr. Binoy Kampmark** was a Commonwealth Scholar at Selwyn College, Cambridge. He lectures at RMIT University, Melbourne. Email: bkampmark@gmail.com*

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