

Merkel and Trump Hold Crisis Talks In Washington

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With tensions between Germany and the US at their highest point since the end of the Second World War, the first meeting between President Donald Trump and German Chancellor Angela Merkel took place on Friday in Washington.

The mood was tense and cold. At a joint photo op in the Oval Office, Trump barely acknowledged Merkel and refused the customary handshake requested by photographers.

At a joint press conference following a White House meeting between Trump and Merkel, other officials and business leaders from the two countries, the two heads of state expressed agreement only on the questions of increased military spending and war. Merkel promised Trump that Germany would increase defence spending two percent above the NATO minimum. In return, Trump pledged his commitment to NATO. They agreed “to work together hand in hand in Afghanistan and to collaborate on solutions in Syria and Iraq.”

The conflict between the two countries, which stood on opposite sides in two world wars in the first half of the twentieth century, emerged most sharply on the issue of trade policy. Trump complained that the past behaviour of US allies had often been “unfair” and he insisted on a “fair trade policy.”

What Trump means by this is clear. He threatened Germany with trade war in an interview he gave shortly before assuming office, specifically warning of import duties of up to 35 percent against the German automobile industry. Claiming that Germany’s behaviour toward the US was “very unfair,” he said he would make sure this ended.

In the past week, Trump’s economic advisor, Peter Navarro, once again referred to the German trade surplus as a “serious matter” and called it “one of the most difficult problems” for American trade policy. The US is currently preparing a so-called “border adjustment tax” that would substantially diminish taxes on American exports and place a heavy burden on German and other European imports.

The growing transatlantic conflicts were also reflected at the G20 finance ministers’ summit in Baden Baden, Germany. The previous evening, German Finance Minister Wolfgang Schäuble met for the first time with his new American counterpart, Steven Mnuchin. The former Wall Street banker insisted that the US did not want a trade war, but refused to support the inclusion in the closing G20 communiqué of the customary clear statement in favour of free trade and in opposition to protectionism.

Trump’s protectionism is a catastrophe in particular for the export-oriented German economy. In 2015, Germany achieved a record surplus of €260 billion, which corresponded to more than eight percent of its entire economic output. Trade with the US accounted for

€54 billion of the surplus. In the previous year as well, the US provided the largest export market for German products, with a total value of €107 billion.

Merkel's delegation included leading German economic representatives, who were tasked with convincing Trump of the importance of free trade. But while the German government struggles to de-escalate tensions with the US, it is simultaneously preparing retaliatory measures that are no less aggressive.

The deputy chairman of the Social Democratic Party (SPD) parliamentary faction, Carsten Schneider, threatened capital controls.

"Ultimately, Germany is financing a large portion of the American trade deficit with its capital exports," said Schneider. "If Trump does not relent, we must be ready to act."

In a Friday morning interview with the German radio station Deutschlandfunk, German Economics Minister Brigitte Zypries (SPD) said:

"The other possibility is simple. We will file suit against him before the World Trade Organization. It lays down procedures. In the WTO, it is clearly specified in the agreements that you are allowed to take no more than 2.5 percent in taxes on the import of automobiles."

"This would not be the first time that Mr. Trump failed in the courts," the SPD politician added provocatively.

The president of the Federation of German Industry (BDI), Dieter Kempf, asked Merkel prior to her trip to present Trump with "the standpoint of a German, a European economy... with appropriate self-confidence." Trump's views on economic policy would simply "not work," he insisted.

In order to counter Trump in the most effective way, Berlin is pursuing a strategy of preparation for trade war between the US and the entire European Union. The *Handelsblatt* newspaper quoted the former chief economist of the Economics Ministry, Jeromin Zettelmeyer, as saying that Germany needs "the backing of the rest of Europe." He went on to state, "They will have to wage a trade war against us if possible."

According to a report in *Der Spiegel*, the aim of the German government is to "isolate the Americans." To this end, EU Trade Commissioner Cecilia Malmström has been tasked with negotiating trade agreements "with other countries and regions of the world." At the EU summit the previous week, the EU states spoke out against "protectionist tendencies" in world trade and positioned the European economy against the US, *Der Spiegel* reported.

The EU would "continue to collaborate actively with international trading partners," said the final resolution of the EU summit. To this end, "progress will be achieved with decisiveness in all ongoing negotiations with regard to ambitious and well-balanced free trade agreements, including with Mercosur [a sub-regional bloc that includes Bolivia, Argentina, Brazil, Paraguay, Uruguay and Venezuela] and Mexico." The negotiations with Japan are "close to a conclusion soon" and "trade relations with China should be strengthened on the basis of a common understanding of mutual and reciprocal benefit."

Berlin and Brussels are expanding their economic relationships with precisely those countries that are in the crosshairs of the US government. Trump is threatening Mexico with the termination of the North American Free Trade Agreement (NAFTA), and Washington is pursuing a course toward war against China with increasing openness. The conflicts between Germany and the US will continue to sharpen as a consequence.

In a significant move, Merkel spoke on the telephone with Chinese President Xi Jinping immediately before traveling to Washington. She took this opportunity to express her opposition to protectionism. According to Merkel's government spokesperson, Steffen Seibert, Merkel and Xi affirmed that they would "promote free trade and open markets together." In addition, the two leaders agreed to "continue their trusting collaboration, especially within the framework of the German G20 presidency."

Meanwhile, the German media is demanding "an even clearer statement against the new US protectionism" and urging that "the majority of other countries be mobilized against Trump." This will be "necessary" in the future, said a comment in the *Reinische Post*. Germany and the EU must "self-confidently oppose" Trump with "their own contrary aims, instead of letting themselves be intimidated by Washington." The conditions for this are favourable, the newspaper said.

It went on to state that it had become clear in Baden Baden that Germany has "not only the other EU states, but also almost the entire rest of the world—above all China, Brazil and Japan—on its side regarding trade policy."

The fundamental reasons for Trump's aggressive behaviour toward Berlin as well as Germany's efforts to build a coalition against the US are to be found in the insoluble contradictions of the capitalist system itself. Capitalism is incapable of overcoming the contradiction between the international character of production and the national state. As on the eve of the First and the Second World Wars, the conflicts between the imperialist powers over raw materials, export markets, zones of influence and cheap labour are once again leading to trade war and military conflict.

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