

Will Obama Start the Next Trade War?

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Global Research, February 05, 2009

5 February 2009

Region: [USA](#)

Theme: [Global Economy](#)

While campaigning to be president, Obama gave the general impression that he would act “cooperatively” to solve international problems, moving away from the Bush strategy of irresponsible “unilateralism.”

But Obama took an aggressive stance towards China even on the campaign trail, including the accusations of “currency manipulation,” “violating intellectual property rights,” and “devaluing their goods.” Of course the average American cares nothing about these types of crimes, nor should they.

Some U.S. corporations, however, care very much about such things, as their profits are threatened by China’s rise. U.S. politicians looking for a good scapegoat also aim their fire at China, so they themselves can pretend to do something while continuing to do nothing of substance, aside from using US tax dollars to feed the money-hungry banks.

Obama is now following through with his promise to “aggressively confront China,” and the implications are profound.

It is no exaggeration to say that the U.S.-China economic relationship, which is central to the functioning of the larger world economy, is already in tatters. This precarious partnership was dysfunctional from the beginning: China was to build the world’s products and lend money to the U.S. so that these products would then be purchased.

Such an agreement can work in the short run but is based largely on colossal U.S. debt, the hyper-exploitation of Chinese workers, and the de-industrialization of the U.S. It was not meant to last, nor could it.

Bush worked madly to maintain good relations with the Chinese, brushing off demands of Republicans and Democrats alike to go on the attack.

Obama is now leading the bi-partisan charge. His recently confirmed Treasury Secretary, Timothy Geithner, has made it known that the Obama administration plans to label China as a “currency manipulator,” which means that China purposely undervalues its currency to outsell its foreign rivals.

Currency manipulation is — under capitalism — considered to be an economic act of war. Once Obama officially labels China a currency manipulator, the U.S. government is free to counterattack, which in this case amounts to erecting tariffs (taxes on imports) against Chinese goods. This act alone could be enough to push tensions beyond the repair of diplomacy while adding an especially nasty cog in the already-jammed machine of world capitalism.

History shows that trade wars lead to military wars, and for good reason. Capitalism is a system where private corporations based in different countries compete to sell their goods on the world market, always striving for market dominance. Currency manipulation, tariff barriers, state subsidies, and other acts are ways that nations assist their native corporations to out-compete the corporations of other nations on the market.

In normal times, market warfare is kept at bay by such institutions as the World Trade Organization and more importantly the profit-induced cooperation of the rich countries. In times of deep recessions, however, these niceties fly out the windows. The banks and corporations that ultimately control politics in each country demand bailouts and other forms of protection from the cruelty of the once-friendly “free market.”

And while governments are bailing out their native corporations, the corporate competitors are left out. Thus, countries all over the world responded to the current crisis by bailing out their native companies, and the first big step towards international protectionism was taken.

Further protectionist measures are added in the various versions of the Senates proposed stimulus package, which has numerous “buy American” clauses that other countries have already voiced strong objection to. Obama himself recently said that the most popular version of the bill, which requires all money from the stimulus be used to buy American goods “would start a trade war”. Any version of the bill would undoubtedly have some ‘buy American’ provisions, with retaliation abroad to be expected.

The current rift between the U.S. and China has been growing for some time but has been accentuated by the crisis. By acting tough, Obama is hoping that he can scare China into pushing up the price of its currency, thus making the goods of U.S. corporations cheaper in comparison. The recession has intensified international competition into a life or death struggle between corporations.

As the recession deepens, corporations around the world will be asking their government to use every economic trick in the book to bolster their profits, always at the expense of other nations. It is a game played using diplomacy and threats, but backed by military power.

Leading economists across the world are issuing dire warnings about the lessons of the great depression: governments responded to the crisis with protectionism and thus deepened the depression. Unfortunately, governments care little about history and only about the banks and other corporations within their borders.

Workers need to be wary about taking sides in these initial skirmishes between corporate dominated governments. A completely independent political position is necessary, so that workers are not dragged into the abyss of nationalism that always emerges in such times.

If workers want living wages, health care, or to keep their jobs, they must fight for these things against their employer, not align themselves with their employer in the battle for global market dominance. And the best way to keep jobs in this country is for U.S. workers to help the workers in China and elsewhere push for higher wages.

This is exactly why an international working-class perspective is needed. As the crisis deepens, corporate politicians will work hand-in-hand with sell-out labor leaders to push the struggle away from the work site towards foreign animosity.

Obama’s threats towards China must be condemned, as should all future attempts to push

the blame of the crisis abroad. Workers of all countries need to focus their energy on their employers, and have solidarity with workers abroad. All other routes lead to failure.

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