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Backlash against US over tariffs

The meeting of G7 finance ministers taking place in Whistler, Canada this weekend has begun with a barrage of criticism directed at US Treasury Secretary Steven Mnuchin over the Trump administration's decision to proceed with tariffs on steel and aluminium exports from Mexico, Canada and the European Union.

On his arrival, German Finance Minister Olaf Scholz immediately denounced the US actions. "The decision by the US government to unilaterally implement tariffs is wrong and—from my point of view—also illegal," he told reporters. "We have clear rules, which are determined at the international level, and this is a breach of those rules."

The Trump administration has imposed the tariffs under section 232 of the 1962 Trade Expansion Act on "national security" grounds. Scholz denounced the claim as "spurious." "We'll always be ready to talk about reaching common agreement on trade policy, but that's only possible if unilaterally implemented tariffs are lifted," he said.

Canadian Finance Minister Bill Morneau, the chairman of the meeting, said the issue of trade conflicts had moved to front and centre. "I don't want to kid you, we will need to talk about this first and foremost," he said. "We think it's absurd that Canada is considered in any way a security risk, so that will be clearly stated by me."

The invocation of "national security" by the Trump administration is not because it regards Canada or the EU as a threat, but because it is seeking to exploit a loophole in the rules of the World Trade Organisation (WTO) that permits such tariff impositions. But the WTO rule is meant to cover only situations where countries are actually at war.

Consequently, there is concern that the Trump move could prompt other countries to invoke “national security” grounds for the imposition of tariffs, leading to the disintegration of the global trading order.

Anthony Gardner, the US ambassador to the EU from 2014 to 2017, said Trump’s actions were “very foolish” and a “serious attack” on the world’s trading rules. “Guns should be pointed at enemies, not at allies,” he declared. He added that there was now little to prevent China or any other country from blocking imports on anything, unrelated to true concerns about national security.

The European Union is pushing ahead with counter-measures against the US and is expected to announce its final list of products to be targeted and the level of the tariffs later this month. At the same time, it has opened a case in the WTO against the US measures.

EU Trade Commissioner Cecilia Malmström rejected the claim that the tariffs were needed for national security, denouncing them as “pure protectionism.”

“We are not in a trade war, but we are in a very difficult situation caused by the United States,” she said. “I would not use the term ‘trade war’ because it has a psychological effect. The US is playing a dangerous game here.”

At the same time, Malmström announced that the EU was taking China to the WTO for “forcing” European companies seeking to do business in China to disclose technological secrets—the same issue raised by the US.

Malmström said the EU’s actions, against both the US and China, indicated that it was not choosing sides and that “we stand for the multilateral system, for rule-based global trade.” She added, “If players in the world don’t stick to the rule book, the system might collapse.”

She maintained the EU stance that there will be no negotiations with the US while the tariffs remain in place and the EU has “closed the door” on talks. “We offered dialogue and future negotiations under the condition that they took away this threat,” she said. “They didn’t and here we are. When they say America first, we say Europe united.”

Malmström’s emphasis on European unity and for no negotiations while tariffs remain in place reflects the hard line being pushed by France. French President Emmanuel Macron has denounced the tariff measure as “illegal.”

Speaking to reporters, he said the US decision was a mistake because it was “creating economic nationalism ... and nationalism is war. That’s exactly what happened in the ’30s.”

However, German trade groups, fearing that further tariff measures by the US targeting the auto industry are in the pipeline, are calling for restraint on the part of the EU. Volkswagen said it would welcome a resumption of talks on a bilateral agreement with the US, without any mention of the prior removal of tariffs.

Christian Vietmeyer, the head of the Steel and Metal Processors' Association, called for restraint. "Reactions of the EU that lead to an escalation of the situation and more trade barriers would cause more damage. The EU should stay calm."

The predominant reaction in US political, business and media circles to the tariffs is not opposition to trade war measures per se, but rather that the Trump administration is alienating its allies when it should be trying to win their support for action against China.

The Republican chairman of the House Ways and Means Committee, Kevin Brady, said the tariffs were "hitting the wrong target" and that when it came to unfair trade in aluminium and steel, Mexico, Canada and Europe were not the problem, "China is."

Criticism of Trump's tariffs has been considerably more vocal and pointed from the Republican congressional camp than the Democratic. Most of the Democratic leadership has avoided comment, while the most rabid trade war hawks, such as Ohio Senator Sherrod Brown, have backed Trump.

An editorial in the *Wall Street Journal* said that rather than Trump being a "genius deal-maker" his actions revealed he was "merely an old-fashioned protectionist." The editorial said that with his tax cuts and deregulation—the handing out of billions of dollars to the corporations and ultra-wealthy and the easing of restrictions on the operations of the banks—Trump had established a solid economic record, but his escalating trade war was putting this at risk. While he has aspired to be Ronald Reagan, his "tariff follies" echo Herbert Hoover, the newspaper declared.

In an editorial titled "America Declares War on its Friends," the *New York Times* said the tariff measures would do nothing to reduce steel and aluminium capacity in China, and the president was "effectively isolating the United States from its closest allies—the very countries that it needs to work with to put pressure on China to change its course."