Fictional Free Trade and Permanent Protectionism: Donald Trump's Economic Orthodoxy

By Dr. Binoy Kampmark
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Let's put it out there with suitable portions of provocation: free trade has never actually taken place. There is an uncomfortable, skirmish-ridden middle ground, where states compete for primacy over surplus and deficits, where the notion of prosperity is language deferred, not to citizens, but corporations who are often backed for pursuing technological remits.

The debate about US President Donald Trump's tariffs belies a fundamental point: the surrender of the state to non-elected entities which claim privileges over and above citizens and electors; the illusion that lifting citizens out of poverty demands an absence of government interference in favour of corporate industriousness. What tends to happen, if anything, is a blurring.

Even as zeal filled free trade racketeers have insisted on its virtues, governments continue, in varying degrees, to corrupt and distort that the very trade they supposedly claim to be unshackled. The news cycle here is key.

The short memories encouraged by that news cycle ignore the snarky engagement that characterised the opposition by three US airlines – American, United and Delta – to the $52 billion government subsidies received by Qatar Airways, Emirates and Etihad. The logic here was simple and counter-intuitive to the free trade doctrinaire: by actually supplying such subsidies, the governments of the Gulf States were ensuring that their carriers could outperform their rivals. This was state interference to the good, and woe to the US on that score.

While steel and aluminium have been romanticised in Trump's policy drive, other metals have also fallen under the spell of tariffs. Despite only supplying mere ripples through the media, Washington has been busily targeting Chinese producers of cast iron products. One particular firm received a jaw-dropping 110 percent tariff.

Brussels, indignant by Washington's recent moves, has also compiled a list of targeted US imports.

> "Where action is necessary to safeguard the EU's interests in such cases, the Commission may take appropriate commercial policy measures in response, on the basis of objective criteria."

The European Commission has given a 10-day grace period for companies to express concern before the list is formally adopted.

All to the good – except that such conduct has simply garnered more publicity than other acts of trade hostility waged by the good offices of the EU in the name of trade security. Over the years, European entities have been more than happy to target Chinese subsidized metals, a move featuring punitive tariffs.

In January this year, the EU imposed tariffs in the order of between 15 and 38 percent on Chinese cast iron products, adding to a considerable array of anti-dumping duties. In August last year, the EU levied provisional tariffs of the eye popping order of 42.8 percent on selected cast iron products after the findings of an eight-month investigation. Those, naturally, claimed that low prices affected the bloc's producers.

In the words of the European Commission,

> "Prices of dumped imports from the People's Republic of China significantly undercut Union industry prices during the investigation period with undercutting margins ranging from 35.4 percent to 42.7 percent leading to decreasing market shares and profits for the Union industry."

Other examples populate the global trade system. US regulators intend enforcing a 20 percent tariff on the first 1.2 million washers imported into the country in its first year, with a 50 percent surcharge on any machines above that number.

There are also tariffs that have found their way on solar panels, mostly of Chinese origin. In January, US Trade Representative Robert Lighthizer announced levels of up to 30 percent, citing the ample assistance provided by Chinese government subsidies. On that score, both the EU and the US have been resoundingly dedicated, giving Beijing a certain moral high ground in claiming such measures to be anti-environmental.

The global trading system is characterised by the exchange of products that will, at some point, have found a sponsor, notably a government one. In the religious utterings of the free market priest, this is to be avoided with plague-like concern. In practice, finding products free of this taint is nigh impossible.

Reuben Abraham, CEO and senior fellow of the Mumbai-based IDFC Institute cites the iPhone as culprit-in-chief.

> "Most of the technology inside an iPhone in some point in time or another has been funded by the US government… Lithium-ion batteries came out of research funded by the [Department of Energy]."

The same goes for click wheels, liquid crystal displays, microprocessors and micro hard drives.

No economist has made this point better than Mariana Mazzucato, whose *The Entrepreneurial State* dashes notions of a heaving, inefficient bureaucratic state left aside by the innovative genius of a private sector free of state encumbrances. States, far from being enemies of innovation, can push it. Industries can be incubated and nurtured. Those not doing so risk mouldering.

Whether they be subsidies, overproduction, dumping, or tariffs, the world market is a set of scrappy untidy practices that put pay to the notion of trade free unbound. Governments may well promote it, but the pragmatists are otherwise engaged in a different set of realities rooted in technology and considerations of protecting industry.

It took Trump, a bully-boy populist hell bent on opportunism and nostalgia, to make any discussion of tariffs heretical, when they has, in all truth, been a functional reality in the modern global political economy for decades. Protectionism, it can well be said, never left.

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Dr. Binoy Kampmark was a Commonwealth Scholar at Selwyn College, Cambridge. He lectures at RMIT University, Melbourne. He is also a frequent contributor to Global Research. Email: bkampmark@gmail.com