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IMF Meeting Signals Descent into Global Trade War

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In another step toward world-wide trade war, the International Monetary Fund over the weekend became the second major global economic organisation to back away from a commitment to "resist all forms of protectionism."

In the wake of the decision at last month's meeting of the G20 finance ministers to drop the phrase from its communiqué, the IMF adopted the same course at its spring meeting in Washington. In both cases, the "free trade" commitment was removed as a result of pressure from the Trump administration, in line with the White House's "America First" agenda.

The statement issued by the IMF's International Monetary and Financial Committee (IMFC) said it sought to "promote a level playing field in international trade," dropping the previous wording.

The current chair of the committee, Agustin Carstens, the governor of the Bank of Mexico, sought to cover over the significance of the decision by suggesting that the previous wording had been removed because "the use of the word protectionism is very ambiguous."

In reality, the omission of any disavowal of protectionism is an unmistakable expression of mounting trade tensions, fueled above all by the Trump administration.

These conflicts could not be completely suppressed at the meeting. In his statement to the IMFC, German Finance Minister Wolfgang Schäuble said

> Germany "commits to keep the global economy open, resist protectionism and keep global economic and financial cooperation on track."

This statement stood in stark contrast to the remarks of US Treasury Secretary Steven Mnuchin. He said the US would

> "promote an expansion of trade with those partners committed to market-based competition, while more rigorously defending ourselves against unfair trade practices."

 He directed his comment in particular against the two major countries, China and Germany, that have the largest trade surpluses with the US. Washington insists that the Chinese economy is not market-based, while members of the Trump administration have asserted that Germany enjoys unfair advantages because the value of the euro is lower than where its former currency, the deutschmark, would have been.

While not directly naming Germany, which recorded a record trade surplus last year, Mnuchin said that

> "countries with large external surpluses and sound public finances have a particular responsibility for contributing to a more robust global economy."

The decision of the IMF to bow to US pressure came just days after the Trump administration announced a major initiative aimed at imposing sweeping restrictions on steel imports, which, if carried through, will have far-reaching implications for the global market in this basic commodity.

Under a little-used law dating from 1962, Trump signed an executive order to launch an investigation into the impact of steel imports on US national security. Describing the decision as a "historic day for America," he declared that steel was "critical to both our economy and military," and that this was not "an area where we can afford to become dependent on foreign countries."

The invocation of "national security" has clear connections to the militarist drive of the administration. But the use of this legislation is also part of a broader strategy on protectionism laid out by Commerce Secretary Wilbur Ross and Peter Navarro, the head of Trump's National Trade Council, in a submission to Congress earlier this year.

It is based on using previous US legislation to circumvent international trade laws enforced by the World Trade Organization, enabling the United States to impose protectionist measures with impunity. Significantly, in their paper, Ross and Navarro invoked the infamous Smoot-Hawley Act of 1930, widely credited with being responsible for the trade conflicts of the 1930s that contributed to the outbreak of World War II.

Commenting on the latest Trump move to the *Financial Times*, Chad Brown, senior fellow at the Peterson Institute and a former economic adviser to President Obama, said that citing "national security" to justify restrictions on steel imports amounted to carrying out the "nuclear option" on trade.

> "This is one more piece of evidence in the worrisome trend that Trump seems to be turning over every rock and investigating each tool available under US law to stop trade," he said.

In recent years, the US has launched 152 anti-steel dumping cases and has another 25 in the pipeline. But the latest move represents a major escalation. According to Commerce Secretary Ross, the present system is too "porous" and allows only for narrow complaints against particular countries, which can be easily skirted.

The new measures are intended to bring about a "more comprehensive solution with a very wide range of steel products and a very wide range of countries," which could "conceivably result in a recommendation to take action on all steel imports."

This would cause chaos in international markets, as steel exporters sought to shift their output to other markets, leading to accusations of dumping, the imposition of tariffs and other restrictions—in short, a full-scale trade war.

There are two essential driving forces behind the actions of the American government:

First, the ongoing economic decline of the US, which it now seeks to overcome by political and military means—a process that has accelerated in the wake of the financial crisis of 2008 and the subsequent decline in world economic growth and contraction of world markets.

Second, the striving by the Trump administration to deflect rising social tensions caused by low wages and growing economic hardship, and channel them along reactionary economic nationalist lines. In this, Trump has the full support of the trade union bureaucracy, with key union leaders standing beside him as he signed his executive order on steel. It is also backed by the economic nationalists of the Democratic Party, whose most prominent representative is the self-styled "socialist" Bernie Sanders.

The inherent, objective logic of these processes is economic and military war, to which the capitalist politicians can offer no progressive alternative, as the impotence displayed by the IMF in the face of what it recognises as a great danger once again underscored. This is because the growth of economic nationalism and protectionism is rooted in the very foundations of the socio-economic system based on private profit and the division of the world into rival nation-states.

One hundred years ago, the world was embroiled in the carnage of World War I. It was not the "war to end all wars," but only the start of a more than three-decade-long struggle to decide which of the imperialist powers would achieve global dominance. Eventually, after tens of millions of deaths and untold horrors, including the Holocaust and the dropping of

two atomic bombs on Japan, the US emerged as the preeminent global power.

Now the world is being brought face to face with the even more explosive consequences of America's economic decline.

But this year also marks the centenary of the greatest event of the 20th century, the Russian Revolution, and the successful conquest of political power by the working class, led by the Lenin, Trotsky and the Bolshevik Party on the basis of the program of world socialist revolution. That must be the perspective that animates the international working class in the struggles it now directly confronts.

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