

In Trade, as in Foreign Policy, America Goes for 'Broke'

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Trump's Administration is putting its 'all' on red on the roulette wheel of a radically leveraged US trade and foreign policy. It is a bet that a ruthless 'no prisoners taken' pursuit of naked US commercial interest can restore American economic hegemony. But, as Vali Nasr has [pointed out](#) in The Atlantic, the radical, scorched-earth leverage now being pursued in Trump's companion foreign policy lunge is aimed, not just at returning the US to its status quo ante, but is aimed rather at forcing the capitulation of all resistance to US hegemony (whether it is coming from friends, such as Canada, or from the so-called 'revisionist' powers and the nuclear states):

"It's increasingly clear that what Trump hopes to achieve through a maximum-pressure campaign does not align with the vision of his national-security team: Judging by his behavior with Kim Jong Un and his statement on Iran, [Trump's] goal is to bring North Korea and Iran into diplomatic talks. Members of his team speak as if they'd rather force the countries' surrender. Pyongyang and Tehran understand this very well." (emphasis added)

But the crux of it is that when you put 'all' on one colour or the other in roulette, you either win big, or lose all.

In trade policy, the earlier US claim to be correcting for 'unfairness' in international trade policy is now a sham: The policy is now simply the pursuit of US economic advantage à outrance. The US Department of Commerce, for example, recently imposed restrictions on 12 Russian corporations that are "acting contrary to the national security, or foreign policy interests of the US." None of these twelve, however, have anything to do with Russia's military sphere, or threaten US 'security'. They are simply building a new passenger airliner.

As Arkady Savitsky [demonstrates](#), the real US target is Russian civil aviation:

"A closer look at the blacklist, shows the US has sanctioned those who are involved in the production of the Russian civilian airliner Irkut MC-21".

The MC-21 is a next-generation passenger jet, geared towards the use of composite materials and advanced metal alloys. In short, these sanctions are all about protecting the mercantile advantage of Boeing (rather than US national security) – and undermining the plans to apply the MC-21 technology to the wide-body commercial jet CRJ929, being co-

developed by China and Russia.

Of course, Russia has been determined by the US to be a 'revisionist power', but Canada is not. Yet, in the recently announced United States-Mexico-Canada Agreement, the Canadian government (in the words of the Canadian [Globe and Mail](#)) was bullied into signing away a vital part of Canadian sovereignty to the United States:

"Few have realized the killer clause that allows U.S. control over Canadian diplomacy in the rather explicit text buried in Article 32.10: "Non-Market Country FTA"... Contrary to Mr. Trudeau's vague assurance that the article has very little effect, Canada is no longer free to pursue a free-trade agreement (FTA) with China under USMCA.

Ottawa now must notify other USMCA partners if it just intends to pursue a trade deal with a "non-market economy" (code name: China.) And Canada has no independence to classify China as a free-market economy... Ottawa's trade and economic diversification drive will [now] be subject to Washington's interference. This is an overall veto power given to the United States, literally forcing Beijing to negotiate with Washington if it intends to pursue an FTA with either Canada or Mexico."

By giving in on such a crucial issue, Canada has set the scene for the Trump Administration potentially to demand other trading partners such as the European Union and Japan, to insert similar clauses in their trade deals – thus polarising the globe into a US-linked, dollar-based sphere – precluded from doing business with China, except by US 'waiver' – and the marginalised 'rest'.

This 'going for broke' approach on trade has begun to create a rift between Team Trump and Wall Street (which until recently, has been wholly sanguine that US has all the leverage, and that others have none). Markets are now worrying about the consequences for global trade – and US corporate earnings – were this Cold War to deepen: i.e. that the roulette ball does not happen to land on 'red'.

So what might a Trump 'win' – now very much focused-in, on hobbling Russia and China – really mean? Well, that question precisely underlines the uncertainty caused by schism that is embedding itself between Trump and his ideologically-driven, trade-warrior team. We just don't know what it means. Trump probably would settle for President Xi just simply putting his hand up (like Trudeau) and asking a trade deal: It would, of course – even that – be one that would certainly come at the expense of China's sovereignty, and its high expectations for its future.



Depending how far China was willing to abase itself, Trump's Robert Lighthizer might go along with that. But there are obvious signs that his advisers are looking for more – much more. Steve Bannon, who says he was a direct participant in the genesis to Trump's China Trade policy, [is blunt](#):

“Trump's strategy is to make the trade war with China ‘unprecedentedly large’ and ‘unbearably painful’ for Beijing; and he will not back down before victory”. Bannon said (in an interview with South China Morning Post, that) the aim was not just to force China to give up on its “unfair trade practices” – the ultimate goal was to “re-industrialise America” – because manufacturing was the core of a nation's power.

“It's not just any tariff. It's tariffs on a scale and depth that is previously inconceivable in US history,” Bannon said. He said Beijing had relied on “round after round of talks” to take the momentum out of the US punitive measures, but the delaying tactics would not work. “They always want to have a strategic dialogue to tap things along. They never envisioned that somebody would actually do this.”

Bannon, effectively, is saying that the goal is uproot US businesses from China, and to bring them back home: which is to say, to sever and disrupt extended US corporate supply-chains, and re-implant them – and the jobs – back into the US. But plainly then, US corporations will lose precisely those cost advantages that took them to China in the first place. To try to compensate for the additional costs through more corporate tax breaks (as is being mooted for October) though, risks a borrowing-requirement ‘Armageddon’ of high interest rates, and bond collapse.



So, this Trump-Lighthizer plan only works if the US stock-market keeps rising long enough for the tariffs hikes to make China bend. But, Xi can't bend so easily (even if so disposed). China's diverse plans are written into the CCP constitution, and this means that China collectively can only take the long view. This about China's self-esteem now. It is not any *Art of the Deal* stroke to insist your counterparty commits suicide – quickly, publicly, and humiliatingly. It is not Xi's nature anyway. He has developed an ‘inner steel’ arising from coming from an ‘out of favour’ family, and he is not about to be the one to ‘cross-out’ the CCP's definition of China's ‘destiny’.

What China is inching toward is to make some moves to further open markets, reform regulation, and become more business-friendly. Trump can proclaim this a ‘win’, and halt the war; but will he? Bannon's comments about China being adept at ‘tapping things along’ without making real change – and his comment that the re-industrialisation of America is the true goal, throw some doubt on the prospect that an end to the ‘truce’ will come soon. His trade team is plainly after a scalp.

The two contrasting timelines – the US leverage being contingent on the continuing perception of its strong economy, and needing a quick win – versus China's political need to play it long, will determine the outcome to this wrestling match. US markets are experiencing a rush of dollars into safe-haven US equities that is buoying markets, but this is an ephemeral flow. It will subside. After that, other (adverse, possibly recessionary) ‘de-growth’ trends, may take a hold.

In the longer term – if there is to be a longer term – the ‘rest of the world’ will be working to build new conduits and frameworks to trade, precisely in order to by-pass the US – and its toxic, sanction-vulnerable, dollars. Will Trump’s ‘red’ come up, before de-dollarising takes concrete form?

What all this latter analysis entirely omits, however, is that the prospects for a trade war ‘truce’, or contrived ‘win’, are being daily undercut from a different quarter: The Robert Lighthizer naked pursuit of America’s individual economic advantage has proved to be the perfect tent under which the foreign policy, war-hawks could gather to pursue their own foreign policy ‘nirvana’ – restoring Israel as the military hegemon in the Middle East, destroying Iran, disrupting the Eurasian project, and revenging themselves on Russia for earlier spoiling America’s unipolar moment through re-entering the Middle East.

“In April, the US president said the forces would leave Syria soon – with the decision taken “very quickly” on how long they will remain there”, [writes](#) Arkady Savitsky. “We’ll be coming out of Syria, like, very soon. Let the other people take care of it now,” Trump stated. “Yet John Bolton said recently the US would remain in Syria “until Iran leaves ... We’re not going to leave as long as Iranian troops are outside Iranian borders, and that includes Iranian proxies and militias”...

According to [US] Military Times, his statement was “signaling a fundamental shift from the current counter-terrorism operations to a mission focused more on geopolitical maneuvering and proxy warfare.”

This is the second *misalignment* (in Vali Nasr’s terminology), between Trump – and this time, with his ideological foreign policy hawks.

And – here is the point – this becomes the second component to the trade war calculus. We are talking here of a massive foreign policy *mission creep*, maneuvered by Bolton *et al.* “Clearly, Trump believes his strategy of maximum pressure will result in historic deals with North Korea and Iran”, [writes](#) Vali Nasr:

“But even if developments with North Korea have given Trump reason for hope, this is not going to be a winning strategy. At the United Nations last week... North Korea’s foreign minister, [rejected](#) any move toward denuclearization—the wholesale and unconditional surrender of nuclear and missile programs—unless it came with tangible U.S. concessions. Pressure, in other words, may have persuaded Kim Jong Un to engage, but pressure alone will not get Trump the deal he covets. Despite Trump’s charm offensive, his administration seems to be pursuing what John Bolton has called the “Libya outcome”, a reference to the 2003 deal, in which Muammar Qaddafi surrendered Libya’s nuclear program and shipped it out of the country.”

It is not just North Korea and Iran that are exposed to radical (foreign policy) leverage: So is everyone else. It has become contagious. US Interior Secretary, Zinke, last month [threatened](#) that the US Navy has the ability to blockade Russia from controlling energy supplies from the Middle East:

“The United States has that ability, with our Navy, to make sure the sea lanes are open, and, if necessary, to blockade ... to make sure that their energy does

not go to market”.

And “Russia must halt its covert development of a banned cruise missile system or the United States will seek to destroy it before it becomes operational”, Washington’s envoy to NATO [said last Tuesday](#).

This is the point: the trade ‘wars’, potentially could be alleviated if China would give Trump the trade deal he wants, and if Iran and North Korea would give Trump the nuclear deals he wants. But these outcomes are will not happen, because of the confrontational geopolitics, standing in the way.

Xi, almost certainly, is not opposed in principle, to making some trade concessions to the US (indeed, China may make some irrespectively); but the US’ leveraging of the Taiwan issue, America’s insistence to aggressively contest China in the South China Sea, its sanctioning of China for the purchase of Russian weapons systems; its imposition of Magnitsky-style sanctioning of Russian individuals and businesses (which China believes soon will be extended to them), now constitute another, militarised, and further financialised, dimension to the Cold War.

The move toward Magnitsky-style sanctions being imposed on China now seems inevitable, in the wake of Mike Pence’s claim that “China exerted influence and interference in US domestic policies and elections”, and his noting that Russia’s interference in US domestic affairs paled in comparison with China’s actions. These are the real obstacles standing in the way. They compellingly suggest to all observers that America does not want just ‘fairer trade’ with China; it also wants to cut it down to size militarily, in technology, in regional influence, and in its attempt to build the connectivity to mount its own supply chains (also known, as the Belt and Road Initiative.)

And if Trump’s ‘going for broke’ on red doesn’t come up, at the table? As one financial commentator [wryly noted](#):

“Trump is doing everything he can to bring on the end of the days when the US can borrow whatever it wants – in whatever amounts it wants. To be sure, there is no recipe book ... it’s not at all clear what you would do. But you’d start by doing everything that Trump is doing — pick fights with all your allies, blow the government deficit wide open at the peak of an economic recovery, abandon any notion of fiscal responsibility, threaten sanctions on anyone and everyone, who seeks to honor the deal Obama struck with Iran (thereby almost begging everyone to figure out some way to bypass the US banking system in order to do business), throw spanners into the works of global trade without any clear indication of what it is precisely you want (for a country that structurally... MUST run trade and current account deficits)”.

This is indeed what ‘one’ might do. In other words, one would end up on ‘black’.

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