



# INDEPENDENT

## **Trump's trade war will push old enemies together and create a new geopolitical landscape**

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The Trump administrations' declaration of a trade war with friends and foes alike should not have come as a total surprise. The unpredictability and instability created by this presidency has long become a source of concern and is resulting in new international alliances being formed and old adversaries coming together in a changing geopolitical landscape.

US President Donald Trump's abrupt announcement on slapping steel and aluminium tariffs on the [European Union](#), Canada and Mexico as well as China came after messages from Washington that the Western allies may get exemptions and the confrontation with Beijing was winding down.

The contradictions and confusion are due both to deep divisions between the president's economic advisors and the frequency with which he himself has been changing his mind.

A classic example of this has been Treasury Secretary Steven Mnuchin saying that the punitive measures against China have been put "on hold" only for Mr Trump's trade advisor, Peter Navarro, to dismiss the statement as an "unfortunate sound bite".

The president refused to take any action over the undermining of a senior member of his cabinet by Mr Navarro just as nothing was done after reports that members of the American team negotiating with Beijing were found to be shouting at each other in the corridor outside.

The first retaliatory shots on this commercial conflict are being fired with the European Union issuing a list of US products to face tariffs, from Harley Davidsons to peanut butter.

Canada is planning to impose duties of up to 25 per cent on \$13 billion worth of American goods including steel, yoghurt and whiskey and Mexico focusing on steel, pork, fruit and cheese from the US.

Amid rising alarm and stock markets crashing, Mr Trump holds that "trade wars are good."

Some countries are not keen to wait around to find out where all this ends, and are instead taking precautionary steps.

China and India, engaged in decades of acrimony, have seen a hurried bolstering of relations.

Iran, with Trump reneging on the nuclear agreement and threatening a new raft of sanctions, has turned to Russia and China for trade and security.

Mexico is seeking allies in Latin America to counter the re-emergence of US bullying.

The European Union's decision to hit back is another sign that plummeting relations with Washington are unlikely to get better as long Mr Trump is in the White House.

One of the most significant developments was the summit in Wuhan, Chairman Mao's old summer retreat, between Xi Jinping of China and India's Narendra Modi coming not long after their countries' troops were in a standoff at the disputed border area of Doklam.

Beijing may be the primary target of US tariffs, but there have been vocal threats from Washington of swinging duties on Indian goods as well.

Both China and India have benefited greatly from globalisation with technological and social progress intrinsically linked to the strides being made economically.

The GDPs of the two countries will exceed those of the G-7 states in the next two decades and has led to increased rivalry between the world's two most populous nations.

But they are being drawn together by deepening apprehension that Mr Trump's actions will have a cataclysmic effect.

It is ironic that India is being pushed towards China by Washington after years of efforts by successive American administrations to turn Delhi into a strategic ally against Beijing through a raft of economic, political and military initiatives.

The US only recently succeeded in getting India to become part of a revamped quadrilateral alliance with America, Japan and Australia to combat Chinese hegemony in the region.

Mr Trump has often spoken of the special relationship he has quickly forged with Mr Modi, with the Indian prime minister becoming the first foreign leader to have a working dinner at the White House during the current administration.

But Japan's Shinzo Abe was also said to have had such a special relationship - that did not stop the US president from accepting bilateral talks with Kim Jong-un against the position of Tokyo and, indeed, of previous US administrations, that the North Korean regime must give specific undertakings before such a meeting is held.

Iran is another subject of confrontation between the US and its allies. The other signatories to the nuclear deal – Britain, France, Germany, Russia and China – have repeatedly stated that it is working, as does the UN.

Strategies are being discussed on how to counter the Trump administration threat to penalise companies which continue to trade with Iran.

But Washington seems to think that the European states will be cowed into backing down. John Bolton, Trump's new National Security Advisor has asserted "Europeans will see that it's in

their interests to come along with us. As the American sanctions kick in... It will have an even broader effect.”

We have yet to see whether the European nations admit defeat on this. But there are other economic powers who have important trade with Iran.

The country is third biggest supplier of oil to India’s booming economy while China is the biggest importer of Iranian oil. Both Beijing and Delhi have said they will continue buying oil as have other major consumers, South Korea and Japan.

China is on its way to becoming a major beneficiary of America’s Iran policy, with the strong possibility that it will take over the \$5 billion contract for the South Pars gas fields with the French multinational, Total, likely to pull out because of the threat of US fines.

Tehran is now looking towards Russia and China: the Moscow-led Eurasian Economic Union has signed a deal with Iran to lower tariffs on hundreds of goods and becoming part of a free-trade zone.

Mr Trump’s trade war, and the salvo on steel and aluminium, is cheered on by his hardline supporters and advisors. But the leadership of his party is deeply alarmed, as are senior conservative analysts and experts.

House speaker Paul Ryan, the most influential Republican in Congress, wanted to stress that it “targets America’s allies when we should be working with them to address the unfair trading practice of countries like China.”

Douglas Holtz-Eakin, head of the conservative American Action Forum, commented that “This begins and ends at the top, the president is behind it all. He intends to be tactically unpredictable and thinks it’s a fantastic negotiating approach.

“But they are on a course which has failure written all over it. What you end up doing is confusing people, doing incalculable damage to relationships with allies and shooting yourself in the foot on the economy when regulatory and tax reform are doing so well.”

For Dan Ikerson of the free-market Cato Institute: “On steel and aluminium, we are talking about taxing users that are more significant to the economy in terms of jobs and growth than are the producers of steel and aluminium.

“Everything that this administration is doing on trade threatens progress in other areas. Trump is playing with fire and he doesn’t quite get it. And I think we are about to go over the cliff.”

Other nations are also only too aware of the gathering storm. And, while they can, they are trying to insure that they are not dragged to the cliff edge by this extraordinary and dangerous presidency.