

The fog of a trade war



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Media references to an all-out global trade war are spiking. China and the U.S. exchange threats almost daily, with announcements of new tariffs on a wide range of goods like steel, aluminum and soybeans that are traded internationally.

European countries are planning to impose tariffs on U.S. goods in retaliation.

Is the U.S. pushing the world into a trade war? Who will blink first?

President Trump says that “trade wars are good, and easy to win.”

But in his 1873 book “Vom Kreige” (On War) the famous Prussian military analyst Carl Von Clausewitz refers to the uncertainty of war and the difficulty of making decisions with such a high number of unknowns. He says:

“War is the realm of uncertainty; three quarters of the factors on which action in war is based are wrapped in a fog of greater or lesser uncertainty. A sensitive and discriminating judgment is called for; a skilled intelligence to scent out the truth.”

— Carl von Clausewitz

A trade war has commenced because of the unilateral actions of the U.S., which launched punitive trade actions against many other countries, rivals and friends alike.

In such an environment, leaders are forced by public opinion to strike back to appear to be strong in the face of an external threat. To not act would be viewed as weak and would be fatal to a politician's career.

Congressional leaders are starting to complain about the impact on their districts in meetings with Wilbur Ross, the commerce secretary. Several of them complained about the tariffs:

“We watched the soybean market start to collapse”

Ohio, a steel making region, was “hit harder than other state by the Canadian retaliatory tariffs.”

A politician from Pennsylvania complained that Kraft-Heinz might move its ketchup production to Canada.

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According to [this Washington Post article](#), all these complaints came from Republicans.

The commerce secretary brushed aside such comments, reminding people that in a war there will be casualties on both sides.

Countries like Canada, the European Union, Mexico, Russia, India, Japan and Turkey have already announced retaliatory tariffs on \$40 billion of U.S.-made products. The complaints from elected U.S. politicians will continue to get louder, heading into the November election.

Canada is bracing itself for the impact of a threatened tariff on autos and auto parts after the breakdown of NAFTA talks. [TD Bank economists estimate](#) that a 10 per cent tariff on parts and a 25 per cent tariff on finished vehicles would cause job losses in Ontario of up to 160,000 jobs. Half of all U.S. cars are imported, and a quarter of all U.S. car sales are from Canada and Mexico.

U.S. Representative Kevin Cramer, a Republican from North Dakota, says that Canada should take Donald Trump seriously when he threatens new tariffs on autos.

The last global trade war was in the 1930s, when production and employment was mostly in the agricultural sector in North America. Since then trade has evolved to include most other goods and many services.

Since President Trump is acting with a political motive in launching this war, the big test will come in November, when voters can reaffirm the Republican majority in the House of Representatives and the Senate, encouraging the President to continue, or elect a Democrat majority.

Only then we will know if the world will step back from the brink of a global trade war. Canadians can only hope that the U.S. will blink first.

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