

# Trump's escalating trade wars and military ambitions

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President Trump announcing the F-47 6th generation fighter jet in the Oval Office of the White House on March 21.

**Tariffs spike to 125% on China amidst market chaos**

On April 9, President Donald Trump escalated his trade war with new reciprocal tariffs but then, within hours, announced a reversal, suspending the new tariffs for 90 days for all but China, while raising tariffs on China to 125%. The crashing stock market experienced a rollercoaster swing upwards, yet the prospects look harrowing. The stock market had similar swings entering the recession known as the dot-com crash.

Just two days before, on April 7, Trump announced plans for a \$1 trillion defense budget next year, a massive increase reflecting the escalation of war plans.

### **Tariffs as a tool for military funding, not economic revival**

During a press event with the Zionist war criminal Benjamin Netanyahu, Trump outlined the expanded defense spending as part of his larger plans for U.S. military aggression.

“We’re going to be approving a budget, and I’m proud to say, actually, the biggest one we’ve ever done for the military,” he said. “\$1 trillion. Nobody has seen anything like it.” A \$1 trillion war budget would represent an increase of nearly 12% from current spending levels.

Trump’s trade war is partially designed to fund this significant rise in military spending.

### **The hollow promise of tariffs in a service-dominated economy**

A close look at Trump’s tariffs shows that they aren’t about creating new jobs or increasing wages for workers in the U.S. or eliminating deficits — they’re focused on restoring corporate profitability and enhancing military production. Remember that Elon Musk is one of the leading military contractors who has already made billions in new government contracts since he started DOGE.

Trump's tariffs apply exclusively to manufactured goods, excluding services.

The United States holds the world's largest trade surplus in services, dominating sectors such as technology, software, and other so-called "intellectual property," as well as finance, education, and entertainment. This surplus — where the U.S. earns more from exporting services than it spends on importing them — offsets the deficit in goods trade (e.g., imported electronics or vehicles).

### **Global trade's shifting landscape: services surge, manufacturing stalls**

In 2024, global trade reached a historic \$33 trillion, growing by 3.7% (\$1.2 trillion). However, this expansion was not fueled by traditional manufacturing or physical goods, which experienced only a 2% rise (\$500 billion). Instead, services accounted for 60% of the growth, soaring by 9% (\$700 billion), highlighting the shift in the global economy toward high-tech industries.

However, services still represent only 20% of total world trade. And overall trade growth has been declining since the end of the Great Recession of 2007-09. The era of globalization is coming to an end.

### **The illusion of manufacturing revival in an automated age**

Trump's tariff strategy to "make America great again" does nothing to address the underlying stagnation of the U.S. domestic economy; in fact, it makes it worse.

For the past 40 to 50 years, industrial workers have seen their wages stagnate. Data shows that since 1973, wages for workers without college degrees have either declined or remained flat. When manufacturing jobs vanished, they were too often replaced by precarious service work — low wages, no job security, and no union representation.

But Trump's tariffs won't turn back the clock. The main reason? Rising productivity

and automation — today's factories simply need fewer workers to produce more goods.

Even if Trump were able to completely eliminate the non-services trade deficit (which won't happen), manufacturing employment would only increase about 1%, rising from 8% to 9% of the workforce.

### **From post-war dominance to Bretton Woods' collapse**

The manufacturing boom of the 1950s, which Trump idealizes, arose from distinctive historical circumstances. Following World War II, the U.S. industrial base remained intact while other nations lay in ruins, providing the U.S. with temporary dominance.

The Bretton Woods system, created in 1944, was the final version of a global gold standard. Unlike earlier systems where people and businesses could exchange money for gold coins or bars, Bretton Woods allowed only governments and central banks to swap U.S. dollars for gold bars (not coins). The U.S. dollar became the world's main currency, backed by gold at a fixed rate of \$35 per ounce. But this system had a critical flaw: It relied on the U.S. having enough gold to back all the dollars other countries held.

### **Nixon devalues the dollar, unleashing stagflation**

As the U.S. printed more dollars for spending (like on the Vietnam War), foreign governments lost confidence and began demanding gold in exchange. By 1971, the U.S. couldn't meet these demands, so President Nixon ended dollar-gold convertibility, collapsing Bretton Woods. This marked the end of the gold standard era.

Nixon's move changed the dollar from being credit money (convertible into a fixed amount of gold) into token money (a variable amount of gold). By separating the

dollar from a fixed gold standard, the U.S. was able to devalue the dollar, making exports less expensive and reducing its trade deficit. The Vietnam War debts were paid with devalued dollars.

Removing the dollar from the gold standard did not change the status of the dollar as the world's main currency. Prices on the world market continued to be set in dollars, not in gold.

While Nixon secured the dollar's dominance, he also set the stage for further declines in U.S. manufacturing industries throughout the 1970s.

### **Volcker's Shock and the neoliberal turn**

Since prices in terms of the depreciating dollar were rising faster than the central banks were printing it, interest rates soared and credit froze. Credit-sensitive industries such as construction and automobiles fell into sharp recession. But there were also big movements into oil and many other primary commodities as the capitalists sought to rid themselves of dollar — and other currency — denominated assets.

The overall result was that demand was stagnant, real wages were rapidly declining, and interest rates were rising sharply. Stagflation had arrived.

Finally, in 1979, Federal Reserve Chair Paul Volcker raised interest rates to a historic peak of 19%, known as the Volcker Shock. While this succeeded in curbing price surges, it triggered a severe recession in the U.S. and reverberated globally, crippling economies dependent on dollar-denominated debt.

The policy also caused the dollar's value to skyrocket, rendering U.S. exports prohibitively expensive and accelerating the offshoring of manufacturing to lower-wage countries. This marked the rise of neoliberalism — an era prioritizing free-market deregulation, globalization, and financial sector dominance over domestic

industrial production.

### **The Plaza Accord and deindustrialization**

By 1985, the U.S. sought to recalibrate trade imbalances through the Plaza Accord, a pact with Japan, Germany, and other major economies to devalue the dollar by strengthening their own currencies. While the agreement succeeded in weakening the dollar, it dealt a devastating blow to Japan's industrial powerhouse, which had thrived since the 1960s through sectors like automobiles and electronics. However, the Accord failed to revive U.S. manufacturing; instead, production shifted to emerging economies like South Korea and, later, China. The U.S. increasingly pivoted toward a service- and finance-driven economy, leaving its industrial base hollowed out — a legacy of deindustrialization that persists today.

Trump's tariffs, somewhat like Nixon's policies, are designed to offset the massive war debts that have built up over the last two decades, with Pentagon budgets exceeding record levels every year. And they are meant to finance an increase in military expansion.

The threat of war is escalating, with Trump aiming particularly at China.

