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Asia-Pacific trade bloc reshaped, without the US

Exactly a year after President Donald Trump withdrew the United States from the Trans-Pacific Partnership (TPP) on his first day in office, the governments of the 11 remaining members of the proposed economic pact announced on Tuesday they would sign an amended agreement on March 8 in Chile.

The announcement's timing points to the increasing isolation of the US, and the escalating global tensions between the rival capitalist powers. Rebadged as the Comprehensive Progressive Agreement for Trans Pacific Partnership, the "TPP 11" is markedly different from the previous version.

Despite media headlines about a "rescued free trade pact," the jettisoned 12-country TPP was never about free trade. It was a US-led economic bloc directed especially at undermining China, which was excluded from the TPP, and ensuring the unrestricted plundering of the Asia Pacific's resources and markets by US financial, media, pharmaceutical and other transnational giants.

Now, following Trump's dumping of the TPP, it effectively has become a Japanese-led pact aimed against China and, potentially, the US itself. Japan, the world's third-largest economy, is by far the biggest member of the new bloc.

Significantly, the TPP announcement also came on the same day that Trump imposed tariffs of up to 50 percent on imports of solar panels and washing machines, most of which come from China and South Korea, signalling a new aggressive turn in his "America First" protectionist program.

At the meeting of global elites at the World Economic Forum in Davos the next day, Trump's Commerce Secretary Wilbur Ross spelt out the trade war drive behind these decisions. Trade wars "are fought every single day," he told reporters. "The difference is the US troops are now coming to the rampart."

Ross's militarist language is not accidental. For the past quarter century, successive US administrations have resorted ever-more to military aggression to seek to offset the country's economic decay, relative decline and loss of global hegemony. Washington's response to the reshaped TPP will be to intensify both its trade and military war plans.

The commerce secretary's broadside was directed, first and foremost, against China, declaring that its "highly protectionist behavior" and aim to become a world leader "in most all of the new technologies," was a "direct threat" to the US.

Ross, however, sent a belligerent message to every other government as well. "We don't intend to abrogate leadership, but leadership is different from being a sucker and being a patsy," he said.

The Canadian government, which balked at signing up to the TPP 11 during last November's Asia-Pacific summits, agreed to participate, in part, to strengthen its position in acrimonious talks with the US on the future of the two-decade-old North American Free Trade Agreement (NAFTA). Mexico, which will also join the TPP 11, is the other party to the NAFTA negotiations.

In talks that began on Tuesday, Trump's administration continued to demand major concessions from both Canada and Mexico—including guarantees of US content in North American cars. Trump has ratcheted up his threats to walk away from NAFTA. In this context, the Canadian Broadcasting Corporation (CBC) declared that the new TPP was "a clear signal that this country is serious about lessening its dependence on its giant neighbour to the south."

Canada's reversal on the TPP highlights how each ruling class is now jostling for position in the face of the US threats. Canadian officials told the CBC that Canada secured a side letter with Japan that requires Tokyo to give Canadian-based auto firms the same access to its market as any European auto makers. Canada also obtained side letters from each of the other 10 nations recognising Canada's right to protect its "cultural sector."

Because of the US withdrawal, the TPP 11 is much smaller than the previous version, which represented about 40 percent of the global economy and a quarter of world trade. The 11 remaining members—Japan, Canada, Australia, Mexico, Brunei Darussalam,

Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam—account for some 14 percent of the world’s gross domestic product.

The agreement remains tenuous and fraught because of each capitalist class’s conflicting interests. No start date has been set for the pact, which must still be ratified by the various legislatures, and many of its measures are to be phased in over 10 years.

More fundamentally, however, the revamped bloc marks a sharp global shift. From 2008, under the Obama administration, the TPP became a key aspect of Washington’s “pivot to Asia”—a concerted military, diplomatic and economic drive to encircle and dominate over China. As Obama stated repeatedly, the purpose was to ensure that the US, not China, “writes the rules of the road for trade in the 21st century.”

By abandoning the TPP, Trump made it clear his administration wants a completely free hand to assert US interests unilaterally. It will not work within the old, post-war framework that sought to avoid the outright trade wars that erupted during the 1930s, collapsed world trade and set the stage for World War II.

Over the past year, Japan’s government spearheaded efforts, backed by Australia’s government, to resurrect the TPP. Japanese Prime Minister Shinzo Abe, in particular, regarded the TPP as crucial to gaining greater access to US markets and as a platform from which to reassert Japan’s global interests and combat China’s ambitious One Belt One Road project to directly link Beijing, across Eurasia, to the European powers.

Anxious not to too openly cut across Washington’s agenda, Australian Prime Minister Malcolm Turnbull yesterday left open the prospect of the US joining the new TPP at a later date. The Australian ruling class relies heavily on the US for investment and strategic protection and has been increasingly integrated into US war plans, including through the stationing of US Marines in Darwin.

Turnbull, like his 10 TPP counterparts, boasted that the “free trade agreement” would foster investment, generate billions of dollars in export revenues and create “thousands of jobs.” Each government highlighted the advantages that their nation’s industrial, agricultural and services industries would reap.

In reality, decades of such trade pacts have boosted the capacity of global financial and corporate giants to extract super-profits at the expense of the jobs and conditions of workers on every continent, driving social inequality to unprecedented levels. As Oxfam reported on the eve of the Davos gathering, nearly all global wealth growth in 2017, 82 percent, went to the richest 1 percent, while the poorest half of the world’s population, some 3.8 billion people, gained nothing at all.

If implemented, the TPP 11 will intensify the social polarisation. While few details have been published about the pact, it retains Investor State Dispute System clauses, which allow transnational companies to sue governments if any regulations interfere with their profits.

The 30-clause previous agreement also featured the protection of “intellectual property rights,” the full opening up of economies to overseas investment and the breaking up of state-owned enterprises that were directed particularly against China.

Above all, the TPP will only heighten trade conflicts over market shares and sources of profit, particularly between the US and the other major powers, and accelerate the descent of world capitalism toward military conflict and war.