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Will World Trade Collapse After America Withdraws From WTO? Don't Bet on It!

With Trump slapping tariffs right, left and center on friends and foes alike, and threatening to withdraw America from WTO, concerns about declining global trade have heightened. Trading nations like China and Japan are wary and worried about the prospects for world trade, as are developing countries in Asia which have embarked on industrialisation and look to foreign markets for their manufactured goods in addition to their traditional agricultural produce.

The threat to growth in world trade didn't begin with Trump's "America First" policy. Way back in 2008 when the WTO Doha Round broke down on liberalization of agricultural trade, many already saw the writing on the wall. Countries in East Asia started to negotiate and enter into bilateral and regional FTAs.

The most significant FTA concluded in the new millennium in Asia was between the 10 member states of Association of Southeast Asian Nations (ASEAN) and China, dubbed ACFTA. China and ASEAN have a combined population of 1.9 billion and aggregate nominal GDP of almost \$16 trillion in 2017 or 22% of global total. ACFTA is the largest trade grouping in terms of headcount, and the second largest measured by GDP, which ranks a close second to NAFTA's 28%. After ACFTA came into effect in 2010, China's bilateral trade with ASEAN members soared from under \$200 billion in 2009 to more than half a trillion dollars last year, a whisker shy of China-EU trade of \$540 billion, and a fifth less than China-US trade. Close to 90% of products are transacted at ZERO tariffs under ACFTA.

Earlier this year, all the TPP signatories sans the US agreed on a slightly modified version of TPP called CPTPP with a combined GDP (excluding America's) representing 13% of the global total. CPTPP got rid of a few predatory provisions insisted by Washington such as empowering large multinational corporates to sue member states for enacting legislation to protect public health that "harms" their business, "national treatment" for foreign oil and mineral companies, and extending the copyrights period to lifetime of creators plus 75 years (restored to 50 years) . No big loss to China which has bilateral or multilateral FTA with all the 11 CPTPP signatories, except Japan and Mexico. The object of the original TPP to contain China is thus defanged.

A more ambitious and momentous regional FTA may be wrapped up by this year or next, after years of protracted and hard bargaining. The mother of all FTAs, the Regional Comprehensive Economic Partnership or RCEP for short, is a multilateral FTA between the 10 ASEAN members and their 6 dialogue partners, namely, China, India, Japan, South Korea, Australia and New Zealand. The 16 countries together have close to half of the world population, and boast an aggregate nominal GDP representing four-tenths of the global GDP, or one-third larger than that of NAFTA . With faster growth rates of RCEP than NAFTA, and if purchasing power parity GDP is used instead of nominal GDP, NAFTA will be left behind in the dust in no time .

And we have yet to mention the Belt and Road Initiative, which facilitates and increases trade between more than 70 participating countries with two-thirds of world population and a combined nominal GDP accounting for 35% of world total, slightly smaller than RCEP's as a result of Japan and India not coming on board yet. Though BRI isn't a customs union, the first multilateral FTA, i.e. Eurasia Economic Union or EAEU spearheaded by Russia has hit the ground running with 5 members. EAEU will eventually be enlarged to encompass all former USSR states except those in the Baltics. The EAEU as it stands now is a market of 183 million consumers and nominal GDP in excess of \$4 trillion, one third more than ASEAN's \$2.8 trillion. Turkey and Iran have expressed interest in joining EAEU. More importantly, there's likelihood of ASEAN-China FTA linking up with EAEU. If that materializes, the enlarged ACFTA-EAEU will have total GDP in excess of \$20 trillion or 27% of global GDP (nominal), snapping at NAFTA's heels.

The world outside America have long prepared for Washington's withdrawal from WTO. Most of the pieces to deal with global trade ex USA are in place. Instead of hurting other countries, Trump's America First and America Only policies will hurt itself with trade

protectionism, unilateralism and self-imposed isolation. The rest of the world can get by, and pretty well too, without USA.