THE FUTURE OF THE INTERNATIONAL TRADE SYSTEM

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In Partial Fulfillment

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by

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ABSTRACT

Today, the world is witnessing a debate between free trade (doctrine) and protectionism (doctrine). Those two are, opposite trade policies. The world's main concern is the future of the international trade system. The issue of Trade is a global modern phenomenon that has an immense impact on countries and international relations. Changes came along the election of Donald Trump as the 45th US president. Among those changes, is Trump's adoption of protectionist policies in opposite to Obama's liberalist policies taken during his presidential term. One of those protectionist policies Trump has taken; is abandoning a Free Trade Agreement such as the TPP. TPP was brokered by Trump's predecessor President Barack Obama, and this action declared an end to the era of multinational trade agreements that defined global economics for decades. President Trump took a more aggressive stance against foreign competitors as part of his "America First" approach (the US has indicated a change in its trade policy through an initiative recognized as America First, which plans to establish jobs in the US, especially in manufacturing(production), and guarantee that US employees are aggressive in foreign markets.). Trump demonstrated that he would not follow old rules, effectively discarding longstanding Republican orthodoxy that expanding global trade was good for the world and America; and that the United States should help write the rules of international commerce. President Trump's decision to scrap the Trans-Pacific Partnership (TPP) reversed a free-trade strategy adopted by presidents of both parties dating back to the Cold War, and aligned him more with the political left. Another measure (related to the protectionist policy so far adopted by the US President) taken by Trump is renegotiating the NAFTA. Not only could Trump's moves affect everyday consumers in the US, they also could upend macroeconomic policies that have

been in place for more than half a century. There is a major shift in the US position on international trade, the US has always been the champion of free trade and open borders for decades. After decades of expanding regional integration in Europe, in 2016 voters in the UK decided to exit the EU. The UK activated EU Treaty Article 50 to terminate its five decades of EU membership within two years. In January 2017, the president of the US declared his state's exit from the Trans-Pacific Partnership (TPP), provoking uncertainty among the 11 other signatories. These events adopt extensive and polarizing debates on the costs, benefits, and distributional effects of free trade and free trade deals. Recent political developments imply to have centralized expanded attention on the role that trade performs in our lives and have advanced new questions such as whether we are witnessing the end of free trade deals. After the election of Trump as US President and in accordance with his trade program (plan), protectionist measures and strategies are being used, NAFTA conditions are being remediated. There is an advancement of different forms (models) of protectionism. The world is heading toward a post-liberal era.

Introduction:

1.1 Free Trade Overview.

Free Trade is the unregulated exchange of raw materials, commodities, and services among people and states. (www.encyclopedia.com) Free Trade is a strategy in which global commerce is unhampered by duties or any other trade restrictive measures. Many economists admit that free trade is eventually better than protectionism for both consumers and producers because free trade boosts the global output of goods. Proponents of free trade claim that there are more goods available because a free-trade environment approves states interested in trade to specialize and thus to promote an abundance of a given product. For instance, State A might specialize in producing cars, and State B might concentrate on manufacturing fabric. State A would have an excess of cars nevertheless a shortage of fabric. State B would have an excess of fabric nevertheless would necessitate cars. The two states might then deal with each other with no need to place duties on the imports. States that join in trade arrangements similar to the one in this example endorse official documents named free-trade agreements in which they promise not to place duties on each other. Many scholars claim that free-trade privileges expanded states, nevertheless, for it guarantees that industrialized powers will secure overseas markets for their goods. Since World War I the US has been attached to a policy of decreased duties and free trade. (www.encyclopedia.com)   A notable exception happened in the late 1970s when an influx of reliable, fuel-efficient Japanese cars pressured the US auto industry. The auto workers union asked the government for protection. Instead of setting a high duty, the US secured a deal with Japan to reduce the number of cars exported to the US. This strategy did not turn out to be helpful, nevertheless. In order to preserve trade revenue (or income), Japan raised the quality and value of the cars they vended in the US. This defied US domination of its national luxury-car market. Under Ronald Reagan and George H. W. Bush the US went back to the policy of free trade, most distinctly with the Canada–US Free Trade deal of 1987, which was conceived to expand cross-border trade over a 10-year period. In 1994 the North American Free Trade Agreement (NAFTA), which involved Mexico and Canada, replaced the 1987 deal. With the collapse of communism in the late 1980s, low duties have become the pattern in international economics as well. During this time China's economy has witnessed considerable development. One factor that stimulated its progress was China's admittance to the WTO in 2000 at the pleading of President Clinton. Not only was China accepted, but it was also accorded a most-favored-nation trading status (now named normal trade relations, or NTR). Since then the US has evolved into China's biggest market for overseas merchandises, which dwell primarily of electrical appliances and advanced technology, such as data processors and sound equipment. (www.encyclopedia.com)

1.2 Changes in International Trade…

World exports of produced goods expanded from US$ 8 trillion in 2006 to US$ 11 trillion in 2016. World exports of agricultural products expanded by an average of 5% per year. World exports of fuels and mining products have decreased by 10% since 2006. World exports of agricultural products have expanded by 70% since 2006. (World Statistical Review; 2017; www.wto.org) World exports of commercial services equaled US$ 4.8 trillion in 2016, up from US$ 2.9 trillion in 2006. Travel and other commercial services have expanded the most, with both being 1.7 times greater than in 2006. (World Statistical Review; 2017; www.wto.org) The EU (The European Union) and NAFTA carry on controlling trade among regional trade deals. Trade within the EU displayed

63% of all EU total exports in 2015. In NAFTA (The North American Free Trade Agreement), ASEAN (Association of South East Asian Nations.), and MERCOSUR (Southern Cone Common Market), intra-trade equaled 50%, 24% and 14% accordingly. WTO (World Trade Organization) members account for 98.2% of international merchandise trade. Asia, Europe and North America account for 88% of this total. Merchandise trade of WTO members has expanded to US$ 15.4 trillion, up from US$ 11.7 trillion in 2006. Merchandise exports of WTO members equaled US$ 15.71 trillion in 2016. The top 10 traders in merchandise trade account for a little over half of the globe's total trade in 2016. Developing economies constitute less than half of the global merchandise trade. Exports of commercial services by WTO members equaled US$ 4.73 trillion in 2016. The top 10 traders in world commercial services display more than half of the globe's total trade in commercial services in 2016. Developing economies represent less than half of the world's total trade in commercial services in 2016. Development in the size of global merchandise trade decreased to 1.3 per cent in 2016, down from 2.6 per cent in 2015, as lasting vulnerability in the world economy and low commodity prices had a negative influence on world import demand. (World Statistical Review; 2017; www.wto.org) Global growth(development) in GDP (Gross Domestic Product) decreased to 2.3 per cent in 2016, down from 2.7 per cent in 2015, well below the average of 2.8 per cent since 1980. The decline in international trade partially mirrored the farther decrease of investment expenditure, which is the most trade-intensive element of import demand. Although merchandise trade expanded slightly in volume terms in 2016, it decreased in value terms due to a drop in export and import prices. Merchandise exports decreased by 3.3 per cent, to US$ 15.46 trillion, in 2016.

Commercial services trade on a quarterly basis reported growth of just 0.1 per cent in value terms in 2016, equaling US$ 4.77 trillion. (World Statistical Review; 2017; www.wto.org) The weakest services component was transport, which leans to display fluctuations in goods trade. Developing economies imports decreased 3 per cent in the first quarter of 2016 before bouncing back in the second quarter and recuperating to their previous level by the end of the year. However, developed economies imports stayed weak throughout the year. Trade indicators such as export orders and container throughput in main ports were up in the first quarter of 2017, indicating more trade development for the year, but the existence of important risk elements also suggest to the probability of fewer good results. (World Statistical Review; 2017; www.wto.org)

1.3 Reasons for the Choice of the Topic and the Research Question.

- **Reasons for the Choice of the Topic.**

Changes came along the election of Donald Trump as the 45th US president, among those changes, is Trump's adoption of new policies (protectionist ones in opposite to Obama's liberalist policies taken during his presidential term). One of those new policies Trump has taken, is abandoning (on his first full weekday in office) the TPP free trade agreement. TPP is the largest regional trade accord ever, brought together the United States and 11 other nations in a free-trade zone for about 40 percent of the world's economy. It was intended to lower tariffs while establishing rules for resolving trade disputes, setting patents and protecting intellectual property. TPP was brokered by his predecessor President Barack Obama, and this action declared an end to the era of multinational trade agreements that defined global economics for decades. Mr. Trump signaled that he plans to follow through on promises to take a more aggressive stance against foreign competitors as part of his “America First” approach. In doing so, he demonstrated that he would not follow old rules, effectively discarding longstanding Republican orthodoxy that expanding global trade was good for the world and America; and that the United States should help write the rules of international commerce. Mr. Trump’s decision to withdraw carried broad geopolitical implications in a fast-growing region. The deal, which was to link a dozen nations from Canada and Chile to Australia and Japan in a complex web of trade rules, was sold as a way to permanently tie the United States to East Asia and create an economic bulwark against a rising China. Instead, Mr. Trump said American workers would be protected against competition from low-wage countries like Vietnam and Malaysia. But some in both parties worry that China will move to fill the economic vacuum as America looks inward, and will expand its sway over Asia and beyond. Mr. Trump’s decision to scrap the Trans-Pacific Partnership, or TPP., reversed a free-trade strategy adopted by presidents of both parties dating back to the Cold War, and aligned him more with the political left. Another measure (related to the protectionist policy so far adopted by President Trump) taken by President Trump is renegotiating the North American Free Trade Agreement. (Talks officially began on August 16, 2017 and were concluded on September 30,2018) President Trump is scheduling meetings(rounds) with the leaders of Canada and Mexico, the two main partners in that pact, which was negotiated by President George Bush and pushed through Congress by President Bill Clinton. While NAFTA has been a major driver of American trade for nearly two decades, it has long been divisive, with critics blaming it for lost jobs and lower wages. Americans want jobs, free trade agreements don’t create jobs for Americans due to the high labor costs incurred by this measure if applied, for example; American firms instead of manufacturing certain goods in the

US, thus employing American labor in their creation; will employ Mexican labor in their making because of their lower cost in comparison to their American counterpart. Lower labor costs generates lower sales prices .Companies benefited from those free trade agreements, consumers also from lower sales price but Americans needed jobs and didn't find it due to this FTA(NAFTA in this case). Not only could Trump's moves affect everyday consumers in the US, they also could upend macroeconomic policies that have been in place for more than half a century. As Buiter (Citi economist) notes, these policies have increased worldwide prosperity and been positive developments for the US. From the Citi economist's note: "We stress the potential multipliers of changes in the US position on international trade: the US has been the champion of free trade and open borders for decades. The thesis will analyze the implications of such US retreat on international trade.

- **Research Question:**

The issue of Trade is a global modern phenomenon that has an immense impact on countries and international relations. The issue will be raised through the following research question:

What is the future of the International Trade System? Will it be Liberal, Post-Liberal or Protectionist?

1.4 Methodology.

Mixed Method analysis will be used in analyzing all the data related to the topic in question (thesis topic). I will make replicable and valid inferences by interpreting textual material. (Articles (via the internet), official documents, professional magazines, books) The first qualitative method used is content analysis. The second qualitative method that was used is historical research (used in the literature review (Adam Smith, David Ricardo and Woodrow Wilson), and in the 2nd and 3rd chapter of the thesis). It involves examining past events to draw conclusions and make estimates about the future. The steps in historical research are: formulate an idea, formulate a plan, gather data, analyze data, and analyze the sources of data.

Chapter 2: Literature Review. (Theoretical Framework)

- ## Introduction:

Today, the world is witnessing a debate between free trade (doctrine) and protectionism (doctrine). Those two are, opposite trade policies. The world's main concern is the future of free trade agreements. Free Trade, also called laissez-faire, a policy by which a government does not discriminate against imports or interfere with exports by applying tariffs (to imports) or subsidies (to exports). A free-trade policy does not necessarily imply, however, that a country abandons all control and taxation on import and export.

2.1 The "Classic" Supporters of Free Trade.

The value of free trade was first observed and documented by Adam Smith in The Wealth of Nations, in 1776. He described:

"It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy.... If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage." (Schumacher; 2012; Erasmus Journal for philosophy and economics; Study.com)

For Smith, the money that the American economy saves on cheaper foreign products can be put to use for other economics means; thereby increasing overall well-being. Adam Smith wrote in his 1776 book *The Wealth of Nations* that free trade was beneficial to trading partners. Smith noted that when the countries in a free trade agreement made products and provided that product for other countries at a cheaper rate than the receiving countries could produce it, both countries benefited. Consumers, often apply that concept to their daily lives. Consumers also purchase goods or services that they cannot cost-effectively produce themselves. The theoretical case for free trade is based on Adam Smith's argument that the division of labor among countries leads to specialization, greater efficiency, and higher aggregate production. According to Smith, international trade is advantageous for nations because *"it gives a value to their superfluities, by exchanging them for something else, which may satisfy a part of their wants, and increase their enjoyments. By means of it the narrowness of the home market does not hinder the division of labor in any particular branch of art or manufacture from being carried to the highest perfection. By opening a more extensive market for whatever part of the produce of their labor may exceed the home consumption, it encourages them to improve its productive powers, and to augment its annual produce to the utmost, and thereby to increase the real revenue and wealth of the society."* Here, Smith connects international trade to his ideas of the division of labor. If trade with another nation is established, an extension of the division of labor will be possible because the international market is bigger than the domestic market alone. International trade is thus advantageous to a nation because the upgraded division of labor causes an increase "of the exchangeable value of the annual produce of the land and labor of the country". This means that the real wealth of the nation and its population increases. The gains from international trade are strengthened by the increased competition that domestic producers are confronted with. This is another advantage, because international trade reduces the likelihood of domestic monopolies. Smith claims that free competition, though often not in the interest of the producers, is always profitable to the public. Smith also states an additional profitable aspect of international trade, namely that it transfers knowledge and technology between different countries. The adoption and use of new production techniques lead to productivity growth and thus to economic growth and an expansion in wealth. Smith points out that these gains can even be more important to a state than access to a bigger market, especially for a big state. He discusses this point with regard to China. China already has a large domestic market and would therefore primarily benefit from open trade with Europe by getting access to its technology rather than by enlarging its market. Overall, international trade is profitable to both the individual nations and the world as a whole. Smith's intention is to present that international trade is beneficial for all nations included in trade. For Smith, international trade has the same underlying cause as all kinds of trade. In The wealth of nations, trade is the consequence of the human *"propensity to truck, barter, and exchange one thing for another."* That does not mean that trade has no selfish motive. (Zera; 2008) On the contrary, whenever people trade with each other they follow their own interests, not some altruistic ones. They must profit from trade otherwise they would not pursue it. Thus, merchants carry on commerce internationally because they earn profits by it. However, Smith seeks to present that not only single merchants but the society as a whole profits from international trade. Controversy has arisen over Smith's statement that international trade *"gives a value to their superfluities".* This has become known as the *"vent-for-surplus"* gain, namely: that a nation can exchange its overproduction for other goods which are demanded. In this way, more of its population's wants and needs can be satisfied (as Smith mentions in various paragraphs of the wealth of nations). However, this "vent-for-surplus" concept is not a separate theory, as some suggest, but is merely an additional corollary of a wider (international) market. It is trade and the accompanying specialization that create such surplus products in the first place. As a result of specialization, each nation produces goods which cannot be sold domestically but must be exported. The "vent-for-surplus" gain is therefore complementary to Smith's international trade theory. To summarize, international trade exploits the quantitative and qualitative benefits of an extended division of labor. International trade leads to an increase in specialization that raises productivity through technical and organizational innovations. Thus, more goods can be produced overall with the same amount of labor. This boosts economic development as resources are activated and industry is encouraged. It is obvious that Smith's theory of (international) trade "is closely interwoven with his theory of economic development". Trade and development cannot be separated in Smith's theory. They are linked through the division of labor. Smith has an optimistic view of growth and economic progress. He didn't mention any ceiling to the division of labor; and growth in his theory is boundless. The division of labor is limited by the extent of the market, but the extent of the market is not limited in Smith's theory. Rather the market size itself depends on the division of labor and an extension of the division of labor leads in turn to a widening of the market. In general, it is always more advantageous to trade with a more developed nation that has a more mature economy, because it has a more developed and generally bigger market, which enables a more advanced division of labor. Since Smith is mainly concerned with Great Britain, he argues that free trade with France would be more beneficial than free trade with Portugal because France has a "superior opulence" and "would take more from us, and exchanging to a much greater value and in a much greater variety of ways, would encourage more industry in Great Britain and give occasion to more subdivisions of labor." Smith concedes that nations do not necessarily benefit in equal parts:

“trade which, without force or constraint, is naturally and regularly carried on between any two places is always advantageous, though not always equally so, to both”. Just as domestic trade is not equally beneficial to all regions within a country, international trade is not equally beneficial to all nations. Trade can even amplify differences between them, especially if they differ in their wealth. In line with this idea, in his Lectures on jurisprudence Smith compares the trade relations between a rich and a poor man to that between a developed and underdeveloped nation: When a rich man and a poor man deal with one another, both of them will increase their riches, if they deal prudently, but the rich man’s stock will increase in a greater proportion than the poor man’s. In like manner, when a rich and a poor nation engage in trade the rich nation will have the greatest advantage, and therefore the prohibition of this commerce is most hurtful to it of the two. Smith argues that domestic and international trade is determined by the same rules. The division of labor works internationally the same way it does domestically. A nation, therefore, specializes in the production of some goods while buying other goods from abroad. This is beneficial to a nation: “If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage”. This means that a nation produces and exports those commodities which it can produce more cheaply than other nations, and imports those which it cannot. A nation will not produce a good that is produced more expensively at home than abroad; be it “a thirtieth, or even a three hundredth part more”. As a result, international trade develops in the same way as domestic trade: “Were all nations to follow the liberal system of free exportation and free importation, the different states into which a great continent was divided would so far resemble the different provinces of a great empire”. If free trade is operative, consumers will buy a good from whoever sells it at the lowest price. The nation (or producer) with the lowest production costs is able to sell it cheaper than every other producer and is able to undersell its competitors. Therefore, every nation(country) will produce those commodities which it can produce more cheaply than other countries. One of the major aims of Smith's Wealth of Nations was to demonstrate the falsity of the rather extensive set of ideas now called mercantilism. A major part of this book is allocated to a study of mercantilist teachings and methods. Smith supported unregulated international trade, reasoning that if England can manufacture a good, e.g., wool, at lower costs than France, and if France can manufacture another good, e.g., wine, at lower costs than England, then it is beneficial to both parties to exchange these goods, with each trading the good it manufactures at lower costs for the good it manufactures at higher costs. In the language of economics, this became known as the absolute advantage argument for international trade. Included in Smith's analysis of how markets grow positively over time, one finds another argument for free international trade. Smith believed that a major creator of the wealth of nations was the productivity of labor and that labor productivity depended mainly upon the division of labor. As labor becomes more divided and specialized, he identified, its productivity developed severely. Smith believed that differences in individual abilities, and hence productivity, were broadly the effects of the division of labor, not its cause. At birth, Smith declared, we are all equally talented; it is only after we start to specialize in multiple activities that we become more proficient relative to others who do not so specialize. We learn by doing, becoming progressively capable to create our goods more cheaply as we get more efficient in our specialized duties. In the language of modern economics, there are increasing returns (decreasing costs) as labor becomes more and more specialized. Part of Smith's argument for the advantages of foreign trade was broadly based on this dynamic notion of increasing returns. He realized that if two individuals are equally talented at birth and their talents remain unchanged, it follows that there are no advantages to either of them if they specialize and trade their goods. (The nationality of the individuals makes no difference to these arguments , whether one person is English and the other French.) If, however, two individuals become more proficient by labor specialization, the costs of producing both their products decrease and both benefit by specializing and trading. Out of this insight of Smith's arose the recognition, pivotal for the development of free trade, that dynamically over time any nation might fulfill absolute cost advantages in the production of certain goods through specialization and division of labor, and that all nations could benefit from the resulting international trade. Smith, who was very policy-oriented in his analysis of international trade, criticized, in particular, mercantilist policies that had restricted the quantity of trade, concluding that those policies incorrectly determined the wealth of a nation as comprising of the bullion the nation held, rather than correctly determining a nation's wealth as a flow of goods. The proper governmental policy toward international trade, Smith believed that it should be the same as that toward domestic trade; one of letting voluntary exchanges take place in free-unregulated markets. A policy of laissez faire, he assumed, would guide to ever higher levels of well-being in all countries. Modern economics, in evaluating the dominant ideas of this period, has found another difference between the classicals and the mercantilists that basically affected their views concerning the relative importance of free markets versus government regulation. These differences, though never totally articulated in either Smithian or subsequent classical economics, are essential to classical views on the consequences of economic activity and remain important even today. They have to do with the fact that if one carries that the total quantity of resources on our planet is fixed, then a process of exchange between two individuals or nations must necessitate that one gain and the other lose. In the language of some modern economists, an economic exchange is a "zero-sum game," in which there is a winner and a loser. Thus, when Britain trades with France, if one benefits by this exchange, the other must lose. An opposing perspective claims that economic exchanges are not zero-sum games that both parties can gain from the exchange. To rigorously prove that all countries can gain from foreign trade, one must present that there are more goods in the world after the exchange than there were before. While this sort of book is not the place to demonstrate such a proof, some introductory economics texts do show how foreign trade benefits both parties and that the total amount of goods in the world is greater after the exchange. This insight of Smith and other classical writers that, contrary to the beliefs of many mercantilists, all parties might benefit from trading provided a enormously powerful argument for voluntary exchanges, whether between individuals within a state or between different countries. An aspect of foreign trade that did not interest Smith; no doubt partly because his forte was economic policy, not theory, but that bears on this discussion is the question of the price at which exchange occurs and, therefore, of what identifies how the gains from trade are divided between the traders. The literature below as manifested by; Adam Smith is relevant to the topic because it deals with liberal economics something that concerns the thesis , specifically the below displayed literature review (Zera; 2008) Another influential economist was David Ricardo. Ricardo read Adam Smith's book *Wealth of Nations* in 1799(Ricardo became interested in economics after reading Adam Smith's *The Wealth of Nations* in 1799 on a vacation to the English resort of Bath). He was so intrigued by the concepts in Smith's work that he began studying economics himself. In 1810, he produced his first publication, *The High Price of Bullion, a Proof of the Depreciation of Bank Notes*, which argued for the use of metallic currency. His methods of analyzing market forces by using deduction and mathematics still influence economics today. He also believed, like Smith, that economies functioned best when they were left alone by governments. Ricardo was an early advocate of free trade. One of his most influential theories was comparative advantage, which was the idea that nations should focus on industries where they could easily compete in the market and only trade with other countries to gain products not available nationally. By this theory, each nation could profit from specializing in certain industries. (Chappine, Patricia; Study.com) He was one of the most influential of the classical economists. Despite his relatively short career, Ricardo's work in economics was foundational to many later developments in the field. Both those who favored his laissez-faire capitalism, and those who opposed it, drew on his work despite their abstract formulation. His promotion of free trade supported the growth of British industry. While Ricardo's theories have been modified and superseded, his foundational role in the development of economics remains, as does much of Britain's economic success and influence in the world during the nineteenth century. Ricardo advocated free trade and the repeal of the Corn Laws. A great contribution of David Ricardo , the law of comparative cost, or comparative advantage, demonstrated the benefits of international specialization of the commodity composition of international trade. In his 1815 work, *Essay on the Influence of a Low Price of Corn on the Profits of Stock*, Ricardo articulated what came to be known as the "law of diminishing returns." One of the most famous laws of economics, it holds that as more and more resources are combined in production with a fixed resource; for example, as more labor and machinery are used on a fixed amount of land, the additions to output will diminish. Ricardo also opposed the protectionist Corn Laws, which restricted imports of wheat. In arguing for free trade, Ricardo formulated the idea of comparative costs, today called "comparative advantage." Comparative advantage, a very subtle idea, is the main basis for most economists' belief in free trade today. The idea is this: A country that trades for products that it can get at lower cost from another country is better off than if it had made the products at home. Ricardo illustrated this by means of a comparison of the productivity of two imaginary countries, "Richland" and "Poorland." The gains in foreign trade for both of his imaginary countries come, Ricardo observed, because each country specializes in producing the goods for which its comparative cost is lower. In his example, both countries produce wine and bread, but "Richland's" workers are more productive, requiring fewer hours of labor to produce each item. Some would think that because Richland requires fewer labor hours to produce either of the goods, it has nothing to gain from trade. If they exchange wine and bread one-for-one, Poorland can specialize in producing wine and trading some of it to Richland, and Richland can specialize in producing bread. Both Richland and Poorland will be better off than if they hadn't traded. When both countries specialize and trade their products, both countries gain. These gains come, Ricardo observed, because each country specializes in producing the goods for which its comparative cost is lower. Ricardo's international free trade agenda became one with British public policy. Ricardo had provided an answer to Britain's long-term growth problems, and Britain became the "workshop of the world", importing most of its food and "outsourcing" most of its agricultural employment. Ricardo's ideas became "the fountainhead of all nineteenth-century free trade doctrine." Ricardo's abstract model became the means by which he advocated public policy. A free trade enthusiast, he also was not a fan of public expenditure, believing most such spending to be at worst wasteful or at best incapable of changing aggregate well-being and output. Ricardo also believed that the Corn Laws, in particular, constituted a burden to the agricultural economy. He believed that these trade barriers kept food prices artificially high and encouraged a bloated rent rate. Ricardo actively campaigned against the Corn Laws as well as other government interventions. Essentially this economic stance mirrored Adam Smith's teachings: the market, although imperfect, is best left untouched. Government action only prevents the economy from righting itself. Although Ricardo did not share Smith's complete confidence in the market he recognized that tampering with the system would only result in further economic stagnation. Ricardo's influence, especially in Great Britain, was great. As Keynes wrote, “Ricardo conquered England as completely as the Holy Inquisition conquered Spain.” David Ricardo expanded on Smith's ideas arguing that countries should do what they do better and cheaper than other countries as noted upon. This is called comparative advantage (as described upon). Ricardo further noted that concentrating on core competencies gave nations a comparative advantage (as written upon). Free trade also helps countries generate foreign currency that they can use to purchase the things that they need. Japan, for instance, exports cars and computers to China and the United States, generating foreign currency. Japan takes the revenue it earned from exporting and uses it to import needed products, such as food or mineral fuels. Free trade opens foreign markets and lowers barriers for corporations that otherwise might not be able to compete against local competitors. As previously mentioned, without free trade agreements, foreign corporations must pay tariffs that increase their cost and decrease competitiveness. (2016; New World Encyclopedia) Woodrow Wilson included free-trade rhetoric in his "Fourteen Points" speech of 1918:

“The program of the world's peace, therefore, is our program; and that program, the only possible program, all we see it, is this: [...]

3. The removal, so far as possible, of all economic barriers and the establishment of equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance.” (United States History)

2.2 The “Liberal” Supporters of Free Trade.

The classical free market economic theory began with Adam Smith nearly 300 years ago. While many of his theories still apply, the field of economics had changed. Thanks to new economists like Paul Krugman and Milton Friedman, our understanding of economics can develop with the discipline. Krugman is most known for his theories on international trade. Both Adam Smith and David Ricardo believed that international trade is optimized when nations focus on producing the goods they are able to produce the most efficiently. Nations should then trade the excess for the other things they need from nations that efficiently produced them. The idea of comparative advantage made economic sense and was generally accepted until Paul Krugman challenged that idea with his new trade theory. New trade theory was Krugman's explanation for why countries continued to produce things that they did not have a comparative advantage to produce.
Krugman suggested there are two reasons that the idea of comparative advantage didn't represent reality. First, consumers prefer to have choices between brands or variations of products. This variation and diversification could come from production of similar goods in different countries, even if it means a country producing a good that isn’t the most efficient for them to produce. The second reason comparative advantage theory didn’t reflect reality was that production efficiency increases with economies of scale. Economies of Scale refer to the efficiencies gained as production increases. So, even if a country didn’t have an original comparative advantage in production , if they produced enough of it they could essentially lower their cost of production to be competitive with a nation that did have a comparative advantage. (The Concise Encyclopedia of Economics; Dr Douglas Hawks, Study.com) Paul Krugman is considered to be a modern supporter of Free Trade. Here are some quotes of Krugman :” *If there were an Economist's*

Creed, it would surely contain the affirmations 'I understand the Principle of Comparative Advantage' and 'I advocate Free Trade"

"If economists ruled the world, there would be no need for a World Trade Organization. The economist's case for free trade is essentially a unilateral case- that is, it says that a country serves its own interests by pursuing free trade regardless of what other countries may do."

"The world is full of self-organizing systems, systems that form structures not merely in response to inputs from outside but also, indeed primarily, in response to their own internal logic. Global weather is a self-organizing system; so, surely, is the global economy." (Paul Krugman quotes; www.quotescosmos.com) Milton Friedman was a highly celebrated American economist and a strong proponent of the free market system. *"If you put the federal government in charge of the Sahara Desert, in five years there'd be a shortage of sand."* So said economist Milton Friedman , one of the most colorful and controversial characters in the history of American economics. Friedman won the Nobel Prize for Economic Sciences in 1976. He served as an advisor to President Ronald Reagan during the 1980s and he was highly influential in shaping American monetary policy for several decades. In 1988, Friedman received the highest civilian award possible, the Presidential Medal of Freedom, for his dedication and service to the country. Friedman believed in the free market system, where the prices people pay for things are agreed upon by the buyers and sellers with little or no control by the government. Friedman defended his belief against critics by saying, *"A major source of objection to a free economy is precisely that it ... gives people what they want instead of what a particular group thinks they ought to want. Underlying most arguments against the free market is a lack of belief in freedom itself."* (Fenner, Suzan; Study.com) Friedman defended free markets dynamically and in every forum. Like Adam Smith, he explained how markets and the price system harness the efforts of

individuals to better themselves in a way that enhances the general welfare. More than any other individual over the post-war period, Friedman moved the intellectual consensus away from the belief that a rising standard of living rested on central planning to the belief that it rested on free markets. Friedman advanced public understanding of the operation of markets through his free-market proposals to solve problems. His first collection of such proposals came in Capitalism and Freedom. Although inevitably controversial, many of Friedman's proposals came to fruition. Examples are flexible instead of pegged exchange rates, elimination of the 1970s price controls on energy, a volunteer army, and auctions for government bonds. Some of his proposals have met with partial success. Examples are elimination of usury laws, a flat tax (1986 tax reform), free trade, indexing of the tax code for inflation (1981 tax changes), negative income tax (in the form of the Earned Income Tax Credit), and vouchers (in the form of charter schools). Some of his proposals have met with failure but have provoked useful debate. Examples are the legalization of drugs and elimination of the postal monopoly on the delivery of first class mail. A major reason for Friedman's success as an economist was that he combined the intellectual traits of the theoretician and the empiricist. Theoreticians think deductively and try to understand the world around them in terms of a few abstractions. Empiricists think inductively and try to understand the world around them through exploration of empirical regularities. Friedman possessed both traits. Friedman's theoretical temperament appeared in his attraction to the logic of neoclassical economics. At the same time, Friedman forced himself relentlessly to formulate hypotheses with testable implications. Friedman applied the analytical apparatus of neoclassical economics indefatigably to understand the world. He was one of the great intellectuals of the 20th century in that he used ideas and evidence to change the way an informed public understood the world. In his understanding of how competitive markets combine with individual freedom to better individual well-being and the prosperity of society, Friedman was a true heir of Adam Smith. (Hetzel, Robert.L.; 2007) As noted upon; Milton Friedman is considered to be a modern supporter of free trade. Here are some quotes of Friedman :" *The great virtue of a free market system is that it does not care what color people are; it does not care what their religion is; it only cares whether they can produce something you want to buy. It is the most effective system we have discovered to enable people who hate one another to deal with one another and help one another." "The most important single central fact about a free market is that no exchange takes place unless both parties benefit." (* www.azquotes.com*; Milton Friedman quotes about free market)*

2.3 Protectionism.

In the other end (economists), Alexander Hamilton, Paul Bairoch and Friedrich List are all supporters of protectionism.

- **Alexander Hamilton.**

Starting with Alexander Hamilton (In 1789, Congress created the Department of the Treasury, including the cabinet post of secretary of the Treasury, and required the secretary to report directly to Congress. President George Washington appointed Alexander Hamilton as the first secretary of the Treasury. During 1790 and 1791, Hamilton embarked on an ambitious plan of economic nationalism. He intended the plan to solve the economic problems that had plagued the United States since the American Revolution and to provide the means to defend the new republic. Beginning in January 1790 with the "Report on the Public Credit," he advanced his plan in a series of reports to Congress. His plan contained seven central elements.) ; in January 1791 the House of Representatives asked Hamilton to prepare a plan for the seventh element of his program: "*the encouragement and promotion of such manufactories as will tend to render the United States independent of other nations for essentials, particularly for military supplies.*" In December of that year, Hamilton responded with the last of his reports, the "Report on Manufactures." He recommended an ambitious, national program of industrial advancement. To overcome these obstacles, the federal government should, Hamilton argued, adopt a broad range of policies that would encourage Americans to spend their money and their energy on the advancement of technological change in industry. The policies included, in addition to the public finance measures that Hamilton had already championed successfully, tariffs crafted to protect new industries; exemptions from tariffs for raw materials important to industrial development; prohibitions on the exporting of raw materials needed by American industry; promotion of inventions; award of premiums and bonuses for "the prosecution and introduction of useful discoveries" by a federal board; inspection of manufactured goods to protect consumers and enhance the reputation abroad of American manufacturing; and improvement of transportation facilities. In response, in March 1792, Congress passed most of the tariff program Hamilton had proposed: increases in tariffs on manufactured goods, including the iron and steel of Pennsylvania, and reductions in tariffs on raw materials (www.encyclopedia.com). The "Report on Manufactures," his only major report which Congress rejected, was perhaps Hamilton's most important state paper. The culmination of his economic program, it is the clearest statement of his economic philosophy. The protection and encouragement of infant industries, he argued, would produce a better balance between agriculture and manufacturing, promote national self-sufficiency, and enhance the nation's wealth and power. In this Report, that is the fourth, the longest, the most complex, and the most farsighted of all Hamilton's reports, it was submitted on December 5, 1791, Hamilton proposed as noted upon to aid the growth of infant industries through various protective laws(tariffs, taxes, duties on imports…). Basic to it was his idea that the general welfare required the encouragement of manufacturers and that the federal government was obligated to direct the economy to that end. In writing his report, Hamilton had leaned heavily on The Wealth of Nations, written in 1776 by the Scottish political economist Adam Smith, but he revolted against Smith's laissez-faire idea that the state must keep hands off the economic processes, which meant that it could provide no bounties, tariffs, or other aid. The report had greater appeal to posterity than to Hamilton's contemporaries; the Congress rejected it (as described upon). Hamilton also submitted other significant reports which Congress accepted, including a plan for an excise on spirits and a report on the establishment of a Mint. Hamilton's economic program was not original , but it was an innovative and creative execution of European precedent and American experience to the practical needs of the new country. (Alexander Hamilton facts…;Hamilton's economic policies; www.encyclopedia.com ; Alexander Hamilton; www.newworldencyclopedia.org; Alexander Hamilton; /www.britannica.com)

- **A Post-Liberal economic approach (theory).**

Protectionism encloses government policies that obstruct free trade between certain states, trying to shield the local industries and jobs from unjust external competitiveness. (What is protectionism?; www.myaccountingcourse.com)

- **Paul Bairoch.**

A second supporter of Protectionism; Paul Bairoch was one of the great post-war economic historians who specialized in global economic history, urban history and historical demography. Bairoch's best-known work is Myths, in which he sets the record straight on twenty commonly held myths about economic history, among them that free trade has historically led to periods of economic growth; a myth associated with those who "...could be described as a conservative group that romanticizes the 19th century and makes free trade almost into a sacred doctrine" Bairoch claimed that the idea that free trade was the rule during the 19th century is a myth based on insufficient knowledge and misguided interpretations of the economic history of the United States, Europe, and the Third World, since protection is the rule and free trade the exception. Moreover, Bairoch expressed doubts that free trade leads to economic growth. His thesis was that during development, countries use protectionist policies that they dismantle once they industrialize. He showed that Britain protected its home market until British firms in the main sectors dominated the market, and only later on did Britain advocate free trade. (Brezis; 2008) Paul Bairoch sought through quantitative, empirical research of historical trends to question and challenge many beliefs which are nowadays generally accepted in economics (see in particular his work *Economics and World History: Myths and Paradoxes, as noted upon*), among which: the idea that free trade historically led to periods of economic growth; that moving away from free trade caused the Great Depression; and that colonial powers in the 19th and early 20th centuries became rich by exploiting the Third World. He researched extensively the reasons why an industrial takeoff was prevented in the colonized countries of the Third World (see e.g. his book *Revolution industrielle et sous-developpement*). He is particularly known for his detailed empirical research on economic problems of Third World countries, on the industrial revolution and its aftermath and on urban history. His historical estimates of Gross Product measures are still being referred to in the literature. Paul Bairoch referred to colonialism and to the exploitation of the third world in the 19th and early 20th century. He argued that this exploitation was not indispensable for industrialization. This he thought is "good news" for the third world because it signifies that development could happen without exploitation of other regions. (Paul Bairoch; alchtron.com.)

- **Friedrich List approach:**

Our third supporter of Protectionism is; Friedrich List. List main economic theories are "The Stages of National Development" and "National Economics" List identified four stages of economic development through which states naturally proceed: *"In the economical development of nations by means of external trade, four periods must be distinguished. In the first, agriculture is encouraged by the importation of manufactured articles, and by the exportation of its own products; in the second, manufacturers begin to increase at home, whilst the importation of foreign manufactures to some extent continues; in the third, home manufactures mainly supply domestic consumption and the internal markets; finally, in the fourth, we see the exportation upon a large scale of manufactured products, and the importation of raw materials and agricultural products."* In the economical aspect, List's theory opposed the "cosmopolitan" (or more properly "cosmopolitical") theory of Adam Smith, and in its political and national aspects their theory of universal freedom of trade. *"The system of import duties being considered as a mode of assisting the economical development of a nation, by regulating its external trade, must constantly take as a rule the principle of the industrial education of the country. To encourage agriculture by the aid of protective duties is vicious policy; for agriculture can be encouraged only by promoting manufacturing industry; and the exclusion of raw material and agricultural products from abroad, has no other result than to impede the rise of national manufactures."*

This, in fact, is the central idea of List's theory, that a state must first increase its own agricultural and manufacturing processes sufficiently to support international free trade. "*It is only when a nation has reached such a stage of development that she can bear the strain of competition with foreign manufactures without injury in any respect, that she can safely dispense with protection to her own manufactures, and enter on a policy of general free trade."* This "economic nationalism" can be seen as permeating all List's economic writing. A second List theory will be discussed; "National Economics". List's theory of "national economics" differed from the views of Smith. List opposed the economic behavior of an individual with that of a state: an individual promotes only his own personal interests but a nation fosters the welfare of all its citizens. An individual may prosper from activities that harm the interests of a state, while activities gainful to society may hurt the interests of some individuals: *"Canals and railroads may do great good to a nation, but all waggoners will complain of this improvement. Every new invention has some inconvenience for a number of individuals, and is nevertheless a public blessing"* List did, however, identify the need for moderation, discussing that although some government action was important to stimulate the economy, an overzealous government might do more harm than good: *"It is bad policy to regulate everything and to promote everything by employing social powers, where things may better regulate themselves and can be better promoted by private exertions; but it is no less bad policy to let those things alone which can only be promoted by interfering social power."* List declared that economists should know that since the human race is divided into independent states: *"…a nation would act unwisely to endeavor to promote the welfare of the whole human race at the expense of its particular strength, welfare, and independence. It is a dictate of the law of self-preservation to make its particular advancement in power and strength the first principles of its policy."* List declared that a state should not count the cost of protecting the overseas trade of its merchants and *"the manufacturing and agricultural interest must be promoted and protected even by sacrifices of the majority of the individuals, if it can be proved that the nation would never acquire the necessary perfection ... without such protective measures"* List was realistic in thinking that the major objective of a cosmopolitical world could not be quickly fulfilled without allowing for the actual existence and power of rival states and countries. Thus, List recognized the power of national forces. List had some disagreements with Adam Smith's ideas. Here is a quote of List showing those disagreements between his ideas (regarding free trade and protectionism) and Adam Smith ones. *" The result of a general free trade would not be a universal republic, but, on the contrary, a universal subjection of the less advanced nations to the predominant manufacturing, commercial and naval power, is a conclusion for which the reasons are very strong…… A universal republic ..., i.e. a union of the nations of the earth whereby they recognize the same conditions of right among themselves and renounce self-redress, can only be realized if a large number of nationalities attain to as nearly the same degree as possible of industry and civilization, political cultivation and power... Only with the gradual formation of this union can free trade be developed, only as a result of this union can it confer on all nations the same great advantages which are now experienced by those provinces and states which are politically united... The system of protection, inasmuch as it forms the only means of placing those nations which are far behind in civilization on equal terms with the one predominating nation, appears to be the most efficient means of furthering the final union of nations, and hence also of promoting true freedom of trade.*" List historically has held one of the highest places in economic thought as applied to practical issues. His main work entitled *"Das Nationale System der Politischen Ökonomie"* was translated into English as *"The National System of Political Economy.* "This book has been more frequently translated than the works of any other German economist, except Karl Marx. Eugene During, of the University of Berlin, said that *“List's doctrines represented ‘the first real advance’ in economics since the publication of The Wealth of Nations by Adam Smith."* However, List’s influence among developing nations has been considerable. Despite the fact that his *“National System”* was severally attacked, such was the demand for it that three editions were called for within the space of a few months, and translations of it were published in English, French, Russian, Swedish, Hungarian, and many other foreign languages. Japan, in the nineteenth century, adopted his model, Hungarian leader, Kossuth, alluded to him in public as *“the man who had best instructed the nations as to their true national economical interests,”* and it has also been discussed that Deng Xiaoping's post-Mao policies in China were inspired(huge influence of List’s work) by List's work.

The last excerpt from *“The National System”* should forever be considered to be the *“manual”* for all the NGO’s (UN, WTO…) in the developed world dealing with the developing countries: *“The economical education of a country of inferior intelligence and culture, or one thinly populated, relatively to the extent and the fertility of its territory, is effected most certainly by free trade, with more advanced, richer, and more industrious nations... Every commercial restriction in such a country aiming at the increase of manufactures, is premature, and will prove detrimental, not only to civilization in general, but the progress of the nation in particular... If its intellectual, political, and economical education, under the operation of free trade, has advanced so far, that the importation of foreign manufactures, and the want of markets for its own products has become an obstacle to its ulterior development, then only can protective measures be justified.... Internal and external trade flourish alike under the protective system; these have no importance but among nations supplying their own wants by their own* *manufacturing industry, consuming their own agricultural products, and purchasing foreign raw materials and commodities with the surplus of their manufactured articles... Home and foreign trade are both insignificant in the merely agricultural countries ...., and their external commerce is usually in the hands of the manufacturing and trading nations in communication with them... A good system of protection does not imply any monopoly in the manufacturers of a country; it only furnishes a guarantee against losses to those who devote their capital, their talents, and their exertions to new branches of industry."* (www.worldnewencyclopedia.org. 2014.)

2.4 The Post-Liberal World.

At the beginning of the Industrial Revolution in the late eighteenth century, as belief in the protectionist policies of the mercantilists was diminishing, the views of physiocrats realized popularity. The physiocrats supposed that land is the source of value and were the first to articulate free trade under their laissez-faire policy, according to which there should be no tariffs on the export of agricultural goods. Later, the English classical economists Adam Smith and David Ricardo revolted against the mercantilist's protectionist doctrine. Using the comparative advantage argument, Ricardo supported free trade and attacked the Corn Laws, which reduced the import of grain into England to defend domestic farmers. Assuming what was named later perfect competition, Smith observed unconstrained expansion of markets through free international trade as a powerful force supplying additional opportunities for specialization and the division of labor. Although liberal trade policies realized prominence in the nineteenth century, some economists on both sides of the Atlantic challenged the assumptions of these free trade theories. They discussed that in the presence of positive externalities and dynamic economies of scale, government must follow activist national policies to develop economic development and industrialization. Among these economists, Friedrich List of Germany is notable for the power of his argument and his historical exemplars; displaying how, alternatively, free trade or protectionism is beneficial, hinging on the stage of economic development. In the nineteenth century, Hamburg was a major trading center gaining from free trade, even as the largely agricultural economy of Germany was becoming overwhelmed by the industrial supremacy of Great Britain. List associated economic development and industrial growth to the national interest and security of Germany, and he demanded for the elimination of internal tariffs among states and for the enlargement of the custom union. He also requested for protection of infant industries with tariffs as a part of a wider development strategy that enclosed other policies, such as the generation of a national railway network. List did not seek a return to mercantilist policies; rather, he considered in the importance of manufacturing to the national economy. Living in the United States in the 1830s, List was affected by the views of Alexander Hamilton , who, like List, was critical of protectionist policies such as Corn Laws and complied with Adam Smith on national defense as a justification for protectionism. The infant industry argument was also backed up by prominent contemporary economists, such as John Stuart Mill and Alfred Marshall. Historically, changes in economic theories seem to have provoked changes in government trade policies, though the direction of causation is not always clear. With the new ideological tool of laissez-faire, government policies progressed toward more free trade during the nineteenth century. In the late nineteenth century, a revolution in shipping and an expansion of railways contributed to dropping transportation costs, compensating rising tariffs. The usage of trade barriers increased during the twentieth century's two world wars. However, after World War II , international organizations, such as the General Agreements on Tariffs and Trade (GATT), reorganized world trade by granting a multilateral system of rules for government trade policies. During the oil and financial crises of the 1970s, protectionism tended to extend again in world trade. However, the Uruguay Round of the GATT trade negotiations taken in 1995 to the creation of the World Trade Organization (WTO), which ensures a forum for trade negotiations and dispute resolution among member states. The WTO has witnessed some success in decreasing trade barriers and achieving agreements in the areas of financial services, telecommunications, and information technology. In agriculture, however, decreasing subsidies among developed countries has stayed a challenge for the WTO.

- ## Protectionism in The Post- Liberal Age:

While the old protectionism philosophy was worried with bringing and maintaining precious metals, modern protectionism theories are concerned in the production gains of restricted trade policies. Some of the new theories of international trade suppose the consequences of economies of scale and ease the assumption of perfect competition. These theories inquire comparative advantage as the explanation for trade, and restore support for protectionism for national interests. The historical pattern of government policy on international trade appears to display cyclical movements between free trade and protectionism. The apparent systemic switches between openness and protectionism are provoked by a variety of factors, such as hegemonic stability underlining the importance of leadership. For example, in the second half of the nineteenth century, after Britain grew into a world economic and political power, it followed an open economic system. US leadership after World War II and the dominance of capitalism provoked a worldwide decrease in tariffs by GATT. Other causes of changes in international trade policies enclose excess industrial capacity and overproduction or a glut of agricultural products provoking high unemployment, diminishing profitability, and eventually protectionism, and developments of new economic theories, such as those by Smith and Ricardo. It is even discussed that patriotic sentiments support in forming protectionist beliefs.

- ## Empirical evidence:

Various studies analyzed many protectionist policies and their effects. For example, some studies have put on display that the greatest development in the world has been linked with the most liberal trade policies. However, some of the empirical evidence and casual observations have not been totally dependable with the simple theory of comparative advantage. In some cases, internal technological change, economies of scale, and imperfect competition have revealed patterns of international trade better than the simple law of comparative advantage and have ensured justification for government interference. Strategic trade policies of export subsidies and import restrictions, addressing sensitive industries with increasing return and imperfect competition, have been successful in some countries in generating sustainable comparative advantage. However, economists such as Paul Krugman discuss that the influence of interest groups on governments can provoke excessive and misguided interferences that are likely to increase national income but gain only a small group of people. In other words, real world politics is as imperfect as markets. Typically, a small group of stakeholders in the protected industry gain from protectionist policies, whereas the costs are shared among a huge number of consumers. Therefore, as some economists discuss that while protectionism is inefficient economically, it may be efficient politically. Other economists create a more exact study of protectionism and the role of interest groups. In their model, the structure of protectionism is established by the elasticity of import demand, which verifies the degree of welfare distortion and the ratio of imports to domestic output, displaying the political implication of the domestic industry. Another economist; carries this argument further by determining that the level of trade protectionism is internally established. According to the theory of endogenous protectionism, as import penetration increases in an industry, lobbying activities by interest groups aggravate, provoking larger protection. Examining the determinants of trade barriers, an economist (Ray) discovers that tariff and nontariff barriers are the result of both economic and political factors. Ray's cross-sectional study of US trade discovers that both the existence and intensity of nontariff barriers influence exports, though the profitability of protectionism relies on industry characteristics. Elsewhere, Ray discovers that industries with an apparent comparative advantage and with larger consumer losses tend to get more protection in the United States. While tariffs are positively connected to labor intensity, they are inversely connected to the capital/labor ratio. Interestingly, the opposite is true for nontariff barriers. Furthermore, nontariff barriers are negatively connected to seller concentration and geographical concentration, but tariffs are positively connected to seller concentration and geographical concentration. Some Economists believed for country and industry characteristics and discovered that weak, diminishing, and politically important industries tend to earn more protection than exporting industries. (2008; Protectionism…; www.encyclopedia.com)

- ## Current Trends Under Globalization :

In the late twentieth and early twenty-first century, people around the world became frustrated with their government's dedication to developing free trade. These frustrated people were most visible to mainstream society when they took part in so-called anti-globalization protests. These protests, often arranged to concur with meetings of powerful international officials dedicated to developing free trade, were part of a nearly arranged social movement commonly introduced as the anti-globalization movement. Some anti-globalization critics of free trade consider that free trade empowers companies at the expense of ordinary citizens, especially citizens of developing countries. Other critics of globalization argue that free trade disproportionately helps rich nations such as the United States. They also discuss that globalization in actuality makes every state more and more like the United States because many of the world's most powerful companies (examples include Coca-Cola, Microsoft, and Wal-Mart) have roots in that country (the USA). Still other critics fear about the potential of ever-increasing business efficiency to overtake all other concerns, such as cultural values, the health of ecosystems, and personal morality. Meanwhile, the strongest US opposition to free trade tends to emerge regionally, in areas where number of businesses have been closed as a result of international competition or the remotion of jobs to states where labor is cheaper. This form of labor-oriented opposition to free trade carry on affecting national politics, even though most economists acknowledge that government interference to keep American jobs is not reasonable in the long term. (2008; Free Trade; www.encyclopedia.com)

- **G 20 and Protectionism:**

- **Baden-Baden G 20 Summit:**

Finance ministers from the world's biggest economies have dropped pledges to decline protectionism in a meeting (March 2017) marked by tension over trade between the US and others including China. G20 finance ministers meeting in the German resort town of Baden-Baden mentioned the importance of trade to the international economy but abandoned tougher language from the year 2016 that promised to *"resist all forms of protectionism".* The new communiqué declared: *"We are working to strengthen the contribution of trade to our economies. We will strive to reduce excessive global imbalances, promote greater inclusiveness* *and fairness and reduce inequality in our pursuit of economic growth."* The watered-down commitments on free trade mirrored the anti-globalization mood that Donald Trump has led to Washington and appeared in the first G20 meetings between Steven Mnuchin, the new US Treasury secretary, and his foreign counterparts. While representatives from China were particularly vocal in commending forthright language on protectionism, the US was reluctant to abide by, in a turnround from America's traditional position as a standard-bearer for globalised capitalism. Japan was declared to be one of the few countries that struck a more supportive tone towards the US approach. Talking after the meetings Mr. Mnuchin minimized the differences and announced he had not felt bound by language in past communiqués. *"We could not be happier with the outcome; we had consensus among the group."* Munchin declared. The US, Munchin announced, was now concentrated on the fact that it had trade deficits and, while it would pursue trading, it needed to decrease those shortfalls over time. *"We do have a new administration and a different view on trade."* The secretary announced. Mr. Mnuchin also declared that there had been real optimism in the room about economic opportunities in a number of different countries, mirroring a different mood from earlier G20 meetings. *"Particularly in the US there is a lot of interest in pro-growth policies and you see that reflected in the optimism in the markets."* Wolfgang Schäuble, Germany's finance minister, declared: *"It will take some time for the US finance ministry to come forward. It may be sensitive for some, for others less so. We really tried on all levels. "We have reached an impasse,"* Schäuble announced. *"That's why at the end we said nothing on [avoiding protectionism], because it meant different things when we said we didn't want protectionism."* The mood from the US towards the G20 has changed severely since the arrival of Mr. Trump, whose *"America First"* economic strategy clatters with traditional promises that G20 leaders have freely taken in the past. It (this economic strategy) announces a harsher approach in US relations with its counterparts. Michel Sapin, France’s finance minister, hit out at the absence of a commitment to deny protectionism. *“I regret… that our discussions today have not been able to achieve satisfactorily two priorities absolutely essential in our present world and on which France wants the G20 to continue to act firmly and in a concerted manner.”*

Examining the US switch in opinion on globalization, Sapin declared: *“France is fully convinced of the need for free and regulated trade for all* (priority number 1)*, and for resolving trade disputes within a multilateral framework.* (priority number 2)*”* The bargaining over the trade language went late into the meeting, emphasizing strong feelings on both sides of the debate. Britain and other European delegations have wanted strong language devoting to a rules-based multilateral trading system. However, several delegations needed to prevent dragging the US Treasury into a corner so early after Mr. Mnuchin had been appointed. Philip Hammond, the UK finance minister announced it was worth offering the US additional time. *“If we demand a hard answer now, I’m pretty sure we won’t like the answer we get.”* Hammond declared. *“The UK’s position is clear: that we would like a strong statement in favor of free trade. But this is an agreed communiqué so we have to find compromise language.” “When you know that somebody has come to the table with a very clear and strong position, which perhaps they are now looking at how they interpret, perhaps we should give them a little bit of space.”* (Jones, Claire; Fleming, Sam; 2017)

- ## Hamburg G 20 Summit:

  The G20 nations put on a face-saving show of unity at the Hamburg summit by mediating an uncontested communiqué in spite of the profound divisions on trade and climate change directed by Donald Trump's America First approach. An EU official declared: "*The outcome is good…We have a G20 communiqué not a G19 communiqué."* Angela Merkel has assessed the G20 summit as a success ; although Merkel recognized the meeting had been dominated by violent anti-G20 demonstrations. Ms Merkel announced that as well as embracing compromises the participants had made clear their "discords", nevermore over Mr Trump's trade (protectionist) policies and strategies. As well as trade, climate change and migration, the final communiqué encloses commitments to undertake global steel overcapacity, although it was unclear whether this could prevent an imminent conflict over US threats to institute penalties on steel imports. On trade, the G20 are pursuing carefully the G7 statement at its recent meeting in Taormina, in stabilizing calls for free trade with admission of countries' rights to intervene against illegal competition. The text reads: *"We will keep markets open noting the importance of reciprocal and mutually advantageous trade and investment frameworks and the principle of non-discrimination, and continue to fight protectionism including all unfair trade practices and recognise the role of legitimate trade defence instruments in this regard."* On steel, the G20 committed to accelerating the expansion of the Global Forum on Steel Excess Capacity created at last year's G20 summit in China. The members acknowledged to generate an action plan by November. European diplomats declared that the accord could enhance the political atmosphere and a Japanese official announced it *"sends a good message."* But US officials proposed it would have no relevance on whether Mr Trump would advance with fining steel imports. Sean Spicer, the White House press secretary, informed the Financial Times: *"All options remain on the table".* But even the personal publicity created by the president could not cover the disagreement between Mr Trump and other leaders. Unlike others, he did not even had a press conference. Richard Haass, president of the Council Foreign Relations in Washington, declared the G20 underlined how the US had become insulated in the world stage. *"Trade may well be the area where matters deteriorated most."* (Wagstyl; Sevastopulo; 2017)

- ## G7 and Free-Trade:

Finance ministers and central bank governors from the world's seven biggest economic powers have preserved their weakened vow to advocate free trade, as the new US administration's unwillingness to engage to a loud-voiced defense against protectionism stand firm. A G7 communiqué declared that officials were *"working to strengthen the contribution of trade to our economies"*; a weakened vow than the statement from the G20 leaders last year to prevent protectionism in all its forms. The objection of the US Treasury administration under President Donald Trump to agree to a stronger attack on protectionism has mixed-up global diplomacy on the topic of trade. A dispute at G20 meetings of financial officials in Germany earlier in 2017 forced the Italian delegation, which conducted the two-day G7 meeting in Bari, to drop the issue off the official agenda entirely. However, Steven Mnuchin, the US Treasury Secretary, declared that the topic arised in many of the bilateral meetings conducted on the sidelines of the meeting. Michel Sapin, France's finance minister, said the other delegations had put pressure on the US to not turn its back on global economic diplomacy. *"All the six others… said explicitly, and sometimes very directly, to the representatives of the US administration that it is absolutely necessary to continue with the same spirit of international co-operation."* Sapin was cited by Reuters as announcing. Mr Mnuchin declared he considered his counterparts from other countries were becoming more appropriate with the current administration *"now they have spent* *time with me and have listened to the president and listen to what the message on what the economic agenda is."* The Treasury secretary declared the administration's engagement to economic growth (development) of 3 per cent would be great for the US and for the international economy. *"We want to have balanced trade."* Mr Mnuchin announced. *"We don't want to be protectionist, but we reserve our rights to be protectionist if we don't believe trade is free and fair."* The Italian delegation, which is responsible for all of this year's G7 meetings , including a summit of global leaders in Sicily in May(2017), had sought to avoid a repeat of the scrap that broke out between the US delegation and everyone else in the room at the G20 meeting held between finance ministers and central bank governors in Baden-Baden in March(2017). A confrontation over the language in the G20 communiqué of 2016 to *"avoid protectionism in all its forms"* led to an embarrassing step-down for hosts Germany.. Mr Mnuchin introduced a more calm picture of discussions at the Bari meetings, noting the US's new trade deal with China and its readiness to engage to the North American Free Trade Agreement, or Nafta, as proof that the administration was not anti-free trade ; so long as it considered the conditions enforced by other states to be *"fair".* Mr Mnuchin declared the opening up of the market for beef sales to China was a *"huge deal"* for the administration and for US farmers. Munchin also announced that the administration had conducted *"preliminary but productive discussions"* with the Canadian and Mexican governments on NAFTA. It was probable to mediate an agreement that was a *"win-win for all three countries."* (Jones; 2017)

Chapter 3: Free Trade Areas in Today's World: Globalization.

• Introduction:

Currently, the world is witnessing a debate between free trade (doctrine) and protectionism (doctrine). Those two are, opposite trade policies. Our main interest as noted previously is the future of free trade agreements. Trade agreements are when two or more states consent on the terms of trade between them. They set the tariffs and duties that countries place on imports and exports. All trade agreements influence international trade. Imports are goods and services manufactured in a foreign country and purchased by internal residents. That encloses anything transferred into the country even if it by the external subsidiary of a national company. If the consumer is (living and staying) inside the state's borders and the provider is outside, then the good or service is an import. Exports are goods and services that are manufactured in a state and sold outside its boundaries. That encloses anything transferred from a national firm to its external department or extension. Regarding FTA's; some remain active (such as the WTO, NAFTA, MERCOSUR, ASEAN, the EU and APTA…), others were deactivated or under discussion such as the TTIP, TPP and CETA… (Amadeo; 2017) Free Trade Areas are of different types and are spread around the globe. There are three types of trade agreements. The first is a unilateral trade agreement**. That is** when a state places trade restrictions and no other state retaliates. A state can also unilaterally break-up trade restrictions, but that barely occurs. That is because it would position the state at a competitive disadvantage. The US and other developed states only do this as a type of foreign aid. They wish to assist developing markets bolster specific industries that are too small to be a threat. It assists the developing market's economy develop, creating new markets for US exporters. The second type of trade agreements is the **bilateral trade agreement.** Bilateral trade agreements are between two states. Both states consent to break-up trade limits to develop business opportunities between them. They (both states) reduce tariffs and discuss preferred trade status with each other. The sticking point frequently concentrates around important secured or supported national industries. For most states, these (supported national industries) are in the automotive, oil or food manufacturing industries. A third type of trade agreements is the **multilateral trade agreement**; it is the most demanding to discuss. It's among three states or more. The larger the numbers of parties, the more difficult the negotiations are. They (multilateral trade agreements) are also more complex than bilateral agreements. Each state has its own needs and requests. Once discussed, a multilateral agreement is very strong (effective). That's because it passes through a greater geographic area. That (covering a larger geographic area) confers a greater competitive advantage on the signatories. All states also grant each other a most favored nation status. That indicates they consider each other evenly. The biggest multilateral agreement is the NAFTA. It is between the US, Canada and Mexico. Their joint financial yield is $20 trillion. NAFTA quadruplicated trade to $1.14 trillion in 2015 (Amadeo; 2017) but it still required between 500,000 to 750,000 US positions. Most were in the production industry in California, New York, Michigan and Texas. The US has one other multilateral regional trade agreement. The US discussed the Central American-Dominican Republic Free Trade Agreement. It took place with Costa Rica, Dominican Republic, Guatemala, Honduras, Nicaragua and El Salvador. It abolished tariffs on more than 80 percent of US exports. The TPP would have succeeded NAFTA as the planet's biggest agreement. In 2017, President Trump pulled out the US from it. (Amadeo; 2017)

3.1 Current Major Free Trade Agreements.

The major FTA's that will be discussed in this section remain active currently. Major FTA's such as the WTO, the EC, NAFTA, MERCOSUR, ASEAN and the Asia Pacific Trade Agreement.

- ### The World Trade Organization:

The World Trade Organization is an international enrollment body that advocates and guides free trade. It carries out this in three ways. First, it conducts actual multi-lateral trade agreements. Every member earns Most Favored Nation Trading Status. That implies they immediately gain reduced tariffs for their exports. Second, it resolves trade conflicts. Most disputes take place when one member blames another of dumping. That's when it transports goods at a reduced price than it requires manufacturing it. The WTO staff examines, and if a breach has took place, the WTO will impose punishments. Third, it conducts current discussions for recent trade agreements. The largest would have been the Doha round in 2006. That would have facilitated trade among all signatories. It maintained bolstering development for emerging states. Since then, states have discussed their own trade agreements. The WTO's roots started with trade discussions after World War II. In 1948, the General Agreement on Tariffs and Trade concentrated on decreasing tariffs, anti-dumping, and non-tariff measures. From 1986 - 1994 the Uruguay Round round of discussions contributed to the legal formation of the WTO. In 1997, the WTO contributed in agreements advocating trade in telecommunications services among 69 states. It also abolished tariffs on IT goods between 40 signatories. It enhanced trade of banking, insurance, securities and financial information between 70 states. The Doha round started in 2000. It concentrated on enhancing trade in agriculture and services. It extended to involve developing market states at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001. Sadly, the Doha discussions crashed in Cancun, Mexico, in 2003. A second try also broke down in 2008 at Geneva, Switzerland. Once agreements go beyond the regional level, they normally require assistance. That's where the WTO intervenes (WTO a “global membership group”). It is an international body that assists in discussing global trade agreements. Once in place, the WTO carries out the agreements and answers to complaints. As noted previously; the world nearly collected more free trade from the next round, recognized as the Doha Round Trade Agreement. Conceding that it was successful, Doha would have decreased tariffs across the board for all WTO members. Unfortunately, the two most powerful economies declined to budge on a major sticking point. Both the US and the EU refused decreasing farm subsidies. These subsidies contributed in making their food export prices lower than those in many developing market states. Low food prices would have placed many local farmers out of business. When that occurs, they must search for jobs in overcrowded urban areas. The US and EU rejections to decrease subsidies “ruined” the Doha round. It is a thorn in the side of all potential international multilateral trade agreements. The collapse of Doha authorized China to earn an international trade foothold. It has endorsed bilateral trade agreements with dozens of states in Africa, Asia and Latin America. Chinese firms earn rights to expand the state’s oil and other commodities. In return, China grants loans and technical or business support. (Amadeo; 2017)

- **Bali Package.**

On December 7, 2013, WTO negotiators completed a four-day meeting in Bali, Indonesia. They complied to unify customs for all members. Once approved, the Bali package would augment $1 trillion to international trade and generate 18 million jobs.

Here are the deal's elements.

1- **Trade Facilitation :** Facilitate customs procedures to accelerate shipping. Decrease bureaucracy and corruption. Explain rules for goods being shipped through ports by other states. The WTO will help emerging states renew their technology and prepare customs officials.
2- **Development :** allow emerging states greater entry to developed markets.
3- **Food Security :** Temporarily authorize poor states to reserve as much food as required to pull them through famines. Get a long-term solution so that these states don't misuse the practice and deform the free market price of food. (Amadeo; 2017)
4- **Cotton :** Quotas on cotton imports (by developed countries) will be eliminated, along with deep subsidies (from emerging market countries). The specific amount of subsidy was discussed during the Nairobi Round.
5- **Agriculture :** Decrease export subsidies and obstacles to trade.

The Bali package has been put into the WTO Membership Protocol. More than 50 members have endorsed it. That is nowhere near the two-thirds required. (Amadeo; 2017)

- **Nairobi Package.**

The success of these deals refreshed WTO efforts for a deal for all its members.
On December 19, 2015, the WTO made steps to aid its poorest members. Members engaged to drop agricultural export subsidies. Developed states will achieve it immediately, emerging markets will accomplish it by 2018, and poor states will have much longer. States that fund their farming industries weakened local farmers in underdeveloped states. When trade deals are endorsed, the local farmers are put out of business. That occurred in Mexico after NAFTA. Members governments are authorized to reserve food in case of famine. This issue occurred because India declined to abandon its food security program. India wishes to carry on disbursing its farmers above-market prices so it can dispose sponsored food to its poor. They engaged to identify a solution in 2017. These food security programs breach the WTO's membership agreement. Major information technology exporters engaged to remove tariffs on 201 IT products amounted at over $1.3 trillion per year. (Amadeo; 2017)

- ## European Community:

European Community **(**EC**),** formerly (from 1957 until Nov. 1, 1993) European Economic Community (EEC), byname Common Market, previous association conceived to incorporate the economies of Europe. The term also points out to the “European Communities” which basically constituted the European Economic Community (EEC), the European Coal and Steel Community (ECSC; disintegrated in 2002), and the European Atomic Energy Community (Euratom). In 1993 the three communities were incorporated under the European

Union (EU). The EC, or Common Market, then evolved into the primary element of the EU. It continued as such until 2009, when the EU legally succeeded the EC as its institutional successor. The EEC was established in 1957 by the Treaty of Rome, which was endorsed by Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany. The United Kingdom, Denmark, and Ireland enrolled in 1973, trailed by Greece in 1981 and Portugal and Spain in 1986. The former East Germany was accepted as part of reunified Germany in 1990. The EEC was conceived to establish a common market among its members through the removal of nearly all trade restrictions and the creation of a common external trade policy. The treaty also contributed for a common agricultural policy, which was created in 1962 to defend EEC farmers from agricultural imports. The first decrease in EEC internal tariffs was achieved in January 1959, and by July 1968 all internal tariffs had been eliminated. Between 1958 and 1968 trade among the EEC's members quadruplicated in value. Members restored the institution many times in order to develop its policy-making powers. On July 1, 1967, the governing bodies of the EEC, ECSC, and Euratom were incorporated. Through the Single European Act, which was activated in 1987, EEC members devoted themselves to eliminate all staying restrictions to a common market by 1992. The act also provided the EEC formal command of social strategies on the environment, research and technology, education, health, consumer protection, and other areas. By the Maastricht Treaty (previously recognized as the Treaty on European Union; 1991), which was activated on November 1, 1993, the European Economic Community was recalled the European Community and was installed into the EU as the first of its three “pillars” (the second being a common foreign and security policy and the third being police and judicial cooperation in criminal matters). The treaty also supported the foundation for an economic and monetary union, which enclosed the establishment of a single currency, the euro. The Lisbon Treaty, endorsed in November 2009, widely improved the governing documents of the EU. With the treaty’s activation on Dec. 1, 2009, the names European Community as well as the “pillars” concept were removed. (Gabel; www.britannica.com)

- ## THE NORTH AMERICAN FREE TRADE AGREEMENT:

The North American Free Trade Agreement is a treaty between Canada, Mexico and the US. That installs NAFTA as the world’s largest free trade agreement. The GDP of its three members is more than $20 trillion. NAFTA is the first time two developed states endorsed a trade agreement with a developing market state. The three signatories engaged to eliminate trade restrictions between them. By removing tariffs, NAFTA develops investment opportunities. The NAFTA agreement is 2,000 pages, with eight sections and 22 chapters. On January 23, 2017, President Donald Trump endorsed an executive order to discuss NAFTA. He needs Mexico to cut its value-added tax and terminate the maquiladora program. Trump favors bilateral trade agreements to multilateral ones. NAFTA's pros and cons are tensely discussed. Critics lead to three major disadvantages. First, it shipped many US manufacturing jobs to lower-cost Mexico. Second, workers who preserved their jobs in those industries had to put up with lower wages. Third, Mexico's workers endured exploitation in its maquiladora programs.

But NAFTA also has three main advantages. US grocery prices would be greater without tariff-free imports from Mexico. Transported oil from both Canada and Mexico has averted higher gas prices. NAFTA has also boosted trade and economic growth for all three states.

- **NAFTA specifications.**

First, NAFTA **accords the most-favored-nation** status to all co-signers. That signifies states must grant all parties equal treatment. That encloses foreign direct investment. They cannot accord better treatment to domestic investors than foreign ones. They can't present a better deal to investors from non-NAFTA states. Governments must also offer federal contracts (those federal contracts similar to grants or cooperative agreements, are mechanisms used by the federal government to provide funding for research and development projects) to firms in all three NAFTA states. Second, **NAFTA removes tariffs** on imports and exports between the three states. Tariffs are taxes utilized to make foreign goods more expensive. NAFTA established definite regulations to monitor trade in farm products, automobiles and clothing. These also relate to some services, such as telecommunications and finance. Third, exporters must have Certificates of Origin to remove tariffs. That signifies the export must come from the US, Canada or Mexico. A product produced in Peru but consigned from Mexico will however disburse a tariff when it gets in the US or Canada. Fourth, NAFTA creates procedures to **settle trade disputes.** Chapter 52 preserves businesses from unfair practices. The NAFTA Secretariat forwards an informal settlement between the participants. If this doesn't function, it creates a panel to check the dispute. That aids all parties to avert expensive lawsuits in local tribunals. It aids the parties define NAFTA's complex rules and procedures. These trade dispute protections suit investors as well. Fifth, all NAFTA states must appreciate **patents, trademarks, and copyrights**. At the same time, the agreement guarantees that these intellectual property rights don't meddle with trade. Sixth, the agreement grants **business travelers smooth** entry throughout all three states. NAFTA has two other agreements that amend the original. The North American Agreement on Environmental Cooperation assists the implementation of environmental laws. The North American Agreement on Labor Cooperation defends working conditions.

- **How NAFTA affects the US economy?**

NAFTA augmented the competitiveness of these three states in the global marketplace. It grants them to better challenge with China and the EU. In 2007, the EU took the place of the US as the world's largest economy. In 2015, China ousted both. It required three US presidents to set NAFTA together. President Ronald Reagan introduced it during his campaign in 1980. President Reagan needed to consolidate the North American market to better challenge with the EU. In 1984, Congress adopted the Trade and Tariff Act. That accorded the president, a "fast-track" authority to discuss free trade agreements. It grants the Congress solely, an ability to accept or reject. Congress can't modify discussing points. Otherwise, states would never admit valuable trade privileges. In 1992, President George H.W. Bush endorsed NAFTA, soon after he was elected US president. It then went back to the legislatures of all three states for approval. In 1993, President Bill Clinton endorsed it. NAFTA was activated(became law) on January 1, 1994. NAFTA would have been smaller than two other agreements. But the Trump administration withdrew the Trans-Pacific Partnership. It has not continued the Transatlantic Trade and Investment Partnership. (Amadeo, 2017)

- ## The Common Market of the South:

The Common Market of the South (Mercado Común del Sur) is an economic organization established in 1991 by Argentina, Brazil, Uruguay, and Paraguay, with the objective of creating a common market for South America. It is an organization that connects a population of 190 million people (1991) and a joint GDP of US$606.5 billion (51% of Latin America's total GDP). Other states have since enrolled as associate countries, especially Chile (1996), Bolivia (1997), and Peru (2003). If we overlook the historical commercial exchange of primary products among the South American states, a trade that was boosted during the World War II, and the Pan-American Union, created first in 1889 with the name of the Commercial Bureau of the American Republic, for the purpose of advancing peace, friendship, and commerce among the member republics, the first processes of integration can be identified in the ideas that emerged from the Economic Commission for Latin America and the Caribbean, 1948 (ECLAC). Raúl Presbisch, director of the ECLAC from 1948–1963, highlighted the difficulties inherent in an industrialization process that was restricted to small national markets and to the need for economies of scale. In this same period, Europe was launching its own integration process, which contributed to the creation of the European Economic Community (EEC) in 1957. Because the EEC settled to appreciate primary products transported by former colonies of Africa, South American exporters had to explore alternative solutions. The first significant integrating initiative in South America was the Latin American Free Trade Association (LAFTA) of 1960, established at first by Argentina, Brazil, Mexico, Paraguay, Uruguay, Peru, and Chile, which were later followed by Colombia (1961), Ecuador (1962), Venezuela (1966), and Bolivia (1967). Its goal was to totally liberalize trade in twelve years; its failing gave rise to the Latin American Integration Association (LAIA) in 1980. Another institution, the Central American Common Market (CACM), was established in 1960. Afterwards, the Andean Group (Bolivia, Colombia, Ecuador, Peru, and Venezuela) created a second wave of integrations in 1969. The Caribbean states additionally went for a regional integration through the Caribbean Community (CARICOM, 1973). These events allowed a reconciliation between Argentina and Brazil, reinforced by the arrival of democracy (in 1984 and 1985, respectively), which authorized the two states to commence upon the improvement of their economies, which had been depleted by external debt, lack of infrastructure, and lack of competitiveness abroad. In 1985 the two states endorsed the Declaration of Iguaçú, which was a preferential association. Three more treaties followed in 1986, 1988, and 1990. Utilizing this base, the presidents of Argentina, Brazil, Uruguay, and Paraguay signed the Treaty of Asunción on March 26, 1991, which was the constituent act of MERCOSUR. The treaty formed as goals the free circulation of goods, services, and production factors. The instruments were to be a trade liberalization program with progressive cuts in customs duties and the removal of non customs constraints, the arrangement of macroeconomic strategies, a common external customs tariff, and the ratification of agreements by sectors. The date decided for the zero-customs duty was December 31, 1994.It also formed the following two provisional governing bodies: the Common Market Council, a higher body responsible for policy conduction and in charge of securing that the goals of the Treaty of Asunción are met; and the Common Market Group, an executive body administering the completion of the treaty and the council decisions. Further consultative and executive bodies were included in 1994. However, MERCOSUR did not complete a common external customs duty. MERCOSUR is an example of "open regionalism" (as opposed to the "closed regionalism" of the 1950s to 1980s), signifying that it can be expanded to bordering states and can form agreements with other trading blocks. Agreements were swiftly agreed with countries in the LAIA zone. Chile endorsed an agreement as an associate state in 1996, planning to create a free-trade region within ten years. Bolivia turned into another associate state in 1997, as behaved Peru in 2003. Similarly, discussions occurred with other regional blocks, including NAFTA, the EU, CARICOM, the Andean Group, and India. MERCOSUR's history falls into two periods, separated by the year 1998. The first stage is defined by the incorporation of the institutions, the rise in the trade deals, and a substantial development in the zone; nominal GDP augmented from US$620 billion in 1990 to US$1,115 billion in 1998. (Gomez-Diaz, Amate-Fortes ; www.encyclopedia.com) The direction of the trade flows also changed, with a growth in MERCOSUR's interregional trade (exports and imports), which, in 1990, was worth US$8,230 billion (11.3%) , expanding to a maximum volume of

US$41,074 billion (22.8%) by 1997. (Gomez-Diaz, Amate-Fortes; www.encyclopedia.com) Global trade also increased from US$73,798 billion in 1990 to US$180,119 billion in 1997. At the end of 1998 this period of development depleted during a series of crises starting with Brazil (1998–1999), whose economy was skeptically influenced by the financial crisis in Asia. This was succeeded by the Argentine financial disaster of 2001 to 2002, which drove to a messy depreciation and the economic and elementary downfall of the state. Nominal GDP decreased clearly, to US$554 billion in 2002. MERCOSUR has enjoyed both successes and failures. The goals created in 1991 have not been fulfilled, and although, in the first stage, development was positive; real GDP developed at a rate of 2.37 in 1990, 5.85 in 1995 and 2.42 in 1998; in 2002 it was a simple 0.1 percent. Some experts now challenge the urgency for utility of regional blocks in a globalized world that needs global standards. The successes enclose developed trade, the arrival of foreign investment, and the creation of a block with a global presence. The benefits have been political as well as economic. One indicator of this is that the backing of the member states aided to put down General Lino Oviedo's aimed coup d'état in Paraguay in 1996. An even stronger example is the Ushuaia Protocol (1998), in which it was admitted that the breakdown in the democratic processes of a member nation could force to its being ejected from the institution. The 2003 appointments of Nestor Kirchner and Lula da Silva as presidents of Argentina and Brazil, accordingly, have carried new momentum to the integration process. When Kirchner suggested the establishment of a single currency, he was supported by Brazil. Finally, the twenty-sixth summit of Mercosur presidents in 2004 admitted Mexico and Venezuela as associate countries. The unification carries on with a concern in Mexico creating a union between MERCOSUR and NAFTA. (Gomez-Diaz, Amate-Fortes; www.encyclopedia.com)

- ## ASSOCIATION OF SOUTHEAST ASIAN NATIONS:

ASEAN**,** in full Association of Southeast Asian Nations, international organization formed by the governments of Indonesia, Malaysia, the Philippines, Singapore, and Thailand in 1967 to speed up economic development , social development, and cultural progress and to advance peace and security in Southeast Asia. Brunei enlisted in 1984, followed by Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. The ASEAN region has a population of nearly 500 million and contains a total area of 1.7 million square miles (4.5 million square km). ASEAN substituted the Association of South East Asia (ASA), which had been established by the Philippines, Thailand, and the Federation of Malaya (now part of Malaysia) in 1961. (Moon; 2017) Under the flag of harmonious peace and common interest, ASEAN's main projects focus on economic collaboration, the promotion of trade among ASEAN states and between ASEAN members and the rest of the world, and programs for public research and technical collaboration among member governments. Convened together somewhat lightly in its early years, ASEAN completed a new union in the mid-1970s following the adjusted balance of power in Southeast Asia after the conclusion of the Vietnam War. The area's powerful economic rise during the 1970s reinforced the institution, allowing ASEAN to approve a unified reaction to Vietnam's encroachment of Cambodia in 1979. ASEAN's first summit meeting, convened in Bali, Indonesia, in 1976, produced an agreement on several industrial projects and the endorsement of a Treaty of Harmony and Collaboration and a Declaration of Unity. The conclusion of the Cold War between the US and the USSR at the end of the 1980s authorized ASEAN states to enjoy higher political independence in the area, and in the 1990s ASEAN appeared as a dominant voice on regional trade and security issues. For example, ASEAN approved a declaration to solve conflicts in the South China Sea, advocated dialogue on regional security by forming the ASEAN Regional Forum, prolonged membership to North Korea, and managed to dissolve the struggle in East Timor. In 1992 members decreased intraregional tariffs and alleviate restraints on foreign investment by establishing the ASEAN Free Trade Zone. To indicate ASEAN's engagement to international diplomacy, human rights, and democratic values, its member states endorsed the ASEAN Charter in 2007. If signed, the charter would, among other things, discuss the legal personality of ASEAN, establish standards of compliance with ASEAN decisions, and form a human-rights institution within ASEAN. ASEAN summit meetings, which are convened every year, assemble the heads of state of member countries; there are also annual conferences for foreign ministers. Between such conferences ASEAN business is managed by a standing committee made up of the foreign minister of the host nation of the ministerial conferences and ambassadors from the other states. A fixed secretariat in Jakarta, Indonesia, is lead by a secretary-general, whose position alternates every three years. The institution embodies a number of committees, enclosing technical committees on finance, agriculture, industry, trade, and transportation. The committees are supplied by more than 70 working groups guided by experts and various private-sector institutions. ASEAN publicizes an annual report, in addition to the semimonthly *ASEAN Newsletter*. (Moon; 2017)

- **Asia Pacific Trade Agreement:**

The Asia Pacific Trade Agreement (APTA), formerly called the Bangkok Agreement, is a preferential tariff arrangement that intends at advancing intra-regional trade through the exchange of mutually agreed concessions by member states. Its actual Members are Bangladesh, China, India, Republic of Korea, Lao PDR and Sri Lanka. Mongolia is in the process of accession to the agreement. The Asia-Pacific Trade Agreement (APTA), was endorsed in 1975 as an initiative of ESCAP. Being the oldest preferential trade agreement among developing nations in Asia-Pacific, APTA intends to advocate economic development through the adoption of mutually beneficial trade liberalization measures that will contribute to intra-regional trade development and supplies for economic unification through coverage of merchandise goods, services, investment and trade collaboration. Open to all developing member states, APTA is definitely a region-wide trade agreement coverring East and South Asia, with potential to spread to other sub-regions, enclosing Central Asia and the Pacific. APTA is the first plurilateral agreement among the developing states in the area to embrace common operational procedures for authentication and substantiation of the origin of goods and it has the longest effective application period amongst the trade agreements in the entire Asia-Pacific. Notably, APTA is the only functional trade agreement connecting China and India, two of the fastest developing markets in the world, and other important markets such as the Republic of Korea. The Participating States also endorsed and approved the following Framework Agreements:

- Framework Agreement on Trade Facilitation (15 December 2009)
- Framework Agreement on the Promotion, Protection and Liberalization of Investment (15 December 2009)
- Framework Agreement on the Promotion and Liberalization of Trade in Services (24 August 2011)

APTA perceives the particular demands of LDCs and wants concrete preferential measures in their favor (Article 3). Engaging countries may authorize particular privileges to LDC members (Article 7). In total, the specific privileges comprise 587 tariff lines. Moreover, special consideration shall be accorded by Engaging countries to demands from Engaging LDC countries for technical support. Standards of origin requirements are also more adaptable for LDCs (35 per cent of local content, rather than 45 per cent for non-LDCs). LDC exports (utilization by LDC's) to APTA increased from US$125 million in 2002 to US$ 2,199 in 2011. Preferences under APTA may overlap with the different DFQF patterns of China, India and the Republic of Korea, as well as with preferences under the regional trade agreements SAFTA, ASEAN-China, ASEAN-India and ASEAN-Republic of Korea. (UN; 2016; UNESCAP)

3.2 Free Trade Agreements under negotiations.

The huge Free Trade Agreements that will be discussed in this section are under negotiations currently. Huge Free Trade Agreements such as TTIP, TPP and CETA.

- ### Trans-Pacific Partnership:

The Trans-Pacific Partnership is a free-trade agreement between the US and 11 other states that surround the Pacific Ocean. On January 23, 2017, President Trump endorsed an executive order to pull out the US from the agreement. Officials from each state endorsed the agreement on February 4, 2016. The discussions were successfully completed on October 4, 2015. Each state's legislature had to accept the accord before it went into effect. Before that could take place, Trump's executive order took out the US from the process. The TPP is between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. The states included generate 40 percent of the world's overall GDP of $107.5 trillion. They provide 26 percent of international trade and 793 million of the world’s consumers. The TPP trade zone is larger than the NAFTA, presently the world’s biggest. (Amadeo; 2017) Actual trade between the states is $1.5 trillion in goods (2012 estimate) and $242 billion in services (2011 estimate). It would be smaller than the TTIP. The TTIP the other big regional trade agreement being discussed. It’s between the US and the EU. Especially, the TPP ignores China. That's intentional. It’s planned to adjust the trade influence of both China and India in East Asia. The TPP would provide the US a reason to intervene in trade conflicts in the oil-rich South China Sea. China has been strengthening its military to support its infiltrations in that region. But all parties have indicated that other members can follow in the future. So far, the Philippines and China have displayed an interest. Similar to other trade agreements, it eliminates tariffs on goods and services and places mutual trade quotas. Unlike most agreements, it eliminates non-tariff blocks to trade. It also coordinates rules and regulations. It experiences those elements with the TTIP. The TPP comprises a broad range of goods and services. These enclose financial services, telecommunications and food safety standards. Hence, it influences foreign policy and even laws within states. For instance, it proposes that states create an office similar to the US Office of Information and Regulatory Affairs. It determines the costs and benefits of new laws. (Amadeo; 2017)

- **The Trans-Pacific Partnership supporters.**

  The TPP increase exports and economic development. This should generate more jobs and growth for the 12 nations concerned. It raises exports by $305 billion per year by 2025. US exports would augment by $123.5 billion. It would help the machinery, auto, plastics and agriculture industries. It boosts exports by eliminating 18,000 tariffs set on US exports . The US has already removed 80 percent of these tariffs on imports. The TPP regularizes the playing field. The agreement increases $223 billion a year to wages of workers in all member states, with $77 billion going to US workers. All states engaged to cut down on wildlife trafficking. That aids elephants, rhinoceroses and marine species the most.

It rules out environmental violations, such as unsustainable logging and fishing. States that don't obey will suffer trade penalties. (Amadeo; 2017)

- **The Trans-Pacific Partnership opponents.**

  Most of the earnings in income would go to workers gaining more than $88,000 a year. Free trade agreements lead to income inequality in high-wage nations. They publicize cheaper goods from low-wage nations. This would be specifically true for the TPP because it secures patents and copyrights. Higher-paid owners of intellectual property would collect more of the income earnings. The agreement regarding patents will decrease the availability of cheap generics. That will increase the cost of many drugs. Competing market demands will decrease the stimulants in Asia to preserve the environment. Last but not least, the trade agreement could overrule financial rules. (Amadeo; 2017)

- **The Negotiators overcame these barriers…**

  Here's how they were surmounted. The US engaged to **shorter patents,** specifically for biologic drugs. Pharmaceutical firms can hold their formulas secret for five to seven years instead of 12 years. All **state-possessed companies** must go along with international trade principles that look after their workers and the environment. The US had to surmount challenges from Vietnam, Singapore and Malaysia. Those states must immediately authorize labor unions or risk sanctions. The US, Japan, and Canada engaged to drop some tariff protection for **dairy, beef**

and poultry manufacturers. This was the biggest sticking point. Agriculture allowances collected by US and EU firms ruled out the success of the Doha round of trade negotiations convened by the WTO. The fact that farmers were prepared to drop tariff protection was a great achievement for negotiators. These states also engaged to open up their **automotive industries.** That could cost local jobs while decreasing the price of cars and trucks. The US gained the battle over the Investor-State Dispute Settlement Mechanism. That grants **international firms more rights to charge the government** than local companies possess. In return, the US engaged to restraints on the **trade of tobacco**. It will no longer authorize cigarette firms to utilize arbitration committees to charge nations that tax or diversely reduce cigarette publicity. (Amadeo; 2017)

- **Future perspectives.**

Trump's executive order sends the whole deal into question. (Amadeo; 2017) The other states can pursue the pact without the US. They can still wait until the US sets up bilateral agreements with each of them. They would operate so, perceiving their negotiating position would be extremely weaker. It is casually attainable they may demand China, the world's biggest economy, to take America's place in the agreement. That would completely switch the balance of power in Asia. Before the executive order, the agreement was in the confirmation phase. That signified each nation's legislature must endorse the agreement before it may go into effect. The US Congress had 90 days to check and discuss the agreement. It may solely choose “yes” or “no” on the agreement. It may not modify any of the provisions of the deal. That's because Congress accorded the president the fast-track trade promotion authority on June 29, 2015. Trump's exit from TPP signifies Congress no longer has the opportunity to vote on the deal. (Amadeo; 2017)

- **The Transatlantic Trade and Investment Partnership.**

The Transatlantic Trade and Investment Partnership, or TTIP, is a free trade agreement between two of the world's biggest economies. They are the US, which generated $18.56 trillion in 2016, and the EU, which generated $19.18 trillion. The two economies produce almost a third of the world's GDP (Gross Domestic Product) of $119.4 trillion. The US trades more with the EU than with China. The total amount exchanged is already at $1 trillion, but the TTIP could quadruplicate that amount. It could increase US GDP by 5 percent and the EU's by 3.4 percent. That's by removing all tariffs and other trade restrictions. If concluded, the TTIP would turn into the world's biggest trade deal. That would increase the power of the US Economy. It would be larger than the North American Free Trade Agreement (NAFTA). It would be even larger than the Trans-Pacific Partnership. The significance of the EU is even larger for foreign direct investment (FDI). European firms counted for $1.5 trillion, or 63 percent, of total FDI in the US. US firms counted for $1.7 trillion, or 50 percent, of FDI in Europe in 2009. These investments utilize four million workers on both sides of the Atlantic. That's how many are hired by the affiliates of European or US based enterprises. For example, the German firm Siemens hires 60,000 people in the US. General Electric hires 70,000 workers in Europe. President Obama launched the TTIP during his 2013 State of the Union Address. The following day, trade representatives started "the internal procedures required to initiate negotiations." (Amadeo; 2017)

- **The Transatlantic Trade and Investment Partnership Supporters.**

  The benefits of the TTIP are apparent. Higher growth would generate jobs and prosperity for both regions. Departed UK Prime Minister David Cameron declared it could generate two million jobs. Few industries would profit more than others. For instance, drug firms would reduce expenditures. That's because there would be one established drug testing program for the US and EU. The electric car industry would benefit by acquiescing with one undivided norm. US farmers could spread if the EU authorized genetically modified agricultural products. A deal would support the geopolitical stature of the Trans-Atlantic bloc facing the growing economic influence of China, India, and other Pacific states, in addition to the developing progress of Latin America. If the US and the EU could clear up their differences, they could stand as a homogeneous front against market menaces from the rest of the world. (Amadeo; 2017)

- **The Transatlantic Trade and Investment Partnership Opponents.**

Several industries could endure from the growing competition from Europe. That might end in fewer jobs for US workers. These disadvantages come with any trade deal. For instance, European agribusiness would endure from low-priced US-manufactured food imports. Both governments would have to end supporting industries such as French champagne. Boeing, a US plane enterprise, is in intense international rivalry versus France's Airbus. The deal could upset one more than the other. (Amadeo; 2017)

- **Obstacles Facing the Transatlantic Trade and Investment Partnership.**

The greatest barrier is the shielded stature of each nation's agribusinesses. They all collect government subsidies. It's unlikely either trade associate would reduce the amount of government assistance. That would augment food prices even more. The EU prohibits all genetically-modified crops. It bans meat from animals treated with growth hormones. It also rejects poultry that's been cleaned with chlorine. These are all ways joint with US food. European consumers would object if these restrictions were removed. They need insurance from spoiled or lower quality food. Then there are numerous smaller concerns. For instance, Greece necessitates any cheese branded “feta” to be produced from sheep or goats. US dairies manufacture feta cheese from cow's milk. It's extremely improbable that the EU will give in; in modifying the rules. In fact, opposition to threatening these norms is what ultimately clanged the death warning for the Doha round of international trade talks (Amadeo; 2017).

- **Opportunities.**

  One plot to surmount these barriers could be a tiered-method. Discussions might be fruitful in areas that aren't main sticking elements. For instance, resting tariffs might be removed. Nevertheless, this wouldn't possess enough of an economic influence, because tariffs are already low. (Amadeo; 2017)

- **Status.**

On June 23, 2016, GB decided to quit the EU. That sends the discussions into a new degree of ambiguity. It might need two years for the details of its withdrawal to be completed. That obscures its position as a representative of the trade deal. The choice reinforces the anti-globalization and anti-trade voices within Congress. The 11th round of discussions started on October 20, 2015, in Miami. Discussions on the food matters continue to be a sticking point. On April 16, 2015, Congress granted the President fast-track trade promotion power until 2021. It authorized President Obama to advance with concluding discussions. Fast-track signifies Congress should either accord a thumbs up or thumbs down on the whole trade agreement. They may not call each component of a multilateral trade deal. That makes it simpler for the administration to complete discussions. Discussions started right after the 2013 G8 Summit. After Obama's 2013 State of the Union, the two sides engaged to approve the High-Level Working Group on Jobs and Growth (HLWG) Report as a base to pursue discussions. The HLWG was designated in 2011 to identify the best method to attain an agreement on the TTIP.

On February 11, 2013, the HLWG submitted recommendations classified in the following three areas:

- **Market Access** ; The best method to boost this would be to (Amadeo; 2017):
- Remove all duties and tariffs on non-sensitive products. Pursue discussions for the sensitive markets, such as commercial aircraft and agriculture.
- Make licensing and qualification demands more transparent for services.
- Liberalize investment measures while maintaining protection.
- Increase entry to public procurement opportunities.
- **Behind the Border Processes and Regulations**; These are discrepancies in mechanisms that aren't tariffs or legislations but still make it challenging for foreign companies to undertake business. To surmount this, the HLWG suggests that the two parties:
- Adopt the norms determined by the Word Trade Organization (WTO) to apply established scientific procedures to focus on sanitary concerns. In other words, the EU requires ending its veto to approve GMO and hormone-treated foods. (This will be difficult to solve.)
- Adopt WTO norms to form reliable measurement, authentication and uniformity necessities.
- Collaborate to execute current and promote advanced laws.

- Where rules and certifications remain distinct, approve to acknowledge certified goods and services from the other trading partner. (For instance, doctors and pharmacists could utilize their license to strive anywhere in the trading zone.)
- Advance strategies to collaborate on promoting planned laws.
- **Rules Focusing on Shared Global Trade Challenges and Opportunities**; These are concerns that will determine a standard for trade agreements everywhere. The HLWG suggests that both parties:
- Collaborate and offer a united front on securing intellectual property rights.
- Involve environmental and labor protection in the TTIP, utilizing current rules.
- Strike a deal in regions that are essential to international trade. These involve customs and trade assistance, competition policy, state-owned companies, protection of local industries, raw materials and energy, small- and medium-size businesses, and transparency. (Amadeo; 2017)

• The Comprehensive Economic and Trade Agreement:

The Comprehensive Economic and Trade Agreement, or CETA, is a current trade deal between the EU and Canada. It makes it accessible to transport goods and services, helping people and institutions in both the EU and Canada. By developing trade between the EU and Canada, CETA will generate jobs, progress; and current opportunities for your organization. Canada is a big market for Europe's exports and a state rich in natural resources that Europe requires. CETA is a progressive trade deal. On 21 September 2017 CETA entered into force temporarily. Essentially nearly all of the deal presently is implemented. National parliaments in EU states;

and in some cases regional ones too, will then demand to endorse CETA before it may take full effect. It has few of the strongest commitments ever involved in a trade agreement to advocate labor rights, environmental protection and sustainable development. CETA unifies the EU's and Canada's commitments to implement international rules on workers' rights, environmental protection and climate action. And these obligations are necessary. As noted formerly, The EU and Canada are progressing towards a convenient global trade relationship with their recent Comprehensive Economic and Trade deal, which will produce benefits for institutions in both areas. Institutions in the EU and Canada will nearly be capable to build stronger trade connections because of the impending presentation of a broad-ranging international commerce deal between the two areas. As written upon; The long-term goals of CETA are identical to those of any FTA; especially, to boost trade between the areas, support economic connections and encourage the generation of jobs. CETA will carry out this by eliminating 99 per cent of the customs tariffs and other bureaucratic restrictions met by firms merchandising between the EU and Canada, while presenting better systems of protection, a more consolidated regulatory approach, and creating current opportunities for service transfer. The EU predicts that the agreement will end in a €12 billion (£9.52 billion) growth in GDP for Europe, while Canada is forecasting an annual economic increase of C$12 billion (£6.48 billion). The remit of CETA is comprehensive and will promote global trade in the coming forms:

- Eliminating custom tariffs; of the more than 9,000 EU tariff lines, almost 98 percent will be duty-free on the first day CETA comes into force. The removal of these industrial tariffs are forecasted to spare European exporters around €470 million a year.
- Public procurement; succeeding CETA's presentation, EU firms will be capable to tender for public contracts in Canada at all levels of government, and vice-versa. This grants

Canadian firms with entry to Europe's $3.3 trillion public procurement market, while European institutions will be the first foreign firms to achieve this level of entry to Canadian public procurement markets.

- Better regulatory collaboration; a regulatory collaboration forum is being formed by the EU and Canada for the interchange of experiences and appropriate information among regulators, as well as to assist in recognizing areas where regulators could collaborate. It will not possess any decision-making powers, but will support convenient functioning between the appropriate authorities
- Improved IP security ; regulations that relate to intellectual property rights will be brought in line under CETA, signifying firms will no longer worry that their brands and innovations are being imitated illegally. Special status and protections will be presented to specialized regional food products.
- Promoting trade in services; trade in services across major sectors such as financial services, telecommunications, energy and maritime transport will be carried out smoother by CETA, specifically when it comes to the provisional activity of major staff and the admission of competences for coordinated professions.
- Promoting investment; the FTA intends to eliminate and ease obstacles for investors between the EU and Canada, bringing greater confidence, stability, transparency and protection for investments, while securing the right of governments to enact and coordinate in the public interest. (ec.europa.eu, CETA ; ec.europa.eu, CETA explained; www.internationalgc.ca , Canada-EU :CETA, 2017 ; www.mic-cust.com,2016)

• EU-Japan Free Trade Agreement:

The EU and Japan had concluded a comprehensive agreement that would form a free trade zone comprising more than a quarter of the world's economy, pressing against surging pleas for protectionism in much of the West. Leaders of both parties to the deal proclaimed its strategic, as well as economic, significance. That it was declared only hours after Britain and the EU broke a gridlock to initiate a new round of negotiations over that state's exit from the bloc particularly boosted its significant influence. The supposed economic cooperation deal, which would be one of the biggest free trade agreements ever, *"demonstrates the powerful political will of Japan and the E.U. to continue to keep the flag of free trade waving high,"* the Japanese prime minister, Shinzo Abe, and the president of the EU's executive arm, Jean-Claude Juncker, announced in a joint statement. (Rao, 2017; Ewing, 2017) The agreement is subject to approval by legislators in Europe as well as Japan, but Mr. Abe and Mr. Juncker declared that they were convinced that once in place; it would *"deliver sustainable and inclusive economic growth, and spur job creation."*

"It sends a clear signal to the world that the EU and Japan are committed to keeping the world economy working on the basis of free, open and fair markets with clear and transparent rules fully respecting and enhancing our values, fighting the temptation of protectionism," the leaders announced. Tokyo and Brussels began trade discussions in 2013, and announced in June(2017) that they were approaching an agreement. Japan deals less with the EU than it does with the US or China. However concluding an agreement with the EU turned into a more pressing preference for Tokyo after President

Trump's choice in January (2017) to pull out the US from another deal, the Trans-Pacific Partnership. Japan has also pressured to restore that agreement, even without the US. Japan had completely delayed its negotiations with the EU while it concentrated on the bigger Pacific Rim agreement, which involved 10 other states together with the US and Japan. Mr. Abe has made liberalizing trade a focal point of his economic program, an important transformation in a state that, regardless its progress in exporting cars, electronics and other merchandise, had long turn away from trade agreements. The shift of orientation on trade incurs partially to the decreasing influence of Japan's farm lobby, which has battled to hold taxes on imported agricultural products high, hindering the state's capacity to reach deals. Japanese mediators nevertheless centralize loads of their efforts on supporting farmers, but with Japan's rural population swiftly maturing and retiring, governments no longer see making buy backs on agriculture as politically destructive. The EU and Japan have a united annual economic yield of around $20 trillion, and together would form a trading area approximately the size of the one constituted by the NAFTA. (Rao, 2017; Ewing, 2017)

The future of NAFTA, which involves the US, Canada and Mexico, has likewise been cast into doubt by strained discussions. Even, while Japan and the EU have shown confidence over the deal, political interests are nevertheless at play. National and some regional lawmakers in Europe will have a say, a procedure that almost wrecked a trade agreement with Canada. The major beneficiaries from the deal are expected to be Japanese carmakers and European food and beverage producers. The agreement will make it accessible for European manufacturers of cheese, beef, wine and processed meat to trade in Japan, which sets tariffs of approximately 40 percent on few merchandises.

European manufacturers of pharmaceuticals, medical equipment and trains are likewise predicted to get out along. The agreement likewise introduces Japanese carmakers with an opportunity to boost sales in Europe, which has long been challenging for them. Toyota and other Japanese producers have barely a 13 percent stake of the auto market in the EU, partly because of import duties, in comparison with the US where they account for around 40 percent. However Japan's carmakers previously have sizeable manufacturing operations in Europe which are not subject to import tariffs, indicating that their poor sales likewise derive from the need of merchandises that attract European tastes. Although the agreement will be valuable for few industries, announced Angel Talavera, senior eurozone economist at Oxford Economics in Britain, its global economic influence will be limited. The agreement *"does not materially alter the outlook for the eurozone, as Japan represents only around 2 percent of total exports."* Mr. Talavera declared in an email. *"I don't think this is a game changer."* (Rao, 2017; Ewing, 2017)

3.3 Controversies over Free Trade Agreements.

There is a continuous debate over FTA's benefits and negative effects in today's world. FTA's have their Pros and Cons . Those Pros and Cons will be presented in this section.

- **Free Trade Agreement Supporters:**

  Free trade agreements remove the tariffs, taxes and duties that countries force on their imports and exports. The most well-known, and controversial, US regional trade agreement is the North American Free Trade Agreement or NAFTA. Free trade agreements are planned to augment trade between two countries, which has its advantages. Some of these advantages enclose (Amadeo; 2016):

a- Increased economic growth. The US Trade Representative Office evaluates that NAFTA augmented US economic growth by 0.5% a year.

b- More dynamic business climate. Often, businesses were safe before the agreement. As a result, these local industries risked turning into stagnant and non-competitive industries on the world market. With the protection taken off, they have the motivation to become a true international competitor.

c- Lower government spending. Many governments assist (subsidies) their local industry segments. When these are taken off after the trade agreement, those funds can be put to better use.

d- Foreign direct investment. Investors will come together to the country, increasing much-needed capital to develop local industries and strengthen domestic businesses. It also accrues; much needed US dollars to many formerly isolated countries.

e- Expertise. Global companies have the expertise to expand local resources, specifically in mining, oil drilling and manufacturing. They procure free training, to local businesses.

f- Technology transfer. Free trade authorizes local companies access to the latest technology and business practices from their foreign partners. More jobs. As local economies develop, so do job opportunities. Many procure job training as well. (Amadeo; 2016)

- **Free Trade Agreement Opponents:**

a- Increased **jobs outsourcing**. Why would that happen? Dropping tariffs on imports authorizes foreign companies to develop and employ workers. Low-cost imports make it difficult for US companies in those same industries to challenge, so they may decrease their workforce. Many US manufacturing industries that couldn’t challenge did, in fact, closed their businesses and sent workers home as a result of NAFTA. Another fact: one of the biggest criticisms of NAFTA is that it sent jobs to Mexico. The Unemployment rate in the US increased to 5.1%(August 2015)

b- Theft of intellectual property (intellectual property not respected). Many developing countries don't have the same protection for patents, inventions, and new processes as the US; and the laws they do have aren't always rigidly implemented. Companies that benefit of free trade agreements in these states(developing countries) often have their ideas robbed. They must then challenge with lower (reduced)-priced local knock-offs.

c- **Crowd out domestic industries.** Many emerging markets are traditional economies that depend on farming for most employment. These small family farms can't challenge with subsidized agri-businesses in the developed countries. As a result, they lose their farms and must search for jobs in the cities, thus increasing unemployment, crime, and poverty.

d- **Poor working conditions and abuse of labor, human rights.** Multi-national companies may move jobs to emerging market countries that don't have suitable labor protections. As a result, women and children are often put through, exhausting factory jobs in sub-standard conditions. Unfair treatment of those workers is witnessed. No Social rights at all…

e- **Degradation of natural resources.** Emerging market states locate their timber, minerals and other natural resources reduced as the multi-nationals move in. Without environmental protections, deforestation and strip-mining decrease their jungles and fields to wastelands.

f- **Destruction of native cultures.** As development relocates into former pristine areas, indigenous cultures can be influenced as local peoples are deracinated and often eradicated.

g- **Reduced tax revenue.** Without import tariffs and fees, many smaller countries must discover ways to substitute that revenue. (Amadeo, 2016)

Chapter 4: Case Study: Donald Trump International Trade Policy.

- ## Introduction:

Trade protectionism measures are methods utilized by states to restrict unfair competition from foreign industries. (Amadeo; 2016) Countries utilize a variety of ways to secure (defend) their trade. One way is to impose tariffs. This immediately increases the price of the imported goods, making them less competitive when compared to locally produced goods. This suits specifically a country like the US, which imports a lot of consumer products and oil. A second way of safeguarding trade is when the government assists (through subsidies) local industries with tax credits or even direct payments. This again reduces the price of locally manufactured goods and services. It works even better than tariffs because now the goods are cheaper even when sent overseas. This works well for the United States, but even better for countries that depend essentially on exports. A third method is by applying quotas on imported goods. This can be one of the most effective methods for safeguarding trade, since the foreign country cannot send more goods no matter how low it puts the price through subsidies. A fourth type of trade protectionism is through having a state manipulate (manoeuvre) intentionally its currency value (lowering it), thus making its exports cheaper and more competitive. However, this can ultimately result in retaliation, and begin a currency war. (Amadeo; 2016) Trade Protectionism has its supporters. The advantages of Protectionism are evident. Starting with a country trying to grow strong in a new industry, tariffs will safeguard it from foreign competitors. This authorizes companies in the new industry time to study how to manufacture the good efficiently, and evolve their own competitive advantage. Protectionism also temporarily establishes jobs for domestic workers. As domestic companies are secured by tariffs, quotas or subsidies, they will employ locally. This will arise until other countries respond by forming their own protectionism within that industry. (Amadeo; 2016) On the other hand Protectionism has its opponents. Those opponents present many disadvantages. First disadvantage is that in the long term, trade protectionism dilutes the industry. Without competition, companies within the industry won't innovate and enhance their products or services. There's no need to. Finally, consumers will pay more for a lower quality product than they would receive from foreign competitors. Growing trade opens new markets for businesses to sell their products. Growing US. Protectionism will further reduce economic growth and provoke more layoffs, not less. If the United States closes its borders, other states will do the same. This could generate dismissals among the 12 million US workers who owe their jobs to exports. Final disadvantage of

Trade Protectionism is being a defensive measure that's politically driven. It performs in the short run. But it is very destructive in the long run. It makes the country and its industries less competitive in international trade. (Amadeo; 2016)

4.1 World Trade Statistical Review.

International trade indicators will be presented in this section .Those Indicators are fundamental in finding an answer to the question of; are we living today in a post neo-liberal world economy? (Protectionism, Trump's case); and necessary in determining the future of FTA's. The value of merchandise trade and trade in commercial services in 2015 is nearly twice as high as in 2005. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org) The value of merchandise trade and trade in commercial services dropped in 2015 following modest growth in 2012 to 2014. A decline in world commodity prices had a major influence on the value of international merchandise trade in 2015. Global energy prices decreased by 45% in 2015. The ratio of merchandise trade to GDP declined clearly in 2009 following the economic crisis but recovered rapidly in 2010-2011. In 2012-2014 it decreased gradually, before declining significantly in 2015. Asia, Europe and North America have accounted for 88% in total merchandise trade of WTO members over the past ten years. The share of developing economies in merchandise exports augmented from 33% in 2005 to 42% in 2015. Merchandise trade between developing economies has developed from 41% to 52% of their global trade in the last ten years. The top ten merchandise traders accounted for 52% of the world's total trade in 2015. Developing economies had a 42% share in world merchandise trade in 2015. Merchandise exports of WTO members equaled US$ 16.2 trillion in 2015. The top ten traders in commercial services accounted for 53% of the world's total trade in 2015. Developing economies accounted for 36% of total trade in commercial services in 2015. Exports of commercial services by WTO members reached US$ 4.68 trillion in 2015. The volume of world trade continued to develop slowly in 2015 recording growth of 2.7 per cent, revised down from a preliminary estimate of 2.8 per cent in April 2016. Trade growth was almost in line with world GDP growth of 2.4 per cent. Despite positive growth in trade volume terms, the current dollar value of world merchandise exports decreased by 14 per cent in 2015, to US$ 16.0 trillion, as export prices declined by 15 per cent. The dollar value of world commercial services exports also decreased 6 per cent in 2015 to US$ 4,754 billion, although the decline was less severe than for merchandise. In the first half of 2015, a sharp slowdown in trade volumes influenced all regions to varying degrees, specifically in the second quarter, but this was mainly reversed by the end of the year. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org) The weakness of trade in 2015 was caused by a number of factors, including an economic slowdown in China, a severe recession in Brazil, falling prices for oil and other commodities, and exchange rate volatility. Demand for imports decreased in Asia and in resource-based economies in 2015 but increased in the United States and the European Union. Merchandise values appeared to be stabilizing in the first quarter of 2016 as the dollar improved and oil prices showed a modest recovery, but the outlook for the year as a whole remained subdued. The share of manufactured goods in total merchandise exports was just over 70 per cent in 2015, up from 67 per cent in 2014. The share of agricultural products also augmented slightly to around 10 per cent in 2015. This was mostly caused by the clear decrease in the value of fuels and mining products whose share fell to 18 per cent in 2015, from 20 per cent in 2014. In 2015, the world transport sector decreased by 10 per cent as container shipping rates declined clearly because of lower demand especially in developing economies. Global travel receipts also fell hugely as a result of strong exchange rate fluctuations rather than declining demand for international tourism. The aggregate category “other commercial services”, which account for more than half of services exported worldwide, decreased by 5 per cent. Construction was the hardest hit services sector (-15 per cent), indicating a decline in exports in both developed and developing economies. In 2015, China was once again the world’s leading merchandise exporter and the United States the leading merchandise importer. The top five traders ;namely China, United States, Germany, Japan and the United Kingdom , accounted for more than one-third of world trade while the top three countries accounted for more than one-quarter. A decline in prices in international markets had a specific influence on Africa, especially Sub-Saharan Africa, other commodity exporters and regional trade agreements in general. The United States remained the leading trader of commercial services. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org) However, China, which ranked second, was the only economy with positive growth for both exports and imports. In 2015, all regions, with the exception of the Middle East, experienced declines in their exports of services. Merchandise exports; in terms of US dollar values , from developing economies and least-developed countries (LDCs) were severely hit by significantly lower prices for fuels and mining products in 2015. LDCs’ exports endured the most; recording a 25 per cent decrease, while exports from developing economies declined by 14 per cent. LDCs’ share of world exports fell to below 1 per cent for the first time since 2007. Exports of commercial services from developing economies dropped by 3 per cent in 2015. The decrease in transport exports mirrored weak merchandise trade while travel receipts dropped only slightly. LDCs registered growth (development) in exports of commercial services, which increased by 1 per cent, helped specifically by the continuing (non-stop) expansion (development) of travel exports. However, LDCs’ participation(cooperation and assistance) in global exports of commercial services stayed insignificant at 0.8 per cent. Free Trade (including agreements) is increasing inequality. The UN announces that the richest 20 percent of the world's population use 86 percent of the world's resources. Due to NAFTA, one million US jobs were lost and income inequality is increasing inside the US. (Wallach, 2014) The US jobs report is not an accurate number. The actual unemployment rate is 18 percent, not 5 percent. The real unemployment rate encloses those who are slightly connected or depressed and part-time workers who would favor full-time jobs. As of February 2016, that rate was 9.9 percent, not the publically-declared 4.9 percent. The worst real unemployment rate was 16.7 percent in January 2010, compared to 9.8 percent for the publically-announced rate. The real unemployment rate is usually double the publically-declared actual unemployment rate. (Amadeo, 2016) Trade has been front and center of the US Presidential election. Now that voters have elected Donald Trump as the nation's next president, what can they anticipate from his policies on trade? (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org) The GOP candidate conducted an unconventional campaign, and has removed support from ongoing trade negotiations. He has also pressured to enforce high tariffs against China and Mexico, condemning them for taking off US jobs. Trump also menaced to quit from the TPP and substitute it with a series of bilateral agreements that safeguard American jobs. That signifies eleven new agreements with the other parties. The US will more resilient in its relation with China. Originally, this could signify reducing imports of steel and aluminum from China into the US in an effort to restrain in a flood of cheap metal imports that have damaged US producers. What's more, Trump's administration will probably enforce the executive branch to deal with currency manipulation, particularly against China, which was often been blamed of artificially undervaluing its currency, the Yuan by 15 to 40 percent, so that it could sell its products and services more cheaply abroad. Part of China's cost advantage is its cheaper standard of living that admits lower wages. In 2000, the

Yuan *was* undervalued by 30 percent. China wants American companies to construct factories to employ and prepare local workers before they can sell to its market. The United States could simply make the same thing. The US could enforce counterbalancing duties on all imports from China**.** The United States imports $481.9 billion in consumer electronics, clothing, and machinery from China. A lot of those "imports" are from US corporations that ship raw materials to China, and send them back when they are assembled. Trump's tariffs would decrease profits for these American firms and increase prices for American consumers. China might reciprocate, increasing its tariffs on imports from US companies. These actions would probably signify establishing a different avenue for countries to resolve trade issues, which the World Trade Organization administers. While the WTO rules are very valuable, they were created two decades ago and have failed to follow up with the times and realities of the global economy, such as massive government subsidies that establishes overcapacity and competition from state-owned enterprises. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org) So it's likely that Trump's administration will call upon the president's unilateral trade retaliation authority as leverage to solve problems through negotiated settlements. The US is reconsidering trade agreements**.** It's unlikely, that president Trump will progress the Trans-Pacific Partnership, the 12-nation free deal that has been a signature economic goal of Democratic President Barack Obama. Another trade deal ultimately to grab a backseat is the Trans Atlantic Trade and Investment Partnership between the US and European Union. Negotiations were slow and were made more complicated after the UK decided to withdraw from the EU. Given Trump's criticism of free trade agreements, at a minimum there is probably to be a long pause for thinking before the Trump's Administration agrees to authorize negotiation of this huge deal. To be certain, there could still be a trade deal with the UK, but early commitments would possibly be unclear.

Trump's campaign is for better agreements, not no agreements. So the question is, which agreements with which states. The UK, with comparable wage rates and product standards as the US, would be a possible first candidate for a deal that did not have a similar opposition that usual trade agreements have. On top of that, there will ultimately be some remediation of the North American Free Trade Agreement, NAFTA (NAFTA Renegotiation process taking place nowadays between the US; Canada and Mexico). Trump has particularly underlined what's wrong with the agreement; NAFTA's taking off US jobs. How Trump might mediate a path forward is ambiguous, but what is clear is that he has made remediation; that is, overthrowing trade agreements; an essential part of his campaign. As president, Trump has the power to end trade agreements without querying for power from Congress, and this could boost America's trading partners to join the negotiating table. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org)

4.2 Trump's Trade Partnerships.

Trump's Major Trade Partnerships with other states and regions will be discussed and presented in this section. Major Partners such as Russia, Mexico, Asia, Europe, Britain.

- **Russia:**

Trump has requested for engaging more closely with Russia, and so it's probably that he could ease economic sanctions against the country if President Vladimir Putin is ready to mediate with him on a deal. This could be matched with appropriating Russia to be less aggressive off the coast of Western Europe and in Syria; so that a gesture from the US would be anticipated. There is already sentiment in Europe to ease economic restrictions on Russia. The details of trade policy and measures are not probably to arise currently. The assignment of an aggressive US

Trade Representative; Robert Lighthizer(the current US Trade Representative) open to pressuring the usage of unilateral trade measures will probably influence negatively the trade relationship between Moscow and Washington .Trade is ultimately one of the most essential portfolios being reported by President Trump.(Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org)

- **Mexico:**

America's neighbor to the south has most to suffer from the Republican president. Trump's message to blue-collar voters in the rust-belt states was that US manufacturing jobs have shifted across the Rio Grande as a result of the North American Free Trade Agreement endorsed by Bill Clinton in the early 1990s. Trump has threatened that if he cannot remediate NAFTA he will withdraw of the free trade deal altogether. He has pressured to set a 35% tariff on some Mexican goods and promised to shut down the *"sweatshops in Mexico that undermine American workers".* In addition, he has announced and declared he would bring together and ship home illegal immigrants existing and engaging in America, 5 million of whom; are believed to be Mexican. If executed in total, the influence on the Mexican economy of these policies would be deep. Trade between the US and Mexico would stall, factories would shut down, foreign direct investment flows would decline and millions of repatriated workers would have to be taken in into the Mexican workforce. US consumers would observe the price of some goods increase. Mexico is not the only Central American country in danger. Claudia Calich, fund manager at the M&G emerging market bond fund, declares remittances from people engaging illegally in the US are worth 5.6%, 8% and 13.2% of GDP to the economies of Guatemala, El Salvador and Honduras respectively. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org)

- **The Rest of Asia:**

Barack Obama has moved the focus of US foreign policy. For most of the postwar period, Washington has considered eastwards across the Atlantic. Since the collapse of communist Russia and the rise of China, its gaze has been westwards across the Pacific. This has been mirrored in all three manifestations of American power: military, diplomatic and economic. Obama viewed the Trans-Pacific Partnership as a way of letting countries such as Japan, Brunei, Singapore and Malaysia out of Beijing's orbit. All these countries have an export-led model of growth and Obama's plan was to establish a US-led free trade zone that involved all the major economies of the Pacific apart from China. That plan now lies in tatters. There will be no TPP under a Trump presidency and all the signs are that states such as South Korea and Taiwan will be susceptible to the same protectionist measures as Mexico and China. This would derive in slower growth across Asia as exports and investment diminish. Japan, which has been in the doldrums for a quarter of a century and which stays on the brink of deflation, emerges to be most in danger, but it is not alone in being anxious about the influence of Trump. In geopolitical terms, a tough US trade stance procures China with the opportunity to augment its impact in the region, boosting economic ties and rendering countries of the Pacific rim less reliant on the American market. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org)

- **Europe excluding Britain:**

The major short-term risk to Europe appears to be political rather than economic. Matteo Renzi's left of centre government failed to win a referendum on constitutional change in Italy last year. There were elections in Germany last September, France and the Netherlands where parties of the right were searching to surf the populist tide that impelled Trump to his win. There is still nervousness in the Baltic states of Latvia, Lithuania and Estonia about the possibility that Russia will be inspired by Trump's apparent and evident isolationism. There are, however, economic and financial implications for Europe. Like Asia, the eurozone is hugely dependent on exports as a source of growth. These could be influenced in two ways: through a more restrictive US trade regime (current situation) and if a weaker dollar carries up the euro on the foreign exchanges. Achieving mediations for the Trans-Atlantic Trade and Investment Partnership (TTIP) always appeared like an uphill clash because Trump was against the concept in principle. TTIP will never occur. The relative calm of financial markets immediately after Trump's victory arrived as a great relief to European banks, which appear highly vulnerable to a continuous bout of jitters. For months, there have been rumours about the health of the Italian banking system and one of Germany's leading banks, Deutsche. Plentiful supplies of cheap money from the European Central Bank and respectively favorable conditions in recent months have preserved the problems covered from sight. For now, at least. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org)

- **Britain:**

The UK will not be invulnerable from any decline in the international economy that definitely is emerging from Trump's selection. Britain is the second biggest exporter of services in the world and America collects more of them than any other country. But Trump's protectionist measures are aimed at cheap manufactured goods, rather than the high-end services Britain procures, so at present there suggests little reason to worry that any new barriers will be raised for UK firms. Trump has declared the UK will be at the front of the queue for a new trade deal, which proposes negotiations on a bilateral TTIP-style deal could start between Washington and London. This would be beneficial to Theresa May, who has been fighting to display that the UK can conclude its own trade deals after it withdrew the EU. Her bargaining position with the other 27 members of the EU will be enhanced if she can demonstrate that she can conclude business with Trump, even though the stalled state of the actual TTIP negotiations proposes that initiating talks will be a lot easier than completing them. In the short term, Trump's appointment assists in taking the pressure off the pound. Sterling has been sold heavily against the dollar since the EU referendum, partly because of uncertainty about how the UK would appear after Brexit. Trump's election forces risk and uncertainty into the equation for the US as well. All the study (analysis) upon shows that nowadays the stream is turning against free trade, there is a growing international backlash against corporate globalization. This current world economic (free trade, ultra-liberal) system failed to meet the economic demands and necessities of the world. (Amadeo, 2016; Eliott, 2016; Wolff, 2016; www.wto.org)

4.3 What the US, Canada and Mexico Need from a New NAFTA?

The US, Canada and Mexico are renegotiating NAFTA. The US, Canadian and Mexican objectives and goals will be discussed and presented in this section. The three states carried extremely distinct preferences to the table when they begun renegotiating the NAFTA. Trade delegates from Canada, Mexico and the US begun meeting in Washington(August 2017;1st round of discussions) to start the first chapter of what's predicted to be a long sequence of meetings on how best to reorganize the NAFTA. The US, the trio's most strident supporter for NAFTA amendments under President Donald Trump; properly indicated in May 2017 that it prepared to pursue a new NAFTA, realizing one of Trump's campaign vows and pushing the future of the two-decades-old free trade arrangement into uncertainty. US Trade Representative Robert Lighthizer expressed at that time a sternly crafted statement, showing that Trump is *"not interested in a mere tweaking of a few provisions and a couple of updated chapters." "We feel that NAFTA has fundamentally failed many, many Americans and needs major improvement."* Lighthizer announced. But even though Canada and Mexico haven't kicked up practically as huge a storm in requesting amendments, neither one is decisively pushing for a perpetuation of the status quo. After 23 years of technological modernization and political and economic expansion in all three states, the parties concerned respectively have determined areas of the deal they believe require reforming.*"For so many years, we've tried to impromptu-modernize NAFTA by nibbling around the edges, because there just wasn't the political will to reopen NAFTA."* announces Dan Ujczo, president of the Ohio-Canada Business Association and an international trade and customs lawyer at law firm Dickinson Wright. *"This is a once-in-a-lifetime opportunity to really move the ball and move the puck."* Labor standards, cross-border supply chains and dispute resolution are probably to be among the major talking points in the trade meetings, and a restored NAFTA holds suggestions for a large swath of industries, from manufacturing and agriculture to e-commerce and information technology. Here's a look at what the US, Canada and Mexico are demanding, where interests overlap and where a dispute might appear as negotiations advance. (Soergel, 2017)

- **US Objectives and Top Goals.**

The US in July 2017 released an 18-page document describing the Trump administration's goals for adjusting NAFTA, an effort that will be started by Lighthizer. America's game plan involves more than 100 individual bullet points for possible adjustments. In Lighthizer's efforts to, as the trade delegate expressed it in a statement accompanying the document, *"negotiate a fair deal"* and adjust America's *"persistent trade imbalances",* Lighthizer's office arranged plans *to "improve the US trade balance and reduce the trade deficit"* with its NAFTA partners, *"promote greater regulatory compatibility with respect to key goods sectors"* and *"expand competitive market opportunities for US agricultural goods"* among other preferences. (Soergel, 2017)

Among America's top goals:

- Boost the trade balance in goods, especially
- Increase transparency to customs laws and regulatory implementation
- Streamline and mechanize import/export/transport mechanisms
- Reinforce rules of origin, labor standards
- Secure commitments not to place customs tariffs on digital products

"I think the USTR's chief objective will be to keep Canada and Mexico from being the back door into the North American supply chain" Ujczo declares. *"That's what the tightening of the rules of origin will be about. Canada and Mexico are aligned in that they don't want to change the rules of origin."* Undoubtedly, Trump's *"Made in America"* and *"Buy American, Hire American"* mantras have put into focus his administration's engagement to merchandises that carry *"Made in the USA"* tags. And when it reaches NAFTA, the US seems confident of elevating the standard for when a given product technically can be considered as having been produced in North America. For instance, under NAFTA's present *"rules of origin"* a common automobile is relieved from cross-border duties if 62.5 percent of its value derives from content

produced in the three member states. Raising that percentage; or reaching some sort of newly administered threshold for US produced content, could extremely reduce trade between NAFTA and non-NAFTA states similarly. *"One of the more complex cases will be that of the automotive sector, one of the most successful in Mexico, but also one that Mr. Trump has highlighted as particularly problematic for his country, even though US inputs account for around 40 percent of the value of the automotive products that Mexico exports to the US"* a research note released last month by The Economist Intelligence Unit declared. *"To compound the challenges, some players in the industry do not want to see North American content increase as this would affect their flexibility to import cheap inputs from Asia."* The US is also demanding to raise labor norms; something that won't be practically as disputable with Canada as it will be with Mexico. The Canadian and American economies are closer in size and in labor laws, and Trump has formerly expressed about Mexico's comparably low labor expenditures. Obliging Mexican organizations to increase salaries and working conditions in short order is probably demanding, and there's some talk of installing separate norms for various states as an approach to swiftly advance. *"The challenge is going to be how we do a two-speed approach to issues like labor and the environment, health and safety standards, where Canada and the United States are much further ahead than Mexico is "Ujczo* declares. (Soergel, 2017)

- **Canadian Objectives and Top Goals.**

That's not to claim, Canadian trade officials aren't demanding for any possibly contentious renegotiation preferences of their own. Especially, Canadian officials have faced America's efforts to throw away a binational dispute settlement mechanism enclosed in Chapter 19 of the actual trade deal. They also have pushed for an adjustment to NAFTA's Chapter 11 provisions on cross-border investment, which prescribes partially that *“each party shall accord to investors of another [NAFTA country] treatment no less favorable than that it accords, in like circumstances, to its own investors.”* Chrystia Freeland, Canada's minister of foreign affairs indicated as she displayed her nation's trade goals(at that time) that one goal would be to supply governments with *“an unassailable right to regulate in the public interest.”* (Soergel, 2017)

- **Among Canada’s Top Goals:**
- Adjust Chapter 11
- Reinforce labor and environmental standards
- Involve gender rights provisions
- Develop procurement and direct *“Buy American”* regulations
- Legislate anti-dumping rules

“We can make NAFTA more progressive first by bringing strong labor safeguards into the core of the agreement” Freeland announced, and *“by integrating enhanced environmental provisions to ensure no NAFTA country weakens environmental protection to attract investment.”* Freeland also underlined Canada's backing for efforts to focus on climate change. Provisions directed at gender equality are another noticeably continuous target, and the environmental norms can confront some resistance from the Trump administration. Specially, when, Canada appears keen to focus on *“procurement”* which in itself seems to be a thinly disguised swipe at Trump's *“Buy American”* mantra. Canadian firms basically need greater access to American government and construction agreements, although Trump's wordiness has left Lighthizer with limited wiggle space on that front. And despite US dairy farmers have for years blamed Canada for crafting dairy taxation rules that support producers north of the US-Canadian border, Freeland declared at

that time (August 2017)that she wasn't concerned in further opening up Canada's dairy market to US merchandises. "*The United States sells us far more than we sell them. ... It's important to point out to them, as we do both in private and in public, that when it comes to dairy today, the balance of trade there is 5 to 1 in the US ' favor. I would call that, already, a pretty good deal "*Freeland announced. *" When it comes to dairy, Canada has our system of supply management for supporting the interest of our producers. ... But the US has its own system for supporting dairy systems in the United States."* (Soergel, 2017)

- **Mexican Objectives and Top Goals.**

Labor issues are predicted to be a primary sticking point between Mexican trade officials and Lighthizer. But more broadly, Trump's anti-Mexico rhetoric is predicted to dominate meetings. *"It seems that President Trump views this opportunity as "payback time" and also has laid out an agenda that is clearly tainted with protectionist and nationalist perspectives."* Luz Maria de la Mora, founder of LMM Consulting and a former official in Mexico's Foreign Affairs and Economy ministries, declared during a NAFTA meeting received by the Woodrow Wilson International Center for Scholars. *"For Mexico, this is an ideal opportunity to democratize trade. A NAFTA 2.0 will have to lead to a more inclusive economy where more sectors, regions and firms take part in globalization."* Although Christopher Wilson, deputy director of the Wilson Center's Mexico Institute, indicated at the same event that Mexico may not be capable to afford to play hardball during discussions. *"Mexico sends 80 percent of its exports to the United States. Mexico depends on market access to the United States in a very significant way"* Wilson announced. *"In terms of the proportion of the economy that depends on trade with the United States or with Mexico ... there's a great asymmetry. Mexico depends more."* (Soergel, 2017)

- **Among Mexico's Top Goals:**
- Reinforce North American competitiveness
- Support more inclusive regional trade
- Modernize energy, digital and telecommunications provisions
- Develop "certainty of trade and investment"
- Support agricultural access

De la Mora announced that *"more than half of Mexican exports are done by six states at the northern border"* and that *"60 percent of total [Mexican] exports are represented by two sectors: automotive and electronics."* De la Mora wishes the NAFTA meetings will result in a development of the industries and geographic locations that gain from North American trade. Agriculture is also an important export industry for Mexico, and there's some concern food exports could be omitted as negotiations expand, or even utilized as a bargaining chip to further manufacturing dialogues or other high-priority issues for the Trump administration. *"Some of the concern we have, to be honest, is that a product like ours … when you change one thing for another, some politicians could use our product in exchange to get benefits in other products"* announces Ramon Paz, a strategic adviser to the Avocado Producers and Exporting Packers Association of Mexico. Paz portrays his industry as *"an exemplary case of the benefits of trade for everybody"* declaring American growers don't have the ability to cultivate roughly enough avocados to meet American consumers' needs. And Paz indicates avocados, among other products, might get a lot more expensive hinging on how the NAFTA discussions advance. Yet Ujczo declares that the Mexican government has played its hand comparably good so far, particularly given the anti-Mexico wordiness that's emerged from Trump. Mexican labor norms and salaries aren't practically at the levels of those in the US and Canada, but Ujczo declares it's remarkable that the three states are after all seeking to sort out a common agreement instead of interconnecting in different bilateral meetings, which Trump suggested at following formerly. *"We're not even talking about whether this would be a bilateral or trilateral discussion. It wasn't even addressed in the objectives. That shows you how far Mexico came"* Ujczo declares. *"I actually believe that this NAFTA discussion will be much more about the US and Mexico than it will be about Canada and the United States. And I think it will largely be an agricultural discussion."* (Soergel, 2017)

4.4 America's Probe of China's Intellectual Property Practices.

China is violating US intellectual property rights. Trump's Probe order of China's intellectual property practices will be presented and discussed in this section.

4.4.1 The Trump Administration Trade Concerns.

President Donald Trump approved an inquiry into China's asserted stealing of intellectual property in the first direct trade measure by his administration against Beijing. The move was incremental, but might finally contribute to the US commanding trade sanctions. Mr Trump is proposing to harmonize the progress with China on relations with North Korea, with his *"America-first"* trade views. Mr Trump came back to Washington (the White House) at a time of elevated tensions between Washington and Beijing over North Korea's nuclear ambitions, in order to endorse the memo, which allows US Trade Representative Robert Lighthizer to examine whether to launch a deeper Section 301 investigation. Section 301 of the Trade Act of 1974, a popular trade tool in the 1980s that has been rarely utilized in the past decade, authorizes the president to unilaterally place duties or other trade constraints to support US industries from *"unfair trade practices"* of foreign states. US Trade Representative Robert Lighthizer will have a year to examine whether to initiate a formal investigation of China's trade policies on intellectual property, which the White House and US industry lobby groups declare are damaging US businesses and jobs. If such a probe arises and finds against China, the president might unilaterally place duties, sanctions or other trade constraints to support US industries. The initial review is predicted to require months. Donald Trump has long complained against the massive US trade deficit with China. (Lesley Wroughton, Jeff Mason, 2017; Trump order reviews of china's trade policies, BBC, 2017) The total trade relationship was worth $648bn (£500bn) last year, but trade was heavily thrown off balance in China's favor with the US accumulating a roughly $310bn deficit last year. Some of that deficit, the argument goes, is because Chinese companies are imitating US merchandises and ideas and either selling them back to the US at a lower price or forcing US imports out of the Chinese market. Concern over counterfeit goods and online piracy also preceded the Trump administration. US companies are particularly bothered by rules that demand local partnerships or disclosure of intellectual property to access the Chinese market, which they declare speeds up the transmission of their ideas. Mr Trump labeled the memo *"a very big move"*, but also indicated that *"this is just the beginning"*. The investigation is presumably to cast a shadow over relations with China, the largest US trading partner, just as Trump is requesting Beijing to raise pressure against Pyongyang. Experts on China trade policy declared the long lead time could authorize Beijing to examine some of the issues advanced by Washington without being noticed to cave to pressure under the risk of retaliations. China repeatedly resisted attempts by past US administrations to take action on its IP practices. *"I'm sure they will formally reject this if an investigation is launched and there is an implication this is going to require negotiation to resolve it"* declared Matthew Goodman, a senior adviser for Asian economics at the Washington-based Center for Strategic and International Studies. Jonathan Fenby, an analyst at the TS Lombard consultancy, declared China was not keen on a short-term trade fix with the US and will refuse *"attempts to tie it down."* China's policy of obliging foreign firms to provide technology to Chinese joint venture partners and failure to put the aim on intellectual property theft have been longstanding problems for several US administrations. (Lesley Wroughton, Jeff Mason, 2017; Trump order reviews of china's trade policies, BBC, 2017) The Information Technology Industry Council, the major trade group for US technology giants, such as Microsoft (MSFT.O), Apple (AAPL.O) and Google (GOOGL.O), declared it wished China would take the administration's statement actively *"Both the United States and China should use the coming months to address the issues causing friction in the bilateral trade relationship."* ITI President Dean Garfield declared in a statement. The US Chamber of Commerce, the largest business lobbying group, declared China wanted to stop enforced technology transfers and to safeguard foreign intellectual property rights. In an editorial on Monday, the state-run China Daily newspaper declared the investigation will *"poison"* relations and alerted the Trump administration not to make a rash decision it might regret. In response to the move China's commerce ministry expressed a statement declaring *"serious concern"* and alerting this would *"definitely harm bilateral trade relations"*. *"If the US side take actions that impair the mutual trade relations, disregarding the facts and disrespecting multilateral trade rules, China will not sit idle,"* the statement declared on Tuesday. Official media in China have disapproved the measure too. A Xinhua News Agency commentary described the move *"outdated"* and declared it would harm both nations. In an editorial, the official China Daily asked the Trump administration to follow a different course. It declared the move might not be noticed in isolation from North Korea, and what President Trump identifies as China's failure to control in the state's nuclear ambitions and missile programme. *"Instead of advancing the United States' interests, politicizing trade will only acerbate the country's economic woes, and poison the overall China-US relationship,"* it declared. Some critics claim President Trump's drive is a dangerous move that might provoke the international trade system to untangle. (Lesley Wroughton, Jeff Mason, 2017; Trump order reviews of china's trade policies, BBC, 2017) While intellectual property theft and copyright infringement are major problems, following them with such a blunt instrument could incite China to adopt retaliatory measures, according to Deborah Elms from the Asian Trade Centre. *"There will be a lot of collateral damage along the way. I understand the impulse to get tough, but if I were a company in China, I would be very worried about this,"* Ms Elms declares. There were hundreds of section 301 investigations in the 1970s and 1980s, but the policy tool was largely disregarded after the WTO brought into effect a binding dispute system, largely at the demand of the US. Ms Elms declares that if the US discards the system it aided to expand over 30 years, other states could be enticed to operate unilaterally too. The Commission on the Theft of American Intellectual Property believes that the annual cost to the US economy from counterfeit goods, pirated software and stealing of trade secrets is between $225bn and $600bn (Trump administration officials have determined that theft of intellectual property by China could be as high as $600 billion). The commission declares that China is the world's principal intellectual property encroacher and that it accounts for 87% of counterfeit items entering the US. In November 2015, the Office of the Director of National Intelligence set the cost of economic espionage through hacking at $400bn a year. The EU, Japan, Germany and Canada have all showed concern over China's behavior on intellectual property theft. (Lesley Wroughton, Jeff Mason, 2017; Trump order reviews of china's trade policies, BBC, 2017)

4.4.2 *"Buy American, Hire American"*: An Executive Order Signed by Trump…

> Trump endorses *"Buy American, Hire American"* executive order, committing to fight for American workers. This mantra backed by Trump will be discussed and presented in this section.

President Trump endorsed an executive order that would toughen rules that grant visas to skilled foreign workers and instructs the federal government to implement rules that deny foreign contractors from tendering on federal projects. (Diamond, 2017; Phillip, 2017) The order is a first effort to advance a *"Buy American, Hire American"* agenda, a major promise Trump made during his campaign. Declaring at the headquarters of Wisconsin-based toolmaker Snap-on, Trump revealed that the order *"declares that the policy of our government is to aggressively promote and use American-made goods and to ensure that American labor is hired to do the job." "We're going to do everything in our power to make sure more products are stamped with those wonderful words "Made in the USA,'""* Trump disclosed. *"For too long we've watched as our factories have been closed and our jobs have been sent to faraway lands."* The return to Wisconsin was a first for Trump, who just gain victory in the state by about 27,000 votes over Democrat Hillary Clinton. But the victory ruptured a decades-long history of Rust Belt states standing solidly in the Democratic column. During his campaign, Trump criticized free-trade agreements, outsourcing of US jobs and the death of American manufacturing (assembling and composing) in states like Wisconsin, Michigan and Pennsylvania. The message implied to reverberate more than predicted with white, blue-collar workers who have for years been quitting the Democratic Party. *"The optimism in this room is the same incredible spirit that is sweeping across the country, and it's even greater than that great day in November when I won the state of Wisconsin and we won the presidency."* Trump announced. With the endorsement of this executive order, senior administration officials declared during a briefing with reporters that the White House is advancing with an agenda that intersects party lines. Labor unions, which usually lean Democratic, have long criticized free-trade pacts that they claim leave American workers behind, and the *"Buy American, Hire American"* mantra is one that both parties are keen to promote. (Diamond, 2017; Phillip, 2017) *"Those are two very specific policy positions that have long been advocated by many groups that represent workers in our country in particular by many labor unions and labor groups in our country*" one senior administration official announced. The executive order guides federal agencies to control fraud and abuse in the H-1B visa program, which is heavily utilized by technology firms. And it guides the federal government to fully implement federal guidelines, planning out the adoption of American companies and merchandises in federal projects. Both changes are intended at deterring the usage of foreign labor, which the administration claims that it forces out American workers and decrease salaries. It also intends to provide a boost to US steel mills and steelworkers. While Trump made purchasing American made merchandises and employing American workers a theme of his campaign. The trip comes as Trump is searching to refocus his administration on economic policy, even while other priorities like health care and tax reform have halted. Trump claimed that *"no administration has accomplished more in the first 90 days"*, noting the usage of military action and efforts to slash rules, implement immigration laws and boost law imposition. Praising American *"grit*" and *"craftsmanship"* Trump once again adopted the populist rhetoric that sustained his campaign during his remarks, describing the WTO as *"another one of our disasters"* and also claiming the NAFTA free trade agreement a *"complete and total disaster."* *""Buy American" is the Trump administration's highest priority when it comes to spending taxpayer dollars"* one senior administration official announced. But critics claim that the order is a half measure that hides Trump's inability to achieve big agenda items. *"President Trump has just repeatedly failed to deliver on the promises he's made to American workers during the campaign "* declared Senate Minority Leader Charles E. Schumer (D-N.Y.) . *"He hasn't stood up to China, who has robbed millions of Americans of jobs over the last several decades, has been a benefactor of loopholes in our buy America laws.(Diamond, 2017; Phillip, 2017) " "He hasn't even tried to move legislation that would end tax breaks for companies who ship jobs overseas, something we Democrats have been advocating for years ."*Schumer continued. Trump affirmed that he would *"soon*" issue the details of his administration's tax plan and indicated that a health-care system overhaul is still required to be achieved. *"We have to get the health care taken care of."* Trump announced. The president also showed some frustration with the speed of other changes he had assumed to make, involving discussing (renegotiating) the NAFTA, which he had sharply blasted during his campaign. Trump claimed the delays *"ridiculous"* and committed to challenge for a fairer agreement for American workers and firms. *"We are going to make very big changes, or we are going to get rid of NAFTA for once and for all."* Trump declared. *"We cannot continue like this."* (Diamond, 2017; Phillip, 2017)

4.4.3 Trump's "America First" National Security Strategy.

President Donald Trump revealed his administration's national security strategy, delineating the foundation and priorities that will guide US foreign policy during his time in office. He proclaimed the plan in a campaign-style speech that spared no words in condemning the policies of his predecessors, even if it didn't get into detail. Here are two things about Trump's national security strategy. First thing to learn is that Economic security is national security. The Trump administration's national security strategy concentrates densely on the US's economic relationships with other states, arguing that the US's economic security is essential to national security. (Diamond, 2017) The document makes clear that *"America First"* is more than just a campaign slogan, however presently a guiding power in the US's foreign policy making. Trump's strategy highlights the US's trade imbalances with other states and alerts of *"economic aggression"* from other states like China as main national security concerns. The strategy document; necessitated by congressional mandate, displays Trump's focus on trade since coming into office, and while it does not threaten the usage of duties as Trump has, it makes clear the US will guarantee that trade is *"fair and reciprocal." "The United States will no longer turn a blind eye to violations, cheating, or economic aggression,"* the document declares. Trump's speech was an unconventional presentation of his national security strategy, one that the president utilized as an opportunity to promote a flourishing US economy and his other successes in his first year in office. Second and final thing to learn about Trump's National Security Strategy is Trump's proclaiming China a *"Rival power".* The document frequently highlights that China is as a state that *"challenges American power, influence, and interests, attempting to erode American security and prosperity."* Trump in his speech mentioned China as "*rival power."* China will stay a major target of the administration's focus on protecting US economic security, and Trump's national security strategy frequently proclaims abusive Chinese trade practices, such as its theft of US firms' intellectual property. Ultimately, a major outcome of the new national security strategy became clear as Trump presented a speech intended at introducing the new strategy to the nation and the world: that the document can nevermore totally translate to the President's words and actions. (a written strategy …and a speech) He also utilized the speech as an opportunity to slam his predecessors, blasting *"the failures of the past"* and launching a simply disguised abuse at his most immediate predecessor, President Barack Obama. (Diamond, 2017)

4.4.4 Trump's First Trade Deal: A New US Trade Agreement with South Korea.

President Donald Trump has his first trade agreement. Senior US officials provided details on a deal in principle with South Korea to reconsider a trade agreement that initially went into effect in 2012.

The officials declared that the deal was an example of Trump delivering on his promise to voters to discuss better trade agreements for the US. *"This agreement is visionary and innovative."* one senior administration official announced. The US officials made their case for why the amended agreement is an improvement on the one that's presently in effect, which Trump has described as "horrible" and a "job killer." The South Korean government first declared the details of the deal. Some economists have indicated the new agreement isn't considerably distinct from the original one. South Korean exporters will be appeased that none of the duties that were removed under the old deal have been brought back, according to Krystal Tan, an economist at research firm Capital Economics. Experts denote that the discussions lasted only a few months, far shorter than trade negotiations usually take. Striking an agreement swiftly, they indicate, possess the advantage of dismissing a potentially divisive issue between the two military allies at a time of tensions and delicate negotiations with North Korea.

Here are few of the major takeaways from the new deal (Auto Exports, Steel and Aluminum, Currency Clause) :

Regarding Auto Exports, the Trump administration declares some of the major changes influence the auto industry, which accounts for a large part of the trade deficit the US runs with South Korea. (Gillespie, 2018)

Under the updated agreement, each US carmaker will be authorized to send out 50,000 vehicles per year to South Korea that complies with American safety standards, up from 25,000 formerly. Beyond that threshold, cars exported from the US will have to meet South Korean safety standards, which US firms declare set them at a disadvantage. However analysts declare the expanded quota is unlikely to make much change anytime soon. No US automaker sold out more than 11,000 cars in South Korea, the previous year. Trump administration representatives claim, however, that US car firms should profit from a deal with South Korea to appease *"burdensome"* auto rules more broadly. That involves decreasing extra tests and getting rid of classifying requisites that, the administration claims, hamper US automakers' capacity to sell in South Korea. The updated agreement also adjourns the cancelation of a US duty of 25% on pickup trucks from South Korea. It will now cease in 2041 rather than 2021. Capital Economics declares that there are no Korean pickup trucks sent out to the US presently. (Gillespie, 2018) Regarding Steel and Aluminum, the deal will restrict South Korean steel shipments to the US. The cap will be placed at 70% of what South Korea sends over in an average year presently. After 70%, South Korea may not send out additional steel to the US in any year. South Korea will not be bound by the large 25% duty that Trump has sanctioned on most other states. He has authorized provisional exonerations to numerous other US allies, involving Canada, Mexico and the EU. South Korea will nevertheless be bound to the 10% duty on aluminum that was sanctioned on most countries. Regarding Currency Clause, the US and South Korea also engaged to seek to make certain neither state depreciates its currency deliberately to obtain an unfair advantage on trade. However the measure requires teeth. When a currency is weaker, it makes exports competitive; and more appealing, to foreign (external) purchasers. It also makes foreign imports more expensive for local purchasers. On the campaign trail, Trump frequently criticized other states that he blamed of deliberately depreciating their currencies to obtain an unfair edge over the US. The US has never inserted a provision on currencies in a trade discussion previously, according to Trump administration representatives. But the devil is in the detail. The currency provision is not in fact in the endorsed deal and has no enforcement means. Inserting it in the text of the agreement would have needed an extended legislative approval mechanism, a course that administration representatives admitted they did not want to go down. Basically, both states are just engaging to behave in good faith with their currencies. (Gillespie, 2018)

4.4.5 US-China trade battle and the alienation of US allies.

President Trump further intensified his tariffs dispute with China by instructing his chief trade negotiator to consider setting duties on an extra $100 billion of products. China, in return, declared it didn't call for a trade war however was prepared to resist Trump's policies *"at any cost."* While the US move may not provoke a full-blown trade war, the tit-for-tat has increased the stakes of a conflict that is troubling Europe, Japan and US business leaders alike. While Trump indicates that his tariff plan is fundamental to adjust China's trade practices. Here's how we got to this point.

April 2017: Trump launches investigation into steel imports.

President Trump, who has frequently promised to get manufacturing and jobs back to the US, leads the Department of Commerce to examine whether imports of foreign steel from China and other states might be a threat to national security.

August 2017: Another investigation tightens the screws on China.

Trump initiates a second government probe explicitly aiming China. He demands US Trade Representative Robert Lighthizer to investigate unfair China's trade practices, with a particular focus on alleged Chinese theft of US intellectual property. The government agency later determines that intellectual property theft by China costs the US *"between $225 billion and $600 billion"* every year. China's state-run media claims the probe will *"poison"* the relationship between the two states, while the Chinese government later attacks the Trump administration's *"unilateralism and protectionism."*

A quiet few months.

The Trump administration's threats against China, involving the two probes, don't contribute to tangible action over the rest of 2017 as Trump displays restraint amid a budding relationship with his Chinese counterpart Xi Jinping. Nonetheless, experts notify that 2018 might be a distinctive story, calling a trade war between the two giant economies more likely.

January 2018: First, solar panels and washing machines.

The first notable trade activity against China takes place at the beginning of the year, when the US declares a 30% duty on imported solar panels ; most of which come from China , and taxes on big residential washing machines starting at 20%. China discloses *"strong dissatisfaction"* over the decision, adding that it *"aggravates the global trade environment."*

Other influenced states, involving South Korea and Mexico, menace varying degrees of retaliation to the duties.

February 2018: Commerce Department proposes tariffs.

The department, headed by Commerce Secretary Wilbur Ross, suggested a range of tariffs in February 2018 inclusive of 24% on steel and 7.7% on aluminum. While US steelmakers backed tariffs on their foreign counterparts, much of Corporate America alerted that they might backfire and start up a trade war. China declared it will *"take necessary measures to defend our rights"* if it is striked with duties.

March 1 2018: Trump first announces steel and aluminum tariffs.

Declaring at the White House, Trump composes a first statement on his plans to place punitive duties on imported steel and aluminum. The president claims he has agreed on duties of 25 percent for foreign-made steel and 10 percent for aluminum, making no exemptions for near allies such as Canada, Britain or Germany. (Noack, Iyengar, Wattles, 2018) The president then uses twitter to explicate his decision. *"When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win,"* he claims. *"Example, when we are down $100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!"* China initially responds with cautious criticism, forcing the US to comply with multilateral trade rules and carry nothing to harm the fragile global economic recovery. Reactions are most furious in Europe where Trump's announcement prompts a sharp backlash, involving threats of retaliation. To stop other states from successfully defying his move through the WTO, Trump claims that his plan is established on national security concerns. International treaties declare that a state can call for exceptions from its trade obligations if national security is at stake. Trump later supports the measures, claiming that his national security reasoning is justified (vindicated) because the US is required to manufacture more steel and aluminum for its defense sector. Trump himself indicates that the duties are planned to penalize China for what the president believes an unfair trade relationship. In the past, Trump has frequently mentioned cybertheft and a Chinese rule that obliges US firms to provide proprietary technology if they aim to gain access to the Chinese market.

March 8: Trump offers temporary tariff exemptions for Canada and Mexico.

On March 8, Trump partially alters his tough stance. Administration officials declare that the president will grant Canada and Mexico temporary exemptions from new tariffs on steel and aluminum imports. (Noack, Iyengar, Wattles, 2018)

Mid-March: U.S. resistance to the tariffs plan is on the rise.

With Trump carrying on claiming that the measures will be implemented on China and US allies except Mexico and Canada, Republicans in Congress begin to request narrower measures to prevent a complete confrontation with main US trade partners such as the EU. US trade associations enter the protest, alerting that any confrontation over tariffs with China might be *"harmful"* to Americans. The president regularly takes to twitter to assure US firms and consumers that the confrontation with China will rather finish up profiting Americans. *"We cannot keep a blind eye to the rampant unfair trade practices against our Country"* Trump noted on March 14.

March 20: China vows to open its markets further in response to Trump's tariff threats.

As Trump plans to charge $60 billion in tariffs against Chinese products, China alerts of severe repercussions. *"No one will emerge a winner from a trade war"* declares China's premier, Li Keqiang.

March 22: The E.U., Brazil, South Korea and others get temporary exemptions from Trump's steel tariffs.

Trump declares a temporary reprieve on duties on steel and aluminum imported from EU member states, South Korea and other US allies, eliminating some of the foreign and domestic pressure on him to modify his plans.

March 22: "China would fight to the end".

China releases a statement in which it alerts Trump that it won't back off: *"China would fight to the end to defend its own legitimate interests with all necessary measures."*

April 1: China says it will impose tariffs on 128 U.S. exports.

In response to Trump's plan, China places similar duties (US imports worth around $3 billion) on 128 US products, enclosing pork (25% tax) and certain fruits (15% duty). (Noack, Iyengar, Wattles, 2018)

April 3: The Trump administration targets $50 billion in Chinese goods with tariffs.

In response, and in a move that may also finish up endangering the supply chains of US firms enclosing Apple, the Trump administration discloses a list of Chinese products (1300 Chinese goods, 25% tax) it aims to strike with tariffs. Overall, the measures aiming electronics, aerospace and machinery products add up to $50 billion.

April 4: China targets 106 more U.S. products; Trump remains defiant.

The world's two largest economies get closer to a full-scale trade war, as China warns to introduce duties on products (retaliatory tariffs that nearly illustrate the Trump administration's proposal a day earlier ,25% on a range of products from the US, worth approximately $50 billion) . Meanwhile, Trump displays no sign of backing down from the escalation and carries on ignoring warnings from US trade groups. *"When you're already $500 Billion DOWN, you can't lose!"* the president notes on Twitter, mentioning the 2016 US deficit in goods and services trade, which he has repeatedly showed. The 106 products on China's list enclose aircraft and automobiles as well as soybeans and chemicals. International markets have been strike hard by the Chinese declaration, as have the merchandises on the list and the firms producing them.

April 5: Trump seeks additional tariffs on $100 billion of Chinese goods.

Reacting to China's previous declaration to aim 106 more US products, Trump (a Trump statement requested the broadest wave of new tariffs yet; $ 100 billion worth) claims he intends to install import taxes on $100 billion worth of US goods. Trump demanded US trade representative Robert Lighthizer to explore which products his administration may aim. In a separate development, China pursues consultations with the US through the WTO's dispute settlement process; a mechanism in which Trump so far does not show up concerned to tackle.

April 6: China threatens to hit back.

China alerts it would reciprocate to any extra duties. China's Commerce Ministry announced that the state *"has already formulated very detailed countermeasures"* and promises to *"fight at any cost."* As the confrontation keeps on intensifying, business associations in the US and around the globe once again recommend both sides to hold back. The US Information Technology Industry

Council describes Trump's latest threat *"irresponsible*," and the National Retail Federation alerts of a *"dangerous downward spiral."* US stock markets are rattled. The Dow closes down 572 points, or 2.3%, on April 6 after dropping almost 767 points already in the day. (Noack, Iyengar, Wattles, 2018)

4.4.6 Trump and Nationalism.

The start will be with what nationalism signifies: *"a sense of national consciousness exalting one nation above all others and placing primary emphasis on promotion of its culture and interests as opposed to those of other nations or supranational groups."* President Donald Trump called himself a *"nationalist";* a designation some of the president's fiercest critics have formerly used against him as an attack on what those analysts regard nativist policy pursuits by Trump's administration. *"You know, they have a word, it sort of became old-fashioned. It's called a nationalist…"* Trump declared at a campaign event in Houston, where the president mobilized voters to back Sen. Ted Cruz (R-Texas) in November's midterm elections. *"And I say, 'Really? We're not supposed to use that word"* Trump carried on. *"You know what I am? I'm a nationalist. OK? I'm a nationalist."* As the crowd in the Houston Toyota Center growled with applause, the president carried on: *"Use that word. Use that word."* Trump's comments followed a reproach of *"globalists"* whom the president blamed of placing other states interests ahead of those of the US. *"Radical Democrats want to turn back the clock. Restore the rule of corrupt, power-hungry globalists"* Trump declared. *"You know what a globalist is, right?"* Trump clarified: *"A globalist is a person that wants the globe to do well, frankly not caring about our country so much. And, you know what? We can't have that."* The words *"nationalist"* and *"globalist"*; both loaded terms with occasionally dire connotations, have made their way into the popular political lexicon since Trump became president. The former indicates the promotion of self-governance and one state's interests. But it has also been linked with the "alt-right" movement, which is largely supportive of the president's plans however has sometimes been blamed of cherishing white supremacist tendencies.(Forgey, 2018; Blake, 2018; Cummings , 2018; Elving , 2018; Baker, 2018; Cilliza, 2018) And the latter label, which may indicate a more economically connected world of global agreements, is frequently used by racist commentators on the internet in a conspiratorial sense as a euphemism for Jewish people. In Trump's constant campaign trail stops for Republican congressional candidates before the midterm elections, Trump has frequently asserted the national security danger posed by illegitimate immigration at the US-Mexico border, and alerted of violent gangs and drug runners who Trump declares endanger American communities. On the 22 of October 2018, the US president took to Twitter to declare that a caravan of migrants en route to the southern US border was a *"National Emergency"* writing up online that *"Criminals and unknown Middle Easterners are mixed in."* (Forgey, 2018; Blake, 2018; Cummings, 2018; Elving, 2018; Baker, 2018; Cilliza, 2018)

4.4.7 Macron and Globalization.

"Globalization is the integration of national economies through trade, investment, capital flow, labor migration, and technology." (Merriam-Webster)

- **Macron's global contract.**

French President Emmanuel Macron's speech at the World Economic Forum in Davos on Jan. 24, 2018 asked for nation-states and enterprises to engage in a *"true global contract"* to buy into human capital, and face the challenges of terrorism and climate change. *"Globalization is undergoing a major crisis"* Macron declared, *"and this enormous challenge requires a collective effort."* (Cole, 2018) Macron announced France's engagement to developing a business-friendly environment. Macron proclaimed *"France is back!"* This was an unspoken provocation to the US, which under President Donald Trump has menaced to flare up a trade war by enforcing pricey protective duties. Macron made an argument concerning the international economy. Economic development, Macron declared, may never be an end in itself. A world where all states fight against one another has contributed to an unsuitable Darwinian battle, a race to the bottom. Short-term profits increase to the few. The sharing of resources in the world is progressively unfair. Macron indicated that an engagement to development at all costs generates serious divisions within states. Modern technologies and the disproportionate development and power of the financial sector have generated winners and losers in every state. The *"nomadic"* and gifted few who are capable to habituate to the modern economy movement comfortably from New York to London to Tokyo and back, Macron indicated. Many more may not habituate and are outdistanced. In this way, Macron claimed, democracies are corrupted from inside, procuring fertile ground for nationalists whose only solution is to shift inward and secure the borders against the world. Populist parties in Europe and North America accuse globalization for all their problems. Their leaders abandoned global deals at exactly the time when coordinated powers are extremely required. Macron did not call names in his speech, however the public at Davos surely comprehended the reference: Trump's criticism of NAFTA and the TPP; British electors voting for Brexit; and France's own National Front demanding the French to quit the EU. For Macron this is the main risk of the current period: a return into an unproductive nationalism that is unable of undertaking the evident threats facing the world today. Macron asked for a *"true global contract"* that stands on three obligations that fall evenly on nation-states, their communities and private enterprises. The first is the *"duty to invest"* specifically in the schooling of young women in underdeveloped states. The second obligation is the *"duty to share"* both the revenues and expenses that follow the modern economy. (Cole;2018) Eventually, Macron asserted that the global contract entails a collective *"duty to protect."* The challenges of terrorism, large-scale migrations and climate change may particularly be faced with a collective, multilateral effort. Macron's global contract seems strangely like the promises of the postwar European welfare nations: Put in human capital through subsidies of education, reorganize the value created by capitalism to all participants in the international economy, and support the vulnerable through multilateral and coordinated strategies that include both the public and the private sector. The difference, as expected, is that France's older social configuration rested on a strong state to resolve the conflict of interests between employers and labor. Macron's *"global contract"* is a form of multilateralism that involves both states and nonstate actors. It requires an arbitrating power to assert that everybody play by the rules. Macron's belief is that a unified Europe could perform this arbitrating task. A democratic Europe could thread the needle between the uncontrolled capitalism regularly supported by the US and the statist and anti-democratic configuration endorsed by China. It's a fascinating perspective, however even the hopers will concede that it is clear to view the ways that cause failure not success. Macron knows the risks; however, appears to view no alternative choice. (Cole; 2018)

- **France Unemployment Rate (2018).**

The unemployment rate in France stood at 9.1 percent in the third quarter of 2018, the same as in the past term and marginally under market predictions of 9.2 percent. In metropolitan France solely, the unemployment rate was still unaffected at 8.8 percent in the third quarter while the number of jobless persons raised by 22,000 to 2.6 million. The employment rate increased by 0.1 percentage points to 65.9 percent, its topmost level since the early 1980s, and the activity rate increased to 72.3 percent, its topmost since the series started in 1975. Unemployment Rate in

France equated 9.27 percent from 1996 until 2018, attaining an all-time high of 10.70 percent in the first quarter of 1997 and a record low of 7.20 percent in the first quarter of 2008. (Trading Economics; 2018)

Conclusion:

Is the World heading towards more Liberalism (Free Trade), Post- Liberalism or Protectionism (i.e. deglobalization.)? What is the future of the international trade system? After decades of expanding regional integration in Europe, in 2016 voters in the UK decided to exit the EU. The UK activated EU Treaty Article 50 to terminate its five decades of EU membership within two years. And in January 2017, the president of the US declared his state's exit from the Trans-Pacific Partnership (TPP), provoking uncertainty among the 11 other signatories. These events adopt extensive and polarizing debates on the costs, benefits, and distributional effects of free trade and free trade deals. However, rather than concluding the discussion, recent political developments imply to have centralized expanded attention on the role that trade performs in our lives and have advanced new questions such as whether we are witnessing the end of free trade deals. More than 270 trade deals between two or more states are presently operational. Such trade deals have expanded in Latin America and the Caribbean since 1994. Our take on the actual situation is that rather than witnessing the end of trade deals, the world will see more of these. (free trade agreements). What lies ahead are bilateral trade deals enclosing laws that are not arranged and that can raise the cost of doing business for firms. This scenario can be specially demanding for firms that are part of local or international value chains. (Amadeo, 2016; Schnegg, 2016; Tress, 2017; Shearer, 2017)

If there will be more trade deals, what will occur to supposed megaregional trade deals? The *"mega"* in *"megaregionals,"* as they are recognized, points out to the size of the economies that are mediating or have completed them. Prior to the Brexit and the US departure from TPP, megaregionals had been the most recent trend in trade deals. They had been hailed by many analysts, participating firms and traders because they clarified the complicated landscape of projecting bilateral trade deals and promoted consistent rules and regulations which would decrease transaction costs and lead to scale economies. The most popular examples of megaregional deals are the Trans-Pacific Partnership (TPP); the Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU, both supported by the US until recently; and the Regional Comprehensive Economic Partnership (RCEP) between Australia, China, India, Japan, Korea, New Zealand, and the ten states of the Association of Southeast Asian Nations (ASEAN). Most importantly, TPP and TTIP are examples of megaregionals that are aiming to present innovative content that displays 21st-century trade and economic exchanges. They have been subject to scrutiny from civil society and interest groups because of their focus on issues where international trade strategy overlaps with traditional national policymaking. Those *"behind the border"* issues enclose cross-border labor norms, public procurement, competition strategy, trade and environment, trade in services, e-commerce, intellectual property rights, and the role of state-owned companies, all of which the US aimed to support in most of the bilateral FTAs it has endorsed since NAFTA. But more recently, the US has indicated a change in its trade policy through an initiative recognized as *America First,* which plans to establish jobs in the US, especially in manufacturing(production), and guarantee that US employees are aggressive in foreign markets. (Amadeo, 2016; Schnegg, 2016; Tress, 2017; Shearer, 2017)

Even though still in its early stages, this new policy entails a focus on bilateral trade discussions rather than the search of megaregional deals, a switch that can lead to creating additional trade deals. Is There Still Momentum for Free Trade? While some megaregional deals are confronting stronger headwinds, other bilateral trade discussions are progressing. (Amadeo, 2016; Schnegg, 2016; Tress, 2017; Shearer, 2017) In her speech of January 17, 2017, the British prime minister formally declared her state's objective to quit the EU and mentioned Britain as a *"great, global trading nation"* that would not look inward but would instead aim at *"a bold and ambitious free trade agreement"* with the EU and other trade partners (British Embassy, Bogotá, 2017). Several possible new FTAs are on the table for the UK with partners that enclose Australia, Brazil, China, the US, India and New Zealand. Even though the TTIP appears unlikely at least in the short term, there is still considerable momentum in trans-Atlantic trade discussions. In 2016, Mexico and the European Free Trade Association (EFTA) started discussions to strengthen their 15-year old trade deal by expanding its scope and openness. The projected update is expected to supply greater market admission for delicate agricultural goods, raised adaptability for rules of origin, and deeper engagements on issues such as public procurement, intellectual property, and small- and medium-sized companies. Chile has showed interest in a similar undertaking. Latin American states are carrying on searching for opportunities across the Pacific. Chile and Peru already have free trade deals with many Asian parties to the TPP. Mexico has a trade deal with Japan and aims to complete bilateral trade deals with the remaining TPP representatives with which it does not yet have a deal. Chile lately arranged a reunion with TPP signatories and enclosed states that were not formerly participating such as China, Korea and Colombia. What will take place next concerning the future of Free Trade deals? That is the question. As they actually exist, trade discussions are very fluid and it is difficult to anticipate with any certainty. (Amadeo, 2016; Schnegg, 2016; Tress, 2017; Shearer, 2017) Nevertheless, in the actual situation it is secure to predict further, instead of fewer, trade deals because the UK and the US will follow bilateral trade deals. If megaregionals are deferred, the current FTAs that they were assumed to arrange and clarify will be kept in place. Regardless of the actual tests it encounters, the TPP is ambitious in both its economic scope and the range of issues it embraces. Notably exceptional are its environmental provisions, which not solely instruct members to follow numerous MEAs they have endorsed however likewise outstrip the obligations enclosed in MEAs concerning handling flora and fauna and avoiding overfishing. The aspirational nature of these ecological provisions could act as a template in prospective trade discussions. (Amadeo, 2016; Schnegg, 2016; Tress, 2017; Shearer, 2017) Concerning FTA’s, till currently, there are Concerns about the deterioration of labor and human rights preservation (poor working conditions), Concerning the washing down of ecological norms (degeneration of natural resources), Concerning an expanded job outsourcing, the stealing of intellectual property, a crowd out of local businesses, an elimination of indigenous societies and a decreased tax return. The best resolutions for those matters are rules inside the deals that shield against the flaws. Ecological defenses may avoid the annihilation of natural resources and civilizations. Labor regulations prohibit meager working circumstances. The WTO implements FTA (Free Trade Agreements) rules.

There exists a necessity to have a harmony between environment, enterprise and employees claims. Advanced economies may support local farmers establish sustainable(feasible) practices, and then advertise them as such to consumers who value that. States may request that foreign firms set up local plants as part of the deal. They may demand these firms to share technology and prepare local employees. (Mazda USA and Toyota USA cases) The discussions of all FTA have to be clear and comprehensive. The EU has previously taken measures in that aspect by making few components of the discussion reports accessible to everybody (the public), so everyone does not have to count on WikiLeaks or other non-official sources anymore. Negotiating a trade deal with sound regulations for fair globalization and ecological security(insurance) is surely a target worth anticipating. The likelihood of such a deal among the strongest economies in the world might boost all the parties in question substantially and absolutely lead them to superior requirements. Such a deal might have a pioneering influence for the rest of the world, where massive FTA's are on the way from being negotiated. After the election of Trump as US President and in accordance with his trade program(plan), protectionist measures and strategies are being used, NAFTA conditions are being remediated. There is an advancement of different forms (models) of protectionism. The world is heading toward a post-liberal era.

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