Influence of Trans-Pacific Partnership versus Chinese Giants: Illusion or real economic mastery?

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Abstract

The Trans-Pacific Partnership (TPP) as one of the economic power pacts in Asia Pacific and Latin America that built the economy by combining several regions in an agreement. In addition to economic motives, the RTA aims to usurp the Asian influence from the Chinese giant, which is growing fast and massive. However, the United States as a TPP creator has withdrawn from the agreement after Trump's victory as president. This further dims the influence of the United States in Asia and enables China to become a super power in the world through the concept of "One Belt One Road". This is exacerbated by the existence of a trade war between United States and China, and Trump's policy in evaluating "recipient preferences" countries that disagree with him.

The purpose of this study is to investigate how TPP (and / or joining China) influences ASEAN and other developing countries. The Computable General Equilibrium (CGE) model with the Global Trade Analysis Project (GTAP) approach was used in this study. We construct 4 scenarios and shock to illustrate the various effects of the RTA. The author employs welfare, balance of trade (BoT), exports and imports, transportation and logistics costs, Prince, capital, employment structure and human resources as indicators of the static and dynamic effects of global policy change.

Our findings show that both TPP and joining China had a positive impact on ASEAN macroeconomics, except for a number of developing countries. However, TPP without the United States provides a less benefit compared to the existing country. The scenario of joining China increases the value of international trade for most regions, but not for the welfare and BoT of partner countries. The implications of this policy, both Indonesia and other countries that will join the TPP must measure macroeconomic capacity and prepare a set of policies related to the "role of the games" of the agreement. In addition, ASEAN has established an AC-FTA, which means whether it joins the TPP or not, ASEAN remains a market and production colony for China.

Keywords: Trans-Pacific Partnership (TPP), CGE, GTAP, welfare, BoT, macroeconomics and ASEAN
JEL Classification: F13, F15, F53, F55

I.   Introduction

The Trans-Pacific Partnership (TPP) is a regionalism that has played an important role in free trade and investment in recent times. TPP is a new economic pact in the world, where trade and GDP in the region reach 40 percent of total world trade and GDP. Besides the TPP market which is quite large, 800 million

people, this has become its magnet especially for production from member countries. The TPP was agreed in October 2015 by 12 Asia Pacific and Latin American countries (namely are Brunei Darussalam, Japan, Malaysia, Singapore, Vietnam, Australia, New Zealand, Canada, Chile, Mexico, Peru, and the United States) and the United States became the axis in the FTA. It aims to increase the influence of the United States in the Asia Pacific and to break down Chinese influence in the region (BBC, 2017). But in 2017, after Trump was elected president, the United States withdrew from the TPP. According to Trump, the TPP is a political tool from the previous regime, the TPP has the potential for disaster for the manufacturing industry, employment and taxes in the United States. Although a year later Trump reconsidered his decision to leave the TPP (Taylor, 2018). United States uncertainty regarding TPP, China can take advantage of this condition by increasing its role and influence with the "One Belt One Road" approach to dominating the Asia Pacific market.

TPP is debated, empirical studies, TPP both with and without the United States, will provide benefits for Mexico and member countries as long as trade integration is carried out (Valverde & Latorre, 2017), US "Yarn-forward" policies are ineffective in the TPP context, in fact Vietnam's textile industry will be the winner in the United States (Lu, 2016); TPP creates benefits in terms of manufacturing and agricultural exports, banking and skilled labor in Canada (Mukhopadhyay & Thomassin, 2018); Korea's welfare increases when joining TPP members (Roh & Oh, 2016); This RTA is able to create economic integration that is parallel and mediates between the US and China (Karakuts, 2015); TPP will increase real income, GDP and exports for all member countries and the United States is the largest [(Plummer, 2016) and (Karacaovali & Talagi, 2017)] and welfare (Ciuriak, Xiao, & Dadkhah, 2017).

The implementation of foreign workers under TPP in Malaysia is biased, which depends on the implementation and design of the RTA (Pillai, Rasiah, & Williams, 2016); health and drug prices become new problems in this RTA, lack of transparency (lack of evolution) and the nature of RTA as a cause of this failure ((Freeman, 2016), in Asia there are no institutions that regulate it, causing difficulties in accessing cheap medicines (Lee, Khan, & Ming, 2016); nutrition restriction, healthy eating and access to nutrition education conducted by the government (Thow, et al., 2015), the creation of injustice against access to medicines and health in New Zealand (Gleeson, Lopert, & Reid, 2013); lack of connection with the allocation of environment and water among TPP members (Yu Zhang, Wang, Cao, Liu, & Wang, 2017); TPP produces relatively small price changes in the forestry industry, while the only countries that benefit are Vietnam, the United States and the Rest of World (Buongiorno & Zhu, 2017); the United States food agriculture sector is the most profitable country compared to other member countries including the rest of the world (Disdier, Emlinger, & Fouré, 2016); TPP reduces Pakistan's GDP, exports and imports by joining this RTA (Khan, Zada, & Mukhopadhyay, 2018); an increase in CO_2 emissions as a result of this RTA has occurred in Malaysia (Solarin, Al-mulali, & Sahu, 2017) and all member countries (Akahori, Sawauchi, & Yamamoto, 2017); the economic growth of member countries is smaller than the initial projection (even the USA and Japan are negative) and the TPP results in unemployment and inequality (Capaldo & Izurieta, 2018); the combination of TPP and TTIP will have an impact on the decline in China's GDP by 2.3 percent (Aslan, Mavuş, & Oduncu, 2014).

The future of the TPP is still speculated because of the absence of the US as a leader in free trade, even though President Trump is reviewing this policy. Japan's Prime Minister said that without the US, the TPP would only lose 250 million people and would expand cooperation with countries outside the union such as Britain, Korea and Taiwan (BBC, 2017). TPP, with or without the US, continues to provide benefits for member countries, although not as much as the US. With the joining of the US, the value of trade in the

region increased by 9.4 percent and vice versa between 2.6 - 6.4 percent if the US did not join. But what's interesting is that intra-trade between union members (11 countries) increased by 16 percent (Alschner, Seiermann, & Skougarevskiy, 2017). Without the joining of the US, the TPP (especially Mexico) can increase trade in the rest of the world, welfare and GDP (Valverde & Latorre, 2017). If the US continues to withdraw from this agreement, China may take over the role of "leader" in this RTA so that the initial goal of the US to stem the rise of China is only an illusion. The existence of China in a free trade (TPP and TPIP) spurs the country's economy (Aslan, Mavuş, & Oduncu, 2014) and (Karakuts, 2015)], the integration of Asian economies tends to be closer to China [(Yunhua & Kui, 2007) and ((Narine, 2018)].

The purpose of this study is to investigate how the TPP influences, whether with or not the United States, how China's response to US policies withdraws from the TPP. The policy is likely to cause impulse responses, *first*, China continues to focus on its policy of "One belt One road", which means that China has allowed TPP to continue. *Second*, China takes over the role of the US in the TPP, so that this is possible for the TPP under Chinese control. This study describes the various impacts of the possible change in the direction of FTA. This analysis uses the Computable General Equilibrium (CGE) approach to look at various macroeconomic and sectoral impacts. Construction This paper consists of three parts, the second part discusses the results and discussion of the 4 scenarios that have been operated. The last part about the conclusions and implications of the results of this study..

II. Result and Discussion

To analyze the impact of TPP and the rise of the Chinese economy, this study employs the Computable General Equilibrium (CGE) model using the Global Trade Analysis Project (GTAP) approach, in which the assumptions built from this model are perfect competition and constant return to scale. The dataset of this model was obtained from GTAP version 8 consisting of 129 countries and 57 products. Following the objectives of this study, the authors construct 4 scenarios:

i. TPP without the US
ii. TPP with the US as the leader
iii. FTA with the US and China outside the TPP
iv. China becomes part of the TPP without the US

This scenario is based on full liberalization, in which all FTA members apply the same tariff (null percent) between union members and different rates outside the union. Scenario 1, FTA without the US, because the country has withdrawn from it is not included in this scenario. Scenario 2 considers if the US will rejoin TPP members. This is consistent with Trump's statement quoted by The Washington Post, "Trump ordered high-ranking officials to reconsider joining the TPP" (Taylor, 2018). Scenario 3, TPP with the US as the leader and China as a competitor country outside the FTA. The shock applied in this scenario is that TPP is in a condition of full liberalization and China is building a production base by increasing input in the form of capital and skilled labor, including the OBOR strategy. This is based on the trade war between the two countries, it is unlikely they are in a union. In addition, one of the goals of the TPP was formed was to knock down China's influence in Asia (BBC, 2017). In the final scenario, without the presence of the US in the FTA, then China takes over by joining the TPP.

2.1 Welfare

Table I shows the welfare impact of all scenarios. Both with the US and not, the TPP generates positive welfare for all member countries, although welfare is greater when the US joins, this finding supports

(Valverde & Latorre, 2017). US Welfare decreased by $ 3,823 million when the US withdrew from this agreement and increased by $ 60 million when joining TPP. A full reduction in tariffs by the TPP in general only benefits the union. This is reflected in scenarios 1 and 2, all countries outside the union experienced a decrease in welfare, which the US suffered the most ($ 3,823 million) in scenario 1 and China ($ 2,423 million) under scenario 2.

Table 1. Welfare Impact under Trans-Pacific Partnership

	Scenario 1*	Scenario 2*	Scenario 3*	Scenario 4*
TPP	9,018.23	10,437.4	12,923.69	29,443.7
CLM	-6.39	-23.93	-22.34	-26.36
Indonesia	-140.99	-234.8	107.88	-487.98
Philippines	-65.23	-97.01	12.12	-624.72
Thailand	-270.42	-455.98	457.49	-1,044.03
EastAsia	-222.72	-367.8	341.63	-2895.84
China	-1,017.79	-2,423.91	181,833.33	10,565.58
SouthAsia	-223.34	-513.91	-1,054.9	-951.19
USA	-3,823.64	59.69	463.62	-9,711.56
Latin America	-264.08	-944.91	257.16	-770.32
EU_25	-502.16	-1,288.17	-2,950.85	-3,232.78
Rest of World	6.23	-800.78	7,882.96	-4,082.92

Note: CLM= Cambodia, Laos and Myanmar; *)= USD million

Source: Model simulation

A terrible change occurred in scenario 3. This scenario caused almost all countries to benefit from the existence of this FTA, except CLM, East Asia and EU. China generates the biggest welfare from this scenario, which is an increase of $ 181.833 million. This is very possible because the investment spent by the country in this scenario is quite large, they increase production inputs to 10 percent. In addition, Chinese production is increasing returns to scale, so that the output produced is also greater. This also had an impact on TPP with the US, where the welfare union increased by $ 12,293 million. This scenario also has a positive impact on welfare for countries outside the union, namely ASEAN (except Cambodia, Laos, and Myanmar) East Asia, Latin America and the Rest of the World.

The final scenario marks the collapse of US influence in Asia. If China joins the FTA, this country can become a new axis in the region. joining China, assuming full liberalization, the TPP will enjoy the greatest positive welfare benefit compared to other scenarios. This scenario is less profitable for China because welfare benefits are smaller than the previous scenario. This is very possible because the country has to make structural adjustments from the current OBOR focus. CLM and EU are the regions that are disadvantaged from all scenarios, the biggest welfare loss suffered by the EU in the last scenario. The scenario of China as a leader in this FTA hurts US welfare, reaching $ 9,711 million. This situation further increases the political tensions between the two countries after the trade war policy.

2.2 Macroeconomic (GDP, Trade and investment)

Tables 2, 3 and 4 show the changes in Gross Domestic Products (GDP), exports, imports and current net rates of return on the capital stock as an indicator of investment attractiveness. Changes in scenarios 1 and 2 GDP are positive for all countries in the world, where TPP benefits the biggest change. GDP underwent a drastic change under scenarios 3 and 4, even besides China and TPP, GDP growth was negative. This scenario indicates a shift in value-added and industrial output from countries in the world to the two regions so that this causes shifts in economic activity in the world. Increased output as a result of the effectiveness of production in these two regions is one of the factors causing changes in GDP in the world. The impact of changes in GDP in scenario 4 is more beneficial for TPP but not for China. The joining of China in this FTA will create new markets, especially for partner countries.

TPP results in increased trade, exports, and imports, for all scenarios. Scenario 2 is the highest result in terms of an increase in exports, 11.62 percent, which is much greater than imports. This explains that intra-trade in the region has increased both with and without the United States, although TPP in the presence of the United States provides greater trade benefits. This finding supports (Alschner, Seiermann, & Skougarevskiy, 2017) about the greater role of the United States in trade under TPP. The presence of TPP has created greater trade creation for union members, greater trade benefits through the efficiency of production factors of each union member. The benefits of trade are also felt by ASEAN countries (other than TPP members), where the average increase in exports is above 9 percent, while imports have increased between 1-2 percent. While scenarios 3 and 4, trade benefits only occur to members of the TPP and China. The elimination of tariffs causes the traffic of goods and services to spin only in the region and China which has a strong production base and capital will get greater benefits compared to TPP. The increase in trade between TPP members and China for all scenarios is also caused by positive terms of trade (ToT), so this has an impact on world export prices that are more affordable than in other regions.

Table 2. Percentage change in Gross Domestic Product (GDP) under TPP

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
TPP	10,39	10,38	0,12	1,37
CLM	9,84	9,36	-0,9	-0,68
Indonesia	9,87	9,7	-0,45	-0,49
Philippines	9,87	9,71	-0,31	-1,48
Thailand	9,78	9,58	-0,72	-0,93
EastAsia	9,93	9,86	-0,24	-1,08
China	9,9	9,77	3,54	0,21
SouthAsia	9,92	9,78	-0,59	-0,38
USA	9,84	9,99	-0,36	-0,43
Latin America	9,89	9,71	-0,46	-0,35
EU_25	9,95	9,88	-0,46	-0,29
Rest of World	9,96	9,89	-0,29	-0,34

Source: Model simulation

Table 3. Percentage change in Trade (Export & Import) under TPP

	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
	X	M	X	M	X	M	X	M
TPP	0,84	12,29	11,62	2,81	1,44	2,24	3,02	4,44
CLM	-0,02	9,5	9,57	1,17	-0,87	-0,94	-0,51	-0,65
Indonesia	-0,1	9,56	9,66	2,61	-0,46	-0,55	-0,67	-0,93
Philippines	0,03	9,84	9,92	1,62	-0,11	-0,07	-1,13	-1,67
Thailand	-0,02	9,71	9,8	3,92	-0,39	-0,46	-0,76	-1,12
EastAsia	-0,04	9,82	9,87	-0,32	-0,02	0,06	-1,64	-1,97
China	-0,08	9,73	9,75	-0,42	4,14	4,28	3,86	5,37
SouthAsia	0,01	9,77	9,87	-0,34	-0,15	-0,34	-0,34	-0,47
USA	-0,08	10,35	10,62	0,21	0,41	0,22	-0,58	-0,93
Latin America	0,03	9,57	9,86	-0,52	-0,28	-0,43	-0,21	-0,54
EU_25	0,02	9,87	9,96	-0,18	-0,38	-0,4	-0,21	-0,32
Rest of World	0	9,85	9,94	-0,21	-0,22	-0,25	-0,35	-0,51

Note: X= export; M= import

Source: Model simulation

Table 4. Percentage Change in Current Net Rate of Return under TPP

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
TPP	0,45	0,55	0,69	0,53
CLM	-0,06	-0,21	1,78	-0,34
Indonesia	-0,09	-0,11	0,72	-0,14
Philippines	-0,09	-0,11	1,11	0,01
Thailand	-0,19	-0,27	3,04	-0,37
EastAsia	-0,07	-0,1	-0,16	0,06
China	-0,05	-0,06	-0,11	6,69
SouthAsia	-0,04	-0,08	-0,11	-0,26
USA	-0,09	0,06	0,03	0,03
Latin America	-0,05	-0,13	-0,15	-0,14
EU_25	-0,01	-0,03	-0,04	-0,07
Rest of World	-0,02	-0,03	-0,05	-0,04

Source: Model simulation

The current net rate of return increases among union members (TPP). In all scenarios, the current net rate of return grows positively, which is the investment magnitude. For ASEAN countries, scenario 3 is more interesting than the others. Cambodia, Laos, Myanmar, Indonesia, Philippines, and Thailand have positive growth for the current net rate of return. The country is very attractive for investors or donor countries to invest their capital there, this happens because the rate of return in the country is higher. ASEAN has become a sexy country for investment purposes. China is the most attractive investment destination for scenario 4, besides having a positive rate of return, China also has abundant resources, endowment factors, and labor..

2.3 Industrial value added

TPP without the US generates a value-added industry greater than US presence. Table 5 shows the added-value industries for all scenarios. Grains and Crops, Livestock and Meat Products, Processed Food, Textiles and Clothing, Light Manufacturing, and Utilities and Construction industries are industries that generate positive added value for TPP member countries. China can generate positive added value for all industries under scenario 3, of which Services and Heavy Manufacturing are the biggest contributors. The Mining and Extraction Industry creates positive added value for all countries, except TPP and China, under scenario 4. While the Light Manufacturing industry creates negative added value for TPP and CLM for the same scenario. This difference in added value changes, in addition to the reduction and elimination of tariffs, is also caused by different responses by each industry (country) to policy changes in the FTA. The availability of input factors, national government policies, and micro-institutions becomes important in terms of their ability to respond to changes that occur.

Table 5. Percentage Change in Added-value Industries under TPP

Scenario 1

	TPP	CLM	Indonesia	Philippines	Thailand	EastAsia	China	SouthAsia	USA	Latin America	EU_25	RoW
Grains and Crops	0,09	-0,03	0	-0,01	0,08	-0,02	-0,06	-0,01	-0,11	-0,02	-0,03	-0,03
Livestock and Meat Products	1,51	-0,11	-0,1	-0,07	-1,42	-0,19	-0,13	-0,04	-0,61	-0,24	-0,14	-0,02
Mining and Extraction	-0,26	0,03	0,08	0,06	0,1	0,04	0,06	0,05	0,1	0,08	0,05	0,03
Processed Food	0,42	-0,02	-0,07	-0,07	-0,38	-0,16	-0,07	-0,04	-0,11	-0,05	-0,04	-0,03
Textiles and Clothing	0,87	-0,03	-0,05	-0,02	0,14	-0,26	-0,14	-0,07	0,05	0,02	-0,06	-0,1
Light Manufacturing	0,21	-0,37	-0,13	-0,22	-0,3	-0,2	-0,05	-0,02	-0,06	-0,01	-0,03	-0,05
Heavy Manufacturing	-0,33	0,22	0,12	0,12	0,17	-0,01	0,08	0,03	0,14	0,07	0,04	0
Utilities and Construction	0,36	-0,05	-0,09	-0,11	-0,16	-0,07	-0,03	-0,03	-0,08	-0,07	-0,04	-0,03
Transport and Communication	-0,02	0,07	0	0,01	0,05	0,04	0,03	0	0	0,01	0,03	0,02
Other Services	-0,06	0,02	0	0	0,04	0,02	0	0,02	0,01	0,01	0	0,01

Scenario 2

	TPP	CLM	Indonesia	Philippines	Thailand	EastAsia	China	SouthAsia	USA	Latin America	EU_25	RoW
Grains and Crops	-1,4	-0,19	-0,14	-0,3	-0,02	0,07	-0,2	-0,07	1,51	-0,13	-0,13	-0,08
Livestock and Meat Products	-0,48	-0,22	-0,29	-0,11	-3,16	-0,56	-0,32	-0,09	1,48	-0,58	-0,4	-0,11
Mining and Extraction	-0,32	0,22	0,14	0,1	0,15	0,05	0,1	0,11	-0,02	0,16	0,07	0,04
Processed Food	0,43	-0,03	-0,27	-0,28	-1,43	-0,67	-0,26	-0,13	0,73	-0,22	-0,17	-0,15
Textiles and Clothing	5,3	-0,91	-0,56	-0,96	-0,12	-0,8	-0,19	-0,39	-0,82	-0,2	-0,16	-0,28
Light Manufacturing	0,43	0,16	0	-0,13	-0,19	-0,21	0	0,06	-0,25	0,12	-0,01	-0,05
Heavy Manufacturing	-0,27	1,31	0,32	0,32	0,4	0,02	0,16	0,09	-0,09	0,25	0,09	0,02
Utilities and Construction	0,4	-0,09	-0,13	-0,18	-0,26	-0,12	-0,06	-0,07	-0,02	-0,18	-0,09	-0,08
Transport and Communication	-0,01	0,35	0,02	0,06	0,1	0,07	0,07	0,01	-0,01	0,03	0,06	0,04
Other Services	-0,08	0,13	0	0,01	0,06	0,05	-0,01	0,07	0	0,02	0,01	0,02

Scenario 3

	TPP	CLM	Indonesia	Philippines	Thailand	EastAsia	China	SouthAsia	USA	Latin America	EU_25	RoW
Grains and Crops	-1,12	-0,11	-0,04	-0,18	0,29	0,21	2,58	0,02	1,97	0,3	0,11	0,11
Livestock and Meat Products	-0,13	-0,23	-0,24	-0,07	-3,2	-0,41	3,55	-0,09	1,64	-0,57	-0,23	-0,05
Mining and Extraction	0,25	0,67	0,63	0,66	0,59	0,72	2,84	0,84	0,34	0,56	0,67	0,39
Processed Food	0,51	-0,08	-0,14	-0,41	-1,41	-0,6	3,56	-0,09	0,78	-0,21	-0,1	-0,1
Textiles and Clothing	4,8	-1,37	-1,36	-2,05	-0,69	-1,32	4,38	-0,76	-1,15	-0,66	-0,63	-0,95
Light Manufacturing	0,05	-0,32	-0,33	-0,74	-0,35	-0,72	6,39	-0,12	-0,37	-0,19	-0,18	-0,41
Heavy Manufacturing	-0,49	1,27	-0,42	0,43	0,38	0,32	6,81	-0,25	-0,24	-0,25	0,01	-0,52
Utilities and Construction	0,49	-0,11	-0,09	0,02	-0,27	0,03	4,87	-0,13	0,04	-0,11	-0,03	-0,05
Transport and Communication	0,02	0,31	-0,04	0,02	0,1	0,08	6,36	-0,02	0	0,01	0,09	0,06
Other Services	-0,07	0,13	0,08	-0,01	0,08	-0,06	6,94	0,1	0	0,05	0,01	0,05

Scenario 4

	TPP	CLM	Indonesia	Philippines	Thailand	EastAsia	China	SouthAsia	USA	Latin America	EU_25	RoW
Grains and Crops	-0,97	-0,03	0,04	0,46	0,24	0,47	0,6	-0,02	-0,15	0,03	0,01	0,04
Livestock and Meat Products	2,21	-0,23	0	-0,22	-1,04	-0,02	-0,52	-0,05	-0,75	-0,29	-0,15	0
Mining and Extraction	-0,88	0,23	0,29	0,73	0,38	0,35	-0,32	0,16	0,21	0,18	0,15	0,13
Processed Food	0,09	0,01	-0,08	0,53	0,07	0,19	0,29	-0,03	-0,1	-0,06	-0,02	0,01
Textiles and Clothing	-3,18	-0,96	-1,86	1,43	-0,91	-1,17	3,5	-0,79	-1,21	-0,47	-0,46	-0,47
Light Manufacturing	-1,37	-0,01	0,05	1,43	0,24	0,86	0,52	0,13	0,15	0,14	0,08	0,2
Heavy Manufacturing	1,22	1,06	0,22	-0,78	-0,38	-2,33	-0,97	0,02	0,2	0,04	-0,05	-0,43
Utilities and Construction	1,02	-0,25	-0,3	-1	-0,77	-0,67	0,55	-0,11	-0,22	-0,21	-0,12	-0,17
Transport and Communication	-0,11	0,32	-0,01	0,07	0,22	0,71	-0,11	0	0	0,03	0,11	0,08
Other Services	-0,14	0,1	-0,01	0,14	0,21	0,42	-0,03	0,08	0,01	0,02	0,01	0,04

III. Conclusion

This study seeks to combine the various impacts of FTAs with various possible policy changes. The United States has withdrawn from the TPP agreement, this will lead to various possibilities and impacts for both union members and non-member countries. TPP without the US will be responded by other large countries, China is possible, to be a leader of the FTA.

The absence of the US in the TPP create benefits for welfare, exports, imports, investment and Gross Domestic Products for 11 member countries, although the benefits are not as great as when the United States joined. The loss of the United States from this agreement is very likely to be taken over by China, bearing in mind the TPP's initial purpose was to shape China's influence in Asia and beyond. The success of China in influencing neighboring countries is a fading form of the United States as an economic superpower country in the world. moreover, this shows the rise of China and became the next world economic giant.

TPP, with and or without the US, has created welfare losses for countries in the Asia Pacific (although not in terms of trade) then they are likely to choose China as the captain of the world economy. China has established FTAs with almost all countries in the Asia Pacific, so this poses a real threat to the United States in terms of the world economy. Based on geography, culture, history, and benefits, China is closer to countries in the Asia Pacific. Even though the Chinese economy is a superpower, liberalization with the country is a form of control of the world economy. Scenarios 3 and 4 are proof that free trade with China enlarges the country's economy, even though partner countries also make a small profit.

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