

IMF Expert Warns EU Against 'Goeconomic Fragmentation'

News:

"Goeconomic fragmentation is becoming increasingly real," says IMF Senior Deputy Managing Director Gita Gopinath, who is considered one of the most influential scholars in international macroeconomics.

Speaking to Euronews, she pointed to the "fragmentation" of global trade amid the war in Ukraine. According to the expert, the war in Ukraine has changed global trade, and the EU is in a vulnerable position.

"Let's imagine that all countries, say, were divided into two blocks and that there was literally no trade between them. We modeled what the effect of this would be: it would lead to a reduction in global GDP of about 7%. This is a very large figure, that's all is the same as losing the economies of Japan and Germany," the expert notes.

The IMF believes that, in addition to strengthening the EU's single market, the 27-nation bloc can be secured by championing a rules-based multilateral trading system. (Source: <https://ru.euronews.com/2023/12/04/ru-economic-prize-awarded-to-imf-deputy>)

Comment:

The IMF, formed along with the World Bank as a result of the Bretton Woods Conference, is one of the tools for strengthening and maintaining the leading position of the United States in the world political arena. Therefore, these arguments by the deputy head of the IMF about the threat of "geo-economic fragmentation" should be considered within the framework of the geopolitical struggle, namely, as a warning to European competitors to refrain from policies that are contrary to the interests and dominance of the United States.

Yes, indeed, the war blazing at the very eastern borders of the European Union is causing serious damage to its economic interests, which you don't need to be an expert to understand. However, this damage is associated not only with trade losses, due to the loss by European companies of a large Russian market and overland transit to Asian markets, which the EU internal market is not able to compensate for.

Economic sanctions against Russia, imposed after its large-scale invasion of Ukraine on February 24, 2022, have limited the EU's access to Russian sources of raw materials for its industry and energy. For example, after the blocking of onshore gas pipelines and the explosion of the Nord Stream 2 gas pipeline running along the bottom of the Baltic Sea, the volume of natural gas supplies from Russia to Europe decreased by more than half compared to 2021.

Industrialized countries of the EU, especially such as Germany and France, began to experience an acute shortage of energy resources, which greatly affected the competitiveness of European producers.

As a replacement, the United States offered European companies its liquefied natural gas (LNG), but at a price several times higher than for consumers in the United States itself. In addition, as part of the "Inflation Reduction Act (IRA)" adopted under the pretext of concern for the environment in August 2022, the Biden administration allocated \$370 billion in subsidies for American manufacturers. These measures provoked sharp criticism in the EU and accusations of US protectionism.

During his visit to the United States in December 2022, French President Emmanuel Macron called these subsidies “super-aggressive” that could cause a rift between Western countries. Despite the mutual assurances of Biden and Macron to maintain partnership, and against the backdrop of the war in Ukraine, even allied relations, the French President failed to achieve any concessions. In an interview with the American television and radio company CBS, he said that there was a “de-synchronization” in relations between the United States and Europe amid problems in the energy sector.

The flared up American-European economic conflict openly manifested itself in the political sphere. For example, during his visit to China, Macron said that Paris has a sovereign position on Taiwan and is not going to blindly follow the United States in foreign policy.

Afterwards, while on a visit to the Netherlands, in response to criticism of his anti-American demarche, Macron said that France “stands for the status quo regarding Taiwan, supports the policy of one China and a peaceful settlement.” This is a position, he noted, “consistent with the status of an ally,” but does not mean being a “vassal” of the United States.

Macron’s words also testify to the severity of the American-European geopolitical struggle: “France is not learning lessons from anyone. Neither on Ukrainian soil, nor in the Sahel,” he said at a joint press conference with the Prime Minister of the Netherlands.

Most countries in the African Sahel region remained under French protectorate even after decolonization. The undivided exploitation of their resources ensured the economic power of France. And now, by losing its presence in them, as, for example, in Niger, which provided fuel for more than a third of French nuclear power plants, France is losing not only its economic potential, but also its geopolitical influence.

Linking the Russian-Ukrainian war with armed conflicts in former French colonies, Macron points out that they are all directed against French and, therefore, European interests. Therefore, he began to actively promote the concept of “European strategic autonomy”, declaring: “Europe must fight for strategic autonomy. We don't want to depend on others on critical issues.”

What Macron calls “European strategic autonomy” and the IMF representative calls “geoeconomic fragmentation” is essentially a European challenge to US hegemony. Predicting a 7% contraction in global GDP and threatening the European Union with its greatest vulnerability, Gita Gopinath warns it against plans for economic disintegration. At the same time, it promises security and generous investment if the EU remains committed to the single market, following the rules, within the existing world order.

This is the gloomy reality of the capitalist ideology implemented by the West, which does not recognize any other criterion of the value of any action other than profit. Economic and political crises, environmental and man-made disasters, mass genocides and criminal wars will not stop as long as it continues to dominate humanity. The world will get rid of their evil only after the establishment and entry into the international political arena of the second Righteous Caliphate, according to the method of the Prophet (pbuh), who will pay tribute to the just and fight the unjust.

Written for the Central Media Office of Hizb ut Tahrir by

Mustafa Amin

Member of the Media Office of Hizb ut Tahrir in Ukraine