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ECONOMIC GLOBALIZATION AND TRADE PROTECTIONISM

Case study: China-United States Trade War

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ABSTRACT

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The paper is written to explore the trade protectionism in today's world with irreversible globalization particularly in the economic domain. It discusses the inevitable contradiction between free trade proposal and protectionism policy. The objective of this thesis is to find out whether the present economic decision-making of protectionist policy is a benefit for the world or not.

The thesis utilized theories about globalization, free trade and its reverser trade protectionism as a comparison. The thesis adopted the qualitative research methodology and the main case study concerned about the trade conflicts between the United States and China. Besides, the paper also evaluated the destructive consequences of a trade war.

This thesis studied the negative influence of trade restrictions on the integral economy particularly in the background of the economic globalization situation. The concept combines with current international trade conflicts to display the intensified trade barriers. Trade restrictions against the trend of economic development will damage the world economy for the long run although certain groups could benefit from protectionism in the short term.

Keywords Economic globalization, free trade, protectionism, trade barriers, China-United States trade war

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1 INTRODUCTION

Following the tendency of economic integration, the term of globalization flourishes and occupies the mainstream view with universal actions and effects in modern society. With the irreversible development of globalization, the world interconnects and interdepends to each other with a stronger interaction. However, the anti-globalist tides against the trend of economic globalization. Trade protectionism prevails in many countries to protect domestic industries against alleged unfair trade practice and violates the traditional advocacy of free trade.

This paper combined the theoretical framework of economic globalization and protectionist policy with the current-happening China-United States trade war to discuss the empirical application of how trade protectionism measures are implemented in the world economy.

The first section in the demonstration of the theory part, which consists of two parts, presents the economic globalization and the trade protectionism. Globalization proceeded in the 20th century and performed an accurate summary of the economic phenomenon nowadays. The term was generated to describe the current comprehensive world that no one can be isolated from it as ever before. Then the history of human being spiral retrogressed to trade protectionism, which is the opposite of free trade, restriction on international cooperation. The world unilateralism and hegemonism retroacted, which destroyed the peace, prosperity and stability of the world. The statements of protectionism focused on the reasons, forms, actions, pros and cons, and the anti-protectionist measures which signify its necessity but negative impacts for the whole in long run.

The second section integrates the theoretical study with practical analysis to research the ongoing trade war between China and the United States since 2018. The evolution of it and staged results and further impacts for both the parties involved and the rest of the world.

In conclusion, the thesis results discuss the negative influence of protectionist policy and trade war for world economic growth.

2 ECONOMIC GLOBALIZATION

2.1 Background of globalization

In general, globalization is the worldwide process of interaction and integration. To specify, globalization is the term used to describe the growing interdependence of the world's economies, cultures, and populations, brought about by cross-border trade in goods and services, technology, and flows of investment, people, and information. (Peterson Institute for International Economics 2018)

From the definition of the International Monetary Fund (IMF), economic "globalization" is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies across international borders around the world, which contains four basic aspects: the movement of trade, capital, people, and technology. (International Monetary Fund 2002)

The prototype of globalization was primarily formed since the Age of Discovery. However, the supportive evidence displayed formal globalization began in the 1820s (O'Rourke & Williamson 2002), which is the view approved by most scholars that the origins of globalization in modern times. Hereafter, globalization drove a rapid expansion in the following few centuries until now. Globalization has become a universal phenomenon around the world all the time.

The term globalization first appeared in the early 20th century in France and the concept gained popularity until the 1990s (2014 James & Steger 2014), the cease of the Cold War, while the process of globalization has running overwhelmingly for a long time with the shared goal of prosperity and peace. The visible and invisible resources flow, exchange, and spread inevitably and irreversibly beyond geographic boundaries to accelerate the interconnection of the pieces of the world than ever before, contributed significantly by technology progress and international cooperation.

2.2 Effects of globalization

One of the most apparent performances of globalization is international trade. The goods, services, capital, and other resources are access and exchange to various countries and regions everywhere human-inhabited. The world trade has boosted in the past century

with the accelerated process of international economic integration. The following figure illustrated the presence of trade occupied in world Gross Domestic Product (GDP), the number is rocketed in modern time and consistently maintain majority around sixty per cent currently.

Trade has skyrocketed in the past century

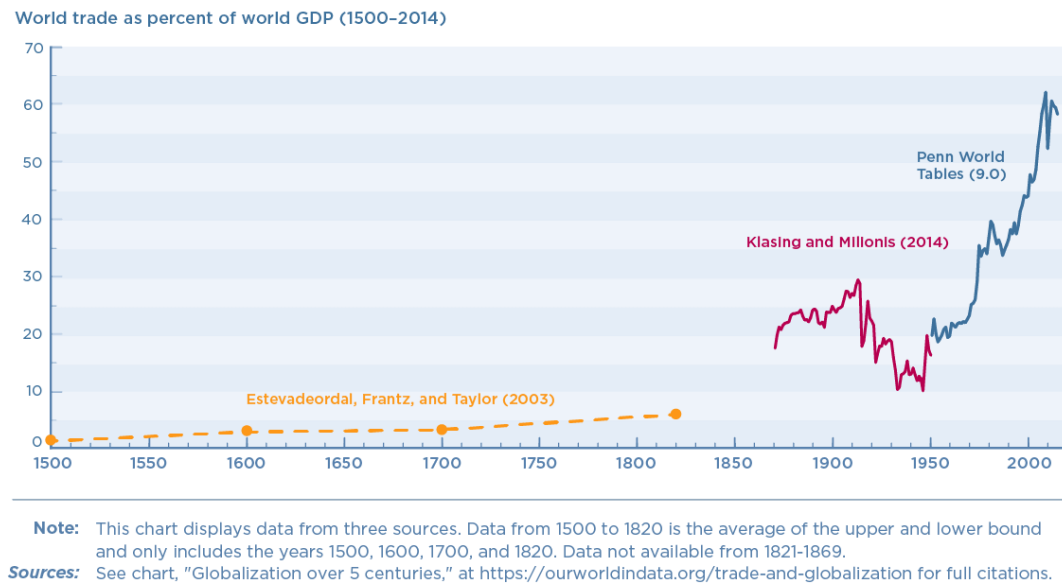


Figure 1. Trade rocketed in the past century.

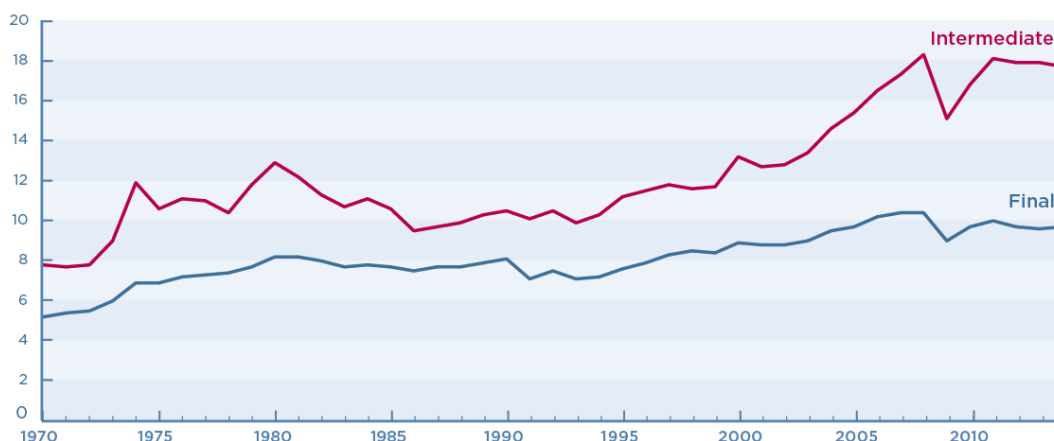
In countries throughout the world, there is broad support for key economic features of globalization. Pew Global attitudes survey found positive public opinion for international trade, free markets, and multinational corporations (Kohut & Wike 2008). The reason for anti-globalization generally referred to the injured aspects, for instance, the replace of a job transfer to overseas, the negative impact from external competition, social-cultural issues concerned about immigration and instability, even the diffusive influence of other countries' environment protection and resource overexploitation.

Despite the pros and cons of the standpoint of the globalization, there is some common sense from average citizen around the world. The main economic premises of globalization are generally accepted in regions throughout the world from the poorest countries to the wealthiest nations. Survey research from Pew Research Center (PEW) suggested that most people embrace the idea of a globalized world, albeit cautiously.

From the comparative advantage theory of David Ricardo, which explained the reason countries engaged in international trade are more efficient in production and the necessity of a free market. Nowadays, the comparative advantage is made the full use through the process of globalization, each country engaged in the global supply chain production is encouraged to specialize to the industry which produces the best with the least amount of resources. Every participant provides the goods and services containing the highest comparative advantage and exchange the other offering with the rest of the countries in a global market. Therefore, the overall efficiency and productivity are increased, and each part's economy is growing. As well as the individual could receive more varieties of goods and services with superior quality and lower price from the global market. (PIIE 2018) Figure 2 displayed the world economy more dominated on the division of labour and international cooperation.

Global supply chains dominate world trade

World trade in intermediate vs. final goods as percent of GDP (1970–2014)



Source: Agustín Carstens, "Global market structures and the high price of protectionism," remarks at the Federal Reserve Bank of Kansas City's 42nd Economic Policy Symposium, Jackson Hole, Wyoming, August 25, 2018 (<https://www.bis.org/speeches/sp180825.pdf>).

Figure 2. Global supply chains

International trade is regarded as the core of globalization. Owing to the rapid progress in transportation and communication technology, varieties of business activities spread all over the world than ever before in an interconnected world.

However, people whatever rich and poor also worried about the downsides of globalization. The changeable environment brings opportunities and challenges. Nearly everywhere, people worry about the potential loss of their previous convention and are sceptical

to foreign affairs. The most common concerns are the increasing inequality gap, controversial job transfer, unfair competition, and social-cultural issues like immigrant flow across the national borders.

To some extent, the effect of economic globalization is similar to technological progress. Both disrupt some livelihoods while enlarging the economic pie and offering new and lucrative business opportunities. For instance, mechanism and automation created a series of new high salary jobs and industries required professional skills, meanwhile, replaced many obsolete low-tech jobs over the past few decades. In conclusion, globalization benefits society as a whole, while harming certain groups unavoidably.

2.3 Globalization in the 21st century

After World War II, the United States helped build a global economic order governed by mutually accepted rules and overseen by multilateral institutions. The idea was to create a better world with countries seeking to cooperate to promote prosperity and peace. Free trade and the rule of law were mainstays of the system, helping to prevent most economic disputes from escalating into larger conflicts. The institutions established include:

During the period of the post-war world, the economic order dominated by the United States, the currently operating and mutually accepted global rules consists of five main multilateral institutions: International Monetary Fund(IMF 1944), United Nation(UN 1945), World Bank(WB 1945), World Trade Organization(WTO 1948), and North Atlantic Treaty Organization(NATO 1949). This framework is established to promote peace and prosperity for the shared goal of most countries in the world as a whole. Free trade and the rule of law were mainstays of the system, assisting to prevent disputes and conflicts.

Nowadays, progressive development did not proceed smoothly as expected. After rapid expansion in the past half-century, the historical process towards the moment, with the influence of globalization enhanced, the tides of anti-globalization or de-globalization also escalated. No panacea can solve all problems. The enthusiasm for economic globalization has waned considerably and generated increasingly economic anxiety over the last few years in many countries, especially for them were left behind and eager to stand out. (Kohut & Wike 2008)

Globalization is a double-edged sword and amplifier, both for opportunities and drawbacks. The compliment and complaint are both sides of globalization with consistent debates. The proponents and protests argued for different standpoint, though the majority of the public approved globalization comprise positive effects. Moreover, a multitude of public presents in embracing globalization.

There are many uncertainties in the prospect of economic globalization, which has triggered the differentiation of the global economy and led to a latently vicious competition of the world's powers. Likewise, the future of the globalization depends on further effects of it and how these powers inter influence and implement in this unpredictable time.

3 FREE TRADE AND TRADE PROTECTIONISM

3.1 Trade liberalization

Trade liberalization refers to free trade and trade openness. In this context, countries design and implement free trade policy without excessive restrictions in import and export. With minimum standards, free trade could be presented in the absence of any negative interventions like trade restrictions. Conversely, the opposite of trade liberalization is the protectionism.

There is a broad consensus among economists that free trade policy has a positive effect on economic development, in contrast, the protectionist policy harms economic growth. The survey (IGM Forum 2012) from Chicago Booth showed the majority of scholar supported free trade improves overall production efficiency and offers consumers superior choices, and in the long run, these gains are much larger than the short-term losses.

However, liberalization cannot satisfy every nation at the same time, it results in significant and unequally distributed losses and gains particularly for the countries which cannot be dominant in any factor of production. Furthermore, free trade also causes the economic dislocation of workers in import-competing sectors transitorily.

Therefore, despite the temporary disadvantages of free trade, owing to the prioritized merits of lowering costs for both producers and consumers, for the largest countries and industries, free trade owns more support than criticize.

Under the background of economic globalization, most nations joined in the World Trade Organization and signed on the multilateral trade agreement to facilitate their international trade.

3.2 Protectionism

Trade protectionism is the economic policy and practice that protects domestic industries against foreign competition through restricting imports from other countries. The protectionist trade policy allows the government imposing tariff and other non-tariff trade barriers to limit foreign goods and services access to the domestic marketplace. (Corporate Finance Institute 2020) The restrictions on international trade obviously obstacle the trend of economic globalization as integrity as well as jeopardize long-term development of

national economy and corporation's innovation and restraint in customer buying behaviour.

In the engagement of the protectionism, government and multinational corporations are the main players. The policy and regulation pave the way of the legal foundation for the game. The importer sector-related business and terminated consumers are direct victims in international trade competition while certain group benefit from it. Besides, everyone in modern society is influenced by less or more by the protectionist trade policies. Economic globalization interconnects every piece of the world from America to Africa, from the wealthiest nations to the lowest-developed regions.

For instance, the banana trade quarrel between the European and the United States since 1993 with the consequence of the US won the compliant from the World Trade Organization and the EU alter its rules. The EU's deal with the Caribbean is aimed to assist the independent growth of the former colonies to current developing countries in the Caribbean with prior access to the European market in banana import. When of the bananas come from the Caribbean to only accounted for 7 per cent while the US did not export banana to Europe but its two multinational corporations Chiquita Brands International and Dole Food Company occupied three-quarters of the EU market from the Latin American. (Barkham 1999) Back to the present, one of the largest smartphone and telecommunication equipment manufacturer Huawei Technologies fall into the chip shortage crisis owing to the US chip ban, which threatened to cut off supplies of key components to Huawei's and non-American suppliers around the world can no longer trade with Huawei if their products contain American technology (Zheng & Zhu 2020.).

As every common trade-off in the marketplace and world, protectionism has its proponents and opponents. Its supports argued the local protection shield the business in importer aspect from foreign competitors. But the protectionist policy reduced general trade operation and harmed export sector. This is the reason why almost the majority of economist consented with that protectionism hurts economic growth and economic welfare, on the contrary, the free trade is advocated which has a significantly positive effect on economic growth (Mankiw 2015). There even are some scholars have implicated the protectionism caused the economic depression. (Irwin 2011). Otherwise, protectionist policy triggered retaliatory trade-restrictive measures in long run for every related party. With

the intensified conflicts among economics, it will escalate an intense situation to the large-scale trade war accompanied by incredible consequences.

Thus, the following chapter discusses the reason for the disadvantages outweighs the advantages still caused the mounting proposals of the protectionist policy with detailed theoretical analysis accompanied by a case study in the current hot spot. It tried to illustrate hidden trade-offs and pay-offs for intensified deterioration in international cooperation.

3.2.1 Reasons for Protectionism

Above all, protectionism is charged thoroughly by political factor. The essay would not concentrate on political and ideological struggle but concerned primarily on the existed influence whatever positive or negative and prospectively advanced progress.

The protectionist policies were adopted preliminarily to maintain the competitive advantage of domestic industries from external competition and encourage state capital flow to focus on country inside. The foreign goods and services could be constrained in certain areas with a replaceable substitute in the internal market. However, domestic consumers are disadvantageous from protectionist policies, who might suffer to higher prices, limited choices and inferior quality by the restrictions. Therefore, protectionism is inclined more to businesses than ordinary customers. (CFI 2020)

Additionally, protectionist policies and actions indeed benefit for certain companies and industries for specific period and circumstance. Except for the most ordinary reason in protecting the domestic market and industrial, the policy also contributes to anti-dumping, prevent the monopoly and safeguard national defence security.

Nevertheless, the hidden risk may cause destructive consequences for further improvement in the long term because of the absence of foreign competition. When trading partners retaliate with countertrade barriers, the damage even worsens and the negative impact multiplies to a catastrophic trade war.

3.2.2 Types of protectionist policies

The main types of protectionist policies are tariffs, quotas, subsidies, standardization, and currency manipulation. Above this, tariffs and import quotas are the most frequently

adopted types of protectionist policy by the government. Besides, the subsidy is the motivating warfare measures for domestic industries but could take effect in market competition to replace the foreign similar counterparts. Furthermore, standardization and currency manipulation are more subtle and less deliberate methods to make an impact on trade restrictions. The abovementioned tariff or non-tariff trade barriers restrict the flow of goods, services, and capital across national borders, which are criticized and adopted by world powers to compete with others and protect of local at the same time.

Tariffs

Tariffs are additional taxes or duties imposed on import goods and services. It increases the prices of imported items and contributing to an increasing cost of consumers, which consequently reduces the demand for them in the domestic market.

Quotas

Quotas are restriction on the volume and quantity of imports by government manipulation. A constraint on the supply causes the rise in the prices of imported goods, reducing the demand in the domestic market.

Subsidies

Subsidies are negative tax or tax credit that provided financial assistance to domestic producers by the government. Thus, local businesses offer a lower price in resemble products for customers to occupy the market share.

Standardization

The government may require all imported products to comply with certain criteria and guidelines to meet the standards to access to the domestic market.

Currency manipulation

There is a more concealed method to affect international trade expansion or contraction. When the depreciation of a foreign currency could result in the increasing demand in the overseas market and vice versa. Although the effect of this monetary policy is depended on the situation and caused more instabilities.

The above measures could be adopted separately and altogether or oppose apparent sanction or ban in law to limit the access to the target market, region and organization.

3.2.3 The actions of protectionist

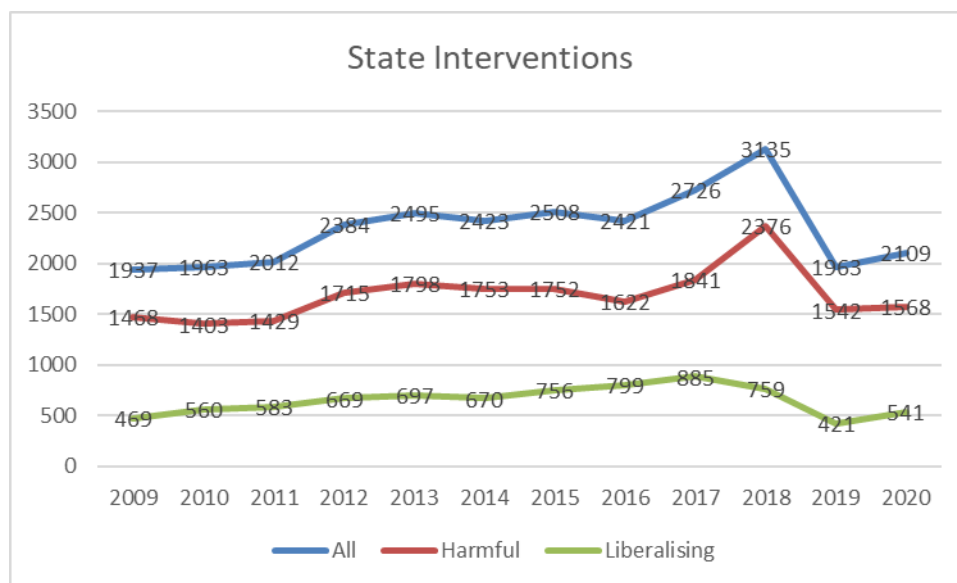


Figure 3. Case of state interventions in trade

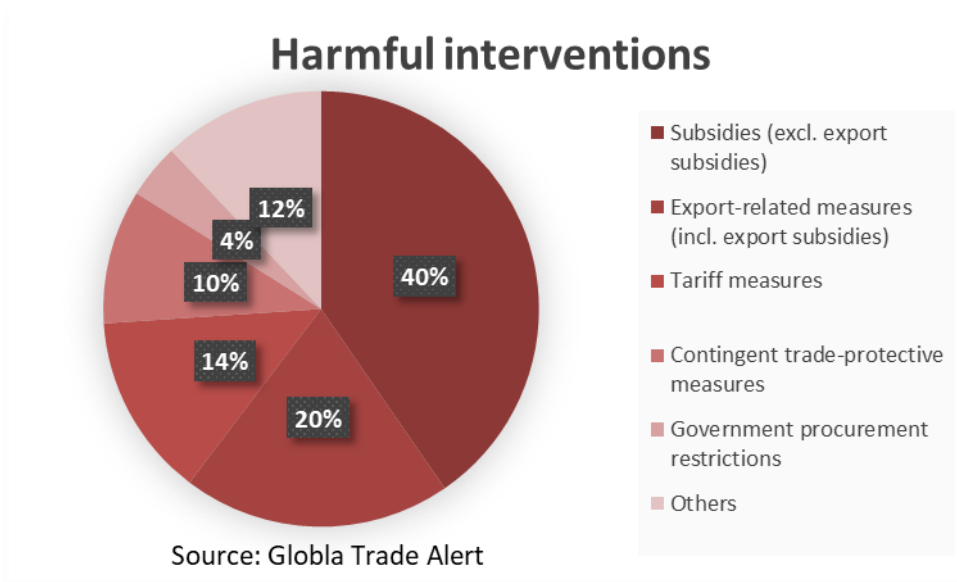


Figure 4. Harmful state interventions in trade.

The data collection and calculation from 2009 to 2020 was accumulated in the chart above. A total of 28076 measures were taken by governments worldwide to intervene in international trade. The testament from Global Trade Alert proved that 20267(72.18 %) of inter-

vention from states cause harmful protectionist results. And most of these trade distortions presented in the form of tariffs and subsidies. From the graph, the data was significantly rocketed and peaked at 3135(75% of them are harmful) in 2018. At this time, the trade war between the United States and China began. (Global Trade Alert)

3.2.4 Advantages and disadvantages of protectionist measures

The protectionist policy is beneficial particularly for immediate results, the customer in the domestic market will alter to other substitutes while the price of foreign exported goods rises. The following table indicates the pros and cons influence of protectionism.

Table 1. Advantages and disadvantages of protectionism.

	Consequences of protectionist policy	
Advantages	More growth opportunities in local industries	Short-term
	Adjust trade balance	
	More jobs maintained	
Disadvantages	Increase in prices	Short-term
	Limited choices for consumers	
	Stagnation of technological advancements	Long-term
	Inflation and possible economic recession	
	Economic isolation	

Note: the third column explains the effective time of the protectionist policy. It does not imply the effects only employed for a certain period but concerns the reflective time of protectionism actions.

As the illustration of the table above, the consequence of protectionist policy takes effect instantaneously after enacting, especially for rapid profit of domestic market. However, in the long term, it undermines the sustainable progress of the economy and results in a significant loss.

3.2.5 Anti-protectionism

To contest with the tide of economic isolation and protectionist policy, there are three most common and useful means to facilitate prosperity and cooperation. They implement and facilitate adjustment and coordination through the World Trade Organization (WTO), United Nations (UN) and to reach Free Trade Agreements (FTA) in certain regions.

World Trade Organization

The World Trade Organization is the only and most significant international organization to address the rules of trade between nations, with the core idea to promote trade opening and liberalization. It replaced the General Agreement on Trade and Tariffs (GATT) and found on 1 January 1995 in Geneva, Switzerland. It is the largest intergovernmental economic organization containing the majority sovereign states with 164 members representing 98 per cent of world trade. Essentially, the WTO is a place where member governments try to deal with the issues concerned to trade, they confront each other. WTO preserves five fundamental principles, which are non-discrimination, reciprocity, transparency, binding and enforceable commitments and safety values. It has the power to legislate on disputes and coordinate a new round of negotiations aimed at eliminating global trade barriers.

United Nations

United Nations (UN) works as the largest, most powerful and influential intergovernmental organization representative in the world. It found in 1945 and currently made up of 193 official member states, almost all of the world's sovereign states joined in the UN. The United Nations take actions and measures on the problems confronting humanity in the 21st century, the issues of economic globalization and trade protectionism are essential topics of the UN concerns. The organization has become a mechanism for governments to reach consensus and solve problems together through negotiation and international cooperation.

Free Trade Agreements

A Free Trade Agreement (FTA) is the trade treaty or pact between two or more countries or regions to reduce trade barriers. In the cooperating states, the free-trade area is established to reduce reciprocal tariffs and quotas, subsidies and other restrictive prohibitions. Although the FTA is unfavourable to un-competitive local industries, it promotes international trade and advances the integral economy through the maximizing the comparative advantages and division of labour. Besides, the domestic industries are encouraged to invest in research and development and forced to optimize production and management for long-term progress.

For instance, the most famous FTA in the world are listed as: The North American Free Trade Agreement (NAFTA 1994), the European Union (EU 2002), and the latest signed Regional Comprehensive Economic Partnership (RCEP 2020), which separately stand for 27.8%, 17.9% and 29.3% of world GDP in 2019 (World Bank Data).

The world economy could grow into a positive-sum economy rather than the past zero-sum economy model. More people and countries can access to the world market with trade liberalization in the background of economic globalization incrementally.

4 CASE STUDY THE CHINA-UNITED STATES TRADE WAR

4.1 Overview of the United States and the Chinese economy

United States is a highly developed country, which owns the world's largest economy by nominal GDP and net wealth. The robust economic progress of America is predominantly attributed by technological advances, particularly in electronics, aviation, medicine and military industry. The U.S. also prevails in international trade, it is the world's largest importer and the second-largest exporter. Moreover, the U.S. dollar-based on the petrodollar system is adopted as a world official currency in international transactions. Above all, it is obvious that the United States plays a significant and leading role in the world of globalization.

China is the most populous country with a mixed socialist market economy in the world. China is the second-largest economy presented with a GDP of \$14.3 trillion in 2019. From the statistics of the International Monetary Fund, China is one of the world's fastest-growing major economy. However, this high GDP and the growth rate did not necessarily indicate the wealth of the country. The country's GDP per capita was only \$16,785 as of 2019, compared to the U.S., which had a per capita GDP of \$65,118.6. China is still an under-developed country with imbalance regional development and slowdown tendency over the past decade.

Table 2. Economy relation between U.S. and China in the world.

	Geo- graphical (popula- tion 2019)	Economy devel- opment level	GDP per capita 2019 (millions of US dollars)	Trade Merchandise exports/im- ports 2019 (cur- rent US\$)	2020 eco- nomic perfor- mance
USA	#3 328 mil- lion	Largest economy Developed coun- try/ Advanced economy	#1 21.374 tril- lion	Export: #2 1.643 trillion	Shrink

			24.4%	Import: #1 2.408 trillion	
China	#1 1.398 billion	Second-largest economy Less developed country/ Emerging market and developing economies (EMDEs)	#2 14.343 trillion 16.3%	Export: #1 2.499 trillion Import: #2 2.078 trillion	Decline and rebound
World	7.674 billion	Unbalanced development	\$87.8 trillion	Export:19.051 trillion Import:19.343 trillion	Contract

Source: World Bank Data

The United States and China are two of the world biggest economy and trade nation with intimate partner relationship and fierce competition. China has become the biggest source of US imports and the third large export market of the US owing to its low-cost labour, abundant and convenient raw materials and wide-ranged market group. However, the U.S. sustained merchandise trade deficits with other nations due to the high consumption of petrol and other commodities since 1976. China is the third biggest trading partner with America and the U.S. goods trade deficit with China was \$345.2 billion in 2019. (Office of the United States Trade Representative 2019)

A trade war occurred when trade conflicts of participating countries have deteriorated into consistently retaliatory protectionist policies. Both sides impose trade restrictions on imports and exports. As it escalates, a trade war reduces international trade. It benefits for domestic industries instantly by limiting foreign competition in the short run. However, the economic loss in long term is unpredictable and destructive therefore caused devastating consequences. It could be stuck in certain industries, financial upheaval, instable domestic and global situations, economic stagnation even recession and the worst form, a physical war brought hundreds of thousands of deaths.

Since 2018, these two significant economies began trade disputes and escalated to a trade war. The economic conflict between China and the United States is still ongoing. Over past two years, the U.S government led by Donald Trump initiated to set a series of trade barriers consisted of tariffs, quotas and sanctions on international trade with China for the claims of to change the "unfair trade practices". These alleged trade practices included the growing trade deficit (the import from China exceeds the export to China), so-called theft of intellectual property and forced transfer of American technology to China.

At the first stage, Trump has imposed tariffs on almost all imported steel and aluminium after his administration identified those imports as national security threats. These "anti-globalist" actions indicate the effect of protectionist policy abused in international trade for the reason of national security. And in response to US trade measures, the Chinese government has accused the Trump administration of engaging in protectionism and reacted corresponding countermeasures. In general, the tariff imposition enhances continually into three stages. The first wave of duties on steel and aluminium mostly affected the second industry covering the majority of it connected to heavy, light and IT industries. The second wave included many metals and chemicals as well as some daily commodities, while the third round of tariffs rounded up all remaining types of merchandise. The tariff imposition on foreign imported goods have triggered retaliatory tariffs and escalated other forms and quantities of trade barriers.

Nowadays, the world is confronted the deep deepest economic recession caused by the COVID-19 pandemic in 2020. However, the COVID-19 pandemic can not be blamed as the complete reason of the whole fault, even before the pandemic, from the official trade data of World Trade Organization in 2019 presented the slight decline trend of world

merchandise trade by 0.1% in volume terms. The subtle decrease attributed to protectionist policies and political tensions. Merchandise trade is measured as the average of exports and imports, which reflect commodity price fluctuations. By contrast with previous, world merchandise trade reduced by 3% in 2019. (World Trade Statistical Review 2020)

Currently, the up-to-date official progress is negotiated by the two sides primarily consented the first-phase agreement on 15th January 2020. However, from the estimation of the current situation, tensions persisted and continued uncertainly and unstably.

The China-United States trade war has already impacted negatively for both sides and even for the world economy. In America, it has led to higher prices for consumers because of additional tariffs. In China, the trade conflict contributed to an existed slowdown in economic growth rate and industrial output. Besides, many American corporations also have shifted supply chains to elsewhere to reduce risks of possible breakdown –the “decoupling” between the US and China economy. In other countries, which did not involve in the trade war directly but influenced inevitably in the globalization era, the trade war caused economic damage less or more, though some of them have benefited from shifted manufacturing and industrial transfer to fill the gaps. For the whole world, the stock market raised the risk and uncertainty due to external unstable surrounding. The uncontrollable political climate shaped complicated and unpredictable developments for further international trade and investments. Furthermore, intensified international situation brought further contradiction and opposition which would harm the whole.

4.2 Staged results and further impacts

4.2.1 China

China has been regarded as one of the most dominant forces in the global economy since the reform to the opening in 1978. It entered the World Trade Organization in 2001 and undertook many reforms, cutting tariffs and other trade barriers to further follow the tendency of globalization. But it still has not completely transformed into a market-oriented economy as its trading partners expected though the current economic system is a mixed economy. (PIIE 2018) China-US economic and trade frictions have become more frequent after China joined the WTO. As a result, at the same time of rapid development in foreign trade and manufacturing industry because the scale of competition multiply likewise, disputes over China's multilateral trade and economic interests have also escalated.

For example, Sino-US negotiations on intellectual property rights and dumping have been discussed and postponed for a long time.

From the 2018 trade war, the basic idea of the United States is that: using intellectual property rights and technological protection as a breach, the industrial chain of steel and aluminium products and agricultural products are the main targets of tariff increases. Since the objects of tariff collection can only be imported and exported products, this practice reflects China's main export products to the United States and the areas that the United States intends to protect.

The economic relations between America and China have always been regarded as an international focus. Whether the economy of China is going global or not, it cannot avoid economic and trade frictions with the United States. From the perspective of economic globalization, the China-US trade imbalance is the result of the combined effects of the domestic economic structure of China and the United States, the international industrial transfer, and the deep development of the national division of labour. The US trade deficit with China is part of the US trade deficit with the world. As long as the global economic structure does not change significantly, the US foreign trade deficit in goods will prolong and the Sino-US trade imbalance will continue to exist for a long time.

4.2.2 US

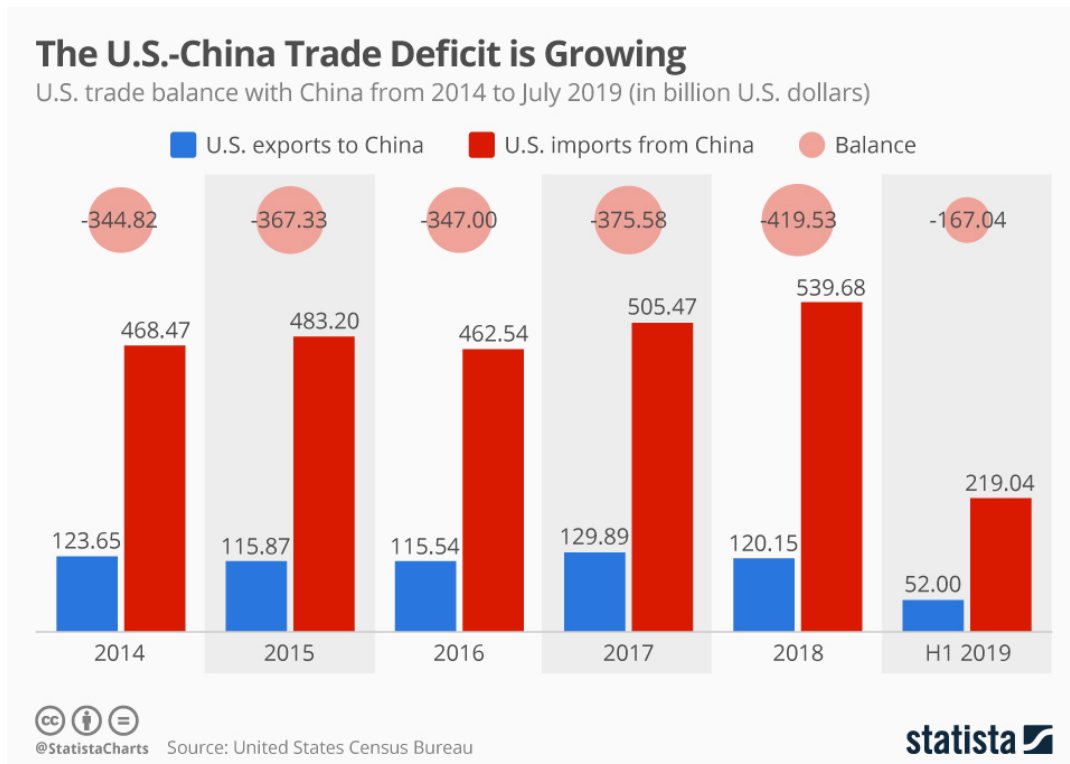


Figure 5. US-China growing trade deficit

China is currently one of the largest goods trading partners with the United States. In 2018, the total goods and services trade with China is estimated at \$659.8 billion in. The value presented a slight decline in 2019, which is \$634.8 billion, \$25 billion shrined. In 2018, Goods exports totalled \$120.3 billion; goods imports totalled \$539.5 billion. The U.S. goods trade deficit with China was \$419.2 billion in 2018, an 11.6% increase (\$43.6 billion) over 2017. By contrast with next year, exports were \$163.0 billion; imports were \$471.8 billion. The U.S. goods and services trade deficit with China was \$308.8 billion in 2019. (USTR 2018 2019) It was apparent that the trade deficit rebound with \$110.4 billion, a remarkable 26.3% decrease. However, the root is not equivalent to get back the priority in international trade with China. The actual reason is that the limitation of volume trade owing to trade war.

After decades of advocating free trade, in 2018 the United States raised import tariffs and major trade partners retaliated. A research group worked for the National Bureau of Economic Research in Cambridge analyzed the short-term impacts of the 2018 protectionism trade war on the U.S. economy. The study results illustrated the imports from targeted

countries China declined 31.5% within products, while counter U.S. exports fell 11.0% over time. Bilaterally retaliatory tariffs caused large declines in imports and exports for both sides involved. Prices of imports targeted by tariffs did not fall, implying complete pass-through of tariffs to duty-inclusive prices. Annual consumer and producer losses from higher costs of imports were \$68.8 billion (0.37% of GDP). After accounting for higher tariff revenue and gains to domestic producers from higher prices, the aggregate welfare loss was \$7.8 billion (0.04% of GDP). (Fajgelbaum, Goldberg, Kennedy, & Khandelwal 2019)

The utilize of tariffs and negative economic impact of the trade war has been criticized by the U.S industry and international society. Furthermore, part of U.S politicians has disagreed with the tactics employed by Trump administration. However, even there was an opposite view to trade war, the most of them both in Democratic and Republican presented a consensus that they had to confront and contest the competition with China under alleged China's unfair trade policies. (Donnan& Leonard 2019) As the opinion of the common citizens in the U.S., in August 2019, a Harvard CAPS/Harris Poll survey released that 67% of registered voters claimed that it is necessary for the U.S. to China continually even though 74% agreed that American consumers were sustaining the majority of the burden of tariffs. (Greenwood 2019)

From the publishing of The Wall Street Journal, Zumbrun and Davis discussed that the trade war against China did not achieve expected goal of reversing trade imbalance, though tariffs imposition on hundreds of billions of dollars indeed restraint good imports from China. The US domestic decline in manufacturing even deteriorated by the strike of Covid-19 pandemic. (Zumbrun & Davis 2020)

Above all, varieties of analysis and statements demonstrated that trade war harms both sides of participants either producers or customers. Economic globalization strengthens both opportunities and threatens of the world economy. It is still under an unprecedented and unpredictable condition for further development of trade war notwithstanding that the consensus of operating and maintaining within an international rule-based trade system contribute to a peaceful conflict resolution to prevent mutually destructive consequences.

4.2.3 World economy

With the progress of economic integration of the world economy or the other word, the development of globalization, all nations interconnect with each other ever before, especially in the economy. The remained countries were affected in the China-United States trade war inevitably. Some of them benefit in some sectors from the supply chain transferring owing to the replacement of export from China to the U.S. For instance, the beneficiaries include South Korea (electronics), Vietnam (technology manufacturing), Malaysia (semiconductor), Mexico (motor vehicles), Brazil (soybeans), and Argentina (agricultural) and so forth. The reason for the beneficiary could be lower labour costs, emerging market, sanctions for access to the market and other political consideration. While the escalation of the trade war, global foreign investment has slowed. The advanced economies relied on the financial sector were more sensitive with the unstable wave of trade intensification, the European Unions is the most affected with negative influence, especially Germany. Besides, the Canadian economy has seen negative effects as well. The most direct consequence from the trade war is the bankruptcy of the corporations which can not defect the external risks to survive from attacks. The trade protectionist policies under the Trump administration could backfire damage global economic growth, multilateral collaboration, and national security alliances.

Peterson Institute for International Economics recommended that trade nations could negotiate through free trade agreements and WTO disputes settlement scenario to assist to relieve the tension of trade war as the existed system suggested. (PIIE) However, from the arguments of Hong Kong economics professor Lawrence J. Lau, the fundamental cause of the trade war is the intensified competition between China and the U.S. for global economic and technological dominance. Additionally, the economic and technological battle between the two economies is likely to continue even after the tariff war is settled. Lawrence also claimed the ongoing trade war happened reflecting “the rise of populism, isolationism, nationalism and protectionism almost everywhere in the world, including in the US.” (Lau 2019)

5 CONCLUSIONS AND SUGGESTION

The thesis primarily completes the research problems of the contracted relation analysis between economic globalization and trade protectionism. The supporting of free trade was further threatened and challenged by the anti-globalist or the protectionist policy.

The study did not focus on long-run impacts of with accurate statistics in certain regions or industries, but it described the overall direction of the conflict of the world economy as the extension in the contemporary era. It indicated that the impacts of China-U.S. trade war are negative and significant for both participants and integral economy. Furthermore, the United States is less susceptible and vulnerable than China both by contrast with absolute terms and relative to GDP but controllable by both economies at present.

The paper concerned mainly on the relation between protectionism policy and the framework of economic globalization combined with the case study of China-US trade war. Owing to the time and the restriction of the author's academic knowledge, the thesis still has many insufficient parts. Besides, this empirical application of trade war only selected the staged results and impacts of the case, because the trade war is happening with kinds of possibility and unprecedented in complication. The uncertainty of trade policy and the development of ongoing trade war could be the focus in international trade for future work.

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