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Globalization, Protectionisms and New International Relations

Andrea Vicini[1], Gislaine Simone Silva Marins[2]
[1](Swiss Management Center University, Independent Scholars)
[2](Faculty of Interpreting and Translation, UNINT, Italy)

Abstract: *The recent decision of the US President to adopt a protectionist policy vs. imported goods could trigger a domino effect in the global context. The conquest by the Chinese economy of new markets such as the African countries is part of a strategy that includes a network of alliances in order to mitigate the effects of the policy of protectionism. Similar responses also seem to have been considered by the USA. In the current, highly connected context, in which the value chain is globalized i.e. highly segmented in many countries, there is little space for isolationist or protectionist policies. Thus the capability to form networks of alliances between nations, even temporary in nature or limited to specific areas, seems the key strategy to mitigate negative effects and win the global challenge.*

Keywords – *Alliances, China, Globalization policy, Protectionism, USA.*

I. INTRODUCTION

What will happen to the global economy in 2020?

In 2018, the Trump administration inaugurated a commercial policy based on protectionism and the first identified enemy to apply to this penalty was China. Thereafter similar measures were announced for other countries with the scope to "make America Great Again". However, after a year and high profile discussions, the Trump Administration are looking for an agreement with China to reduce tariffs on imports.

Why? Is the boomerang effect approaching?

This is evidenced in a recent article released by the researchers of the University of Geneva, which explains the revoking of the North American Free Trade Agreement (NAFTA), announced by President Trump shortly after taking office, and by indicating how the imposition of 20% bilateral tariffs between the US and Mexico in all sectors would reduce average welfare by 0.31% in the US and by 6.6% in Mexico. [1]. Furthermore, this policy would increase unemployment by 2.4% in the United States and 48% in Mexico. In particular, it is estimated that the automotive sector in which the increase of trade barriers against the countries partners such as Mexico and Canada, can affect employment not only in USA, Mexico and Canada, but also in major car producing countries. [1].

It appears clear that protectionism often hides negative effects that only emerge over time, sometimes after the end of a president's term of office. The domino effect is not so easy to forecast, because a high number of variables and conditions (intensity, sectors, ratio) which must be modelled, have been put into play and the picture has currently not assumed a definitive form. [2]. In a similar context, many politicians and decision makers are looking with caution to the US decisions as a milestone on the path of globalization; some see the beginning of the end of globalization, others simply consider it a corrective policy against the unfair interpretation of the rules, which characterized the Chinese manufacturing sector and its vigorous growth in the last decade. [2].

At the beginning of the issue, on 18th September 2018, President Trump tweeted:

"China has been taking advantage of the United States on trade for many years. They also know that I am the one that knows how to stop it. There will be great and fast economic retaliation against China if our farmers, ranchers and/or industrial workers are targeted!"

So, what are the potential changes in the commercial equilibria?

The first hypothesis sees the European markets inundated by Chinese merchandising in the short term, but does not consider that other EU countries could follow and emulate the US example in their own commercial policies, thus it does not include the effects of a similar reaction. [2].

Currently, many institutions, such as banks, universities and think tanks, are searching for the answer to these and other questions. The Economist dedicated provocative editorials to this theme, such as "America's tariffs on China are likely to last for some time". [3]. However, for an adequate evaluation, more time is needed in order to understand what the moves of the United States' counterparts will be.

II. METHODS & SOURCE

This article has been based on data available from different papers, reports, journals and academic books. The collection of available literature, analyses and observations based on news reports, signals the starting point. The author's interactions and meetings with professional associations, including discussions at conferences and seminars with NGO managers, economists, diplomats, and think tanks dedicated to the international policy, and who are actively working on these topics provided successful foundations for the work.

It is useful to remember that a great part of our efforts, as economists and political analysts, are intended to provide others with an idea of the future, in other terms, to do forecasts.

Finally, it appears useful to highlight that the nature of the present work is policy-based and the analysis has been realized with descriptive and inductive methods.

III. GLOBAL CONTEXT

As consequence of this fact, the global arena has come back to discuss the never ending theoretical debate liberalism vs. protectionism, i.e. the advocates of both side have sharpen their weapons. However, the ideological view often limits the capability to obtain a non-biased picture, and so another significant topic is gone undetected. If we enlarge the scope of our considerations to the global scenario, we can see that China, which is becoming a significant player on the African scene, is increasing its presence in terms of foreign direct investment (FDI) on the continent. Africa, as is well known, represents a new and promising sales market, heterogeneous, but able to absorb the excess production of the big economies and at the same time attract considerable foreign investments in big sectors such as mobility (infrastructure and railways), oil extraction, energy development, water, metal production and digital infrastructures.

The presence of Chinese investors in Africa, although widely debated (China is the most important lender for many African countries), does not seem particularly high in terms of volume. In 2017, the inflow of FDI in Africa was $41.7 billion USD, 2.9% of the total FDI in the world. [4].

Table 1. The distribution of the African FDI flow from 2005 to 2017, in billions of USD.

FDI Flows	2005-2007	2014	2015	2016	2017
			Africa		
Inward	38.4	52.4	56.6	53.2	41.8
Outward	6.9	13.6	10.8	11.2	12.1
			North Africa		
Inward	18.8	12.0	12.3	13.8	13.2
Outward	2.3	0.7	1.4	1.5	1.3
			West Africa		

Inward	7.9	12.1	10.2	12.7	11.3
Outward	0.8	2.2	2.2	2.2	1.9
			Central Africa		
Inward	2.9	5.3	8.3	7.3	5.7
Outward	0.7	0.2	0.3	0.3	0.2
			East Africa		
Inward	2.9	6.6	6.9	7.9	7.6
Outward	0.8	0.2	0.1	0.8	0.2
			South Africa		
Inward	6.0	16.4	19.0	11.4	3.8
Outward	3.8	10.3	6.8	7.1	8.5
			World		
Inward	1,415	1,339	1,921	1,8688	1,430
Outward	1,452	1,262	1,622	1,473	1,430

Source: UNCTAD, World Investment Report 2018. [4].

From "Table 1", it appears evident that the trend of FDI flows in Africa accelerated in terms of inflow in the period 2014-2016. In geographic terms, the largest amount in absolute values was destined mainly to the North and South regions, which present logistical advantages with numerous ports such as Tanger-Med located on the Strait of Gibraltar, which within a decade, has become the biggest port in Africa in terms of volume traded. In 2017, this port exceeded 50 million tons for the first time, and the logistics platform is ready to increase the future acceleration of African trade. [5].

The following table synthesizes the amount of FDI stock realized by foreign countries in Africa in the period 2011-2016.

Table 2. Top 10 investing countries by FDI stock in Africa in the period 2011-2016 (in billions of USD).

Country	**2011**	**2016**	**Differential (2011-2016)**	**Increase in %**
USA	57	57	0	0.0
UK	54	55	1	1.9
France	52	49	-3	-5.8
China	16	40	34	213.0
South Africa	23	24	1	4.3
Italy	13	23	10	77.0
Singapore	16	17	1	6.3
India	16	14	-2	-13.0

Hong Kong, China	7	13	6	86.0
Switzerland	11	13	2	18.2

Source: UNCTAD, World Investment Report 2018.

It appears evident from the data in "Table 2" that compared to others, the presence of Chinese investors in Africa is not so high; in terms of FDI stock, China was positioned in fourth place in 2016. However, looking at the potential increasing trend in the period 2011-2016, we can observe that the only country which increased its stock by almost 213% is China. The other three countries positioned at the top remained substantially at the same level, with the exclusion of France.

Naturally, this data needs to be contextualized, so it seems useful to remember that, in the period 2011-2016, the EU countries were affected to different extents by the consequences of the financial crisis born in the US (2007-2009), which reduced aggregate demand and contracted the resources available to be set aside for the FDI.

In the same period, the Chinese economy was increasing without signs of crisis; to cite one example, the average annual GDP growth was up 7%, so the surplus of manufactured goods was destined for new markets, and the FDI was directed to Africa which was, although in a different way, experiencing a positive phase characterized by increases in demand and consumption, and, in turn, requests for new infrastructures and technologies to drive the development process.[6].

Thus, putting together the information deducted from "Tables 1 and 2" above, it appears evident that the increase of the FDI during the period considered, was to a large extent supported by China, and that the economic presence of the Chinese economy in Africa is destined to surpass those of the top three investors in the coming years.

This is the key point of the Chinese strategies: to increase their presence in the new markets, which appears to be a reachable target in an era characterized by post ideological political approach. In fact, the objective of many African countries and within the general establishment is to accelerate economic growth and thus attracting foreign investors. Given this framework, we should remember that the next three decades will be characterized by strong economic growth in Africa, as affirmed by different economists. [6].

IV. ROLE OF THE INTERNATIONAL RELATIONS

Coming back to the geo-economics scenario, it is opportune to consider that in a global context with a high level of connections, the move of one player does not remain without a countermove from the other players.

So, with respect to this issue, what is happening on the other side of the ocean with the other major world power, the USA?

Apart from the costs and negative effects, mentioned above, the USA with its protectionist measures, is returning to the old international policy adopted during the 1970s, i.e. increasing its economic and political influence in Latin America, as can be demonstrated by two timely facts. Recently, the USA signed an agreement in favor of free trade between the USA, Mexico and Canada, surpassing the old NAFTA agreement signed in 1994. Brazil and the USA are signing an agreement to permit the US Department of Defense to use the satellite base in the Amazon region built to launch artificial satellites into space. With respect to the past, these specific issues can be inserted in an international policy which attempts to transform the US from an oppressive neighbor or rival into a business and technological partner for Latin American countries.

This picture configures a new theory about "blocs". From one side, China is adopting a closer relationship with many African countries as well as Russia, and on the other side, the USA is enlarging its sphere of influence in Latin America to extend its sales market. This scenario is generating a sort of "new dynamic equilibrium" in which the most influential economies of the world have their "new allies". It is similar to the strategies of the Cold War being transferred to the commercial and economic arenas. [7].

However, with respect to the 1970s, we now have a more theoretical basis, as "game theory" has been enriched by new developments and principles. [8].[9].

Who will be the winner of the "new business war"? The answer is the superpower (USA or China) which engaged the most emergent countries in number and weight on its side. We can consider the following to be part of the Chinese galaxy: Russia, part of Africa (in particular Sudan, Ethiopia, Djibouti and Angola), and Iran. This only considers the middle powers; of course, the full list is longer. Within the USA's sphere of influence we can consider, without the pretension of being exhaustive, Saudi Arabia and Israel in the Middle East, South Korea in Asia and some Latin American countries, as cited above. Of course, the key strategy is the capability of attracting countries in every bloc.

And Europe?

Europe, although considered to be a unique bloc with a single currency, has 27 different views on foreign, commercial, and immigration policies. In theory it is close to the USA due to the NATO pact, but in practice it is equidistant from the two blocs. It does not have the same perspective for the future within itself; internal divisions together with demographic dynamics are crucial factors which reduce its potential and the advantages of the larger scale blocs (Parsi and Ikenberry, 2014). [10]. The recent opening of France and Italy to the *Belt and Road Initiative* generate new commercial and political scenarios which can change the historical relationship with USA and NATO and redefine the equilibrium forces from a geopolitical point of view.

The *Belt and Road Initiative* is a response to one of the paradigms of globalization and was the rupture of product-territory, towards a reconciliation between territory-market, similarly to the merchants caravan in the middle age, but with the substantial difference that today the impact is global.

Sun Tzu's lessons, magisterially expressed in The Art of War, are well known to the Chinese establishment; while I have many doubts about the current American establishment's knowledge of his writings (Sun Tzu, 2016). [11].

I am not able to affirm whether this scenario, which has turned into a game of chess, is completely desired or not; it could be hiding the real intentions of the two actors, in which case the overall effect is one of monitoring and measuring rather than the surface issue, which is the impact of tariffs on bilateral trade.

The rise of new emergent countries such as India, which is growing at a significant level, could counterbalance the weight of China in the future and open up more complex paradigms.

It is evident that the sustainability of the protectionist measures are related to the dimensions of the blocs formed by nations. The bloc adopts a free trade policy internally and a protectionist policy externally to mitigate the negative effects. Therefore, once again, the dimension, the nature, and the characteristics of the countries embedded in the bloc become the key factors to winning the global challenge, because (in the same way as the players of a football team) if the mosaic of nations is to be efficient, it must be composed with the right complementarity; in my view, this "new race" to complete the mosaic sees China clearly at an advantage.

V. CONCLUSION

In the global world the international situation is fluid and in a state of continuous transformation; this is not a commonplace scenario. It is recommended that the decision makers, and all those responsible for international relationships (including politicians, NGO managers, diplomats, top managers and businesspersons), adopt a long-term vision which is able to go beyond the old schemes and ideological visions.

Recently, in surprising way, the US President Trump, publicly declared his respect and admiration for a historic enemy in the form of North Korean Supreme Leader, Kim Jong-un. Therefore, it is not impossible that in the future we could see a pact between President Trump and the Iranian president Hassan Rouhani. Ultimately, unusual combinations are potentially more possible now than in the past, because it is clear to a large part of the establishment that none have the potential to win the global challenges alone.

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