Globalization Is Under Threat

US-China Trade War

High growth rates during the past two decades have been identified for countries that have retaliated against the United States. Another estimate puts annual U.S. consumer and producer losses from higher costs of imports at $68.8 billion (0.37 % of the U.S. GDP), which translates into an aggregate welfare loss of $7.8 billion (0.04 % of GDP).24 Nevertheless, the tariffs whether against commodities or services may be just the first step in the Trump administration's agenda, in which the ultimate target is a technology innovation and intellectual property rights (IPRs).

According to the Commission, U.S. IP theft "amounts [to] anything between $225 billion and $600 billion annually in counterfeit goods, pirated software, and theft of trade secrets." Curiously, while $600 billion is stated as a (maximum) estimate of the global theft of U.S. intellectual property, that estimate is habitually attributed to China in international media. Even though the Commission believes that the Chinese government "forces" U.S. companies to relinquish their IP to China, many U.S. IP experts that work on IP transactions in China find little evidence of such practices. In regulated and strategic industries, the Chinese overview is stringent, but that applies to both Chinese and foreign companies. Conversely, Chinese companies have faced many barriers in the United States in similar strategic areas, from CNOOC's failed effort to buy U.S. oil company Unocal (eventually acquired by U.S.-based Chevron) to Huawei's futile attempt to invest in America (which led to congressional hearings and a renewed political witch hunt in fall 2018).

The US & Chinese companies getting affected

U.S. goods and services trade with China totaled an estimated $737.1 billion in 2018. Exports were $179.3 billion; imports were $557.9 billion. The U.S. goods and services trade deficit with China was $378.6 billion in 2018.

China is currently our largest goods trading partner with $659.8 billion in total (two-way) goods trade during 2018. Goods exports totaled $120.3 billion; goods imports totaled $539.5 billion. The U.S. goods trade deficit with China was $419.2 billion in 2018.

Trade-in services with China (exports and imports) totaled an estimated $77.3 billion in 2018. Services exports were $58.9 billion; services imports were $18.4 billion. The U.S. services trade surplus with China was $40.5 billion in 2018.

According to the Department of Commerce, U.S. exports of Goods and Services to China supported an estimated 911,000 jobs in 2015 (latest data available) (601,000 supported by goods exports and 309,000 supported by services exports).

Trade Balance

- The U.S. goods trade deficit with China was $419.2 billion in 2018, an 11.6% increase ($43.6 billion) over 2017.
- The United States has a services trade surplus of an estimated $41 billion with China in 2018, up 0.8% from 2017.

Regional Integration

Regional integration helps countries overcome divisions that impede the flow of goods, services, capital, people, and ideas. These divisions are a constraint to economic growth, especially in developing countries. The World Bank Group helps its client countries to promote regional integration through common physical and institutional infrastructure.

Divisions between countries created by geography, poor infrastructure, and inefficient policies are an impediment to economic growth. Regional integration allows countries to overcome these costly divisions by integrating goods, services, and factors' markets, thus facilitating the flow of trade, capital, energy, people, and ideas.

Regional integration can be promoted through common physical and institutional infrastructure. Specifically, regional integration requires cooperation between countries in:

- Trade, investment, and domestic regulation;
- Transport, ICT, and energy infrastructure;
- Macroeconomic and financial policy;
- The provision of other common public goods (e.g. shared natural resources, security, and education).

Cooperation in these areas has taken different institutional forms, with different levels of policy commitments and shared sovereignty, and has had different priorities in different world regions.

Regional integration can lead to substantial economic gains. Regional integration allows countries to:

- Improve market efficiency;
- Share the costs of public goods or large infrastructure projects;
- Decide policy cooperatively and have an anchor to reform;
- Have a building block for global integration;

Concepts and Application

Although the number of regional trade arrangements (RTAs) among the lowest-income developing countries is surging, the literature on their welfare effects is still scarce, and the few that exist fail to provide conclusive results. Furthermore, these RTAs are dominated by countries with a small share of total exports destined for intraregional trade flows. Our study focuses on the welfare effects of RTAs (pertaining to trade creation and trade diversion) among this group of countries. We use a theoretically justified gravity model to estimate welfare effects, focusing on trade creation and trade diversion and deviating from the norm in related studies, accounting for heterogeneity in third countries. Using ECOWAS as a sample, we estimate welfare effects on 1992–2012 annual bilateral imports for 14 countries from 169 countries.

Contrary to conventional expectations in the literature, we find that economic integration among small and relatively low-income countries that have a small share of total trade with each other is welfare-improving for the members as a group, for the majority of the individual member countries, and for some third countries. Accounting for heterogeneity in third countries reveals that an RTA among low-income countries has a particularly robust trade-creation effect.

As for the estimated coefficients of a regression equation (13), both coefficients of importer's and exporter's GDP are positive and statistically significant at the level of 1% in all the commodities except for importer's GDP in the cases of meat and meat preparations (SITC01) and cork and wood (24). The estimated coefficient of exporter's GDP tends to be large in the case of machinery trade, such as office machines (SITC75), and road vehicles (SITC78). Regarding the trade cost variables, the estimated coefficients of the distance are negative and statistically significant for all commodities, and the coefficients of language show positive signs for all commodities except for petroleum (SITC33). The estimated results indicate that transportation cost and cultural similarity respectively proxied by distance and language dummies are important factors representing trade cost in commodity trade. By contrast, the signs of the estimated coefficients on adjacency, which are expected to be positive, are not uniform. The estimated coefficients are positive and statistically significant for 14 commodities out of 20 commodities. The coefficient of the RTA dummy variable in the benchmarking estimation, namely "all RTAs," denotes the impact of the RTA on imports from the member of the same RTA. The estimated coefficients for all commodities except for 2 commodities (SITC24 and 33) show positive signs at a 1% level of significance. These results indicate that the trade creation effects of FTAs are found in 18 commodities. The estimated coefficients for 'medicinal and pharmaceutical products (SITC54)', 'road vehicles (SITC78)' and 'articles of apparels (SITC84)', are found relatively larger than for other commodities. Recognizing that the MNF tariff rates on articles of apparel and road vehicles are relatively high (Annex Table 3), one would suppose it reasonable to find significant trade creation effects by RTA for these commodities. Agricultural products (SITC 01, 04, and 05), by contrast, do not show large coefficients in spite of relatively high tariff rates. This result may reflect the fact that many RTAs exclude agricultural products from tariff elimination because of their political sensitivity. Before discussing the estimation results, we would like to make some observations on the sample data. We use commodity import values for the dependent variable of the estimation.

Conclusion

Only the EU has demonstrated marked increases in both multilateralism and autonomy and has thus contributed to the rapid integration of the continent. Many NGOs in the Caribbean and Central and South America—dedicated in principle to regional integration—have lost autonomy. IOs associated with the former Soviet Union have mostly disappeared and their successors remain weak. Nor do groupings in Southeast Asia and the Pacific Rim demonstrate expanding autonomy. Only the Cono Sur in South America and the organization of West African states show some growth in autonomy and are making visible contributions to the closer integration of their regions.

The situation with respect to multilateralism is slightly different. Western hemisphere IOs are associated with a sharp rise in multilateral ties despite the poor showing regarding autonomy. The same is true of Southeast Asian and Pacific Rim IOs. On the other hand, disintegration and fewer ties are evident in most of the African and the Middle East/Islamic organizational worlds.

In the Caribbean and Central America, an earlier trend toward greater autonomy and multilateralism was reversed as both regions seek greater integration with a North American region in which multilateralism is growing apace.

Globalization

This current wave of globalization has been driven by policies that have opened economies domestically and internationally. In the years since the Second World War, and especially during the past two decades, many governments have adopted free-market economic systems, vastly increasing their own productive potential and creating myriad new opportunities for international trade and investment. Governments also have negotiated dramatic reductions in barriers to commerce and have established international agreements to promote trade in goods, services, and investment. Taking advantage of new opportunities in foreign markets, corporations have built foreign factories and established production and marketing arrangements with foreign partners. A defining feature of globalization, therefore, is an international industrial and financial business structure.

Concepts and Application: Globalization is Under Threat

Yes, I think globalization is under threat because The coronavirus has been relentless, rampaging beyond China and East Asia, including Japan, South Korea, and Southeast Asia, to engulf Italy and Europe, North America, and Central and South America. The latest figures show in excess of 200,000 confirmed cases, with more than 8,000 deaths. China has had the highest number of fatalities, with more than 3,100 deaths, but the number in Italy is rising rapidly. The world has shifted to crisis mode, with WHO Director-General Tedros Adhanom Ghebreyesus declaring the novel coronavirus epidemic a “pandemic” on March 11.

The COVID-19 epidemic is already playing into today’s nationalist narratives. To some Americans, the Chinese origins of the disease will simply reaffirm the belief that China poses a danger to the world and cannot be trusted to behave responsibly. At the same time, many Chinese will likely see some US measures to combat the virus as being racially motivated and intended to block China’s rise. Conspiracy theories about the US Central Intelligence Agency created the virus are already circulating. In a world flooded with disinformation, COVID-19 promises to bring even more.

Globalization is the word 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. Countries have built economic partnerships to facilitate these movements over many centuries. But the term gained popularity after the Cold War in the early 1990s, as these cooperative arrangements shaped modern everyday life. This guide uses the term more narrowly to refer to international trade and some of the investment flows among advanced economies, mostly focusing on the United States.

Conclusion

Globalization is deeply controversial, however. Proponents of globalization argue that it allows poor countries and their citizens to develop economically and raise their standards of living,

while opponents of globalization claim that the creation of an unfettered international free market has benefited multinational corporations in the Western world at the expense of local enterprises, local cultures, and common people. Resistance to globalization has therefore taken shape both at a popular and at a governmental level as people and governments try to manage the flow of capital, labor, goods, and ideas that constitute the current wave of globalization.

To find the right balance between benefits and costs associated with globalization, citizens of all nations need to understand how globalization works and the policy choices facing them and their societies.

Political Systems

The political system, the set of formal legal institutions that constitute a “government” or a “state.” This is the definition adopted by many studies of the legal or constitutional arrangements of advanced political orders. More broadly defined, however, the term comprehends actual as well as prescribed forms of political behavior, not only the legal organization of the state but also the reality of how the state functions. Still more broadly defined, the political system is seen as a set of “processes of interaction” or as a subsystem of the social system interacting with other non-political subsystems, such as the economic system.

Concepts and Application

Political systems across nations may create risks for the conduct of business:

When an organization decides to engage in international financing activities, it takes on additional risk along with the opportunities. The main risks that are associated with businesses engaging in international finance include foreign exchange risk and political risk. These challenges may sometimes make it difficult for companies to maintain constant and reliable revenue. In this article, we'll review the strategies companies can employ to reduce the impact of the risks they face from doing business internationally.

Major things which are faced:

- The major international risks for businesses include foreign exchange and political risks.
- Foreign exchange risk is the risk of currency value fluctuations, usually related to an appreciation of the domestic currency relative to a foreign currency.
- Political risk happens when countries change policies that might negatively affect a business, such as trade barriers.
- Employing hedging strategies and purchasing political risk insurance are two ways companies can reduce the impact of international business risks.

The study of political systems is extensive and complex. A political system is basically the system of politics and government in a country. It governs a complete set of rules, regulations, institutions, and attitudes. The main differentiator of political systems is each system’s philosophy on the rights of the individual and the group as well as the role of government. Each political system’s philosophy impacts the policies that govern the local economy and business environment.

Conclusion

There are more than thirteen major types of government, each of which consists of multiple variations. Let’s focus on the overarching modern political philosophies. At one end of the extremes of political philosophies, or ideologies, is anarchism, which contends that individuals should control political activities and public government is both unnecessary and unwanted. At the other extreme is totalitarianism, which contends that every aspect of an individual’s life should be controlled and dictated by a strong central government. In reality, neither extreme exists in its purest form. Instead, most countries have a combination of both, the balance of which is often a reflection of the country’s history, culture, and religion. This combination is called pluralism, which asserts that both public and private groups are important in a well-functioning political system. Although most countries are pluralistic politically, they may lean more to one extreme than the other.