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# TRADE PROTECTIONISM POLICY EVALUATION

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With the development of global trade, a series of developing countries such as China have experienced rapid economic growth. The economic advantages of developed countries have weakened. The U.S.s hegemony is under threat, constantly provoking China, using non-tariff barriers to implement trade protection policies, and hindering Chinas opening to the outside world and the overall process of globalization. This article introduces the rise and development of trade protectionism, and analyzes its main characteristics, forms and causes. Take this as a theoretical foundation, combine with reality, and analyze trade protection objectively and concretely.

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# TRADE PROTECTIONISM POLICY EVALUATION

## 1. The pros and cons of trade protection

### 1.1 Pros

The reason why most countries adopt trade protectionist policies is that they can bring benefits to their own economic development. By substantially increasing tariffs, on the one hand, capital can flow back. For example, the products originally produced by foreign companies were exported for US$5, because they were cheap and the orders were large. Nowadays, high export fees have to be paid, which has become 11 U.S. dollars, and the number of orders will be sharply reduced, making it meaningless for companies to move abroad. At this time, some companies will choose to return to China, and a large amount of funds will begin to return. Increased taxes and fees will also increase fiscal revenue. On the other hand, trade protection can protect domestic industries and keep the unemployment rate at a relatively low level. For example, the original foreign goods are 5 U.S. dollars, the home country is 10 U.S. dollars, the order volume of domestic goods is very small, and it is difficult for the company to make ends meet. Now that the tax rate of imported goods has been increased, the price of imported goods has become $11, and the number of domestic orders will increase, corporate profits will also increase, employment rates will rise, incomes will rise, and consumption will rise, and assets will rise. For developing countries, a reasonable adoption of trade protection policies can enable their domestic markets to better integrate into the world, and it is easier to gain a foothold in the international financial market, which is conducive to the development of the country.

## 1.2 Cons

Although trade protectionism protects some industries, it enables the industry to grow rapidly, increases the income of domestic manufacturers that dominate the domestic market, and also increases the government's income. But from the perspective of globalization, trade protection is undesirable. First of all, trade protection has increased the price of imported goods and reduced the number of imported goods, thereby reducing a part of consumer surplus and harming consumer interests. Secondly, trade protection makes domestic protected industries not feel the pressure of external competition and lacks pressure to improve efficiency, improve technology, and reduce costs. As a result, the gap between domestic enterprises and the international level is increasing. Finally, highly concealed non-tariff barriers can easily lead to corruption, bribery and other power rent-seeking phenomena, which affect social stability.

Excessive trade protection makes the allocation of resources in the domestic market inefficient, which is not conducive to the international division of labor and cooperation. Domestic consumers cannot enjoy higher-quality products on the international market. If good products are not available, domestic manufacturers will not be able to feel the fierce competition in the world market, and it will aggravate the closedness of the domestic market. As the target of trade protectionism, developing countries have repeatedly suffered setbacks in export trade. The trade protection policies adopted by some developed countries have caused sluggish domestic economic operations in other countries, which is not conducive to the long-term stable development of international trade, and also hinders the process of world economic integration and globalization.

The United States initiated a 301 investigation against China, which included technology, innovation, intellectual property rights, related laws and policies, and imposed tariffs on tens of billions of Chinese goods, which led to an increase in the price of goods exported from China to the United States. The reduced competitiveness in the market has also caused losses to many Chinese foreign trade companies, and directly affected the operations of my country’s export-oriented companies that have close contacts with the United States. At the same time, this move also harmed the interests of foreign companies in the United States. Investors complained repeatedly and the domestic economy tended to become unstable. In fact, the imposition of tariffs will not change the state of US trade imbalance. The US move is said to be deliberately aimed at China, under the guise of protecting the domestic economy, and creating trouble for China, all in order to curb the rapid growth of the Chinese economy. The rapid rise in international status has added a lot of inconvenience to the trade exchanges between the two countries. Obviously, this approach of shooting yourself in the foot is unwise.

In short, the implementation of trade protection policies will destroy the optimal allocation of overall resources. Therefore, it is necessary to carefully compare its static and dynamic, short-term and long-term gains and losses when using it.

# 2. How does China treat U.S. trade protectionism correctly

## 2.1 National level

1. Stimulate domestic demand and reduce dependence on other countries

The current total population of mainland China is 1.39538 billion people. The market demand corresponding to the huge population cannot be underestimated, but this is not the case. China's current economic growth mainly depends on investment and exports, and the consumption carriage has not played its due role. Therefore, my country should increase consumer purchasing power, expand domestic demand, stimulate consumption growth, and reduce economic dependence on other countries. As the domestic market becomes stronger, the ability to deal with the negative impact of the international market will naturally increase.

2. Accelerate the transformation and upgrading of the industrial structure

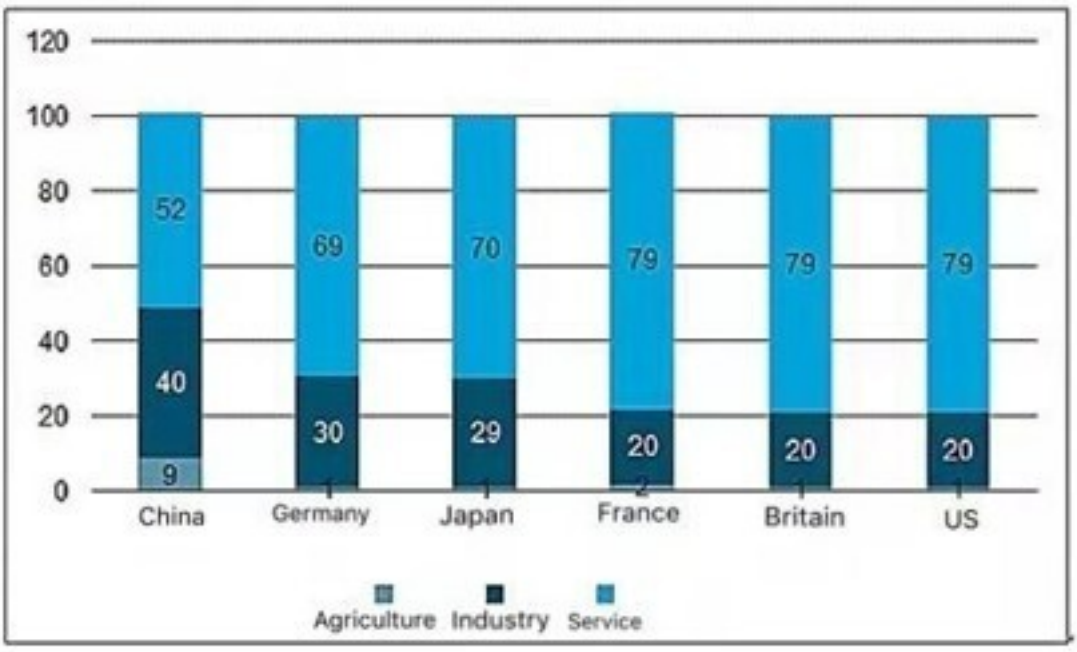



Figure 1 - Comparison of the proportion of tertiary industry between China and developed countries

[Source]: China Industry Information Network

The data in the above figure shows that industry still occupies a relatively large proportion in China, agriculture accounts for a larger proportion than other countries, while the service industry accounts for 52%, which is still far behind developed countries such as the United Kingdom, France and the United States. As a famous "world factory", my country is still at the bottom of the smile curve and the low end of the global division of labor, and has been facing the problem of low added value of products. Primary products and industrial manufactured products are my country's main export products. Due to their low prices, my country is in the embarrassing situation of providing cheap goods while facing anti-dumping sanctions. It is urgent to adjust the industrial structure and expand the proportion of the service industry. Therefore, in order to maintain the vitality and long-term

competitiveness of export enterprises in the international market, it is necessary to rationally allocate resources, improve resource utilization, support the development of small and micro enterprises, accelerate the research and development of core technologies, improve manufacturing levels, and complete the export of goods by labor. The shift from intensive to capital intensive and technology intensive promotes the high-quality development of the industry.

3. Strengthen regional economic cooperation

In the Sino-US trade war, both sides will suffer painful losses. The main reason is that both sides are highly dependent on foreign trade. China's dependence on the United States in trade is too high, resulting in weak confidence in the trade war and unable to "make a strong counterattack in a short period of time. From the current situation, we can see that large-scale exports to the United States have indeed played a role in China's economic improvement. It has a certain role, but it also brings greater risks. The continuous advancement of China's industrial structure reform and the enhancement of scientific and technological strength have narrowed the space for complementary advantages between China and the United States. The competitive relationship between China and the United States has become increasingly obvious. China's economic losses are also a heavy blow. Therefore, in the long run, we must diversify risks, increase the construction of the "Belt and Road", increase trade cooperation with China's economies with complementary advantages, and establish mutually beneficial and win-win cooperation. It can even form a regional alliance to jointly fight against hegemonism.

Integration and globalization are development trends in the world today, and China is also actively involved in the process of regional economic integration. Faced with the trade protection policies of developed countries, China should strengthen the economic construction of the Belt and Road Initiative, expand funding sources, improve facilities along the route, and establish good cooperation and communication bridges with other trading partners. China should rely on the Silk Road multi-party cooperation mechanism to build a high-standard comprehensive economic and trade promotion platform and promote the construction of key Sino-foreign cooperation parks. Support superior enterprises to explore the markets of countries along the route and go out to build marketing networks, production bases and regional headquarters. Actively participate in the construction of the upgraded version of the China-ASEAN Free Trade Area, deeply tap the market potential of the economic corridors of Southeast Asian countries, strengthen economic and trade cooperation with South Korea, Australia, New Zealand, Papua New Guinea and other countries and South and North America, and explore emerging markets such as Pakistan. China should also deepen international exchanges and cooperation, adhere to the concept of "cooperation and win-win", mutual benefit, promote the construction of regional organizations such as APEC and the ASEAN Free Trade Area, strive to build a good bilateral and multilateral trading system, and promote regional economic integration. Meet the challenges and opportunities, and steadily advance the process of opening up to the outside world.

4. Strengthen independent innovation and enhance competitiveness in the international market

Technology is the primary productive force. China should strengthen its independent innovation capabilities and transform "Made in China" into "Created in China" in order to take the initiative in market competition and resolve the risk of anti- dumping. Specifically, we must first target the development trend of high-end industries. Focus on the development of advanced high-end manufacturing industries such as electronic information, intelligent equipment, and biomedicine, and strive to build modern industrial clusters with international competitiveness. At the same time, the innovation drive must be closely linked with the adjustment and upgrading of the industrial structure, vigorously cultivate emerging industries such as the new generation of the Internet, the Internet of Things, and intelligent robots, accelerate the use of information technology to transform and upgrade traditional industries, and strengthen the technological research and innovation

platform construction of industrial clusters. Secondly, it is necessary to enhance the ability of independent innovation and development. Accelerate the construction of a new innovation-driven system, focus on the development of new research and development institutions, enhance the function of incubating scientific and technological achievements and serving enterprises, build a group of high-level collaborative scientific and technological innovation centers, give full play to the innovative advantages of scientific research institutes and colleges and universities, and focus on industry-oriented The research and development of core technologies, key common technologies, etc., promote major breakthroughs in scientific and technological innovation, and accelerate the transformation of economic development from factor-driven to innovation-driven. Finally, it is necessary to form core independent intellectual property rights. Because developed countries such as the United States and Europe have leading advantages in biotechnology, network communications, clean energy, financial services and other fields, they have mastered the right to formulate global technical standards and service standards, which restricts the upgrading and transformation of related fields in China in disguise. To this end, China must encourage famous-brand companies to actively participate in the formulation of international and domestic industry standards, seize the commanding heights of the standards, and strengthen the voice of industrial rules. Encourage innovative companies to transform patents and core technologies into national standards, thereby effectively targeting users of technical standards and breaking through the "containment" of intellectual property and technical standards in developed countries in the United States and Europe.

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