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STRATEGY FOR THE GLOBAL TRADE WAR IN THE DIGITAL ECONOMY

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Abstract

Trade wars have become a characteristic phenomenon in the development of the modern world economy. The greatest damage to business in the world is caused not only by the global competition in the framework of technological revolution, global pandemic, but by the ongoing trade wars. The global impact of trade wars is the most predictable event in the world for the foreseeable future. A trade war in the truest sense of this combination meant a clash of two states with the use of weapons over a sphere of influence in a certain territory, water area. In a more modern interpretation, trade wars were associated with protectionist policies and measures to protect the domestic market using tariff and non-tariff barriers. The methods of waging trade wars have transformed into long-term economic embargoes, driven largely by political motives with increased international competition. At the present stage, trade wars have affected the digital sphere, they seriously destabilize the economy, they are a weapon for curbing economic development, preventing the integration of national economies into the global world economy, and gaining global leadership by them. The study of the nature and essence of trade wars, analysis of global strategy, modern methods of their conduct in the digital economy are of scientific interest.

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1. Introduction

The question of trade wars arose in connection with their increasing number in the world economy. Well-known types of trade wars - offensive and defensive at the present stage may well be called “strategic”. They are no longer limited to a simple seizure of market share, trade wars are a strategic plan of action for causing economic damage to the state, establishing world hegemony.

Trade wars are cited as the main threat to the development of the world economy by all key international institutions, and the degree of concern of such assessments grows as the corresponding actions of the United States and its partners escalate (Handfield et al., 2020).

Trade wars were fought historically, they can be dated to the fifteenth, sixteenth and more modern periods. Initially, trade wars had a physical embodiment and were fought on the territory of one or more states. Over time, with the development of the world economy, its globalization, the exacerbation of contradictions between countries, with the emergence of large international corporations, the goals of trade wars, their methods have changed.

Usually trade wars were called according to the “subject” of their conduct – “opium”, “salmon”, “chicken”, “banana”, etc., however, at the present stage they acquired the name “global”. Trade wars began to be embodied in the form of long-term food embargoes, economic sanctions, etc. The global consequences that trade wars lead to are measured not only by billions of dollars in losses for companies, but also by the economic stagnation of an individual country against which “military trade strategies” are directed.

2. Problem Statement

If we talk about the strategy of conducting a trade war, then its concept, essence is based on military strategy, and comes down to the application of military knowledge, skills to practical life, the development of thought that can change the initial driving idea depending on dynamic, constantly changing situations; it is the art of acting under the pressure of the most difficult circumstances. The concept of strategic military conduct of hostilities has arisen (and arises) in all eras, in any culture. Basic rules on how to deal with inevitable war episodes, how to develop a campaign plan, how to best organize an army.

The Greek origin of the word “strategy” literally means a commander, respectively, it is a military leadership, the ability to lead a military campaign, make decisions in the use of forces, time, place, bridgehead, offensive to achieve advantages (Green, 2014).

The theoretical understanding of a trade war is formulated as a trade rivalry between two or more countries, which is carried out with the aim of capturing foreign markets or preventing the trade “occupation” of the national economy; it is the rupture of cooperative trade relations between countries or coalitions of countries; it is a side effect of protectionism, that is, the actions and policies of the government that restrict international trade.

The emergence of the concept of “trade war” in historical retrospect can be dated to the 15th century, it is associated with the mercantilism that originated in Western European countries. The mercantilists proceeded from the premise that the wealth of the state grows with the accumulation of

money, which should be facilitated by the restriction of imports and the expansion of exports. On this basis, the postulates are being developed about the need for state protection of national production from foreign competition with the help of high customs duties and administrative import restrictions, as well as through financial incentives for the creation and development of domestic production. It was thanks to protectionist policies in Western Europe and the United States that large-scale industry was created.

The issues of protectionism are studied by foreign authors in the context of non-cooperative tariff setting by governments, while each of them does not take into account the impact of welfare on owners and politicians in a trading partner country. The studies also address at such an aspect of protectionism as the response model, in which tariff rates are determined by the median voter, and an increase in the deficit ratio, as well as an increase in the participation rate for the average voter in one country will lead to an increase in the tariff in that country, but to decrease tariffs for her trading partner. Some of the literature examines the role of the response in anti-dumping policies. In other words, how politicians choose these products to respond in a trade skirmish rather than a full-scale trade war. In other words, how politicians choose these products to respond in a trade skirmish rather than a full-scale trade war (Liebman & Reynolds, 2020).

Trade threats, trade wars rely on the theory of the “two-tiered game” as a key analytical device and support its assertions both through quantitative analysis of dispute resolution in accordance with section 301 of the US trade law, and by detailed comparisons of US trade negotiations with China, Japan, European Union, Canada, and Brazil (Conybeare, 2004).

In the domestic literature, examining the issue of trade policy in the Russian economy, the authors argue that any trade war entails an increase in the degree of uncertainty regarding the state of the global economic environment, increases both commercial and political risks of doing business, and thereby creates additional barriers to international trade (Korgun & Sutyryn, 2020).

A quantitative assessment of the consequences of trade wars, scenarios of a trade war between the United States and Europe against Russia and China is studied in joint works of foreign and domestic scientists, the data were obtained using an analysis of over a hundred countries (Makarov et al., 2020). The works of foreign authors investigate the quantitative impact of trade wars on third countries (Abrenica et al., 2019), on certain sectors of the economy (Buongiorno & Johnston, 2018).

3. Research Questions

One of the most important questions that predetermines this study is related to understanding how trade wars have changed, how they are waged. What are the goals of global trade wars in the era of digitalization of the world economy?

4. Purpose of the Study

Problematic issues determine the purpose of the study - to analyze the retrospective development of trade wars in the world economy, to identify new elements of a global trade war strategy, to deduce modern methods of their conduct in the context of the digitalization of the world economy.

5. Research Methods

The article uses the historical research method to analyze the retrospective development of trade wars. In a general logical context, the analysis of the current situation of the development of trade wars in various spheres of the world economy, as well as the synthesis of the obtained data, is applied.

It is important to analyze the content of a modern database of foreign sources in the study: sites of international organizations on the issues under study, in particular the World Trade Organization, the United Nations. The structural-logical method is used to study materials from leading online magazines, news agencies on the issues under study.

6. Findings

In historical retrospect, the most famous events in the field of trade wars were associated primarily with the protectionist measures carried out by developed countries at the beginning of the 20th century. The famous Smoot-Hawley Act, according to which the United States imposes 50 percent trade duties on imports (Jacks & Novy, 2020).

Subsequently, the liberalization of international trade contributed to its development, but the newly intensified sentiments of protectionism in the 60s of the 20th century returned in the form of “chicken wars” between Europe and the United States, trade wars in the form of Arab oil embargoes for the USA, Great Britain, Canada, the Netherlands, embargo on grain by the United States during the entry of Soviet troops into Afghanistan. The US-Europe trade war or the so-called “war on pasta”, which implies the imposition of tariffs on European pasta in response to discrimination against US citrus products. “Salmon trade wars”, banana trade wars and others. In general, the historical retrospective shows that countries used more individual targeted “strikes”, in general, aimed at protecting the domestic market of a particular product.

At the present stage, the methods of waging trade wars began to correspond to the new reality, the conditions of the digitalization of the economy. If earlier trade wars had a quite tangible, concrete character, today they have moved to the virtual space. Methods of trade wars - defensive, offensive have remained the same, however, there is a change in the “battlefield”, methods of waging trade wars.

When we talk about the strategy of waging a real war and a war of trade, in the second case, the basic rules of warfare are borrowed, introduced, and clearly traced - how to act during inevitable military episodes, how to develop a campaign plan, how to organize the army in the best way. The transition from the use of “tactics” of waging trade wars to strategies that by their nature began to be used to restrain the economic development of certain countries, establish world leadership is noteworthy.

At one time, tactics were born, and subsequently the unfriendly political strategy of the United States towards the Soviet Union developed, at the present stage elements of a trade war have been introduced into it in the form of a food embargo, economic sanctions, which have been going on for about seven years.

One of the modern incarnations of the trade war was the confrontation between the two countries, the United States and China. On the one hand, we can observe protectionist sentiments both in one and the other country. The introduction of additional duties on the import of Chinese goods into the United

States contributed to an increase in prices for these goods in the American market, a decrease in their price competitiveness and, as a result, a decrease in demand and a decrease in imports. A similar mechanism worked when American goods were imported into China after they introduced punitive duties. However, it is the strategy of the US trade war with China that draws attention to itself, when, under the “cover” of protecting the domestic market of the American economy, the line of containing China as an economic leader is clearly traced, containing its superiority in the global space. However, elements of a trade war in the form of increased duties on several Chinese goods are only the visible part of the iceberg of a general strategic attack. The front line touched the restrictions on the activities of Chinese high-tech companies, Chinese investments.

The next change in the strategy of conducting trade wars was their transition to the virtual space, which is due to the global development of online trade in goods and services. At the same time, “military strikes” in trade wars concern the IT sphere, telecommunications technologies.

Trade wars in the digital sphere unfold between governments of different countries, between governments and large international corporations, between individual companies.

In the first case, this concerns trade restrictions associated with technological barriers in the virtual space, in particular, the requirements for the transfer of patents, source codes, trade secrets, the disclosure of the digitalization algorithm, a complete ban on cross-border data flows, reduced bandwidth, filtering web content, bans on conducting trade operations and so forth (Ciuriak & Ptashkina, 2018).

Separately we can highlight barriers to data localization, technological barriers to Internet services and other obstacles, including issues related to electronic authentication and signatures, Internet domain names, digital products, electronic payment platforms and other discriminatory practices.

Another case concerns the strategy of trade wars in relation to companies engaged in the production of high-tech goods, IT goods. It comes down not just to restricting imports, although, for example, in the confrontation between the United States and China in 2019, restrictions affected the supply of products (from China to the United States): mobile phones, spare parts for computers and laptops, computers, laptops and memory devices. The US Department of Commerce has blacklisted Huawei and 70 of its subsidiaries. At the same time, the leadership of the United States accuses the Chinese manufacturer of mobile technologies of industrial espionage, financial fraud, and violation of sanctions against Iran.

In the trade war between Australia and China, which was supported by 120 countries in May 2020, Australia banned Chinese companies Huawei and ZTE from participating in the development of Australian 5G networks (Gushchin, 2021).

Political contradictions determine the economic behavior of international corporations, which, within the framework of government restrictions, impose their own strategic prohibitions. Thus, Google plans to prohibit the combination of Chinese smartphones with the Android operating system, which it owns. These phones will not be able to log into Gmail, search, and Google Maps. Together with Google, American manufacturers of software for mobile phones announced the severance of relations with Huawei: Intel, Broadcom and others are among them.

At the same time, D. Trump believed that the external (or “trade”) deficit of the United States is caused by the activities of foreign companies using unfair trade practices, and the American economy is a

victim of their development (Hanke & Li, 2019; Yu, 2018). The Big Five Amazon, Apple, Facebook, Microsoft, Google, defining a new historical stage of capitalism, is accompanied by the growth of Chinese Internet companies Alibaba, Baidu, Tencent, JD.com, NetEase. There are fears that the US “big five” could destroy the “technology ecosystem”. They will not only dominate for the foreseeable future, but they will also act as governments.

In Western countries, a new concept of “techno-nationalism” is “flourishing”, which is increasingly used to describe the threat to China. “One of the most important stories in the world is the battle for the future by investment in technology, in which non-democracies are becoming more assertive, strategically effective and - unencumbered by electoral preferences. “Techno-nationalism” combines two trends that are central to the current historical moment. These fears of Chinese technology make Washington resent Chinese “techno-nationalism” and the prospect that China will rule the Internet as a state of techno-services (Peters, 2018).

7. Conclusion

Thus, we can conclude that the strategy of a global trade war in the era of the digital economy boils down to the struggle of countries, individual companies, not just for leadership and survival, but economic suppression and superiority. The instrument of such a struggle is the application of a war strategy to wage trade wars.

In the report of the US National Intelligence Council “Global Trends 2030: Alternative Worlds” (Global Trends 2030, 2012), one of the possible negative scenarios for the development of the world economy is the scenario of “stalled engines”, in which the risks of international conflicts increase, and this is considered as a hopeless future for the United States and Europe.

A better future for the development of the world economy awaits in the implementation of the “integration” scenario, where China, the United States and Europe will find new aspects of interaction.

The UNCTAD document on the forecast of the development of the world economy speaks of an important feature of the development of the digital economy - the emergence of several exceptionally large global digital platforms, mainly in the United States, as well as in China. Collusion and anticompetitive practices of digital platforms pose new challenges to competition and antitrust policy. One of the solutions is tighter regulation of restrictive business practices with strong international scrutiny and administration.

Another measure would be a better control of vertical integration, by including the granularity and scale of affected data among the merge control criteria. Another approach is forcing firms to restructure so that they cannot use their dominance in one area to harm competitors in others.

An important point for overcoming protracted trade conflicts that threaten to regress not only an individual country, corporation, but also the development of the world economy in general is the reform of the WTO and the use of its instruments to resolve trade disputes more effectively, considering the globalization of the world economy and digitalization processes (Hoekman, 2020; Portanskiy, 2019; Transformatsiya trgovli, 2020).

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