



# The Impact and Outlook of Trade Protectionism on the Global Economy

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**Abstract.** This paper aims to delve deeply into the impact of trade protectionism on the global economy and its future trajectory. Firstly, it clarifies the theoretical foundations of trade protectionism, enhancing the understanding of its connotation and basic principles. Secondly, it analyzes the current characteristics of international trade protectionism, focusing on its persistence, concealment, and diversification. This paper primarily dissects the negative impacts of trade protectionism on the global economy and proposes countermeasures tailored to China's national conditions, intending to provide theoretical support for grasping the trends of trade protectionism and promoting healthy global economic development.

**Keywords:** Trade; Protectionism; Economic Globalization.

## 1 Introduction

In the wave of economic globalization, the existence of trade protectionism acts as a countercurrent, occasionally triggering fluctuations and conflicts in international trade. This paper intends to conduct an in-depth analysis of the complex phenomenon of trade protectionism, exploring its profound impact on the global economic landscape and prospectively predicting its future trends.

Firstly, the article will review the theoretical origins of trade protectionism to establish a basic understanding. Then, it will elaborate on the latest status and significant characteristics of international trade protectionism, revealing its features and evolutionary trends in contemporary international trade.

The paper will further explore the multi-dimensional negative impacts of trade protectionism on the global economy, providing theoretical support for understanding the detrimental nature of this phenomenon. On this basis, it will also combine China's national conditions to propose feasible countermeasures for coping with the wave of international trade protectionism, offering decision-making references for policymakers and the business community.

Through comprehensive and in-depth analysis, this paper aims to provide a clear perspective on the current and future trends of trade protectionism and contribute theoretical and practical support for China to navigate steadily in the complex interna-

tional trade environment. In the context of the interaction between economic globalization and national interests protectionism, understanding and addressing trade protectionism has become a major issue facing governments and international organizations worldwide.

## **2 Overview of Theories Related to Trade Protectionism**

Trade protectionism generally refers to the policy stance where governments implement restrictive or discriminatory measures on imported goods to protect domestic commodities, industries, and employment, thereby achieving greater competitiveness for domestic products in the national market. Its primary measures include tariff barriers and non-tariff trade barriers; the former usually manifests as the imposition of high import taxes, while the latter often employs methods such as import licenses and quota restrictions.

The main theoretical bases of contemporary trade protectionism include:

### **2.1 Strategic Trade Protection Theory**

Proposed by Western economists in the 1970s and 1980s and highly valued and practiced by the governments of developed Western countries, this theory posits that in an imperfectly competitive scale economy, nations and governments maliciously seize market shares and exorbitant profits. By providing export subsidies or protecting the domestic market, they support strategic industries to grow stronger, enhancing market competitiveness and thereby obtaining excess profits.

### **2.2 Regional Economicism New Trade Protection Theory**

This theory, originating from the works of Western scholars Tim Lang and Colin Hines, points out that some developing countries excessively exploit existing domestic resources and continually cut social spending to pursue short-term benefits and achieve cheap exports, thereby exacerbating negative externalities.[1] To realize economic fairness and sustainable development, the theory advocates for developed countries to abandon free trade, adopt regional trade protection measures, prioritize regional economic development, and maintain trade balance.

### **2.3 Green Environment Priority New Trade Protection Theory**

This theory advocates that countries can restrict the import of products from other countries on environmental protection grounds, indirectly protecting their declining industries. Main approaches include setting stringent environmental standards, conducting environmental inspections on imported products, and imposing carbon tariffs as green trade barriers to restrict products that harm the importing country's environment from entering.



1991-2001	38	70.73	0	0	0	0	10	18.52	6	11.11	54
2013-2019	60	17.70	56	16.52	0	0	2	0.59	221	65.19	339
In Total	182	29.69	89	14.52	42	6.85	12	1.96	288	46.98	613

Data sources: EPSDATA

## 3.2 Characteristics of International Trade Protectionism

**3.2.1 Persistence.** Trade protection reflects the conflict of interests between nations on a global scale, exhibiting each country's own interests, which makes its existence very necessary. Therefore, international trade protectionism is persistent and commonly exists in various countries.

**3.2.2 Temporariness.** In pursuing foreign trade interests, countries adopt trade protection measures based on their economic development status and goals, so free trade and protectionist trade coexist temporarily and alternately. When implementing trade protection, countries prioritize their own interests, selecting trade protection policies that best suit their national conditions. Both free trade and trade protection are from the perspective of national interests, possessing stage-specific and temporary characteristics.

**3.2.3 Increased Concealment and Rationality of Trade Protection Measures.** Nowadays, the international community focuses on issues such as climate change, energy security, and food safety, which are related to a country's economic development and determine human survival. Many countries use these issues as excuses to implement new trade protectionism, with green barriers mainly protecting the environment, and blue barriers mainly protecting labor and social rights.[3] Technical barriers are increasing under the pretext of protecting consumer rights, food safety, and the environment. Implementing green trade barriers by imposing carbon tariffs essentially protects trade under the pretext of addressing climate change. As shown in Tables 2 and 3, developed Western countries account for a large proportion of global per capita carbon dioxide emissions. Developed countries should bear more responsibility for global climate and environmental changes, but they use this as an excuse to implement trade protectionism. Regrettably, these methods conform to UN conventions, reflecting that the implementation measures of new trade protectionism are increasingly "concealed" and "rationalized."

**3.2.4 Diversification of Trade Protection Forms.** As shown in Table 4, various trade protection measures have become a new characteristic of international trade protectionism. Previously, trade protection measures were mainly concentrated on tariffs, import quotas, foreign exchange controls, and subsidies. Since 2019, the focus of trade protection measures has shifted to green barriers, technical barriers, anti-dumping, and intellectual property protection as non-tariff barriers. Non-tariff barriers not only levy

tariffs on traditional trade goods but also use carbon tariffs and high-tech trade barriers for trade protection.

**Table 2.** Global Per Capita Cumulative CO<sub>2</sub> Emissions Rankings in 2021 (Unit: Tons).

Ranking	Country	CO <sub>2</sub> Emissions
1	Canada	1751
2	United States	1547
3	Estonia	1394
4	Australia	1388
5	Trinidad and Tobago	1187
6	Russia	1181
7	Kazakhstan	1121
8	United Kingdom	1100
9	Germany	1059
10	Belgium	1053

Data sources: EPSDATA

**Table 3.** Global Per Capita Cumulative CO<sub>2</sub> Emissions (1850-2021) Ranking (Unit: Tonnes).

Ranking	Country	CO <sub>2</sub> Emissions
1	New Zealand	5764
2	Canada	4772
3	Australia	4013
4	United States	3820
5	Argentina	3382
6	Qatar	3340
7	Gabon	2764
8	Malaysia	2342
9	Republic of the Congo	2276
10	Nicaragua	2187

Data sources: EPSDATA

**Table 4.** New Trade Protection Measures Adopted by WTO Members from 2016 to 2021.

Time	SPS Notifi- cation	TBT Notification	anti-dumping	anti-subsidy	safeguard measures
2016-2021 Year	4831	10588	1291	193	97

Data sources: EPSDATA

## **4 The Negative Impact of Trade Protectionism on the Global Economy**

### **4.1 Hindrance to Economic Globalization**

In the contemporary world, economic globalization is highly advanced. Trade protectionism contravenes the trend of efficient global resource allocation, impedes the cross-border flow of production factors, and causes countries to deviate from the trajectory of global division of labor and cooperation. Consequently, trade protectionism is detrimental to sustaining and promoting economic globalization, undermining the efficiency and benefits brought by globalization, and exacerbating the fragmentation and division of the world economy.

### **4.2 Impact on Export-Oriented Economies**

Several developing and emerging market countries primarily adopt export-oriented economic development strategies to drive economic growth through foreign trade. If their major trading partners implement trade protection measures, it will directly affect their exports and severely impact these export-driven economies. Export enterprises will face increased survival pressures, reduced employment opportunities, and decreased fiscal revenues, affecting both the real economy and macroeconomic operations.

### **4.3 Disruption of Smooth Operation of Global Industrial and Supply Chains**

In the context of economic globalization, countries enhance efficiency by participating in global value chains. However, trade protection measures disrupt this pattern, hinder the smooth flow of production factors, and destabilize the operation of global industrial and supply chains. This will lead to increased production costs, decreased efficiency, and restricted economic development. Supply chain disruptions can also trigger inflation and economic downturns.

### **4.4 Misallocation and Waste of Resources**

Trade protectionism, by artificially setting barriers, interferes with the market's decisive role in resource allocation, obstructs the rational transfer of resources to efficient areas, and reduces overall efficiency. Protectionist policies artificially sustain uncompetitive industries and enterprises, wasting resources. Additionally, technological blockades can lead to duplicated research and increased resource investment, causing global resource misallocation and waste.

In summary, trade protectionism brings numerous negative impacts on global economic development. It not only inhibits global economic growth but also exacerbates global development inequalities, disrupts the integrity of industrial and supply chains,

and leads to resource misallocation and waste. Opposing trade protectionism and maintaining a multilateral trade system will inject impetus into promoting economic globalization and fostering global prosperity.

## **5 Recommendations for China in Responding to Trade Protectionism**

### **5.1 Developing New Technological Advancement Pathways and Attracting Foreign Investment**

In the quest to attract foreign investment, it is essential to strengthen the development of human resources and infrastructure domestically, but more importantly, to find new dynamic pathways for technological advancement. As we know, international direct investment has been growing rapidly, bringing host countries benefits such as technology and capital. If host countries can effectively utilize the direct investment from multinational corporations, it can drive their technological development and continuous innovation, leading to sustained and steady economic growth. To attract such direct investments, simply offering incentives and strengthening infrastructure is insufficient. Developing countries must find new technological advancement pathways to become the top choice for multinational corporations' innovative activities and integral parts of the dynamic technological progress. Only by meeting these conditions can foreign investment resources be fully utilized, leading to steady economic growth and optimized industrial structure adjustment.

### **5.2 Adhering to the Multilateral Trade Mechanism**

In the current international context, the World Trade Organization (WTO) serves as a stabilizer in governing the international economic order, significantly promoting the free flow of global resources. Under the WTO dispute settlement mechanism, to avoid the politicization of trade disputes and to keep trade frictions within the economic realm, member countries can adopt consultation and appeal mechanisms.[4] This indicates that unilateral trade protection measures are somewhat restrained by the WTO, especially its dispute resolution mechanism. Thus, in promoting WTO reforms, China should address Sino-US trade issues through the WTO dispute resolution mechanism and engage in consultations. China can defend the global multilateral system and oppose unilateralism through platforms such as the WTO Ministerial Conference, the G20, and other international organizations and platforms. China should actively participate in bilateral and multilateral trade, contribute to regional integration, and seek common interests.

### **5.3 Transforming the Foreign Trade Development Model**

Against the backdrop of slowing world economic development, China currently faces issues of low consumption rates and excessive dependence on foreign trade. Therefore,

China should seize the opportunity to expand domestic demand and adjust the proportion of domestic and foreign demand to appropriate levels. As different countries frequently impose trade restrictions on China, to maintain China's position as a major trading nation under such circumstances, it is imperative to achieve industrial structure transformation quickly.[5] The development model of foreign trade should shift from low-end to high-end, continuously increasing the proportion of service trade, especially cultural trade, in foreign trade.

#### **5.4 Fully Utilizing the Government's Leading Role**

Given the advantageous conditions of significant regulatory adjustments, to address more concealed technical barriers, relevant government departments should establish national standards consistent with international standards, urge Chinese enterprises to value and proactively engage in international certification and promotion work, and establish and improve quality management systems. Utilizing the WTO's bilateral and multilateral trade dispute consultation mechanisms can help domestic enterprises protect their legitimate rights and prevent severe losses to domestic industries. Additionally, it is necessary to guide Chinese enterprises to deepen their awareness of precautionary measures and, when necessary, promptly request anti-dumping investigations to protect legitimate rights. Government departments should thoroughly research foreign trade protection policies and regulations and actively guide enterprises to circumvent trade barriers.

## **6 Conclusions**

In conclusion, this paper has critically examined the multifaceted impacts of trade protectionism on the global economy, providing a nuanced understanding of both its theoretical underpinnings and contemporary manifestations. The analysis reveals that trade protectionism, though often implemented with the intent of safeguarding national industries, tends to generate far-reaching negative repercussions, particularly in terms of stifling international trade flows, exacerbating global economic fragmentation, and triggering retaliatory policies that further disrupt market stability. Nations of the world have been trading in goods and services with each other since the dawn of history.[6]

The persistence, concealment, and diversification of protectionist practices, as evidenced by the evolving nature of non-tariff barriers and regulatory frameworks, underscore the need for heightened vigilance and international cooperation. These measures have not only hindered economic growth but have also eroded the principles of multilateralism that underpin a robust global trading system. Explaining trade protectionism has been one of the most fruitful areas for the application of public choice analysis.[7]

China, as a major player in the global economy, faces unique challenges and opportunities in this context. The proposed recommendations for China include leveraging its comparative advantages, strengthening its role in international institutions, and pursuing strategic trade partnerships that mitigate the adverse effects of protec-



tionist policies. By adopting these measures, China can not only safeguard its economic interests but also contribute to fostering a more open and sustainable global economic environment.

The future trajectory of trade protectionism is likely to be shaped by both geopolitical tensions and domestic political considerations, but its negative impact on global economic integration remains a critical concern. Hence, a concerted global effort is essential to counter these protectionist tendencies and promote long-term, inclusive economic growth.

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