ÓBUDA UNIVERSITY

Keleti Károly Faculty of Economics
Department of Business Development and Infocommunications

DEGREE PROJECT

ÓE-KGK	Student's name:	**Göböly Botond Máté**
2023	Student's registration number:	**T007604/FI12904/G**

ÓBUDA UNIVERSITY

Keleti Károly Faculty of Economics

THESIS ASSIGNMENT

Student's surname, forename (s): Botond Máté Göböly
Thesis number: [redacted]
Registration number: T007604/FI12904/G **Neptun code:** [redacted]

Branch of study: Technical Management
Specialization: Corporate Strategy
Electrical Engineering

Thesis title: Analysis of world economic openness
Task description:
1. Make a literature review about the measures and impacts of economic openness!
2. Define the concept of trade openness and explain the process of change in trading system toward openness after WWII!
3. Analyze international trade regulations issued by the US against China!
4. Summarize the findings and draw conclusions!

Institutional consultant's name: Dr. Valéria Szekeres

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....
Director of Institute

The Thesis is suitable for submission:

....
Institutional consultant

....
External consultant

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Keleti Károly Faculty of Economics

STUDENT'S DECLARATION

I the undersigned student named Göböly Botond Máté (Neptun code: [redacted]) hereby declare that the degree project is the result of my own work; I referred to the special literature and the means used in an identifiable manner. The results included in the degree project completed are allowed to be used by the university and the institution announcing the task for their own purposes free of charge, subject to any restrictions on classification as confidential.

Budapest, 14. December 2023

Göböly Botond Máté

student's signature

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1. INTRODUCTION

I chose this topic because it is essential nowadays to understand the whole concept of economic development. In my work I delt with the concept and changing trends in the trading world and globalization and debates between the U.S. and China. So the development of international trade has become a defining force in the complicated network of the modern world, influencing national and global economic policies. My writing is essential for readers who are interested in the development of global trade from the years following World War II to the present days. Understanding of the historical development of trade becomes important to help identify the complex issues of the twenty-first century and have a closer insight of the changes. After World War II, there was a change as countries realized that trade agreements could be used to promote economic growth and stability and it is a main component of today's economic growth and main element of GDP and gain insight may get a clearer vision what are the main defining factors of a free economy. Free trade agreements acted as gamechanger, breaking down obstacles while encouraging a new era of openness in the world economy from the viewpoint of trade. To understand the trade wars between the two superpowers, China and the United States because these two superpowers have a huge impact on other countries' economy for example defining the export and import prices of goods. Also, technological advancement has been affected by these debates, due to the applied tariffs. I thought it is essential to talk about because IT advancement defines the process of development in the future. However, the continuous discussions between the US and China have the power to change market trends, global economic alliances. My thesis will provide relevant information about the factors influencing the development of global economic openness, highlighting the importance of understanding these dynamics. After all, in the last chapter I tried to summarize and define the openness of the world to have a brief overview of the current openness because as an individual, being familiar with economic openness is still important to understand the main changing forces, as it directly impacts personal and professional life.

2. LITERATURE REVIEW ABOUT THE MEASURES AND IMPACTS OF ECONOMIC OPENNESS

The concept of economic openness has received significant attention in the field of political economy as an essential factor that impacts the size and expansion of national economies. This analysis, which illuminates the historical foundations, metrics, and global effects of economic openness, is based on the work of Hans Keman.

The expression economic openness first appeared in international political economic literature in the early 1980s. But its origins go considerably further back, as evidenced by the writings of 18th-century classical economists like David Ricardo and Adam Smith. The discussion changed during the last half of the 19th century as industrial development and the rise of economic liberalism coincided with the conversation's initial concentration on commodity exchange and exchange rates. *KEMAN 2013* presents the Impex rate, which shows how much is actually imported and exported inside a country's economy. This statistic is essential for political economists as it provides an empirical understanding of the effects and consequences of global commerce on a nation's social and economic structure.

It examines the historical context and emphasizes the rise in global trade volume as evidence of a move toward economic freedom. As a result of changes in industrial activity and the globalization of economic connections, countries are now more dependent on changes in the global market. At the same time, there was democratization, which changed how the government operates and provided rise to welfare economics and the welfare state. Keman's analysis examines the correlation between different factors in society and economic openness. The truth turns out to be more complicated than expected, contradicting expectations that higher degrees of economic openness would be associated with faster economic development and lower levels of inequality. Growth and size of the population come into play as important variables; larger economies frequently produce more for domestic markets. The dynamic aspect of economic openness is highlighted by the change from autarchy to global economic integration, which is made possible by organizations like the World Trade Organization. *(KEMAN 2013)*

The complex interrelationships among political institutions, economic development, and democracy are highlighted. According to Keman, political players' actions and the state of the democratic system both have a significant impact on how the economy performs. The importance of politics and organizations increases with economic openness. In the context of economic openness, researchers discuss the effects of political parties, interest groups, and the institutional structure of democracy on economic development. Keman's research, in summary, emphasizes the complexity of economic openness. One important metric that shows the real transactions that mold a country's economic environment is the impex rate. Political, regional, and demographic considerations all have an impact on the relationship between economic openness and progress. Understanding how economic openness affects a country's social consequences and its financial stability requires considering the impact of political structures. We learn a great deal about the development of this idea, its metrics, and its profound effects on the complicated structure of international economies as we analyze Hans Keman's studies of world economic openness.

The complicated nature of international relations have been greatly influenced by the dynamics of economic openness. This literature review explores the historical development of global trade, looking at the shift from mercantilism to protectionism and the problems that followed, helping to form the contemporary age. This paper, written by *ALLAIS et. al (2023)* explores the parameters and effects of economic openness while providing a spotlight on the challenges involved in international trade. The article's second primary topic was mercantilism. Mercantilists placed a high value on accumulating riches, especially in gold, because of their strong nationalistic feelings in the 17^{th} century. Their simple trade policy was to generate gold surpluses, promote exports, and discourage imports.The emphasis on protecting national industries and controlling trade outlets aimed to secure economic dominance. The majority of countries, including the US, adopted similar measures and imposed tariffs to protect their own sectors. Over the time League of Nations' attempts to establish international cooperation encountered difficulties when nations implemented protectionist policies in response to recessions and high unemployment. The world economy was dominated by mercantilist customs, and the state's strategy of foreign trade was established. The damage caused by World War II led to a change in how international trade was managed. International trade and collaboration can be improved through trade agreements and supranational organizations, such as the General Agreement on Tariffs and Trade (GATT) established in 1947. This was a change from the previous mercantilist beliefs. The factors influencing worldwide trade are numerous and constantly shifting, spanning from the commitment of mercantilism to the challenges caused by protectionism and the ensuing global realignment following World War II. In order to make well-informed decisions and formulate successful policies, it is essential that historical perspectives be taken into account. *(ALLAIS, 2023,)*

Economic openness has been a popular issue in economic researches. It is a complicated topic that is frequently thrown around in discussions of economics under several names such as "trade openness," "economic integration," "trade liberalization," or "globalization." The article "Understanding economic openness: a review of existing measures" by *GRÄBNER et. al. (2018)* are summarized in this a brief overview. The paper explores the methodical classification and assessment of the main economic openness indicators, providing a comprehensive understanding of the various metrics and their effects.

The first part of the review emphasizes the complexity of economic openness. The literature's broad application of terminology reflects the variety of elements involved in economic integration. Over the years, a number of indicators have been developed as a result of the lack of agreement on how to define and measure it. Gräbner's study helps maintain this variation by classifying these metrics into "real" and "financial" dimensions as well as "de-facto" and "de-jure" categories.

Analyzing the more technical aspects of openness indicators, the analysis makes a distinction between trade and financial openness measures according to whether they measure a nation's legal structure ('de-jure') or actual outcomes ('de-facto'). It is emphasized how important it is to understand the distinctions between de-facto and de-jure metrics since they provide different insights into how a nation connects to the international economy.

The article analyzation of trade openness indexes classifying countries according to economic complexity, and evaluating trends and characteristics of economic openness. The results show that nations with high levels of complexity typically have higher levels of de facto trade openness. It is highlighted that the KOF Globalization Index's modular structure is an important instrument for evaluating broad changes in economic openness. Within every category, clusters of closely related openness indicators, such as trade de-facto, trade de-jure, financial de-facto, and financial de-jure are found by correlation analysis.The article examines the effects of openness measures on empirical research and possible future approaches, going beyond a summary of previous studies. It brings into question the complex tie that exists between growth and economic openness. The divergent results across several metrics demonstrate the significant influence that the indicator selection can have on the forecast relationship between economic development and openness. It highlights how observation is theory-laden and underlines how important it is to have comprehensive theoretical reasons when choosing measurement. Furthermore, the study emphasizes how growth regression results can be significantly affected by the use of economic openness indicators.

To sum everything up, an extensive analysis of economic openness metrics, revealing their complex characteristics. It provides insightful information about the challenges associated with characterizing, classifying, and quantifying economic openness. Given the difficulties presented by different metrics and approaches, future research in this field needs to try to understand the complex relationship between economic openness and a range of economic outcomes. This review's complex observations establish the basis for deeper and more effective empirical research, which will broaden our understanding of how economic openness affects growth and development. *(GRÄBNER, C. et al.;2018)*

The impact of trade openness on economic stability is the focus of the following article. The authors of the paper are Vu Manh Hoai Nguyen,Tin Huu Ho, Luan Huyn Nguyen, An Thi Ha Pham, present insight regarding the connection between trade openness, macroeconomic stability, and economic growth. The main idea is that trade openness is essential to promoting sustainable development. The need for a stable macroeconomic environment is emphasized at the very beginning of the essay as a requirement for sustainable economic growth. It contrasts the experiences of nations like Mexico and Chile with those of Brazil and Argentina during economic crises in order to demonstrate the relationship between budgetary control, low inflation, and economic recovery.

The article argues that while macroeconomic stability is important, it is not enough for long-term growth. The writers agree with Fischer's economic policies are essential, especially one focused on trade openness. Recent studies highlight the significant role that trade openness plays in promoting sustainable economic growth in both developed and developing economies. Trade liberalization is believed to promote international trade by allowing nations to use of their comparative advantages and increase productivity. It is recommended that policymakers, particularly those in developing nations, reevaluate import substitution strategies and instead focus on outward-oriented economic strategies that focus on trade openness.

The relationship between trade openness and macroeconomic stability is examined in detail, based on a number of economic theories. Both absolute advantage theory and neoclassical growth theory argue that trade openness increases productivity, capital formation, and resource allocation, all of which contribute to economic growth. The compensation hypothesis investigates the effects of trade openness on the stability of economic growth, while the new growth theory highlights the significance of technical advancement in the article. The study's findings show that trade openness has a major impact on macroeconomic stability and sustained economic growth, with particular implications for GDP volatility and exchange rate stability.

The importance of trade openness in generating stability and sustainable economic growth is once again highlighted in the article's conclusion. It emphasizes the significance of creating an environment that is favorable to international trade and asks for sophisticated policy decisions that are supported by actual information. Understanding the complex dynamics of economic openness is crucial for well-informed policy development and decision-making, particularly considering global economic difficulties. *(Nguyen, H. et al. 2023)*

A detailed evaluation of the current status of the global economy is given by Pierre-Olivier Gourinchas's article, "Global Economy on Track but Not Yet Out of the Woods," *(GOURINCHAS,2023)* which highlights the ongoing recovery from the COVID-19 pandemic and geopolitical challenges like Russia's invasion of Ukraine.

The author acknowledges that there are obvious signs of improvement in the world economy. Officially, the COVID-19 health issue is over, and supply-chain interruptions are back to what they were before the outbreak. The first quarter of this year's economic activity showed resiliency, particularly in the labor markets. The war in Ukraine caused energy and food prices to surge, but they have now sharply declined, helping to relieve global inflation pressures faster than expected. Because of the rapid efforts taken by US and Swiss authorities, the financial volatility that followed the banking crisis in March has been minimized. Despite these encouraging advancements, the study identifies a number of upcoming difficulties. Based on the earlier prediction, the growth rate is expected to decrease from 3.5 percent in the previous year to 3 percent in the current and upcoming year. Global inflation is expected to drop further, to 5.2 percent in 2024, from 8.7 percent in the previous year to 6.8 percent this year. Advanced economies are particularly impacted by the slowdown, in these countries, growth is predicted to decline from 2.7% in 2022 to 1.5% this year and then remain moderate at 1.4% the next year. The impact of the war-related increase in oil prices last year is one reason for the notable slowdown that the euro region is facing. The differences between developed and emerging economies are an important conclusion. Growth in emerging markets and developing economies is predicted to rise up from 3.1 percent in 2022 to 4.1 percent in the present year and the following one, while growth in advanced economies is predicted to stagnate. This average, however, hides wide regional differences; growing and developing Asia leads the world in rapid development, while countries that produce commodities struggle with falling revenue from exports. The global restriction of monetary policy is having an impact on the activity worldwide, so as it is beginning to lose strength. The fight against inflation faces difficulties since the core rate of inflation, which does not include food and energy prices, continues to exceed central banks' targets. The financial markets might experience severe repricing, particularly if unexpected increases in inflation higher or the world's demand for risk declines.The article ends with policy suggestions for negotiating the challenging economic environment. It's hoped that inflation is beginning to decline, but have to pay attention to the recovery could be challenging. Protecting financial stability and strengthening the reliability of disinflation tactics need to be the main priorities. It is believed that financial flexibility is essential for carrying out structural changes, particularly in developing and emerging nations. The significance of multilateral cooperation in addressing global concerns is emphasized in the text.

The author highlights that cooperation is necessary to guarantee a secure and thriving global economy. In conclusion, the article offers a deep investigation of global economic openness, taking into account several kinds of variables, dangers, and suggested actions to solve and recognize the arising problems. The article looks several important subjects, including the differences between developed and developing countries, obstacles in the fight against inflation, and the importance of international collaboration. *(Gourinchas,2023)*

The books by *KEMAN, 2013, ALLAIS, 2023; GRÄBNER, c. et al.;2018; GOURINCHAS, 2023* and *Nguyen, H. et al., 2023* provided an analysis of economic openness, showing a complex and ever-changing global environment influenced by many historical viewpoints, measures, and modern evaluations. In order to have a conclusion regarding the current status of global economic openness, it is necessary to combine the knowledge provided by the many authors' literature reviews and assessments.

This measurement requires complex indicators that are classified into "real" and "financial," as well as "de-facto" and "de-jure" aspects, according to the work *GRÄBNER, c. et al.;2018*. *Keman 2013's* historical research highlights the complex interplay among political institutions, societal conditions, and economic openness, which defies oversimplified expectations. The worldwide landscape is diverse, despite the expectation of a clear association with progress and decreased inequality due to factors like population size, growth, and political institutions. *ALLAIS, 2023* analyze how international trade has changed over time, emphasizing the transition from mercantilism to protectionism as well as the profound effects of World War II what my writings discuss in another paragraph later. This approach emphasizes the protectionist waves that occur during crises and the subsequent moves toward international collaboration, showing the characters of different economic ideologies.

A classification of economic openness indicators by *GRÄBNER, c. et al.;2018* highlights the need for complex measurement approaches; their analysis separates the de-facto from the de-jure dimensions, which is important for preventing contradictions in research and understanding complex relationships between economic openness and different outcomes; *Nguyen, H. et al., 2023* expand the discussion by highlighting the role that trade openness plays in productivity, capital formation, and resource allocation; the article emphasizes the significance of stable macroeconomic environments, using historical examples to show how budgetary control and low inflation affect economic recovery. In his analysis, *GOURINCHAS, 2023* highlights positive developments, such as the resolution of the COVID-19 health crisis, but also points to challenges, such as an impending recession in growth and continuous issues to controll inflation. The analysis emphasizes how crucial the international collaboration, financial stability, and labor market dynamics of the global economic landscape.

In summary, there is economic openness in the world, but there are several aspects and a range in the openness. It involves complex interrelationships between sociological, political, and economic elements. Global economic openness is dynamic and ever-changing, according to the historical change from mercantilism to protectionism and the cyclical nature of economic ideologies. Although there are encouraging signs, there are still issues that need to be resolved in order to have a safe and prosperous global economy. These issues include the dynamics of the labor market, financial stability, and cooperative efforts. So, all in all, the changing economy showing the arising trend towards the openness, but if we would like to deal with it and determine the scale of openness have to keep in front of eye many different factors.

3. DEFINING THE CONCEPT OF TRADE OPENNESS AND EXPLANATION THE PROCESS OF CHANGE IN TRADING SYSTEM TOWARD OPENNESS AFTER THE SECOND WORLD WAR

3.1. What is the concept of trade openness?

The degree to which a nation participates in international trade and integrates into the world economy is measured by its trade openness. It entails the unrestricted movement of capital, goods, and services across international borders, reflecting how open a country's markets are to foreign goods and how actively local producers engage in international markets. It is necessary to take into account a variety of factors when attempting to understand trade openness, such as international relations, economic conditions, and policy frameworks. Trade openness is impacted by many things. First and foremost, trade policies are important. Trade openness is typically higher in nations that implement free trade policies, lower tariffs, and take part in international trade agreements. Global trade policies, for instance, have been greatly influenced by the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO), which succeededEconomic reforms play a major role in increasing trade openness. International trade is facilitated by the liberalization, deregulation, and privatization of markets. Removing obstacles from domestic markets improves a nation's capacity to participate in the international economy. (*RODRIK, (1997*)

One of the most important aspects of understanding and explaining the idea of trade openness is exchange rate policies. Trade openness is the degree to which a nation participates in international trade. It is a complex concept that includes market accessibility, trade liberalization, and a country's level of participation in international economic exchanges. Numerous factors impact with exchange rate policies emerging as a key determinant. For foreign traders, stable and predictable exchange rates are essential in lowering uncertainty. This decrease in uncertainty is essential for promoting trade openness because it motivates both domestic and foreign businesses to do cross-border business. Exchange rate stability provides a trade-friendly atmosphere by giving companies a stable foundation to plan and carry out international transactions. Several important mechanisms help to explain how exchange rate stability affects trade openness. First of all, a **predictable pricing environment** for goods and services traded internationally is facilitated by stable exchange rates. Businesses use this predictability to plan their production, price strategies, and overall market participation. It lessens the risk brought on by currency fluctuations, increasing the viability of long-term international trade partnerships for companies. Secondly, stable exchange rates make it easier to negotiate and carry out cross-border agreements. Companies that enter into international agreements frequently depend on stable exchange rates to make sure the terms of the agreement are still applicable for the whole duration of the agreement. For sectors like manufacturing or infrastructure development that have long commitments and long production cycles, stability is especially important. **Stable exchange rates** also encourage confidence among foreign investors and traders. Businesses and investors tend to allocate resources to overseas markets more frequently when exchange rates are stable. Because investors are more likely to contribute capital to nations where the risks associated with currency volatility are minimized, this confidence is a major driver of foreign direct investment (FDI). The role that currency stability plays in attracting foreign investment serves as more evidence of the connection between exchange rate policies and trade openness. An exchange rate that is steady and predictable gives foreign investors some assurance about the value of their returns in the future. This guarantee increases a nation's appeal to foreign investors and promotes greater trade openness. (*Obstfeld, 1996*)

International trade has been significantly impacted by the digital transformation, which has lowered internationalization barriers and increased trade competitiveness. Businesses, especially small and medium-sized enterprises, reach more globally connected customers with new products and services with minimal effort. Thankfully, new digital tools make it simpler to overcome trade obstacles, promote worldwide cooperation, simplify foreign payments, and access a wider pool of finance. A growing number of tiny packages, digital goods and services, especially lower value services, are crossing international borders as a result of the expansion of online platforms. The production and distribution of services are evolving as a result of new technologies and data-driven business models, enhancing their tradeability and obfuscating the lines between modalities of delivery. As a result of the digital transformation, smart products that integrate commoditie s and services and are always linked are also emerging. (*GONZÁLEZ & JOUANJEAN, 2017)*

Moreover, technological advancements, particularly in communication and transportation, reduce the costs associated with international trade. Improved infrastructure, efficient logistics, and advancements in information technology facilitate the movement of goods, making trade more accessible. *(THOMAS, 2017)*

It becomes clear that supporting trade openness and drawing in foreign investment depend heavily on political stability. However, extractive institutions, which are frequently linked to political unrest, foster an atmosphere that is unfavorable to international investment and trade. International investors, on the other hand, are drawn to inclusive institutions that are marked by political stability and a welcoming business climate.

Through the prism of investor confidence, the relationship between trade openness and political stability can be understood. Foreign and domestic investors are more inclined to allocate capital to nations with politically stable environments. Political stability lowers uncertainty, lessens the possibility of expropriation, and creates an atmosphere that is favorable for long-term corporate planning. Moreover, the study's conclusions are consistent with empirical observations of actual cases. Western Europe and some parts of Asia are examples of countries with stable political environments that have been successful in drawing FDI and attaining high levels of trade openness. Acemoglu, Johnson, and Robinson's research is supported by cases from everyday life. Countries like those in Scandinavia or some East Asian nations, with stable political environments, have had success taking in foreign direct investment and reaching high trade openness levels. On the other hand, areas afflicted by political instability, which is frequently associated with extractive industries, find it difficult to establish a climate that is favorable to international trade and economic growth. *(ACEMOGLU ET AL.; 2001).*

Defining the trade openness concept to understand the change in the trading system, we have to deal firstly with business freedom.

Business freedom has a significant role in economic openness all around the world. According to Oxford dictionary the freedom in the business world means the capability or freedom to do, say, or think as one considers. A necessity for success in life, society, and business is „freedom from.” It speaks to people being freed from oppression, hierarchy, and suffocating regulations, whether they come from a dictatorial government or a top-down corporate management style. Even though authority is distributed, information is communicated, and decision-making is accessible. „Freedom from” can create an environment where numerous actors can contribute significantly. By itself the freedom from it is not enough to establish the moral and ethical frameworks. Because of this „freedom to” refers to the common circumstance that motivates us to act in the interests of the community. „Freedom to” means working together to achieve common goals and beneficial results for all parties. As we know the aspects of freedom businesses need to begin to look relationships with all stakeholders through the perspective of "freedom from/freedom to," including relationships with staff members, clients, partners in the supply chain, and even communities. In contemporary civilizations, freedom is often seen as a fundamental human right. The correct amount of freedom can in fact support competitive advantage across various metrics of financial performance, innovation, and long-term success, according to research on how freedom influences corporate performance. Freedom from and freedom to are the two different categories of determined structure. While in the corporate world, this translates to seamless collaboration across an organization where staff members may experiment with their jobs and take charge of their duties. (*SEIDMAN; 2014.)*

The Business freedom index is set by 10 different aspects:

- business-procedures (number),

- time (days),

- cost (% of income per capita),

- minimum capital (% of income per capita),

- obtaining a license—procedures (number),

- time (days),

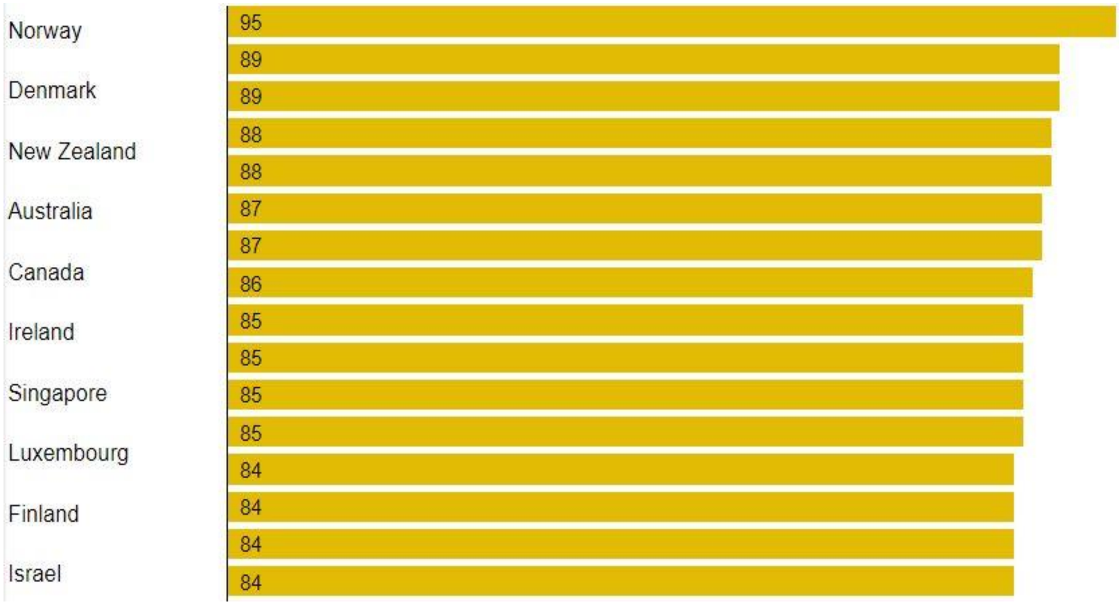
-cost (% of income per capita),

-closing a business—time (years),

- cost (% of estate),

- recovery rate (cents on the dollar).

In the 2019's index, we can see the top 10 most free countries in the business sector from 0-100 ranking. That year the average was 63 points out of 100. The indicator shows that the Scandinavian countries are the leaders in the top places with an average of 89,3 points. At the bottom we can find North Korea the most isolated country in the whole world with 5 points on the scale.



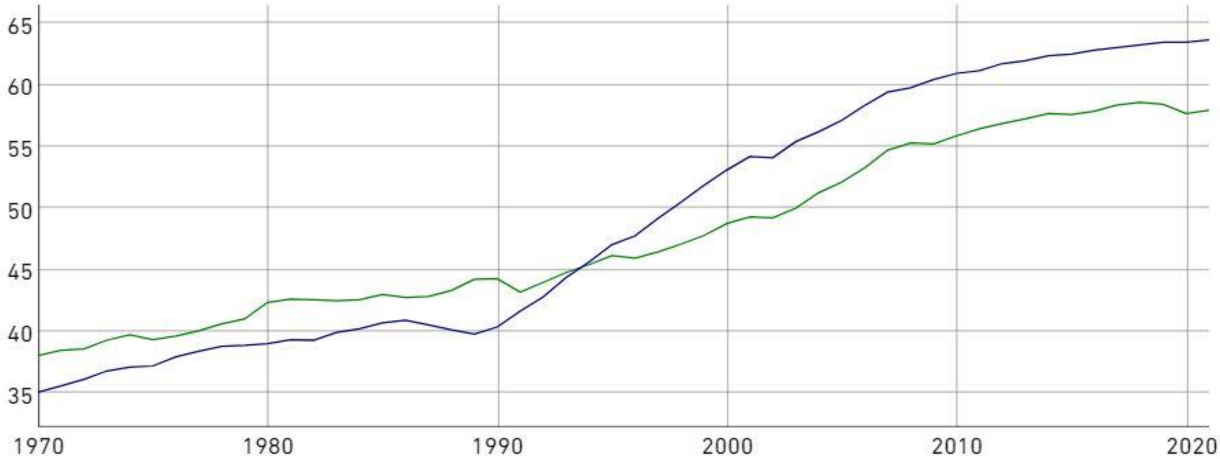
1. Diagram: Business freedom world ranking 2023

Source: Business freedom index (0-100), 2023 - Country rankings by The Global Economy

3.2. De-facto and De-jure measures and its overview

The previously mentioned de-facto metrics in the first paragraph are outcome-focused indicators that show how integrated a nation actually is with the global economy. On the other hand, de-jure measures are based on an assessment of a nation's legal system; they indicate a nation's willingness to be open as expressed by the current regulatory environment. De-jure trade restrictions are frequently based on tariff rates (such as tariffs and surcharges), knowledge of non-tariff trade restrictions (such as quotas and licensing requirements), or tax receipts resulting from trade-related activities relative to GDP. Financial de-jure metrics show how much a nation imposes legal limitations on its international capital operations. It is crucial to remember that, while de-jure indicators assess a nation's regulatory environment, this environment is affected not just by national laws but also by the influence of supranational organizations like the European Union or the World Trade Organization. It is crucial to remember that, while de-jure indicators assess a nation's regulatory environment, this environment is affected not just by national laws but also by the influence of supranational organizations like the European Union or the World Trade Organization. De-facto and de-jure, the two primary types of indicators, show that these types do measure many aspects of openness, which need not always be constant for a given country. For instance, a nation may take a defensive attitude on openness in its legal system while yet having a significant impact on the global trading system, for instance because of its unique position as a financial or commerce centre. In same time, a nation may have trade-friendly institutions and policies but yet lag behind in terms of its relative integration in world commerce because of its remote location or subpar technology. De-jure indicators are primarily based on a single, significant factor that shapes actual economic integration, a country's regulatory environment, whereas de-facto indicators are more concerned with overall results. As a result, the implications derived from de-jure indicators can be very different from those derived from de-facto indicators. De-facto measures can therefore be viewed as a technique to capture the overall impact of all pertinent elements without having any need to specify their proportionate contributions to the selected outcome dimension. *(Gräbner,, et al.;2020)*

On the other hand, the economic, social, and political aspects of globalization are measured by the KOF Globalization Index. It is used to track changes over a long period of time in the level of globalization observed in various nations. For the Index as a whole, as well as within the economic, social, and political components, a distinction is made between de facto and de jure. A higher degree of globalization is indicated by higher values on the Index, which rates globalization on a scale from 1 to 100. Since the end of the Cold War, there has been an increase in globalization in several different fields, which began around in the 1970s as we can observe on the graph analyzing the de-facto and de-jure measures based on Swiss Economic institute dataset on the Diagram 2



Green line- De-facto Blue line: De-jure

2. Diagram: KOF Globalization Index 1970-2021

Source: KOF Globalization Index. 2023, KOF Swiss Economic Institute | ETH Zurich

3.3. Data Democratization as a freedom of business:

While mentioning this small topic, related to business freedom it is essential to mention that it does not refer to all over the world it just shows what are the steps to reach total economic openness of the world by providing the data to companies and within firms to subsidiaries or daughter-companies in order to enable the barrier-free flow on the market.

The most frequent thing is that firm's gives access to company's data and the organization as a whole, as well as its data analytics to the employees and all staff levels, individuals in order to improve performance in the business environment, and educates them on how to work with it, regardless of their technical background. If a company is serious about democratizing data, it must adhere to the following guidelines:

-Encourage staff to feel at ease asking questions about data,

-Give everyone access to the necessary tools so they can work with data,

-Consider data democratization as an ongoing process that may even call for a change in organizational culture. *(CHOUDHURY 2023*)

3.4. Trade openness measures

An agreement to reduce import and export restrictions between two or more countries is known as a free trade agreement. Government taxes, quotas, subsidies, and bans that restrict the interchange of goods and services across international borders are minimal to nonexistent under a free trade policy. It does, however, allow businesses in each country to concentrate on developing and marketing goods that make the best use of existing resources while importing products that are scarce or unavailable domestically. Domestic production and foreign trade work together to boost economic growth and better meet consumer expectations. The positive effect on the market of FTA's for example increase foreign investments and by that stimulates economic growth like all of the countries involved often experience stronger economic growth when reasonable limitations, like tariffs, are applied. For instance, the Office of the US Trade Representative believes that the United States' economic growth improved by 5% yearly as a result of signing NAFTA (the North American Free Trade Agreement). Domestic enterprises have access to the newest technologies created by their international partners in addition to human skills and it enables the technology transfer. Moreover, cuts back on government spendings, to make up for local industry's income losses brought on by export quotas, governments frequently subsidize sectors like agriculture. The government's tax revenue can be used for other purposes after the quotas are removed. *(LONGLEY 2018)*

In discussions of economic openness, de-facto commerce in commodities and services is of particular importance. One fundamental indicator of trade openness, namely trade volume compared to GDP, has a significant influence on these issues. There are alternatives to the Trade to GDP strategy, most of which are based on its constituent parts and variants. Despite the fact that trade to GDP is a common primary measure of reference due to its straightforward interpretation and apparent tight alignment to the issue at hand, it should nevertheless be used with caution for a number of reasons. First, as it is commonly defined as comprising all products and services, adjustments to the Trade/GDP ratio may be needed. Trade/GDP incorporates an unique size bias by using GDP as a baseline because small economies often have larger trade volumes in relation to GDP than large economies. Implies a definition of "openness" in terms of the relative weight given to international vs domestic trade. In light of this, it is not surprising that countries with robust domestic economies that are also significant participants in global trade, such as the United States, Japan, Germany, or China, consistently score at the bottom of any Trade/GDP-based country ranking. These measures, which try to correct for the sizebias associated with using Trade/GDP as a simple indicator of economic openness, include the trade dependency ratio, trade openness index, trade share, and trade ratio. *(Gräbnerab, et al.;2018)*

3.5. Vulnerability of countries with high trade openness

Less international trade makes economies more vulnerable to abrupt pauses and currency crises. The research established a causal relationship between lack of trade openness and the instability of financial flows after controlling for other likely causes of these shocks and instrumenting trade openness using gravity estimates to minimize identification issues. Additionally, the only real indicators of abrupt stops (reduction in the magnitude of net capital inflows) seem to be the degree of trade openness and the size of the current account deficit before to the shock. The second type of external crises under consideration likewise appear to be significantly predicted by trade openness, foreign debt, reserves, and nominal exchange rate rigidity. It appears that trade openness has a significant, numerically meaningful, and qualitatively robust impact on the likelihood of an immediate stop. Regardless of their findings, the majority of these studies use a single metric—the value of a country's commerce expressed as a percentage of its GDP—to classify a nation as open to trade. According to the study, while a country's trade to GDP ratio may be a useful indicator, it can also be impacted by a number of internal factors, such as income and general policy reforms, and may not always be able to distinguish between countries that are more or less open to trade. *(FRANKEL & CAVALLO, 2004)*

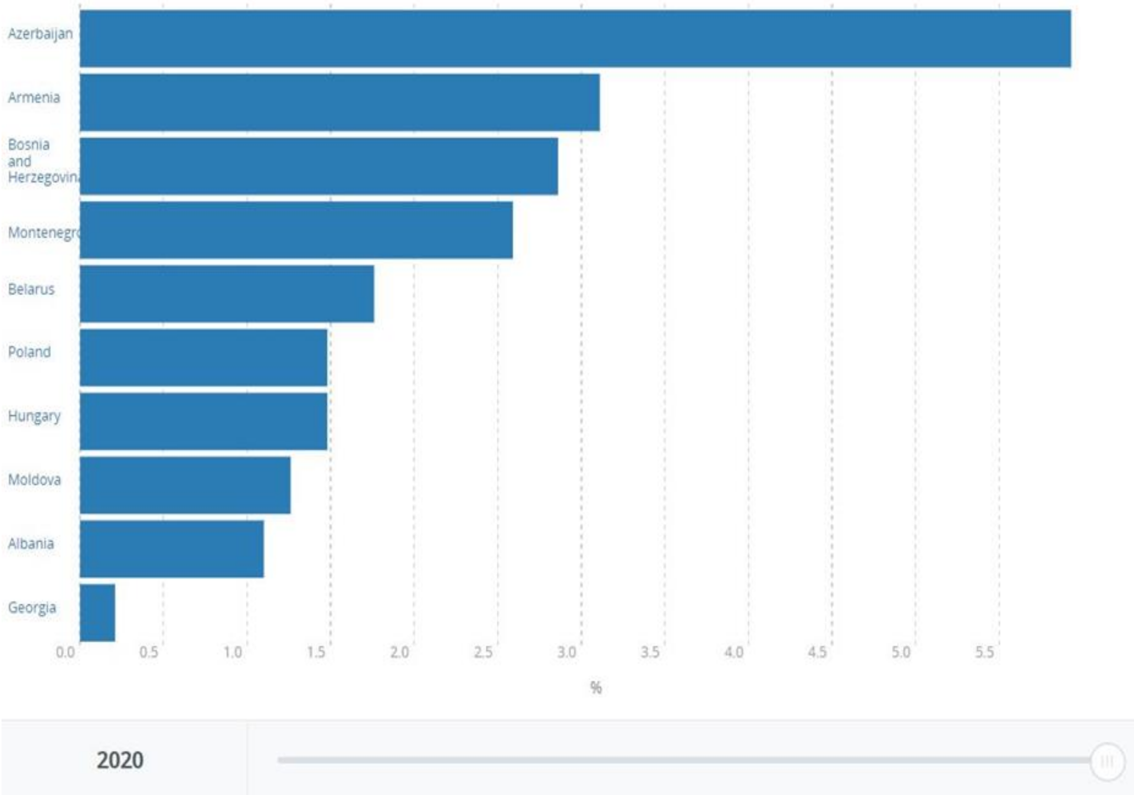
3.6. Trade liberalization

Trade liberalization is the process of reducing or eliminating obstacles that prevent countries from freely exchanging products to understand more deeply the economic openness of the world after the WWII and contributes to trade agreements which will be explained later. These obstacles include tariffs like levies and surcharges as well as nontariff-barriers like quotas and licensing requirements. Because of the flow of cheaper items into the local market, critics of trade liberalization argue that the strategy may result in job losses. Additionally, some contend that the products can be less reliable and of worse quality than similar domestic alternatives. However, due to increased competition from foreign producers, trade liberalization might have a negative impact on some domestic enterprises. If goods or raw materials are imported from nations with larger environmental regulations, there may also be a financial and social risk, because they are forced to compete in the same market as larger economies or nations, developing nations or economies may be in danger. On the contrary, more foreign competition brought on by trade liberalization encourages home businesses to become more efficient and produce goods at a lower cost, ultimately promoting free trade between states and raising economic openness between them. Because imports are likely to result in lower taxes and competition is likely to expand, this reduced regulation lowers costs for countries that trade with other countries and may ultimately lead to lower consumer prices. For instance, the NAFTA agreement removed taxes on goods traded between the three nations. Later, cross-border investment increased among the nations, and regional commerce tripled. Due to commercial liberalization and ongoing technological advancement, regional trade expanded from $290 billion in 1993 to over $1.1 trillion in 2016, while U.S. foreign direct investment (FDI) stock in Mexico increased from $15 billion to more than $100 billion. *(BANTON; 2021)*

The need for further liberalization of international trade

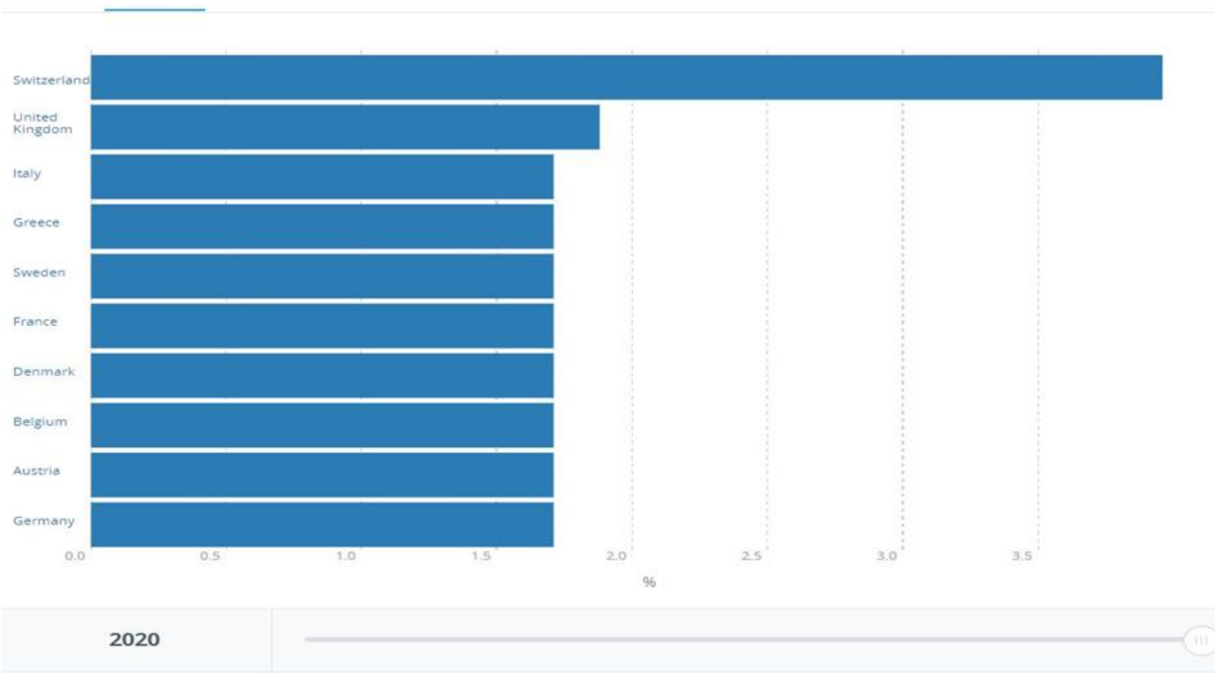
Through a variety of very high tariffs, such as tariff peaks (tariffs above 15 percent), tariff escalation (tariffs that rise with the level of processing), and constrictive tariff quotas, industrial countries retain high agricultural protection (limits on the amount that can be imported at a lower tariff rate). Even many developing nations have high tariffs. Even many developing nations have high tariffs. They apply tariffs to all products at a rate that is, on average, 21,91% greater in developing nations than industrialized nations, and they also show the same patterns of tariff peaks and escalation

(IMF staff Global Trade Liberalization and the Developing Countries November 2001; Own calculation according to The World Bank data Tariff rate index)



3. Diagram: Tariff rate, applied on all products (%) in European industrial counties (2020)

Source: (The World Bank data Tariff rate, applied, weighted mean, all products)



4. Diagram: Tariff rate, applied on all products (%) in European industrial countries (2020)

Source: (The World Bank data Tariff rate, applied, weighted mean, all products)

3.7. War effect on trading system and openness

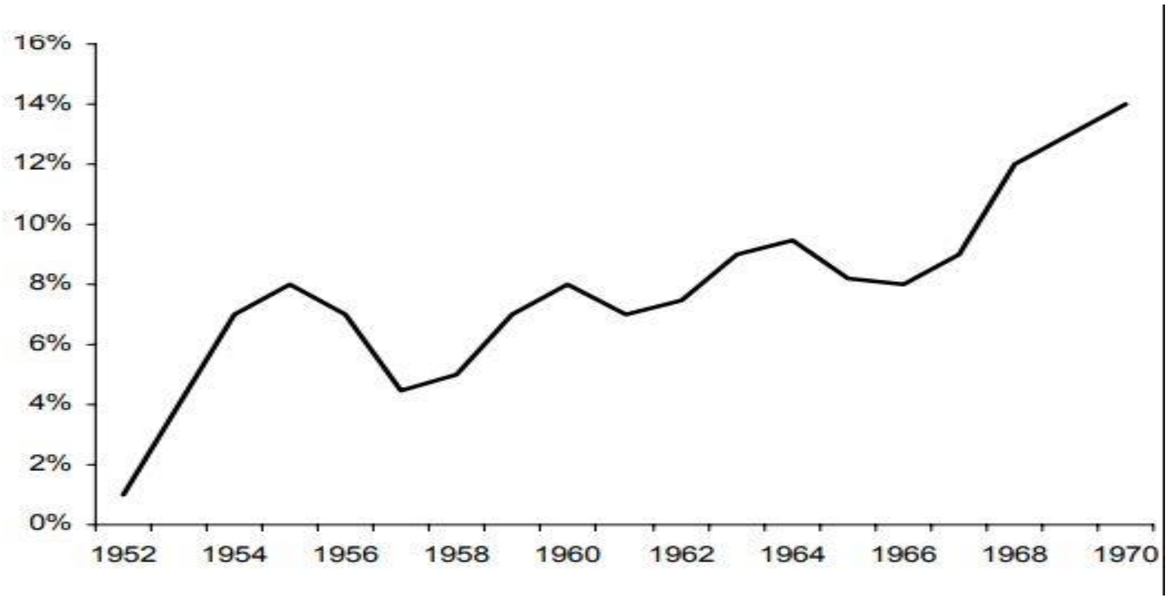
Trade problems brought on by armed conflicts alter nations' economic structures, trade policies that follow, and established trade policies, all of which have an effect on the role of such nations in the international trading system. Armed conflicts interrupted long-standing trade routes, resulting in significant modifications to the global distribution of labor. These adjustments had long-lasting effects on how political, military, and economic power was distributed according to *KRPEC ET. AL.;2019*. Furthermore, several nations saw a decline in their standing within the economic system even if they emerged from the conflicts as winners. Furthermore, there have been other changes that have the potential to be beneficial in the long run, such as keeping or gaining a certain degree of political or economic power within the structure of the international community. South, Southeast, and East Asia, as well as Latin America, are non-European regions where the effects of the World War are most evident. The processes that these confrontations sparked had a significant effect on how political and economic power were distributed. By the end of the 20th century, these results were the main topics of conversation. But the post-World War II expansion of trade did not bring back the nineteenth-century "liberal" system. It wasn't saying that it was outdated either. The most newly industrialized countries (NICs) were brought into the trading system as a result of long-term trends, which were in large part caused by trade disruptions during times of external shock. *(Krpec, 2019)*

Since World War II, there has been a significant increase in the cross-border exchange of goods and services that integrates national economies. The dramatic increase in economic integration among liberal capitalist nations, the growing number of developing nations, and the move toward more open markets by several former communist countries over the years have all been hallmarks of the post-World War II era. *(Grieco, 2001)*

3.8. How the trade changed after the WWII?

After the Cold War, the world market, enriched by new actors, the ongoing liberalization of global trade, and the proliferation of investments based on information and communication technologies, shapes a new quality in international economic processes in the second half of the 20th century. The global economic changes are not only perceptible in the increase in the number of economic transactions or the quantitative growth of capital, goods, labor, etc., behind these transactions. Global economic processes are accelerating, creating new relational systems based on the development of information and communication technologies that differ from those of the past. When interpreting globalization as these qualitative and quantitative changes, the concept of economic globalization refers to the organic system of national economies, where, as a result of transnational processes, a sustained economic collaboration affecting all national economies is formed. The system itself is dynamic and ever-evolving. Old actors disappear , make way for new ones, or both. Like the system itself, its rules are dynamic and subject to change over time. Establishing the guidelines for international trade, the international financial market, and global economic processes is a continuous process that has been, is being, and will continue to be the subject of many efforts. Creating these rules is not easy, as each national economy has individual interests, not to mention multinational corporations operating essentially independently of national economies. The international community seeks to define the rules within the framework of international organizations or specialized institutions, but there are many examples of regional or bilateral agreements being made to coordinate international economic processes after the WWII such as General Agreement on Tariffs and Trade, ASEAN Free Trade Area Treaty of Rome,etc... However, international or regional organizations mostly play a role in formulating rules, and the enforcement of these rules is not always efficiently carried out by any of them. The global economy has a connection with transnational processes that frequently keep individual state decision-makers out of the inner workings of it. Through the creation of an appropriate internal regulatory framework, a national economy can protect itself from these processes or lessen their negative effects, but it cannot totally eliminate their indirect effects. For instance, Southeast Asian countries inadequately regulating capital inflows primarily due to a lack of regulation experienced the expansion of so-called "hot capital" during the financial crisis of 1997/1998. This crisis affected the stock markets of well-regulated East Asian countries and, consequently, had repercussions on the international financial processes and, through them, on the rest of the world. *(Tolnai, 2010)*

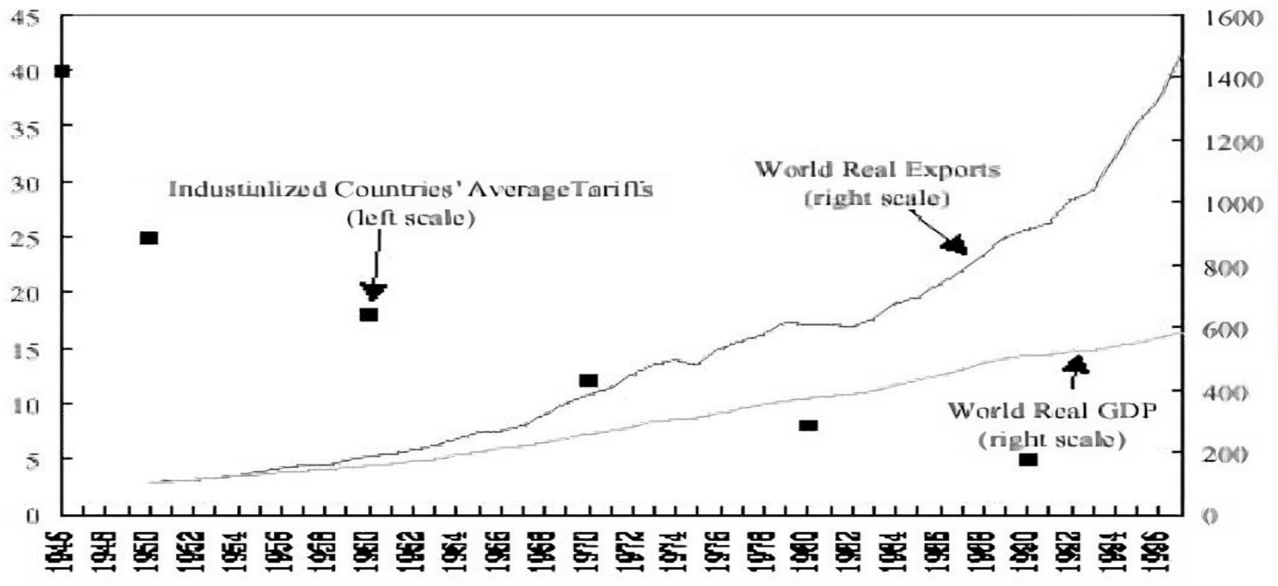
A whole new era for the global economy began with the end of World War II. Policymakers moved away from the protectionist measures of the interwar years and toward an increased acceptance of international trade as a necessary component of economic progress. Throughout the 1950s and 1960s, international trade expanded steadily and quickly within this new framework of cooperation. The entire value of non-communist nations' merchandise exports increased from $53 billion to $112.3 billion between 1948 and 1960, with an average annual growth rate of more than 6%. In the 1960s it had even higher growth as we can see in the following chart, with the average yearly rate of export volumes rising to over eight percent. More significantly, global trade grew faster than global output every time between the 1950s and 1960s. For instance, between 1953 and 1963, the production of manufacturing rose by just 54%, but commerce in manufactured goods increased by 83%. Economic historians most commonly attribute the post-war trade boom to the liberalization of trade policies. Trade restrictions put in place during the interwar years were gradually lifted through a succession of political agreements in the decades after World War II. The main factor that started these actions was the 1947 General Agreement on Trade and Tariffs (GATT) establishment and many other agreements what will be explained later on. *(Terborgh 2003)*



5. Diagram: Total Merchandise Export Growth, % Change (3- Year Moving Average)

Source: World Trade Organization, The Post-War Rise of World Trade: Does the Bretton Woods System Deserve Credit? Andrew G. Terborgh p.57)

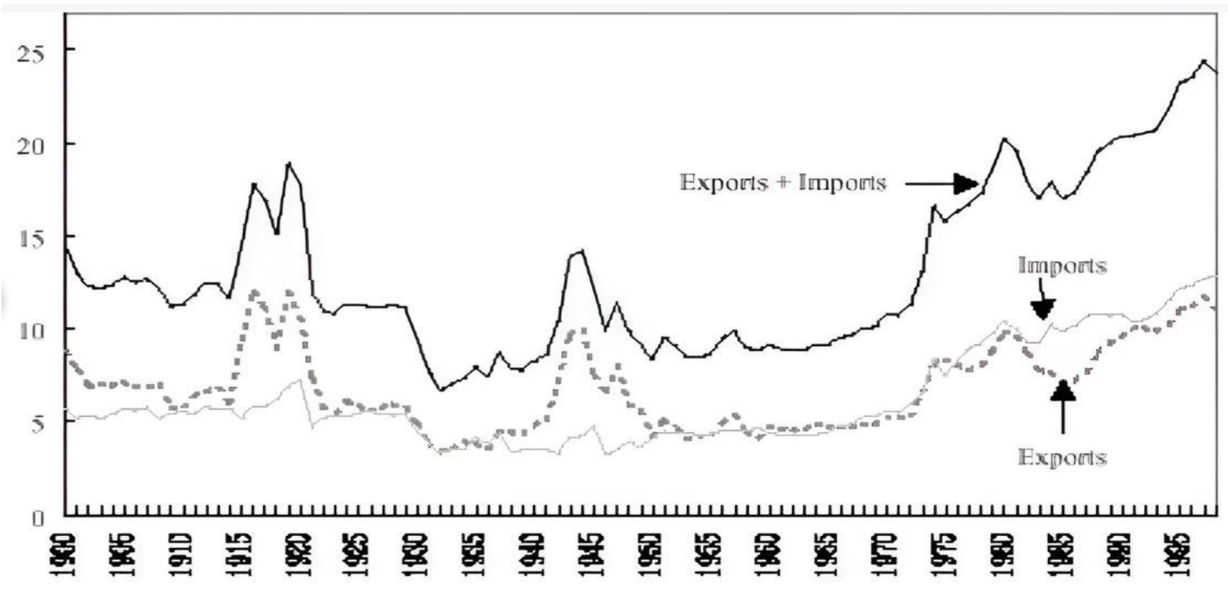
Since World War II, there has been a significant increase in the cross-border exchange of goods and services that integrates national economies. During the years 1950–1997, the first image shows indices for global exports and global economic activity in addition to the average tariff levels of industrialized nations. After World War II, the industrialized nations lowered their average tariffs from roughly 40% in 1946 to roughly 5% by the end of the 1990s. Global exports surged as a result, with real exports reaching almost 14 times their 1950 level in 1997. In contrast, the total amount of real economic activity in 1997 was only roughly six times higher than in 1950.



6. Diagram: Growth in World Real Exports and World Real Gross Domestic Product Since World War II

Source: U.S.,Council of Economic Advisors, America's Interest in the World Trade Organization: An Economic Assessment, Washington: Council of Economic Advisors, Novermber 16, 1999

The United States is an important example of a nation that is seeing increased integration of its international trade. Diagram 7 illustrates this point: in the early 1950s, U.S. exports and imports accounted for less than 10% of the country's GNP, but by the end of the 1990s, total U.S. trade accounted for nearly 25% of the GNP.



7. Diagram: U.S. Trade and Gross National Product, 1900-1998

Source: U.S. Council of Economic Advisors, America's Interest Washington: Council of Economic Advisors, Novermber 16, 1999

Three specific developments have occurred within this broad framework of international trade integration since World War II. First, there has been a rise in what economists refer to as "intra-industry trade"; for example, we frequently witness cross-border exchanges of comparable goods rather than the trading of shoes for computers. Second, a large number of developing nations have successfully merged into the global economy, particularly those in East and Southeast Asia. Diagram 7 illustrates this success on the part of the East Asian and Southeast Asian nations, showing that in 1980 these countries accounted for around 10% of global exports, but by 1995 they accounted for 16% of all exports. (*GRIECO, 2001*)

3.9. The economic implications of rising protectionism

Following World War II, the integration of trade began. It experienced an economic boom in the 1980s and its golden age from 1990 to 2008, when global trade in products and services surged from 39% to 61% of global GDP. Since then, protectionism has increased due to a rise in non-tariff and, more recently, tariff barriers, while trade has slowed to its current 58% of global GDP. On both sides of the Atlantic, public support for globalization has decreased at the same time. While the principles of free trade and economic integration have been called into question in Europe due to factors like Brexit and Euroscepticism, the advantages of free trade have been openly questioned in the United States. As trade tensions increased in 2018, the possibility of a trade war became increasingly apparent as the US Administration's threats of protectionist measures and the main trading partners' retaliatory actions were followed by real acts. Trade and activity could be harmed by rising protectionism. Economists generally agree that trade openness has net positive effects overall and that it is necessary to reduce the negative impacts that it has had on specific social groups. But increasing trade barriers won't address those issues. The following research will highlight the macroeconomic implications of the arising protectionism and shows its effects on the global economy by the European Central Bank and the explanation of protectionism on the economy. *(GUNELLA, 2019)*

3.10. Protectionism

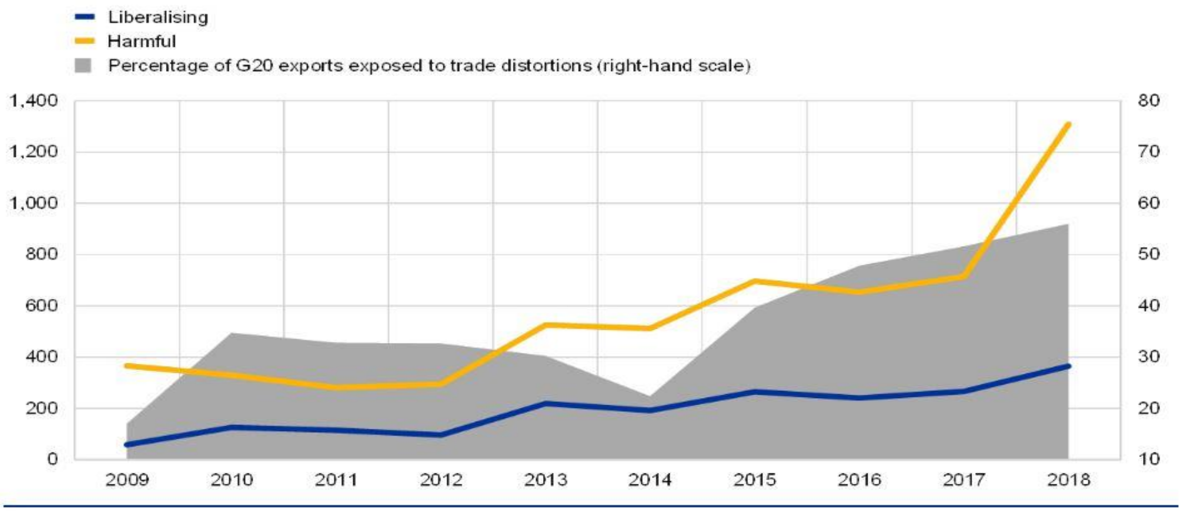
On the other hand, what is a huge barrier to maintaining the economic openness between the nations is the protectionism issued by the governments. Protecting domestic industry from unfair foreign competition is the goal of trade protectionism. Tariffs, subsidies, quotas, and currency manipulation are the four main tools of it. This is a deliberate and measured policy used by a country to limit imports while fostering exports. Imposing import charges in the form of tariffs is the most widely used protectionist strategy. As a result, imported goods' prices quickly increase. They become less competitive when compared to goods produced nearby. Among the advantages we can count with the protection from foreign competition, and this provides the businesses in the new industry time to create their competitive advantages. While it brings also drawbacks to its country, besides it blocks the economic openness such as, without competition, businesses become less high-quality, and industry is weakened over time by trade protectionism. Without rivalry, businesses are not driven to innovate and outsource jobs particularly in high-tech, engineering, and science sectors. Moreover, the nation becomes economically isolated, which further causes political and cultural exclusion. *(Amadeo, 2019)*

Protectionism in less- developed-countries.

A significant portion of the industrialization that occurred in certain less developed nations in the late 20th century was characterized by the growth of import-competing industries protected by high tariff walls. The effective rates of protection were frequently even higher in many of those nations because manufactured goods tended to be highly fabricated and there was little value added in production following importation. Many of those nations had high tariffs and other quantitative restrictions on manufactured goods. Even though certain nations, like Taiwan, Hong Kong, and South Korea, focused their manufacturing industries primarily on exports, these instances tended to be the exception. Frequently, emerging countries have made the error of attempting to compete with imported goods on the home market. High levels of protection have frequently caused manufacturing in these nations to slow down, and the export of primary commodities has stifled the growth of exports of the more valuable manufactured items. Even though local manufacturing of nondurable consumer items promotes early-stage economic growth quickly, less developed nations have had significant challenges generating more complex, value-added commodities. They experience all the drawbacks of having a limited domestic market in addition to having little incentive to advance technology. As a result of increased competition and an increase in the number of goods available to domestic consumers, international trade enables domestic businesses to export their goods. Even though all of these effects appear positive, it has been asserted that free trade is not advantageous to all parties. It is crucial to understand that domestic consumers are responsible for paying import taxes rather than the exports of the foreign country. Consumers will still pay more for foreign goods overall, but if manufacturers use imported materials or other inputs in their manufacturing process, they will also pass the increased cost along to customers. *(ALLAIS ET AL.; 2023)*

Over the past ten years, there has been an important change in the trade policy landscape. The European Central Bank Economic Bulletin analysis indicates that the trend for economic integration that characterized earlier decades has now decreased, as seen by the recent slowdown in trade growth. By 2016, there was a growing consensus that the international economy will always have slower trade growth. For instance, a review by the ECB concluded that post-2011 developments represent a "new normal" and that it was unlikely that global commerce would return to its pre-crisis direction. The recent drop-in trade activity has been explained by a number of causes, including structural and compositional consequences. The sensitivity of trade to economic activity may have been impacted by changes in overall demand composition and geographic shifts in economic activity, according to analysis by the International Monetary Fund (IMF) and the European Central Bank (ECB). More specifically, it is discovered that compositional factors that are, the increasing importance of emerging market nations in the global economy, which generally have lower trade intensity than advanced economies, were responsible for about half of the slowdown in trade elasticity between the years 1995–2007 and between 2012–16. According to studies, several reasons may have contributed to the decline in the ability of international trade to adapt to changes in the state of the economy. These elements include a deceleration in the expansion of global value chains (GVCs), relocation of production facilities closer to points of sale, and a waning influence of growing financial activity on commerce. Following a declining trend that peaked in both advanced and developing market economies during the early part of the twenty-first century, tariffs began to rise in recent years. This trend began with the end of World War II. Trade distortions have grown overall as a result of the increased use of regulatory measures and non-tariff barriers including export subsidies, limitations on licensing or foreign direct investment, and domestic clauses in public procurement.

As the Diagram 8 below illustrates, the number of new discriminatory actions announced by G20 economies has been rising consistently since 2012 and has increased further in 2018. The data comes from the Global Trade Alert database, which covers both traditional and non-traditional trade measures. The increase in protectionism suggests that trade distortions have impacted an ever-increasing portion of world trade. Harmful trade measures affected more than 50% of G20 exports in 2017, up from 20% in 2009, according to statistics from the Global Trade Alert database. As a result, the expansion of trade has slowed down more rapidly in industries where significant discriminatory policies have been implemented than in those that have profited from trade liberalization.



8. Diagram: New trade measures chart

Source: Global Trade Alert database

There is an assumption that free trade has increased the vulnerability of countries to global crises and external influences. Free trade is regarded as a contributing cause to the growing inequality between and among nations due to its distributional effects. On the other hand, most people agree that free trade has advantages. In addition to providing consumers with access to a wider range of consumption products, international commerce enables nations to specialize in the production of goods in which they have a comparative advantage. According to empirical research, trade openness has increased national income per capita, boosted productivity growth, and contributed to a decrease in global poverty. However, the advantages of free trade and how they are distributed among socioeconomic classes differ amongst nations. *(Gunnella, 2019.)*

To sum it up the above written things , there is an assumption that free trade has increased the vulnerability of countries to global crises and external influences. Free trade is regarded as a contributing cause to the growing inequality between and among nations due to its distributional effects. On the other hand, most people agree that free trade has advantages. Countries can specialize in the manufacture of items in which they have a comparative advantage due to international commerce, which also gives consumers access to a broader variety of consumption goods. Trade openness has been shown to enhance productivity growth, increase national income per capita, and reduce global poverty, based on empirical studies. However, the advantages of free trade and how they are distributed among socioeconomic classes differ amongst nations.

In conclusion, the article discusses the changing trading system, which is marked by a decrease in economic integration, a slowdown in trade expansion, and an increase in protectionist policies after WWII. It also discusses the arguments around the effects of trading on national economies and inequality to understand trade openness and what contributes to its smooth operation in practice.

3.11. The new trade agreements changed the world trading with Europe focus

Trade agreements played a role in reshaping the trading system after World War II aiming to reduce trade barriers and foster international economic cooperation. Simultaneously these agreements focused on resolving trade disputes ensuring stability within the trading system and treating all participants equally without any discrimination. Notably the formation of large-scale trading blocs like the European Union (EU) and the North American Free Trade Agreement (NAFTA) furthered these objectives by striving to lower taxes promote growth and strengthen ties among member countries. The 1950s-era increased European collaboration which integration ended in the 1970s as unemployment and inflation had a negative impact on the continent's economies. Many had become frustrated by the slow pace of advancement. However, there was an awakening goal to advance the European project in the middle of the 1980s. The establishment of the European single market was a crucial component of this. As a result of this progress, it can be seen a shift towards an interconnected trading landscape with regional trade agreements supplementing global ones. Such developments have countries engaging in international trade while pursuing deeper integration within specific regions post World War II a significant step, towards promoting accessible free trade among nations. (*International Trade Administration.gov US, 2022)*

Six nations (Belgium, Germany, France, Italy, Luxembourg, and the Netherlands) came together to form the European Coal and Steel Community (ECSC), which allowed the free flow of coal and steel and opened up access to production sources. Significant control over monitoring the markets, keeping an eye on adherence to competition laws, and providing price transparency. The treaty's goal was to support economic growth, job creation, and higher living standards by establishing a common market for steel and coal. On the other hand, in order to support the rapid growth of global trade and the modernization of production, it is necessary to provide a systematic supply of coal and steel to the common market by maintaining equal access to the sources of production, establishing the lowest prices, and improving working conditions. By 1954, the trade treaty had almost entirely eliminated trade restrictions regarding coal, coke, steel, pig iron, and scrap iron among its members. Trade in these items thus increased significantly in the 1950s. The High Authority was empowered to apply fines on commercial enterprises that violated the terms of the treaty. It further established production restrictions and quotas. (*Britannica, The Editors of Encyclopaedia; 2023)*

3.12. Treaty of Rome:

The other most important agreements in the history of European integration is the 1957 Treaty of Rome, which was formed by the old European Coal and Steel Community (ECSC). The European Economic Community (EEC) and the European Atomic Energy

Community (Euratom), and European Parliament were established under the treaty as well. This historic agreement reflected the shared goal of the six founding member nations (Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany). Increasing the economic integration of the participating nations was the primary objective of the Treaty of Rome. A new era has come with the creation of the EEC and its common market and customs union. The purpose of these restrictions is to facilitate the free movement of labor, goods, and services in order to create a more favorable economic environment This massive effrt aimed to bring the economy together so that goods and services could flow across borders more readily. The EEC focused on lowering trade barriers in order to encourage greater economic cooperation. By establishing a common market, the agreement established for more extensive trade agreements that would exceed specific state interests. The Treaty of Rome, established a common market and have a strong focus on economic cooperation, was a significant step forming the European integration. The effect became apparent in the years following World War II and also established the direction after the ECSC of future agreements and establishments that created the European Union. (*Treaty of Rome; Council of the EU 2021)*

3.13. Single European Act:

In 1986, the Single European Act (SEA) was signed with the goal of revising the Treaties of Rome. By the first of January 1993, the pact aimed to accelerate European integration and complete the internal market that is, an area devoid of internal borders that permits unrestricted movement of capital, products, people, and services. Its member nations have agreed upon an arrangement for their economic union, the creation of a single European currency, and the adoption of unified national and international policies. The SEA treaty strengthened the European Parliament's authority to veto agreements with involved states and new member state admissions. It also instituted direct election of parliamentarians. Furthermore, the European Council, which is made up of the leaders of all member nations, was given increased power by the SEA. The SEA established the largest trading region in the world with its economic provisions. It achieved this by allowing the unrestricted flow of labor, capital, products, and services inside and between member nations. There had been significant progress toward the development of a single market before SEA's regulations were put into operation, but there were still numerous obstacles, including differing value-added tax rates and border crossings that made shipping goods more difficult. So we can state after the WWII affairs the biggest trade agreement was formed towards the economic openness by this initiative idea to reduce the existing economic obstacles between nations. (*Madsen;2023)*

3.14. Maastricht Treaty:

The European Economic Community was renamed as European Community by the Maastricht Treaty (officially known as the Treaty on European Union; 1991), which came into being on November 1, 1993. Several former communist nations in eastern and central Europe submitted applications to join the EU after the Cold War ended. Their relative lack of economic growth, meanwhile, created a challenge to their complete assimilation into EU institutions. In order to deal with this issue, the European Union (EU) had the intention to implement a tiered structure where some groups of nations could participate in economic integration, such as a free trade zone. A common currency, the euro, and a central banking system were also outlined in the treaty. Advocated for further collaboration on a number of other topics, such as social policy, policing, and the environment, and committed members to executing shared foreign and security policies. To be accepted into membership in the common currency, a country had to meet certain requirements, including having annual budget deficits of no more than 3% of GDP, public debt below 60% of GDP, inflation rates that were within 1.5% of the three lowest in the EU, and exchange rate stability. *(GABEL. 2023)*

3.15. Treaty of Lisbon

The Lisbon Treaty is an international agreement that optimized the institutions that supervise the European Union by modifying the Maastricht Treaty and the Treaty of Rome, and other economic agreements. The EU and its Parliament now have more power to act and accomplish goals thanks to the Lisbon Treaty. It placed the Parliament in an equal place with the Council, which represents the governments of the member states, and expanded the Parliament's full legislative authority with 40 new areas, including agriculture, energy security, immigration, justice, and EU funding. Along with the

Council, Parliament now has the authority to approve the full EU budget. were given the right to strike down or accept international agreements and did not hesitate to use this to stop the controversial Anti-Counterfeiting Trade Agreement (ACTA) that many feared would stifle fundamental freedoms. This episode proved that because of the boost in powers, decisions taken by MEPs have an even stronger impact on the everyday life of Europeans. (*Pavy; 2023)*

3.16. About European Union's trade in nutshell

EU global trade increased between 1999 and 2010, and it currently makes up more than 30% of the EU GDP what the above-mentioned agreements helped to reach. The EU negotiates agreements on behalf of its member nations and is in control of their trade policies. To negotiate trade agreements, the EU actively works with nations or regional organizations. These agreements give the parties mutually advantageous access to the EU and national markets. Businesses in the EU are able to expand and more readily import the raw materials needed to produce their goods. Additionally, the EU collaborates with the World Trade Organization (WTO) to assist in establishing international trade regulations and remove trade barriers among WTO members. In order to give European exporters fair conditions and access to international markets, the EU works to reduce trade barriers in support of and defense of EU industry and businesses. In addition, the EU provides useful guidance to international businesses on how to enter the EU market. (*European Commission 2021.)*

The previously mentioned trade agreements, a noticeable change in trade liberalization occurred, which altered the economic relationships between the participating countries. Treaties such as 1957 Treaty of Rome, which followed the establishment of the European Coal and Steel Community (ECSC) in 1951, were crucial in increasing economic integration. Encouraged the creation of a customs union and common market, removing obstacles to the unrestricted flow of labor, products, and services. By the Single European Act of 1986, aimed to further reduce trade barriers by establishing the internal market in

1992. The European Union (EU) was formed in 1992 by the Maastricht Treaty, which strengthened political and economic cooperation. The EU's institutional structure was strengthened in 2009 by the Lisbon Treaty, which strengthened the EU's capacity to negotiate and carry out trade agreements. Taken as a whole, these treaties drove a significant movement toward the goal of increased commercial openness, resulting easier cross-border trade and a more integrated global economy. So these initiations formed one of the biggest market in the whole world.

On the other hand, to clearly demonstrate how the trading system changed after the Second World War, we also have to deal with outside of continent Europe. The following agreements helped to improve trade openness around the world in the highest scale in history, despite the European Union what mentioned before.

3.17. North American Free Trade Agreement (NAFTA)

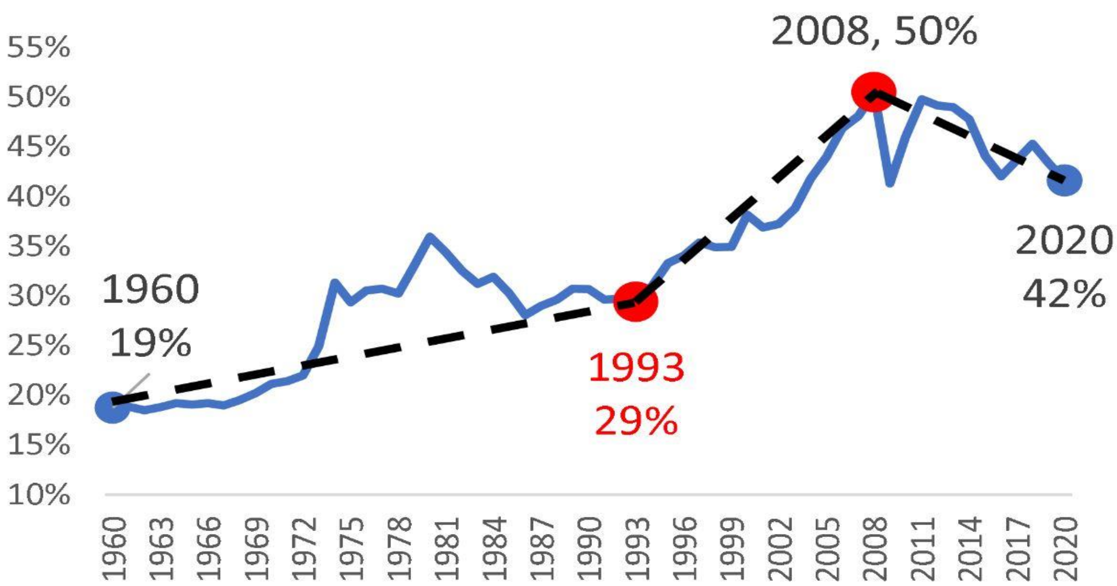
NAFTA is notable because it has several ground-breaking features and is the most comprehensive free trade agreement (FTA) ever drafted. On January 1st, 1994, the North American Free Trade Agreement (NAFTA) was implemented. President George H. W. Bush signed the deal on December 17, 1992. The contentious North American Free Trade Agreement (NAFTA) was signed in 1992 and gradually removed the majority of tariffs and other trade restrictions on goods and services passing between the United States, Canada, and Mexico. By successfully boosting commerce and international direct investment, Mexico. The European Economic Community's success had the effect of being an inspirational role for the North American Free Trade Agreement. By removing tariffs to promote trade among its members. Increased trade and production from the establishment of a free-trade area in North America would lead to development in millions of well-paying jobs in all member nations. Future duty-free access for a wide variety of manufactured goods and commodities exchanged between the signatories was guaranteed by the agreement. NAFTA yielded inconsistent outcomes. It did not prove to be the cure-all that its supporters had imagined or the catastrophic blow that its critics had forecast but it opened the borders more than it before for those who signed the treaty. *(BONDARENKO,2023)*

3.18. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

A free-trade agreement (FTA) encompassing 11 nations along the Pacific Rim is known as the CPTPP.Members of the CPTPP will lower tariffs, expand their services markets, ease the requirements for business traveler visas, and other measures. Every participant has their own obligations and timetables. The promises are made available to all other members in certain situations.Nearly total tariff liberalization among members is provided by the CPTPP. Even while the CPTPP is smaller than it would have been if the US had joined, it still contributes significantly to global GDP roughly 13% of it. *(KANE;2023)*

To summarize how the global trading system changed toward openness after World War II, with an emphasis on lowering obstacles and promoting international economic cooperation. Important trade agreements that contributed to the establishment of the European Economic Community (EEC) and European Atomic Energy Community (Euratom) after 1957, such as the 1957 Treaty of Rome, were crucial in fostering economic cooperation among European countries. In an effort to lower trade barriers even more, the Single European Act of 1986 gave rise to the internal market in 1992. Later treaties within the European Union (EU) reinforced political and economic cooperation, such as the Lisbon Treaty and the Maastricht Treaty. In 1994 the North American Free Trade Agreement (NAFTA) was put into effect bringing about a change in trade by eliminating tariffs and trade barriers between the United States, Canada, and Mexico. Another significant development in helping trade liberalization came with the Comprehensive and Progressive Agreement for Transpacific Partnership (CPTPP) which involves eleven countries, along the Pacific Rim. All in all, these agreements accelerated a movement toward greater commercial openness, allowing easier cross-border transactions and strengthening the financial stability of the world economy. Particularly, the EU emerged as a major force, trying to lower trade barriers internationally and negotiating trade agreements on behalf of its member states. The significant expansion of EU international commerce, which accounted for more than 30% of the EU GDP between

1999 and 2010, serves as proof of the project's success. In addition to this summary, an upcoming graphic representing the world exports and imports of goods from 1960 to 2020. The graph will illustrate the changing characteristics of global trade and volatility.

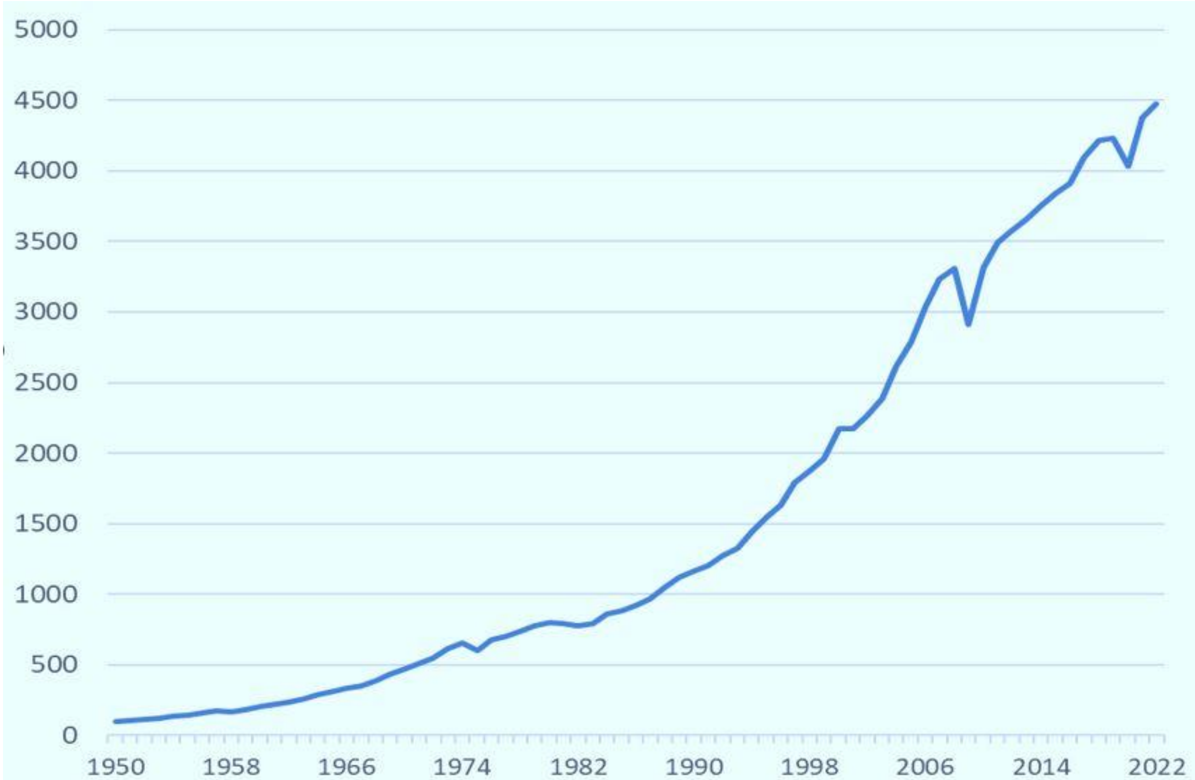


9. Diagram: World exports&imports of goods 1960-2020 (% of world GDP)

Source: Baldwin, R. (2022).

As we can observe on **Diagram 9** there was a rapid growth after the second world war. It is shown the fallback obviously what started in 1970's beginning and resulted in a global economic crisis with a slight increase but eventually a pull back until 1979 when the crisis began to stop. The dramatic increase in oil prices had a negative effect on numerous economies and led to a decline in international trade during that time but that economic boom did not last long because of the disadvantageous economic positions in 1980-1983 due to an economic recession. The high-interest rates, fiscal policies, and the Latin American debt crisis bring forth the crisis. For a while it took a few years for the economy to rearrange and recover itself, and a so called long-boom came into the global trade. As it shown the trade of goods exploded in a high scale in 1993 what the globalization, advanced technological innovations, low inflation rate, and the increased private sector spendings and implemented fiscal policies resulted. The 2008 financial crisis, when Lehman Brothers collapsed and the subprime mortgage problems came to the surface, caused the most severe setback, and generated a large decline in international trade. During the following recession, both imports and exports decreased in many nations and the % of GDP falls back from the highest value what the trade of goods ever reached.

This value stopped improving again in 2020 because of the Covid19 which caused significant disruptions in international trade. Reduced consumer demand, lockdowns, and disruptions in the supply chain all contributed to a decline in trade volumes.



10. Diagram: Evolution of world trade 1950-2022 (1950=100)

Source: WTO | Evolution of trade under the WTO: handy statistics. (n.d.). 2023

Today's global trade volume is around 45 times more than that in the early GATT period. It increased by 4500% between 1950 and 2022 that means the global trade boomed in the last decades. According to my calculations I paid attention to the drawbacks during this time interval, so I made growth rate calculation in year over year formula. Observing the data, the biggest fallbacks were detected in 1975. The trade volume was 7.3% lower compared to 1975. The other significant decrease started in 1980 until 1983 affected by the previously mentioned economic recession as we can see on the following picture.

1980	102,9	798	2,87%
1981	99,5	795	-0,46%
1982	97,7	777	-2,27%
1983	102,5	796	2,48%

1. *Table*: Yearly Growth rate formula 1980-1983

Source: WTO data, results based on own growth rate calculations

The most notable and significant decrease among the data found in 2009 when the economic recession hit the global economy and all trades and financial institutions drafted the edge of collapsing. In 2008 there was only a slight increase compared to 2007 when the crisis began to start. But in 2009 the decrease nearly hit 12% in contrast to 2008. It took a year for the economy to come together from its broken pieces and in 2010 it presented 13,82% growth.

2007	106,6	3230	6,58%
2008	102,3	3305	2,32%
2009	88,2	2914	-11,83%

2. *Table*: Yearly Growth rate formula 2007-2009

Source: WTO data, results based on own growth rate calculations

The time goes by after the recovery period of 2008 economic recession. But it is notable that the growth slowed down in the following years, however showed an exponentially growing rate until 2019 when the Covid19 explodes and reaches its peak in 2020 due to the applied restrictions.

2012	102,4	3575	2,35%
2013	102,4	3659	2,37%
2014	102,6	3753	2,57%
2015	102,3	3839	2,27%
2016	101,9	3913	1,93%
2017	104,6	4093	4,62%
2018	103,0	4217	3,01%
2019	100,4	4232	0,36%
2020	95,3	4034	-4,69%
2021	108,4	4374	8,43%
2022	102,3	4473	2,27%

***3**. Table: Yearly Growth rate formula 2012-2022*

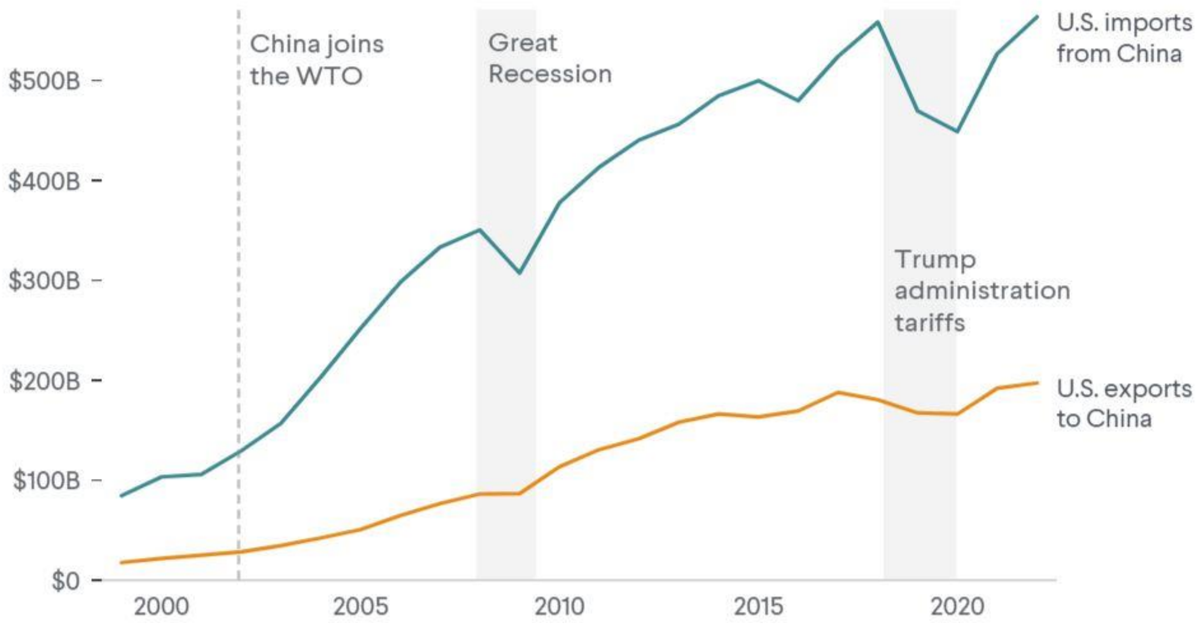
Source: WTO data, results based on own growth rate calculations

4. ANALYZATION OF INTERNATIONAL TRADE REGULATIONS ISSUED BY THE US AGAINST CHINA

4.1. About the U.S. and China trade

Trade between the United States and China has grown significantly in recent years and is essential to both nations. These days, China is one of the biggest export destinations for goods and services from the United States, while the US is one of China's top export destinations. The United States has benefited from this trade in terms of lower consumer prices and better corporate profits. China has long been accused by the US of forcing US businesses to transfer their technology, and the US claims that import competition destroyed many American jobs. The optimism that greeted China's World Trade Organization (WTO) entry twenty years ago faded as Beijing adopted state-led development, flooding specific industries with subsidies at the expense of American and international businesses. In the meanwhile, worries about national security have been raised by Chinese company investments. The economic relationship's future is uncertain as U.S. President Joe Biden adopted a more aggressive strategy. After the People's Republic of China was founded in 1949, there was essentially no trade between the two nations for thirty years. Next the normalization of relations between the US and China in 1979, trade between the two countries increased dramatically during the following forty years, from a few billion dollars to hundreds of billions of dollars yearly. The new prime minister (Deng Xiaoping) administration relaxed economic regulations and promoted the growth of the private sector. Beijing applied to rejoin the General Agreement on Tariffs and Trade in 1986 as part of an effort by Chinese authorities to increase trade and investment. China joined the WTO in December 2001 following long negotiations with the US and other WTO members. Beijing agreed to implement a wide range of economic changes in exchange for admission, which included significant reductions in import tariffs, safeguards for intellectual property, and greater openness on its legal system.

President Bill Clinton of the United States and his advisers argued at the time that including China in the international commercial system would be advantageous for both China and the United States in the long run. At that time, the majority of Democrats opposed these initiatives toward China, referring to China's inadequate labor and environmental laws as well as the possibility that they might encourage other developing countries to act like the same. From over $100 billion in 2001 to more than $500 billion in 2022, the value of American goods imports from China increased. China plays a crucial role in global supply chains, which contributes to this increase in imports. *(BERMAN 2023)*



11. Diagram: U.S.-China trades in goods and services graph 2000-2022

Source: The Contentious U.S.-China Trade Relationship, 2023

https://www.cfr.org/backgrounder/contentious-us-china-trade-relationship

4.2. Benefits of China and U.S. trading

Price reductions have helped American consumers, while American businesses have benefited significantly from having access to China's market. Furthermore, sales in China bring in hundreds of billions of dollars for American corporations every year. Although Chinese businesses have made billion-dollar investments in the US, these have decreased recently due to increased government control from the US government. Trade with the United States and the rest of the world has brought China enormous benefits. After accounting for inflation, China's GDP has expanded more than five times since 2001, making it the second largest in the world, second only to the United States. However, according to certain observations, China's economy is the greatest in the world. *(SIRIPURAPU, 2023)*

4.3. Drawbacks of U.S and China increased trade

Job displacement: The flood of low-cost Chinese goods significantly affected other nations' industries, resulting in the loss of jobs and, occasionally, the downfall or closure of certain companies. The so-called China Shock,the price of expanded commerce with China was higher than the price of growing trade with other nations, such Japan. This was brought on by the quick increase in imports, the scope of China's low-wage labor force, and the variety of businesses that were affected. Analyses reveal that political polarization also grew in the regions of the nation most negatively impacted by China's competition, which some observers believe contributed to the growth of populist political forces.

Concerns over Chinese efforts to get critical U.S. technology to further Beijing's economic policy objectives and strengthen China's military are growing among American politicians. Officials from the United States have accused Beijing on several occasions with intellectual property theft and forcing American businesses to give their innovations to China in exchange for doing business, a practice known as forced technology transfer that threatens national security.

The Chinese government has made significant investments in industry subsidies to achieve its economic goals and support the growth of "national champion" businesses. Even though they are officially private businesses, the government provides significant funding to these organizations, which helps them grow to the top of the country's economic hierarchy. Some analysts regard these subsidies as unnecessary, and their effects are felt outside of China, creating difficulties for foreign businesses that find it difficult to compete with such strong government support. The US claims that a large number of Chinese state-owned businesses basically serve as extensions of the government and are not subject to market forces when making choices, in contrast to their private competitors. Trade relations between the United States and China are being challenged by this situation.

Manipulation of currency is the following concern. Many analysts claim that China maintained artificially low currency values in the ten years following its WTO membership by building up stocks of US dollars. The dollar's depreciation increases the cost of American exports and lowers the price of Chinese imports, resulting in a trade imbalance between the two countries.

The other issue is violations of labor and human rights. Regarding human rights problems, the United States and China have long been in conflict, and American labor organizations have repeatedly complained about the unfavorable working conditions in China. Reports of forced labor in Xinjiang have brought these issues back to the center of the trade agenda in recent years. *(Siripurapu, 2023)*

4.4. U.S. Sanctions Imposed Specifically on China

4.4.1. Origins of the Trade War

President Trump started a trade war with China because he believed that China was responsible for the majority of the bilateral U.S. deficits and that trade deficits were an indicator of economic weakness. The explanation was created in 2017 following a review of China's potentially unfair trade and foreign investment practices by the U.S. Trade Representative. This served as an explanation for a 25 percent punitive tariff on $50 billion worth of Chinese imports in the summer of 2018. The White House imposed an additional 25% tariff on $200 billion worth of Chinese goods as revenge, with lower rates applied to other categories. China reacted with its own duties. Afterwards there was a temporary ceasefire which was followed by unsuccessful negotiations, and the US raised tariffs on an additional $200 billion worth of Chinese imports. China applied taxes on $60 billion worth of American imports in response. A Phase One Agreement was signed in

January 2020 (which is economic and trade agreement addresses certain acts, policies, and practices of China identified in the Section 301 investigation related to technology transfer, intellectual property, and innovation), with China agreeing to change its trading policies and import an extra $200 billion over the next two years. All in exchange for a threat of more severe tariffs. In addition, the Chinese telecom company ZTE was sanctioned by the Trump administration in 2018 for its interactions with North Korea, Iran, and later Huawei, claiming security risks in the provision of 5G telecommunication services. The Biden administration has continued these harsh policies, although it has emphasized security and human rights issues above trade deficits. The Department of Commerce has added hundreds of Chinese companies to its Entity List, which limits their access to high-tech American goods.

In response to U.S. actions, China didn't just hit back with tariffs; they also made their own rules. In 2021, they introduced the Anti-Foreign Sanctions Law, giving them the power to punish foreign companies for actions they see as against their interests. They even made their versions of some U.S. laws about trade and a list of entities. However, about the sanctions on companies like ZTE and Huawei, China didn't react too harshly. Why did this happen? Well, although mainly of their options would have ended up causing problems to themselves. If they put restrictions on big American companies like Apple or General Motors, which have a lot of workers in China, it would mean Chinese workers losing their jobs. So, they had to be careful about how they responded backwards. Both sides faced a tough challenge in coming up with the right policies because the reasons behind Trump's tariff-driven trade war weren't quite sound. Also, trade isn't just about one-on-one deals, it involves multiple countries. What really matters is the overall balance, not specifically how much one country trades with another. *(Y.HUANG ET AL.; 2023)*

4.4.2. Suspension of trade financing programs:

The 1964 U.S. Foreign Assistance Appropriations Act prohibited the U.S. Export-Import Bank (Ex-Im Bank) from funding trade with communist nations, such as China, unless the president declared it to be in the country's best interests by informing Congress of this decision. Every year after that, the ban was reaffirmed appropriating funds for international assistance. The Ex-Im Bank was given multiple presidential permits prior to 1989 in order to provide credits for shipments to China. The United States once more banned China from receiving Ex-Im Bank money after the Tiananmen crisis in 1989. However, on numerous occasions since then, the president has decided credit extensions to China by the Ex-Im Bank, serving the interests of the US national interest. Following the Tiananmen crisis, the United States also stopped the Trade and Development Agency (TDA) and the Overseas Private Investment Corporation (OPIC) from carrying out transactions in China and delayed supporting Multilateral Development Bank (MDB) loans for China.

Prohibition of some imports that involve prison labor:

Since 1992, the U.S. Customs Sice has determined on several occasions that some imports from China were made using labor that was forced, sentenced to prison, or indentured; as a result, these imports may not be allowed into the country or can be seized by customs officers upon arrival. Since then, some of these limitations have been removed, but others are still in place.

Prohibition of nuclear trade and cooperation:

The "Agreement for Cooperation Between the Government of the United States of America and the Government of the People's Republic of China Concerning Peaceful Use of Nuclear Energy" was signed by the two countries in 1985. Congress addressed the problem in December of that year and passed a resolution requiring the president to certify a set of requirements before moving further with nuclear cooperation.

Prohibition of imports of munitions and ammunition:

President Clinton declared on May 26, 1994, that he was going to extend China's MFN status without subjecting it to human rights requirements. At the same time, he said that the importation of arms and ammunition from China will be forbidden as of May 28. Which act is still in effect nowadays. *(Forrer,J.2003)*

4.4.3. Section 301

The Office of the United States Trade Representative (USTR) is given several duties and powers under Section 301 of the Trade Act of 1974, including the ability to conduct inquiries, investigate, and take action to defend American rights under trade agreements and address particular foreign trade practices. Section 301 of America's 1974 Trade Act allows U.S. officials to investigate unfair trade practices by foreign nations. In U.S.-China relations, China's forced technology transfers, intellectual property theft, and other dubious trade practices are great examples of when Section 301 is applied against. The U.S. Trade Representative (USTR) has the authority to impose trade restrictions or even set tariffs in such cases. Investigating these fraudulent actions is another responsibility of USTR. When the U.S. government implements Section 301, it demonstrates the ability to combat unfair trade practices and defend American companies and intellectual property. Before the Trump administration and ever since the World Trade Organization (WTO) was founded in 1995, the United States has predominantly used its Section 301 authority to develop issues and seek WTO dispute resolution. Compared to other leaders, the former President Trump was more likely to use these powers to take unilateral actions.The Trump Administration related this change in policy to the willingness to close an ongoing disparity between international and domestic government procedures that seems to hurt American businesses. There has been discussion in Congress and throughout the world about the recent use of Section 301. The Biden Administration implemented several measures in 2021 to get rid of some foreign practices and policies that were the focus of Section 301 investigations. As part of its ongoing strategy review, the Administration has extended and reactivated a number of tariff restrictions and is currently reviewing all Section 301 measures taken against China. *(CONGRESSIONAL RESEARCH SERVICE (CRS) 2023)*

4.5. What the firms thought about the tariffs applied on China?

Section 301 tariffs put in place by the Trump administration are subject to a four-year review. Trade Representative Katherine Tai decided to keep tariffs in place after the USTR received feedback from the sector regarding their effectiveness. Her decision was influenced by numerous positive remarks. A second review phase received feedback on economic impact, potential replacements, and efficiency in October 2022. USTR is now reviewing 1,497 submissions made by stakeholders during the January 2023 comment period.

Of these, 286 were found to be duplicates, written by the same people and with the same material. Thirty feedback was also completely deleted or missing important data. Once these were taken out, 1,181 responses were left, and their viewpoints fall into the following categories:

- Four submissions supported tariffs on specific products while opposing them on others,
- Two hundred sixty submissions advocated for the continuation of tariffs,
- Nine hundred seventeen submissions expressed a preference for the removal of tariffs.

(I. Manak, et al.; 2023)

The upholstery, garment, and outdoor products industries were among the sectors that refused the restrictions in the questionnaire. However, a number of companies, including the forging, ceramic tile, and tungsten sectors, supported the tariffs. Some of the market participants would like to remove or lower their protective tariffs but there are still requesting protection in a different segment of the market. Economists at the US International Trade Commission estimate that tariffs have a negative impact on the US economy, causing consumers $48 billion in additional expenses and reducing revenue by $1.4 billion.

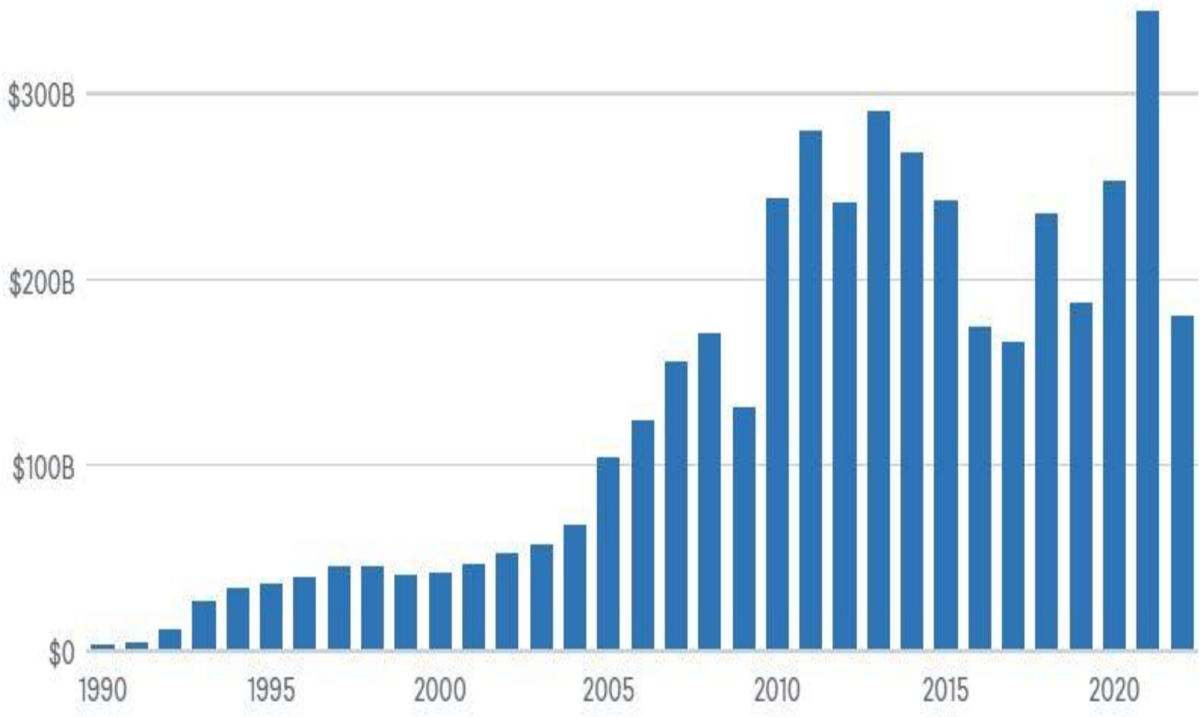
It should therefore not be surprising that numerous businesses stated in their comments to the USTR that the tariffs had resulted in lower pay and employment as well as fewer resources for domestic research and development. Businesses have also expressed concern about their challenges in finding alternative inputs, the additional difficulties brought on by China's retaliatory tariffs, and the lack of any noticeable shift in China's actions since the tariffs were put in place. The U.S. Fashion Industry Association reported that since the introduction of the Section 301 tariffs, employment in the clothing production business has decreased by 13000 people, which is 12% of the entire workforce.

The expenses placed on R&D and competitiveness were mentioned in other submissions by firms. But in some cases, companies need to pay millions of dollars until their product reaches the consumers. Finding other options for Chinese imports can be challenging, if not impossible, as was brought up often in the responses. On the other hand, it is hard to find alternative options if the the tariffs are applied on specific Chinese goods. Higher expenses, more competition from unaffected international businesses, and Chinese retaliatory tariffs all put pressure on exporters, which decreased their market share across a variety of industries. Lastly, a number of businesses complained about the tariffs had no effect in changing or removing the policies. Furthermore, several of the companies noted that the technologies in their products have no strategic significance for China's "Made in China 2025" industrial program, which aims to reduce China's reliance on imports of foreign technology and increase its investment in domestic innovations. *(I. MANAK, ET AL.; 2023)*

4.6. Executive Order (investment regulation issued):

A long-awaited Executive Order establishing a new Outbound Investment Program ("OIP") prohibiting some outbound US investments to China, including Hong Kong and Macau, was issued by President Biden on August 9, 2023. It is used in several technology fields that are pertinent to cyber-enabled capabilities, military, intelligence, and surveillance. Other outbound investments in these areas to China will also need to be notified. Regulations issued by the US Department of the Treasury will define details of the OIP. The Executive Order reflects a significant change that will affect a variety of transactions involving parties in China or owned by Chinese parties, even though the new outbound investment rules will prohibit or require notification of US investments into China in only the listed areas. It is essential to evaluate the recently proposed laws in the context of the greater geopolitical tensions that exist between China, the United States, and their allies. The United States has used and will most likely continue to employ a variety of economic statecraft tactics as part of its broader national security strategy in relation to China, of which this proposed regime is only one. Because of this, even though this program has some completely unique components, it differs from the traditional trade controls that the US has in place (such as export restrictions on technology, software, and commodities; US sanctions programs that limit transactions with certain parties or regions; and inbound foreign direct investment controls under the Committee on Foreign Investment in the US. *(Farhad et. al. 2023)*

In the Section 301 Investigation, the Office of the United States Trade Representative has announced today that the 352 reinstated exclusions and the 77 COVID-related exclusions will be further extended until December 31, 2023. September 30, 2023, was originally intended to be the expiration date of the exclusions. The extra time will enable more deliberation in accordance with the mandated four-year evaluation. *(USTR; 2023)*



12. Diagram: Foreign Direct Investment to China 1990-2022

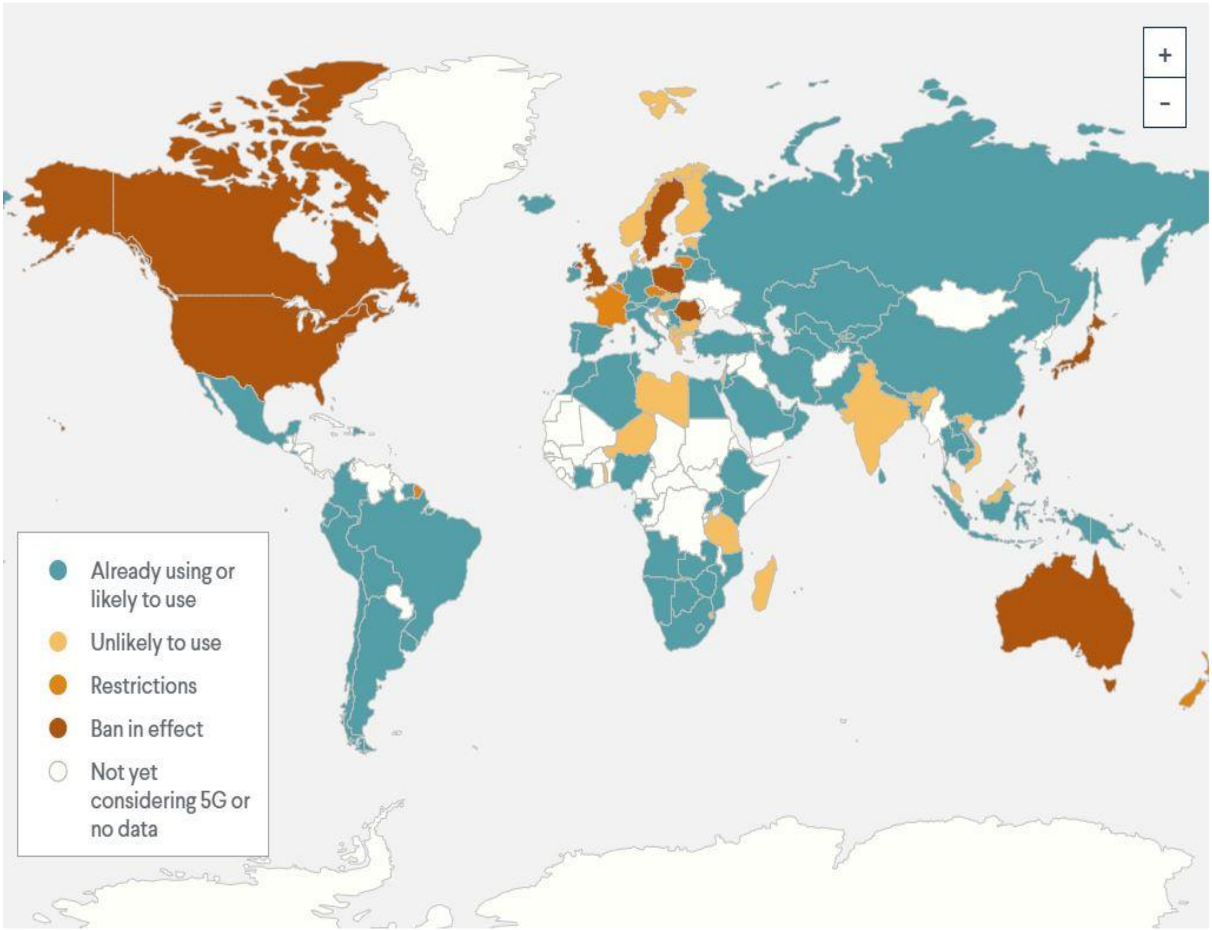
Source: According to World Bank data by Coucnil Foreign Relations

https://www.cfr.org/in-brief/president-biden-has-banned-some-us-investment-china-heres-what-know

4.7. Huawei and Technology Restrictions aimed China

The corporation has been facing criticism in recent years from the US and a number of other nations for allegedly violating international sanctions, stealing intellectual property, and possibly engaging in cyber espionage. Many policymakers in the United States regard Huawei as a Chinese Communist Party commercial arm. U.S. intelligence services claim that their main concern is that Huawei might be used by the Chinese government as a spying tool. Authorities in several nations, including Australia and the United States, have identified purposefully ambiguous Chinese intelligence regulations as justification for pressuring Huawei to provide data to the Chinese government. The United States has not made evidence of the matter accessible to the public. Concerns have also been raised about the possibility that Huawei's 5G infrastructure has backdoors, which would enable Beijing to attack public utilities and communications networks and gather and consolidate huge quantities of data for the Chinese government. The FBI discovered in 2022 that Huawei technology can be used to disrupt military communications in the United States, especially those related to the country's nuclear weapons. To be sure about the accusation of guilt towards Huawei, the U.S. jury found a evidence to prove their concerns. A U.S. jury accused Huawei guilty of stealing T-Mobile's intellectual property in 2017, and the U.S. Justice Department accused Huawei of conspiring to steal trade secrets and engage in blackmailing in 2020 what offends the intellectual property. On the other hand, trade Huawei also accused with trade violations. According to US charges, Huawei violated trade sanctions against North Korea and Iran. The daughter of Huawei's Chief financial officer, Meng Wanzhou according to a federal lawsuit against her that was announced in January 2019, Huawei misled banks to conduct business with Iran and obstructed justice and destroying all evidence.

President Joe Biden issued new prohibitions and maintained the already existing ones against Huawei, significantly harming the business. A law that Biden signed in November 2021 attempted to stop US agencies, such as the FCC, from issuing licenses to Huawei and ZTE to manufacture equipment. The FCC announced new regulations in November 2022, one year later, prohibiting the sale of certain communications equipment manufactured by ZTE or Huawei in the US due to "unacceptable" national security risks. Additionally, the Biden administration stopped providing licenses for American businesses to sell goods to Huawei from January 2023. (BERMAN, 2023)



4. Table: Huawei's 5G Networks Support China's Global Ambitions 2023

Source: CFR research. Data is as of February 2023.

https://www.cfr.org/blog/china-huawei-5g

Huawei is prohibited by more than just the US. Washington has threatened to stop sharing intelligence with nations that use Huawei and has put pressure on its allies to do the same.

The nations that make up the so-called Five Eyes intelligence alliance: Australia, Canada, New Zealand, the United States, and the United Kingdom have restricted the use of Huawei or are in the process of doing so. As we can see in the above image, other U.S. partners like Poland, Lithuania, Estonia, France, Denmark, Belgium, Sweeden, and Romania have prohibited the use of Huawei equipment in the development of their 5G networks. *(BERMAN, ET AL.; 2023)*

4.8. Export Controls (on semicoductors):

On October 7, 2022, the US issued a broad set of export restrictions designed to limit China's ambitions to modernize its armed forces by limiting access to advanced AI chips created by using US resources. After a little more than a year, the Bureau of Industry and Security released a new set of regulations that significantly changed the rules' aim and operation while also trying to fix a number of loopholes that made the previous version less effective.

Two components make up the first, the Advanced Computing/Supercomputing Interim Final Rule (AC/S IFR). It first modifies the cutoff points that determine which chips fall under the new rules. The main goal of this is to stop the spread of Intel Gaudi2 and Nvidia-style chips. A "gray zone," however, is also being included by the administration for chips that differ from the original purpose of the rule but fall outside of a specific technical threshold. The AC/S IFR's second section is a major modification meant for preventing attempts at circumvention. This section of the rule focuses on issues related to China's use of subsidiary companies to get chips that are otherwise under control. Chip exports will not be permitted to businesses with headquarters in China, Macau, and nations that the US has an arms embargo on. These are the modified rules.

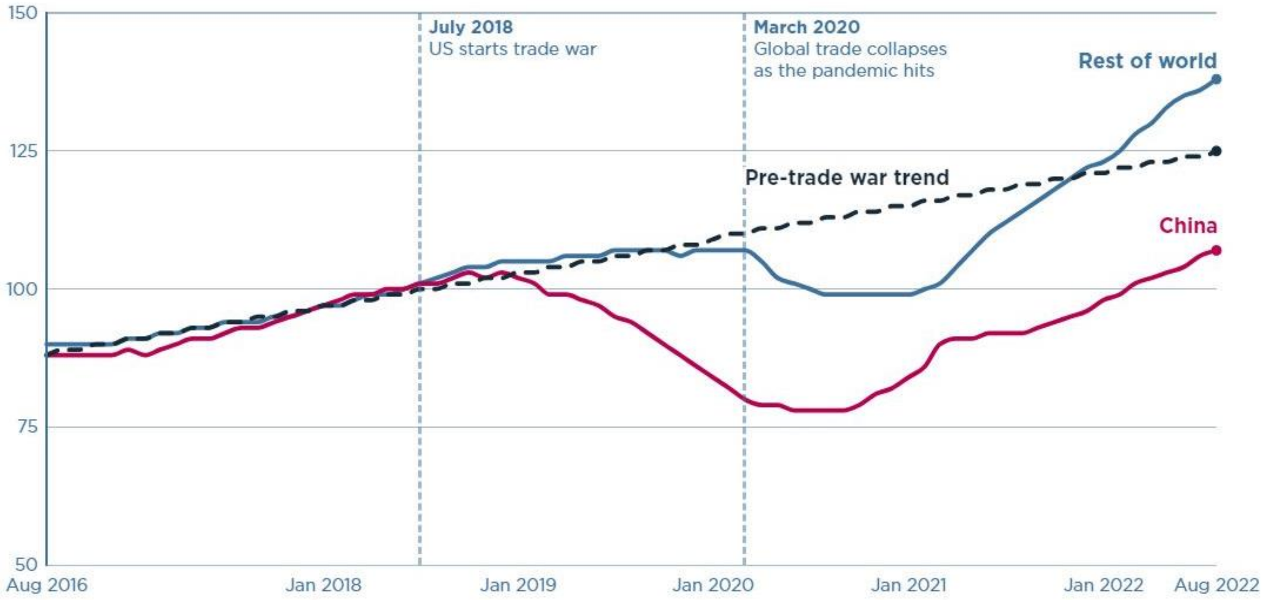
The second restriction relates to semiconductor manufacturing equipment (SME). The majority of the numerous new items added to the list of regulated technology by this rule are utilized in the production of logic chips that fall below a 16-nanometer threshold. In addition to license limits, the new SME restrictions will also apply to China, Macau, and nations with which the US has an arms embargo. As specified by the regulations, the changes for U.S. individuals aim to reduce the national security risks mentioned above while maintaining their ability to work for American-owned businesses and organizations with close ties to the United States.

The third regulation increases the number of companies that are forbidden from exporting specific technologies to those on the Entity List, which is the American version of a blacklist of companies. Thirteen entities have been added to this list by this new rule. These organizations are engaged in the artificial intelligence development that threatens US foreign policy goals and national security. The following companies are specifically mentioned: Light Cloud (Hangzhou) Technology Co. Ltd., Moore Thread Intelligent Technology (Chengdu) Co. Ltd., Superburning Semiconductor (Nanjing) Co. Ltd., and Beijing Biren Technology Development Co. Ltd. *(BENSON, E.). 2023)*

Between 2018 and 2022, tariffs on several Chinese products were implemented in three phases. In 2018, China swiftly retaliated, with tariffs on both sides rising significantly. China's average tariffs jumped from 7.2 percent to 18.3 percent during the first round, while the average U.S. tariff increased from 3.8 percent to 12 percent. Currently, tariffs apply to 66.4% of Chinese imports into the United States. The average duty imposed by the US on Chinese exports is 19.3%. That is over six times what it was before to the start of the trade war. 58.3% of US exports are subject to Chinese tariffs, which average 21.1 percent, according to CNBC findings. The higher expenses resulting from tariffs are covered by retailers, who may choose to absorb them or pass them on to customers. Although a lot of retailers have been trying to diversify their supply chains, because of high and varied tariffs it takes a long time to change sourcing. *(LaRocco, 2023)*

The Trump administration began imposing tariffs on an increasing number of Chinese products in July 2018. The Biden administration has decided to maintain these obligations thus far. U.S. imports of Chinese goods have decreased as a result of the trade war. Following the imposition of tariffs, imports decreased right away. They continued to drop when global trade collapsed in the time period of COVID-19 pandemic, starting in March 2020, and have only slowly recovered since then. Only recently have US imports from China reached June 2018 pre-trade war levels, and they are still much behind the pre-trade war trend as measured by US imports compared to the rest of the world's imports.

China used to account for 22% of all U.S. goods imports, but that percentage has dropped to only 18% since the trade war began. By contrast, US imports from the rest of the world are currently 38% higher than they were prior to the trade war and even above the trend as we can see on the following Diagram 13. (*Bown; 2022)*



13. Diagram: Value of US goods imports from China and rest of world, 2016–2022 (June 2018 = 100)

Source: Bown (PIIE), 2022). Four years into the trade war, are the US and China decoupling?

https://www.mitatrade.org/board-nominations__2022-2-2/

4.10. Trade deficit

When a nation's imports are more than its exports, a trade deficit is created. Both physical items and services are included in the definitions of imports and exports. A trade deficit, put simply, is the result of a nation purchasing more products and services than it is exporting. If this were understood too simplistically, the deficit-running nation would generally suffer from slower economic growth and the creation of jobs. A significant portion of the complaints raised by American politicians on bilateral trade deficits, especially with China. Former President Donald Trump used this inequality as a major campaign issue in 2016 and as the main justification for starting a trade war with China after gaining the presidency. According to Trump, reducing the trade imbalance would boost the US economy and generate jobs. Why then does the US have a trade deficit? To put it clearly, the United States purchases more things than it exports, mostly energy and technology, which leads to a significant and continuous trade deficit. Economists believe that an imbalance between domestic savings and total economic investment is the cause of the deficit. (*A. HAYES, 2022)*

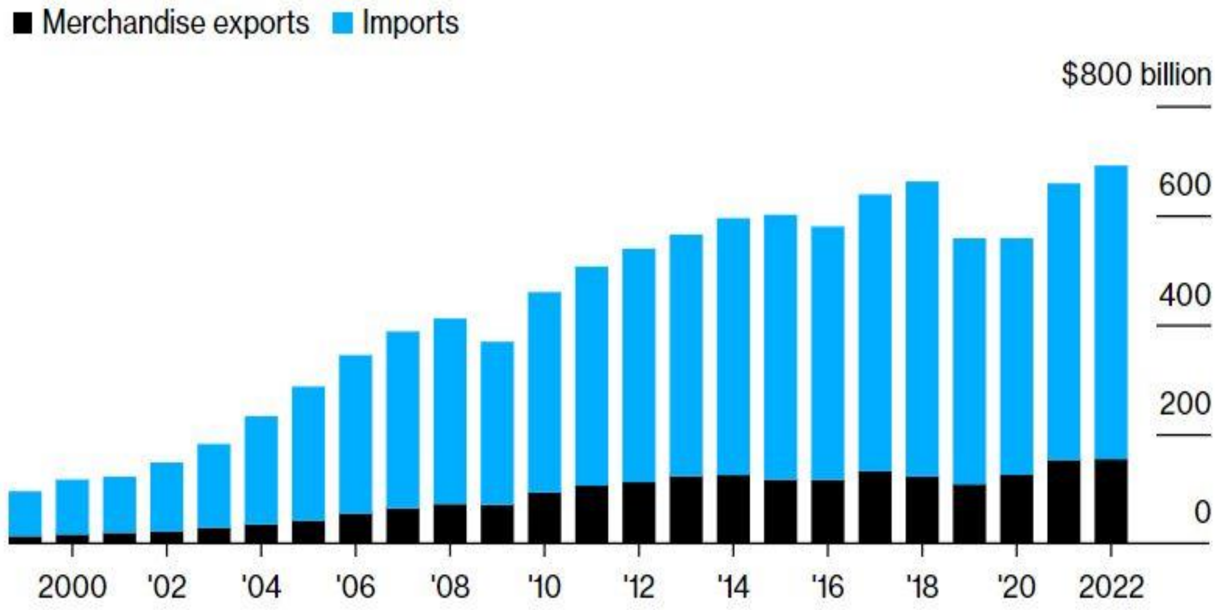
According to data from the U.S. Bureau of Economic Analysis, the trade deficit increased by 4.9% from (August) $58.7 billion to $61.5 billion in September.The number of goods and services exported reached its greatest point since August 2022, and the amount of capital goods exports,such as buildings and machinery that companies use to deliver goods and services also reached a record $51.1 billion. Overall, the value of products imported rose by 2.7% to $322.7 billion, while the amount of goods exported from the United States increased by $5.7 billion, which is approximately 2.2%, to $261.1 billion in September. *(Terry Lane; 2023)*

4.11. The recent trade situation between China and the U.S.

Even if the governments of the two largest economies in the world have a disagreement on a number of economic and political issues, trade in goods between the US and China reached a record in 2022, serving as a reminder of the continued strong relationships between businesses and consumers in both countries. The total value of goods exchanged between the two nations reached $690.6 billion in 2018, breaking the previous record which was $661,5 billion in 2018 according to the graph data. The growing gap between Washington and Beijing, which is escalating on issues including trade, human rights, and competition for markets and technology, could indicate a threat to the country's expanding economic relations. The U.S. is moving forward with plans to limit China's access to crucial semiconductor technology and is asking its allies to do the same. They're also trying to reduce America's dependence on China for goods, encouraging Western companies to invest in countries like India, which Treasury Secretary Janet Yellen calls "trusted trading partners." This process is being referred to as "friendshoring."

Meanwhile, the value of goods the U.S. sold to China reached an all-time high of $153.8 billion, and the stuff the U.S. bought from China hit $536.8 billion, just a bit less than the previous record set in 2018. The U.S. is moving forward with plans to limit China's access to crucial semiconductor technology and is asking its allies to do the same. They're also trying to reduce America's dependence on China for goods, encouraging Western companies to invest in countries like India, which Treasury Secretary Janet Yellen calls "trusted trading partners.". Meanwhile, the value of goods the U.S. sold to China reached an all-time high of $153.8 billion, and the stuff the U.S. bought from China hit $536.8 billion, just a bit less than the previous record set in 2018.

In 2022, China stayed in the third spot among the countries the U.S. trades merchandise with, making up 13% of the total trade. Canada held the first place with 14.9%, valued at $793.8 billion, while Mexico came in second with 14.7%, totaling $779.3 billion. By the way we can also observe a decline after 2018 in Chinese import when the trade volume falls back from the value $506.0 billion to $449.7 billion, but surprisingly in the Covid19 era we can see also a smooth and small increase in trade from $449.7 billion to $432.7 billion in 2020. One year later compared to the previous year the growth was 14.4%, to $505.3 billion dollars of imports which is a significant increase compared to another regions of the world during the Covid19 trade decline. *(E. Martin and A. Monteiro 2023)*



14. Diagram: US-China Merchandise Trade 2000-2022

Source: US Commerce Department US-China Merchandise Trade 2000-2022

https://sisisong.substack.com/p/the-us-china-trade-war-a-derisking

As a conclusion, the complicated path of trade relations between the United States and China has been characterized by numerous sanctions and countermeasures. President Trump's decision to start a trade war was motivated by concerns over bilateral imbalances, even though the economic justification for the decision caused debate. Both countries struggled to develop strategies dealing with the rapidly changing global trade environment. Surprisingly, China showed cautiousness in responding to sanctions against companies such as ZTE and Huawei, presumably because of the possible economic consequences it would face such as Chinese people losing their jobs in American multinational companies.

The United States of America encouraged partners to support its efforts to limit China's access to semiconductor technology. The phrase "friend shoring" became popular, highlighting the need to promote greater investment in dependable partners and lessen reliance on China as a supplier of goods. In 2022, trade between the United States and China reached levels never seen, despite these attempts by what USA exposed China. Under the Biden administration, sanctions that were defended by the United States through processes such as the Section 301 investigation targeting unfair trade practices remained with an improvement in focus toward security and human rights. Businesses felt the effects immediately, as higher expenses had an impact on hiring, R&D, and general competitiveness. With restrictions on companies like Huawei and export reductions on semiconductors, tensions have worsened. Geopolitical tensions and tariffs have an impact on changes in the constant concern about the trade deficit. Trade volumes continued to be significant despite these obstacles, showing the complex economic relationships between the two countries.

For both countries, maintaining a balance between economic interests and national security concerns is a constant issue.

5. SUMMARIZATION OF THE FINDINGS ABOUT TRADE ISSUES AND DRAWING CONCLUSIONS

5.1. Description and summary of the II. chapter

According to the provided text, trade openness is the degree to which a country takes part in international trade and integrates into the world economy and how far-reaching the contribution to it. It deals with the unrestricted flow of money, products, and services across borders worldwide. Trade policy, economic reforms, stable exchange rates, political stability, and advances in technology are some of the elements that affect trade openness. A nation's degree of trade openness is mostly determined by its trade policy. Trade openness is typically stronger in countries with free trade agreements, reduced tariffs, and involvement in international trade accords. The framework of international trade is shaped by global trade policies, which are impacted by institutions such as the World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT).

Trade openness is increased by economic reforms such as privatization, deregulation, and liberalization. By removing restrictions from domestic markets, these reforms improve a country's ability to participate in the international economy. Another important element is the stability of the exchange rate, which gives foreign investors confidence and creates a stable price environment for trade internationally. Developments in communication and transportation technologies. Trade is made more accessible by advanced in information technology, effective logistics, and improved infrastructure. With the help of the digitalization and firms may easily reach customers by reducing trade barriers and increasing trade competitiveness. Political stability create an environment that is favorable to global trade and economic expansion.

The process of reducing or eliminating barriers to free trade, or trade liberalization, has been a major force behind economic openness. Despite criticism, free trade agreements have boosted foreign direct investment, technology transfer, and economic expansion. The text, however, also notes that nations with great trade openness are more vulnerable to sudden stops and exchange rate crises. It is emphasized that more trade liberalization required,to reduce high tariffs and non-tariff trade barriers.

According to the literature studied, there has been a notable growth in cross-border trade, technology innovations, and changes in legislation after World War II, which has led to a major increase in economic openness worldwide. Although there are many advantages to trade openness, there are drawbacks as well, highlighting the necessity of ongoing efforts to liberalize trade, remove trade barriers, and support inclusive institutions in order to ensure global economic progress change. After World War II global trade system increased of protectionism and had shift towards economic openness. This literature review highlights the major findings and makes conclusions about the level of economic openness worldwide.

The global economy had a revolutionary phase after World War II, characterized by an evolution toward protectionist policies and an acceptance of trade as the engine of economic development. Trade rules were liberalized by policymakers under the influence of agreements such as the General Agreement on Tariffs and Trade (GATT), which resulted in a significant rise in international trade. The gradual removal of trade barriers placed during the interwar years is evidence that trade policies were liberalized, which has been linked with expanding international trade. The article emphasizes how trade growth has slowed and protectionist policies have increased in the 1980s, Protectionism emerged as a significant obstacle to maintaining economic openness and have tariffs, subsidies, quotas, and currency manipulation. According to the texts, protectionism increased in the second half of the 20th century, which limited the economic freedom.

The consequences of growing protectionism are studied how harmful it is to international trade and economic activity. Protectionist policies are viewed as ineffective in some ways and have the ability to negatively impact both parties participating in trade, despite the fact that economists mostly agree on the overall advantages of trade openness. Changes in the trends of economic integration has been demonstrated by the growth of protectionism in recent years, as evidenced by an increase in tariff and non-tariff obstacles. The research also highlights the difficulties that less developed nations and protectionist policies facing. While some countries were able to successfully focus on export-oriented industrialization, others suffered with high tariff barriers and restrictions that limited their capacity to develop economically and technologically.

The text describes an upward trend of growing economic openness following World War II, which was followed more recently by a rise in protectionism too. Global trade increased significantly in the first few decades after World War II, a development that was related to trade policy liberalization. However, trade growth slowed down in the later half of the 20th century as well and protectionist policies became more common. The complex connection between protectionist actions and open trade policies appeared in the current status of the global economy, with consequences for inequality and economic integration.

The writing emphasizes how important European treaties such as the Lisbon, Maastricht, ECSC, and Treaty of Rome, in particular, have had a revolutionary effect on the global economy. Beginning in 1951, these agreements aimed to promote economic expansion, creation of employment, and improved living standards through the establishment of common marketplaces and a simplicity of labor policies, commodities, and service transfer. The European Union (EU), which was formed as a result of these efforts, has a significant impact on the world economy. Trade barriers within the EU were partially removed in 1992 with the introduction of the Single European Act and later treaties, which established the internal market. The EU established the success of economic integration in 1999 and 2010 when its global trade skyrocketed to almost 30% of its GDP. This economic openness brought about chances for investment and business by facilitating increasing international trade. The international trade agreements such as the CPTPP and NAFTA, which have as their goals the reduction of tariffs and advancement of trade outside of Europe. With the implementation of NAFTA in 1994, trade barriers between the US, Canada, and Mexico were removed, resulting in a rise in foreign investment and trade. Another target of the 11 Pacific Rim countries that make up the CPTPP is to increase economic openness and collaboration.Global economic trends and challenges, such as the COVID-19 pandemic, economic recessions, oil crisis, and financial crisis of 2008, highlight the vulnerabilities of interconnected economies despite the fact that trade agreements and economic cooperation have generally increased world openness. These events also highlight the risks and difficulties that come with global economic interdependence.

Although there have been ups and downs in global trade, the overall trend indicates a growing scale in economic openness. In order to boost cooperation, lower trade barriers, and shape the global economic landscape, regional partnerships and trade agreements are essential. With countries actively working to advance global economic integration, the world is now more connected than it has ever been.

5.2. Description and summary of the III. chapter

The next chapter describes the complex trade dynamics, trade restrictions, and restrictions that exist between the United States and China. Analyzing the advantages and disadvantages of the commercial relationship between the United States and China, the effects of sanctions, and the concerns about.

The large Chinese market seems to be quite beneficial for American enterprises. The import of cheap Chinese goods have had a negative impact on some American industries, resulting in job losses and, in some cases, business shutdowns. China is allegedly stealing intellectual property and transferring technology, which is very dangerous for national security's viewpoint. There are difficulties for foreign companies to compete with such strong support from the government to Chineese corporations. Origins of the Trade War: President Trump's opinion that China was responsible for the U.S. trade imbalances led to start the trade war.

The United States has placed sanctions on imports and exports which effects have a negative impact on US companies. US trade policies have generated diverse reactions from US firms. While certain companies promote the Section 301 tariffs, others voice worries regarding the effects on employment and the economy. Industries that have failed include manufacturing and fashion, where job losses and lower bonuses are widespread. President Biden's Outbound Investment Program limits certain U.S. investments in China, particularly in cybersecurity and military technology. Influenced by worries over national security, the Huawei scandal has affected global tech dynamics, especially semiconductor exports, and resulted in applied restrictions. By applying restrictions on the purchase of chips and semiconductor equipment, the US increases pressure on China to slow down its military advancements. These trade policies emphasize technological limits and national security concerns while having an impact on the world economy. The text emphasizes the complex dynamics of trade relations between China and the United States, focusing on the strategies for economic growth, the rising conflicts and their impact on global economic openness. The United States imports more goods than it exports, mostly in the energy and technology sectors, which leads to the trade deficit, a major source of worry.

The paragraph's conclusion is that despite geopolitical difficulties, the world is still relatively open to trade, with many countries maintaining significant trading relationships. Despite disagreements, the United States and China still engage in a substantial amount of trade. The complicated relationship between national security concerns and economic interests that countries must preserve is highlighted by the complex structure of international economic interactions, which are affected by factors other than economics such as politics and security. The world, as shown in the literature presented, essentially shows an accurate relationship between the search of strategic autonomy and economic interdependence.

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7. ABSTRACT

The article concludes by illuminating the complicated relationships among international conflicts, national security concerns, and commercial interests which shape the world economy. The current state of global economic openness is defined by a difficult balance between improving international trade and resolving security concerns, despite historical different characteristics of the economy, such as the growth of protectionism and the post-World War II era, showing a constantly changing nature. According to the my research, there is still a high rate of trade openness in the world and a high level of national dependence. Continuous attempts are required to manage the complexity and promote inclusive economic success, nevertheless, because risks and challenges still exist. The answer to the complex question of whether the globe is economically open is that it is, but there are restrictions, so finding the correct balance is essential for long-term, sustainable international economic cooperation. It's a bit like a balancing act where countries aim to be independent but still connected to each other, recognizing how much they rely on each other in the economic world.

8. SUMMARY

A szakdolgozat rávilágít a nemzetközi konfliktusok, a nemzeti biztonsági aggodalmak és a kereskedelmi érdekek bonyolult kapcsolataira, amelyek közrejátszanak a világgazdaságban. A globális gazdasági nyitottság jelenlegi állapotát a nemzetközi kereskedelem és a biztonsági aggályok közötti nehéz egyensúly létrehozása határozza meg. A világon továbbra is magas a kereskedelmi nyitottság és az országok függetlensége. A komplexitás kezeléséhez és az inkluzív gazdasági siker elősegítéséhez folyamatos erőfeszítésekre van szükség. A válasz a bonyolult kérdésre, hogy a világ gazdaságilag nyitott-e, igen, de vannak fenntartások a válasszal kapcsolatban. A megfelelő egyensúly megtalálása érdekében elengedhetetlen a hosszú távú gazdasági együttműködés. Ez valóságos mérlegjáték, mivel az országok hajlanak a függetlenség felé, ugyanakkor az import és az export kereskedelmet is növelni szeretnék és ennek feltételeibe ütköznek a kivetett kereskedelmi szankciók amik nehezítik a kereskedelmi kapcsolatokat és gazdasági hátrányhoz vezethetnek.