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The Impact of International Trade in the Context of Local Turmoil in the World

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Abstract: Studying the impact of regional conflicts on international trade helps to better understand and predict changes and trends in trade, providing important references for government and business decision-making. By conducting in-depth research on the impact of conflicts on international trade, targeted measures can be formulated to reduce the negative impact of conflicts on trade and promote regional and international economic stability and development. In addition, studying the impact of local regional conflicts on international trade can also help strengthen the international community's attention and assistance to conflict areas, help conflict areas achieve peace and stability, and create a more favorable environment for international trade. Therefore, the importance of studying the impact of regional conflicts on international trade lies in enhancing understanding of the mechanisms of trade impact, improving targeted decision-making, and promoting international cooperation and peaceful development.Next, this paper will start with the conflict between Russia and Ukraine, study the global influence and economic development, and finally study China's trade problems.

Keywords: tariff, conflict, bulk commodity

1. Introduction

Due to the conflict between Russia and Ukraine and the game between China and the United States, world trade is indeed divided due to the Middle East war. UNCTAD believes that bilateral trade is changing in the direction of giving priority to countries that share political values. To put it bluntly, values are preferred rather than so-called trade interests, and the trend of restricting trade between countries with different political positions is also increasing.

For example, in October 2022, the United States implemented a cutting-edge semiconductor export control policy for China. Due to the Ukrainian crisis, countries have imposed trade embargoes and embargoes on Russia. During this period, Sino-US trade shrank at the same time, transitioning from high-end manufacturing to labor-intensive industries, and the United States began to shift manufacturing labor-intensive industries to Vietnam, Myanmar and Malaysia. the Sino-U.S. trade imbalance is caused by China being the final assembly centre in East Asia-centered global production networks [1]. According to the statistics of the United Nations Conference on Trade and Development, the trade ratio of the two countries was 11.9% from January to March 2023, down 2.7% from two years ago. Therefore, it shows that due to the conflict of values and the game of world powers, the trade balance between the two countries has been broken. The tearing of trade is becoming more and

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more serious. Values come first, and trade interests come second. It may also be a new state that we need to adapt to or be familiar with in the future.

The World Trade Organization provided data that world trade in goods increased by only 0.8% over the previous year in 2023, and their forecast in October was significantly lower than the previous growth forecast of 1.7% in April. The increase of US tariff on China will significantly reduce the value-added rate of trade partner and the third-countries embedded in China's exports to the US, thus making the impact of Sino-US trade shock pass on the countries along the GVCs[2]. And it should be said that this trade tear can be observed, with Europe as the center, and many countries have stagnated in the face of inflation. This global division has also brought about the law of trade growth. UNCTAD calculated an index reflecting the range of trading partners. If January to March 2022 is set at 100%, January to March 2023 was only 94.2%, a decrease of 5.8%. And they noted that in countries with similar political positions, their trade growth and decrease index rose by 2.7% in one year.National security reasons could lead a country to decrease trade with an adversary for fear that the adversary's real income gains from trade could be put into military uses, or it could fear increased dependence on trade with the adversary [3] It is directly related to what we have seen recently that Japan and the United States are promoting so-called friendly shoring. UNCTAD believes that bilateral trade is changing in the direction of giving priority to countries that share political values. To put it bluntly, values take precedence, not the so-called trade interests, and the trend of restricting trade between countries with different political positions is also increasing. The "New Cold War" between the United States and China is divided into five steps, namely trade decoupling, technology decoupling, capital decoupling, ideological decoupling, and the establishment of a dual system of financial system and technical standards.

In May 2010 and August 2023, respectively, the United States initiated trade decoupling, technology decoupling, and capital decoupling with China. Launch chip alliances and introduce restrictions on investment in China. The United States still needs China's cooperation and cooperation in facing its economic problems and global challenges. This has led to the inability of the relationship between China and the United States to completely oppose the United States and the Soviet Union in a short period. From the perspective of the industrial chain, the economies of China and the United States are indeed intertwined. The so-called "de-risk" in the United States is already in full swing. With the formation of a new global industrial chain led by the United States, the economic relationship between China and the United States will also gradually fade away. The fundamental reason why American politicians want to launch a "new cold war" with China is the issue of the cornerstone of the existence of the United States as a country. The core of a country's existence is centripetal force.

2. The Impact of Russian-Ukrainian Armed Conflict on Commodity Trade

Russia and Ukraine are both major suppliers of commodity trade. With the escalation of the situation in Russia and Ukraine, not only the crude oil market but also the global commodity market will experience fluctuations.

Firstly, it is crude oil. Russia is one of the world's major crude oil producers, accounting for 11% of global oil production. After the outbreak of the Russo-Ukrainian War, institutions pointed out that the conflict immediately endangered up to 1 million barrels of crude oil transported daily through Ukraine and the Black Sea, and long-term supply disruptions could be much more severe.

On February 24th, Brent crude oil broke through $105 per barrel for the first time since 2014. The 1-month shipment contract for Brent crude oil, compared to the 6-month shipment contract, has reached a record high of $13.07 per barrel, reflecting market concerns about tight crude oil supply. Secondly, Russia and Ukraine are both important global grains exporting countries, with wheat exports accounting for over 1/4 of the world, corn exports accounting for nearly 20% of the world,

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and sunflower seed oil exports accounting for 80% of the world. The conflict Russia-Ukraine conflict made the market worried about possible interference to global food supply. The prices of wheat, corn, and soybeans in the United States have also continued to rise recently. In addition, Russia and Ukraine have a global presence in non-ferrous metals such as nickel, copper, and Export also holds an important position. Affected by the escalating situation in Russia and Ukraine prices on the London Metal Exchange jumped 4.8% on February 24th, while nickel prices surged to their highest level since 2011. Due to the Russian actions triggering risks in the financial market, asset sales and a slight decline in copper prices have also occurred. Further sanctions imposed by Western countries on Russia may affect the supply of non-ferrous metals in Europe and even globally in terms of output and export costs or may stimulate further caps on non-ferrous metal prices.

Russia is an important energy exporter, and the "Donetsk People's Republic" and "Luhansk People's Republic" are also important energy centers for Ukraine. Russia supplies natural gas to Europe, mostly through Ukraine or surrounding areas, with a supply volume of approximately 160 billion cubic meters per year. Russian crude oil exports are approximately 8.6 million barrels per day, with exports to Europe accounting for over 60%.

If the Russia-Ukraine conflict escalates, both natural gas prices and oil prices are likely to rise further. Russia and Ukraine are also important food exporters. Russia is the world's largest wheat exporter, Ukraine is the fourth largest exporter of wheat, the third largest exporter of corn, and the largest exporter of sunflower seed oil, according to USDA estimates. In 2021 and 2022, the total wheat exports of Russia and Ukraine accounted for nearly 28.5% of the global share [4]. The total corn exports of the two countries account for nearly 18.4% of the global share. However, a large part of Ukraine. The most productive agricultural production areas are located in the eastern region, and military conflicts or interruptions in export trade can also exacerbate global food inflation. The conflict between Russia-Ukraine conflict will have a long-term and sustained negative impact on the world economy, especially on the Russian economy. Europe will take the second place, and the United States and other countries will also be affected. Nearly 300000 companies in the United States and Europe have suppliers in Russia and Ukraine. The impact of the Russian conflict on the supply chain is reflected in various industries, leading to drastic fluctuations in financial market prices. The global supply chain may shrink as a result, and global production cost advantages may not exist. Enterprises will be more inclined towards local procurement, resulting in huge uncertainty. The impact of the Russia-Ukraine conflict is still difficult to assess. As the conflict intensifies and sanctions expand, it may have a greater impact on the economies of Germany and Europe.

In Germany, there are already some enterprises forced to reduce production due to the high costs of natural gas and electricity. With the rise in food and energy prices, the demand for wage increases may increase from the second half of 2022, which also increases the risk of a spiral rise in wages and prices.

The immediate effect is to lead to a sudden surge in the price of oil and oil prices in the international energy commodity market. But overall, it should be short-term, with two major impacts. The first is the price of oil and gas, and the second is the safety issue of the Suez Canal. First, let's take a look at the safety issues of the Suez Canal. If this war ultimately leads to a massive influx of Gaza refugees into Egypt, which in turn triggers large-scale social unrest in Egypt. If this situation occurs, it may lead to the interruption of shipping on the Suez Canal, which poses a significant risk to global trade logistics.

It leads to a downward trend in oil prices in the international energy market, which can reduce inflationary pressures in the United States, Europe, and other major industrialized countries.

For China, it also means that the inflation pressure imported from external sources may increase next year, and the space for monetary policy operation next year will also be compressed as a result. Therefore, full attention should be paid to this. According to the United Nations Commodity Trade

DOI: 10.54254/2754-1169/78/20241664

Statistics Database, Israel's main export products include electronic components, precious metals, pharmaceuticals, mechanical products, chemical products, etc. Among them, Israeli strong industries such as chips, potassium fertilizers, and pharmaceuticals, which have weaker global substitutability, have the greatest impact on the global supply chain.

Israel, with nearly 200 chip companies and over 30 chip research and development centers, plays an important role in the global semiconductor industry. Almost all chip manufacturers, including Intel, Nvidia, Apple, Samsung, Google, and Bosch, have established production bases or research and development centers in Israel.

As the private sector with the highest number of employees in Israel, Intel has 12800 Israeli employees and a research and development center in Haifa City. It operates a 7-nanometer Fab 28 chip factory in Gath Town, and another 5-nanometer Fab 38 chip factory is also under construction. In addition, Mobileye, an Israeli autonomous driving company acquired by Intel, is also one of the three major suppliers in this segment. Tower Semiconductor, another Israeli chip foundry also acquired by Intel, has a monthly production capacity of 50000 wafers, making it the seventh largest wafer foundry in the world, mainly focusing on providing analog and mixed signal semiconductor components [5].

Intel contributed $8.7 billion in exports to Israel in 2022, equivalent to 1.75% of Israel's GDP. The city of Haifa, where Intel R&D Center is located, is only 40 minutes away from the Lebanese border. The Israeli Defense Forces and Hezbollah have been engaged in exchanges of fire along the border since the escalation of the conflict. The town of Gath, where the Fab 28 chip factory is located, is only a 30-minute drive from the Gaza Strip.

Mobileye and Gaota Semiconductor are crucial to the European automotive industry chain, especially BMW Group, which has previously reached deep cooperation with Mobileye and may face the dilemma of shutdown and production in the scenario.

In addition to Intel, NVIDIA, which utilizes artificial intelligence to overtake on-bends, has also established the world's research and development center in Israel, excluding the United States. The company has nearly 3300 employees in Israel, which is equivalent to 12% of the global workforce. Nvidia CEO Huang Renxun previously mentioned in an internal email that nearly 400 Israeli employees have been conscripted. Avinatan Or, who was previously kidnapped by Hamas as a hostage, has been confirmed as an employee of Nvidia. The artificial intelligence summit, originally scheduled to open on October 15th and held in Tel Aviv, Israel, was also cancelled by the host NVIDIA.

Besides semiconductors, Israel is also a major global exporter of potassium fertilizer. In particular, Israel Chemical Group, which has exclusive mining rights for Dead Sea minerals and Negev Desert phosphate ore, is the sixth largest potash fertilizer producer in the world, the second largest potash fertilizer producer and the largest phosphate fertilizer producer in the Pan-European region.

Israel has an annual production capacity of approximately 4 million tons of potassium fertilizer, equivalent to 8% of the global potassium fertilizer market [6]. If another potassium fertilizer giant in the region, Jordan Potash Company, is included in the calculation, the region's 6.5 million tons of potassium fertilizer annual production capacity accounts for 12% of the global production capacity, which is sufficient to cause a huge impact on the global fertilizer market.

In addition, Israel is also one of the most important generic countries in the world, with an annual export scale of nearly 2 billion US dollars. Tiva Pharmaceuticals in the country is the world's largest generic drug manufacturer.

3. Rapidly Rising Global Trade Costs

It should be noted that, although the conflict is further eroding the already fragile global supply chain, as pointed out by the Director General of the International Trade Organization, Ivera, "global

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uncertainty has limited trade growth, and the sudden outbreak of war between Israel and Hamas will exacerbate this situation", the global supply chain is not expected to break during the COVID-19 epidemic.

On the one hand, Israel's smaller economy has a limited impact on the global market. Even Israel's most important export product, semiconductors, has a sales share of only 3% in the global chip market. According to a previous report by Ben Isaacson, an analyst at Scotiabank in Canada, even if Ashdod Port, the export hub of potassium fertilizer, is affected, it only threatens 3% of the global potassium fertilizer supply. Data from S&P Global also shows that Israeli drugs account for only 1.1% of the total imports of drugs from the United States and 0.8% of the total imports of drugs from the European Union. Access to medicines has become a major concern for countries worldwide during the COVID-19 pandemic, as pharmaceutical production and trade have been disrupted in the course of the crisis [7].

On the other hand, the reshaping of the supply chain, which was put on the political agenda by Western countries during the COVID-19 epidemic, has indeed played a part in buffering the impact of the conflict. For example, since 2023, Israeli suppliers have accounted for 14% of the total imports of chip processors in the European Union. However, driven by the 《EU Chip Act》, companies within the EU have increased their inventory levels and diversified their supply chains in the past two years. Taking BMW, which should have been impacted by Mobileye's supply, as an example, the group has selected Qualcomm as its partner for the new generation of auto drive system, which has freed itself from its unilateral dependence on Mobileye. As almost all modern devices and electronics require semiconductors, many industries are struggling to meet strong consumer demand [8]. As for the supply of other BMW chips, the group introduced German domestic company Inova Semiconductors and grid chips with factories in Germany as new chip suppliers as early as the end of 2021.

In particular, the sluggish global demand caused by supply chain disruption during the COVID-19 epidemic has become one of the positive factors the supply chain fluctuations. For example, after the outbreak of the Russia-Ukraine conflict in 2022, the temporary absence of these two major fertilizer producers in the global supply chain made the prices of various fertilizers in the world soar, and the urea price even exceeded 1000 dollars/ton. Affected by price fluctuations, global demand for potash fertilizer fell by 7% that year. Rabobank in the Netherlands is expected to grow by 3% this year, and it will not be able to recover to the level before the Russia-Ukraine conflict before 2025. With the recovery of potassium fertilizer exports from Russia and Belarus, Eastern European production capacity is sufficient to fill the gap in Israel [9].

However, the fact that the Palestinian-Israeli conflict has not torn apart the global supply chain does not mean that the supply chain has not been affected. Even though Israel's potassium fertilizer export hub, Port Ashdod, and the Ben Gurion International Airport in Tel Aviv have not been closed, trade costs are rapidly rising but cannot be avoided.

The Ashkelon Port, which is only 10 kilometres away from the Gaza Strip border, was attacked by Hamas missiles on October 10th. After a brief shutdown, the port's throughput sharply decreased, and currently, only about 20 ships are docked at the port. As for the more important port of Ashdod, it also faces the challenge of sharply increasing shipping costs.

The trade risks along the Israeli coastline have a long history and have been designated as high-risk areas by insurance companies for a long time. Shipping companies are required to pay additional war risk premiums. Considering the scale and nature of the escalation of the Israeli-Palestinian conflict, the insurance market is expected to see a significant increase in rates.

Since the large-scale escalation of the conflict, the additional premium for insurance has increased more than tenfold, reaching around 0.15-0.2% of the ship's value, while the premium earlier this year was only 0.0125% of the ship's value. The ships currently docked at Ashdod Port include Panamax

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to Feedermax container ships and Panamax bulk carriers, with an estimated maximum quotation of $2000. It is worth mentioning that the 40000-ton m/v ROJEN bulk cargo ship is also in Ashdod Port at present. The ship was detained by Russian forces at Chernovsk Port in Ukraine during the Russia-Ukraine conflict and then released under the framework of the Black Sea Food Agreement.

Another more extreme example is the Floating Production Storage and Unloading Vessel (FPSO) ENERGEAN POWER. The ship is 90 kilometers away from the coastline and although relatively far from the Gaza Strip, considering its strategic importance, its insurance coverage is as high as $1 billion.

In addition, according to the convention, shipping companies have the right to charge demurrage fees for all outbound and inbound containers detained at the port. Although the two giants of Mediterranean Shipping and Maersk have announced the cancellation of demurrage fees until November 8th, some shipping companies, represented by Israeli freight company Zim, have started charging war risk surcharges of $50 to $100 per standard container. An important victim of the Israeli-Palestinian conflict in international trade is India.

As one of the main achievements of India's home diplomacy during the 2023 G20, the governments of India, the United States, the United Arab Emirates, Saudi Arabia, France, Germany, Italy, and the European Union signed a memorandum of understanding during the G20 in September, agreeing to establish the India Middle East Europe Economic Corridor (IMEEC). The Economic Corridor aims to promote economic development by promoting connectivity and economic integration among Asia, the Persian Gulf and Europe, but it is generally regarded as the response of the United States and India to the Belt and Road Initiative. The results indicate that China and Singapore play a dual role in manufacturing relocation trends. At the same time, manufacturing industries will relocate to Southeast Asia, India, the Middle East and Central/Eastern Europe [10].

Due to the inclusion of Israel's Haifa Port in the plan as a key node for Indian products entering Europe, it is also seen as an attempt by all parties to challenge the trade status of the Suez Canal.

Indian Prime Minister Modi once described IMEEC as the "foundation of world trade in the next century", while Israeli Prime Minister Netanyahu also stated that "this largest cooperation project in history will change the face of Israel and the Middle East and benefit the world".

Considering that Saudi Arabia and the United Arab Emirates are both members of IMEEC, with Israel increasing its offensive in the Gaza Strip, it is unlikely that these two Middle Eastern countries will engage in project cooperation with Israel at this time point, which also means that IMEEC will stagnate in the short term.

As Mayank Jha, a senior economist at HDFC Bank in India, said, "Whenever considering a project of this size, one must consider the tense situation in the Middle East, and I am sure it will be postponed and have some impact" Asian banks demonstrated greater resilience to volatility impacts than European banks, which were the most affected by COVID-19 and the war [11]. NR Bhanumurthy of BR Ambedkar School of Economics in India also believes that the success of the Economic Corridor depends on improving relations between Israel and Saudi Arabia, but as the conflict escalates between Tel Aviv and Gaza, the future of this project will be very challenging.

4. Macroeconomic Environment

The uncertainty of the international economic situation has increased. The current global economy is facing many risks and challenges. The restrictions imposed by the United States on globalization, Brexit, and trade frictions between China and the United States have all had an impact on international trade. Domestic foreign trade companies have taken measures to address these impacts. The recent outbreak of COVID-19 has made the global economy and foreign trade market even worse. Therefore, there is still great uncertainty in the development of foreign trade in 2023.

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Global economic growth is sluggish. Due to changes in the political and trade environment, major economies such as the European Union and the United States have also taken some policy measures that are not conducive to international trade, such as the 301 investigations into China. The impact of these measures will gradually become apparent over time, so global economic growth will still be sluggish.

5. The Current Situation and Trend of China's Foreign Trade Development

The overall performance of China's foreign trade is stable. Despite facing a severe situation, China's foreign trade has maintained a relatively stable growth trend in terms of total import and export volume, market share, and other aspects. The export of bulk commodities and high-end equipment products has shown significant growth, achieving good results. In addition, China has actively promoted the Belt and Road Initiative worldwide and opened up new markets. It can be seen that Chinese foreign trade enterprises are still full of vitality.

Accelerated adjustment of foreign trade structure. China's foreign trade focus has shifted from quantity to quality, accelerating the adjustment of its foreign trade structure. Especially in the adjustment and optimization of export processing products, the trend is gradually becoming apparent, transitioning towards mid to high-end equipment products and products with high technological and brand content. At the same time, China is actively exploring emerging markets such as Africa and the Middle East, hoping to further increase the proportion and contribution of foreign trade.

6. Foreign Trade Policy

The policy adjustment has a significant impact on foreign trade enterprises. In the face of changes and pressures in the international trade situation, the Chinese government has accelerated the adjustment of foreign trade policies, such as strengthening the policy of export tax refunds and promoting the integration of foreign trade and technological innovation. Encourage enterprises to explore new markets, and so on. These measures are conducive to the better development of foreign trade enterprises, but may also bring about certain changes and adjustments. The future of multilateralism and free trade. The development of multilateralism and free trade on a global scale is facing many challenges and threats, and trade disputes between countries have brought significant adverse factors, which in turn have affected economic development. The Chinese government has advocated for multilateralism and free trade and expressed that it should adhere to an attitude of expanding openness. Deeper participation in global trade will promote better international cooperation and economic development.

7. Conclusion

From the above analysis, it can be seen that cooperation is necessary. Trade conflicts not only harm the economic interests of relevant countries, but also have a chain reaction on the global economy. Therefore, countries need to strengthen cooperation, jointly solve problems, and maintain global economic stability. Maintaining a free and open trading system is very important. Countries should respect each other and avoid adopting protectionist measures to ensure the smooth operation of international trade. In international trade, excessive reliance on a particular country or region may have a significant impact on the economy. Therefore, diversified trading partners and markets can effectively mitigate risks. Transparency is crucial in international trade. Countries should strengthen information sharing, establish fair and transparent trade rules and standards to ensure fair competition. Countries should promote economic reforms, strengthen domestic market competitiveness, and thus enhance international competitiveness. At the same time, countries should actively participate in global economic governance and contribute to the establishment of a more robust, just, and sustainable trade system.

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