JSP JURNAL ILMU SOSIAL DAN ILMU POLITIK

Jurnal Ilmu Sosial dan Ilmu Politik
Volume 27, Issue 2, November 2023 (157-175)
ISSN 1410-4946 (Print), 2502-7883 (Online)
https://doi.org/10.22146/jsp.69215

Impact of the US-China Trade War on Foreign Trade of Emerging Economies: Brazil, South Africa, and Indonesia

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Abstract

The study analyses the potential impacts of the US-China trade war on the foreign trade of emerging economies, i.e., Indonesia, Brazil, and South Africa, and their foreign economic policies to obtain alternative markets outside the US and China. These countries were chosen because they have similar industrial characteristics and robust commercial relationships with the US and China. This study uses desk review approach and secondary data analysis from the International Trade Center (ITC) Database, the WTO Tariff Database, and the Peterson Institute of International Economics (PIIE). The impacts were portrayed in several views: triangular trade structure, global value chain, China+1, and Global South relationship. In the context of a triangular trade structure with China as the mediator, Indonesia's and Brazil's trade was relatively secure since they exported considerable natural resources to China. At the same time, they could maintain positive trade performance with the US and China owing to the global value chain. South Africa has extensive imports of intermediate goods from the US and China, mainly for the automotive sector and further processed for the African market. However, since the significant position of the US as a trading partner, Indonesia, Brazil, and South Africa were potentially exposed to protectionism behavior. Indonesia benefits significantly from the US General System Preferences (GSP) trade facilities for developing countries. The consistent trade surplus has raised critical concerns from the US government regarding Indonesian exports. Therefore, the escalation has also enhanced cooperation in the Global South, including the Brazil-led Mercosur free trade negotiation with Singapore and Indonesia's preferential trade agreement with Pakistan and Bangladesh.

Keywords:

natural resources export; market access of developing countries;
alternative production base; the US trade protectionism

Introduction

The US-China trade war was one of the most significant issues in international relations before COVID-19. Some scholars (Blackwill, 2020; W. Chen et al., 2019) view the phenomenon as tariff disputes and technological competition between the two giant economies. China employed trade and industrial policies to force American companies to transfer technology. W. Chen et al. (2019) highlight the 'Made-in-China 2025' program as China's ambition to relieve its dependence on foreign technology. The acquisition of technology is alleged to be conducted through coercive regulations imposed on US companies.

Other analysts perceive the issue as closely related to differences in economic development approaches that implicate incoherent foreign economic policies between significant trading countries (Haenle, 2019). International relations researchers acknowledge that the row results from rivalry between the US and China to retain

their global hegemony (Hopewell, 2022). The global political economists further argue that the friction reflects the US's prolonged conservative trade policy that has been increasingly intense during Trump's government (Dent, 2020). The American people have a growing perception that their government tends to ignore China's aggressive economic policy. Although China was mentioned as the US global competitor during George W. Bush and Barrack Obama's administrations, neither has seriously implemented strategies to counter the influence. It was during Donald Trump's administration that several policies were implemented to address this issue, including the Foreign Investment Risk Review Modernization Act and the National Defense Authorization Act (Kausikan, 2019).

Most of this literature was concentrated on the political escalation between the two giant economies, while those studying the impact on developing economies remain limited. They mainly discussed the disputes, competition, and winning and losing among the conflicting parties (Nugroho et al., 2021). Zhang and Zhu (2023) argued most of these studies also frequently neglected the global industrial chain perspective. In fact, many developing economies have relied on the US and China as their export market and global industrial chains and networks. In parallel with this argument, Eichengreen (2020) defined the most potential impact of the US-China trade war on other countries through the global supply chains, where a significant tariff increase would generate more production costs.

On the global level, the dispute raises concerns that it would deteriorate international trade flow since the US and China are major trading partners for many emerging economies. Tariff escalation between the two major economies would influence other countries due to the multilateral trade cooperation with many countries (Steinbock, 2018). To warn about the further impact of global tension, Prime Minister Lee Hsien Loong of Singapore asserted that the deterioration of US-China relations will significantly affect the entire Asia-Pacific region and the world (Isono & Kumagai, 2023).

This study will only focus on the impact of the trade war on developing economies, especially Brazil, Indonesia, and South Africa. These countries have attracted considerable attention due to their influence within their respective regions. Kliman and Fontaine (2012) employed the term "global swing states" to describe these emerging countries' potential influence in their region, Indonesia in Southeast Asia and Brazil in South America. Their commitment to democracy is another important factor behind their global presence. The contribution of Indonesia, Brazil, and South Africa to the global economy has also been appreciated in their admissions to international forums such as the G20 (Cooper & Pouliot, 2015; Hopewell, 2015).

Indonesia, Brazil, and South Africa have a significant commercial relationship with the US and China. Indonesia has been listed as the leading exporter to the US market and simultaneously a contributor to the trade deficits (Pangestu, 2019). Similarly, Brazil's exports to China and the US have also been substantial. Brazil's second-largest market destination is the US, and its largest trading partner for both export and import is China (Meyer, 2020; Zheng, 2020). As for South Africa, China and the US are also major trading partners. Its export commodities are mainly sent to China as the largest trading partner, followed by the US as the second-largest trading partner (Bahmani-Oskooee & Gelan, 2019; Douch, 2020).

This paper discusses the impact of the escalating trade war between the US and China on foreign trade in emerging economies, with a particular focus on Indonesia, Brazil, and South Africa. The trade dispute will affect their bilateral trade with the US and China and may generate positive outcomes through trade diversion. However, the protectionism policy will harm market access for Indonesia, Brazil, and South Africa, so they must find alternative ways, including broadening commercial cooperation with the Global South.

Protectionism and Its Effects on the GVC

Under Trump's Administration, the US trade policy was characterized by protectionism (Robinson & Thierfelder, 2019). Protective trade measures issued by a country will likely be responded to by another country with similar trade tariff increases and import restrictions, which eventually leads to a trade war (Polatay, 2020). Balaam and Dillman (2019) argued trade protectionism could be associated with a country's effort to curb its import dependence on another country. The protectionism, then, could be understood from the significant import of China's products into the US market.

O'Brien and Williams (2020) maintained that protectionism in foreign trade policy may include tariffs, quotas, subsidies, currency controls, administrative regulations, and voluntary export restraints. Besides tariffs, this study assumes that both countries also employ non-tariff barriers, such as quotas and administrative regulations. Quotas are quantitative restrictions in the export and import of sensitive and strategic products for a country's domestic industry interest. Meanwhile, the administrative regulations manifest into bureaucratic procedures, minimal local content requirements, and others.

The trade tension between the US and China has affected global trade flows because of the countries' deep economic integration with many companies in the world through the global value chain (GVC). Li et al. (2020) found that the trade war has shifted trade from significant economies to other regions. The value chain is a concept describing the comprehensive and integrated activities of business entities to create their products from the beginning to the end. Brennan and Rakhmatullin (2017) stated that activities under the value chain framework could either be handled by a single firm, distributed among multiple business entities in one location, or spread across many countries throughout the world. Cui and Liu (2019) argued that GVC is a growing concept with a broader perspective that does not only cover manufacturing and production but also other aspects of global processing networks, including labor, distribution, and marketing.

The potential impacts of the US-China trade disputes include not only changes in supply and demand but also trade contracts among firms. Chinese exporters may face pricing inflexibility due to the disputes (Fajgelbaum & Khandelwal, 2022). Their export performances may also be impacted. For example, Korea's foreign trade with China, particularly in electronic components, continued declining during 2019-2020. Around 3% of its gross exports to China were intermediate goods for assembly before final shipment to the US. After the global pandemic, the trade war has also negatively affected the performance of Korea's electronic export components to China (Korgun, 2021). The same is true for Singapore's semiconductor exports, which are mostly shipped to China before being delivered to the US market (Elms, 2021). Likewise, shortly

after the political tension between the US and China increased, India's export of base metals to China decreased by 2.1 %, and Japan's main export of chemical products to China also decreased by 1.2% (Agarwal & Golley, 2022).

In the past, trade disputes also occurred between the US and Japan. In the 1960s-1980s, Japanese companies' competitiveness and productivity increased, so Japan generated a trade surplus in the US. However, in the 1980-1990s, the share of Japan in the US's trade deficit was considered the largest (Urata, 2019). The US was believed to have suffered economic losses in the bilateral trade with Japan (Lee, 2018). This US-Japan trade friction did not only affect Japanese industries and manufacturers but also other Asian economies. Furthermore, driven by the appreciation of the yen currency, the US trade policy in the 1980s pushed diversification of investment in Japanese manufacturers not only in the US but also in other Asian countries. As a result, Japanese firms led the manufacturing development in several Asian countries (Satake, 2000).

Supply Chain Alternatives

The US and China's strategic rivalry has promoted global trade shifts to restructure and relocate supply chains, marked by the relocations of several multinational corporations' manufacturing facilities to Vietnam and Mexico. The COVID-19 pandemic accelerated the process by opening greater market access for foods and medicines (Suzuki, 2021; Thanh, 2021). Vietnam gained significant bilateral trade growth with China and the US due to the trade escalation. Both the US and Chinese traders and businesses considered Vietnam an intermediary to anticipate the consequence of the tariff escalation (Thanh, 2021).

In response to this global change, multinational companies took several measures: reshoring, near-shoring, and China+1. Reshoring could be described as the reversal of offshoring activities of multinational companies to return to their region for several reasons, including business performance downturn in their host countries and external environmental challenges (Pedroletti & Ciabuschi, 2023). Reshoring activities by European and US companies have been increasing in recent years. motivated mainly by competitiveness, external environmental shifts, and strategic changes (McIvor & Bals, 2021).

Near-shoring is akin to reshoring, but the location strategy combines the advantages of offshoring and reshoring. The companies relocate their production bases to nearby countries within the same region. For example, some companies focusing on the US markets shifted their industrial base to Mexico and Central American countries. Those focusing on European markets considered Central and Eastern European and North African countries as options (Suzuki, 2021). Piatanesi and Arauzo-Carod (2019) emphasized that the nearshoring strategy could benefit the business greatly, provided that it is implemented carefully without creating further losses and suffering.

China + 1 is the most crucial strategy implemented by many companies that are increasingly aware of the trade war's effect. They retain their industrial production in China to keep market access while finding an alternative base for the supply chain. Since the tension escalated, the US electronic imports from China declined sharply, while the import demands from Vietnam, Malaysia, and Taiwan started to increase (Suzuki, 2021). In the European market, China's largest trade

partner, Germany, fosters its bilateral trade with Poland and other Central and Eastern European countries. This regional trade network could become an alternative during the trade war. Nonetheless, this alternative remains vulnerable if the Chinese and German sluggish economies impact the industrial chain (Paszak, 2021).

Methods

This study was carried out using a desk research approach. This involves literature studies and the utilization of various digital library sources, such as journal articles, books, mass media, and data sources originating from statistical data centers for national government institutions, agencies, and international organizations (Guerin et al., 2018). Furthermore, desk research analysis includes testing, processing, and evaluating data collected from official sources (Maciejewska et al., 2022).

In its application, desk research utilizes data available in official government databases and international organizations. In quantitative research, desk research is used to prepare survey instruments, finalize samples, and develop research indicators through searching and reviewing secondary library sources (Singh, 2007). Likewise, in qualitative research, Van Thiel (2022) explains that desk research is a strategy for public policy and administration by utilizing data and information already available and processed, such as policy notes, legal documents, annual reports, and newspaper and magazine articles.

In this study, desk research is used to optimize available and relevant sources and information from journal articles, books, newspapers, and other news sources. These secondary sources of data and information can support the primary data for the analysis and interpretation of the findings presented in this study. Data is processed from various online sources, including the International Trade Center (ITC) Database, the WTO Tariff Database, and the Peterson Institute of International Economics (PIIE). The ITC Database provides export and import statistics by country. The WTO Tariff Database and PIIE report provide additional information regarding tariff implementation during the trade dispute. Tariff, as the traditional instrument in trade policy is influencing the flow of foreign trade.

Meanwhile, foreign trade is indicating the impact of tariff implementation. The data is then processed using descriptive statistics to see the trends and growth of bilateral trade in each country sampled in this study. Relevant journal articles published in the last five years were also reviewed to explain these figures and deepen the analysis of the numerical data. In addition to journal articles, information from public media was also collected to support the primary data and analysis.

Results

Global Value Chain of US and China in International Trade

Based on the International Trade Center (ITC) Trade Map database, the trade deficit between the US and China increased from USD 313.2 billion in 2011 to USD 332.5 billion in 2020 (see Figure 1). A significant increase in deficit occurred between 2017 and 2018, when the value reached USD 395.9 billion and USD 443 billion, respectively. The main contribution to this deficit was electrical machinery and equipment, as well as machinery and mechanical appliances imports from China. Electronics parts and components have been the leading industries in China's manufacturing

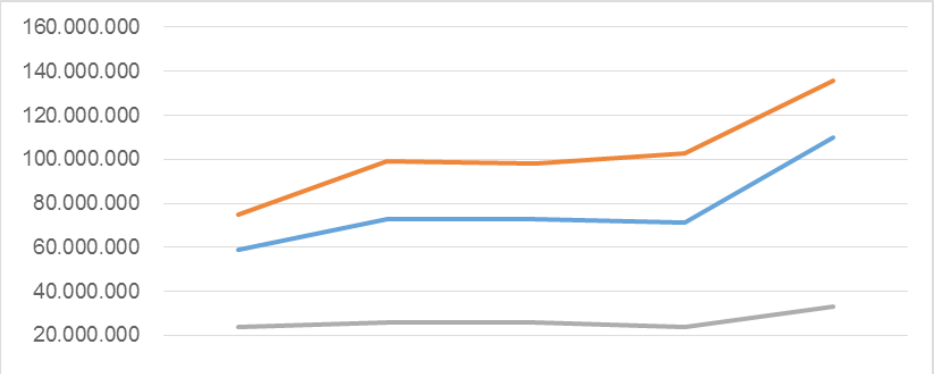

Figure 1. The US Trade Deficit with China 2011-2020 (USD 000)

Source: ITC Trade map (trademap.org)

sector since the mid-1990s, which provide a higher added value than other manufacturing industries and contribute to the country's rapid economic performance (Kimura, 2011).

China's electrical and electronic manufacturers have been considered a triangular trade structure. In this structure, China has a mediator role in assembling intermediate inputs, including electronic and mechanical parts from other Asian neighbors, and subsequently exports the outcomes to the end markets in the US and European Union (EU) (Kuroiwa, 2014). Accordingly, China's economic and business disruption will influence the Asian regional trade stability as these neighboring countries depend on Chinese industries (Thorbecke & Kato, 2021).

The US domestic industry is concerned about the massive imports of solar panels and washing machines from China. In mid-2017, several business groups urged the US administration to investigate whether importing these products caused significant domestic losses in respective industries. The US International Trade Commission determined that the imports of both products had impacted the domestic sectors negatively. The commission recommended that the President impose tariff protection against Chinese products. President Trump, therefore, decided to implement safeguard tariffs on imports of washing machines and solar panels worth more than USD 10 billion (Bown, 2021b).

The tariff escalation was relaxed following China's statement to impose a similar trade policy against US products. In April 2018, when the US government declared to raise an additional tariff of 25% on thousands of Chinese goods with an approximate value of USD 50 billion, China responded with tariffs on goods with equal value. In May 2018, the government of China assigned a high-level delegation to the US, led by Liu He, the vice-premier of the People's Republic of China, to conduct negotiations. The outcome was that both parties would cooperate to overcome bilateral trade issues.

However, in June 2018, the Office of the US Trade Representative (USTR) released the announcement to impose trade tariffs on a list of 1,000 Chinese goods with an overall value of USD 50 billion. As a reaction, China's Customs Tariff Commission of the State Council announced to impose tariffs on 659 locally-manufactured US goods valued at USD 50 billion. At the same time, the Ministry of Commerce stated that previous negotiations between the two parties were unsuccessful (Chong & Li, 2019).

Discussion

The US Trade Protectionism Approach

Brazil was one of the countries targeted for the US import restriction. Although bilateral trade between Brazil and the US increased from USD 58,483 million in 2018 to USD 71,029 million in 2021 (see Figure 2), Brazil's key exports to the US market, iron and steel, were severed by the trade policy issued by Trump's administration. In 2020, the US-Brazil bilateral trade declined due to the reduced export quota imposed on Brazilian steel, in spite of the strenuous effort from the Brazilian government to improve its relationship with the US. President Trump and President Bolsonaro agreed to work on specific issues such as counterterrorism and counternarcotics, which placed Brazil as an ally outside NATO members. Brazil also reached a trade agreement with the US to improve the 2011 Agreement on Trade and Economic Cooperation (ATEC) and concluded the Protocol on Trade Rules and Transparency in October 2020. These efforts were considered unfruitful since the export obstacles to the US market remained in place (Meyer, 2020; Villarreal & Schwarzenberg, 2020).

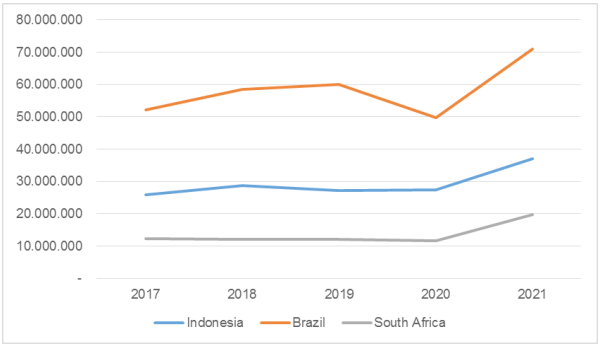

Figure 2. Indonesia, Brazil, and South Africa Trade with the US in 2017-2021 (USD 000)
Source: ITC Trade map (trademap.org)

South Africa has also been a target, as it was listed among the top 20 US steel import sources. The US refused the South African request for tariff exemption on its steel and aluminum products despite the country's proposal to reduce its exports to the US by up to 70 % (Kohnert, 2018). The US was the second-largest market destination for South African iron and steel products, so the tariff threatened the sustainability of the labor-intensive industry. In 2018, the unemployment rate in South Africa reached around 27 %, resulting in critical political and economic issues.

Nearshoring: Market and Supply Diversification

The trade escalation and the US and China's strong position in the GVC have become essential reasons for global corporations to shift or relocate their existing export and imports. As a business in common, the main objective is to maximize profit and minimize the cost. In the case of Indonesia, Brazil, and South Africa, China is one of their largest export markets for natural resources (Bradley, 2016; Thorbecke & Kato, 2021). Indonesia is the largest supplier of China's coal demand. Brazil has significant market shares in China for soybeans, iron ore, and petroleum. China is one of the largest world consumers of soybeans, mainly processed for their animal feed, while iron ore has been used as a primary material for the iron and steel industry. South Africa also exports iron ore to China. The two countries form the most significant commercial partnership between Asia and Africa.

The effect of the US-China tariff escalation on the trade performance of emerging economies is different from one another. According to Peterson Institute of International Economics data, the US import tariff on Chinese products increased from 3.1% in January 2018 to 19.3% in January 2021. Meanwhile, China raised its trade tariff on US goods from 8% in January

2018 to 20.7% in January 2021 (Bown, 2021a). After the US decision to impose a higher tariff on Chinese products in early 2018, the figure showed that Indonesia and Brazil performed positively in their bilateral trade with China. Indonesia's bilateral trade with China surged from USD 72,665 million in 2018 to USD 109,939 million in 2021. Brazil's bilateral trade with China increased significantly from USD 98,936 million in 2018 to USD 135,559 million in 2021(see Figure 3).

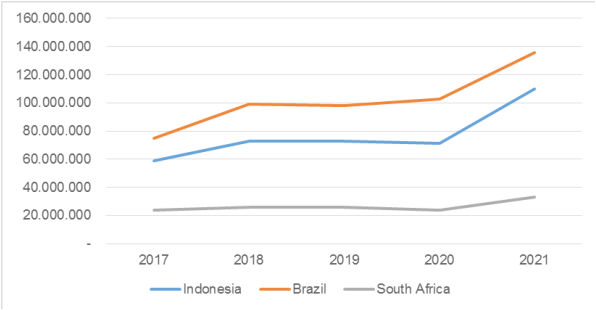

Figure 3. Indonesia, Brazil, and South Africa Trade with China in 2017-2021 (USD 000)
Source: ITC Trade map (trademap.org)

Brazil's bilateral trade with China grew more than 80%, from USD 56.3 billion in 2010 to USD 102.1 billion in 2020. The figure was dominated by the considerable increase in Brazil's exports to China, especially agricultural commodities (Gusarova, 2019). Due to the trade war, China's imports of soybeans from the US have been replaced by Brazil, which indicates a nearshoring approach. The Chinese importers shifted their supply sources to obtain a more competitive cost of production. Soybean has been one of the significant contributors to Brazilian exports globally, which is crucial for its economic growth (Peine, 2020).

Meanwhile, China has been the primary buyer of the world's soybeans. China's domestic consumption has absorbed approximately 60% of the global soybean market, influenced by rapidly growing incomes and urbanization. In addition, Chinese people prefer soybean oil rather than vegetable oils and consider soybeans the primary protein source for livestock feeding (Wu et al., 2019). In other words, the soybean supply is critical to China's food security system (Yao et al., 2020).

In the context of GVC, Brazil plays an important role in supplying raw materials for China's soybean processing industry (Sturgeon et al., 2013). China imposed a lower import tariff on unprocessed soybeans, around 3%, while imposing a higher import tariff of 9% on imported soybean oil. This policy aims to promote China's soybean processing industry (Reis & Sampaio, 2019). China was the 16th largest exporter of soybean oil in the world, with destination markets covering North Korea, Hong Kong, Malaysia, Singapore, and Mongolia. Besides, the significance of Brazilian soybean commodity in the global market could also be seen from the tight competition between Chinese firms and global multinational agribusiness companies, including the big four (ADM, Bungle Ltd., Cargill, and Louis Dreyfus Commodities, often referred to as ABCD) to control soybean plantation and supply in Brazil (Peine, 2020).

Brazil is the market destination for China's technology-intensive exports comprising electrical machinery, equipment, parts, and mechanical appliances, with annual growth of 13% and 16%, respectively, during 2017-2021. Other vital imports of Brazil from China are organic chemicals and fertilizers, which indicates the country's growing influence as the world's agricultural exporter (Rosito & de Carvalho, 2022).

In the case of Indonesia, President Joko Widodo announced in mid-2020 that seven multinational companies decided to relocate

their production facilities to Indonesia. Most of them are from China, in addition to Japanese and South Korean electronics giants Panasonic and LG (Parama, 2020). Southeast Asia has been targeted as a nearshoring destination by Chinese companies to mitigate the impact of the tension between the US and China. Indonesia, along with Vietnam and Thailand, is considered a strategic option for these companies to maintain their growth (Heydarian, 2023). Besides their potential industrial development, Southeast Asian countries are promising with their latest, more robust economic growth than that of China, according to the Asian Development Outlook (Venzon, 2022).

Indonesia's exports to China and the US mainly served the domestic market instead of providing intermediate goods. This may prevent Indonesia from gaining potential benefits from the trade war (Nugroho et al., 2021; Pangestu, 2019). Indonesia's exports to China climbed dramatically from USD 27,961.8 million in 2019 to USD 53,713.5 million in 2021. Meanwhile, Indonesia's imports from China increased from USD 44,930.6 million in 2019 to USD 56,225.9 million in 2021. The key contributors to the export growth were mineral fuels, iron and steel, and animal or vegetable fats. Iron and steel products are essential to China's economic development (Liu et al., 2021). Besides building and infrastructure development, iron and steel are used in mechanical equipment, automotive, and metal products, which hold strategic positions in the global value chain industry.

Similarly, Indonesia's bilateral trade with the US also showed a positive performance amid the trade war. Export of Indonesia to the US increased by more than 40%, from USD 17,873.4 million in 2019 to USD 25,665.9 million in 2021. The most considerable contribution was from Indonesian essential export commodities, palm oil, frozen shrimps, and prawns. Moreover, Indonesian manufacturing exports to the US, especially apparel and rubber tires, performed positively as the GVC in the textile and textile products and automotive industry grew.

The US extended the Generalized System Preferences (GSP) facility for Indonesia, a trade facility program for developing countries (Septiari, 2020). GSP is a trade facility in the form of exemption from import duty tariffs, which have been given unilaterally by the US Government to developing countries since 1974. Indonesia received the GSP facility from the US for the first time in 1980. Indonesia's exports using GSP reached USD 2.61 billion, equivalent to 13.1 % of Indonesia's total exports to the US. Therefore, the elimination of GSP would cause uncertainty in Indonesia's trade with the US. The country's trade surplus with the US has increased significantly from USD 8.2 billion in 2018 to USD 10.1 billion in 2020 (ITC Trade Map, 2022).

Meanwhile, in Africa, South Africa is the most significant trading partner for the US. Both countries have worked closely in economic cooperation, especially after establishing the US-South African Strategic Partnership in 2010 during the Obama's administration. South African exports to the US doubled from USD 6,296 million in 2019 to USD 13,105 million in 2021, driven by the export of natural or cultured pearls, precious stones, and metals. Likewise, South African imports from the US increased moderately from USD 5,806 million in 2019 to USD 6,597 million in 2021.

In 2012, the US and South Africa signed the Trade and Investment Framework Agreement (TIFA) to facilitate bilateral trade and investment dialogues under the African Growth and Opportunity Act (AGOA). In 2019,

South Africa was ranked as the 39th largest US trade partner globally, with an approximate value of USD 13 billion in merchandise trade. Major South African exports to the US include vehicles and parts, precious metals, diamonds, centrifuges, other filtering technology, and hydrocarbon products. Meanwhile, South Africa imports vehicles, aircraft, machinery and equipment, and mechanical parts from the US (Cook, 2020).

Similarly, South Africa is China's major trading partner in Africa. China's interest in South Africa is motivated by the need for energy and mineral resources. Pretoria in South Africa has become one of the global sources of precious mining commodities, including platinum, gold, chromium, and manganese reserves. These potential mining reserves have driven foreign investment inflow from Chinese companies, which have invested in the South African extractive sector, such as Zijin Mining, Minmetals, Jiquan Iron and Steel (Jisco), East Asia Metals, and Sinosteel (Maphaka & Shai, 2021).

South African exports to China grew significantly from USD 9,659.7 million in 2019 to USD 13,839.7 million in 2021, consisting of iron ores, mineral fuels, and mineral oils, which consistently strengthened South Africa's position as one of the largest mining sources for China. South African imports from China increased from USD 16,289.3 million in 2019 to USD 19,260 million in 2021, contributed by considerable growth in imports of electrical machinery and equipment, machinery, and mechanical appliances.

The substantial bilateral trade between South Africa and the US and China could also be described from the GVC perspective. South Africa extensively imports intermediate goods from the US and China, mainly processed for the African market. The South African manufacturing sector is also growing as the key supplier of intermediate goods for the regional market (Olasehinde-Williams & Oshodi, 2021). The South African automotive sector is an indicator of this GVC industry. Its growth in South Africa provides about 2-3.5% of total employment in the assembling activities and production of automotive components. Almost half of the overall car production in the African market came from the South African automotive industry. In 2018, South Africa produced 610,854 new vehicles, the highest production, which is followed by Morocco and Egypt (Bam et al., 2021).

China + 1 and Global South Cooperation

The escalation of tension between the US and China also grows as an opportunity to enhance global cooperation among developing countries. The export volume of soybeans from Brazil to China increased by around 30 % in 2019 (Ren, 2019), which raises a market opportunity for Brazil to meet China's domestic needs. The US soybean market shares are shifted gradually to Brazil and Argentina. Brazil has responded to the increasing global demand for soybeans by expanding land plantations. The country also deals with soybean production quality, which is relatively lower than the US soybeans by 42.2% (He et al., 2019).

Several studies considered that the significant export of soybeans from Brazil to China would decline gradually in line with the negotiation between the US and China (Harris, 2020; Kawanami et al., 2020). The export of oil seeds from Brazil to China continues to increase, followed by other significant rises in commodity exports, including iron ores, sugar, and meat (ITC Trademap, 2022). Brazil's export growth during the trade war was also supported by expanding

trade relationships with other developing economies, especially in Asia and Africa. Since the early 21st century, Brazil has been actively promoting global south cooperation, including with India, South Africa, Iran, and Nigeria (Amorim & Ferreira-Pereira, 2021).

In 2021, Brazil-led Mercosur regional economic cooperation targeted to conclude its free trade negotiation with Singapore, one of the largest international trade hubs in the Asia Pacific economy. Brazil expected a much larger market for its manufactured goods and agricultural exports from this cooperation. Besides, the Asian economy continues to grow as one of the top ten destinations for Brazilian exports. In addition, bilateral trade between Brazil and Singapore rose significantly during the pandemic. Singapore's position increased from 12th in 2020 to 8th in 2021 as the top destination for Brazilian exports (Latin America News, 2021). Additionally, the average growth of Brazil's exports to Singapore was around 24% between 2017 and 2021 (ITC Trademap, 2022).

As for South Africa, China has developed its commercial relations with the country into a comprehensive strategic partnership since 2010. During his first state visit to Beijing, President Jacob Zuma signed the Beijing Declaration with President Hu Jintao to deepen the bilateral relationship between the two countries. Since then, their trade relationship has grown significantly, becoming major trading partners in two regions. The trade of China with South Africa constituted a quarter to a third of China-Africa's overall trade.

Strong diplomatic ties between South Africa and China have been reflected, among others, by the frequent state visit by the President of China, Xi Jinping, to South Africa. In July 2018, President Xi Jinping conducted his third state visit to Pretoria, which makes South Africa the only country in Africa that received three visits in that year. This close political relationship is also followed by significant trade growth between the two economies. The bilateral trade value of China and South Africa increased almost 20 times. Moreover, South Africa has received the most extensive African investment from China, with a foreign direct investment value of more than USD 800 million in various projects (le Pere, 2021).

Their economic relationship is also augmented by the growing partnership among the rising economies called BRICS (Brazil, Russia, India, China, and South Africa). Under BRICS, China and South Africa improved their export productivity, turning into the Southern Engines of Growth (SEG). In addition, both countries have developed specialized export products that contribute significantly to their economic development. Like China, South Africa exports highly value-added products manufactured by the automotive, machinery, and electronics industries. Precious commodities and other natural resources have also been exported by South Africa. This figure placed South Africa as the main export contributor in the Sub-Sahara region, with manufacturing value-added and manufactured exports of more than 50% of the subcontinent's trade (Santos-Paulino, 2011).

Further, South Africa's engagement with other developing economies could also be observed in its commercial relations with countries in Asia, including Pakistan, Indonesia, and Vietnam. South Africa's exports to Pakistan grew on average by 14% from 2017 to 2021. Meanwhile, exports to Indonesia and Vietnam showed much higher percentages, about 24% and 25%, respectively (ITC Trade Map, 2022).

Both Pakistan and South Africa view that they hold a strategic position in their respective

continent. South Africa perceives Pakistan as a significant trade and investment potential that could reach more than USD 2 billion in the coming years (Abrar, 2021). Pakistan's "Look Africa" policy was initiated in 2017, targeting deeper trade integration with African partners comprising Egypt, Algeria, Morocco, Sudan, Tanzania, Nigeria, Kenya, Senegal, Ethiopia, and South Africa. In January 2020, as part of Pakistan's strategic policy of "Look Africa," Pakistan's Ministry of Commerce organized a Trade and Development Conference in Nairobi attended by around 200 participants from various African countries (Arif Khan, 2021).

Similarly, South Africa's relationship with Indonesia and Vietnam shows a high potential for cooperation with ASEAN economies. Vietnam sees South Africa as the largest export destination in Africa. Simultaneously, South Africa viewed Vietnam as a gateway to ASEAN, one of Asia's most important markets, consisting of more than 600 million people. In 2022, both countries organized their fifth bilateral meeting on the South Africa-Vietnam Intergovernmental Partnership Forum for Economic, Trade, Scientific, Technical, and Cultural Cooperation (Lekgoro, 2022). Indonesia and South Africa signed a comprehensive strategic partnership in 2008 (Al Farisi, 2019). Since then, Indonesia's export growth to South Africa has risen moderately from USD 624 million in 2008 to USD 940 million in 2021. Meanwhile, Indonesia's import growth from South Africa soared from USD 354.5 million in 2008 to USD 1,835 million in 2021.

Despite tension escalation between two major trading partners, Indonesia still retained its positive trade performance. Indonesia's exports to the US grew on average by 11% during 2017-2021. In the same period, the country's export growth to China reached 26%. Indonesia keeps expanding its economic cooperation, particularly with other developing economies, to anticipate more adverse effects from the dispute and explore more opportunities. With the neighboring Asian countries, Indonesia strengthens its commercial relationship with South Asian economies. After realizing its preferential trade agreement with Pakistan, Indonesia has now negotiated with Pakistan to extend the trade agreement to cover many more goods. Thus, the agreement will be renamed the Indonesia-Pakistan Trade in Goods Agreement (IP-TIGA). The second negotiation round between the two governments was conducted in April 2021 (Kemendag, 2022a).

President Joko Widodo visited Bangladesh in 2018, showing Indonesia's broader interest in more productive cooperation (Kemendag, 2022b). Bangladesh is a significant market for Indonesian products. Based on the ITC Trademap database, Indonesia's exports to Bangladesh grew an average of 20% during 2017-2021, while importing a much smaller value from Bangladesh (ITC Trade Map, 2022). Moreover, Bangladesh reached an economic growth of 7.1% in 2017, indicating a relatively stable and promising economic partner for Indonesian businesses. Indonesia has negotiated with Bangladesh to conclude a bilateral preferential trade agreement commenced in 2018. This preferential trade agreement is necessary to provide much broader market access for both parties while lowering the trade tariff (Juventia et al., 2019).

In Africa, Indonesia concluded its preferential trade agreement with Mozambique in 2019. This agreement has brought significant export growth from Indonesia to Mozambique (Kemendag, 2019), with an increase of around 40% on average during 2017-2021. Besides Egypt, South Africa, and Nigeria, Kenya has

also grown as a potential trading partner for Indonesian exporters. In 2021, for the first time, bilateral trade between Indonesia and Kenya increased significantly to USD 500 million. The bilateral trade relationship has been forged amid the COVID-19 pandemic (Yuantisya, 2022). In addition, Indonesia strongly connects with the African region based on its historical struggle against colonialism. However, there is still much untapped potential cooperation between both partners.

Conclusion

This article describes the effects of the US and China tension escalation on Indonesia, Brazil, and South Africa. These countries have been selected because of their substantial trade relationship with the US and China. Besides, these three countries have strategic roles in their respective continent. The trade data covering 2017-2021 was collected from the International Trade Center Trade Map database. The study not only covers the effect on bilateral trade flows but also identifies the foreign economic policy behavior of respective countries, particularly their efforts to have alternative markets outside the US and China. Studies on the topics will provide information and alternative policies to anticipate further effects of the dispute. Developing countries could learn and develop products that have been disputed between the US and China, especially those related to technology-intensive exports. Furthermore, studies on this matter will encourage broader cooperation among developing countries.

The political economy dynamics in the South American region, such as Venezuela and Bolivia, have influenced Brazil's foreign policy toward the US in recent years. Bilateral trade relations between Brazil and the US relatively fluctuated amidst the efforts of the Brazilian government to forge its relationship with the US. In fact, Trump's tariff on iron and steel imports from Brazil negatively affected bilateral trade in 2020. On the other hand, Brazil has benefited from the increasing demand for soybeans from China, which the US exporters predominantly supplied. Indonesia has benefited from the trade war between the US and China simultaneously, as they are the most critical markets for Indonesian export products. During the trade war, Indonesia's exports to China increased as China sought alternative sources of raw materials for its domestic industry, particularly iron and steel materials. The bilateral trade between Indonesia and the US also indicated growth. During the period, South Africa also experienced considerable trade growth with the US, mainly exporting natural or cultured pearls, precious stones, and metals.

It is noteworthy to highlight that the continuous trade growth of Indonesia, Brazil, and South Africa should also be observed from the GVC perspective. Indonesia's export of iron and steel to China supplies not only infrastructure and construction projects in China but also industrial needs, mechanical equipment, automotive spare parts, and metal products, which are closely related to the GVC industry. Brazilian soybean export to China is also driven by the increase in demand for soybean oil in the global market. China is listed as a main player in soybean oil export, with essential destination markets covering North Korea, Hong Kong, Malaysia, Singapore, and Mongolia. South African automotive sector imports intermediate goods from the US and China. The automotive industry is well known for its GVC mode of production. South Africa is the largest automotive supplier in the African continent.

However, protectionism may continue and negatively affect developing countries' future trade performance. To date, the US and China remain in the top position as the biggest trading partner of Indonesia, Brazil, and South Africa. Their extensive market and industrial development generate significant import demand. Indonesia also gained a trade facility from the US under Generalized System Preferences (GSP), especially given to developing countries. South Africa benefited from the Trade and Investment Framework Agreement (TIFA), which is part of US policy towards Africa through the African Growth and Opportunity Act (AGOA). It provides greater consumer market access to the US. These facilities will depend on the US government's political willingness to preserve them.

Therefore, trade and market diversification should become a priority for developing economies. The enhancement of Global South cooperation could provide much more market access for Indonesia, Brazil, and South Africa. Their rich natural resources and industrial development will bring productive cooperation, as shown in bilateral trade between Indonesia and Bangladesh, Brazil and Singapore, and South Africa and Vietnam.

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