

# **MARKET, SPACE AND GLOBAL MARKET WAR**

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## MARKET, SPACE AND GLOBAL MARKET WAR

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### Abstract

As the first Chinese think tank that goes international, Anbound has been focusing on public policy for 25 years. This study "Market, Space and Global Market War" describes a new form of global geopolitics, economy and trade from a new perspective, defines the key points and core problems of the future global competitions and conflicts, and discusses the new pattern of future post-hot war and post-cold war international confrontation and competition, which is the commercial war or the market war (hereinafter "the market war"). On the basis of the redefinition of market and market space, the study illustrates the root to cause trade sanctions and trade conflicts, and the influence to the geopolitics. It would be meaningful for the governments of different countries to recognize, understand and formulate their trade policies as important policy reference in the future. The study also puts forward the concept of "global amalgamation", emphasizing the importance and objectivity of global amalgamation, and concluded that only when the world could transcend ideology, pure economic wealth and the globalization under the framework of competition, and moves towards "global amalgamation", the real peace and balance could be achieved, and the different kinds of conflicts and potential wars could be suppressed.

**Keywords:** market space, spatial economics, geostrategy, international trade, international politics

On 1st March 2018 U.S. Eastern local time, after fierce controversy among American officials with different sides of view, just when Liu He, China's most important trade negotiator arrived in Washington, President Trump at the White House announced to impose a 25% tariff on steel and a 10% on aluminum imported to the U.S. Next, he will sign the order. Trump decided on the toughest measures that have been proposed in the Commerce Department's report. It was believed that might trigger a trade war and invite retaliatory measures by the European Union and China.

It is unclear whether the policy would grant exemptions to certain countries.<sup>1</sup> The White House spokesman said he would not go into details before issuing of the announcement, suggesting that there would be some room for reconciliation. With the announcement of the latest decision, Trump's nearly yearlong investigation on import of steel and aluminum on the grounds of "national security" has come to an end, which was carried out under section 232 of the Trade Expansion Act

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<sup>1</sup> FT reported on March 5, 2018. A top trade adviser to President Donald Trump, Peter Navarro, who heads the White House Office of Trade and Manufacturing Policy, said that while there could be exceptions for specific business uses there would be no carve-out for individual countries, dealing a blow to allies such as Canada, the UK and South Korea. However, the final policy still wait to see.

of 1962 and allows the United States to investigate whether imports of certain products threaten US "national security". Two final reports were made public by the Commerce Department on 16th February, after several months of investigation. From the current reactions, no country accepts obstructing "national security" as the valid reason. Wang Hejun, director of Trade Remedy and Investigation Bureau of Ministry of Commerce of the People's Republic of China, said in a statement earlier that most of steel and aluminum products imported by U.S. were low-and-middle-end products for civilian use. In the investigation, stakeholders in the European Union, Canada, Russia, China, South Africa, South Korea, Vietnam and other countries and regions also proved to the U.S. that their steel and aluminum products exported to the U.S. had not harmed its national security. Japan, an American ally, also said it was hard to accept the decision. According to foreign media reports, the Japanese trade minister Hiroshige Seko said, "I don't think exports of steel and aluminum from Japan, which is a U.S. ally, damages U.S. national security in any way, and we would like to explain that to the U.S."<sup>2</sup>

It is widely recognized in world markets that the decision made by the U.S. government is symbolic, which marks the beginning of worldwide trade wars. In fact, since the U.S. decided to launch the investigation under section 232, the world market has viewed this as an attempt to target China, the largest producer of steel and aluminum. In the survey reports of the Commerce Department of the U.S. on steel products, China was cited 202 times while Canada, the largest exporter of steel to the U.S., was cited only 24 times. From the points of view of American politicians and think-tanks, the political implications against China in the investigation under Section 232 are quite strong, and not purely coming from the economic or industrial considerations.

In fact, the quantity of steel products that China exports to the United States is not high at present. According to market data, it is only 1.18 million tons<sup>3</sup>, as the result of a long trade war. China exported 5.4 million tons of steel products to the United States In 2006, which accounted for 12.56% of China's total steel exports that year. But after several years of so-called trade investigations, China's steel industry, from its rough steel to steel products, has been subjected to varying degrees of U.S. sanctions, leading to a sharp drop of steel products in Chinese exports to the U.S. In 2017, only 1.18 million tons of steel products exported from China to the U.S., accounting for only 1.57% of China's total steel exports. In the ranking of China's steel exports, the United States also dropped from the 2nd place in 2006 to 18th in 2017. Objective data shows clearly that the trade war between China and the U.S. has effectively reduced the market share of Chinese steel products in the United States, and the decline was as high as 78% comparing with 2006. <sup>4</sup>

<sup>2</sup> Quoted from reuters.com, it is worth noting that as part of the world trade war, the original shows that the United States' trade warfare study was also participated by the Ministry of National Defense. The US Department of Defense recommends that there should be targeted taxation of steel products, and aluminum products should not be punitively taxed.

<sup>3</sup> Data from Lange Steel Research Center.

<sup>4</sup> The author does not deny that there are also commercial factors, yet the U.S. government's interference and sanctions clearly show huge impact.

For the United States, the top five largest steel exporters are Canada, Brazil, South Korea, Mexico and Russia, accounting respectively for about 16%, 13%, 10%, 9% and 9% of the steel imports of U.S. The United States imported only 2.2% of its steel imports from China in 2017, and China was the eleventh largest steel exporter in the list of U.S. steel suppliers. The aluminum import was similar, according to statistics Canada was the largest supplier of both steel and aluminum to the U.S. from 2013 to 2016 as well, accounting for about 56%, followed by Russia's 8% and UAE's 7%.

In fact, China is far from the only country in the world that has sent its heavyweight negotiator to US to mediate trade disputes and strive to avoid a trade war. Other countries in the world have sent heavyweight economic and trade officials to the United States to negotiate or made major efforts to avoid a trade war. In a statement issued on March 1st following Trump's announcement of his latest decision, European Commission President Jean Claude Juncker expressed deep regret at the move by the United States, and believed this is an open intervention to protect the industries in the United States. The European Commission would propose a response in the coming days consistent with the rules of the World Trade Organization, in order to balance America's latest move. Canadian Foreign Minister Chrystia Freeland said that any tariffs would be "absolutely unacceptable." South Korea immediately sent Kim Hyun-chong, Minister of the Ministry of Trade, Industry, and Energy (MOTIE), to the United States. Kim Hyun-chong has been in the United States since February 25th, and has met-up with Wilbur Ross, the U.S. Secretary of Commerce and other officials, raising concerns about the investigation under Section 232 and proposing a plan to minimize the possible losses of South Korean companies. For these allies of the United States, they are still expecting that the United States will eventually make a list of exemptions. In a previous memorandum, Defense Secretary James Mattis also said that he was concerned about the "negative impact on our key allies" of the package of global tariffs recommended by Department of Commerce and called for "more targeted tariffs."

These allies of the United States actually expect the United States only targeting China, the "traditional enemy", and reducing China's market space, without involving its allies. These expectations and view of the future world trade are undoubtedly wrong, and the wrong cognition of the future world will inevitably lead to wrong judgments and expectations. No matter there is an exemption in the trade of steel products or not, the global trade war initiated by the United States is in fact a worldwide trade war regardless of kinds of products, allies or rivals, and there will be no boundaries at all. It is truly a self-centered world trade war benefitting the United States market only. The aim is to strengthen the strategy of "America First" at the expense of others outside of the scope of these trade hardliners.

The future world will change significantly, and the world does not understand this clearly, it will lead

to serious political and trade consequences.

### Three Forms of War

There are three forms of war in the world, namely, hot war, cold war and trade war. Hot war refers to intense warfare, for instance World War 2, with war-planes hovering and cannons sounding. The purpose of the war was to contain Nazi Germany's efforts of capturing new space in the world. Cold war refers to the Soviet Union-American confrontation, with clear definition of different camps under the iron curtain. The confrontation between Soviet Union and American blocs ended in the disintegration of the Soviet camp. Trade war is the warfare of the current and the future world, and it is also the warfare for the space and influence in the world market. The party with the market space will win the advantage in the world, and the party who loses the market space will withdraw from the world stage, or even disintegrate.

In this increasingly-emerging worldwide trade war, the main ideological basis is the book *Death by China*, where its influence is still growing. The author of the book, Peter Navarro, graduated from Tufts University in Boston and Harvard University, is also a scholar of economics and public policy, a human rights activist, a democrat, appointed by President Donald Trump as the first Director of the White House National Trade Council, and current CNBC commentator. Navarro's articles have appeared in a wide range of leading publications, including *Business Week*, *Harvard Business Review*, *MIT Sloan Management Review*, *The New York Times*, *The Wall Street Journal* and *Los Angeles Times*.

The actual research level of this book, written by Peter Navarro in collaboration with Greg Autry, is not admirable. The problems involved are not groundbreaking, all referred to the existing trade disputes and relevant materials in the current world market, elaborated and summarized under the background and conditions of China-U.S. competition, and highlighted in line with the changes in international politics. The so-called countermeasures and solutions in the book, are in fact only the rendered and strengthened version of the existing conventional countermeasures between China and the United States, it has no outstanding new ideas and is basically a cliché. Even to the United States, it has little constructive value except the intense political character.

For China and the world market, the most damaging points of Peter Navarro's ideas lie in the hardline stance and attitude which can be politically exploited to advocate trade war. The solutions he conceived focused on the following: reinstitute human rights as a core element of U.S. foreign policy. Peter Navarro emphasized that Congress should pass an act, requesting any nation wishing to trade freely with the United States to abandon all illegal export subsidies, maintain a fairly valued currency, offer strict protections for intellectual property, uphold environmental and health and

safety standards that meet international norms, provide for an unrestricted global market in energy and raw materials, and offer free and open access to its domestic markets, including media and Internet services, etc.

In summary, the United States would restrict China while strengthen its own interests unilaterally with the international political stage as the background.

Different from the hot war and cold war in the history, the main weapons and strategic solutions of the market war around the world are not military aircrafts and artilleries; the key lies in the competition policy of six dimensions and the strategic that will determine victory or defeat:

1. The technologies and intellectual properties in dominant position: Without technologies and intellectual properties, a country will always be the slave of consumer goods, and will not gain the leading position, unable to win the competitive commodity space in the future.
2. The boundary and guarantee of trade space and consumption space: The market will be meaningless without the boundary and guarantee of trade space and consumption space, the market will be occupied by other countries, the market rules and standards will be set up by other countries, and the economy of a country will become a dependency of the markets of other countries.
3. The political conflicts in ideology, culture values and moral values: Ideology and cultural morality are increasingly becoming a major force and weapon today and becoming important basis and social symbols in dividing ethnic groups, communities and allies.
4. The interests, security and risk control of currency and financial capital: Financial capital and the security and liquidity of currency are the most important niche and market foundation. A country will be in peril without the security of finance and currency.
5. Law is a system of rules, and an enforce power enforced through governments and social organizations. Today, the supranational application of law has long been the norm.
6. Market alliance and regional cooperation: The cooperation and alliance of markets and regions in various forms are important forms of market space, and all kinds of regional organizations and alliances form the perplexing market relationship and interest relationship in the world market, have become important participants and actual controller of the world market.

One thing to be noted is that these six dimensions are closely related to the formation and change

of the world market space and the effective use of the strategies, policies and tools of these six dimensions can effectively change the scale of the world market space and produce the relevant influence. To speak plainly, the construction of market space should start from these six dimensions, and the scramble for market space should start from them as well. These six dimensions represent the framework of the world order, or there is the possibility of losing control and transforming into a real hot war. China is a big country, the historical experience shows that no hot war in the world can effectively destroy such a big country, and the cold war with clear barriers and camps has long been a history, and only the trade war, the market space war can effectively affect the foundation of China.

The fundamental trend of the new world strategy of the conservative camp in the United States, no matter how it is described, is shaped around these six dimensions. These new geo-economic ideas had exhausted the Soviet Union and will besiege China.

The Soviet Union's system was complete, its ideology was firm and its system was clear, the organizations at all levels, although worn out, maintained the deterrent power of domination. In this case, the Cold War strategy of the Western camp focused on the aspect of consumption. It took time to drag down and consume all kinds of social resources of the Soviet Union, until its mass base was shaken, and the country was weakened from the basement. Judging from the final facts, this strategy of the Western camp was undoubtedly successful and effective.

With regard to China, the West has a more thorough understanding of the economy and organization of the Chinese society because of China's reform and opening up over the past decades. They have already found that the stability of China's social system depends on the economy, and the economic base is vital to the influence of Chinese politics. That is why the core of a series of ideas of the West hardliners is set to surround, compress, restrict and even cut off China's commercial relations to the rest of the world. They want to "surround" China to death with economic tools. China without economic vigor will perish, and that is the best option for the hardliners and conservatives in the West.

Therefore, the core of the relationship between China and the rest of the world in the future will gradually focusing on the scramble for world market space, which is the core and key point in defining the future relationship between China and the rest of the world. In fact, the authorities of the United States are more and more direct on this. The United States trade representative, Robert Lighthizer,<sup>5</sup> on behalf of President Trump administration, recently had submitted an annual report to the Congress on the President's trade agenda. His report says that the United States would use all

<sup>5</sup> The data is cited from a number of media sites, such as the observer website and multidimensional website, <http://news.dwnews.com/china/news/2018-02-28/60043141.html>

tools available to put pressure on China to prevent China's economic model from undermining the "global competition". The report even claims that China has failed to meet its promise of economic reform when it joined the WTO in 2001, and China's policies had led to a severe misallocation of global resources, exacerbating poverty in every country. The report emphasizes that China could freely choose any trade policy it likes, but the United States could react freely as a sovereignty state.

It is clear that the battle for a complete, open and transparent market space of the world market is imminent. It is not just a personal expectation of President Trump to be a symbolic warrior of "America First"; there will be some people doing the same after president Trump, and in fact there have been some people who have done that in the past. The negotiations, sanctions and the use of all kinds of legal instruments on trade disputes, the public opinions of anti-free trade; these are all related to the globalization of the past, related to the waves of conservatism of the world and, of course, related to the overproduction in the past. What should come is bound to come.<sup>6</sup>

### Market Spatial Scale of the World

According to a report of World Bank in 2017,<sup>7</sup> the global GDP in 2015 was \$74 trillion. The United States was ranked first as before, accounting for 24.32%; China was ranked the second place, accounting for 14.84%; the third, fourth countries are Japan and Germany, accounting respectively for 5.91% and 4.54%.

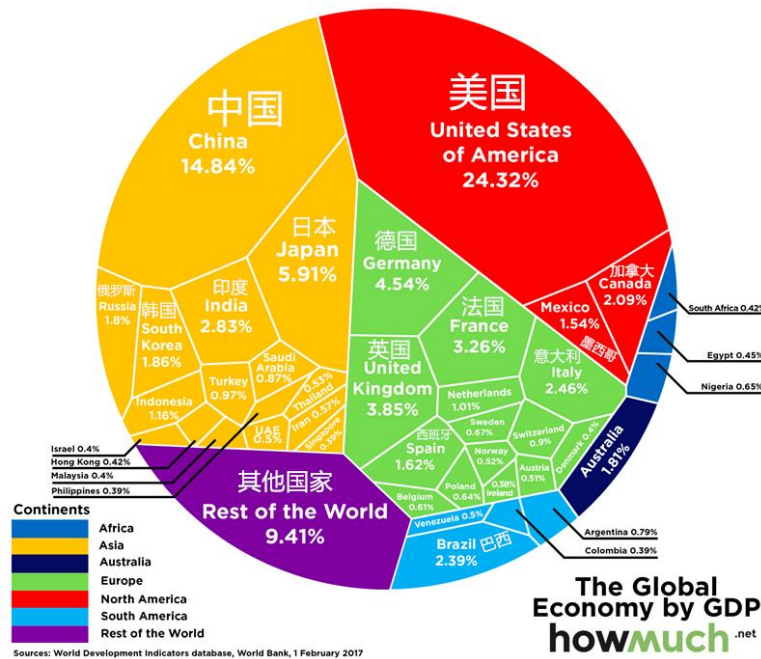
In the ranking list of different continents of the world, Asia, the yellow part of the chart below, began to take the leading position at present, accounting 33.84% of global GDP. In addition, North America accounts for 27.95% and Europe accounts for 21.37% of global GDP. These three continents account for about 83% of world economic activities. It's very easy to conclude that the economic center of Asia locates in the east part, the total GDP of China, Japan and South Korea is almost the same as the United States.<sup>8</sup>

As the marginal and potential market space of the world, South America and Africa are still unable to take a larger share of the global economy. The four largest economies in South America, Brazil, Argentina, Venezuela and Colombia, they only accounts for 4% of global GDP, while the three largest African countries, South Africa, Egypt and Nigeria, only accounts for 1.5% of global GDP. Meanwhile, more than 100 economies, which are too small to be shown alone, are grouped together as "the rest of the world", and the total GDP of them is as large as the GDP gap between U.S. and China.

<sup>6</sup> The concept of "overproduction" can be found in ANBOUND briefing papers and "Urbanization of the World" (Chen Gong, 2015). ANBOUND scholars believe that in the final analysis, the current wave of conservatism is triggered by excessive production, while overproduction is caused by excess capital.

<sup>7</sup> Data sources are from Phoenix International website, [http://finance.ifeng.com/a/20170224/15214241\\_0.shtml](http://finance.ifeng.com/a/20170224/15214241_0.shtml)

<sup>8</sup> View of Raul Amoros at HowMuch.net.

**Graph: National and Regional Shares of Global Economy**

China owns current world market share step-by-step. Over the past 30 years of reform and opening-up, China's economy has accounted for an ever-increasing proportion of the world<sup>9</sup>. In accordance with the statistics of the World Bank and the calculation of the constant dollar price in 2010, the proportion of China's GDP in the world economy increased from 1.2% to 9.3% during 1979 to 2010, with an average annual increase of 0.3%; in 2015, the proportion was up to 11.9%, as the average annual increasing rate during the "12th Five-Year" period was 0.5%. In accordance with the current price, the share of China in the world's economy reached 14.8% in 2015. In the same year, the United States, Japan, and India accounted for 24.4%, 5.6%, and 2.8% of the world economy.

In addition, the position of China in the global trade improved continuously. According to the statistics of the UNCTAD, the proportion of Goods Trade Export in the world has increased from 10.3% to 13.7% during 2010 to 2015, and the proportion of import amount has increased from 9.1% to 10.1%; the global share of Service Trade Exports increased from 3.9% to 5.9%, and the global share of imports rose from 4.8% to 9.9%. China's global market space is constantly expanding in an unsettling and enviable manner.

If we compare the change in the share of China and the rest of the world in the global market, we can see that China's economic take-off is derived from the vigorous and radical reform and

<sup>9</sup> Data from the People's Daily website

[http://paper.people.com.cn/rmrb/html/2017-01/13/nw.D110000renmrb\\_20170113\\_1-09.htm](http://paper.people.com.cn/rmrb/html/2017-01/13/nw.D110000renmrb_20170113_1-09.htm)

opening-up policy in 1993. According to GDP indexes of various economies in the world and international exchange rates, in reference to the average data of WB (World Bank), IMF (International Monetary Fund) and UN (United Nations Statistics Institute), China was basically ranked 8th from 1970 to 1980 among the top 20 of the major economy ranking. In 1985, China even fell to 9th. In 1990, it fell 11th. This situation began to improve in 1995, when China's GDP ranking rose to the 8th place in the world, and since then it kept the rising trend. By 2000, China has risen to 6th place, and in 2005 it was ranked 5th. It was the 2nd place in 2010.

In the same period from 1970 to 2015,<sup>10</sup> the ranking of the Soviet Union kept falling constantly. It was the 3rd in the world in 1980, but before the collapse of the Soviet Union, it had slipped to the 7th place in the world in 1990. The collapse of the Soviet Union was not accidental. The performance of other important economies was interesting, too. Canada was the 8th largest in the world in 1975 and the 10th in 1995; Italy was once the 5th largest economy in 1990 and has fallen to 8th in the world in 2010. The French economy is sound and has always been relatively stable. It ranked 4th in the world in 1990, and it dropped to the 6th place in the world by 2005. Britain, which also has a sound economic system, ranked 4th in the world in 2000, but it also slipped to 5th place in 2015. In general, the share of the entire world market, just the United States, Japan and Germany have performed solidly, ranking roughly in the top 3 in decades. As a rising star, China began to take off in 1993, and changed the rankings of the world market. It left Japan and Germany behind in 7 years, firmly occupied the world market Ranked 2nd position and started to hit the 1st position.

In fact, as the beginning of 1970, the share of the world market has changed dramatically. There was a huge jump of China's market space, and the United States has actually paid a lower price comparing with Europe. The real shrinking of the market space experienced in old Europe, where a large number of countries saw their market positions in shake-down.

Judging from the future world market space, it can be expected that the dramatic change in the space share of world market will not only be irresistible, but will also be more intense.

The turbulence of the future world market is entirely predictable, owing to the presence of India, which is another country with a highly potential consumer population. It ranked only 14th in the world in 1975, rising to 7th in 2015, and had ranked higher than some conventional developed countries such as Italy, Canada and Spain.

The ever-changing world market space relates to the large amount of investment in the world and

<sup>10</sup> Data from Wikipedia:

<https://zh.wikipedia.org/wiki/%E5%8E%86%E5%B9%B4%E4%B8%96%E7%95%8C%E5%8D%81%E5%A4%A7%E7%B8%8F%E6%B5%8E%E4%BD%93%E5%9B%BD%E5%86%85%E7%94%9F%E4%BA%A7%E6%80%BB%E5%80%BC%E5%88%97%E8%A1%A8>

the easing of capital. The production capacity of each country increased rapidly due to massive investment of stimulus capital, but consumption may not be able to keep up with it immediately.<sup>11</sup> Therefore, in the relative cycle, the macroscopic space of the world market is limited, which heralds the competition in the future world market space. It will certainly be far more intense and less humane than what the proponents of globalization have expected.

### Structure of Global Market

The market, originally a place where ancient people traded during a fixed period of time, was formed spontaneously by those who needed to exchange items in order to reduce the searching costs. Hence, it has the connotation of "buying and selling" and "trading". The Definition Committee of the American Marketing Association proposed the following definition to the market in 1960: The market refers to the aggregate demand of potential buyers of goods or services. Philip Kotler defines it as "the set of all actual and potential buyers of a product".

Today, the market has two meanings. One meaning is trading venues, such as traditional markets, stock markets, futures markets, etc.; another meaning is the general term for trading behavior. The term "market" is not only a place but also includes the behaviors and rules for trading. Therefore, when it comes to the size of the market, it does not only refer to the size of the venue, but also includes whether the consumer behavior is active, the transaction scale and transaction order. Generally speaking, the transfer and exchange of all property rights could be named a market.

Although the market is a general term for trading behavior, the trading behavior is not necessarily free. Especially when offering goods or selecting trading objects, it will be limited by external interferences such as laws, conventions, etc. Which has the freedom to provide goods and select trading objects is called free market or non-free market vice versa. More attention was paid to the free market's self-regulating and self-allocating function on resources in western economics, which is also known as the market mechanism.

During a long period in the 20th century, due to the shortage of the world economy, more attention was paid to the supply side of the market, which is the problem of producers.

In the 1990s, Paul Krugman, a professor in Princeton University, who studied the new theories of international trade and growth<sup>12</sup>, found that "these theories can only be implemented in space to

<sup>11</sup> In economical field, the transformation of investment into consumption is still a very complicated and pending process. The United States is an example. Overall consumption is hindered by rising income, and has caused much resentment from the people. The actual situation is that everyone has a job but no one has the money to spend, and this period has remained for more than 10 years. This is one of the reasons why Trump's "America First" policy has been welcomed to some extent.

<sup>12</sup> From the *Acta Geographica Sinica*, Krugman's New Economic Geography Research and Its Significance.

be empirical”, and then stirred up the interests on the “space location of economic activities”. Paul Krugman has published *Increase in Compensation and Economic Geography* (1991), *Geography and Trade* (1991), and *Development: Geography and Economy* were published. Academic theories (1995), *Spatial Economics: Urban, Regional, and International Trade* (co-author, 1999) and other classic papers, which in turn made the world's space economics to have certain influence.

Krugman's new economic geography theory explains a variety of spatial-scale economic phenomena, such as economic globalization and regionalization, the growth of the world's manufacturing base, the location selection of multinational corporations, and the development of urbanization. Krugman believes, in the context of economic globalization, the trade of manufactured goods among developed countries is quite free, and each country will develop its own local industries, export products in those industries, and import the products that it lacks. Therefore, even if labor and capital cannot flow among countries, they can also reshape the globally integrated economy through product trade. Under the condition of increasing returns, the initial performance of economic globalization is the gradual accumulation of industries in developed countries and regions. However, as the industrial scale of these countries and regions expands and the costs of the elements and commodities increase, the tendency of importing production factors and commodities from other regions has also increased. Krugman pointed out that the so-called "East Asian miracle" is as unsustainable as the Soviet Union's economic growth in the 1950s and 1960s, because bubble economy can be easily formed when it is just relying on large investments without technical innovation and the improvement of efficiency. In the prosperous period of rapid development, profound crisis would be found lurking within; large-scale adjustment should be made sooner or later.

Looking at the development of space economics and the progress of economic geography, the focus of space economics is on globalization of production instead of globalization of consumption. In fact, if one carefully examines the space of global economic activities, it can be found that consumer activities are actually sort of capital-digesting. If there is indigestion, there will be a huge “obstruction phenomenon”. It cannot produce effective returns and hinders the improvement of income levels, the growth of consumption and even further leads to the economic crisis. In addition, consumption also means a huge flow of capital, and even plays a huge controlling role in investment. For example, China's Alibaba phenomenon, the development of e-commerce in China has succeeded in stimulating consumption, which in turn has stimulated a huge investment boom. Therefore, if the definition of the market is viewed from the demand side, it is entirely a different story.

Market is not just about trading. It is a collection of spatial economy. The spatial structure of the market will influence and determine the transaction to a greater extent today. The spatial structure

of the market refers to the trading system and rules formed and constructed by various organizational systems and relationships. A large number of organizations, which includes government, financial, industrial and social organizations, as well as various organizational relationships formed on the basis of this organizational system, determine and control all activities in the market space. Although consumption is a manifestation of hard demand, effective consumption is strongly influenced by the organizational system. In many cases, under the strong influence of the social organization system and organizational relations, even serious shortages can be tolerated within a certain period of time, such as Nazi Germany, historical China, and now North Korea.

The definition of the market determines its structure. In our current world, people cannot simply consider the market to be composed by just traders, upstream, downstream, and supply chains. If we look at the problems from the demand side, we will find that the true structure of the market space is made up by effective organizations and their relationships, which includes regional alliance, currency and capital relations, industrial organizations, technology ties, think tanks, media, trade unions and employee organizations, resource cooperation organizations, price alliances, political alliances, etc. They are the spokesmen for consumer interests and can take advantage of various relationships such as law and public opinions to determine the shape and changes of the market. In fact, after the oversupply of capital and the over-production of over-production and the reversal of the shortage economy, the real dictator and exterminator of the world market is all of this organization and its relationship.

Therefore, it is not the producers but the dominators in the world market who play a decisive role in conflict and the competition of world market. In our world, the status of the so-called “big bosses” has long been precarious, and only those “social services” organizations and systems that have not been noticed in the past are the ones that really shake the tide and variety the market.<sup>13</sup> They are the actual dominators of the world market and have strong possibilities to determine the future existence, development and transformation. In other words, although vested interests such as Apple are willing to globalize, they cannot control the future world either, and be simply categorized as “rich” and the wealthy class<sup>14</sup>, who will be the opponent of public opinion. They have been swamped by the ocean of consumer opinion and have lost their speaking rights. What really matters is the market dictator and the exterminator of the consumer groups,<sup>15</sup> that is, the various government and government-related organizations, legal systems, think tanks, media, and political figures.

From market, space and market structure, new definitions help us to watch on market from a

<sup>13</sup> Whether it is the government or various social organizations, they all claim to be social service providers in a sense.

<sup>14</sup> Occupy Wall Street movement clearly points to this group; most people identify as part of the 99%.

<sup>15</sup> The largest consumer group is ordinary people.

different perspective and understand the market's actual dominators, operators and decision-makers. We find spatial structure as the most importance, rather than market transaction and scale. As a matter of fact, in the real world, the big problem is the misunderstandings in cognition, which determines the misalignment with actions; these kinds of errors continue to date.

### Core of Market, Space

The market share is space.

The key of the disputes between China and the U.S., of the world trade war and of the real core issue lies in the dominating influence of the space on the world market. This is a world-level market war and a world-wide, major and historic "business war", which is a market war around the commercial interests of their respective countries. The core of this war is the space-commercial space. Around the commercial space of East and West, land rights, and maritime power,<sup>16</sup> China and the U.S. have both advanced and retreated, all of which are normal, though it is premature to determine who wins or loses. The reason is that U.S, China and the world may make major mistakes in this market war.

It should be pointed out that the battle of the market also has a powerful lethality, which, like "hot war", can lead to the collapse of a country. The economic foundation determines the superstructure, especially in the transitional society. In that society, the economic foundation is not yet stable, and the investment dependence is still tenacious, and the establishment of the entire social welfare system is by no means an easy task. Once the market space is blocked, huge investments become empty. The nature of the World War II is that the development of Nazi Germany needs new space, while the traditional Western camp is trying to compress the space of Nazi Germany, and finally the market war for space became gradually out of control, leading to the tragic "hot war".

Avoiding risks requires new space. In general, a big country with a large population, rich resources, and a stable economic growth will have a large market space and global influence. It has exceptions sometimes; developing countries with a large population can be very poor, but such countries also have huge consumer demand, which makes it a large potential market space, just like India and Brazil, the two rising stars of the world economy. Just like our definition of markets<sup>17</sup>, the market space is not measured by the national borders, and its influences of market structure and organizational system can expand to the entire world. As far as Switzerland is concerned, the

<sup>16</sup> There is a broad understanding and division of market space, and there is a direct relationship with history, reality, and strategy. The disruption and erosion of the traditional market space will lead to disputes and conflicts. The maritime rights market and the land rights market will also have different traditional dominators. It will also lead to conflicts and competition.

<sup>17</sup> The definition we give to the market is that the market is determined by the relationship between the organization and its organization. The government is only one of them.

mechanical watch market space of the whole world may be basically attributed to Switzerland. Therefore, the market space determined by consumption and demand can be a good measure and reflection of the real market space, and the economic growth behind this market space.

The core value of market space for economic growth mainly lies in the following points:

First, the size and influence of the market space determine the shape and balance of the world. Large markets can effectively support economic growth. The more advanced the economies are, the more economic growth depends on consumer demand and market space will be. Even developing countries such as China must transform from a productive society to a consumer society in a certain development stage. This transformation will lead to the economic growth depending on market space. Losing or being compressed the market space; China's economic growth will be precarious.

Second, the foundation of world leadership is the size of the market space, and space determines the future. The economic power represented by economic growth determines the strength and world status of a country. Economic growth needs market space. Therefore, the so-called world leadership depends on the market. World leadership without market space is false and unreliable. The disintegration of the former Soviet Union proved this, and its alliance system has caused the disintegration and collapse of the entire Soviet Union due to the collapse of the outer borders of Lithuania, Poland, and East Germany.

Third, the impact of globalization extends. Globalization has led to the recombination and distribution of world capital and wealth. The economic growth of a small number of developing countries, including China, has foreshadowed a certain new space in the world market. However, the progress of globalization in the world has not been easy. It could be said that there are many obstacles. Except a few globalization beneficiaries, such as the business community represented by transnational corporations and economists emphasizing economic efficiency, the forces of anti-globalization are now unprecedentedly strong and this trend is becoming increasingly apparent. All of that shows the market expansion caused by globalization is actually quite unstable.

Fourth, capital is limited by space. Capital investment and return are full of interest in emerging markets. As long as the risk is acceptable, the return of emerging markets or new market space will be much higher than that of traditional markets; the Wall Street's view on "BRICs" was based on this. The pursuit of capital for market space has never stopped, such as past China and current Vietnam, India, and even Bangladesh. The market space is always full of temptation to capital. The market attracts capital and capital supports market expansion.

Fifth, production is limited by space. The products need buyers to take over in order to reflect the

value. The products which nobody wants spell the bankruptcy of the producers. "Overproduction" means unsustainable production; production can only be sustained with the support of an effective market. Otherwise, it makes huge inventory and debt. Therefore, the expansion of production requires market space existing and expanding. China's economy was forced to undergo de-capacity in 2016, which is not the first time adopted by the country. In fact, China had adopted the similar measures in macroeconomic regulation to settle the "triangular debt" in the last century; these are all caused by the production ignoring the change of the market.

Sixth, spending depends on space. The growth of consumption is usually relatively stable and it is unlikely that there will be a sharp increase, especially for mass consumption. In order to promote the rapid growth of consumption, space must be expanded as soon as possible. The means used are usually urbanization. China is a typical example. Space rapidly expands within China when a large number of people enter the city. As the urbanization rate rises from 37% to 57%, China's consumer market has also rapidly shaped and expanded, strongly supporting China's economic growth. The problem is that the expansion of China's internal market is limited, so external market space is also crucial to China.

Seventh, the value of technology depends on space. There are many types of technologies, of which consumer technology has the most impact on the market, and consumer technology, to a large extent, has led to other technologies and investments and is therefore of great importance. The success of any kind of consumer technology depends on the market. Only consumer science and technology, which are welcomed by the market, can finally see the success and ultimately realize the value of technology. Therefore, the expansion of the consumption space has actually ensured the realization of the value of technology, especially of consumer science and technology. Many Chinese consumer technologies have low technical content, but they have great impact. The success of China's science and technology in a sense is actually its success in the market space.

Eighth, the dominance of the state depends on space. The status of a country in the world cannot be achieved solely by the political wisdom of the leader. The backing of the economy, especially the economic strength, is the key to supporting the status of the world. Therefore, the basis for the rise of the country has always been economic, not others. If there is chaos in the economy, the rise of the country will be impossible and the status in the world will inevitably be precarious.

Ninth, economic fluctuations depend on space. If the market space is large, the total economic output will be large as well. In particular, the expansion of market space can accommodate more capital, and the capital is favorable for stimulating economic growth, as China has done in the past period of time.

Tenth, avoiding risks and economic crisis requires space. Capital surplus leads to a large number of problems. Some of the negative effects of economics are described as "bubbles." However, the root reasons are still the problems caused by overcapacity. If there is more space, which is obviously conducive to digest capital, digest overproduction and inventory, it will help to avoid the financial crisis and economic crisis.

Therefore, the market is important, and the space is even more important. The expansion of the market means the expansion of space. The true meaning and the true value of the market lie in the space. Without space, it will lose everything in the past, which means the economic disaster and the beginning of social disaster. The real world has come a long way in recognizing this role of market and space. Since the 20th century, politicians in many countries all believed that hindering the country's progress and economic growth lied in exploitation and oppression, in colonial rule and political influence on the development of the country. Therefore, the national independence movement surged for quite a long period of time. Later, we also found out that even if the establishment of an independent state was useless, for if there is no economic growth, no wealth and no market, all would be ultimately in vain.

So now the world has re-entered a stage of development where everyone knows the importance of and the value of market space. Even when an ordinary small developing country needs open up its market open, it will face difficult in bargaining with other countries. The big powers found that when China joined the WTO, some small countries such as Mexico are even harder to negotiate with. We all know the importance of market space and everyone wants to maximize the exchange of benefits as much as possible, so as not to damage our own market space.

Krugman and other economists are paying attention to the "spatial location of economic activities", not just because of theoretical interest; this is also a theoretical feedback of world production and trade activities.

The globalization-driven expansion and reorganization of the market space appear to be impeded and the forces of anti-globalization are becoming increasingly powers. Beginning from around 2000, anti-globalization demonstrations were held all over the world, starting from Europe and rapidly spread to the entire world. On June 16, 2001, Gothenburg, Sweden opposed European integration and 80,000 people from all European countries opposed the European Union to further promote economic liberalization.<sup>18</sup> They also protested against the visit of U.S. President Bush and the Swedish police even opened fire on the masses. In the same year, on July 20 in Genoa, Italy, protests against the G8 even saw a record high of 150,000 to 300,000 people gathering. The

<sup>18</sup> Data from the Wikipedia website, <https://zh.wikipedia.org/wiki/%E5%8F%8D%E5%85%A8%E7%90%83%E5%8C%96%E8%BF%90%E5%8A%A8>

anti-globalization on the streets of Genoa was astonishing. The protest was suppressed by the police, and a young man was shot and killed on the spot. This is a very rare phenomenon in Europe. It was not accidental that such a wave of anti-globalization emerged in Europe. This situation is closely related to the shrinking of the space of the European countries after the fall of their rankings in the world market space.

While the market is important, the market space is even more so, and this is influenced by different entities competing for the market space. The process of globalization involves in important expansions and reorganizations of the market space. However, the heat of globalization is now abruptly declining. Some countries, after realizing the various "side effects" of globalization, began to regress and even started to actually attack the process of globalization, as what Present Trump administration has done.

### **Globalization and Global amalgamation**

Globalization has brought about the expansion and reorganization of the market space. It is generally believed that globalization is the process of international integration brought about by the exchange of worldviews, products, concepts and other cultural elements. Progress in infrastructure such as transport and telecommunications in all countries, including the telegraph and the rise of the Internet since then, has contributed to globalization and the cultural and economic interactions among different nations. Some scholars argue that globalization is a modern concept, while others believe that in the period of great geographical discovery, the process of globalization had already started. Some people even argue that globalization can be traced back to 2000 B.C.

In actuality, large-scale globalization in the modern sense began in the 19th century. At the turn of the century and the beginning of the 20th century, the economic and cultural connections throughout the world were getting closer and closer, which was the foundation of the emergence of globalization. Globalization as a concept of economics began in the 1970s. In 2000, the International Monetary Fund defined four basic aspects of globalization<sup>19</sup>: trade and international exchanges, the flow of capital and investment, population movements, and the spread of knowledge.

The problem is that with the development of globalization, along with the expansion of production and market space, new problems continue to emerge. For example, environmental challenges such as global warming, pollution of transboundary water and air resources, and overfishing have emerged. The process of globalization not only affects human interaction, economy and society as well as the natural environment, but these factors in turn have acted on globalization and have created quite a universal anti-globalization and resulted in the issues of the reversal of globalization.

<sup>19</sup> Data from Wikipedia ,<https://en.wikipedia.org/wiki/%E5%85%A8%E7%90%83%E5%8C%96>

Because of these problems, government policy makers, political party leaders, business leaders, academics, trade union leaders and even mass media all talk about the impact of globalization and how it can change the lives of people today. Many people, considering international trade and investment growth in the past two decades as globalization, believe that globalization has overthrown the borders of nations and integrated the global market. Some people have called globalization as a "global village". Whether globalization brings forth good or bad outcome is still a matter of opinion.

Aware of the extremely complex issue of globalization, the international academic community has now divided globalization into three major areas: economic globalization, political globalization and cultural globalization, and has since conducted disaggregated studies. However, it is also a matter of opinion if such researches can bring much fruition.

From a trend-evolving point of view on globalization, one can find a conclusion that globalization is only a beginning, that it does not stop at the generalization stage of being a mere phenomenon but that it should continue along the basic logic of movement. Therefore, theoretically there will be a trend and result of "global amalgamation".<sup>20</sup> Global amalgamation refers to the integration of countries under conditions of gradual consensus on politics, culture, morals, law and economy. Global amalgamation, based on consensus, is not based on religion and ideology.<sup>21</sup>

In the light of this definition, global amalgamation requires all governments to adopt the following goals as prospects and directions: 1. To weaken the ideology and allow the ideology to transit from faith to the law, so as to make the ideology losing the role and value of the space barrier and allow the social development with visible transparency and institutional rules. 2. To share the market, capital, and technology to achieve market expansion under the condition of equalization, to truly realize the mutual benefits and win-win solutions in all aspects and to overcome the globalized shortcomings of egoism. 3. To conduct a comprehensive and systematic dialogue on the relations between space organizations and the space organization, as to achieve the goal of world integration under the conditions of consensus. In other words, the improvement of the organizations of the world market and of the system can effectively ensure the smooth implementation of global amalgamation. In this regard, the future reform of WTO and the emergence of the TPP are in fact a logical and spontaneous matter.

How to effectively avoid the future war in the global market? How to avoid economic collapse and

<sup>20</sup> Non-market countries cannot participate in globalization, nor can they achieve global amalgamation because there is no market economy at all.

<sup>21</sup> This means that totalitarian governments also have the conditions to achieve global amalgamation. In fact, Singapore in the era of Lee Kuan Yew is an example.

trade tragedy?

The answer is actually very simple. The essence of the market war in the world is a kind of counter-globalization. It is the result of the development of conservatism in the world. In order to prevent the world from further losing control, confusion, severe conflicts, and "hot war", an effective strategic choice is to further accelerate the pace of globalization, continue the basic logic of globalization, and then move toward "global amalgamation" instead of slowing down or abandoning globalization and causing a sharp contraction in the world market space where there can be no winner..

From a conceptual point of view, "global amalgamation " seems to be only an utopian dream, but practically similar concepts have taken shape in industries, technologies, and some not-so-obvious corners of the world.

Global amalgamation is not something new in our age of Internet. PwC (PricewaterhouseCoopers) was involved in the Global Digital Prosperity Project <sup>22</sup>long ago and has proposed that the world will converge as more and more people in developing countries connecting to the Internet at cheaper prices. With the global access and interconnection of the Internet, the infiltration of content and the interactive influence across national borders, from education to finance and industry, interaction will be across national boundaries, beyond race and ideology. The world has stepped into a time of great amalgamation. Perhaps the industry and technology community as well as the infrastructure industry feel the most about the importance of converged systems, so solutions to converged systems are now the hottest area of Internet technology companies. The result of infrastructure interconnection has long been well known, and the result is the accelerated integration of the basic social level.

At the level of international organizations, the United Nations launched a "Global Compact" operation in July 2000 under the framework of corporate citizenship. It is both a policy platform and a practical framework. As a leading initiative endorsed by many CEOs, the United Nations has established, in the form of a "Global Compact," a set of universal principles in the areas of global business operations, strategy and human rights, labor standards, environment and anti-corruption, and has vigorously promoted concerted action among these accepted principles. In fact, UN Global Compact's action plan, because of its emphasis on consensus and its extensive coverage, is actually a preliminary version of "global amalgamation."

The question is what happens if global amalgamation cannot be achieved? Globalization leads to the expansion and reorganization of the market space, while counter-globalization leads to the

<sup>22</sup> PricewaterhouseCoopers, [https://www.strategyand.pwc.com/media/file/Connecting-the-world-media-report\\_EN.pdf](https://www.strategyand.pwc.com/media/file/Connecting-the-world-media-report_EN.pdf)

outbreak of a market war. If global amalgamation fails to be achieved, anti-globalization will inevitably be rampant in the world market, which means that the war in the market will eventually erupt. The outbreak of the war in the world market will smash all previous successes in globalization so that the world economy will stagnate and will even be forced to return to the past. Large amounts of capital will be used up and empty. All countries will only seek to protect themselves and shrink into a few small areas. It greatly reduces the existing space in the world market, the fluctuations in the world financial markets are unmanageable, and the shadow of the economic crisis will engulf the world. To avoid such terrible prospects of turmoil, it is necessary to promote global amalgamation as soon as possible and further on the basis of globalization so as to resolve the various negative issues left by globalization. This is a serious challenge to test the political wisdom of all countries.

### **Geopolitical Impact of Market War**

Market is space, and space will affect the geo-relationship.

In the future, if the "market war" erupts, what kind of impact will it have and what changes will the policies of various countries appear? The predictable outcome will be:

1. The world market will be fragmented due to the pressure of "market war" and the prevalence of the reversal of globalization. Large-scale global market space and the overall market space may be fragmented into a region or relatively independent market space. That is to say, since globalization cannot continue, globalization will retrograde in the direction of fragmentation and may gradually be replaced by regionalization. Brexit is an example of such outcome.
2. Small countries need to be attached to the large space market. It is only through forging cooperation and transferring some national interests; such countries will be able to obtain their own living space. Therefore, it is inevitable that small countries lose their right to speak. In most parts of the world, countries with some economic foundation will experience this, save those very few stubborn countries with political stability and not afraid of being poor, such as North Korea. Therefore, the value of the regional organization similar to TPP will still exist and its value as an alternative living space will be discovered, which will attract a number of small and big countries that are aware of the danger.
3. Participants in market space will transfer part of national interests. The most typical examples in this regard are the EU and Latin America, where the actual participating countries have surrendered monetary sovereignty because of the existence of the euro, while Latin American countries must rely heavily on the U.S. market because of the regional markets. Therefore, they are also willing to

give up certain national interests based on their survival and development needs. It is ironic that countries that once opposed globalization and world markets may therefore have to pay a higher price.

4. The pressure of the world's "market war" and the acceleration of counter globalization have caused the disintegration of the global market space. Therefore, the new economic space aggregation can only be small and unstable. There are different means of dividing the small, regional market space, including ideology, technical barriers, environmental barriers, commodity barriers, military deterrence, and political alliances. For their own security, all countries in the world have been forced to select teams in the face of pressure. In this case, the most difficult part is the countries that were relatively aggressive in terms of globalization. They are likely to be excluded, and they will feel a lot of crisis.

5. Equilibrium is more difficult and harder to achieve. Broken market spaces cut the original global industrial relations, capital relations and resource relations, forcing more countries to pursue "self-reliance" and consume domestic resources, which will make the balance more difficult to achieve. The economic crisis is bound to be implicit now, everywhere.

Generally speaking, the market is constrained by space, and all kinds of competition factors will be fully focused and reorganized on spatial issues. The size and strength of space determine the global advantages of a country. In today's world, cultural influence and soft power are actually not important and outdated. The key decision-making function is "the right to speak in the controlled site", especially the right to govern in the market space. This is the basis for survival and development. It determines the future friends or enemies and therefore determines everything in the future.

### **War and Peace**

The world market is like a "global house," which originally had a solid structure and space. Although some places are struggling, overall this "global house" tends to be stable and even develops well. The problem is that if the wave of conservatism in the world continues to promote anti-globalization and once the "market war" breaks out, the "global house" will collapse and there will inevitably be a major imbalance in the world market space. The key to the stability of the market is balance. If there is no equilibrium, war will occur. The war is a correction to the loss of balance and the world's market war will be the same.

The key to maintaining world peace and stability in the future lies in the continuous promotion of global amalgamation and allow globalization to move from a simple pursuit of economy and wealth

to a stable and healthy balanced social development and from pursuing mere efficiency and commercial competition to full integration and consensus throughout the world. Therefore, the direction of global amalgamation is objective, super-state and super-ideological. Although there are reasons to oppose global amalgamation, the world's "market war" caused by the reversal globalization may be all the same, and there will have no final winner. Therefore, the reality of global amalgamation is the most important development direction in the future of globalization, and it is an ultimately rational choice.

Competition steps to amalgamation. In this way, the world's future would be much brighter.