

CHANGES IN FOREIGN TRADE POLICIES: TRANSITION FROM FREE TRADE TO NEO-PROTECTIONISM

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INTRODUCTION

The current stage of international economic relations is characterized by growing competition between national economies, mainly in the sphere of international trade. In the aftermath of the Second World War, governments of the Western world have united their efforts in the military, political and economic struggle against the main competitor – the Soviet Union, and have succeeded in this thanks to mutual assistance in international trade. Now, and especially after the world crisis of 2008, the things have changed. Developed countries of the world that defended the ideas of free trade in the second half of the 20th century are now increasingly using a wide range of tools to protect their markets from foreign competition, especially in relation to new industrialized countries.

Against the backdrop of the staggering growth dynamics of China and other emerging industrialized nations, there is a widespread question in academia about the future role of advanced “western” economies in the world trading system. China is firmly ahead of the US in foreign trade in goods, though, according to the Global Trade Alert, it is also the country most suffering from protectionist measures implemented by other countries in the world. In this regard, the study of changes in the trade policies of developed countries, including in the context of the opposition of emerging democracies to the emerging economies of transition, is a pressing issue for modern international economic relations.

1. Theoretical and organizational principles of foreign trade regulation

The regulation of foreign trade is carried out at national, international and global levels. At the national level, it is the implementation of the foreign trade policy of the countries as a component of the foreign economic policy of the state. At the international level, regulation of trade is carried out through economic integration mechanisms. The most common is the creation of free trade and preferential trade zones, whereby their members, by providing mutual advantages in trade with each other in comparison with third countries, are defending their own economic interests. At the global level, trade regulation is

primarily carried out by the World Trade Organization (WTO) and, to a lesser extent, by UN Conference on Trade and Development (UNCTAD).

The mechanism of state regulation of foreign trade is a set of various forms, legal, economic, administrative methods and instruments that interact and complement each other and perform the functions of restraining and stimulating foreign trade. Legal methods are reflected in a system of legislative framework that regulates relations between entities, establishing an institutional structure, parts of which have certain rights, tasks and spheres of activity. Economic methods are manifested through the system of indirect influence on the decision-making by the subjects of foreign economic activity. Administrative methods supplement the above mentioned methods with the aim of promptly regulating foreign economic activity and resolving contradictions between its subjects.

State regulation of foreign economic activity is carried out using tariff (economic) and non-tariff (organizational and administrative) methods. With the help of tariff methods (duties and tariff quotas), a protective (protectionist) function is implemented (support of national producers and exporters), fiscal (receipt to the state budget from customs payments) and balancing (avoiding unwanted imports or exports). The effects of the application of customs tariff measures – duties and tariff quotas, depend primarily on the size of the state's economy. The imposition of a duty by a large economy (large means having such a share in global consumption of a good, that a reduction in imports may lead to a surplus of goods in the world market and, consequently, a decrease in its price), is likely to have a more positive impact on such an economy. The introduction of a duty by a small economy leads to a major drawback – a decline in the well-being of its citizens and inefficient use of resources because of the state support for inefficient production. In the medium term a deterioration of relations between partners and trade wars may occur.

Non-tariff (organizational and administrative) methods of regulating foreign economic activity are a restrictive and prohibitive measures impeding the penetration of foreign goods and services on the domestic market of the country. Non-tariff measures are considered as a hidden protectionism, having the character of administrative regulation of foreign economic activity. The purpose of non-tariff regulation of foreign economic activity is to protect the national economy, environment, improve public health, morality, religion and provide national security¹. However, the mentioned purposes are showing the official excuse, while the real objective of their implementation is to provide obstacles to foreign producers on their way to national market.

¹ Міжнародна економіка: підручник. Київ: Центр навчальної літератури, 2006. 224 с.

It is now believed that there are two opposite approaches to regulating foreign trade at the level of national economy (forms of foreign trade) – protectionism and free trade (liberalism). However, they are rarely used in pure form in modern times, so most countries use combinations of protective and liberalizing measures.

Protectionism as a state policy for influencing foreign trade, was the main tenet of mercantilism, the dominant doctrine in the European economic thought of 17-18 century. It is a doctrine in which the existing world is regarded in statics, and the wealth of nations as a fixed phenomenon at all times. Therefore, his adherents (T. Maine, A. Serra, A. Moncretien) believed that the growth of the welfare of one country is only possible by redistribution of existing wealth, that is, due to impoverishment of another country. Mercantilists associated wealth with precious metals (gold and silver) and believed that the country was richer if it had a large amount of precious metals. Accordingly, since the main source of gold inflow is exports, it is necessary to avoid in any way the excess of imports over exports, to prevent leakage. Generally speaking, protectionist policy is to support national exporters through import tariff and non-tariff instruments that discriminate against foreign producers.

The recognition of the fact that protectionism as the theoretical basis of policies is harmful for the global economy, came in the second half of the 20th century. However the elements of this doctrine are still used in modern times. According to A.V. Kelichavy, the use of protectionist methods usually has a short-term positive effect. Counter measures, which may be used by trading partner countries as a respond, may undermine export opportunities and may cause damage to the national economy that will exceed the benefits of protective measures. In the long run, a government policy of protectionism, in the belief of the scientist, will be effective in two cases: in the presence of effective competition in the internal market or in the case of temporary nature of protectionism. In support of the first thesis, the author cites the example of Japan, in which, such industries as automotive, steel industry, machine tool production, electrical industry due to the fierce competition in the domestic market have become the most competitive in the world market ².

Nowadays, the economic policy of democratic economies is based mainly on the principles of comparative advantage formulated by D. Ricardo, with the idea of free trade in the core. According to the supporters of free trade, international trade is mutually beneficial if it is based on the use of the relative advantages of countries. They believe that state intervention in the form of restrictions on imports and artificial support for exports is harmful for national

² Келічавий А.В. Політика протекціонізму як фактор підвищення конкурентоспроможності економіки. *Ефективна економіка*. 2007. № 6. URL: <http://www.economy.nayka.com.ua/?op=1&z=3133> (дата звернення: 5.10.2019)

and global economy. The main function of the state under free trade policy is to create an organizational and legal framework for the effective operation of market forces of supply and demand.

Table 1 analyzes the main advantages and threats of applying two approaches to regulating trade in states.

Table 1

Advantages and disadvantages of protectionism and free trade

	Protectionism	Free trade
1	2	3
Advantages	<p>Increase in revenues of the state budget</p> <p>Support of emerging sectors of the country's economy</p> <p>Increasing the employment rate</p> <p>Stimulation of domestic production</p> <p>Reduction of imports and trade deficit</p>	<p>Effective use of economic resources</p> <p>Deepening competition and reducing monopolism</p> <p>Improving the well-being of citizens</p> <p>Improving friendly relations between countries</p> <p>Activation of innovative development of economy, dissemination of achievements of scientific and technological progress</p>
Disadvantages	<p>Exacerbation of economic and political contradictions between countries</p> <p>Economic isolation from other countries</p> <p>Favorable conditions for the development of internal monopolies</p> <p>Decrease of welfare of citizens</p> <p>Trade wars, deterioration of relations with partners</p>	<p>Over-dependence of countries due to narrow specialization</p> <p>Loss of national production that is not able to compete with imported products</p> <p>Increasing social tension through job cuts in non-competitive industries</p> <p>Possible increase of trade deficit</p>

Table 1 (continued)

1	2	3
Disadvantages	Lag in scientific and technical development	
	Increasing the level of shadowing of the economy (illegal imports)	

Developed using data from ^{3, 4, 5}

The countries of the world are still using different arguments and justifications to support protectionism such as the need to promote the development of new industries (called “baby industries”), to support existing industries or to fulfill social functions of government (reduce unemployment), to promote domestic production, and to eliminate overproduction, to decrease the dependence on imports of scarce goods and to diversificate national economy. Free trade promotes resource efficiency due to specialization, brings national economies closer, and promotes overall consumer well-being.

The term “neo-protectionism” is commonly used to denote a new trend of modern policies aimed to protect national markets, a phenomenon that encompasses modern, more sophisticated measures that enable states to pursue national interests in international trade. States are particularly active in “hidden” protectionism, which involves the application of non-tariff, hidden measures to regulate export-import transactions (technical requirements and barriers, internal taxes and fees, financial support for exporters, etc.).

The above mentioned instruments of influence on international trade are essentially national instruments, since the decision on their introduction is made at the level of state authorities. However, if the economy of the country is open (and most economies are), and is actively integrating into the world economy, then such measures are implemented and canceled under the close supervision of international organizations, whose activities are aimed at ensuring fair conditions for participation in international trade and mutually beneficial partnership. Such organizations, in particular, include the World Trade Organization.

³ Козак Ю. Г. Міжнародна торгівля: навч. посібник. Київ: Центр учбової літератури, 2015. 272 с.

⁴ Келічавий А.В. Політика протекціонізму як фактор підвищення конкурентоспроможності економіки. *Ефективна економіка*. 2007. № 6. URL: <http://www.economy.nayka.com.ua/?op=1&z=3133> (дата звернення: 6.10.2019)

⁵ Баєва О.І. Теоретичні підходи до оцінки протекціонізму в міжнародній торгівельній практиці. *Економіка і суспільство*. 2018. Вип.16. С. 20-23. URL: http://economyandsociety.in.ua/journal/16_ukr/4.pdf (дата звернення: 6.10.2019)

World Trade Organization was founded on 1 January 1995 on the base of GATT (General Agreement on Trade and Tariffs). From 1948 to 1994 the GATT provided the rules for much of world trade and presided over periods that saw some of the highest growth rates in international commerce. It seemed well established but throughout those 47 years, it was a provisional agreement and organization. The WTO's creation on 1 January 1995 marked the biggest reform of international trade since the end of the Second World War. Whereas the GATT mainly dealt with trade in goods, the WTO and its agreements also cover trade in services and intellectual property. The birth of the WTO also created new procedures for the settlement of disputes⁶.

Today, the WTO is a powerful and influential international entity capable of fulfilling the functions of global economic regulation. WTO membership has become almost a prerequisite for any country seeking to integrate into the world economy. The organization is now a member of 164 countries, accounting for more than 98% of world trade.

The work of the WTO is based on the principle of bilateral negotiations between members in order to open their markets. WTO members, while formulating requirements for candidate countries for access to their markets, can defend the interests of their own businesses, thus protecting their own production and jobs. WTO membership attracts countries that agree to defend national interests in trade through mutually beneficial, yet controlled, cooperation.

However, some scholars increasingly question the role of the WTO in ensuring fair conditions for international trade. Yes, N.I. Patyka argues that it is not necessary to consider that the codes and conventions of this reputable organization are perfect and acceptable for all, without exception, countries, both developed and those who have just embarked on the path of market transformation, or overcoming deep social and economic crisis. On the one hand, a wide range of issues is being solved all the time with the help of the WTO, and on the other hand, new problems and contradictions are created in the relations between the countries⁷. Therefore, the issue of the realization of national interests in international trade should be considered comprehensively, taking into account the degree of influence of the most powerful economies in the world economy on the decisions of the supranational level and the ability of developing economies to assert their right to equality in international trade.

Interstate regulation takes an intermediate place between national and global levels of regulation. Recently, due to the lack of long-term progress in WTO trade dispute settlement, the rise of protectionist practices, some countries

⁶ History of the multilateral trading system. The World Trade Organization website. URL: https://www.wto.org/english/thewto_e/history_e/history_e.htm (Accessed 6 October 2019)

⁷ Патика Н.І. СОТ і розвиток економік країн-нових членів. *Економіка і держава*. 2012. № 4. С. 25-28 (дата звернення: 6.10.2019)

have returned to an effective mechanism for promoting their trade interests, namely bilateral and multilateral free trade agreements. There was a sharp increase in regional trade agreements in the early 2000s, when it became clear that the Doha Round would not have the expected results. According to the WTO, more than 300 such agreements are in force today, although in 2003 there were half that number⁸. However, according to V.K. Matveyenko, the formation of different types of regional economic groups should not be regarded as a force that counteracts globalization. A certain amount of protectionism, which took place in the process of their formation, is inevitable. It allows developing the local economy at first, helps to increase the price competitiveness of products in both the domestic and foreign markets, and leads to active engagement in the world economic relations as both exporter and importer of goods and services⁹. Thanks to mutual liberalization within the integration, competition is intensified and efficiency and innovativeness of the enterprises belonging to it is increasing. Due to the mutual opening of markets within the group, the losses from the introduction of an external tariff are compensated. The competitiveness of products on the world market, beyond the grouping, is increasing.

2. Practice of application of protective measures in foreign trade

Today, most states have a flexible foreign trade policy that combines elements of protectionism and free trade; this is a prospect for the proper functioning of the state's foreign trade policy at the present stage. However, each country's choice of its own foreign trade policy model is determined mainly by the degree of competitiveness of its national economy and the state of its trade balance (export-import ratio)¹⁰.

Today, as noted by O.I. Bayeva, the policies of free trade and protectionism are connected. Developed countries not only increase the role of free trade, but also actively use harmful measures to protect and enhance the competitiveness of the national economy. All countries are using both tariff or non-tariff instruments in international trade practice. The countries began to protect their domestic market from external interference again¹¹.

⁸ Regional trade agreements. URL: https://www.wto.org/english/tratop_e/region_e/region_e.htm (Accessed 7 October 2019).

⁹ Матвейенко В. К. Економічна глобалізація та регіональна інтеграція – дві форми інтернаціоналізації світового господарства. *Вісник соціально-економічних досліджень*. 2013. Вип. 4. С. 282-287. URL: http://nbuv.gov.ua/UJRN/Vsed_2013_4_45 (дата звернення: 7.10.2019).

¹⁰ Бондарчук Л.В., Гусак К.Ю. Шляхи удосконалення зовнішньоторговельної політики України. *Науковий вісник УжНУ. Серія «Міжнародні економічні відносини та світове господарство»*. 2018. Вип. 19. Ч. 1. С. 31-34 (дата звернення: 7.10.2019)

¹¹ Баєва О.І. Теоретичні підходи до оцінки протекціонізму в міжнародній торгівельній практиці. *Економіка і суспільство*. 2018. Вип. 16. С. 20-23. URL: http://economyandsociety.in.ua/journal/16_ukr/4.pdf (дата звернення: 6.10.2019)

Most experts in world economy and international trade relations, representatives of international economic institutions and informal economic groups agree that protectionism in the global economy is most detrimental to the state that is implementing such measures. The widespread use of protective measures is slowing global development and may be a step back in the path towards a free economy. However, all countries of the world today are more or less applying measures aimed at supporting domestic and discriminating against foreign manufacturers, preventing competitive products from entering the domestic markets. Such measures are common practice for countries with underdeveloped economies, mainly through the creation of free and preferential trade zones, and the introduction of discriminatory, mostly customs, measures against third countries.

Countries with high levels of economic development largely build their trade policies on a free trade basis and in accordance with the principles of the World Trade Organization. However, according to official statistics, in the period of exacerbation of global economic and political contradictions, this group of countries intensifies the application of customs tariff and non-tariff protection measures. In this context, the change in the US political leadership and the decision of Britain to leave the EU are obviously important events in recent years that can substantially change the foreign trade strategies of developed economies and largely offset the more than 50 years of world trade liberalization achieved in the course of multilateral negotiations.

Political ideas of economic nationalism, both based on support of domestic producers and emphasizing the harmfulness of globalization, are gaining popularity in both Europe and the USA. Taking into account the slow recovery of the global economy from the global crisis, and the study of historical experience that shows the rise of protectionist stagnation in times of economic crisis, it can be assumed that the increased use of protective measures in foreign trade policies of developed countries, including the United States and most countries of the EU, is quite real.

Some economists are now predicting the end of an era of globalization, arguing that new protectionism is obvious and states are taking steps to privilege domestic industries. For example, the provision of open or hidden subsidies, export duties, and measures designed to prevent highly skilled foreign labor from entering the domestic labor market. Since the global financial crisis, almost every country in the world has been implementing measures aimed at protecting their domestic companies and complicating work for foreign businesses¹².

¹² 2016-ий – Ренесанс протекціонізму. URL: <http://www.dw.com/uk/2016-ий-ренесанс-протекціонізму/a-36924555> (дата звернення: 7.10.2019)

The increasing influence of the World Trade Organization on the processes of reducing the use of customs tariff instruments in foreign trade has significantly affected the average level of customs protection of most countries. The main mechanism for the implementation of the task of reducing customs protection was to link a tariff position, which is a country's commitment not to apply tariffs or other duties and fees at rates that exceed those duties and fees that were set during the negotiations. Such customs are called bonded customs duties.

According to the World Bank, the weighted average customs tariff has decreased from 35% in 1995 to 2.5% in 2017. Duty rates have been reduced in almost all economies, in advanced economies to the most extent. The top 20 countries with the highest rates of duties does not include developed economies. Average tariff in developed countries is 4-5%, remaining rather high for some developing countries. According to the WTO, this figure is about 5.2% for the EU (the average “weighted” tariff rate for the most favored nations), 3.4% for the US, 4% for Canada and 4.2% for Japan, 4.5% for Ukraine¹³. For comparison, the same indicator of tariff protection of the national market of Zimbabwe is 17.5%, Sudan – 21.5%, North Korea – 13.7%, Argentina – 13.6%, India and Pakistan – 13.4%. Thus, the active reduction of the level of customs protection of economies – mainly developed and transitional ones – was the main trend of the last 25-30 years. Two countries in the top 10 in Human Development Index ranking – Singapore and Hong Kong – are territories completely free of import duties¹⁴.

The downside of reducing customs protection was the intensification of non-tariff protectionism. Such instruments, which by their characteristics of influence on export-import flows belong to financial, quantitative, hidden, are applied by the countries of the world for regulation of foreign trade depending on strategic tasks of economic security of the state, needs of the internal market, tasks of transformation of structure of national economy and even geopolitical priorities.

According to Global Trade Alert research, the number of safeguards has steadily increased during 2009-2018. Figure 1 shows the dynamics of the application of foreign trade regulation measures across countries, including liberalizing and harmful measures. Countries' engagement in protectionist instruments has increased during the global crisis and has not stopped yet. Obviously, the financial crisis is a turning point in the modern regulation of international trade. The justified and seemingly temporary application of measures to support national producers under the global crisis has given impetus to the resurgence of protectionism.

¹³ Tariff rate, applied, weighted mean, all products (%). URL: <https://data.worldbank.org/indicator/tm.tax.mrch.wm.ar.zs> (Accessed 8 October 2019).

¹⁴ Developed Countries List 2019. URL: <http://worldpopulationreview.com/countries/developed-countries/> (Accessed 8 October 2019).

As it can be seen from the figure 1, the number of restrictive measures is almost 4 times higher than the number of liberalization ones. The overall reduction in liberalizing measures could be explained by the achievement of a certain maximum of the measures achieved (such as the European Union, which has introduced a significant number of promotion measures in the Eastern Partnership countries over the last few years). However, the simultaneous increase in protectionist measures (900 new measures in 2018, which is 3 times more than in the “crisis year” of 2009), indicates a reversal of threatening trends.

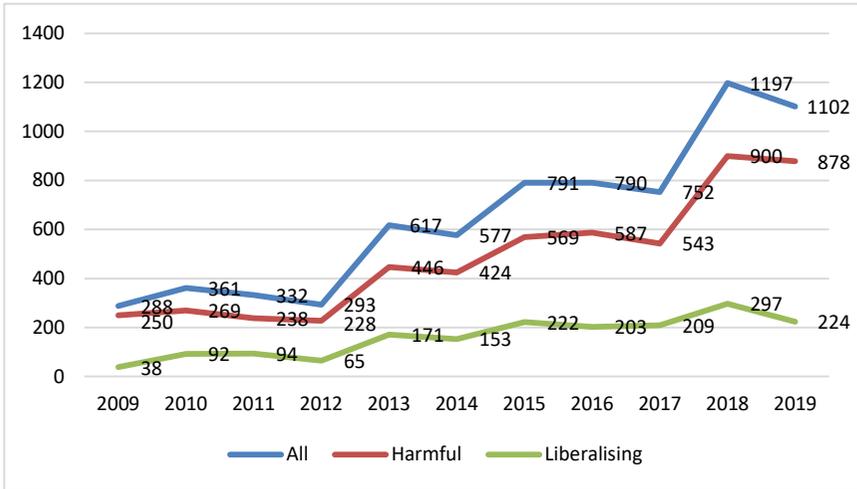


Figure 1. Total number of imposed trade interventions, 2009 – June-October 2019, by number (2009-2019)¹⁵

Experts are already comparing the current period of state intervention in international trade with the events of the 1930s and 1980s, when there was a similar leap in the application of protectionist measures. The similarity of the motives in the application of such measures, according to scientists, justifies the use of the term “protectionism” in the modern international trade.

The top-5 countries according to the number of imposed harmful interventions since 2008 are the USA (751 new measures), India (526), Russia (386), Germany (376), the United Kingdom (321). The European Union is the absolute leader in the application of harmful measures. According to the same

¹⁵ Total number of implemented interventions since November 2008. Global trade alert. URL: https://www.globaltradealert.org/global_dynamics/day-to_1016/flow_all (Accessed 8 October 2019).

organization, the world's leading economies are focusing their efforts primarily on protecting industries that specialize in metal, chemical, transportation, equipment and agricultural products. The figure 2 shows the activity of the countries of the world in the application of measures to protect national markets from foreign competitors (harmful interventions).

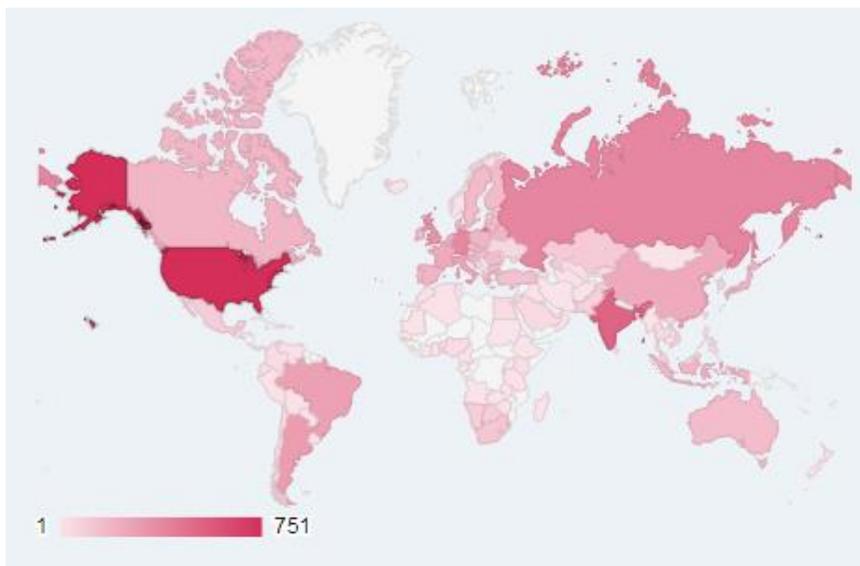


Figure 2. Harmful interventions implemented in foreign trade policy, by country contribution to interventions (2008 - October 2019)¹⁶

Countries, which are the most affected by harmful interventions, include China (2419 measures were implemented against China by other countries of the world since 2008), Germany (1678), Italy (1551), France (1467), United States of America (1450) – Figure 3.

According to analysis of harmful interventions, imposed in 2018, 61% of world goods exports competed against a foreign firm whose government makes available some type of financial inducement to export. Over 34% of world goods exports in 2018 faced other (non-export related) trade distortions when competing in third markets, suggesting that the cumulative scale of other trade distortions is significant. A fifth of world goods exports (20.9%) competed in

¹⁶ Total number of implemented interventions since November 2008. Global trade alert. URL: https://www.globaltradealert.org/global_dynamics/day-to_1016/flow_all (Accessed 8 October 2019).

foreign markets against a local firm that has been bailed out or received another form of (non-export related) financial largesse from the state¹⁷.

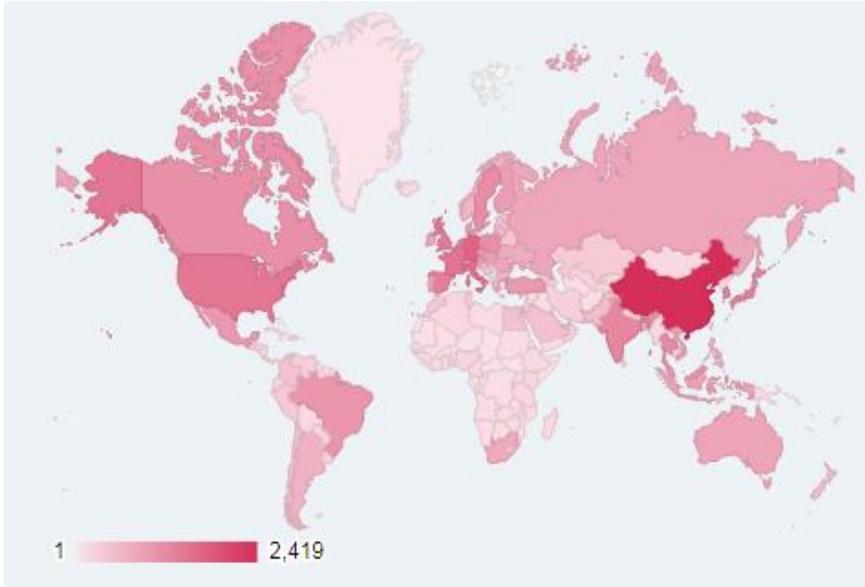


Figure 3. Countries, affected by trade interventions, by number of harmful interventions (2009 – October 2019)¹⁸

In the practice of foreign trade regulation, such protective measures as anti-dumping and countervailing duties, as well as technical measures (non-tariff) – sanitary and phyto-sanitary standards, industry standards and product quality requirements, are frequently used too.

The introduction of measures, such as anti-dumping and countervailing duties is a legitimate procedure, foreseen by WTO, that gives a chance for the states to respond to the use of direct government subsidies used by foreign partners, or react to other types of financial assistance. Requirements for the content of local components is the most “popular” measure in the foreign trade policy of underdeveloped countries.

¹⁷ Protectionism, state discrimination, and international business since the onset of the Global Financial Crisis. URL: <https://www.globaltradealert.org/reports/46> (Accessed 8 October 2019).

¹⁸ Total number of implemented interventions since November 2008. Global trade alert. URL: https://www.globaltradealert.org/global_dynamics/day-to_1016/flow_all (Accessed 8 October 2019).

Developed countries, thanks to their high level of specialization in finished products, quality standards, are able to use tools related to technical barriers. Their peculiarity is that the World Trade Organization does not prohibit such measures, since they do not directly target imports but place requirements for the standardization and certification of products entering the domestic markets. However, there is a practice of bilateral agreements between developed countries on mutual recognition of such requirements, which facilitates trade between countries with high levels of economic development, and “eliminates” the possibility of penetration into their markets of goods from the third (mostly underdeveloped) countries.

The EU technical regulation system is considered to be the most effective and successful example of removing technical barriers to trade (certainly this relates to trade among the EU countries). The European technical model is based on the principles of the New and Global approaches, first formulated in 1985 and 1989. In accordance with these principles, the essential requirements for product safety and quality are laid down in EU technical regulations and are binding, while harmonized EU standards are voluntary. At the same time, conformity of products to one of the harmonized EU standards (developed within the framework of technical regulations) is considered as a general satisfaction of the basic requirements stipulated by a technical regulation. Compliance with the requirements of the technical regulations is monitored through market surveillance rather than control of the production process.

The assessment of the industries and products covered by the harmful interventions, characterizes the overall interest in the trade of the countries, which are introducing such safeguards. Products of iron or steel, other fabricated metal products, motor vehicles, trailers & semi-trailers; basic organic chemicals, cereals are the top products that are the most protected by the countries. Sectors which are most often covered by liberalizing interventions include: instruments & control equipment, except optical instruments, other special-purpose machinery & parts, other general-purpose machinery & parts, machinery for mining, quarrying & construction; other electrical equipment & parts.

Table 2 provides a list of the most “protected” and most “opened” industries (commodity groups) of the world’s leading economies (which can be classified as “large” in terms of impact on the global commodity environment). The protected sectors are those for which the country uses the most protective measures (harmful interventions). Accordingly, the sectors for which the country uses the most import-enhancing regulatory instruments have been identified as the most opened, or liberalized.

Table 2

**The most protected and liberalized sectors
of the top-10 economies of the world¹⁹**

Country contribution to interventions	The most “protected” sectors	The most “liberalized” sectors
1	2	3
USA	Basic iron & steel, Products of iron or steel; Electrical energy; Other fabricated metal products; Motor vehicles, trailers & semi-trailers; parts	Wearing apparel, except fur apparel; Made-up textile articles; Domestic appliances parts
China	Basic organic chemicals Basic inorganic chemicals Basic iron & steel Metal wastes or scraps On-line content	Basic inorganic chemicals n.e.c. Other general-purpose machinery & parts Other special-purpose machinery & parts Basic organic chemicals Petroleum oils & oils of bituminous materials, other than crude
Japan	Motor vehicles, trailers & semi- trailers; parts Engines & turbines & parts Ships Motor vehicle bodies; trailers & parts thereof Petroleum oils & oils of bituminous materials, other than crude	Basic organic chemicals Prepared & preserved fish, crustaceans, mollusks Carpets & other textile floor coverings Forage; natural rubber; living plants; raw vegetable materials Made-up textile articles
Germany	Aircraft & spacecraft; parts Fruits & nuts Prepared & preserved fruits & nuts Vegetables Basic organic chemicals	Prepared & preserved fruits & nuts Fruits & nuts Vegetables Basic organic chemicals Meat & meat products
United Kingdom	Fruits & nuts Prepared & preserved fruits & nuts Vegetables Basic organic chemicals Products of iron or steel	Fruits & nuts Prepared & preserved fruits & nuts Vegetables Basic organic chemicals Meat & meat products

¹⁹ Countries. Global Trade alert. URL: <https://www.globaltradealert.org/countries>
(Accessed 8 October 2019).

Table 2 (continued)

1	2	3
India	Basic organic chemicals Products of iron or steel Basic inorganic chemicals n.e.c. Wearing apparel, except fur apparel Other fabricated metal products	Vegetables Cereals Grain mill products Vegetable oils Forage; natural rubber; living plants; raw vegetable materials
France	Fruits & nuts Prepared & preserved fruits & nuts Vegetables Basic organic chemicals Chemical products n.e.c.	Fruits & nuts Prepared & preserved fruits & nuts Vegetables Basic organic chemicals Cereals
Italy	Fruits & nuts Prepared & preserved fruits & nuts Vegetables Basic organic chemicals Chemical products n.e.c.	Prepared & preserved fruits & nuts Fruits & nuts Vegetables Basic organic chemicals Cereals
Brazil	Basic organic chemicals Machinery for mining, quarrying & construction; parts Other fabricated metal products Motor vehicles, trailers & semi-trailers; parts Electric motors, generators & transformers; parts	Instruments & control equipment, except optical instruments Other special-purpose machinery & parts Other electrical equipment & parts Computing machinery & parts Other general-purpose machinery & parts
Canada	Products of iron or steel Crude petroleum & natural gas Aircraft & spacecraft; parts Motor vehicles, trailers & semi-trailers; parts Petroleum gases & other gaseous hydrocarbons, except natural gas	Textiles n.e.c. Other plastics products Basic organic chemicals Other fabricated metal products Other rubber products

A closer look at these sectors shows that virtually all of the analyzed countries are introducing protective measures against imports of iron, steel and related products, chemicals, vegetables and fruits. India is actively introducing textile import safeguards, which is leading commodity export specialization of the country. Japan has been protecting the domestic market from imports of

machinery and automotive products for a long period. The US and China are actively protecting the domestic market from imports of metal products (US-China Iron War has been going on for a long time and is gaining momentum). The only country that practically does not impede food imports is Canada. While in France and Italy, the food industry is one of the most protected.

Of course, the number of measures taken by states is not an absolute indicator of a country's activity in applying protectionist measures. First, the number of implementations may also depend on the number of existing and potential partners. Secondly, in our opinion, the size of the domestic market also plays a role (it is not entirely correct to compare the number of measures introduced by China and Italy, when the number of consumers differs by more than 20 times).

In this regard, it is appropriate to apply a relative indicator to characterize the ratio of protective and liberalizing measures applied by a country over a period of time (calculated by dividing the number of protective measures by the number of liberalizations). If the value is less than 1, the state is more inclined to use measures of free trade policy, and more than 1 – the country is more actively using the tools of protectionism. However it should be mentioned, that the quantity of measures does not give the vision of the value of exports and imports influenced by it.

The calculation of the ratio for these countries in 2018 (using the data of the Global Trade Alert) showed the following results:

- Canada – 38.0;
- Japan – 26.0;
- Germany – 7.8;
- US – 6.73;
- Italy – 3.6;
- France – 3.5;
- India – 3.4;
- United Kingdom – 2.7;
- China – 1.7;
- Brazil – 1.1.

So, without the exception, the number of harmful interventions exceeded the number of liberalizing ones for all countries in the analyzed group of leading economies. The gap of the intensity of the indicator is more than 30 times (from 38.0 for Canada to 1.1 for Brazil). The ratio has the highest value for developed market economies, and is quite low for the new industrialized countries (China, India, Brazil).

Thus, in modern times the application of tariff and non-tariff measures of protectionism is a common characteristic of the foreign trade policy. The prevalence of such instruments in the foreign trade policies of states is

increasing in the face of instability of the global economy, internal political changes and geopolitical contradictions.

CONCLUSIONS

The state's foreign trade policy is the primary level of implementation of the state's interests in the sphere of international trade. This policy as a system of instruments and mechanisms for influencing exports and imports, implements not only the task of achieving a positive balance of trade, balancing the structure of exports and imports. It is also aimed at reaching the leading positions in world markets, and often becomes a way of political influence. The application of rigid universal trade restrictions as a method of “punishing” countries that violate international law, and on the contrary, provision of mutual assistance in the form of customs clearance, cancellation of duties, or mutual recognition of product quality requirements is a decisive step in establishing relations between states.

The World Trade Organization played an important role in reducing the level of tariff protection of economies, which has helped to reduce the average level of tariff protection in the world from 35% in 1995 to 2.5% in 2017. At the same time, the application of so-called hidden protectionism, by which the domestic market is protected from foreign competition by other, non-tariff measures, has been intensified since 2018. According to the analysis of the dynamics and scope of such measures, most countries are using them to a more or less extent. Also, the introduction of measures to promote openness of markets for foreign suppliers is slowing down, especially in developed economies. New industrialized countries that are included in the top ten economies in the world (China, India, Brazil), are using restrictive measures sparingly and practically do not use them for food, which, by contrast, is quite common practice in the US and European countries.

SUMMARY

The paper is dedicated to the study of transition in the global trade policies from the view of increasing role of protective measures implemented by virtually all countries of the world. The factors, arguments and consequences of free-trade and protectionism are analyzed. Special attention is granted to neo-protectionism as a modern type of trade policy used by many countries of the world. The author studies the dynamics of the use of liberalizing and protective measures (tariff and non-tariff) in global economy since the global crisis of 2008. Based on the data provided by the Global Trade Alert database the conclusion is made about the countries with the most and the least “protective” trade policies, countries who are suffering from implemented protectionist measures and the most protected sectors of global trade. The EU technical

regulation system is considered as effective and successful example of removing technical barriers to trade.

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