MODERN TRENDS OF NEO-PROTECTIONISM AND ECONOMIC RELATIONS
Г. О. Швиданенко,
к. е. н., професор, професор кафедри економіки підприємств,
Київський національний економічний університет імені Вадима Гетьмана

О. А. Швиданенко,
д. е. н., професор, професор кафедри міжнародна економіка,
Київський національний економічний університет імені Вадима Гетьмана

Т. Г. Бусарєва
д. е. н., доцент, професор кафедри світової економіки,
Державний торговельно-економічний університет

О. С. Пonomаренко,
аспірант кафедри міжнародна економіка,
Київський національний економічний університет імені Вадима Гетьмана

СУЧАСНІ ТЕНДЕНЦІЇ НЕОПРОТЕКЦІОНАЛІЗМА В ТОРГІВЕЛЬНО-ЕКОНОМІЧНИХ ВІДНОСИНАХ

The article summarizes the experience of European countries regarding the implementation of neoprotectionism. The problems of forming a modern model of economic development are considered. The description of the content of protectionism as a model of state regulation of the economy is given. The experience of applying neo protectionism in developed and developing countries is considered. It has been proven that the choice of a protectionist model of economic growth in countries with a developing economy is currently most influenced by trends in the development of the world economy. These trends prevent developing countries from relying on commodity models of economic growth. Modern neo-protectionism can be considered as a certain paradigm of economic development. The main feature of modern neo-protectionism and its difference from classical protectionism is not so much in the application of measures to protect the domestic producer as in the protection of the market, the state of which is assessed by the consumer. Neo-protectionism in today's conditions continues to be significant, as the national economy will develop faster and more
efficiently adapt to the global economy with the reasonable use of tools to protect national interests.

Neo protectionism is a complex hierarchical set of principles, rules and tools of protective, stimulating, discriminatory and of a restrictive nature, which is implemented at the mega, meta, macro and meso levels international economic policy. The goal of neo protectionism as the principle of implementation of international economic policy at the mega level is creation institutional conditions for the promotion of relevant ideological or political decisions with an emphasis on expected results through the implementation of regulatory policies based on the principles of "better regulation" and "smart regulation" in the interests of countries that preside over international economic organizations. By the degree to which countries are increasingly trying to achieve the highest rates of economic growth on the basis of innovations, to attract innovative enterprises in the field of the future, to increase and expand their scale, an increasing number of them resort to the policy of innovative neo-mercantilism, which is implemented at the expense of competitor countries and to the detriment of global innovation process.

У статті узагальнено досвід європейських країн щодо імплементації неопротекціонізму. Розглядаються проблеми формування сучасної моделі економічного розвитку. Дано характеристику змісту протекціонізму як моделі державного регулювання економіки. Розглядається досвід застосування неопротекціонізму у розвинених країнах та країнах, що розвиваються. Доведено, що на вибір протекціоністської моделі економічного зростання в країнах з економікою, що розвивається, в даний час найбільший вплив надають тенденції розвитку світової економіки. Ці тенденції не дозволяють країнам, що розвиваються, спиратися на сировинні моделі економічного зростання. Сучасний неопротекціонізм можна розглядати як певну парадигму економічного розвитку. Головна особливість сучасного неопротекціонізму та його відмінність від класичного неопротекціонізму полягає не так у застосуванні заходів захисту вітчизняного виробника, як у захисті ринку, стан якого оцінює споживач. Неопротекціонізм у сучасних умовах продовжує залишатися
значенням, оскільки національна економіка розвиватиметься швидше та ефективніше адаптуватися до глобальної при розумному використанні інструментів захисту національних інтересів.

Неопротекціонізм – це складний ієрархічний набір принципів, правил та інструментів захисного, стимулюючого, дискримінаційного та обмежувального характеру, який реалізується на мега, мета, макро та мезорівнях міжнародної економічної політики. Метою неопротекціонізму як принципу реалізації міжнародної економічної політики на мегарівні є створення інституційних умов для просування відповідних ідеологічних чи політичних рішень з акцентом на очікувані результати через реалізацію регуляторної політики, заснованої на принципах «кращого» регулювання та «розумного регулювання» в інтересах країн, які головують у міжнародних економічних організаціях. У міру того, як країни все більше намагаються досягти найвищих темпів економічного зростання на основі інновацій, залучити інноваційні підприємства у сферу майбутнього, збільшити їх масштаби, все більше їх вдається до політики інноваційного неомеркантилізму, який реалізується за рахунок країн-конкурентів і на шкоду глобальному інноваційному процесу.

**Keywords:** protectionism, neoprotectionism, international economic policy, regulatory competition, new comparative advantages.

**Ключові слова:** протекціонізм, неопротекціонізм, міжнародна економічна політика, регуляторна конкуренція, нові порівняльні переваги.

**Introduction.** The goal of neoprotectionism as a principle of implementation of international economic policy at the macro level creation of new comparative advantages of the country by stimulating it productive capacity and ensuring the competitiveness of its producers on domestic and foreign markets.

**Statement of the problem.** A prerequisite for the emergence of new concepts in economic theory is the emergence of such issues of economic development, public institutions and state regulation of socio-economic processes that are not have met before and require new solutions. In a series of many one of the first Economic theories
researchers rightly call the theory of mercantilism. This theory is based on the principles of active participation of authorities in the regulation of economic processes, active promotion of national interests, including by supporting domestic producers and their protection from foreign competitors. In the general theory of economics, this approach to organizing government regulation is called “neo protectionism.”

**Formulation of the goals of the article.** The goal of the article is to determine the modern features of the neo protectionism and to figure out the ways how it is interpreted in modern scientific discourse. To determine the role and the place of neo protectionism in the economy of the developed countries and Ukraine.

**Analysis of recent research and publications.** Despite the multiplicity of approaches to the analysis of protectionist manifestations in the system of international economic relations, represented by the studies of such scientists as T. Apolta, R. Baldvina, Ch.-P. Bone, A. Brunet, M. Bussiere, M. Vermelinger, T. Viladek, K. Watson, E. Gamberoni, J.-P. Guichard, J. Graba, F. Graham, U. Dadusha, G. George, J. Georgiadis, S. Drousoy, A. Evans-Pitcharda, S.-J. Evenetta, J. Entina, J. Ethier, I. Constantinescu, V. Cordena, F. Legrand, G. Lynch, E. Pérez-Barreiro, J. Rickardza, D. Rodrique, 33 A. Rose, A. Sykes, J Sally, L. Simon, P. Sinclair, J. Studwell, R. Strobe, D. Taglioni, J. Felbermayr, T. Franks and others, one should recognize the approximation of the conclusions of each of them, because the border between protectionism as an attack on the idea of free market and protectionism as a tool for realizing the needs of economic security of the state is extremely shaky and illusory. Protectionism in the process of economic globalization turned from a focus on trade policy, which is based on the introduction of tariff restrictions, and later on non-tariff protection tools (the researches of which were carried out by O. Dovhal, T. Gordeeva, O. Grebelnyk, A. Kelichaviy, T. Melnyk, A. Mazaraki, T. Orekhova), into a complex complex mechanism of economic policy aimed at increasing the competitiveness of the national economy (which is confirmed by the studies of O. Bulatova, A. Zadoya, O. Ivashchenko, L. Kisterskyi, D. Lukyanenko, A. Mokia, B. Shnyrkova).

**Methods of the article.** The methodological basis of the article is the methods and forms of scientific knowledge adopted in national science, such as system approaches, comparative and synthesis methods, methods of abstract logical evaluation, methods
of detailing, groupings and generalizations, experts’ evaluations. Dynamics series, logic analysis, paired and multiple correlation techniques were applied, and the Google Trends search engine was used.

**Results.** Thus, innovative neo-protectionism although it stimulates technological races between countries, however, it still increases the cost of innovation. However, it should be recognized that the total increase of initially own (which pays as an internal consumer of the final products, as well as intermediate in the domestic market) and global costs for innovation ultimately prefers the who resort to protectionist spending by procuring primacy in implemented innovations [1].

The field of information and communication technologies is characterized by high profits, an innovative spirit and is one of the important elements of economic development. Two ways of development of the IT sphere are distinguished:
1) preferential taxation of companies in the field of R&D, liberalization of the internal market;
2) establishment of unfair protectionist barriers in order to level the competitive advantages of foreign companies; this policy covers the following measures, such as, in particular, the establishment of tariff/non-tariff barriers, theft of foreign IT products.

Companies that choose the dishonest path are willing have free access to developed markets (such as USA) to sell their goods/services at high prices, as well as to attract direct foreign investment through offshoring, joint ventures, R&D.

Reflections in this direction can be scaled and analyzed at the state level. The country has several paths economic growth:
1) change the qualitative indicators of the economy, invest in new industries, etc. (innovative approach to development of the economy/areas of the economy in compliance with the principles competition policy);
2) use the policy of neo-mercantilism and grow due to the weakness of counterparties [2].

The second way is simpler from the point of view of implementation and makes it possible to achieve results faster. Same the situation is happening in the field of IT (neo-mercantilistic an approach to the development of the economy/economic sphere with abuse of the principles of competition policy).
However, it is clear that modern globalization processes dictate the conditions under which it is impossible to ignore global economic ties and develop a completely closed economy and abandon the advantages of the international division of labor. It is also clear that the rejection of state protectionism in the form of protection of one's own economy is identical to financial and economic losses from following only the liberal paradigm of economic management. Therefore, when transforming the economy, it is very important to analyze both the danger and the actually possible positive consequences of the measures taken. The dilemma requires, as already noted, the development and maintenance of a balance between openness and the need for state support and protection of the internal market on the basis of scientifically based protectionism, the basis of which should be, on the one hand, the readiness of traditional budget-organizing industries for competition and, on the other, on the one hand, the formation of a national reform policy aimed at encouraging domestic producers to work in the conditions of an open economy.

It is very important to keep in mind that countries with former planned economies start reforms and establish external interaction, being in unfavorable and unequal conditions, which are characterized by the diversion of resources and insufficient potential for transition to a qualitatively different level of competition. In this situation, it is important to focus on defining areas that will facilitate access to the latest technologies, improve the quality of products, which in turn will increase their competitiveness, and attract investments. That is, it is about the need to proceed primarily from one's own interests, which should organically fit into the mode of interaction with the world economy [3].

It is important to take into account Schumpeter's concept of creative destruction, in the direction of which technical progress, foreign investments will play their due role in the modernization and introduction of new technologies, the rejection of inefficient and uncompetitive industries and the creation of new ones, capable not only of replacing the old ones, but also of increasing profits at the expense of modern goods and services. In this sense, protectionism appears as a mercantile form of a liberalized economy, because, on the one hand, using foreign experience and making use of investments, thereby, on the other hand, the domestic economy receives prerequisites
for entering world markets with specific competitive advantages, which turn into an additional a resource for further modernization [4].

It is necessary to understand a seemingly paradoxical thing: speaking about the strategic goal - finding and occupying a proper place in the globalized and liberalized economic relations of the world economy - it is protectionism, especially in the first stages of reform, that must play a decisive role in creating an economically healthy and competitive system of organizing the domestic economy. The system should create prerequisites for sustainable economic development of the country, capable of competition and self-reproduction. In order to achieve such goals, there is a need to develop the rules and norms of such an organization of the economy on the basis of state protectionism, under which the activities of domestic producers and foreign economic "players" will objectively reproduce the national gross product [6].

The above-mentioned conclusions are based on the practice of reforming the economy, which previously worked on the principles of state management and planned activities. That is, the symbiosis of liberal and protectionist measures with the initial practical advantage of the latter is an indispensable condition for achieving strategic goals in the following stages within the functioning of the domestic economy on the basis of the former, when, first of all, domestic business has acquired the necessary experience and responsibility for protecting the economic interests of society [5].

After all, the economic model of today's successful countries was formed on such foundations. The difference is that at the current stage, not all countries that have embarked on the path of reform have the appropriate political conditions to oppose the global interests of TNCs and other participants in global economic relations. In addition, reforming the economy in the mentioned countries is a very important, but not the only, need, after fulfilling which the states become members of the planetary economic club. It is also about the fact that changes in the economic system are directly proportionally related to fundamental changes in the socio-political organization of states, which require the creation of new structures and institutions. This is the first thing. Secondly, from the point of view of theoretical reform, as a component of globalization transformations, they foresee liberalization and macroeconomic stabilization, restructuring of existing economic opportunities [7].
If we proceed from the practical results of the reform, it is clear that in the conditions of liberalization and macroeconomic stabilization (increasing openness of economies), domestic and foreign producers operate within the limits of market challenges, and therefore freely choose spheres of activity, which does not completely coincide with theoretical ideas about the possibilities of participation in international division of labor. Under circumstances when capital flows are liberalized and the economies of countries that have resorted to reform are actually already a part of the globalized world, a disproportion arises between the capabilities of TNCs and foreign investors and the ability of countries, and in fact their inability, to independently form capital for investment abroad due to its lack even for own needs [9].

The method of realizing an economic breakthrough depends on the historical context and a whole set of initial data that cannot be duplicated elsewhere. The introduction of the concept of "neo-protectionism" into the terminology will allow us to synthesize the meanings of protectionism and liberalism, which boil down to the urgent need to meet the urgent needs of society (these or other of its subjects) in the person of the state. These are needs such as survival, security, and sustainable development[8].

The very status of these needs, the nature of necessity, importance, awareness of the rank of "statehood" gives reason to see the national interests of the country as the genetic basis of protectionism and liberalism. The private interests of various subjects, identified, realized and brought to the rank of national interests, create a dichotomous unity of protectionism and liberalism, which gives them social significance.

China is the undisputed leader in the size of the foreign trade balance surplus. And, despite the trend of reducing the positive balance from 2016 to 2022, it increased again to +515 billion dollars in 2021. In second place was Germany with an indicator of +217 billion dollars. It should be noted that since 2020 the surplus of its trade balance is steadily decreasing. Russia, the Republic of Korea and Japan had an active trade balance in the analyzed period. If we analyze the situation on the world market of services, such as financial, transport, tourist, computer and others, reflected in the items of the balance of services, we see the opposite picture[10].
During the analyzed period, in all countries with a trade surplus, the balance of services was negative, with the exception of Germany in 2020, in which it left +4 billion dollars. At the same time, in countries with passive trade balances, such as the USA, Great Britain, India, Turkey, the balance of services was +245; +170; +87 and +12 billion dollars, respectively. Therefore, in these countries, the volume of export of certain types of services exceeds the volume of import, which indicates the development of the non-productive sphere and a significant degree of involvement in international trade in services.

The main growth was achieved in the part of the trade balance due to the increase in the volume of exports and the simultaneous slowdown in the growth rate of the volume of imports. Merchandise exports increased in value terms due to the increase in fuel prices. Imports of goods decreased due to low demand and the devaluation of the Russian ruble. The positive balance of the current account made it possible to neutralize the negative impact of increased capital outflow.

In the USA, the current account during the analyzed period was reduced to a deficit, which grew to 616 billion dollars by 2022. Therefore, the leading position of the USA in the world market of services and the surplus of the balance of services do not level the losses caused by the deficit of the trade balance. A negative current account balance was also observed in Great Britain and Turkey.

According to the indicator of the current account surplus, China again leads, which for the first time in 2022 overtook Germany, reaching a positive current account balance of +274 billion dollars. They were followed by Japan, the Republic of Korea and India, which for the first time in a ten-year period in 2020 the current account became surplus. The above data describe a paradoxical situation in the modern world economy from the point of view of mercantilism. During half a century, the US had a deficit trade balance, but this not only did not lead to an economic collapse, but even did not prevent it from occupying the position of world leader.

The reasons why the views of mercantilists look wrong are, undoubtedly, connected with the exceptional position of the USA in the world economy, predetermined by the Bretton Woods agreements. The dominance of the dollar in the world financial system allowed to stimulate the development of the American economy and other "core" countries due to the
expansion of the capacity of domestic markets and changes in the scale of consumer demand through credit issuance. And unlike the rest of the world, in the "core" countries, such a mechanism was not accompanied by inflation in consumer markets, but only led to the depreciation of financial assets. Be that as it may, the global economic crisis of 2008-2009 showed that the mechanism of expanding market capacity by means of credit issuance in developed countries has exhausted itself [11].

Probably, the European Union has become the most fiercely protective of its market in the context of the pandemic. The reasons for the protectionist "itch" in the EU are clear - while European steel companies reduced steel production and stopped blast furnaces during the spring quarantine, steel mills in other countries did not stop their work. As a result, according to the forecast of the World Bank, the decrease in the GDP of the Eurozone in 2020 will be approximately 7.4%. Whereas, for example, the US economy shrunk by only 3.5% last year. According to the estimates of the European Association of Steel Producers (EUROFER), the visible consumption of steel in the EU in 2022 will decrease by 13% to 134 million tons [12].

In such conditions, professional associations and a number of EU countries began to insist on the extension of import quotas for steel, which expire on June 30, and on tightening the protection of the European market. In April of last year, EUROFER called on the European Commission to reduce the volume of import quotas for steel in the EU by 75% for a period of six months and the size of import duties on steel imposed on imports exceeding the established quotas. The association proposed to reduce the share of countries in the import of steel to the EU according to the global quota (now it is 30%), prohibit the transfer of unused quota to the next period, but at the same time reduce the import duty on steel from 25% to 22%.

The European Commission will conduct a re-investigation of the current quota system limiting the import of metal products. Quotas can be extended or replaced by other measures, such as duties.

The WTO says that the EU can extend quotas for no more than an hour. For a longer term, very strong evidence of damage to European metallurgy is needed. The fact is that if the measure is in effect for more than three years, it allows other countries -
members of the WTO to demand compensation for the loss of access to the EU market, and if it is impossible to agree on compensation - to apply countermeasures.

As for Ukraine, it is becoming increasingly vulnerable to protectionist measures taken by our trading partners. According to the Ministry of Economy, 36 protective measures (anti-dumping, compensatory and special duties and quotas) are currently in effect against domestic producers, and all of them concern ferrous metals and their products. New ones are constantly added to them.

By and large, Ukraine does not have a firm position, arguments and political will to pursue its own aggressive policy of protectionism. This can be seen at least from the history of the bill on localization, which (with a negligible impact on the business of European companies) causes a negative reaction from European officials. The answers of the representatives of the Ukrainian government showed that no one would oppose the "respected people".

The Ukrainian market remains quite open even now, and the Ukrainian ego protection system works very poorly. In addition, our country is not efficient enough in resolving trade disputes. Of course, Ukraine will win if the major world players decide to at least "bury" the ax of the trade war. It is desirable that the relaxations were rather on the EU market close to us than on the distant American one. In general, Andrey Tarasenko singles out the following necessary measures to protect the domestic market and counteract protectionism:

1. Trade diplomacy;
2. Bilateral trade agreements (FTA);
3. The state's active position in anti-dumping and legal proceedings;
4. Attracting international market professionals to protect export interests.

An example can be the position of Ukraine in negotiations with other countries, for example, in the long-standing dialogue on the Free Trade Agreement with Turkey. National economic interests of the 21st century model, passed through the crucibles global challenges and modified taking into account the determined on at the supranational level of the rules of cooperation, are formed as a reaction to endogenous
produced economic conditions and cannot but be oriented to maximization of joint gain and minimization of joint loss, which makes them fundamentally different from the economic interests of the 20th century sample, which made it possible professing the strategy of "destroy your neighbor". Yes, a reduction in aggregate demand under the influence of the 2008–2010 recession prompted national governments to find ways expanding the potential of domestic markets, and all countries were united by the goal of recovery growth rates of the world economy in general and trade in particular.

On the other hand, the common threat of climate change has united the global community around the issue frugal resource use and energy saving and determined the change priorities from extensive to intensive type of management within the scope of implementation strategies of sustainable and sometimes inclusive development.

Achievement goals economic development and the reduction of its asymmetries in comparison with the developed ones countries by asserting economic sovereignty (for countries that developing) or the struggle for preservation (for developed countries) or spread of economic influence (for developing countries) are becoming dominant transformation of classical protectionism into neoprotectionism, which synthesizes in itself both the forms of traditional protectionist protection and the latest ones forms.

This makes it impossible to use for the analysis of modern international economic and integration policy as the term "new protectionism" - because for the content of the latter should fundamentally differ from the "traditional" one - and so of the term "protectionism" due to the inconsistency of its categorical apparatus reproduce the logic of its modifications.

The introduction of neo-protectionist instruments jeopardizes the ability of innovators to obtain profits, which can then be reinvested in the following the generation of costly and risky innovations, neo-protectionism, undermines the entire process of the life cycle of innovations in innovative industries. That is why access to large markets, unrestricted competition and strong IP protection are crucial for innovative industries to thrive.
Therefore, when the support of innovative projects in the country coexists with contempt for intellectual property rights, we have to witness the destructive potential of neo-protectionism.

Due to the fact that most innovative industries are characterized by relatively high fixed costs initial DR and design work, and relatively low marginal costs of additional production, innovative industries need access to large, global markets, which enables them to better cover high fixed costs, namely to reduce specific costs and increase revenues for reinvestment in innovation.

Since the introduction of neo-protectionist instruments puts under a threat to the ability of innovators to obtain profits, which may then be reinvested in the next generation of cost and risk innovations, neoprotectionism, therefore, undermines the entire process of the life cycle of innovations innovative industries.

That is why access to large markets is unlimited competition and strong IP protection are critical to prosperity innovative industries. So in the case when the support of innovative projects in the country co-exists with the contempt of intellectual property rights, we have witness the destructive potential of neoprotectionism. Since the majority of innovative industries is characterized by relatively high constants costs for initial D&D and project work and relatively low marginal costs of additional production, innovative industries need access to large, global markets, which better allows them to cover high constants costs - so as to reduce specific costs and increase income for reinvestment in innovation.

**Discussion and conclusion.** Results Formed in the first decades of the XXI century. Structural disproportions of the world economy are manifested due to changes in economic, including foreign trade policy, associated with an increase in the number of overt and covert protectionist instruments used, and above all by the "core" countries. Under such circumstances, the Russian economy becomes even more vulnerable to external threats.

Preservation of an export-oriented economic model with the state performing the role of "night watchman" will lead to further economic and technological degradation
of Russia. It is obvious that overcoming technological backwardness is impossible without an appropriate production base.

But the scientific, technical and technological development of modern Russia largely depends on the import of industrial equipment and technologies, and there are no conditions for the development of industrial production using domestic means of production. The desire to overcome technological backwardness necessitates a radical change in the state's economic policy, including foreign trade, which can be characterized as neo-protectionism. It presupposes the application of a variety of overt and covert measures to protect national production and markets, and becomes an integral tool for ensuring economic security.

To conclude, it is necessary to mention that neo-protectionism is a condition of technological development that has lost its original content in the process of globalization, the policy of neo-protectionism, in contrast to classical protectionism, presupposes preferences in relation to those enterprises that are aimed not only at economic, but also at social efficiency.

**Literature**


4. Бригадир В. О., Сохацька О. М. Соціально-економічна стратифікація країн Європейського Союзу: регіональний аспект // Регіональні перетворення у


11. Довгаль О. А. Регіональні торговельні угоди як чинник подальшої лібералізації міжнародної торгівлі // БІЗНЕСІНФОРМ. № 5. 2019. С. 79–79

References


Стаття надійшла до редакції 22.02.2024 р.