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## LIBERALIZATION AND PROTECTIONISM: AN ANALYSIS OF EXPERIENCE APPLICATION IN DIFFERENT COUNTRIES OF THE WORLD

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**Introduction.** The growing number of participants in international trade and economic relations, their dynamization and complexity have necessitated the creation a system of international trade regulation. Foreign trade policy is an integral part of foreign economic policy. Implementing foreign economic and foreign trade policies, public authorities use an extensive system of tools. Historically, there are various forms of state protection of national interests in the struggle on world markets, which determine the trade policy of countries. According to the economic nature, goals and impact on the structure and dynamics of foreign trade, they are divided into two major groups: protectionist and liberal, or free trade. And here there is a difficult question of finding a balance between free trade and protectionism in order to find an economic compromise for the further development of the country's economy, integration of the state into the world economic space and at the same time protection of national economic interests.

Protectionism and liberalization are two alternative directions of the state's trade policy. In modern world practice, neither protectionist nor liberal trade policies are found in their purest form. Any country uses elements of both options of trade policy, combining them depending on its economic objectives at this stage, the situation in the world economy and national economy.

**Analysis of recent research sources and publications.** Many scholars devoted their works to research features of foreign economic and trade policies in different countries, as well as positive and negative effects of protectionist and liberal instruments, among them: I. Dumulen [2], S. Kim [4], R. Zoellick [5], R. Wade [6], A.-E. Bethany [7], E. Babin [9], T. Isachenko, [9] et al. devoted themselves to studying the peculiarities of foreign economic policy formation and the peculiarities of its regulation by international organizations, in particular the WTO. I. Dumulen [5], E. Babin [5], T. Isachenko [5] studied the elements of the mechanisms of protectionism and liberalization in the framework of the WTO, as well as analyzed their use in different countries. S. Kim drew attention to the historical genesis of the transformation of the GATT into the WTO [4]. R. Zoellick [5] and R. Wade [6] devoted their research to the processes of the influence of protectionism and liberalization on the economy of developing countries. The issue of the application of protectionist mechanisms in bilateral trade between the United States and China during the Trump

presidency and after it, there is analyzed in the work by A.-E. Bethany [7]. But, given the dynamism of the world economy, approaches to the formation of foreign trade policy of individual countries are constantly changing, which requires further analysis.

**The purpose** of the article is to analyze the peculiarities of liberalization and protectionism application in different countries in the world and to prove the expediency of their combination in the implementation of the country's foreign trade policy.

**Results.** In today's global economy, most countries seek to achieve maximum openness of their markets to foreign capital. Ukraine is no exception. If we assess the levels of trade barriers in most countries of the world, we can see the gradual movement of national trade regimes from strict protectionism to free trade and open economies. But as the experience of many countries shows, full liberalization is not always appropriate and does not contribute to the country's economic growth.

Protectionism dominated in the trade policy of most countries until the middle of the last century. This was largely due to the two World wars and the Great Depression, which led to increased tariff protection of national markets and the widespread use of quantitative restrictions on imports.

In the second half of the last century, the situation changed dramatically. In the world economy we observe the trend towards the liberalization of goods and services trade and the openness of national markets and this trend continues to strengthen.

The first impetus for this process came after the signing of the General Agreement on Tariffs and Trade (GATT) in 1947, which laid down the principles and rules governing international trade in goods [1]. The parties of the agreement were 23 countries that advocated an open and liberal trade policy, which was based on the most-favored-nation and national treatments.

During the second half of the twentieth century, trade in goods at the international level was significantly liberalized. In all rounds of negotiations within the GATT, ie from 1947 to 1994, the leading role was played by the United States [2]. But after the creation of the World Trade Organization (WTO) and especially the start of the Doha Round of trade talks in 2001, the situation began to change.

It should be noted that Ukraine is a very attractive country for foreign investors. Potentially capacious domestic market, rich reserves of natural resources, fertile lands, skilled and cheap labor, significant scientific and technical staff – all this can play a positive role in attracting foreign investment in Ukraine. Of course, it is necessary to conduct an effective and consistent investment policy and implement the necessary measures aimed at improving the investment climate, as well as to identify the most important goals and objectives of economic development, which are solved on the basis of attracting foreign investment. But world experience shows that developed countries, which are now seen as supporters of the liberalization of world markets, at certain periods of their development operated under conditions of strict protectionism. And some of them still practice tough measures to protect their own production in certain sectors of the economy.

A retrospective analysis shows that the countries of reference for liberals – the United States, Britain, and later – Japan, Germany, Finland, South Korea, Taiwan and other successful countries – did not use the policy of free trade and free investment until they passed a certain limit of economic development.

For example, in European countries after the 1950s, when they faced the flow of American and then Japanese investment, many mechanisms were used to ensure that national interests were not violated [2]. Formal mechanisms included currency controls and restrictions on foreign investment in key sectors of the economy. At the informal level, mechanisms such as preferences for state-owned enterprises and others were used to control foreign investment. In addition, many private agreements have been made in the UK since the 1970s to displace Japanese and other Asian companies operating in the automotive and consumer electronics industries. Another piece of evidence in favor of protectionism is the results of a referendum held in the United Kingdom in 2016, when the majority of the country's population voted to leave the European Union [3]. Prior to the referendum, the British population was informed that this was a so-called "hard exit", including, in addition to restricting migration flows, exit from the customs union and the single market.

Effective protectionist measures are now used in European countries and Japan in the form of various technological and environmental standards and restrictions. In particular, the preservation of left-hand traffic in Japan and the United Kingdom, the low standard of electricity in the United States, a special system of measures in the United Kingdom and the United States, and so on.

If we turn to history, in the United States since independence and almost until the middle of the twentieth century (when the country became a major world economic power), there were a number of federal and local regulations restricting the use of foreign capital. For example, since the first days of independence, many state governments have blocked or banned foreign investment in land, the banking sector, energy, and

the media [2]. As for foreign investment in the mining industry, the government's attitude towards them has never been unequivocally positive. Thus, federal laws of the last third of the nineteenth century granted mining rights only to US citizens and companies.

The US study, conducted more than two decades ago, confirmed that the vast majority of economists are in favor of trade liberalization, but only about 50% of the American community agreed that further trade liberalization agreements "will benefit the economy" [4].

Another paper analyzed public opinion polls, which was conducted over the past few decades, and concluded that people were constantly questioning the benefits of free trade [5]. The 2000 survey deserves special attention. That year, the US economy had record low unemployment and record high economic growth, but 48% of US residents still believed that trade "had a negative impact on the economy" and only 34% of respondents said that trade "goes to benefit the economy".

Public skepticism about the benefits of international trade has been reflected in trade policy. The history of the use of trade policy instruments in the twentieth century shows that people who made political decisions constantly ignored the arguments of economists in favor of free trade when political interests conflicted with economic ones. The period between the two World wars has shown how quickly politicians can close borders to trade when the domestic political situation calls for protectionist measures. At present, after more than seventy years of negotiations on easing trade restrictions, governments around the world continue to impose tariffs, quotas, "voluntary export restrictions", anti-dumping measures, health and safety regulations, artificially complicate customs procedures, and apply many other trade barriers.

Political leaders are constantly violating the terms of free trade agreements, which they themselves have facilitated. Suffice it to mention the introduction by US President George W. Bush the new tariffs on imported steel and Canadian lumber in 2002 [5]. It came just months after a ceremony in support of the resumption of Doha's multilateral trade talks and a campaign for immediate talks by all Western Hemisphere leaders to establish a free trade area in North and South America.

But even in the face of a sharp increase in China's role and after the global financial and economic crisis of 2008, the trend towards international trade liberalization persists, despite protectionist measures. This is reflected in the conclusion of new preferential trade agreements, free trade agreements and deeper stages of regional integration, as well as mega-regional trade agreements, including with the participation of the United States – Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP), and Service Trade Agreements (TiSA) [6].

However, one of the first presidential decrees signed by Trump after coming to power was a document on the withdrawal of the United States from the TPP. Later, the President of the United States directly stated via his Twitter account that trade wars were justified and that it was easy to win them [7].

In 2018, the United States significantly increased tariffs on aluminum and steel imports from virtually all WTO members, as a result of which a number of US partners initiated lawsuits within the framework of this international economic organization. During 2018 and in early 2019, negotiations were repeatedly held between the United States and China on a trade "truce" and the need to conclude a "good deal" [7]. Nevertheless, the possibility of waging "trade wars" between the United States and other WTO members is not ruled out.

It is advisable to pay attention to Japan's foreign trade policy, which in the shortest possible time has become a leading country in the world economy. Meanwhile, in Japan, the government from the beginning quite tightly controlled all foreign capital investment in the economy [2]. At the same time, Japanese companies spent significant amounts of money purchasing foreign patents and licenses to upgrade and develop their own production and export base. To date, foreign direct investment in Japan has been relatively small, and demands from foreign countries (particularly the United States) to remove formal and informal restrictions on their company's activities in Japan's domestic market have been ineffective.

Considering the example of Finland, we can note that even before the Second World War, this country was one of the poorest in Europe. Today it is one of the richest. Finland's significant economic growth is based on its regime of tight restrictions on foreign investment. To begin with, a law has been in force in Finland since 1851, obliging any non-Finnish citizen to obtain permission from the king (Finland was a Grand Duchy as a personal union) to own land [2]. A law was also passed that required foreigners to have a license to develop mining lands, forbidding them to engage in banking, construction of railways. After Finland gained independence from Russia, all these restrictions on foreign investment remained for a long time, and sometimes even intensified. And serious liberalization of foreign capital in the country began only in 1993 in connection with the country's preparations for EU accession.

For some time, much has been said about the economic miracle – as a result of the full liberalization of foreign trade and freedom for foreign investment – in the Republic of Korea [2]. However, it should not be forgotten that "free" foreign investment was rigidly directed by formal and informal methods to achieve goals that met national interests: increasing employment, improving the balance of payments, restricting imports and increasing exports of finished products, increasing production efficiency, inflows of new technologies and on this basis – a radical renewal of the structure of industry. Measures were also taken to counteract the influence of transnational corporations on restricting competition in the domestic market. As a result, after a period of rather tight state regulation, South Korea's economy became highly competitive even on the world market, which allowed it to join the ranks of supporters of maximum liberalization in world trade.

Of particular note are the so-called regional trade agreements, the number of which has been growing rapidly in recent decades. This is due, first of all, to the significant differences between the leading countries during the Doha Round and the loss of confidence in the negotiators' ability to reach a consensus on the content of the agreements to be adopted as a result. A distinctive feature of these agreements – their liberalizing nature, when two or more countries give each other mutual preferences. Free trade agreements (approximately 58% of all agreements) and economic integration treaties (31%) predominate among the notified and entered into force agreements, customs unions (7%) and agreements with partial coverage of the product range or economic sectors account for a much smaller share (4%) [2].

The rapid development of the network of regional trade agreements has naturally led to the strengthening of their role in international trade. Exports of countries participating in regional trade agreements to partner markets under these agreements are growing faster than world exports as a whole [8]. Given this growth in preferential trade, the most important principle of the WTO – the most-favored-nation treatment (the principle of equal treatment of all trading partners) – is increasingly losing its relevance as a means of ensuring non-discrimination. At the same time, the regional trade agreements themselves act as a tool that restricts competition in the markets of the parties to the agreements for producers from those countries that are not included in the agreement. And there is every reason to believe that the most important principle of international trade is beginning to be replaced by the opposite – the least favored nation regime for countries that are not members of a regional trade agreement. Procedures for approving regional trade agreements in WTO bodies do not preclude discrimination against third countries: when considering the establishment of customs unions or free trade areas, the main focus is on ensuring that customs duties are not higher than those that existed before the establishment of these agreements. Thus, it can be stated that the global interests embodied in the multilateral agreements of the WTO in the modern world are pushed into the background by national and regional interests.

Trade and political regimes of regional groups can be described as a system of collective protectionism, which is a kind of "hybrid" of protectionism and free trade [9]. On the one hand, this is true, but on the other – do not forget that the main vector in the development of regional trade agreements is the formation of more favorable conditions for trade than provided by international legal discipline, supported by the multilateral trading system.

**Conclusions.** The modern realities show that many participants in international trade cannot do without the use of protectionist tools. The rules for using these instruments are determined by dozens of agreements included in the WTO legal package. It turns out that the WTO, seeking to achieve trade liberalization, is forced to act simultaneously as a guardian of protectionism, albeit moderate in comparison with the protectionism of the last century.

Among the most common goals of protectionist policy in most countries in the world is the protection of strategic sectors of the national economy, such as agriculture, food and defense industries, information and communication technologies. As the security of these industries is particularly vulnerable to protection, protectionist measures can be used as a temporary means to support innovative industries until they reach an appropriate level of competitiveness. As a rule, states try to pursue a balanced foreign trade policy, using flexible methods of protectionism, preserving elements of free trade in order to create a favorable climate in economic relations with other countries.

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**Безрукова Наталія Валеріївна**, кандидат економічних наук, доцент. **Свічкарь Віталій Анатолійович**, кандидат економічних наук, доцент. Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Лібералізація та протекціонізм: аналіз досвіду застосування у різних країнах світу**. Проаналізовано використання елементів лібералізації та протекціонізму в різних країнах світу і на різних етапах їх розвитку. Протекціонізм та лібералізація – два альтернативних напрями торгової політики держави. У сучасній світовій практиці ні протекціоністська, ні ліберальна торгова політика у чистому вигляді не зустрічаються. Будь-яка країна використовує елементи обох варіантів торгової політики, комбінуючи їх залежно від поставлених нею господарських завдань на певному етапі, ситуації у світовій економіці й національному господарстві. Метою статті є аналіз особливостей застосування лібералізації та протекціонізму в різних країнах світу й доведення доцільності їх поєднання при реалізації зовнішньоторговельної політики країни. Аналіз досвіду багатьох країн світу свідчить про те, що не завжди повна лібералізація є доцільною та сприяє економічному зростанню країни. У торговельній політиці більшості країн світу до середини минулого століття домінував протекціонізм. Але у другій половині минулого сторіччя ситуація кардинально змінилася. У світовій економіці виникла й продовжує зміцнюватися тенденція в напрямі лібералізації обміну товарами і послугами та відкритості національних ринків. Досліджено особливості використання інструментів протекціонізму й лібералізації у провідних країнах світу. Ретроспективний аналіз показує, що еталонні для лібералів країни – США, Великобританія, а на більш пізньому етапі – Японія, Німеччина, Фінляндія, Південна Корея, Тайвань та інші успішні держави – не використовували політику вільної торгівлі й вільних інвестицій до тих пір, поки не перейшли визначену межу економічного розвитку. Особливу увагу приділено так званім регіональним торговельним угодам, кількість яких в останні десятиріччя зростає швидкими темпами. Наголошено, що торговельно-політичні режими регіональних угруповань можна кваліфікувати як систему колективного протекціонізму, який є свого роду «гібридом» протекціонізму та вільної торгівлі. Отже, сучасні реалії свідчать, що без використання інструментів протекціоністського захисту багато учасників міжнародної торгівлі обійтися не можуть. Правила застосування цих інструментів обумовлюються десятками угод, що входять до правового пакета СОТ. Як правило, держави намагаються провадити збалансовану зовнішньоторговельну політику, використовуючи гнучкі методи протекціонізму, зберігаючи елементи вільної торгівлі з метою створення сприятливого клімату в економічних відносинах з іншими країнами.

**Ключові слова:** лібералізація, протекціонізм, міжнародна торгівля, торговельні бар'єри, вільна торгівля.

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**Bezrukova N.V.**, PhD (Economics), Associate Professor. **Svichkar V.A.**, PhD (Economics), Associate Professor. National University «Yuri Kondratyuk Poltava Polytechnic». **Liberalization and Protectionism: an Analysis of Experience Application in Different Countries of the World.** The authors analyze the use of liberalization and protectionism elements in different countries of the world and at different stages of their development. Protectionism and liberalization are two alternative directions of the state's trade policy. In today's world practice, neither protectionist nor liberal trade policy is used in its purest form. Each country uses elements of both trade policy options, combining them according to its economic goals at this stage, the situation in the world and national economies. The purpose of the article is to analyze the peculiarities of liberalization and protectionism application in different countries of the world and to prove the feasibility of combining them in the implementation of the country's foreign trade policy. An analysis of the experience of many countries in the world shows that complete liberalization is not always appropriate and does not always contribute to the country's economic growth. In the middle of the last century, protectionism dominated in trade policy in most countries of the world. But the situation changed dramatically in the second half of the last century. The tendency towards liberalization of goods and services exchange and openness of national markets has emerged and continues to strengthen in the world economy.

The authors investigate the features of using the tools of protectionism and liberalization in the leading countries of the world. A retrospective analysis shows that countries which are the benchmarks for the liberals now – the US, the UK, and at a later stage – Japan, Germany, Finland, South Korea, Taiwan and other successful states – have not used free trade and free investment policies until they crossed defined boundary of economic development. Particular attention is paid to the so-called regional trade agreements, the number of which has been growing rapidly in recent decades. The authors emphasize that the trade-political regimes of regional groups can be classified as a system of collective protectionism, which is a kind of "hybrid" of protectionism and free trade. Thus, current realities show that without the use of protectionist tools, many participants in international trade cannot do. The rules governing the use of these instruments are subject to dozens of agreements that are part of the WTO legal package. As a rule, states try to pursue a balanced foreign trade policy using flexible protectionist methods while maintaining free trade elements in order to create a favorable climate in economic relations with other countries.

**Keywords:** liberalization, protectionism, international trade, trade barriers, free trade.