



Section 1. Economics

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THE EVOLUTION OF TRADE POLICIES IN THE ERA OF GLOBALIZATION: AN EXAMINATION OF NEW PROTECTIONISM

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Abstract

This scientific article explores the evolution of trade policies in the post-World War II era, focusing on the emergence of New Protectionism in the context of globalization. The study examines the transition from traditional protectionist measures to non-tariff barriers. The impact of globalization on protectionism will be analysed using case study method, arguing that while global trade has fostered interdependence, it has not eradicated the practice of protectionism but rather transformed its manifestations.

Keywords: *globalisation, new protectionism*

Introduction:

Old protectionism is a historical practice of using traditional trade barriers to protect domestic industries. In the 19th and early 20th centuries, countries employed measures such as high tariffs, import quotas, and subsidies to shield their economies from foreign competition.

After World War II, as global economy ruined by two World Wars, many countries joined General Agreement on Tariffs and Trade (GATT) in 1947 which promoted the reduction of international trade barriers, such as tariffs and quotas. During the rounds of GATT, the new non-tariff barriers of trade, including regulatory measures, intellectual property restrictions, and other indirect strategies were

introduced (Baldwin & Evenett, 2009). Those processes led to the development of the term known as “New protectionism”.

“New protectionism” is different from the “old protectionism” in the range of the methods of trade control. Firstly, they do not require the once-and-for-all change of the trade law, for instance, an increase of the tariffs on the import of goods. These methods are temporary. Secondly, they have a retaliatory character, i.e. these measures are used as a response to some external factors (Ethier & Fischer, 1987). The most common non-tariff measures are quota shares, import licenses, export subsidies, antidumping duties, etc.

Globalisation has greatly influences the processes of global trade. Globalization is a

multifaceted and complex process characterized by the increasing interconnectedness, interdependence, and integration of economies, societies, cultures, and political systems across the globe (Ōmae, 1990). It involves the flow of goods, services, capital, information, and ideas across borders, breaking down traditional barriers and fostering a more interconnected world. Conventionally it is considered that globalization has negatively affected protectionism. As global trade was developing, the countries became more dependent on one another. However, this article will defend the point that globalization hasn't eternally reversed the New protectionism, but rather modified it using the case study method.

Method:

The empirical analysis of this research will be based on a case study method. A case study is an empirical investigation that looks at a current phenomenon inside its actual setting, particularly when the distinctions between phenomenon and setting are not clearly identified.

A deep understanding of the data can be gained by the case study analysis. The adaptability of research findings provides a knowledge of unclear phenomena in a real-world environment. The analysis is conducted within certain time frame which also allows to limit the scope and increase focus of the study (Aberdeen, 2013).

Analysis:

The issue of protectionism and free trade is crucial, because it determines the economic situation in the country particularly and in the world in general. It is important for the government to participate in global trade due to the International Division of Labour when countries specialize in producing particular types of goods. Nevertheless, state powers should also take care of domestic companies. Indeed, in developing countries protectionism helps the economy to grow faster with reduced competition in favor of domestic productions. However, in longer terms, protectionism is harmful.

Firstly, even though many countries ally in trade agreements, the protectionist measures are still strong outside these alliances.

One of the noteworthy cases of globalization is the European Union (EU), which was formed in 2002 and consists of 27 European countries. The citizens of these countries use the same euro currency, can freely travel throughout EU territory and trade in its free trade area. It may seem from the first sight that the EU is the evidence of the decline of New protectionism demonstrating the model of liberated trade. However, it is not practically the case. The truth is that the EU uses mostly Non-Tariff Measures of trade (NTM), such as labeling, certification or product quality requirements and many others. The NTM Coverage Ratio for imports to the European Union is about 95% (World Bank, 2020). It means that non-tariff measures are applied to almost all imported goods in the EU. Thus, when EU politicians on their official website claim that "as protectionism rises, the EU continues opening up export markets for European firms" (European Commission, 2019), it is impossible to believe them straight away, because they show only one side of the issue, even though the source is considered quite reliable and authoritative.

Another example of the idea that globalisation did not reverse new protectionism is the recent Trade War between the US and China. In general, a trade war is a state when two countries damage each other's economies by raising trade boundaries. The historical example of such measures is The Smoot-Hawley Tariff Act which raised the US tariffs on imported goods and was one of the reasons for The Great Depression. As for recent events, the US accused China of "unfair trading practices" and started a trade war not a long time ago. According to BBC research "the US has imposed tariffs on more than \$360bn of Chinese goods, and China has retaliated with tariffs on more than \$110bn of US products". The fact is that according to the US Census the US trade deficit (the difference between the amount of import and export) with China have been increasing since 1985 and reached 419 billion dollars in 2018 (BBC News, 2020). Thus, it is possible to say that China's alleged improper trading is not the only reason why the US started the trade war. The protectionist measures are quite clear in this case.

Thirdly, one of the main products of globalization is international organizations, one

of which is the World Trade Organization (WTO) formed in 1995 replacing GATT. Its goal is to make the world trade as easy as possible. WTO requires some fixed tariffs and other trade barriers which members cannot exceed, but for many countries, these barriers are higher than the existing ones in their state, so there is room for an increase of trade measures. For instance, Brazil has a duty on animal products – 37% with a maximum of 55%, on chemicals – 21.1% and 35%, on fruit, vegetables, and plants 34.1 and 55% respectively (World Trade Organisation, 2023). This means that Brazil can raise tariffs according to its economic situation without any punishment from WTO.

On the other hand, some scientists believe that protectionism has seriously decreased in recent 100 years. In the work “Is Protectionism Dying?” It is argued that in The Great Recession(2008–2009) was far less harmful to the world economy than The Great Depression of the 1930s due to a reduced amount of protectionist measures. The scientists declare that protectionism covered only 0.8 percent of the world trade in 2008 reducing to 0.2 percent in 2010 compared to an increase of already high tariffs throughout the world in the 1930s (Dadush et al., 2011).

However, they do not consider the non-tariff measures, which coverage ratio is over 70% for the world’s most trading coun-

tries altogether (World Bank, 2020). Also, it is important to mention that some Non-Tariff measures are camouflaged as customer protective measures (packaging, labeling, product standards, sanitary conditions), which, in fact, may be speculated and are uneasy to control. For example, the method known as voluntary export restraint is a practically informal agreement between two governments on the tariffing barriers. Due to its implicit nature, this measure is almost impossible to prevent and is considered highly discriminatory by many countries, but nobody is ever sure whether they use it or not.

Conclusion:

Globalization has strongly affected world trade and made it easier and wider; however, it did not reverse the protectionism. This article shows on various cases that New Protectionism to some extent is a product of globalization. The politicians find new ways to control imports and exports and use such measures to change the political and economic situation inside and outside the country. As countries grapple with the complexities of global trade, political and economic considerations drive the adoption of measures that safeguard domestic interests. The study calls for a nuanced understanding of protectionism’s evolution in the contemporary globalized context.

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