

# From Protectionism to Neo-Protectionism: New Dimensions of Liberal Regulation

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**ABSTRACT.** The article summarizes the main concepts of the policy of protectionism. It was proved that the shaded or semi-open nature of protectionism of the 21st century model does not fall under classical manifestations of protectionism recorded in the WTO documents, and therefore further hybridization of its forms actualizes the need for their classification in order to attract the attention of the scientific community to new challenges to the global regulation of the system of international economic relations. It was discovered, that protectionism in the process of economical globalization has evolved from trade policy based on introduction of tariff limitations, and later from non-tariff protection instruments, into a complex comprehensive state mechanism for increasing competitiveness of the national economy in the process of globalization, which we call neo-protectionism.

Was provided a classification of neo-protectionism and were singled out forms of manifestation of each of its types. Were established country features of neo-protectionism policy. Was established that flexibility of tools for implementing neo-protectionism policy, absence of a unified approach to interpreting the methods of achieving goals announced by the state, differences in priorities and unity of the goals of all instruments, which are to stimulate restoration of economic growth, can be considered as determinative signs of new regulation. It was found that state intervention becomes an inherent characteristic of liberal politics. Was observed that neo-protectionism with its flexible instruments becomes a policy of reducing asymmetric distribution of benefits from globalization and reaction to global imbalances, which again emphasizes the thesis that state participation in regulation of economic processes is an objective reality, and we are witnessing transformation of the previously announced trend towards deregulation into re-regulation.

**KEYWORDS.** Protectionism, neo-protectionism, economic policy, liberalism, regulation.

## Introduction

Economic instability is a challenge that generates desire of states to resort to protectionist measures in order to stabilize national economies. Usage of protectionist measures gives to the economy a new meaning. At the same time, it should be emphasized that protectionism and its ability to adapt the economy to unfavourable conditions on the world markets is important, but nevertheless, only an integral part of the system of ensuring vital functions of society. To stabilize the situation are also used other factors, which, in interaction, work on tasks that shall be addressed by protectionist policies.

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As practice shows, interconnected and interdependent nature of all factors of economical policy contribute to formation of a dynamically adapting mixed economy<sup>2</sup>. First of all, it concerns stabilization and reproduction role<sup>3</sup> of protectionism. Moreover, regulation of investment flows protects domestic economy from adverse external influences, increases its ability to withstand emerging disbalances. Protectionist measures in general are aimed at fixing of the main goal of protectionism – adaptation to the new economic situation and reproduction of economical potential of the state<sup>4</sup>. Derivative is the task of identifying and applying tools for influencing protectionist policy objects.

### **In Search for a Compromise of Free Market and State Regulation**

Protectionism is inextricably linked with the country's fiscal, tax and customs policies, which together constitute a means of macroeconomic stabilization aimed at stimulating or restraining activities of the external sector of the economy. The key factor in choosing direction of influence is creation of conditions under which national economy, through acquisition of competitive characteristics, arising on the basis of the formation of appropriate structure of the domestic economy, provides a sufficient level of external sector that can withstand the challenges of world markets. As we can see, protectionist measures relating to the domestic economy objectively contribute to the efficiency of external sector, although such measures, together with national foreign economic strategy through monetary and fiscal policy, have an impact on the entire spectrum of foreign economic activities.

Mixed economy, when the state defines regulatory criteria in order to strike a balance between business interests and needs of socio-economic development of the country, allows us to find the rational structure of domestic economy and use the potential of R&D. In this way is achieved realization of tasks of continuous modernization of the economy, its sustainable growth, which will inevitably contribute to maintaining an adequate level of national security. In other words, state protectionism is intended to support national business in a competitive struggle on the world markets. Protectionism measures have a dual purpose. Firstly, the state contributes to the growth of competition in those areas and

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<sup>2</sup> Tabb, William K. *Reconstructing Political Economy: The Great Divide in Economic Thought*. London: Taylor & Francis, 2002.: <http://sttpml.org/wp-content/uploads/2015/03/POLITICAL-ECONOMY-Reconstructing-political-economy-the-great-divide-in-economic-thought.pdf>

<sup>3</sup> Evenett, Simon J. "The Global Overview: Has Stabilisation Affected The Landscape of Crisis-Era Protectionism." In *Will Stabilisation Limit Protectionism? The 4th GTA Report – A Focus on the Gulf Region*, ed. Simon J. Evenett (London: Centre for Economic Policy Research, 2010), 17–30.

<sup>4</sup> Baldwin, Richard and Simon J. Evenett. *The collapse of global trade, murky protectionism, and the crisis: Recommendations for the G20*. London: Centre for Economic Policy Research, 2009. [http://graduateinstitute.ch/files/live/sites/iheid/files/shared/iheid/31/Murky\\_Protectionism.pdf](http://graduateinstitute.ch/files/live/sites/iheid/files/shared/iheid/31/Murky_Protectionism.pdf)

industries where the capabilities of national producers are comparable to the potential of foreign economic players or because of the absolute backwardness of domestic sectors, further development of which is impossible without involvement of experience, technologies and funds of foreign producers. Secondly, the state closes access to those spheres and industries, which, on the one hand, are not ready for competition, but, on the other hand, whose activities are directly related to the needs for ensuring national security in general and economy in particular. Such dialectical unity is capable of initiating processes of sustainable national development (Table 1).

As in this case state protectionism encourages domestic producers to move to international markets due to the development of technologies and areas that provide the highest share of added value. Of course, this can be achieved by accessing advanced technologies and staying in a competitive environment, which will inevitably create preconditions for self-development. In this sense, protectionism is an instrument for state structural policy formation.

In the development of protectionist measures should be taken into account the real state of the national economy, due to the fact that the government's use of a certain set of tools and resources depends on it.<sup>5</sup> Practice shows that, due to higher potential, economically developed countries protect their own interests in domestic and world markets, using so-called forward-looking protectionism. This means that in this way continuity of economic development is achieved every time in new levels, taking into account achievements of national and world scientific and technological progress and preserving dominant position not only in the markets but also in the world as a whole. Moreover, developed countries, demanding to follow the principles of liberalism, protect their own market by measures that actually contradict the declared objectives of the globalized economy, because they introduce high customs duties, technical requirements that are not available to the rest of the world, state subsidies of agricultural producers and other industries whose activities are an integral part, ensuring high level of national safety in a broad understanding of these words, and also spend considerable money to support their own exporters. T. Gordeeva with reference to M. Johnson, who identifies such protectionism as a direct one when the abuses of state procurement procedures developed to protect national producers from foreign competition are recorded) or hidden, characterized by abusive national standards or discriminatory application of national taxation to reduce the competitiveness of imported goods compared to domestic ones.

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<sup>5</sup> Takacs, Wendy. "Pressures for protectionism: An empirical analysis." *Economic Inquiry* 19, no. 4 (October 1981): 687-93.

Table 1 Classification Indicators of Classic Protection

Kind	Goal	Object of influence	Instruments of influence	Type of protectionism	Types of adjacent policies aimed at achieving the goal	Regulatory mechanisms	Regulatory level
Strategical	Strategic protection of national interests and or structural transformation of the national economy	Structure of economy	Structural policy	Complex	Regulatory Foreign trade Budget Financial Monetary	Of restrictive/stimulating nature Direct/indirect influence Price/non-price	National
		Agricultural industry	Agricultural policy	Agrarian	Regulatory Financial Budget and tax Foreign trade Structural	Of restrictive/stimulating nature	Non-governmental organizations (Basel Committee)
		Energy industry	Energy policy	Energy	Regulatory	Direct/indirect influence	Global (GATT/GATS)
		Resource-intensive industries	Raw material policy	Resource	Technological	Price/non-price	Integration (at the level of associations (EU))
		High-tech industry	Technological policy	Technological	Financial		
		Financial sector	Innovative policy	Financial	Regulatory	State	
		Investment industry	Investment policy	Investment	Monetary and credit Budget and tax		
Regulatory	Strategic and tactical protection of national interests	"Growth Points" industries	Structural policy	Industrial	Budget and tax	Of restrictive/stimulating nature Direct/indirect influence Price/non-price	National
			Innovative policy	Investment			Regional
		Labor-intensive industries	Technological Budget and tax	Technological	Foreign trade		
Situational	Tactical protection of national interests	Industrial concentration	Regional policy	Selective	Budget and tax	Incentive/restrictive nature	Regional within the state
		Income of the population	Social policy		Monetary and credit	Direct influence	
		Migration	Migration policy	Socially oriented	Regulatory	Price/non-price	

Such an approach of developed countries and the extent of their interference with industrial policy make it possible, during theoretical reflection, to make adequate conclusions precisely on the basis of concrete actions, rather than declarations, and to claim the right and vital necessity for the countries that embarked on the path of reform, to resort to direct state regulation especially spheres related both to the current provision of life, and the prospect development of domestic economy.

At the present stage of inter-country interaction, as it clearly notes O. Dovgal<sup>6</sup>, as well as the actual local economic life “pure liberalism” and “pure protectionism” are absent. It is worth emphasizing essential, in our opinion, difference: if in the purely theoretical sense these definitions can be called the principles of implementing economic policy, from the point of view of practice, today they are only different directions in the field of regulation of interaction or competition of the national economy within the framework of bilateral or multilateral interactions. The experience of developed and self-sufficient economies shows that there is a tendency towards openness on the basis of the advantages of domestic legislation, which implements the norms developed under the auspices of international financial and economic institutions. It is also important to remember that success is achieved where the role of the national economy is not negates in the system of global planetary relations. Only a self-sufficient economy can find a balance between openness, which is ensured by the reduction of trade barriers to avoid high levels of domestic prices and technical stagnation, deteriorating conditions for exporters (and, accordingly, budget indicators), as well as inevitable tensions in relations with partners, and reduction of competition in the domestic the business environment, on the one hand, and internal state regulation, on the other. At the same time, neglect of the “fuses” of national regulation leads to destruction of producers, rising unemployment, and lower living standards for citizens, and, in the case of some post-Soviet countries, can be observed loss of entire industries and deindustrialization.

Consequently, only a combination of benefits of two directions of economic policy will ensure progress. National interest should determine the trajectory in which, in certain sectors of the economy, it is expedient to reduce trade barriers or even cancel them. But at the same time, it should be understood that such tactics should not become permanent, as this can lead to the separation of production from the real internal and global conditions. Only some sectors of the economy that

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<sup>6</sup> Dovhal', O.A. “Dialektyka protektsionizmu i liberalizmu u zovnishn'oekonomichnij politytsi.” *Ekonomika rozvytku* 4, no. 32 (2004): 31–5. [In Ukrainian].

are directly involved in ensuring national security can be an exception. That is, it is about ignoring openness and its global interactions, but the pace and specific forms of integration. Therefore, the strategy of national economy development should raise the question of rational combination of the principles of free trade and state protectionism. And a big mistake is made where the principle of openness acquires decisive characteristics and turns into abstract advantages, which are attributed to the inherent and inaccessible to implement the method of achieving self-regulation. Such an approach ends with a partial or complete loss of economic sovereignty, and in the best case, serious dependence on the system of world economic ties.

These threats were manifested in the practice of transformation in countries that had a centralized, planned economy. As the results showed, formation of open market economy in these countries turned out to be torn away from the real goal of economic development as an instrument of competition. The principles of reforming due to the curriculum of international financial institutions (IMF, SB, WTO, EBRD, OECD) have actually become instrumental in deindustrialization. As a result, a group of countries that has gone the way identified by these institutions has turned into a market of outdated products, an object of allocation of capital, when fixed assets, subsoil and land have no market value, and local business due to underdevelopment and weakness, the inability to provide long-term investment does not become a competing force. At the same time, experience of highly developed countries in the economic sense, which in their development passed the stages of internal state protectionism, which made it possible to avoid losses and destruction of the national economy, was completely ignored. Consequently, the conclusion may be in the fact that the process of reforming centralized planned economies took place with the unequivocal advantage of the liberal version and the neglect of the fundamentals of state protectionism, which led to irreversible losses of fundamental national interests in the field of security and economic potential.

### **National Interests as a Determinant of Neo-Protectionism**

However, it is clear that modern globalization processes dictate the conditions under which it is impossible to ignore world economic relations and develop a completely closed economy and abandon the benefits of international division of labor. It is also clear that refusal of state protectionism in the form of protecting its own economy is identical to financial and economic damage from the imitation of only liberal paradigm of industrial activity. Therefore, when transforming the

economy, it is very important to analyse both danger and possible positive effects of the measures taken. The dilemma demands, as already mentioned, development and balance between openness and the need for state support and protection of the domestic market on the basis of scientifically grounded protectionism, based on which the determining factor should be, on the one hand, willingness of traditional budget-organizing industries to compete and, on the other hand, side, formation of a national reform policy aimed at encouraging domestic producers to work in an open economy.

It is very important to keep in mind that countries with a formerly planned economy embark on reforms and engage in external interaction, in an unfavourable and unequal environment characterized by diversion of resources and insufficient capacity to move to a qualitatively different level of competition. In this situation, it is important to focus on the key areas that will facilitate access to the latest technologies, improve product quality, which in turn will increase its competitiveness, attracting investment. It means that it is a question of the need to proceed primarily from their own interests, which must organically fit into the mode of interaction with the world economy. It is important to understand the Schumpeterian concept of creative destruction, in the context of which technological progress, foreign investment will play their proper role in modernizing and launching new technologies, rejecting inefficient and uncompetitive industries, and creating new ones that can not only replace the old ones but also increase profits at the expense of modern goods and services. In this sense, protectionism appears as a mercantile form of a liberalized economy<sup>7</sup>, because, on the one hand, using foreign experience and using investments, thus, on the other hand, domestic economy gets the prerequisites for entering the world markets with specific competitive advantages, which turn into an additional resource for further modernization.

It is necessary to understand seemingly paradoxical thing: speaking about the strategic goal of finding and occupying a proper place in world economic globalized and liberalized economic ties – protectionism, especially in the early stages of reform, should play crucial role in creating an economically sound and competitive system of organization of internal economy. The system should create preconditions for sustainable economic development of the country, capable of competition and self-reproduction. To achieve such goals, there is a need for state protectionism to develop rules and standards for such an organization of the economy, in which activities of domestic

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<sup>7</sup> Rankin, Keith. "Mercantilist Reasoning in Economic Policy Making." 29 June to 1 July 2011. [http://nzae.org.nz/wp-content/uploads/2011/Session5/57\\_Rankin.pdf](http://nzae.org.nz/wp-content/uploads/2011/Session5/57_Rankin.pdf)

producers and foreign economic players will objectively reproduce the national gross product.

The above made conclusions are based on the practice of reforming the economy, which previously worked on the principles of public administration and planning activities. That is, the essential precondition is the symbiosis of liberal and protectionist measures with the initial practical advantage of others for achieving the following strategic goals within the framework of the functioning of the domestic economy on the basis of the first, when, first of all, domestic business has acquired the necessary experience and responsibility for the protection of the economic interests of society. As on the basis of these principles, has now been formed economic model of successful countries. The difference is that at this stage, not all countries that have embarked on the path to reform have the right political conditions to counter the global interests of TNCs and other participants in world economic relations. In addition, reform of the economy in mentioned countries is a very important, but not the only, need for the states to become members of the planetary economic club. It is also means that changes in economic system are directly proportional to the radical changes in socio-political organization of states that demand creation of new structures and institutions<sup>8</sup>. That is in the first place. Secondly, from the point of view of theoretical reform, as part of globalization transformations, there are liberalization and macroeconomic stabilization, restructuring of existing economic opportunities.

If we proceed from the practical results of reform, it is clear that in the conditions of liberalization and macroeconomic stabilization (the growth of openness of economies), domestic and foreign producers operate within the framework of market challenges, and therefore freely choose fields of activity that do not fully coincide with the theoretical ideas about the possibilities of participation in international division of labor<sup>9</sup>. In circumstances where capital flows are liberalized and the economies of countries that have embarked on reform are in fact already an integral part of a globalized world, there is a disproportion between the opportunities of TNCs and foreign investors and the ability of countries, and in fact, their inability, to form capital for investing abroad independently in connection with its lack even for its own needs.

The method of implementing an economic breakthrough depends on the historical context and the whole set of source data, which can not be duplicated somewhere else. The introduction of the term

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<sup>8</sup> Durusoy, Serap, Sica Edgardo, and Zeynep Beyhan. "Economic Crisis and Protectionism Policies: The Case of the EU Countries." *International Journal of Humanities and Social Science* 5, no. 6 (June 2015): 57–68.

<sup>9</sup> Henn, Christian, and Brad McDonald. "Crisis Protectionism: The Observed Trade Impact." *IMF Economic Review* 62, no. 1 (2014): 77–118.



“neoprotectionism” in the terminological circulation will allow to synthesize semantic values of protectionism and liberalism, which are reduced to the urgent need to meet the urgent needs of society (those or other of its subjects) in the person of a state. It is about such needs as survival, security, and sustainable development. The very status of these needs, the nature of necessity, importance, awareness of the rank of “statehood” provides grounds for seeing the national interests of the country as the genetic basis of protectionism and liberalism. Private interests of various subjects, identified, understood and brought to the rank of national interests, create a dichotomous unity of protectionism and liberalism, which adds to their social significance.

Protectionism in the process of economical globalization *has evolved from trade policy based on introduction of tariff limitations, and later from non-tariff protection instruments, into a complex comprehensive state mechanism for increasing competitiveness of the national economy in the process of globalization, which we call neo-protectionism.* To the main forms of his manifestation, in his doctoral dissertation of 2004, O. Dovgal fairly includes the following: predominance of its offensive nature with pronounced aggressive expansionist features; emergence of “collective macro-regional protectionism” of modern integration unions; expanding the arsenal of tools through the use of relatively new, those that are harder to be subject to international regulation. However, in our opinion, instability challenges generated by the 2008 global financial crisis have actualized usage of new forms of protection in order to respond to the “new norm” of the world economy, which include: rapid deceleration of economic growth compared to the previous decade; high rates of unemployment and aging in both OECD countries and fast-growing developing countries; aggravation of debt problems; significant uncertainty in the markets and further shifts in global economic activity towards countries with emerging markets (even under the scenario of limited globalization headed by the People’s Republic of China). Thus, deep motivational philosophy of neo-protectionism, often initiated at the supranational level, is not only expansionistic in nature, but also protective, and the object of desired influence is not so much externalities, but internal processes in national economies.

**Neo-protectionism aims to eliminate internal contradiction of liberalism**, which is its duality: on the one hand, openness of the economy, non-interference of the state, on the other hand, simultaneously assumes already the fact that has taken place, the protection of the national producer and the growth of welfare in society. Such characteristics of liberalism as “spontaneous” and “intelligent” reflect its internal tension and self-denial. Therefore, “reasonable liberalism” and “reasonable protectionism” – is the zone of

interpenetration of opposites in one, which, according to O. Dovgal, is embodied in the concept of “neoprotectionism”<sup>10</sup>. In 2006, the author noted that “... modern protectionism has evolved from trade policy into a complex comprehensive state mechanism for increasing the competitiveness of the national economy in the process of globalization.”

In our opinion, the question of the place and role of one or another contradiction is of methodological significance. It may seem that there is no difference that one or another contradiction is internal or external, genetic or functional. This purely theoretical question rests in the choice of a concrete strategy for controlling the movement of contradictions of protectionism and liberalism, and hence the selection of specific neo-protectionist strategies.

The choice of the method of realization of neo-protectionist intentions allows us to use the creative potentials of the contradictions of protectionism, minimizing their negative and even more destructive action, for example, preserving the possibility of uncompetitive productions existence. It is necessary to distinguish between the genetic contradiction of protectionism as a source of its development and functional contradictions of protectionism. The contradiction, which consists in division in time and space of actions taken to replace imports by domestic products and increase efficiency in the future, refers to the functional contradictions of protectionism. Thus, the aim of individual countries to substitute imports by domestic products at an initial stage is unprofitable. Although in the future it can contribute to increasing efficiency of production. However, the practice of foreign trade suggests the opposite: separation in space and time of actions on the replacement of imports by domestic products and the results of improving the efficiency of production prevents the timely receipt of winnings by producers whose products receive tariff or non-tariff protection, and thus eliminates the incentive to use protectionist measures. Therefore, a concrete mechanism for the implementation of protectionism should not be aimed at the deployment of this contradiction, but at its elimination.

Attempts of governments to reflect on accumulated market imperfections begin with a revision of national economic interests<sup>11</sup>, which have a direct genetic link with protectionism<sup>12</sup>, which historically and logically follows liberalism. Theoretically, protectionism in its

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<sup>10</sup> Dovhal', O.A. “Suchasnyj neoproteksionizm: osnovni rysy i protyrichchia.” *Ekonomika: problemy teorii ta praktyky* 195 (2004): 400–6. [In Ukrainian]; Dovhal', O.A. “Dialektyka proteksionizmu i liberalizmu u zovnishn'oekonomichnij politytsi.” *Ekonomika rozvytku* 4, no. 32 (2004): 31–5. [In Ukrainian]; Dovhal', O.A. “Vnutrishnia superechnist' suchasnykh tendentsij proteksionizmu i liberalizmu.” *Visnyk Kharkivs'koho natsional'noho universytetu imeni V. N. Karazina. Ekonomichna seriia* 634 (2004): 22–6. [In Ukrainian].

<sup>11</sup> Bhagwati, Jagdish N. “Lobbying and welfare.” *Journal of Public Economics* 14 (December 1980): 355–63.

<sup>12</sup> Kee, Hiau Looi, Ileana Neagu Constantinescu, and Alessandro Nicita. “Is Protectionism on the Rise? Assessing National Trade Policies during the Crisis of 2008.” *The Review of Economics and Statistics* 95, no. 1 (2013): 342–46.

socio-economic form is derived from national economic interests. Liberalism is not theoretically deduced directly from national economic interests; it can only be deduced from protectionism as the highest form of self-denial. However, liberalism, beyond the realization of national economic interests, becomes irrational: "Freedom of trade is impossible without caution, because the blind application of this rule would quickly lead to the conquest of the weak strong, to the emergence of an objective situation of economic "colonialism", unbearable for the country"<sup>13</sup>. Division of the forms of realization of a single whole national economic interest on the contrary shall be carried out in such a way that the very unity of the socio-economic form is not lost, and it is precisely neo-protectionism that becomes an instrument of self-identification in the conditions of a liberal world order, which requires the state of the 21st century model. In addition, the development of regionalization processes, the modification of existing integration initiatives as a response to the challenges of growing competition against the background of awareness of the risks of implementing disintegration scenarios, became particularly active in the 21st century, emphasizing the dynamism of change as an inherent feature of the present.

### Neoprotektionism as Reaction to Global Regulation Crisis

Announced in macroeconomic policy of both developed and developing countries, measures to stimulate economic development against the backdrop of recessionary trends in the global economy fall under the notion of "neo-protectionism". Unlike "classical" protectionism<sup>14</sup>, aimed at protecting national producers, individual branches of the economy, depending on their significance and the political power of the circles concerned, neo-protectionism has in its arsenal a toolkit that becomes a response to the new challenges of the "new norm". In the updated form, the emphasis changes in the very goal setting: Not protection from foreign competition in their country, but stimulation of economic activity in response to reduction of aggregate demand is placed on the responsibility of the latter. Thus, these goals of defending economic sovereignty (for developing countries) or the struggle for conservation (for developed countries) or the spread of economic influence (for developing countries) become dominant transformations of classical protectionism<sup>15</sup> into neo-protectionism.

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<sup>13</sup> Dadush, Uri. *Resurgent Protectionism: Risks and Possible Remedies*. Washington, DC: Carnegie, Policy Outlook, 2009.

<sup>14</sup> Sally, Razeen. *Classical liberalism and international economic order: studies in theory and intellectual history*. London: Routledge, 1998.

<sup>15</sup> Gomes, Leonard. *Foreign trade and the national economy: mercantilist and classical perspectives*. Basingstoke: Macmillan, 1987.

Shaded or semi-open nature of neo-protectionism does not fall under classical manifestations of protectionism recorded in the WTO documents, and therefore further hybridization of its forms actualizes the need for their classification in order to attract the attention of the scientific community to new challenges to the global regulation of the system of international economic relations.

1. Institutional neo-protectionism is interpreted by us as a direction of international economic policy that involves state or supranational intervention in order to create such institutional conditions that enable the struggle to preserve or spread economic influence and promote the promotion of alternative forms of existing cooperation and regulation of international economic relations in order to stimulate growth of economy or resolve social problems. Institutional neo-protectionism is an instrument of state policy or interstate agreements both in arsenal of developed and developing countries. They shall include:

- Creation of alternative institutional triad (IMF-SB-WTO) of regional institutional cooperation initiatives (Chiang Mai Initiative; BRICS development banks);
- Implementation of alternative stabilization programs for central and peripheral countries (within integration associations, in particular in the EU);
- Promotion of expansionist programs of economic stimulation by developed countries against the background of implementation of restrictive programs to developing countries. (manipulating dependence of developing countries on financial, technical, and advisory assistance of the international institutions they need in the face of limited access to private capital markets and dependence on new technologies);
- *Creation of sovereign wealth funds.*

2. Ideological neo-protectionism is a principle of international economic relations optimization both in the interests of its individual members and associations. It is such an instrument for regulating international economic relations that defines directions of potential cooperation, affects the institutional conditions of the latter, has both a cyclical and counter-cyclical character and serves the purposes of ensuring economic sovereignty and / or economic growth of countries/associations. They shall include:

- Manipulating ecological factor in the regulation of international economic relations (which sets limits on CO2 emissions, and therefore implicitly calls for a reduction in production in developing countries or an increase in the cost of new energy-saving technologies, the lion's share of which is controlled by companies from developed countries);
- Movement towards disintegration tendencies (Soft Brexit and Hard Brexit);

- Movement towards deeper forms of integration (for example, initiation of creation within the EU of various alternative Unions – fiscal, banking, budget);

- *Targeted weakening of negotiating position of multinational companies.*

- Realization of re-industrialization policy despite the lack of economic efficiency of such projects.

3. Integration neo-protectionism is a form of realization economic, political, and security interests of the countries, which implies usage of potential of integration unions through the coordination of international economic policy. New coordination implies significant changes in domestic policy, taking into account international interdependence, in order to maximize both “common welfare” and the search for ways to increase the national prosperity of the participating countries. It may concern coordination of economic and political measures of various states, including possible transfer of individual powers to supranational bodies. Its manifestations include:

- Formation of deepened and extended forms of classical stages of international economic integration (in-depth and extended free trade zones; deepened and expanded customs unions) in order to provide easier access to markets;

- Development of sectoral (branch) economic unions of countries under globalization conditions;

- *Formation of innovative, energy, fiscal, banking unions; development of currency unions; new processes in the world insurance market;*

- *Concluding regional trade agreements*, which in fact are the result of a compromise of protectionist and anti-protectionist forces. Free trade support comes from consumers, industries dependent on import of products, and from the export sectors of the economy. At the same time, companies competing on the domestic market usually actively support restrictive measures. Such antagonistic interests undoubtedly influence process of regional integration and foreign trade policy;

- Formation of mega-regional trade alliances (mega-regional integration processes in ASEAN, formation of a Regional Comprehensive Economic Partnership, prospects for economic integration between the PRC, Japan and South Korea, the formation of Latin American trading block, intensification of integration processes in Pacific region within the framework of Agreement on closer economic relations;

4. Regulatory neo-protectionism<sup>16</sup> is an instrument for modifying rules of global coexistence, formed at the stage of global interdependence and

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<sup>16</sup> Sykes, Alan O. “Regulatory Protectionism and the Law of International Trade.” *University of Chicago Law Review* 66, no. 1 (Winter 1999): 1–46.

reflecting the interests of strong players. Is a principle of coordination<sup>17</sup> of economical policy at the global, regional or national levels; is at the same time a manifestation of neo-independence and a reaction to it, and also provides for the implementation of ideological and institutional neo-protectionism in order to create optimal conditions for economic activity and stimulation of economic activity. Is implemented in two forms: centralized (International Monetary Fund, World Bank, WTO, OECD and others) and decentralized. Its manifestations include:

- *Adoption of Basel III provisions.* Increasing regulatory requirements for capital adequacy will have a negative impact on the pace of economic growth in developing countries, but will affect stability of the financial system of developed countries;

- Implementation of the BEPS Action Plan at initiative of OECD countries, caused by concerns of controlling bodies about the loss of significant tax revenues as a result of the significant compliance of a number of TNC policies aimed at erosion of the tax base and the elimination of profits in low tax jurisdictions Implementation of measures outlined in the Action Plan will the incentives for transfer of production capacity to low tax jurisdictions and facilitate changes in capital flows;

- Creation of tax havens (USA, Nevada (due to non-compliance with OECD standards).

- Introduction of alternative payment systems (Thus, in the year 2015, the PRC launched its own international CIPS payment system to eliminate one of the biggest obstacles to the internationalization of the RMB and significantly increase international use of the Chinese currency by reducing transaction costs);

- *Creation of stabilization funds within integration groups;*

- *Determination of the optimal level of currency component in gold and foreign currency reserves and savings level;*

- Implementation of self-insurance mechanism by the country through the use of large reserves of international reserves;

- *Implementation of counter-cyclical macro economy policy;*

- Any measures aimed at stimulation of domestic demand against the background of aggregate demand reduction in the context of world economy recession (Hollande plan to stimulate the fight against unemployment within the declared state of emergency);

- *Stimulating employment in small and medium businesses.* (According to Hollande plan, it is foreseen that enterprises employing less than 250 employees will receive an additional payment of 2 thousand Euro for each workplace, which provides for a person to work

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<sup>17</sup> Watson, K. William, and Sallie James. "Regulatory Protectionism: A Hidden Threat to Free Trade." *Policy Analysis* 723 (2013): 2–27.

for more than 6 months with a salary of 1,3 times higher than the minimum wage level);

- Usage of tax credit practices (In particular, for scientific research under the Hollande plan (France 2016). This important tool allows companies to reserve up to 30% of their research and development investments. Moreover, the state plans to increase funding for socially important research);

- *Introduction of the mechanism of unconditional monthly income.*

5. Environmental neo-protectionism<sup>18</sup> is a form of ideological and institutional neo-protectionism and acts as an instrument for regulating relations of structural and technological dependencies. Its manifestations include:

- Institutional regulation of the climate problem. (So, according to the results of the Paris Summit in 2015, countries committed themselves to reduce CO<sub>2</sub> emissions. However, they determine the basis of comparison, that is, they can specifically choose the year when their emissions of greenhouse gases were highest in the atmosphere, and compare these data with emissions in 2025. It is clear that then there will be less emissions simply because technologies are constantly being improved, efficiency of the use of resources increases. Therefore, countries such as the United States or EU member states, as compared to developing countries, can easily promise to reduce carbon dioxide emissions to the atmosphere by 2025 by 30-40%, as compared to 1990 or 2005 without lowering economic growth);

- *Introducing high environmental standards that block access to domestic markets;*

- Manipulation of raw materials exports, production of which is accompanied by high CO<sub>2</sub> emissions. (Thus, the threat from China to reduce exports of rare earths can put significant pressure on the market of high-tech products from developed countries whose production depends on their supplies);

- Subsidizing branches of alternative energy<sup>19</sup>.

6. Market-oriented neo-protectionism is a reaction to the recognition of the impartiality of the impossibility of free trade without the effects of limiting factors, which are based on objective needs of national economies and the potential of the global economy to grow. Accordingly, direction of market-oriented protectionism is creation of

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<sup>18</sup> Evenett, Simon J. and John Whalley, "Resist green protectionism – or pay the price," in *The collapse of global trade, murky protectionism, and the crisis: Recommendations for the G20*, eds. Richard Baldwin, and Simon J. Evenett, (London: Centre for Economic Policy Research, 2009), 93–8.

<sup>19</sup> Lester. Simon. "The Problem of Subsidies as a Means of Protectionism: Lessons from the WTO EC-Aircraft Case." *Melbourne journal of International Law* 12, no. 2 (2011): 1–28.

mechanisms that can eliminate the so-called “market failures” and affect market situation. Among them we shall distinguish:

- Possibility to influence world prices (OPEC; separate groups of commodities) and to form market conditions;
- Possibility to distort markets and exacerbate imbalances (through manipulation of savings and investment flows);
- Ability to diversify markets and sources of investment.

7. Factor neo-protectionism – is an instrument for regulating international economic relations with a view to eliminating raw material, resource, energy and technological dependencies. To his forms of manifestation we shall include:

- Restrictions on export deliveries of raw materials (raw neo-protectionism);
- Protection of internal stocks of raw materials (resource neo-protectionism), which stimulates development of alternative sources of supply of the latter;
- Providing discounts to domestic producers for certain types of resources (resource, raw material neo-protectionism);
- Development of alternative energy sources. (For example, development of shale gas deposits is a manifestation of energy neo-protectionism, which will reduce the cost of production of final products and reduce dependence of raw materials on supplier countries);
- Selling outdated and/or patent-protected patents and technology licenses by developed countries and TNCs to developing countries, obtaining super profits. On the other hand, growth of investment into development of new technologies (which is facilitated by unrestricted access to debt capital markets due to high credit ratings of borrowers) ensures further expansion of markets and leads to an increase in labor productivity);
- *Acquisition of high-tech companies of Center countries by Periphery countries;*
- Diversification of energy resources imports with high energy conservation standards (energy neo-protectionism);
- Usage of nuclear power plants energy to reduce the cost of final products (France within the EU).

8. Infrastructural neo-protectionism is a form of state intervention aimed at reducing factor and structural dependencies by creating a favourable investment climate and stimulating economic activity in order to encourage implementation of infrastructural projects. Its manifestations include:

- *Growth of the volume of contracts in the field of infrastructural development;*



- State support for large-scale projects aimed at global expansion (Silk Road project of the People's Republic of China).

9. Monetary neo-protectionism is a form of elimination monetary component of the independence in the conditions of realization of monetary and financial integration under condition of maintaining monetary sovereignty. is a tool for regulating “incompatible triloggy dilemmas” (which implies establishing a compromise between conducting an independent monetary policy, controlling the exchange rate and maintaining open capital account, and managing capital flows. Its manifestations include:

- Implementation of quantitative easing policy (USA, EU, Japan). Quantitative easing contributes to the depreciation of the country's currency in two ways: firstly, it affects expectations of speculators about the possibility of falling currency value; and secondly, a significant increase in the supply of the national currency leads to a decrease in the domestic interest rate compared with the interest rates of countries in which the quantitative easing is not applied. In turn, this results in capital increase in devalued currencies that moves to countries with higher interest rates to increase benefits of investing and trading, which leads to rise in price of the currency of these countries. Thus, exports from the recipient country will be undermined as a result of increase in its exchange rate, while the increase in imports from the country that has made the quantitative easing cause trade balance violations in favour of the initiator of quantitative easing);

- Manipulation of the interest rate policy (including experience of establishing a negative interest rate).

- *Capital flow control.*

- *Establishment of capital tax and export subsidies (depending on the dynamics of business cycle and state of trade balance).*

10. Currency<sup>20</sup> neo-protectionism is an instrument for realizing economic and security interests of countries through the use of the exchange rate mechanism to increase competitiveness both in domestic and foreign markets, as well as through the usage of the expansion potential of the currency. Implemented by means of:

- Conduct of competitive devaluations. The latter with a high degree of approximation can be reduced to the following: implementation of currency intervention and devaluation by increasing supply of the national currency and buying foreign currencies, as a result of which the exchange rate of the national currency is reduced; introduction of a policy of quantitative easing, in which Central Bank of the country increases supply of money in the country by buying state securities from

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<sup>20</sup> Georgiadis, Georgios, and Johannes Gräßl. “Growth, Real Exchange Rates and Trade Protectionism since the Financial Crisis.” *Working Paper Series* no. 1618 (2013).

commercial banks. Growth in money supply leads to lower interest rates in the economy and weakening of national currency; reducing exchange rate of national currency by disseminating information on the implementation of appropriate measures in the future, which will reduce any incentives for speculators to play on a currency boost;

- Monetary wars. Continue monetary policy by other destructive means, being organized by economic violence, the purpose of which is to achieve political and economic goals that can not be achieved within the framework of existing monetary and monetary relations;

- *Implementation of various rates of national currency for servicing of export/import operations of the country;*

- *Internationalization of currencies at the regional level;*

- *Development of currency unions;*

- View on currency parities.

11. Financial neo-protectionism is an instrument of economic and security interests realization of the state (including national companies), which consists in the ability to countercyclical management of capital flows with the help of administrative levers of influence, effectiveness of which depends on the level of financial infrastructure development and degree of country integration into the global financial space. Implemented by means of:

- Restrictive measures on the movement of capital, based on quantitative (taxes on capital inflows (Brazil) and export of capital (Malaysia), limiting non currencies, minimum period of stay, limiting end-use requirements of outstanding reserves);

- *Implementation of stabilization programs, do to which is carried out financing of inefficient banking institutions;*

- *Depletion in reserves of American Treasury bonds.* The size of the decline depends on the dynamics of capital outflows and market interventions (PRC, 2017);

- Restrictions on the purchase of offshore assets (PRC, 2017).

- Active usage of financial innovations.

12. Debt neo-protectionism – is an instrument for realizing economic and security interests of countries and companies, which involves formation of alternative sources of attraction of credit resources and possibilities of debt refinancing, as well as free access to the markets for private and official lending without compromising the credit rating of the country (established by the international credit-rating agencies). Implemented by means of:

- Reducing the debt burden on the economy through implementation of policies of inflation stimulation (to reduce domestic debt);

- *Stimulation of demand for debt securities;*

- Availability of direct lending channels. (Thus, the “Centre-Centre” line is dominated by direct lending channels, which provide the movement of temporarily free resources directly from owners to borrowers. External borrowings can be made either in the form of bank loans (bank-based) or through the issue of debt securities, usually bonds (market-based). Financial flows based on a bank loan exceed the borrowings in the form of securities issue. The “Centre-Periphery” line will dominate the indirect lending channels that banks and non-bank institutions play as intermediaries. The function of fund placement and behaviour monitoring of the borrower is provided by rating agencies and analyst companies, which increases dependence on the latter. Unofficial international organizations are involved in debt-related debt settlement (in particular, London Club restructures debts to commercial financial institutions, Paris – to foreign creditor states), although official sources of involvement (intergovernmental channels, MFIs) of debt capital predominate due to underdeveloped financial/stock markets and limited availability of bank lending);
  - New debt refinancing tools.
  - *Control in the form of taxes on foreign debt.*

### Conclusions

From the examples above it becomes apparent that country’s neo-protectionism policy peculiarities, especially taking into account regional specifics, allow us to speak about:

- 1) flexibility of tools for implementing neo-protectionism policy;
- 2) absence of a unified approach to the interpretation of ways to achieve the announced tasks;
- 3) differences in priorities;
- 4) unity of all tools purpose to stimulate economic recovery.

Thus it shall be noted that state intervention becomes an inherent characteristic of liberal politics. State intervention can be considered as means of economic nationalism<sup>21</sup>, but it can also manifest itself in economic liberalism. Liberal markets require constant state intervention. Liberal-market capitalism is based on legitimate intervention of a “liberal state” in economic activity<sup>22</sup>. State intervention, under such circumstances, may be a characteristic of economic liberalism, and, consequently, will not be a reasonable indicator of economic

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<sup>21</sup> Helleiner, Eric. “Economic Nationalism as a Challenge to Neoliberalism? Lessons from the 19th Century.” *International Studies Quarterly* 46, no. 3 (September 2002): 307–29.

<sup>22</sup> Eric Helleiner, “Economic Nationalism as a Challenge to Neoliberalism? Lessons from the 19th Century,” *International Studies Quarterly* 46 (3) (September 2002): 307–29.

nationalism. On the other hand, protectionism, which includes discriminatory measures through the rigidity of norms, is a clear indicator of economic nationalism. Neo-protectionism with its flexible instruments becomes a policy of reducing asymmetric distribution of benefits from globalization and reaction to global imbalances, which again emphasizes the thesis that state participation in regulation of economic processes is an objective reality, and we are witnessing transformation of the previously announced trend towards deregulation into re-regulation.

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