

# The Prospects of Neo-Protectionism in the 21st Century

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**Abstract.** The article highlights the main trends of development of world trade and substantiates the need to implement a new international trade policy that will ensure the achievement of sustainable economic growth by developing countries, reducing social inequality and greater efficiency of globalization processes all over the world. Such policy is neo-protectionism, based on a combination of the principles of free trade and protectionism, whose ratio is determined by the stage of economic development of the country.

## 1. Introduction

In the new millennium the world economy comes under considerable multidirectional influence of wide complex of factors modifying the system of international economic relations, including foreign trade. The most important of them are: the instability of the global financial system in conditions of free flow of financial capital; changes in the WTO trade policy; deterioration of the indicators of transnational corporations; re-industrialization and re-shoring in developed economies; persistent inequalities between the core countries and the periphery countries.

Financial globalization has increased world financial flows and the number of financial transactions. Wide dissemination of a large number of derivative financial instruments which have greatly multiplied speculative activity in the global financial system has led to a diversion of financial resources from the real sector of the economy and a growing imbalance between the volumes of financial transactions and volume of trade in goods and services.

The free trade regime, defined by the WTO, has changed considerably. From the organization of equal members promoting free trade principles and restricting protectionism, the WTO has evolved into a mechanism that supports global economic inequality, protects the economic interests of TNCS which have great economic power and extract excess profits. Developing and underdeveloped countries are limited to conditions of different agreements, which is strictly monitored. They cannot pursue an independent industrial policy contributing to the development of national production. In the conditions of instability of the world financial system the dependence of these countries on TNCS has grown.

Traditionally, free trade and globalization have been criticized by scientists and politicians from developing countries who have noted the preferences received by developed countries and TNCs; by environmentalists, nationalists and so on. But in recent years the support of free trade has continued unabated also in developed countries. They criticize international outsourcing, reducing employment and incomes and increasing social tensions in developed countries. Finding solutions to these problems and the desire to weaken the position of competitors forced the United States to initiate a trade war with China, which could affect world international trade because of the large export-import turnover.

Thus, for various reasons, protectionist methods began to acquire more and more supporters, both in developing to developed countries, and at the governmental level.

## 2. Methodology

In the paper we used a combination of research approaches and methods that allowed exploring the problem more effectively. The main methodological approach was dialectical, which enabled to predict the need for qualitative transformation of the principles of foreign trade as a result of an increasing quantity of protectionist measures implemented by countries. Using the historical approach, combined with a positive one, provided the opportunity to identify patterns and regularities in the economic development of the countries that have successfully overcome the gap with developed countries in the 20th century (Japan, Singapore, Republic of Korea).

Along with the methodological approaches we used general scientific and special methods of economic research. The first group includes analysis and synthesis, induction and deduction, scientific abstraction, grouping, and analogy. Special methods of economic research are: the analysis of global value chains and economic and statistical method that allowed to identify the trends and patterns of development in the study of mass phenomena, as well as to identify factors that transform economic systems and processes.

## 3. Literature review

The study of the regularities of the development of foreign trade and its impact on the level of development of national economies is a research subject of scientists of different economic schools:

1. Mercantilist school of protectionism (T. Man, D. Hume; D. Stewart; F. List);
2. The classical school of free international trade and international division of labor (A. Smith; D. Ricardo, R. Torrens);
3. The neoclassical school of "pure" international trade theory (A. Marshall; G. Haberler; J. Viner; G. Johnson);
4. The School of comparative production costs in international trade (E. Heckscher, B. Ohlin, P. Samuelson; A. Lerner, P. Samuelson; W. Stolper; T. Rybczynski; B. Balassa);
5. The School of Impact of international trade on uneven economic development countries (R. Prebisch, H. Singer; C. Furtado; A. Emmanuel; S. Amin);
6. The School of New theory of international trade and international specialization (R. Vernon, Ch. Kindleberger; P. Krugman, K. Lancaster, M.C. Kemp, K. Shimomura, E. Helpman, J. Bhagwati, G. Hufbauer, M. Porter, G. Gereffi, R. Kaplinsky, U. Dadush)

Despite the fact that numerous economic studies are focused on the actual problems of international trade, including emerging at the turn of the century, there is no consensus about the principles of protectionism and free trade, globalization and regionalization.

## 4. Scientific value

The systematization of economic research of the XX-XXI centuries allowed to conclude an ambiguous assessment of various scientific schools of key provisions, prevailing in the economic science in the second half of the 20th century. These key provisions are a direct relationship between the rate of economic growth and the degree of economic openness, and the benefits of globalization for the periphery countries. We suppose that the existing scientific ideas do not reduce the continuing inequalities between developed and developing countries, and therefore do not correspond to the national interests of the latter. In addition, the emergence of new factors determining the development of the world economic system demands a transformation of ideas about the basic principles of economic policy, including international trade.

## 5. Scientific problem

In spite of the fact that the countries with emerging market and developing countries in 2010-2015 provided about 70% of world output growth and more than 70% of the growth of world consumption

[1], the income level of the population in these countries is still significantly lower, than in developed countries. The real income per capita (at the purchasing power parity) in 90% of the countries of this group is less than a half of the real income in the USA. In this regard, scientists even more often are skeptical about the process of globalization (P. Hirst, G. Thompson, D. Rodrik) [4, 9] and liberalization of the economy.

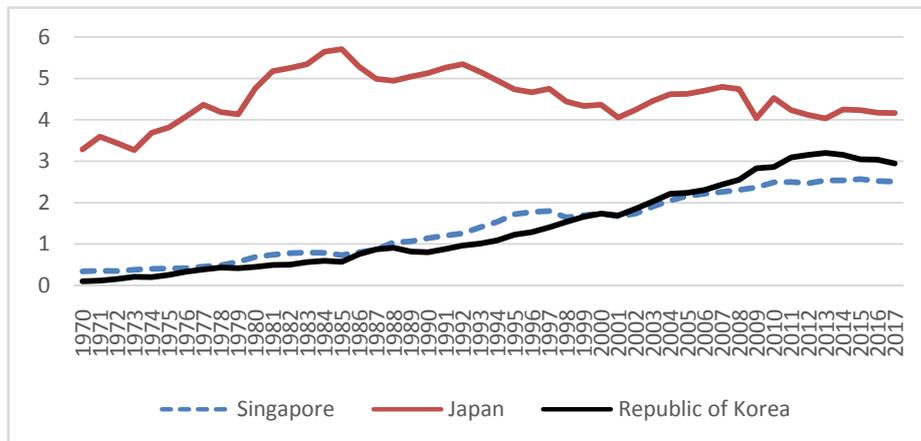
The last decade shows that the preservation of social and economic inequality of the core countries and the periphery countries is directly connected with openness of their economies. A policy of free trade between the countries which are at different stages of social and economic development causes the Vanek–Reinert effect [3]: the developing and the least developed countries are initially faced with deindustrialization (effective industrial sector degrades) and then with deagriculturization (agriculture has become noncompetitive and non-profitable) and finally with the depopulation (almost all population at working-age goes to work abroad). Many former socialist countries which promptly opened their economies and endured "shock therapy" faced this effect. At the same time, the commitment to the mercantilist principles of trade and currency protectionism has helped the undeveloped economy of China to achieve high economic performance.

The transformation of the world economic system under the influence of a complex of new factors causes the need of fundamentally different foreign trade policy, the creation of new mechanisms and institutes. Until they are formed, the process of adaptation to the changing conditions goes spontaneously, aggravates the competition in the world economy and leads to chaotic increase in the number of protectionist measures. It, in turn, initiates trade wars and results the losses for all participants of the international trade. In this regard, in our opinion, the most expedient and perspective policy is a policy of neo-protectionism in which the number and a combination of protectionist measures is determined by the stage of economic development of the country and its place in the international division of labor.

## 6. Theoretical results

The nature of international trade policy (which was mainly protectionism-oriented for the most of the countries up to the middle of the 20th century) began to change in the direction of global liberalization under the influence of activity of the GATT/WTO when tariff and non-tariff barriers began to decrease. As a result of the Uruguayan round (1986-1994) all members had lowered import duties on a third and also had undertaken not to raise them unilaterally in the future. It has led to the opening of new markets; the movement of factors of production and economic benefits has become much freer. Together with transformation of the international division of labor and specialization of the countries, the leaders of economic growth have also changed.

One of the first countries that was initially in adverse economic conditions and managed to use all the advantages of foreign trade to realize its potential was Japan. During the post-war period the achievement of high and stable growth rates (on average about 10%) became possible because of active government intervention and pursuing an aggressive trade policy. Energy, raw materials and food have occupied and still occupying a significant place in Japan's import. In such circumstances an active foreign trade policy to support export-oriented production and stimulate exports for ensuring the need for foreign currency (which was not consistent with the main postulates of free trade), has become vital for the country. The rate of export growth in 1960 compared to 1948 was 2.64 times higher than the rate of import growth [14], which allowed to gradually reduce the negative balance of trade, and by the mid-60s to reach the excess of exports over imports for the first time. Japan's policy at that time assumed active application of different measures aimed at stimulating exports: tax incentives, lending to exporters, maintaining a low exchange rate of the yen, "export competitions", etc. As a result of such foreign trade policy, the country's share in world exports had increased from 0.5% in 1948 up to 3.2% in 1960 [14]. Having formed the internal factors of sustainable economic growth, Japan joined the GATT in 1963 to further take advantage of free trade. By 1985, the country had reached its maximum share (5.71%) in world exports (fig.1). Thus, thanks to the export-oriented policy, Japan has moved to the core of the world economy.



**Figure 1.** The shares of Japan, Singapore and the Republic of Korea in world exports in 1971 – 2017, % [10].

The Republic of Korea, Singapore, Hong Kong and Taiwan followed on the Japanese way. Having accelerated industrialization, which provided high growth rates in 60-90's, as well as export-oriented policy, "Asian tigers" moved to the group of developed countries. The share of Singapore in world exports, for example, over the period 1970-2016 increased from 0.34 to 2.5 % (Fig.1). Despite its dependence on imports of natural resources, Singapore has achieved significant economic growth, actively using all the opportunities provided by foreign trade: from the 70's to 2017 the volume of exports and imports was several times higher than GDP (from 1.07 to 2.31 times) [11].

The free trade and free capital flow regimes supported by the WTO, on the one hand, and the significant reduction in transport costs through the introduction of container technology, as well as management costs through the widespread use of information and communication technologies, on the other hand, have created conditions for the smooth movement of goods and services worldwide. As a result, the differentiation of the stages of the production process deepened, vertical and horizontal technological boundaries of firms expanded. Production cooperation has gone beyond the national framework and developed into global value chains. The effectiveness of these value chains grew.

All of these contributed to the acceleration of deindustrialization of the core countries since the 90s. Labor-intensive production moved to the periphery countries, which allowed reducing production costs due to wage-savings benefits.

At the same time, such developing countries as China, India, Brazil, which received access to advanced industrial technologies of the core countries due to the inflow of the capital factor, at the turn of the XX–XXI centuries began to develop intensively their own industrial production. At first, their products were cheap, but of poor quality. However gradually quality began to improve and manufactured goods from developing countries began to occupy their competitive niches in the world markets. The competition between developed and developing countries in industrial production has intensified. When in 2009 the G–7 countries was in recessions, and the decline in GDP ranged from 2.78 in the United States to 5.62 % in Germany, the economy of China grew by 9.4 and India – by 8.48 % [12]. After the global crisis of 2008-2009, China displaced Japan from the top-3 of the world leaders, having taking the first positions on a number of important macroeconomic indicators: GDP, industrial production, exports of goods.

A comparison of the economic indicators of the countries ranged by income level according to the World Bank classification (high-income, upper-middle-income, lower-middle-income and low-income countries) shows significant disparities between them. The largest gap was observed in the 1990s, when in 1995 GDP per capita of high-income countries was 96 times higher than in low-income countries [13]. Increasing economic growth in developing countries has created conditions for closing the gap, but it is still very large. In 2017 GDP per capita in high-income countries was more than 52 times that of low-income countries and almost 5 times that of upper-middle - income countries.

New trends in the world economy, which marked the beginning of the XXI century, had a significant impact on the content and structure of international trade.

The volume of global exports of goods in 2017 (table1) was \$ 13949 billion, increasing relative to 2000 by 2.8 times. Now the top-five world exporters, in addition to economically developed countries, include China. Its share in total world exports rose by 11.2 percentage points to \$ 2,263 billion, or 16.2 %. Thus, the volume of China's commodity exports was 1.46 times more than the US, whose share in the analyzed period decreased from 15.7 to 11.1 %. Despite the decline in the EU share from 17.3 to 15.2 %, it retains the role of the second largest exporter of goods with a volume of 2122 billion dollars.

In world imports which have grown by 2.7 times up to 14243 billion dollars in 2000-2017, the United States was in the lead. Despite the increase in the absolute volume of their commodity imports to \$ 2410 billion, the share in global imports decreased from 23.9 to 16.9 %. The second largest importer was the EU, although its share of world merchandise imports also declined from 18.3 to 14.7 %. The top-5 importers of goods include one developing country – China, whose share in global merchandise imports has grown steadily. China's imports in 2017 reached 1842 billion dollars, or 12.9 % of the world total, which corresponded to the third place.

**Table 1.** Top-5 exporters and importers of goods in the world (2000–2017).\*

	\$bln,		Share in world exports/imports, %				
	2000	2017	2000	2005	2010	2015	2017
<b>Exports</b>							
World	4972	13949	100	100	100	100	100
including:							
China	249	2263	5,0	9,8	13,3	17,4	16,2
EU (28)	859	2122	17,3	17,1	15,1	15,2	15,2
USA	781	1547	15,7	11,7	10,8	11,5	11,1
Japan	479	698	9,6	7,7	6,5	4,8	5,0
Republic of Korea	172	574	3,5	3,7	3,9	4,0	4,1
Total	2540	7204	51,1	50	49,6	52,9	51,6
<b>Imports</b>							
World	5272	14243	100	100	100	100	100
including:							
USA	1258	2410	23,9	21,4	16,4	17,3	16,9
EU (28)	966	2097	18,3	18,0	16,5	14,4	14,7
China	225	1842	4,3	8,1	11,6	12,6	12,9
Japan	380	672	7,2	6,3	5,8	4,9	4,7
Hong Kong	214	590	4,1	3,7	3,7	4,2	4,1
Total	3043	7611	57,8	57,5	54	53,4	53,3

\* Based on data of the WTO [15].

The ratio of exports and imports of goods shows that in 2017 China, the EU, Japan, the Republic of Korea had a positive balance of foreign trade, while the US and Hong Kong had a negative balance. In 2000 the EU had a negative balance of foreign trade (–\$107 billion) which was replaced by a positive (+ 25 billion dollars.) by 2017. In China the positive balance increased from \$ 24 billion in 2000 to \$ 421 billion in 2017. The US negative balance has almost doubled (–477 to – 863 billion dollars).

An important criterion for the identification of the national economy is the structure of commodity export-import flows. The dominance in the structure of exports of industrial products, characterized by high added value, is an evidence of the high level of development of the national economy, as more value added is created in knowledge-intensive industries, with the help of advanced technologies, due to the high competitiveness of goods. To create competitive national industrial products, and especial-

ly engineering products, it is necessary to achieve a high technological level of the whole complex of interrelated industries.

The leader of the rating of exporters of industrial products in 2000-2017 is the EU with an export volume of 4668 billion dollars in 2017 (table 2). At the same time, its share in the world exports of industrial products for the period decreased by 4.1 p. p. and amounted to 38.9 %. The share of world exports of the US industrial products decreased by 4.4 p. p. (the growth rate was -32%); as a result the country has lost the second place in the ranking. The share of Japan in the world exports of industrial products is also steadily declining (from 9.6 % in 2000 to 5.0 % in 2017). At the same time, China moved from 5th place in 2000 to the 2nd in 2017, increasing exports of industrial products and rising its share from 4.7 to 17.8 % in the global volume. An important fact is that the total share of the five leading exporters of industrial products exceeded 75% of the world.

**Table 2.** Top-5 exporters and importers of industrial products in the world (2000–2017).\*

	\$bln, 2017	Share in world exports/imports, %				
		2000	2005	2010	2015	2017
<b>Exports</b>						
EU (28)	4668	43,0	45,2	40,2	38,2	38,9
China	2132	4,7	9,6	14,8	17,9	17,8
USA	1126	13,8	10,0	9,5	8,6	9,4
Japan	604	9,6	7,5	6,8	5,1	5,0
Republic of Korea	511	3,3	3,5	4,1	4,0	4,3
Total	9041	74,4	75,8	75,4	73,8	75,4
<b>Imports</b>						
EU(28)	4252	40,0	40,9	36,4	32,8	32,8
USA	1828	19,8	16,2	13,2	14,9	14,1
China	1153	3,5	6,4	8,6	8,7	8,9
Hong Kong	511	na	na	na	na	na
Japan	397	4,3	3,6	3,4	3,2	3,1
Total	8141	67,6	67,1	61,6	59,6	58,9

\* Based on data of the WTO [15].

During the period from 2000 to 2017, there were changes in the top-5 importers of industrial products: the share of EU and the US imports decreased by 7.2 and 5.7 p. p. respectively; the share of Japan decreased by 1.39 times, as a result of which the country shifted from the 3rd to the 5th place of the ranking. During this time, the share of industrial products imported by China has increased 2.5 times. In absolute terms, China's exports of industrial products in 2017 exceeded imports by 1.85 times, while in the USA the imports of industrial products are 1.62 times higher than the exports.

The volume of the world exports of commercial services in 2017 amounted to 5279 billion dollars, which is 3.68 times more than in 2000 (table 3) During the period under review, the first place is occupied by the EU-countries, 2-nd – the USA: the share of exports of commercial services of these countries in 2017 was 25.2 and 19.0 %, respectively. China and India are also increasing their exports of commercial services. Thus, the growth rate of China's commercial services exports in 2017 compared to 2000 was 753 %, which is 2 times higher than the world. In 2017, China occupied the 3rd place in the world ranking. The 4th place was taken by India, whose volume of services exports in 2017 compared to 2000 increased by 10.17 times, and the share increased to 4.6 % of the world.

The leading importers of commercial services in 2017 were the EU, the USA and China, whose total share amounted to more than 45% of world imports. During the period under review, the share of imports of commercial services in China and Singapore increased significantly (4.8 and 2.9 times).

**Table 3.** Top-5 exporters and importers of commercial services in the world, 2000–2017.\*

	\$bln,		Share in world exports/imports, %				
	2000	2017	2000	2005	2010	2015	2017
<b>Exports</b>							
World	1435	5279	100	100	100	100	100
including:							
EU**	нд	1009	нд	27,1	24,4	24,9	25,2
USA	275	762	19,1	14,7	18,5	18,8	19,0
China	30	226	2,1	3,1	6,1	7,8	5,7
India	18	183	1,2	2,3	4,4	4,2	4,6
Japan	68	180	4,8	4,5	4,9	4,3	4,5
Total	391	2360	27,2	51,7	58,3	60	59
<b>Imports</b>							
World	1435	5074	100	100	100	100	100
including:							
EU*	нд	800	нд	24,4	21,9	20,2	20,4
USA	199	516	13,8	12,0	13,3	12,9	13,2
China	36	464	2,5	3,5	7,1	12,9	11,9
Japan	116	189	8,1	5,6	5,8	4,8	4,9
Singapore	21	171	1,5	1,9	3,6	3,9	4,4
Total	372	2140	25,9	47,4	51,7	54,7	54,8

\* Based on data of the WTO [5, 6, 7, 15, 16].

\*\* EU (28) – 2015, 2017; EU (27) – 2010; EU (25) – 2005.

Therefore, there are two trends in the world trade in goods: first, the redistribution of forces in the world exports of industrial products from the US and the EU to China; second, despite the regrouping, the total share of the five largest exporters of industrial products in the total volume is held at more than 75 %. Also, observing a steady trend of expansion of world trade in services, we note the preservation of a significant excess over their volumes of the absolute size of export-import commodity flows. In 2017 the volume of exported goods was 2.6 times higher than the volume of exported commercial services. The excess of imports was higher by 2.8 times.

The competition on the world markets, escalated after the world economic crisis of 2008-2009, continues to toughen. This deepens the crisis of free trade policy and reinforces the growth of protectionist tendencies.

The WTO data confirm that there has been a significant expansion of protectionist measures between 2009 and 2016. Only the G20 countries introduced 1671 restrictive measures, covering about 5 % of world's imports [8], including sanitary norms, technical barriers, compensation and anti-dumping duties.

A clear example of the confrontation between the largest economic systems (the US and China) is their strategy, claiming to modernize the world economic order. In 2013, China declared the strategy of the transcontinental transport and logistics system "One Belt, One Road", OBOR, announced the intentions of huge investments in the infrastructure of five land and sea routes that will link Asia, Europe and Africa. In 2016, the name OBOR was officially replaced by "Belt and Road Initiative", BRI. The project, which declared a commitment to prevent protectionism and to strictly follow international economic norms, attracted great attention not only from Asian but also from European countries. The USA initially demanded to open access to the American corporations to project financing. But then they considered that the Chinese BRI project is an attempt to expand the political and economic influence of the "Communist regime", to impose Chinese rules and norms on the world, to compete with American trade and investment projects of the Transatlantic partnership and the TRANS-Pacific partnership, and refused to support it.

Being the largest participants of modern international trade, the USA, China and the EU are both partners and main competitors. However, the difference between them is that the EU and China have a positive balance of trade and the US has a negative balance.

One of the declared goals of modern US economic policy is to achieve a positive trade balance. In 2017, the administration of President D. Trump adopted the program "Buy American and Hire American". To realize this program, which is actually aimed at import substitution, the US has significantly increased import duties on goods imported from China, the EU and other countries. US trade partners did not slow down with the providing countermeasures.

The trade war unfolding between the largest economies leads to an imbalance of all world trade and creates problems not only for participants, but for the entire world economy. The modern export-oriented model of China's economy, while limiting the volume of exported products, risks facing a slowdown in economic growth as a result of the decline in production and employment. In turn, the slowdown in China's economic development can have a negative impact on many economic processes in the world, up to creation of new impulses of the global economic crisis.

The nature of foreign trade policy is always controversial, because, on the one hand, any country is interested in removing restrictions on exports, but on the other, it is obliged to protect the most important or vulnerable sectors of the economy. It is extremely difficult to develop an effective combination of measures of free trade and protectionism in modern conditions in foreign trade policy. If until the mid-twentieth century the application of protectionist policy was the prerogative of the national government, that in modern conditions it is determined through multilateral negotiations of the countries–WTO members.

One of the main objectives of the WTO is trade liberalization through the reduction of tariff and non-tariff barriers. However, participants of the multilateral negotiations launched in 2001 under the Doha round cannot overcome numerous contradictions in such issues as anti-dumping rules; trade in industrial goods and services, and agriculture. The countries of the periphery quite reasonably insist on creating more favorable conditions for their economic development. For example, they have demanded the reduction of the overall level of agricultural support by developed countries. Disagreements between developed, developing and less-developed countries on the protectionist policies have grown so much that the final Declaration was not adopted at the 11th WTO conference in Buenos Aires in 2017.

The accumulation and increase in the number of protectionist measures applied in recent years under the laws of the dialectic will necessarily lead to significant, qualitative changes in foreign trade policy. The crisis in the WTO demonstrates the formation of prerequisites for the creation of new mechanisms and institutions for regulating international trade.

Despite the fact that the mainstream of world economic science remains committed to the principles of free international trade policy, considering protectionism a relic of the past, in our opinion, the new trade policy, or neo-protectionism, is designed to ensure greater justice and efficiency of globalization processes for all, not individual countries, their groups or TNCs. Neo-protectionism is a foreign trade policy based on an effective combination of the principles of free trade with measures of active and protective protectionism, which level of application is determined by the stage of development of the national economy.

In the foreign trade policy of developed countries, it is advisable to apply a limited number of protective protectionist measures and maintain a high level of openness of economies, because to maintain their high standard of living, stable, albeit low economic growth rates are enough.

In developing and less-developed countries the number of implemented measures of active protectionist policy aimed at the expanding its market niche or the creation of new markets by means of export promotion must be of a much higher order than in developed countries. Protective measures that restrict imports and reduce the competitiveness of imports by raising non-tariff barriers and import tariffs should be applied to a limited number of industries or economic activities that are supported by strategic objectives, historical, national traditions or other priority objectives. Their foreign trade policy must combine active government intervention aimed at diversification and industrialization of the

economy and the gradual opening of national markets with increasing economic growth. The need for joint use of market and command-and-control tools in such countries is due to the lack of established sustainable and effective institutions of market self-regulation and public control.

The achievement of sustainable economic growth at a rate greater than in the world in order to reduce socio-economic inequalities should be considered as a priority goal for developing countries at the present stage of development. At the same time, neither openness of the economy to foreign companies, nor compliance with the WTO requirements or liberalization of foreign trade, actively promoted as a panacea for all countries, regardless of the level of economic development, as the main targets of the country cannot act. It is particularly difficult to achieve this goal in a free trade environment for Russia, as liberalization and non-interference of the government in foreign trade contribute to the consolidation of the existing raw structure of Russian exports.

## **7. Practical results**

In order to achieve sustained economic growth at a rate that exceeds the global level and helps to reduce socio-economic inequalities, it is necessary for developing and less-developed countries to use properly all the opportunities offered by foreign trade as a means of receiving the missing factors of production, as well as expanding markets. The latter significantly increases the opportunities for economic growth not only due to domestic demand, but also growing exports. The growth of export production, in turn, contributes to the expansion of domestic demand as a result of an increase in real incomes of the population.

The ways of increasing exports and changing its structure are protection of global value chains (GCS), generated in the country, and expanding the exports of services. Consequently, the object of government stimulation and government support should be the global value chains formed by the national economy. The priority tasks in this direction should be not only to increase the involvement into the global value chains, but also to develop the production stage of the chains (industrialization of the country's economy), increase the export of products with high added value, the passage of most stages of the chain in the domestic market.

The promising direction of the formation of value chains in Russia is production of high-quality food products. The idea of the agrarian specialization of countries as an indicator of economic backwardness has long lost its relevance. Now agriculture is developing on the basis of a combination of traditional and up-to-date technologies and it has become an important industry for innovation. Effective development of agriculture, like the national food system, is promising due to the growing population and high economic growth in developing countries, contributing to an increase in food demand and stimulating additional demand in the world food market. All this factors create the opportunities to increase Russian food exports.

Another promising area for increasing and diversifying of Russia's non-commodity exports is the growth of services exports. Particular attention to the service sector is due to the fact that it is one of the world's fastest growing trade segments. Moreover, this segment allows increasing exports not only in gross terms, but also in terms of value added because the share of the national component in services prevails.

In general, non-commodity exports promotion requires the government to take a number of measures to automate and simplify the tax and customs administration of foreign economic activity, to minimize reporting and time for its verification and coordination, to improve the quality of transport services, to create modern infrastructure and logistics, to maintain a low exchange rate, to form special financial institutions or mechanisms that allow exporters to raise funds at comparable with European interest rates. In addition, the policy of import substitution can be used to stimulate the development of domestic production. However, its capabilities are significantly limited. First, there are goods and services with objectively low competitive advantages (higher cost of factors of production, natural or climatic constraints, etc.). Second, economic growth will depend on the domestic market size. Therefore, the policy of import substitution can bring a positive result only until the saturation of the domestic market with domestic goods and services. Such policy also contributes to the preservation of indus-

tries which are non-competitive in the world market, so the stimulating of exports is more perspective and effective in the long term.

Consequently, for developing (including Russia) and less-developed countries on the stage of catch-up development the main priority should be the limitation of the openness of their economies and conducting foreign trade policy of neo-protectionism.

## 8. Conclusion

Now free trade and the WTO are in crisis due to the persistence of a high degree of inequality of economic development between developed countries and the rest of the world. The accumulation of quantitative changes in world trade leads to the transformation of the existing institutions and mechanisms, qualitative changes of foreign trade policy that we define as neo-protectionism.

The experience of the “Asian Tigers”, which have moved from the periphery to the core countries in the 20th century, as well as the success of China, convinces that at the stage of catch-up development active protectionist policies allows to achieve high rates of economic growth. In keeping with the most important principles of mercantilism (active development of foreign trade, export promotion, especially manufactured products, active trade balance) in conjunction with the WTO free trade principles, China has passed to high-tech industrial economy in a short time.

In relation to Russia, we should note the high desirability of substantial changes of the national foreign trade policy. It is necessary to pursue the policy of neo-protectionism, using active measures of non-commodity export promotion, including commercial services, stimulating the development of export-oriented industries, generating domestic value chains.

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