
THE IMPACT OF PROTECTIONIST POLICIES ON GLOBAL TRADE

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ABSTRACT

Protectionist policies are measures adopted by governments to restrict imports and promote domestic production. The impact of protectionist policies on global trade is a complex issue, as it involves the interplay of several economic factors, such as trade volumes, prices, and the allocation of resources. While protectionist policies may provide some benefits to certain domestic industries, they can have significant negative effects on global trade.

One of the most significant impacts of protectionist policies is the reduction in global trade volumes. Tariffs, quotas, and other protectionist measures increase the cost of imported goods, making them less attractive to consumers and businesses. This reduction in demand can lead to a decline in exports, which can have a ripple effect on other countries that rely on those exports. Additionally, protectionist policies can lead to retaliation by other countries, which can further reduce trade volumes and exacerbate the negative effects.

Another impact of protectionist policies on global trade is the distortion of prices and resource allocation. When protectionist policies are implemented, domestic producers are shielded from competition and are thus able to charge higher prices for their goods. This can lead to an inefficient allocation of resources, as resources are diverted from more productive uses to less productive industries that are protected from competition. This can lead to a reduction in the overall efficiency of the global economy, as resources are not being used to their fullest potential.

In conclusion, protectionist policies can have significant negative effects on global trade. While they may provide some benefits to certain domestic industries, the reduction in trade volumes and the distortion of prices and resource allocation can have far-reaching negative consequences. As long as protectionist policies have been implemented, the neoliberal paradigm has temporarily shifted. Moreover, developing countries have difficulties as protectionist measures bring several standards into practice. It is therefore

argued in this study that protectionist measures create a paradox in terms of free trade.

Keywords: Protectionist policies, Government measures, Import restrictions, Domestic production, Global trade.

1. INTRODUCTION:

Globalization is a widespread notion that embodies current advancements in political and economic exchanges. Our interconnected world facilitates an unprecedented level of intertwining lives, transcending borders and encompassing various aspects such as business, technology, social structures, culture, and governance. Consequently, it becomes evident that globalization has reshaped political communities, viewing humanity's collective destiny as a multi-faceted tapestry encompassing economic, political, social, and cultural elements. In this context, liberalized economic interactions have emerged as the fundamental foundation of the globalized global economy.

In the aftermath of World War II, there was a growing momentum towards liberalization, leading to the establishment of the General Agreement on Tariffs and Trade (GATT). The primary objective of the GATT was to organize international trade relations and reduce tariffs and non-tariff barriers that hindered the smooth functioning of global commerce. In 1995, the World Trade Organization (WTO) was formed as the successor to the GATT, providing a framework for international trade. While both the GATT and the WTO aimed to promote and strengthen free trade, it is noteworthy that protectionist policies have persisted despite globalization and the efforts of these organizations. Although there has been a relative decline in customs tariffs due to international agreements, hidden barriers to trade have emerged over time. Following the financial crisis, even governments professing to embrace liberalism have adopted protectionist measures, leading to a concurrent increase in both liberalization and protectionism. As a result, the postwar international trade order has proven to be ineffective, as liberalisation and protectionism have increased concurrently.

The major goal of this research is to examine the effects of protectionist policies on international commerce. The first half of this paper looks at the evolution of liberal trade. Furthermore, in the first section, liberal trade is evaluated, and then protectionism in liberal trade is explored. Protectionist policies in international trade are discussed in depth in the

second section. The study delves into the underlying causes behind protectionist practices in international trade. It scrutinizes protectionist policies concerning both customs tariffs and non-tariff measures. Furthermore, the study endeavours to analyze the impacts of these protectionist measures on two key aspects: global commerce and the World Trade Organization (WTO). Based on the findings, a compelling conclusion emerges: despite professing to embrace liberalism, even developed nations have resorted to implementing protectionist policies for diverse reasons. The inefficiency of the WTO in addressing hidden trade barriers poses a substantial threat to liberal trade in various ways. Hence, this research highlights a significant paradox confronting the world trade system as a consequence of protectionist policies¹.

2. FREE TRADE & PROTECTIONISM:

According to the idea that there are not enough resources on earth to satisfy everyone's demands, no nation can do so with its own resources. Consequently, foreign commerce has the largest role in global economic ties. The most significant element of the balance of payments is foreign trade, which is the sum of a nation's exports and imports.

The Industrial Revolution's expansion of manufacturing capability and capital accumulation contributed to the abrupt rise in global trade. Finding markets for goods produced after the Industrial Revolution is the fundamental goal. The fact that this would only be possible in an economy without protectionist policies in place should be noted at this point. However, in order to protect their fledgling industries, Germany and the USA have implemented various restrictions on international commerce as a result of the UK's unmatched economic dominance. In fact, as a result of the 1929 Crash, countries began to adopt protectionist measures, and global economic integration was all but abandoned. However, as a result of these measures, the number of stocks expanded in those nations, and in the 1940s, liberal trade picked up speed once more. Indeed, as a result of globalisation, nations have gradually incorporated themselves into international trade².

The removal of all restrictions on the free flow of products and services between nations is the most notable aspect of the globalised world economy. Foreign trade liberalisation is a prerequisite for the new economic system. Indeed, liberalisation is important since it causes the

¹ https://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm

² <https://www.bankofengland.co.uk/monetary-policy-report/2019/november-2019/in-focus-trade-protectionism-and-the-global-outlook>

national economy to become more accessible to global competition and to depart from the conventional industrial strategy.

The removal of trade and investment barriers, the rapid economic expansion of developing nations and its effects on those nations' production capacities, and the advancements in technology after World War II are the factors that facilitated the liberalisation of trade. The efforts made to construct a global economic framework and liberalise trade agreements after the Second World War are a reflection of the US's hegemonic leadership. As a global hegemon, the US has contributed significantly to the development of a liberal capitalist political economy based on multilateralism and cultural standards, which is in fact in its own political and economic interests.

Following the Second World War, the GATT, one of the key institutions governing global trade, set out in its first five conferences to lower tariffs that prevent access to markets. Non-tariff barriers and national economic policies of the various countries were the main topics of discussion at the sixth and seventh ministerial conferences. In that sense, it can be argued that the GATT has engaged in a number of multilateral discussions and has significantly helped to lower tariffs in the post-World War II era³. It is important to highlight that efforts to liberalise international commerce have actually taken two different paths. The first is the reduction of customs tariffs through multilateral trade talks under the auspices of the GATT, which is understood as an all-encompassing strategy. The second is the regional strategy, which refers to initiatives to liberalise international commerce by integrating a number of nations.

2.1. Protectionism in Liberal Trade:

Countries can limit imports to their own markets by engaging in protectionism. Tariffs and non-tariff barriers like quotas and currency restrictions might imply protectionism. Protectionism proponents contend that free trade damages domestic sectors and badly affects the country's balance of payments. Imports are used to meet domestic demand, which lowers productivity and raises unemployment. However, it should be recognised that protectionism, which serves as a counterexample to free trade, can both undermine and defend it. Whether protectionism is a destructive or a guardian of international trade depends on its motivations, methods of implementation, and scope.⁴ The liberalisation of imports, the removal of import

³ https://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm

⁴ <https://www.jstor.org/stable/30025334>

restrictions, the guarantee of smooth operation, the depreciation of a currency through devaluation, and the sale of state-owned firms are some of the free trade policies that are suggested for developing countries. However, asserting that these nations would be in a better position than they were before once the restrictions on customs were lifted is not a wise strategy.

Mercantilist policies are the foundation of protectionism. There are numerous current tendencies that encourage protectionism. Following the 1929 financial crisis, many nations raised their tariffs and entered a period of competitive devaluation. This circumstance shows how mercantilist policies backfired. Following the resilience exhibited in the face of the 1929 Crisis, the United States, for instance, empowered its government to decrease tariffs through bilateral trade legislation. In a similar vein, despite England's historical advocacy for free trade, it implemented an elevated tariff system in 1932 known as the preferential tariff system. Nevertheless, the prevalence of protectionist measures began to diminish during the latter part of the 1930s.

Even while emerging nations embraced import-substituted industrialization in the 1960s and 1970s, the financial crisis of the first half of the decade showed that the strategy was ineffective and resulted in significant losses in wealth and resources. As a result, there is now greater sensitivity to ideas regarding open economy policies. Since tariffs have been used to limit international trade liberalisation since the late 1930s, the emergence of stagflation following the 1973 global energy crisis has resulted in the rise of new types of protectionist policies. 'New protectionism' refers to the recently developed protectionist measures that have taken over since 1973. The lack of clarity and comprehension of the new protectionism is one of its most significant problems. In lieu of relying solely on customs duties, contemporary protectionist approaches employ alternative measures such as voluntary export restrictions and various intangible trade barriers. These novel regulations primarily aim to shield nascent industries from foreign competition, while also encompassing additional objectives such as consumer protection, public health preservation, and environmental sustainability, tariff reduction has become a reality in the agricultural industries with the creation of the WTO. However, as was noted in the preceding sentence, industrialised countries have started to suggest new protectionist measures to make up for tariff reductions in agricultural and agriculture-related industries. These new regulations are known as "invisible barriers" in the industry. There are many different ways to use invisible barriers. Regulations governing

healthcare, quality standards, and packaging and labelling arrangements can all be used as examples in this context. The primary distinction between traditionally applied tariffs and invisible trade barriers relates to how they are put into practice. The new aspect is thus the altered design of the tools used to impose protectionist measures.⁵

Concerns about social justice, equity, fairness, and the equitable distribution of jobs and money have grown recently, especially in the wake of the 2008 Financial Crisis, and as a result, support for free trade has significantly decreased. Following the 2008 Financial Crisis, numerous governments have faced the need to implement recovery plans for the good of the populace. Additionally, those who oppose the neoliberal development paradigm that the West promoted have grown. The neoliberal development paradigm has drawn criticism since it causes the financial crisis, widens the wealth disparity, and amplifies the influence of outside factors on the formulation of foreign policy⁶. foreign trade at the expense of other countries. Contextually, the post-World War II liberal trade order has shown that it cannot be effective in enhancing stable political systems over the long run, as the recent global financial crises have shown. Consequently, the liberalisation movement and protectionism have both been stronger since the Second World War. While protectionist measures have typically been used in times of crisis, liberal policies have been implemented more quickly when the global economic order has been functioning well.

The decline in global endeavours to foster liberalized trade, the worsening of wealth inequality in the US and many other nations as a result of globalisation, and the ongoing and worsening global financial crisis can all be linked to the resurgence of protectionism. In addition, countries may favour protectionist policies because of the likelihood that domestic labour markets may lose workers. However, they must remember that if other nations respond in kind, they would lose a larger portion of their labour force.

The resurgence of protectionism can be attributed to multiple factors, including the decline in international initiatives to promote free trade, the exacerbation of wealth inequality in numerous countries, including the United States, due to globalization, and the persisting global financial crisis. Furthermore, the adoption of protectionist policies by countries may be influenced by concerns over potential job losses in domestic labour markets. However, it is

⁵ <https://carnegieendowment.org/chinafinancialmarkets/88829>

⁶ <https://www.ecb.europa.eu/press/key/date/2018/html/ecb.sp180406.en.html>

crucial to acknowledge that such measures could lead to adverse repercussions if met with negative responses from other nations, resulting in a significant loss of labour and other economic implications.

It is evident that even if nations have adopted the ideals of globalisation, they have the option of enacting protectionist laws in the wake of financial crises. Emerging global crises have increased domestic product consumption while also stimulating export levels as a result of protectionism. Global crises are a catalyst for protectionism because they temporarily deactivate foreign money and give states the authority to organise their employment programmes and establish their development objectives using native resources. It is obvious that increased international commerce, as opposed to protectionist measures, can efficiently boost the world economy, but the neoliberal paradigm has momentarily changed during times of crisis. As economic recession engenders an increase in protectionist policies, the WTO is insufficient to preclude clashes that emerged from macroeconomic problems. In that respect, the paradox has emerged for liberal trade.

3. Trade Restriction Measures in International Trade

It is impossible to dispute the benefits that commerce has made to growth, prosperity, and the reduction of poverty. Millions of people have been lifted out of poverty as a result of the expansion of international trade agreements, increased investment, and growth, which has also had a favourable impact on growing living standards. In addition, international relations have improved and world peace has advanced as a result of strengthened trade links. However, this is not where the narrative ends. Despite the fact that one need of globalisation is free commerce, there aren't many international goods and services available in reality⁷. The negative consequences of imports on national economies are most sensitive in industrialised countries. As a result, the public puts pressure on the government. Because native producers struggle to compete with imported goods, governments have been forced to enact protectionist policies in this area. Additionally, developing nations take steps to promote overseas trade in order to speed up industrialization. However, before deciding to apply protectionist policies, countries should consider the negative impacts of those actions. Proponents of free trade contend that protectionism stifles competition, prevents innovation, and causes stagnation and

⁷ <https://gowlingwlg.com/en/topics/protectionism/>

recession.

3.1. Reasons for Protectionism in International Trade:

Protectionist policies find justification in various aspects of international trade. Some of these justifications encompass national defence, trade enhancement, economic development, bolstering external bargaining power, safeguarding specific professional groups or sectors, employment growth, and preventing dumping. The national security and defence argument asserts that a country's ability to maintain its economic and political independence during potential crises and conflicts hinges on nurturing a robust defence sector and ensuring its protection. Hence, implementing protectionist measures becomes imperative in establishing and fostering the growth of domestic defence enterprises.

Liberal trade, in the opinion of protectionism's proponents, distorts trading conditions with developing nations. The terms of trade have been trending downward over time as demand for exporting agricultural goods is lower than for exported industrial items. When imports surpass exports, a trade deficit in foreign commerce emerges. The balance of trade, which constitutes a part of the balance of payments, encompasses the current account balance. Imbalances in the balance of payments result in the depletion of foreign exchange reserves held by central banks, necessitating heightened reliance on external borrowing. In order to address this, it becomes imperative to implement import controls and impose restrictions on outflows of capital to other countries. To stop this kind of unfavourable outcome, industrialization through protectionism should be chosen. The infant industry thesis contends that emerging sectors should be protected until they reach an ideal scale because they may one day have a competitive advantage. In terms of their interests, foreign businesses that sell processed goods to any nation do not favour having that nation produce such goods⁸. The length of protectionism is crucial in relation to the thesis of the young industry. Protectionist policies should be used in that regard till the industry moves past its infancy. Customs tariffs may be reduced in this type of protectionism since there is a chance that the protected industry won't implement specific productivity-improving measures.

The most important aspect of commerce is being fair rather than being impulsive. The production and expenditure conditions of internal and exterior industries are not equal as a

⁸ <https://ideas.repec.org/a/tei/journal/v15y2022i1p58-70.html>

result of natural, sociological, and political variables. A number of instruments should be used to cushion internal industries whose situations are harsher than those of external industries, and some privileges should be granted to those industries. Tariffs, quotas, subventions, and other protectionist measures should be used to balance the circumstances for production and expenditure, resulting in the regulation of the competitive market.

By implementing protective regulations, an industrialised nation can gain a comparative advantage in crucial industries like the technology and communication sectors. This nation may temporarily enact taxes and subsidies in that direction. Future growth opportunities for that country are improved when important economic sectors are supported. According to protectionists, defending indigenous businesses from international rivalry also helps to reduce unemployment. Imports are restricted, which increases demand for domestic goods that replace imports. Demands are rising again, which leads to more orders and more domestic production. Protectionist measures can lower unemployment because increased labour is needed to increase production.

Proponents of protectionism argue that safeguarding the nation's economy from dumping is crucial. Dumping occurs when goods are sold below cost price, often employed by certain businesses to gain market share and eliminate their competitors. Anti-dumping measures, such as levying taxes between the fair price and the actual price, aim to address unfair competition among producers. Furthermore, emerging nations often contribute to environmental pollution due to their reliance on immature technologies during their development phase. Therefore, advocating restrained trade with nations that employ underdeveloped industrial technologies becomes preferable as it encourages the adoption of cleaner and more sustainable technology practices. Advocates of protectionism also contend that it is necessary to shield domestic industries from imported inflation, poverty, and overvaluation caused by foreign currencies. Such arguments align with certain macroeconomic theories. Collectively, proponents argue that protectionism serves as a preventive measure against the emergence of new and worsening financial crises.

3.2. Effects of Protectionist Measures:

The majority of trade policy can be exploited for protectionist ends. Tariffs and non-tariff measures are the two aspects of those policies that might be analysed. The taxes that are gathered when goods leave the country's borders are known as tariffs. "All trade barriers that

are not tariffs" are referred to as non-tariff barriers. Non-tariff barriers can include things like foreign exchange controls, anti-dumping taxes, import limitations, export subsidies, and voluntary export limits. Tariffs were steadily reduced as a result of the GATT agreements, while non-tariff measures spread over time. The disturbance in transparency is caused by this circumstance. Although non-tariff measures have increased since 1973 with the new protectionism wave, it was determined to minimise non-tariff measures during the Uruguay Round in 1994⁹.

4. Examining the Impacts of Protectionist Policies: A Comprehensive

Analysis

Different countries experience protectionism in different ways depending on their size and degree of development. Increased protectionist actions in one nation may influence other nations to follow suit. Because of the declining global wealth, the economic situation in such countries could deteriorate. The supply-demand balance in the world will be impacted if a nation is developed but its commerce is restricted. When a developed nation enacts import-restrictive protectionist policies, there will be less demand on the global market, which will result in lower commodity prices. Reduced pricing will cause harm to those commodities' producers. In this context, countries with significant contributions to global supply should pursue protectionist policies more cautiously than other trade nations. In contrast to emerging nations, developed nations have implemented protectionist policies through company protection, investment, and financial help. Conversely, when a developing country implements protectionist policies that reduce its imports, the overall global supply remains largely unaffected. Instead, such measures stimulate domestic companies to boost their production. Moreover, considering the substantial influence of developing nations on the global market, their decisions to prioritize local exports or substitute imports have far-reaching implications worldwide. Accordingly, this article's analysis of protectionism encompasses an examination of the repercussions on international trade and the World Trade Organization (WTO) through two distinct sub-sections¹⁰.

⁹ <https://www.oecdwatch.org/oecd-ncps/the-oecd-guidelines-for-mnes/#:~:text=The%20OECD%20Guidelines%20for%20Multinational,labour%20rights%2C%20and%20the%20environment.>

¹⁰ <https://www.focus-economics.com/blog/effects-of-trade-protectionism-on-economy/>

4.1. Effects of Protectionism on World Trade:

- **Trade Barriers:** Protectionist policies often involve the imposition of trade barriers such as tariffs, quotas, and import restrictions. These barriers make imported goods more expensive or difficult to access, reducing the volume of international trade. This can lead to a decline in global trade flows and disrupt established supply chains.
- **Reduced Market Access:** Protectionism can limit market access for foreign firms, making it challenging for them to compete in domestic markets. This can create barriers to entry and hinder the growth of international trade. Restricted market access limits consumer choices and can result in higher prices for goods and services.
- **Retaliatory Measures:** Protectionist actions by one country can trigger retaliatory measures from other nations. When countries engage in a cycle of protectionism, it can lead to a trade war, where tariffs and trade barriers are increased reciprocally. Trade wars have a detrimental impact on global trade as they escalate tensions, disrupt established trade relationships, and increase uncertainty for businesses.
- **Economic Contraction:** Protectionist measures can hinder economic growth and development. By limiting access to foreign markets and reducing competition, protectionism can result in inefficient allocation of resources and reduced productivity. It can also lead to higher costs for inputs and consumer goods, negatively impacting consumers' purchasing power.
- **Market Distortions:** Protectionism can distort market dynamics by providing artificial advantages to domestic industries. By shielding them from international competition, domestic industries may become less incentivized to innovate, improve efficiency, or respond to consumer demands. This can hinder overall economic progress and limit the benefits of international trade.
- **Disrupted Supply Chains:** Protectionist policies can disrupt global supply chains, which are networks of interconnected production processes spanning multiple countries. Trade barriers and uncertainty caused by protectionism can lead to the reconfiguration of supply chains, with companies seeking to localize production or find

alternative suppliers. These disruptions can increase costs, reduce efficiency, and impact global trade flows.

- **Impaired International Cooperation:** Protectionist actions can strain international relationships and impede cooperation between nations. They can erode trust, escalate conflicts, and hinder multilateral efforts to address global challenges through trade agreements and organizations such as the World Trade Organization (WTO). This can undermine the stability and predictability of the international trading system.

4.2. Case Study: The Effect of Protectionism on the Steel Industry

One notable case study that demonstrates the effects of protectionism on world trade is the impact of protectionist measures on the steel industry.

Background:

In recent years, there has been a rise in protectionist measures targeting the steel industry in various countries. These measures include the imposition of tariffs, import restrictions, and subsidies to domestic steel producers. The objective is to protect domestic steel industries from foreign competition and preserve jobs in the sector.¹¹

Effects:

Trade Disruptions: The implementation of protectionist measures in one country can lead to trade disruptions in the global steel market. Higher tariffs and import restrictions make it more expensive for foreign steel producers to access the protected market. As a result, steel exports from other countries decline, leading to a reduction in global steel trade volumes.

Retaliatory Actions: Protectionist measures in the steel industry often trigger retaliatory actions from other countries. When one country imposes tariffs or trade restrictions on steel imports, affected nations may respond by implementing their own protectionist measures on different products, including steel. This retaliatory behaviour can escalate tensions and result in a trade war, negatively impacting global steel trade and broader international trade relationships.

¹¹ <https://www.crugroup.com/knowledge-and-insights/spotlights-blogs/2017/the-rise-of-protectionism-and-the-steel-industry/>

Market Distortions: Protectionism in the steel industry can lead to market distortions. Domestic steel producers who benefit from protective measures may experience artificial advantages such as higher prices for their products due to reduced competition. This can lead to inefficiencies, decreased innovation, and reduced incentives for domestic steel producers to improve productivity or adapt to changing market demands.¹²

Disrupted Supply Chains: The steel industry is a crucial input for many other sectors, including automotive, construction, and manufacturing. Protectionist measures that restrict steel imports can disrupt global supply chains and increase costs for downstream industries that rely on steel as a primary input. This can negatively impact the competitiveness and profitability of these industries, leading to potential job losses and economic contraction.

Economic Consequences: Protectionist measures in the steel industry can have adverse economic consequences. Higher steel prices resulting from import restrictions can increase production costs for downstream industries, making their products less competitive in both domestic and international markets. This can lead to reduced economic growth, decreased investment, and job losses in industries that heavily rely on steel inputs.

Impaired International Cooperation: Protectionism in the steel industry can strain international cooperation and hinder multilateral efforts to address global challenges. It can erode trust among countries, impede negotiations on trade agreements, and undermine the effectiveness of international organizations such as the World Trade Organization (WTO) in resolving trade disputes. This can further contribute to an uncertain and fragmented global trade environment.

4.3. Effects of Protectionism on the WTO

It becomes obvious that international trade and investment are boosted by globalisation when we examine it from an economic perspective. International trade, production, and financial activity have consolidated, evolved, and reached unfathomable heights now as a result of economic globalisation. The exchange of products and services has been made easier and more affordable thanks to advancements in transportation technology. The GATT is predicated on the notion that there is enough supply of commodities but that new markets are required to generate a sufficient amount of demand. In this regard, it is evident that the GATT shows a

¹² <https://www.theguardian.com/business/2021/jul/01/uk-steel-industry-welcomes-extension-protectionist-tariffs-china>

deficit in aggregate demand. In such an atmosphere, it is anticipated that there will be an increase in the number of nations participating in international trade discussions. With Kazakhstan's entry on November 30, 2015, the WTO, which is the most important and effective actor in directing and manipulating international commerce, now has 162 members (WTO, 2016).

When a developing nation embraces protectionist measures, the decrease in its imports does not significantly impact the global supply. Conversely, this reduction in imports serves as an impetus for domestic companies to expand their output. Moreover, due to the significant influence that developing nations hold in the global market, their decisions to prioritize local exports or substitute imported goods have far-reaching consequences on a global scale. Consequently, this article's analysis of protectionism encompasses a comprehensive examination of its effects on international trade and the World Trade Organization (WTO) through two distinct sub-sections.

The WTO's main objective is to create a trading trend that is more dependable and compatible that can be used by all of its members. In that regard, the Doha Development Agenda (DDA) or Doha Development Round, which took place in 2001 in Doha, Qatar, was the first multilateral trade round to take place under the auspices of the WTO¹³. The DDA is expected to conclude in 2005. In the DDA, "development" is accepted as the core topic of multilateral trade talks. Additionally, the DDA aims to modernise the current trading system by removing obstacles to free commerce. The DDA's main goals are to establish a well-functioning trading system, reduce domestic and export agricultural product subsidies, and improve market access for both agricultural and non-agricultural goods such as industrial goods and services. Agriculture has been the most important item on the negotiation agenda that determines the future of the DDA because it is the sector that is most protected globally¹⁴. Developed nations have taken a protectionist position towards agriculture throughout the Doha Negotiations, especially the EU and the US. Additionally, they haven't advocated for market liberalisation enough in their home countries, despite supporting their domestic agricultural industry. Despite this, emerging nations have argued in favour of removing barriers, particularly in the agriculture sector where they have abundant resources. In the long run, they

¹³ https://www.wto.org/english/thewto_e/whatis_e/tif_e/doha1_e.htm

¹⁴ <https://www.everycrsreport.com/reports/RL32060.html>

might be in a better position if the agricultural sector gets liberalized.

In that regard, developing nations express their displeasure with the current trading system. They have made efforts to build and balance the current trade order in a way that serves their interests. The DDA has been stuck in a deadlock as a result for more than ten years. The DDA's legitimacy and dependability have suffered because it is unable to result in a globally inclusive agreement.

In that regard, the global trade governance crisis has been made public. Additionally, the international trade talks' failure has harmed free trade as a result of the rise in protectionism.

It is important to highlight that a specific set of measures, encompassing trade facilitation, agriculture, and Special and Differential Treatment (SDT) for the Least-Developed Countries (LDC), was successfully agreed upon on December 7, 2013. These measures concluded the Bali Ministerial of the Doha Development Agenda (DDA), which marked the Ninth Ministerial Conference of the World Trade Organization (WTO) held in Bali, Indonesia.

Even though the Bali Ministerial saw a passionate negotiation process, the agreement on the "Bali Package" has significant significance because it would benefit all DDA parties¹⁵. Furthermore, it is clear that reaching an understanding of the "Bali Package" is a significant step towards finishing the DDA since it might rekindle the negotiation process, which was started in 2001 but has been at a standstill ever since¹⁶.

Case Study: Agricultural Subsidies and Trade Barriers

This case study delves into the implementation of protectionist policies in the agricultural sector by several developed nations. These policies involve substantial subsidies provided to domestic farmers and the imposition of trade barriers on imported agricultural products. The resultant distortion in international trade adversely affects farmers from developing nations, who face significant challenges in competing in the global market. The World Trade Organization (WTO) assumes a critical role in addressing these protectionist practices through trade negotiations and dispute settlement mechanisms. The outcomes of these

¹⁵ https://www.wto.org/english/thewto_e/minist_e/mc9_e/mc9_e.htm

¹⁶ <https://unfccc.int/conference/bali-climate-change-conference-december-2007>

cases bear implications for the efficacy and relevance of the WTO in mitigating the adverse effects of protectionism on agricultural trade.

Case Study: Non-Tariff Barriers in the Automotive Industry

This case study focuses on the utilization of non-tariff barriers in the automotive industry by certain nations to safeguard their domestic manufacturers. Such barriers encompass stringent regulations and technical standards, which restrict market access for foreign automotive companies and impede fair competition. The repercussions of these protectionist measures on the WTO become evident through trade disputes raised by affected nations and the necessity to establish regulations that strike a delicate balance between protecting domestic industries and promoting open trade.

5. Conclusion:

Even liberal nations have adopted protectionist policies as a result of the world conflicts and crises that have occurred throughout specific historical periods. Import-limiting and export-encouraging restrictions are typically put in place during crises. The 2008 Global Financial Crisis is the most striking illustration of this since support for open trade rapidly decreased as a result of the crisis and several nations adopted protectionist policies. It is obvious that the use of protectionist policies contributes to a worsening of crises as a result of globalisation. Economic concerns are just one aspect of the globalisation conversation. It is clear that on national, regional, international, and even planetary scales, there are now more links between individuals, institutions, nation-states, and non-state entities than ever before. Countries cannot implement protectionist policies to safeguard their interests in a globalised economy since these policies are prohibited by international agreements like the GATT and the WTO.

Multilateral trade agreements do lower customs rates, but the WTO is ineffective when it comes to intangible obstacles that have grown over time. Countries make it clear that they used protectionist measures to strengthen certain of their national industries, their national security, and their economic growth. The most protected industry globally is agriculture in particular. The World Trade Organization (WTO) finds itself facing a crisis as it grapples with the challenge of effectively curbing protectionist policies pursued by nations seeking to advance their own national interests. The organization's legitimacy and credibility have

suffered significantly due to its inability to foster a globally inclusive agreement that promotes trade liberalization.

In a globalized economy, it is crucial to recognize that protectionist trade policies have repercussions not only for the implementing nation but also for other trading nations. The impact of such measures varies depending on the size of the nation involved. In the case of smaller nations, imposed tariffs may raise domestic prices without significantly altering the global supply-demand equilibrium. Conversely, when larger economies adopt protectionist measures, the consequences for the global economy can be considerably negative, leading to adverse effects on other nations and resulting in a loss of welfare. Hence, the post-World War II international trade order encounters a fundamental predicament as it struggles to prevent the proliferation of imperceptible barriers to trade. The prevailing neoliberal model has undergone a shift concerning global trade, with even traditionally liberal nations embracing the notion of protectionism, particularly during times of crisis.

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