

## INNOVATIONS IN FOREIGN TRADE MANAGEMENT UNDER PRE-WAR NEO PROTECTIONISM CONDITIONS

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**Methods.** To study the risks of neo protectionism for Ukrainian exporters there has been used the following methods: analysis and synthesis, induction and deduction – to identify prerequisites for the formation of neo protectionism in the conditions of globalization. The statistical methods have been used to develop the model of the dependence of the export of products (goods and services) on the indirect methods of neo protectionism to test the hypothesis about the influence of indirect financial support on the stimulation of exports and the creation of new jobs by exporting enterprises.

**Results.** This study offers recommendations for overcoming the risks of foreign economic activity, in particular the relocation of jobs, changes in trade and payment balances on the example of individual countries, as well as the use of discriminatory measures against exporting firms from Ukraine. It is demonstrated that before the war, Ukrainian firms that exported their products and services to foreign markets faced fierce competition for both customers and investments. As most of the world prioritizes trade liberalization, many so-called «developed countries» suffer from the social and political consequences of the global distribution of wealth and labor, which include the movement of jobs abroad and rising unemployment. It was revealed that more and more countries are applying neo-protectionism measures to protect local markets and strengthen the competitive positions of national businesses, so the management of Ukrainian firms should take these risks into account when developing their own foreign trade strategies.

**Novelty.** The article summarizes the arguments and counter-arguments in the framework of the scientific debate on the problem of the revival of neo-protectionism and economic nationalism in the conditions of global economic integration and trade liberalization. Innovative recommendations for minimizing threats to Ukrainian exporting firms from the policy of neo-protectionism in the foreign markets of unfriendly countries in the post-war period are proposed.

**Practical value.** The recommendations provide for reorientation from the markets of unfriendly countries with high non-commercial risks to the markets of partner countries and insurance of commercial risks under the contract using the mechanisms of Public JSC «Export Credit Agency of Ukraine» in the post-war period. The results of the research can be useful for Ukrainian exporting firms and government bodies that regulate the foreign economic activity of trade agents that export dual-use goods.

**Keywords:** export activities, free trade, foreign trade management, international trade, neo-protectionism, trade balance, innovations.

**Statement of problem.** In recent decades, the globalization has traditionally been interpreted by the scientific community as an irreversible process that, while not without its

drawbacks, ultimately benefits humanity by equalizing incomes in developed and developing countries, improving living standards and living conditions through society due to exchange

of information, capital, technologies and other types of resources. This axiom is undergoing a significant test at this time, when trade restrictions and barriers are supposed to disappear completely, and all countries of the world are seeking to join various kinds of free trade agreements. We are witnessing events unique in the historical and economic context: the shift of world centers of power (the transformation of China into the second, and by some estimates the world's first economic power), the weakening of global leadership in countries such as the United States, Britain, and Japan, while Africa and Latin America countries demonstrate intensive economic growth. The main challenge is the return of the world to the times of «multipolar confrontation» between the Western world, Ukraine's ally, and the Eastern bloc of China and Russia. This world is characterized by trade wars escalation, economic protectionism, and growing isolationism in those countries, which have shown high rates of economic growth for several decades. We have written this article at the end of 2021 and tried to show the risks of internationalization for those firms which deals with counterparts from Russia and China. Recent events have confirmed our most pessimistic predictions about the impact of geopolitics on international trade and the adverse effects of a bipolar world.

In this context, the expert community is particularly concerned about the ability of Ukrainian enterprises to adapt traditional supply chains to new conditions of international business, as well as the ability of our country to transform itself from recipient country to investor country and regional leader, considering the mistakes and achievements of our partners from Europe, Asia, and Northern America.

In search of answers to these questions, we will have to consider the impact of trends that will determine in the nearest future the direction of changes in foreign trade policy in the most countries of the world, as well as potential effects of such changes on Ukrainian enterprises' export operations management. The article considers the pre-war period, and although the situation has been changed significantly since the beginning of the full-scale Russian aggression against Ukraine, the traits of

neo protectionism and trade wars seems to become actual as never before.

**Materials and methods.** A significant number of Ukrainian scholars' publications has been developing the methodology of a competitive national economy, as this problem remains actual throughout the period of our recent history. We may say that recently the dominant mainstream theory has been defending the idea that global liberalization of trade brings profits to all players regardless of their economic and institutional development, helps to redistribute the welfare between nations and improve the life throughout the world. Although traditional views of business internationalization are based on the work of Paul Krugman and Paul Samuelson, in this study we have focused on the paper of Harvard's professor Danny Rodrick, which shows how ill-considered decisions to liberalize foreign trade strengthen the position of populists in politics. His recommendations are useful to the experts in the context of creation of «comprehensive free trade areas» with different countries, including the People's Republic of China. Rodrick's study (Rodrik, 2018) clearly demonstrates that intentions to open national markets may bring the opposite effects that has been expected, as an example we may compare pros and cons of the North American Free Trade Agreement.

Abboushi in his study (Abboushi, 2010) establishes that trade restrictions are harmful to the economies of the trading partners, having substantiated that freer trade policies benefit more than countries with restricted policies. Broner and his colleague (Broner at al., 2016) presented a simple model that shows the dependence the effects of financial globalization on the level of development, productivity and domestic savings; we have considered these effects in our study, because export activity significantly influences on volatility of capital flows and stability of the national financial market.

In the paper (Carluccio at al., 2016) is described the negative effect of offshoring as a result of free trade on signing firm-level wage agreements, that reflects the nature of the disparities between job relocation and increased cost competition between domestic and foreign producers. Drelich-Skulska and Domiter (Drelich-Skulska at al., 2021) examined the

influence of protectionist practices on the pro-export trade policy and emphasized that protectionism facilitates the internal market development and use a set of instruments to satisfy the export growth.

The article (Malte Pehl et al., 2021) analyzes effects of compliance rules in the prevailing world trading system and make it clear that a steady increase in national regulation of business activity influences the domestic industry more intensively than the foreign trade. Lester (Lester et al., 2018) reviews the Australian experience of adaptation of the national economy to the conditions of globalization, in particular through the alliance with Britain and the United States, and the influence of Brexit on Australian export activity.

Moreover, we have recently witnessed some challenges in policy and economics, which may in the nearest future totally change the well-known world of globalization, free trade and liberal values, dividing it by protective barriers. And in this new world, as Rodrick says, trade and economic wars between countries (and led by regional blocs) will flare up with renewed vigor. The signs of such tensions may be seen today as the phenomenon of «Trumpism» demonstrated by the United States of America – the country, which is considered by many to be the bulwark of the modern liberal agenda. Despite their liberal rhetoric, developed countries are increasingly using tools to protect their producers through soft credit rates, insurance, government spending, transfers, exchange rate regulation, and administrative methods to influence on foreign trade participants through technical and phytosanitary standards, quotas, licensing, goods contingent regulation, and even anti-dumping measures. In general, all these tools allow to researchers to determine the transition of foreign economic activity to its new stage – neo-protectionism. Panchenko in his doctoral paper has defined the neo-protectionism as the set of principles, tools and methods of regulatory policy in the field of international trade, international capital movement and foreign investment, international monetary, financial and credit relations, and emphasizes that it is done to strengthen the competitiveness of local producers in domestic and foreign markets.

Vitale (Vitale, A., 2020a), (Vitale, A., 2020b) analyzed in his studies the impact of pandemic and financial crises on international trade and how these crises has recently stimulated economic nationalism and the adoption of the neo protectionist policies. In Ukrainian economics it is a usual practice to consider market protection, and international economic policy as macroeconomic problems, but both of these issues are directly extrapolated to the microeconomic level, as there is an indisputable correlation exists between the importing countries economic policy and risks in foreign economic activity for exporting enterprises.

**Aim of the paper.** The purpose of this article is to identify trends in neo-protectionist policies of foreign states and to develop recommendations for Ukrainian enterprises to consider this kind of trade changes in their export operations management.

**Materials and methods.** The main research methods of our article are based on descriptive and comparative techniques of statistical information received from open sources, as well as system method. The system method leads to the enhanced understanding of internal and external risks of foreign trade liberalization under conditions that the country has negative trade and negative payment balances. The descriptive method has been used to classify the external environment threats for Ukrainian exporting firms, as well as recommendations to minimize such kinds of threats.

The authors collected information on the structure of Ukraine's foreign trade with partner countries, analyzed the main export directions for manufacturers of high-tech products, collected and analyzed data on the main macroeconomic indicators in 2020–2021 and their changes depending on the volume of indirect financing and preferential lending of Ukrainian enterprises - exporters.

In order to develop recommendations for Ukrainian enterprises to consider recent trade changes in their export operations management, three hypotheses are established:

H1: It is assumed that in modern conditions, exporting companies should not pay attention to the free trade impact on the incomes in domestic countries and political risks for their business.

H2: It is assumed that exporting companies should not change the situation with unequal income distribution in their domestic companies and try to minimize risks of protectionism by applying risk-hedging mechanisms.

H3: It is assumed that political risks may influence significantly on foreign trade management of export firms because of applying protectionist tools and getting advantages by breaking the rules of international business.

H4: It is assumed that indirect financial support of exporting enterprises has a positive effect on both the creation of new jobs and the increase in the volume of exports of goods and services of Ukrainian origin.

**Results.** Since the days of Adam Smith, scholars assume the international economic activity, including export and import operations, as one of the main sources of wealth. The modern monetary system based on «floating» currency rates, depending on supply and demand of money, further confirms this belief. That is why striving for the deep integration of the national economy into the global one through its maximum openness has become the axiomatic point of view. This trend is exacerbated by long-term history of isolationism due to the nature of the Soviet-era planned economy and later relative isolation of the Ukrainian national economy from global economic processes in 1991–1997, resulting in technological backwardness and systemic economic crisis. In addition, the policy of «internal market protection» or «protection of the national producer» declared by many Ukrainian governments did not provide the expected results, as the main tools of such protection were cheap labor (in fact – underpayment for employees' efforts) and permanent devaluation of the national currency – initially «Karbovanets» and «hryvnia» some later.

Taken together, this has deprived Ukrainian economic agents of the ability to concentrate capital within the country and develop the domestic market: according to academician Anatolii Halchynsky (Halchynskiy A., 2011) Ukraine's foreign trade turnover in 2007 amounted to more than 60% of national GDP. It meant that national economy had been overly dependent on foreign markets price conditions, which led to extremely adverse consequences during the 2008 crisis. For

comparison, in 2017 the share of exports was already 47.9%, according to the Ministry of Economic Development and Trade (Sereda O., 2018). This may be a sign of a positive trend in the development of the domestic market, but also indicates the danger of a national economy rapid recession in the case of reduced demand for Ukrainian products and services in foreign markets, which may happen as a result of protectionist restrictions. This assumption is confirmed by the well-known Stolper-Samuelson theorem, which describes the impact of the opening of markets for free trade in conditions of perfect competition on the development of economic agents (economic entities). According to this model, which deals with two goods and two factors of production, the owner of the factor that is used more intensively in the imported products, feels a decrease in profitability and is in worse conditions. It is obvious that if one of such factors is labor, then there is a corresponding decrease in the income of employees, as well as a reduction of jobs with their relocation to those countries where production conditions are more favorable. It is interesting to note that, unlike the United Kingdom, the United States has relatively recently become an open economy: for example, the share of imports in the GDP of the United States in 1975 was 7% and increased to 17% just before the 2008 financial crisis (Rodrik, D. 2018). For comparison, the share of import revenues in the structure of Ukraine's GDP in 2005 was 50.6% or UAH 223,555 million, while in 2020 it decreased to 40.1% of nominal GDP (NBU Currency rates, 1998).

As can be seen from the given data in Table 1, Ukraine remains a fairly open country, so long as much of its economy remains focused not on the domestic but on the foreign market.

It is explained by the specific structure of Ukrainian exports, the largest part of which, as we can see in Table 1, is represented by products of plant origin (24% of total exports) and base metals and products thereof (this euphemism describes, first of all, the products of ferrous metallurgy – this category of goods is 18.9% of total exports of our country). Instead, the products of high-tech sectors show very disappointing results: if the category «Machinery, equipment and mechanisms; electrical equipment» occupies a more or less

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prominent place with 9.2%, whereas the share of chemical products is already more than twice less (4.1%), and the share of such categories as «Land vehicles, aircraft, floating vehicles» and «Textile materials and textile products» is equal to 1.6%, respectively, for each group. These figures are much less than the volume of timber exports from our country (3%), which is officially inferior in forestry (15.9%) to countries such as Spain (54.8%, 2nd place in Europe), Italy (36.2%, 8 place in Europe), Turkey (27.4%, 4th place in Europe) (SAFRU

Public report, 2019). Combination of such factors as low solvency and low domestic market capacity with high dependence on export revenues make Ukrainian exporters increasingly vulnerable to the risks posed by exchange rate fluctuations, economic and political conflicts. That is why the strategic planning of Ukrainian exporting companies should consider the consequences of the trade liberalization for home-based industries, including the political and economic effects of free trading in European Union and in the US.

Table 1

The structure of Ukrainian products export to foreign markets according to the national goods classifier (UKTZED)

Code and name of goods in UKTZED	Export	
	Thousands USD	% to total volume
Total	39,633,538.3	100.0
I. Live animals; products of animal origin	977,506.5	2.5
II. Products of plant origin	9,501,889.2	24.0
III. Fats and oils of animal or vegetable origin	4,474,145.3	11.3
IV. Ready-made food products	2,648,526.8	6.7
V. Mineral products	4,196,984.3	10.6
VI. Products of the chemical and allied industries	1,639,845.2	4.1
VII. Polymeric materials, plastics and products thereof	565,543.2	1.4
VIII. Untreated skins, tanned skin	103,945.3	0.3
IX. Wood and wood products	1,170,054.5	3.0
X. Mass of wood or other fibrous cellulosic materials	336,629.8	0.8
XI. Textile materials and textile products	641,901.2	1.6
XIII. Products from a stone, plaster, cement	370,539.4	0.9
XIV. Natural or cultured pearls, precious or semi-precious stones	66,165.2	0.2
XV. Base metals and products thereof	7,507,323.2	18.9
XVI. Machines, equipment and mechanisms; electrical equipment	3,648,531.4	9.2
XVII. Land vehicles, aircraft, floating vehicles	633,015.4	1.6
XVIII. Optical and photographic devices and apparatus	138,742.0	0.4

Source: Developed by authors on the basis of State Statistics Service of Ukraine

Hakobyan (Hakobyan, McLaren, 2016) analyzed the benefits of trade liberalization under the North American Free Trade Agreement (NAFTA) which was in force in 1994–2020, noting that liberalization had little effect on much of the American workforce, before Agreements between the United States of America, the United Mexican States and Canada (USMCA) has been ratified by its member states. At the same time, a significant minority experienced a significant drop in income both due to the relocation of jobs from the United States to the US-Mexico border and due to

increased competition with cheaper Mexican products. The problem of job loss is becoming more acute in developed countries, due to the general trend of declining labor intensity as the result of the scientific and technological revolution, as well as the «drain» of capital investment in developing countries with cheaper resources, including labor. And if the impact of technological revolution on labor relations is perceived as an objective force, the benefits of which will eventually cover the losses of economic entities, the situation with increasing trade deficit is perceived quite differently:

governments seek to any possibility to protect their own domestic markets and ensure the redistribution of income, even if such activities threaten to create imbalances between supply and demand. Antra`s, P., de Gortari, A., & Itskhoki (Antra`s et al., 2017) mathematically modeled the result of the influence of state tax policy on the redistribution of revenues from foreign trade, as well as the socio-economic effect of such redistribution. Thus, according to the model they have built, the opening of the economy to foreign trade brings disproportionately large benefits to the most successful market participants, deepening income inequality. Thus, Table 2 presents the calculations of the economic effect of the liberalization of foreign trade made by the American researcher, based on the fact, that the

share of imports in GDP does not exceed 25%, and the elasticity of demand for imported goods is  $-2$ , i.e. demand is inelastic.

The value in column (A) was calculated on the basis of a standard model with two goods and two factors (highly skilled and low-skilled labor), while the share of costs in the most vulnerable sector to competition with imported goods (Rodrik D., 2018) took as 0.80 and 0, 20 respectively. These calculations confirm the Stolper-Samuelson theorem: in the case of the abolition of customs restrictions, the greatest losses are initially borne by workers in industries with higher labor costs, and usually such industries offer lower wages compared to capital-intensive industries, but this level is higher than imported companies.

Table 2

The impact of free trade on the state of income in the US national economy

The initial rate of the canceled customs tariff (%)	Changes in the income of low-paid employees (A, %)	Real income growth in the national economy (B, %)	Absolute value (A)/(B)
40	-19.44	4.00	4.9
30	-15.22	2.25	6.8
20	-10.61	1.00	10.6
10	-5.56	0.25	22.2
5	-2.85	0.06	45.5
3	-1.72	0.02	76.6

Source: (Rodrik D., 2018)

To remedy this situation, the government applies a policy of progressive taxation of income, which, in turn, has a negative impact on labor supply. Antra`s, P., de Gortari, A., & Itskhoki, O (Antra`s et al., 2017) calibrated the developed model based on the data of the US Treasury Department's Internal Revenue Service tax returns, without taking into account the alleged trade disputes that result from trade risk management measures. As a result, it was proved that the increase in inequality in disposable income of the US population caused by foreign trade operations required expenditures of about 20% of sales in this country, while revenues from trade agreements exceeded the same expenditures by 15% (Antra`s et al., 2017). It means that the overall increase in economic efficiency from the removal of barriers to cross-border business transactions remains significant. On the other hand, D. Rodrick notes the opposite trend: in relative comparison, the liberalization of foreign

trade requires an increase in government efforts to redistribute incomes, but government expenditures tend to increase as less and less trade restrictions are overcome. At a moment when the government decides to abandon all foreign economic regulation completely, the benefits of liberalization may be less than the public expenditures that should offset the negative consequences for society (Rodrik D., 2018). The same applies to financial globalization: ideally, it directs savings to those countries where the return on capital is higher, allowing to increase the consumer activity of the population of recipient countries through international loans and borrowings, as well as ensuring international diversification of the investment portfolio. The article by Broner and Ventura notes that the adventurous (risk-taking) behavior of governments, combined with the weakness of public institutions, create risks for foreign economic agents, including importers and investors, and provoke debt crises (Broner et

al., 2016). According to their research, when the government deals with a country's domestic debt, debt obligations are met and defaults occur rarely, due to the government's ability to control the country's balance of payments through money issuance, public regulations, and interest rates (Broner et al., 2016).

Instead, the situation changes when foreign investors enter the market, and when the government is unable to choose whose interests – domestic or foreign investors – should be neglected in a situation where government liabilities exceed its requirements, then internal and external debt crises occur simultaneously, simulating residents to withdraw their savings abroad (in Ukraine, this process has been going on for a long time and is known as «offshorization», when Ukrainian residents first withdraw capital to countries with liberal taxation such as Cyprus, the Bahamas, Seychelles, etc., and only then return it under the guise of «foreign direct investment» to the country of origin). In this way, countries that would normally be importers of capital, due to cheap factors of production and potentially higher opportunities for economic growth, become exporters of capital, which increases the tendency to depopulation and loss of innovation potential (due to immigration and «brain drain»). Thus, developed countries with complex mechanisms of financial markets, in which the probability of default is less, become «safe havens» for savings of non-residents, receiving a surplus of financial resources.

This can be illustrated by the example of Poland: if in 1999 the exchange rate of the Polish zloty to the US dollar was 3.5040 (Kursy walut NBP, 1998), and the exchange rate of the hryvnia to the US dollar in the same year was 4.130, then in 2009 (after another global currency crisis) these rates were 2.85 PLN / USD and 7.9778 UAH / USD, and in 2020 these rates were equal to 3.76 PLN / USD and 27.80 UAH / USD (NBU Currency rates, 1998). Thus, it is possible to conduct an imaginary experiment, assuming zero inflation and considering a Ukrainian exporting company, whose savings in 1999 amounted to UAH 1,000,000 corresponded to 242,130.75 US dollars, and in 2020 this amount of savings would be equivalent to 35,971.22 US dollars, i.e. the company's capital

decreased 6.7 times. Under similar conditions, a Polish exporting company, which in 1999 would have saved 848,426.14 zlotys, which at the exchange rate was equivalent to 242,130.75 US dollars, in 2020 would have a capital of 225,645.25 US dollars, i.e. 1.1 times less. Thus, we can say that the capital of both companies in dollar decreased during the analyzed period, but in the case of the Ukrainian business company this decrease occurred 6 times faster, even without taking into account the decrease in the purchasing power of the currency. This example confirms the mentioned above thesis: the weakness of the national currency and «negative predictability» (negative forecasts for the Ukrainian economy are realized much more often than positive) contributes to the outflow of capital from our country to countries where the loss of currency value will be less, turning Ukraine into a «currency exporter». This trend only intensifies as domestic production shrinks and imports exceed exports, which is typical for our country with its negative foreign trade balance with all major foreign economic partners (Fig. 1). This situation threatens the country with prolonged economic crisis, as exports of raw materials and semi-finished products (with exports, or rather the «flight» of capital) do not create the preconditions for expanded reproduction of economic potential and innovative growth due to lack of resources. While the lag in innovative development and the lack of investment makes Ukrainian export products less attractive in foreign markets, as a result of which it has to compete, sometimes unsuccessfully, with the products of developing countries. As a result of declining export incomes and steady growth in demand for imported products (this includes goods from cosmetics and crop products to mobile gadgets and airplanes) becomes a combination of two negative factors: a negative balance of payments is imposed on the negative foreign trade balance, which makes the national currency consistently «weak». Both of these negative effects have to be offset by borrowing and raising funds from speculative investors, although the latter apparently leaving the country quickly in the event of adverse signs of the economic situation, further devaluing the national currency in the long run.

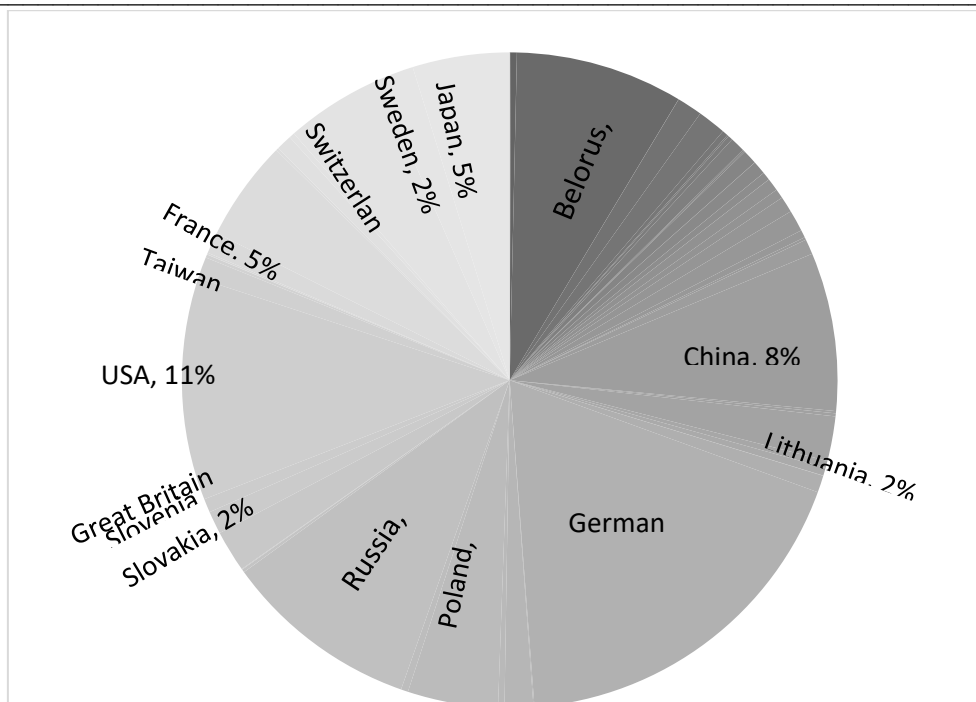


Figure 1. Ukraine's main foreign trade partners and their share in the structure of export-import operations

Source: Developed by authors based on State Statistics Service of Ukraine

From Figure 1 we can see that among the main foreign trade partners of our country are Germany (18%), USA (11%), Russia (10%), China (8%) and Belarus (8%), with a total of more than a quarter of foreign trade turnover. The last three countries have extremely tense relations with Ukraine, that is why the probability of applying discriminatory measures to Ukrainian exporting companies remains consistently high. Such vulnerability is inherent primarily in Ukrainian high-tech enterprises engaged in the production of defense products and weapons: as can be seen from Table 3, Ukraine ranks 12th position in the world in terms of defense industry exports. At the same time, the main customers of Ukrainian arms exporting companies are China, Russia and Thailand, which account for 36%, 20% and 17% of export deliveries, respectively. It is obvious that the

high dependence (one-fifth of all supplies) of Ukrainian producers on the Russian market creates guaranteed risks of export incomes loss due to the application of tariff and non-tariff restrictions in the ongoing military and political conflict between our countries. Similar risks are inherent in exporting operators in the Chinese market after the Ukrainian government canceled the agreement to purchase a controlling stake in public JSC Motor-Sich by a Chinese investor – Beijing Skyrizon Aviation Industry Investment Co Ltd in cooperation with the Ukrainian financial and industrial group DCH. Chinese government announces intentions to use symmetrical solutions in response to «unfriendly actions» of our country. It should be noted that for most of the countries listed in the table, the main consumers of products of the defense industry are allied countries, real or potential.

Table 3

#### The largest arms exporters in 2016–2020

№	Exporting country	Share in arms exports, %		Change in percentage for the two given periods (2016–2020 vs 2011–2015)	Main recipients (share of total exporter supplies, %)		
		2016–2020	2011–2015		1st place	2d place	3d place
1	USA	37	32	15	Saudi Arabia	Australia	South Korea
2	Russia	20	26	-22	India (23)	China (18)	Algeria (15)
3	France	8.2	5.6	44	India	Egypt	Qatar



4	Germany	5.5	4.5	21	South Korea	Algeria	Egypt
5	China	5.2	5.6	-7.8	Pakistan	Bangladesh	Algeria
6	Great Britain	3.3	4.6	-27	Saudi Arabia	Oman	USA
7	Spain	3.2	3.5	-8.4	Australia	Singapore	Turkey
8	Israel	3.0	1.9	59	India	Azerbaijan	Vietnam
9	South Korea	2.7	0.9	210	Great Britain	Philippines	Thailand
10	Italy	2.2	2.8	-22	Turkey	Egypt	Pakistan
11	Netherlands	1.9	2.0	-6.1	Indonesia	USA	Mexico
12	Ukraine	0.9	2.6	-68	China (36)	Russia (20)	Thailand (17)

Source: (Pieter D. Wezeman et al., 2020)

Thus, we can conclude that Ukrainian exporting companies are threatened by the external environment, which can significantly affect their competitive position in world markets, and classify the threats, namely:

- focus on the Russian market and the markets of Russia's allies, where there is a high probability of discriminatory trade measures (political risks);

- insufficient effectiveness of government policy in Ukraine to protect domestic producers (economic risks);

- slow adaptation of Ukrainian legislation and business entities to the requirements of European legislation (political risks);

- lack of systematic financial and expert support of Ukrainian exporting enterprises by the state (economic risks);

- negative foreign trade balance and negative balance of payments of the country (currency risks);

- weakness of effective mechanisms (commodity and currency exchanges, forward and futures agreements), which should minimize losses from exchange rate volatility and prices for export goods (economic risks).

The above trends are superimposed on the strengthening of neo-protection policies against

Ukrainian products in most importing countries, when restrictions on foreign commodities are not imposed through tariffs and custom fees, which are contrary to international agreements, but through the introduction of additional product safety rules, quality standards, direct or indirect subsidies to national companies, as well as other similar measures, the effectiveness of which remains very high.

One of the most important tools of the neo-protectionist policy for Ukrainian exporting enterprises is indirect financial support, in the form of start-up assistance or preferential lending. Such an example is the state credit program «Affordable loans 5-7-9%», which was introduced with the aim of simplifying the access of micro and small businesses to bank lending, strengthening their competitive positions, creating new jobs and returning migrants. Since the beginning of the program, the government has issued 42,476 loans for a total amount of UAH 117.9 billion, and it was planned to create 90,000 new jobs. Since the start of the program, entrepreneurs have received UAH 58.5 billion. anti-crisis loans, UAH 26.4 billion of loans for refinancing previously received loans, UAH 10.3 billion. for investment purposes, UAH 17 billion for maintaining agricultural production.

Table 4

Macroeconomic indicators for 2020–2021

Month	Export goods and services, million dollars USA	Total funding under the program, million dollars. USA	Newly created jobs	Revenues of local budgets, million dollars. USA	Direct investments, million dollars USA
January, 2020	4,992.43	71.43	856.00	650.00	14.64
February, 2020	4,809.39	128.57	928.00	655.36	19.79
March, 2020	4,870.96	82.14	654.00	661.07	17.32
April, 2020	4,923.43	64.29	3,213.00	673.93	14.14
May, 2020	4,758.14	71.43	2,801.00	677.50	11.50

June,2020	4,760.25	92.86	3,005.00	625.00	10.50
July, 2020	4,926.00	114.29	2,221.00	659.64	13.46
August, 2020	4,987.64	175.00	1,819.00	652.86	10.75
September,2020	4,875.86	192.86	1,754.00	646.79	5.64
October, 2020	4,956.86	185.71	1,332.00	654.64	7.50
November, 2020	4,892.39	135.71	2,598.00	657.14	6.68
December, 2020	5,152.04	128.57	2,665.00	813.21	11.89
January,2021	6,035.79	107.14	2,799.00	812.14	9.21
February, 2021	6,143.00	146.43	3,874.00	696.43	11.61
March,2021	7,019.54	146.43	987.00	687.50	12.71
April,2021	6,691.57	232.14	1,103.00	751.07	10.32
May,2021	6,169.86	207.14	1,199.00	792.14	21.89
June,2021	6,540.46	260.71	1,285.00	683.57	27.00
July, 2021	6,874.54	246.43	1,442.00	826.43	28.57
August, 2021	6,855.96	282.14	2,178.00	709.64	32.93
September,2021	6,734.18	228.57	3,899.00	675.00	16.29
October, 2021	6,245.64	278.57	1,298.00	721.43	18.29
November, 2021	6,952.93	328.57	1,896.00	692.86	17.39
December, 2021	6,763.39	303.57	2,333.00	746.07	17.82

Source: Developed by authors on the basis of State Statistics Service of Ukraine

Most often, loans under the program were received by enterprises working in the field of agriculture (51.8%), trade and production (22.6%), industrial processing (14%). Lviv, Kharkiv, Dnipropetrovsk, Odesa, Kyiv oblasts and the city of Kyiv are among the leading regions in terms of the amount of concluded credit agreements. Table 4 below shows the dynamics of macroeconomic indicators in 2020–2021 after the implementation of financial assistance programs in Ukraine. The data were obtained from the reports of the State Statistical Service of Ukraine

We will build a model of the dependence of export of products (goods and services) on indirect methods of neo-protectionism, where we will define Y – the dependent variable of the

multiple regression model, X1 – general financing under the state support program; X2 – newly created jobs; X3 – revenues of local budgets. The pairwise correlation coefficients' calculation between model factors gives the following results:

$$R(X1;X2) = -0.154342465;$$

$$R(X1;X3) = 0.302601597;$$

$$R(X2;X3) = -0.002029901.$$

The general type of multiple regression model for determining the influence of factors on the dependent variable of export of goods and services is determined using the Excel data analysis package, as it is presented in Table 5.

Table 5

Regression statistics

Multiple R	0.820374096
R-squared	0.673013657
Normalized R-squared	0.623965705
Standard error	547.518418
Observation	24

Source: Developed by authors

Having the coefficient of determination (R-squared) equal to 0.673013657, it can be concluded that the estimated parameters of the model explain the dependence of the variable between the studied parameters by 67.3%, and

such dependence itself can be described by the equation:

$$Y(t) = 1028,938437 + 7,594757614 * X1(t) + 0,065428172 * X2(t) + 4,643406238 * X3(t) \quad (1)$$

Particularly active use of such measures is the intensification of «trade wars» between individual countries or groups of states, however such measures do not always lead to guaranteed foreclosure of competing countries, but force Ukrainian exporters to incur additional costs to overcome the above non-protectionist restrictions. As for the tendencies of neo-protectionist policy, they can be summarized as follows:

- the application of «maximum distress» regimes for exporting enterprises, whose products for political reasons are considered undesirable in the market of the penetration country, which is achieved by implementing a set of bureaucratic control procedures to maximize the complexity of the business.

- initiation of anti-dumping procedures and introduction of «temporary» restrictions in international trade against products of Ukrainian exporting enterprises.

- implementation of technical regulations, quality systems, product safety requirements that are discriminatory for Ukrainian exporting enterprises.

- application of economic sanctions by the penetration country against Ukrainian exporters.

- formation by the penetration country's mass media the negative image of Ukrainian enterprises for distraction of potential clients.

- requirements for the localization of production of commodities by Ukrainian exporting enterprises in the country of penetration.

- requirements for Ukrainian exporting enterprises to provide technical documentation that may contain know-how and trade secrets.

**Conclusions.** In this paper on the basis of studying the structure of Ukrainian products exports to foreign markets, identifying the country's main foreign trade partners, in particular in the markets of high-tech goods of the defense industry, describing current trends in neo-protectionist policies of states and intergovernmental organizations a list of potential threats to the environment for exporting companies has been identified. Based on the study of hypotheses H1-H4, confirmation of hypotheses H3 and H4 was obtained.

According to them, political risks influence on foreign trade management of export firms, as it can be seen lately, on the basis of applying different discriminatory measures and creating preferential conditions at the expense of indirect support of own manufacturing firms' competitiveness to increase the number of jobs within the country. There is a tendency for the segregation of exporting enterprises in foreign markets due to belonging to friendly or unfriendly countries under the conditions of significant sanctions restrictions, the growth of political, currency, financial and force majeure risks.

In summary, the authors offer innovational recommendations to minimize the threats in foreign trade management under neo protectionism and globalization conditions, which include:

- reorientation from the markets of unfriendly countries, where there are high non-commercial risks, to the markets of partner countries, including the European Union, North America, Japan, Australia and New Zealand, expanding its presence in emerging markets in Southeast Asia, Central and South America, Australia;

- compliance with product quality standards and sustainable development standards for access to foreign markets;

- full implementation of the provisions of the Association Agreement between Ukraine and the EU, especially in the implementation of Annex XI (equivalence determination process), Annex XII (Certification), Article 3 of Annex XVII (regulatory approximation to the acquisition of a full internal market regime in a particular sector);

- assessment of political, economic and exchange rate risks when working with countries «at risk»;

- insurance of commercial risks under the contract with the help of mechanisms of PJSC «Export Credit Agency of Ukraine»;

- expansion of long-term export crediting not only directly for exporting enterprises, but also for foreign buyers for the purchase of goods of Ukrainian origin, as well as for banking institutions of foreign buyers to finance the supply of Ukrainian products;

- application of the mechanism of partial compensation of the interest rate on

export credits within the framework of cooperation with JSC «Export Credit Agency of Ukraine»;

- creation of a guaranteed system for commercial and non-commercial risks of Ukrainian enterprises during export operation;
- provision of preferential financing for the development of entrepreneurial activity within the country and the creation of prerequisites for exporting goods and services abroad.

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## ІННОВАЦІЇ У МЕНЕДЖМЕНТІ ЗОВНІШНЬОЕКОНОМІЧНОЇ ДІЯЛЬНОСТІ В УМОВАХ ПЕРЕДВОЄННОГО НЕОПРОТЕКЦІОНІЗМУ

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**Методологія дослідження.** Для дослідження ризиків неопротекціонізму для українських експортерів використано методи: аналізу та синтезу, індукції та дедукції – для виявлення передумов формування неопротекціонізму в умовах глобалізації. За допомогою статистичних методів розроблено модель залежності експорту продукції (товарів і послуг) від непрямих методів неопротекціонізму з метою перевірки гіпотези про вплив непрямой фінансової підтримки на стимулювання експорту та створення нових робочих місць підприємствами-експортерами.

**Результати.** У цьому дослідженні запропоновано рекомендації щодо подолання ризиків зовнішньоекономічної діяльності, зокрема переміщення робочих місць, зміну торговельного та платіжного балансів на прикладі окремих країн, а також застосування дискримінаційних заходів проти фірм-експортерів з України. Продемонстровано, що до війни українські фірми, що експортували свою продукцію та послуги на зовнішні ринки, стикалися з гострою конкуренцією як за клієнтів, так і за інвестиції. Оскільки більшість країн світу проголошує пріоритет лібералізації торгівлі, багато так званих «розвинених країн» страждають від соціальних і політичних наслідків глобального розподілу багатства та праці, які включають переміщення робочих місць за кордон і підвищення рівня безробіття. Виявлено, що все більше країн застосовують заходи неопротекціонізму для захисту місцевих ринків і зміцнення конкурентних позицій національного бізнесу, тому керівництво українських фірм має враховувати ці ризики при розробці власних стратегій зовнішньої торгівлі.

**Новизна.** У статті загалом аргументи та контраргументи в рамках наукової дискусії щодо проблеми відродження неопротекціонізму та економічного націоналізму в умовах глобальної економічної інтеграції та лібералізації торгівлі. Запропоновано інноваційні

рекомендації щодо мінімізації загроз для українських фірм-експортерів з боку політики неопротекціонізму на зовнішніх ринках недружніх держав у повоєнний період.

**Практична значущість.** Рекомендації передбачають переорієнтацію з ринків недружніх країн із високими некомерційними ризиками на ринки країн-партнерів та страхування комерційних ризиків за контрактом за допомогою механізмів ПАТ «Експортно-кредитне агентство України» у післявоєнний період. Результати дослідження можуть бути корисними для українських фірм-експортерів та державних органів, які регулюють зовнішньоекономічну діяльність торговельних агентів, які експортують товари подвійного використання.

**Ключові слова:** експортна діяльність, вільна торгівля, менеджмент зовнішньоекономічної діяльності, міжнародна торгівля, неопротекціонізм, торговельний баланс, інновації.

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