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GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF INTERNATIONAL BUSINESS AND TRADE
FOREIGN TRADE PROGRAM
MASTER’S THESIS

**NEW PROTECTIONIST TENDENCIES IN THE
EUROPEAN UNION**

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DECLARATION

I hereby declare that this master's thesis titled as "New Protectionist Tendencies in the European Union" has been written by myself in accordance with the academic rules and ethical conduct. I also declare that all materials benefited in this thesis consist of the mentioned resources in the reference list. I verify all these with my honor.

.../.../2019

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ABSTRACT
Master's Thesis
New Protectionist Tendencies in the European Union
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Protectionism is as old as the history of trade. Even during the most liberal periods protectionist tendencies continued not only in the form of conventional measures such as customs duties, but also as non-tariff barriers. Recently a new rise in protectionist tendencies at global scale is referred to as “New Protectionism”. This new wave of protectionism is characterized by both differentiation of tools, practices etc. which restrict the foreign trade, and by rise in their number. To further complicate this scene, a considerable amount of protectionist practices is referred to as “invisible”. Invisible protectionist tools are made up in order to bypass the global trade liberalization measures set by GATT/WTO. Besides, the most recent political conflicts contributed to this new wave of protectionism.

The main purpose of this study is to question what is “new” in the recent rise of protectionism, with particular focus on the EU’s foreign trade. The case of EU as the champion of trade liberalization at regional level, draws particular attention as it seems to shift towards protectionism. This trend in EU’s foreign trade especially gained momentum with two major milestones, namely 2008-2009 global crisis and the so-called “Trade Wars”. This latter, although seems to take place principally between the US and China, has deeply affected EU’s foreign trade policies and the free trade ideology.

The study focuses on the EU’s protectionist practices with particular reference to the rise in non-tariff barriers from 2009 onwards. The analysis is based on a

literature review and data data analysis. The literature review is based on in English- and Turkish-language sources. Most of the data on non-tariff barriers applied by the EU are taken from Global Trade Alert and UNCTAD. Besides, details of practices such as anti-dumping and countervailing measures are based on the annual reports issued by the European Commission. Departing from the relevant data, analyses are done on the basis of mostly-used protectionist measures, mostly-protected sectors, mostly-affected countries by EU's new protectionism etc. Upon this analysis, it is concluded that contrary to its founding principles shaped by free trade, EU has been shifting towards an ever more protectionist position, especially throughout the las decade.

Keywords: Protectionism, Non-Tariff Barriers, European Union, Foreign Trade Policy.

ÖZET
Yüksek Lisans Tezi
Avrupa Birliğinde Yeni Korumacı Eğilimler
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Korumacılık, ticaretin tarihi kadar eskidir. En liberal dönemlerde bile, korumacı eğilimler yalnızca gümrük vergileri gibi geleneksel önlemler biçiminde değil, aynı zamanda tarife dışı araçlar vasıtasıyla da devam etmiştir. Son yıllarda artış gösteren küresel ölçekteki korumacı eğilim “Yeni Korumacılık” olarak adlandırılmaktadır. Korumacılıktaki bu yeni trendin ayırt edici özelliği, dış ticareti kısıtlayan, artan sayıda kullanılan, çeşitli araç ve uygulamalardır. Dahası, bu korumacı uygulamaların büyük bir kısmı “görünmez” denilen engellerden oluşmaktadır. GATT/WTO'nun ticareti serbestleştirmek için getirmiş olduğu önlemler, bu görünmez engeller vasıtasıyla delinmektedir. Bunun yanı sıra, güncel siyasi çatışmalar da yeni korumacı uygulamaları arttırmaktadır.

Çalışmanın ana amacı, günümüzde artış gösteren korumacı uygulamada neyin yeni olduğunu ve AB dış ticaretinde, bu korumacı düşüncenin yerini sorgulanmaktadır. Bölgesel düzeydeki serbest ticarete lider olan AB, korumacılığa yöneldiği için özellikle dikkat çekmektedir. 2008-2009 yıllarında yaşanan küresel kriz ve “Ticaret Savaşı” olarak adlandırılan olay, AB dış ticareti için dönüm noktası olmuş ve korumacı eğilimine hız kazandırmıştır. ABD-Çin arasında yaşanıyor gözüken Ticaret Savaşı, AB'nin dış ticaret politikasını ve serbest ticaret düşüncesini derinden etkilemiştir.

Çalışma, AB'nin 2009 yılı itibariyle, tarife dışı araç vasıtasıyla korunma politikasını ve son yıllarda artan korumacı eğilimini incelemiştir. Çalışmada,

Türkçe-İngilizce literatür taraması ve veri analizi yapılmıştır. AB'nin yeni korumacı politikalarını gösteren veriler Global Trade Alert ve Birleşmiş Milletler Ticaret ve Kalkınma Konferansı kaynaklarından alınmıştır. Bunun yanı sıra AB'nin uyguladığı anti-damping, countervailing gibi uygulamaların bilgileri ise Avrupa Komisyonunun paylaştığı yıllık raporlardan düzenlenmiştir. AB tarafından en fazla kullanılan tarife dışı araçlar, en fazla korunan sektörler, AB'nin uyguladığı tarife dışı önlemlerden en fazla etkilenen ülkeler gibi veriler üzerinden yola çıkarak analizler yapılmıştır. Bu analiz sonucunda, serbest ticaretle şekillenen kurucu ilkelerinin aksine, AB'nin özellikle son on yıl boyunca daha da korumacı bir konuma kaydığı sonucuna varılmıştır.

Anahtar Kelimeler: Korumacılık, Tarife Dışı Engeller, Avrupa Birliği, Dış Ticaret Politikası.

NEW PROTECTIONIST TENDENCIES IN THE EUROPEAN UNION

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ABBREVIATIONS

CCP	Common Commercial Policy
CEN	European Standardization Committee
CTP	Common Trade Policy
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GATS	General Agreement on Trade of Services
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GTA	Global Trade Alert
IMF	International Monetary Fund
ISO	International Organization for Standardization
ITO	International Trade Organization
JECFA	FAO/WHO Expert Committee on Food Additives
NAFTA	North American Free Trade Agreement
NTB	Non-Tariff Barriers
OECD	Organization for Economic Co-operation and Development
OMA	Orderly Marketing Agreement
OMA	Orderly Marketing Agreement
OPEC	The Organization of the Petroleum Exporting Countries
TRIPS	Commercial Intellectual Property Rights Agreement
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
US	United States
VER	Voluntary Export Restraints
WHO	World Health Organization
WTO	World Trade Organization

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INTRODUCTION

The world is becoming gradually global with the development of technology and the rapid increase in logistics activities. In the last two centuries, international trade has exponentially grown thanks to globalization. From the past to present, countries continuously move between two economic thoughts which are free trade and protectionism. However, developed or developing countries neither use fully protectionist policies, nor fully liberal, free trade policies, because both of them have some advantages and disadvantages. According to advocates of free trade, comparative advantages theory which is the specialization of goods production and services will be more productive and profitable at international trade. On the other hand, advocates of protectionist policies in international trade, argue that taking measures in foreign trade is necessary to protect industries within the country and that the country's economy will be enriched with protectionist policies.

In some of the periods, all countries intervene directly to their economy. Especially, crises and war times, the countries interfere in the economy intensely. At these periods, governments announce the bailout packages in which generally protectionist policies such as tariffs, quotas, taxes, non-tariff barriers(NTB). But in the long term, protectionist policies damage the country's economies and world trade. Therefore, as the impact of negative factors decreased, countries turned back to free trade policies again. Protectionist and free trade ideas still exist at the international economy and, the majority of countries have adopted the mixed economic system which includes the practices of both systems.

Protectionist idea has an old history, however, most people convinced that the origins of protectionism, which is an element of mercantilist thought, date back to the 16th century. According to Mercantilist thought, the welfare of a nation depends on the wealth of country. The amount of gold and silver owned by the state used to show the richness of the country. It was believed that this would be possible by having precious metals and giving current surplus. The countries have applied this idea by preventing importation and encouraging the exportation for years. In history, almost all the countries applied protectionist policies, and it affected the international

trade negatively. Also, they could not reach the wealthy with the protectionist activity. The free trade idea was born with the "Wealth of nations" book which is written by Adam Smith in 1776. According to Adam Smith; international trade can be profitable for both sides with "absolute advantages" idea and it makes them wealthy. Mercantilist thought lost the popularity, and countries adopted the free trade idea as a result of technological developments and improvement of communication between countries therefore they started to be using free trade philosophy as a foreign trade policy.

The First World War (1914), the Great Depression (1929) and the Second World War (1939) brought international trade to a standstill. In these times, countries implemented strict protectionist policies because of economic and noneconomic reasons such as famine, avoiding trade deficit, save domestic production, autarky or nationalism. As a result of this long-lasting time, countries received big economic wounds. It was believed that wounds which from received wars and crises would recover and the international economy would improve with economic agreements such as The General Agreement on Tariffs and Trade(GATT).

GATT was established in 1947 by participation of 23 countries. The purpose of GATT establishment was to reduce import duties, to remove all barriers to international trade and to put an end to discriminatory practices in trade. Thanks to foundation of GATT, which currently exist as the World Trade Organization(WTO), and international economic mergers such as the European Union(EU) or the North American Free Trade Agreement(NAFTA), free trade idea has spread all over the world. Thus, multinational companies are now able to work for global markets and organize themselves independently of the countries and to see the whole world as commercial areas.

GATT has been reduced tariffs which countries use at the exchange of goods between each other in order to increase the growth of international trade and the spread of free trade. However, countries still continue their protectionist activities while they are defending free trade by decreasing their customs tariffs. The significant decrease in tariffs along with liberalization increased the importance of protectionism as foreign trade policy. Protectionism has changed its shape and

continues its existence with NTB which name is ‘New Protectionism’ in time. As a matter of fact, been used intensively in the framework of new protectionist currents, which have become some of the NTB are widespread in developed countries especially after the Oil Crisis in 1973. Countries start to use NTB for various reasons such as protecting the domestic industries, employments. NTB are more difficult to detect than tariffs, therefore countries prefer to carry out this economic tool rather than using tariffs. Thus, they fill the gap resulting from the reduction or elimination of tariffs with NTB.

After the global economic crisis in 2008, countries have taken protective measures and the world economy has gone the slowdown. The measures and policies which countries took on after the crisis still affect the free trade, albeit at a reduced level gradually. While these effects continue, as of January 2018, the United States of America(US) began to apply tariffs on the importation of solar panel from China. On July 6, as part of the US tariff policies, they decided to imposed 25% additional tariff on Chinese goods worth \$34 billion. In response to this, China decided to imposed tariffs on US goods worth of \$60 billion. The political dispute between these two countries took place in the press as ‘‘Trade Wars’’. According to economists; If trade wars spread to other countries, it may hurt free trade and international trade. Protectionist policies may spread on the worldwide again as in the past which Smoot Hawley case. With the increasing tendency of protectionist idea around the world, new protectionism policies can be used more than before.

This study examines the new protectionist practices or in another words NTB of the EU, which has a large share in the world economy. The first part of the study includes the history of the idea of free trade and protectionism, the causes of protectionism and the history and structure of GATT. In the second part, new protectionism and its types are examined. Finally, the third section provides information on the new protective measures that the EU has implemented.

CHAPTER ONE

CONCEPTUAL AND HISTORICAL BACKGROUND

In this section, the definition and history of protectionism, which has a deep-rooted history, will be explained. In addition, it includes the main reasons and events that lead countries to protectionism. At the end of the chapter, GATT, which was established in 1947, and its fight against the protectionist policies of the countries were mentioned. Finally, the functions and meetings of GATT, which was named WTO in 1995, have been explained.

1.1.FREE TRADE

Free trade is a global economic system in which goods are freely exchanged between countries without state intervention or various protectionist obstacles. Many economists think that free trade has many benefits such as; boosting economic growth, creating new business areas, providing employment, encouraging the foreign investor, developing the expertise in production areas, and thus product quality and diversity are positively affected in the world. However, according to the some of the economist who advocates protectionist policies, free trade also has some disadvantages such as; causing exploits of the cheap labor force, increase in current account deficit, the bankruptcy of domestic small companies and uncontrolled mass production which damages the nature in poor countries. For these reasons, in the history of international trade, countries have always remained in between free trade and protectionist ideologies.

The free trade philosophy emerged as a reaction to the interventionist system in the 18th century in England. The principle was first put forward by Adam Smith in his book "Wealth of Nations" (1776) and applied for the first time in England in 1846. According to Adam Smith; the country should only produce goods of which it has absolute advantage, and it should be specialized in producing those goods. Countries should buy goods that are more expensive to produce in the country and sell own goods which it is specialized in. Thus, it can be possible for the two countries to be profitable. Smith argued that imports should be free, as well as

exports, for all countries to benefit from foreign trade. In his book, A. Smith defended free trade:

“By means of glasses, hot-beds, and hot-walls, very good grapes can be raised in Scotland, and very good wine, too, can be made of them, at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and Burgundy in Scotland?” (Smith, 1804, p. 351)

Afterward, David Ricardo found out the theory of ‘Comparative Advantages’ by developing Smith's theory of ‘Absolute advantage’. Ricardo based his theory on the labor theory of value. According to the comparative advantages theory, countries must specialize in the production of goods produced with comparatively less labor. They must export the goods which have the comparative advantage and import the goods which they don't have comparative advantages (Ricardo, 1817, pp. 272-276). Countries expected that more profit will be provided with this theory, because more goods are produced with the same production inputs.

Also, there were factors outside the academic dimension supporting the liberalization of trade. In the middle of the 18th century, the industrial revolution has occurred in Great Britain, and it has played a crucial role in the liberalization of trade. As a result of the industrialization, the possibility of producing goods for export increased with the mass production. For developed countries, the production of goods was no longer a problem, and the search for the market has become more important. In this direction, using of the steam engine on the railways and sea transport has led to enlargement of the world market in the middle of 19th century. Besides, increasing political and cultural communication between countries contributed to the spread of free trade worldwide. For these reasons, exports between the 1820-1870 have extended by 10 times around the world (Ravenhill, 2017, p. 10).

As a result of developing technologies and increasing communication between countries, governments have implemented free trade policies in order to increase their exports and rise their welfare levels. However, the Great Depression between 1929 and 1939, OPEC crisis in 1973, Asia crisis in 1997 and the financial

crisis in 2008 had a negative impact on free trade and led the countries to pursue protectionist policies. Also, the free trade trend which spread to the world rapidly has come to stop point with first and second world wars. However, on the other hand, the wars improved communication between countries and increased their logistics facilities. In the post-war period, the industrialized countries, which had received major economic wounds, supported free trade in order to boost their economies and rise their welfare levels.

In 1944, the Bretton Woods conference was held with the participation of 730 delegates from 44 countries. As a result of the conference, International Bank for Reconstruction and Development and International Monetary Fund (IMF) were established by the participating countries. The first meeting of GATT, which continues its existence as WTO, was held in 1977 with the participation of 23 countries. With the establishment of GATT, tariffs and quotas used in trade between countries were reduced. With the introduction of GATT in 1948, the volume of international transactions increased unexpectedly in this period. While the volume of international trade rose only 0.5% between 1913 and 1948, the annual growth rate increased to 7% between 1948-1973 (Yoffie and Gomes-Casseres, 1990). Nowadays, the WTO has 164 members and with these agreements, economic growth of countries boost, communication and trade between countries increased. Free trade has become more widespread and customs tariffs are decreased or disappeared with economic integrations such as the EU, NAFTA and the Association of Southeast Asian Nations.

With the growth of globalization and free trade, the multinational corporations have begun to emerge. The multinational corporation produce their goods at foreign countries for some reasons such as labor cost, logistic activities, sources...etc. Thus, they produce their goods with less cost and sell other countries with more profitable. Today, the multinational companies became the most important factors the free trade and international trade, for this reasons they started to affect the foreign trade policies of countries due to they provide employment and income.

1.2.MERCANTILISM

Protectionism is an instrument of mercantilist thought which was developed in the 16th to 18th centuries. For this reason, it is useful to first examine the mercantilism before the protectionism. In addition to the Mercantilist idea developed by the philosophers on the basis of the natural order, as a result of trade improvement in Western European countries especially in the United Kingdom(UK), a new literature has been developed. Although it includes various issues related to trade and trade policies, this literature, which is about 250 years old, has been called as "mercantilist" in derived from the Italian "merchant" word (Warlow, T. Pitts, and Kamery, 2007, p. 68). Mercantilism is a national economic theory which is designed to maximize the exports and capital of a country. According to this idea, the country must be strong and it could be strong with only wealthy. In that time, wealth could measure with gold and silver, therefore the country must have to get gold and silver as much as possible. And this is possible with only two ways, either it must have precious metals or to give foreign trade surplus.

When the history of Mercantilism is examined, it can be seen two important historical issues have been influential in the spread of the mercantilist idea. The first one, new trade routes and areas were discovered along with geographic discoveries, and in parallel there emerged a trade class with a weight in society and in politics. And the second one, due to the emergence of nation-states, becomes widespread of state intervention and protectionism in trade. (Irwin, 1996, p. 30) Adam Smith the first person who used the name of Mercantilism in his book which name is 'The Wealth of Nations' with the title of 'Of the Principle of the Commercial or Mercantile System'. Adam Smith claimed that mercantilist idea promotes governments to "beggar . . . all their neighbors" and induce international trade to become a "fertile source of discord and animosity (Cohn, 2012, p. 59).

Mercantilism is based on intense state intervention. Mercantilists advocated the thesis that governments could be successful at industrialization and developments by using protectionist policy tools at international trade. Also they encouraged to ensure the importation of raw materials from outside the country and trying to export them in the form of finished goods to the foreign country. They have asserted that the industry will have more employment capacity as a result of the export of high value-

added goods in exchange for imports of unprocessed goods. In other words, wages paid to employees in export-oriented sectors are regarded as "the income paid by foreigners". Thus, it was believed that this process creates export surplus and it would boost economic growth and prosperity. In this context, John Asgill foresaw the use of government policies for the indigenous domestic industry through protectionism and incentives, thereby the protectionism term bringing into a trade policy. (Irwin, 1996, p. 40)

Also, Mercantilist idea argued that the world wealth is constant and for that reason, there is always a winner and loser at international trade. The gain of one side is at the expense of the loss of the other side. However, on the contrary of the Mercantilists thought, Smith advocated that the world's total wealth is not constant and that foreign trade, which increases the efficiency of the world resources through the division of labor and specialization, can be profitable for both sides and thus the welfare of the world can be boost.

Economic thoughts such as 'Absolute and comparative advantage theories' damaged the mercantilist theory. Also, developments of production, logistics, globalization and communication have increased the speed of international trade. Thus free trade idea became more popular than mercantilism. According to many people thinks that mercantilist idea still exists however it lost former power for these reasons.

1.3.PROTECTIONISM

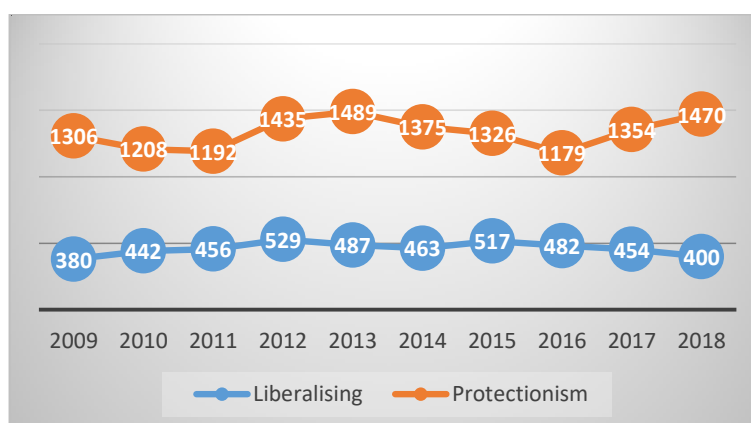
Meaning of protectionism in oxford dictionary is as follow; "The theory or practice of shielding a country's domestic industries from foreign competition by taxing imports" (English Oxford Living Dictionary, 2019). Countries have a tendency which protect their domestic production, companies and market from foreign trade with applying high custom taxes to import goods. This kind of economic and governmental interventions is called protectionism.

In order to clarify the concepts, it is necessary to emphasize the concept of protectionism as well as the concept of intervention or interventionism. The intervention means that governments' actions that affect the market conditions in

some way to achieve a certain economic goal. From this point of view, even in the most liberal economies, the state intervenes in the economy in some way. For example, central banks buy and sell currency in order to maintain foreign exchange balance and exchange rates stability. This act is an intervention which make affect the foreign exchange markets.

Nowadays, government agencies, one of the most important actors of international trade, are implementing the countries' foreign trade policies. Governments which are the executive organs of countries; They follow various foreign trade policies according to their social structure, traditions, commercial habits and mindsets. Governments are guiding international economic relations by using foreign trade policy instruments. Protectionist policies implemented by governments are carried out in two ways. The first one is to keep the price of imported goods high in the domestic market according to the domestic goods by applying restrictions and prohibitions on imports. Thus, thinks that imports will decrease and the money will stay at the countries. The second way is support and encouraging the domestic companies for export their goods to other countries. Thereby, thinks that foreign currencies will come in the country, unemployment will decrease and welfare will increase. The advocates of protectionism policies think that they can protect domestic producers, companies and workers by limiting imports through various economic instruments from importer companies of foreign countries.

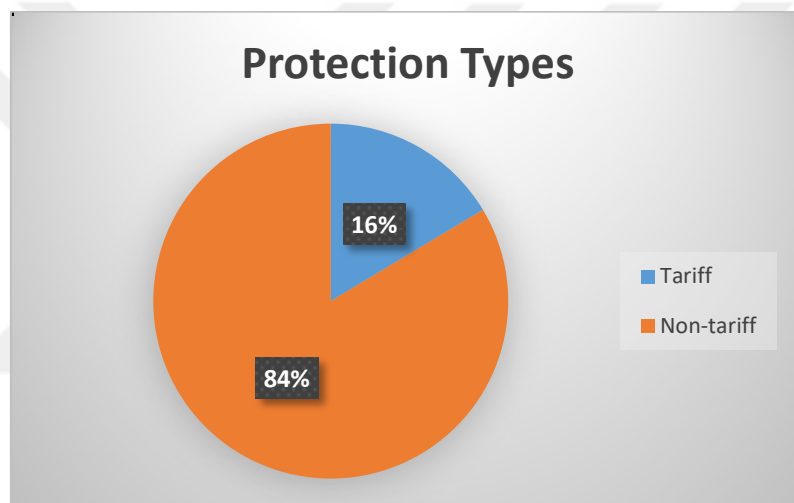
Figure 1: New implemented Protectionist tools and Liberalizing



Source: Global Trade Alert Database (26.04.2019)

During the period 2009-2018, the total number of protectionist measures implemented by all countries was 13334, while the number of liberalization abolishing protectionist barriers was limited to only 4610. The majority of the barriers applied are non-tariff measures, i.e. the new protectionist measure, as shown in the graph below. In this process, protectionist policies were implemented approximately three times more than free trade policies. As of 2016, the number of protectionist measures is increasing and the number of liberalization is gradually decreasing. This shows that protectionism is following an increasing trend worldwide.

Figure 2: Types of Protection used in the World



Source: Global Trade Alert Database (26.04.2019)

Between November 2008-March 2019, the top ten protectionist countries and the total number of intervention they have taken are the following: USA (1724), Germany (1264), India (932), Russia (726), Canada (680), Brazil (720), Japan (515), Great Britain (479), China (476). As it is seen, most of the countries that use protectionist interventions have industrialized and big economies. As of 2008, the number of measures implemented by countries has increased rapidly. In addition, the Trade War, which started to mentioned between 2018 and 2018, increased the number of measures taken by the countries. In the course of the Trade War, the number of measures taken by the United States has attracted attention.

Between November 2008-March 2019, The top ten countries exposed to the harmful obstacles and applied number of interventions are as follows; China (5527), Germany (4488), Italy (4167), France (4029), USA (3920), Great Britain (3860), Republic of Korea (3552), Japan (3529), Netherlands (3515), Spain (3471). There are two European countries among the top ten countries that apply harmful intervention, while there are six European countries among the top ten countries exposed to harmful measures. On the other hand, from the recent years, the number of harmful measures applied to China, has increased significantly, especially with the start of Trade War.

The five sectors in which protectionism is most practiced and the number of harmful interventions applied are as follows; products of iron or steel (1124), motor vehicles, trailer and semi-trailers; parts (865), other fabricated metal products (851), basic organic chemicals (570), basic iron and steel (550). On the other hand, the most intervened goods and their intervention numbers are as follows; flat rolled products of iron or no alloy steel, of a width of 600 mm or more, clad, plated or coated(535), flat rolled products of other alloy steel, of a width of 600 mm or more (523), Motor cars and other motor vehicles principally designed for the transport of persons, including station wagons and racing cars (517), Tubes, pipes and hollow profiles, seamless, of iron or steel (511), Electrical energy (510).

The history of international trade has been shaped by two opposing ideas and their applications in trade. The protectionism, which was assumed to have begun with the mercantilism, has been a constant race with the idea of free trade that Adam Smith first defended. From the 16th century onwards, wars and crises affecting countries and their economies affected also the race between these two ideas. For example; in 1567, France was the first country in Europe to apply a custom duty as a protectionist tool. France has implemented this policy to protect domestic Lyon silk producers from their competitors in the foreign countries and also to support the domestic producer. In the 1840s, Germany began to protect the newly established industries (infant industry theory) in line with Frederic List's idea of national economy, and as a result of this thought the German Customs Union(Zollverein) was established (Tuncer, 1994, p. 240). Crises and wars pushed countries into protectionism, however after a while, the idea of free trade was adopted again. This

race, which has continued until today in the emergence of mercantilist idea, is shown in the table.

Table 1: History of Protectionism

Time Range	The Thought That Prevails	Factors
1500-1776	Protectionism	Mercantilist and colonialism, economic nationalism, protectionism
1776-1875	Protectionism/ Transition to Free Trade	The physiocrats before, and then the reactions against protectionism that began with Adam Smith and appearance of the liberalization idea on trade
1875-1914	Free Trade	Gold money period and trade liberalization is the first period of expansion in foreign trade
1914-1944	Protectionism	War period, recession, depression, contraction period
1944-1970	Free Trade	The period of institutional capitalism, trade liberalization, the period of expansion in foreign trade
1970-1980	New Protectionism	OPEC crisis, stagflation, contraction period
1980-2000	Free Trade	Neoliberal policies, multinational corporations, trade liberalization, competition, non-tariff instruments, financial globalization
2008-2018	New Protectionism	The period of financial crisis and exchange wars, era of new protectionism
2018-	New Protectionism	Trade wars period, economic nationalism, New protectionism

Source: Divani and Mutlu, 2018, p. 16

In general, with the start of the policy of foreign trade, on the one hand efforts are made to reduce protectionism, on the other hand, protection measures have generally increased and gained new forms to the present day. Protectionism harms the country itself as well as the world economy. At the end of this act, all countries pay the cost of the protectionism.

1.3.1. Protectionist Arguments

Although the idea that free trade increases the welfare of the country and the world is a general acceptance, countries apply protectionist policies for some reasons. Countries tend to protect their economies during times of crisis and war. However, even if this is not the case, some countries need to protect certain sectors for a permanent or temporary period. In this part of the study, the reasons of these protective policies of the countries were examined. There are countless arguments for protectionism. However, this part of the study contains the most popular arguments.

1.3.1.1. Non-Economic Arguments

Economic reasons of protectionism based on welfare maximization. However, economic prosperity may not be the only goal. Countries can apply protectionist measures on foreign trade for social, political, cultural and military purposes, even if their economic consequences are costly. Even it can be said that non-economic reasons for protectionism are more important than economic reasons (Seymen, 2000, p. 23). In this study, non-economic reasons of protectionism are grouped under three headings as " national defense ", " national pride " and " foreign trade policy ".

National Defense

It is a big risk that countries depend on foreign countries, especially in defense industry and some strategic sectors (such as food, iron, steel, oil). Because in the event of a war, the countries may refuse to sell these goods and attempt to put the country in a difficult situation. To avoid such a danger is to reduce the dependence on the outside, to be self-sufficient. There are very few economists who oppose the

idea of protection of sectors related to national defense. Even Adam Smith emphasized the importance of national security by saying "Defense is better than opulence" (Seyidoğlu H. , 2003, p. 124).

However, this argument has some weaknesses as well as patriotic. First, protectionist activities are very costly for countries, and therefore for their taxpayers. This kinds of protectionist activities often become routine and pose problems. Second, many areas of production, such as plastics, chemicals, metals and computers, are important for national security. It is unreasonable and impossible to try to protect all these industries against international competition. Finally, in today's global world, it is impossible to have industries where foreign partners or co-owners do not exist. For example, all US-based defense industry companies, such as Boeing, Raytheon and DRS Technologies, have agreements with suppliers, partners, customers and governments abroad (Abboushi, 2010, p. 387).

National Pride

The production of some goods within the country can be as important and proud as winning an Olympic medal for countries. In the countries with this idea, the state will be protected the sector, regardless of the cost of the production of the goods produced domestically (Gandolfo, 2014, p. 263). For example, countries may protect some classes which includes artisans having special skills from competition of export countries. In order to preserve social ethos and national heritage, states apply protectionist tools on international trade.

Foreign Policy

The political relations of countries with other countries can significantly affect foreign trade. As a result of good political relations between countries, it is possible to make useful decisions for foreign trade such as duty reductions, ease of customs transition and financial aids. On the other hand, as a result of political problems, countries can impose trade-restrictive actions on each other, such as embargo and additional customs duties.

1.3.1.2. Balance of Payments

The fact that the import of a country is more than export causes the foreign trade deficit and the balance of payments deficit occur. The financing of this deficit will be possible by borrowing or by the use of foreign exchange reserves in the Central Bank. And this situation may lead to undesirable consequences for a country's international reputation.

Defenders of the idea of protectionism interpret a country's current account deficit as a bad situation. In the event that the current account deficit arises or grows, some governments use protective activities to correct this situation. Although this argument is popular among macroeconomic policies, it ignores some important issues. Firstly, the studies in the field of economics indicate that current account deficit is not harmful to the economy. Secondly, when examining the trade balance, it is only a partial and limited examination of a country's economy. Reductions or increases in the capital account may result in changes in the trade balance. For example, the current account deficit of the US is matched with capital mobility and is not mentioned by arguments on protectionism. Thirdly, in order to close the current account deficit, protectionist measures that prevent imports indirectly reduce exports and do not have a positive effect on the current account deficit.

Kaempfer and Willett's study (1987) shows that the use of anti-import policies to reduce the current account deficit will not reduce the current account deficit. The study suggests that in order to close the current account deficit, the country should correct other deficits such as the government budget deficit (Kaernpfer and Willet, 1987, pp. 27-38).

1.3.1.3. Employment

According to the advocates of protectionism, the restriction of imports will shift the demand to domestic products, the domestic production will increase and the increase in domestic production will lead to an increase in employment. Initially, although such an impact might happen, it is quite difficult to predict whether unemployment will decrease in the long term. If other countries retaliate against the country's protectionist activity, production in the country's export sectors will

decrease, while employment in import substitution sectors increases; on the other hand, in employment of exportation sectors will be reduced. Therefore, unemployment has not decreased, only the sector will have changed. So on so, Luttrell's study (1978) showed that protection activities had a near-zero impact on unemployment (Luttrell, 1978, pp. 2-10).

In addition, the increase in imports may not always affect employment negatively in free trade area. US could be a good example for this issue. With increasing mechanization and imports, the US lost 7 million manufacturing jobs but created 53 million new jobs in the service area. Moreover, 62% of newly service jobs earn higher wages than lost manufacturing jobs (Worstell, 2017).

1.3.1.4. Anti-Dumping and Countervailing Arguments

According to GATT description, dumping is defined as the sale of a good from one country to another in the country below its normal value. The normal value is the price in which the exporting country sells the same goods in domestic market. Although the dumping application is applied for various purposes, it generally has a negative impact on the importing country. As a result of the dumping practice of export countries, domestic industries cannot compete with lower price import goods and domestic producers of the goods get harmed. The importing countries are trying to bring domestic companies and foreign companies into a competitive position by applying an additional tax to the dumped imported goods. This additional tax that states apply to protect the domestic industry is called anti-dumping.

On the other hand, companies can also export their goods below the normal value by receiving government support. The support of countries to export companies are called subsidies. The subsidized goods, like the dumped goods, damage the domestic industry of the importing country. For this reason, importing countries apply additional tax to subsidized imported goods and try to bring domestic goods and import goods to a competitive position. This additional tax that states apply to protect the domestic industry is called anti-subsidy or countervailing tax.

Anti-dumping and Countervailing tax seemed to be an application against protection at the beginning, but they have become protectionist tools themselves day

by day. Therefore, these practices were perceived as a NTB over time and were started to controlled by GATT discipline.

1.3.1.5.Level Playing Field (Fair Trade)

This opinion argues that if the countries of the importing companies take various measures to protect their local industry, the exporting country should also provide protection to protect its industry. The main purpose of this idea is trying to reduce or completely eliminate the protectionist measures taken by other countries. This idea which tries to attract competition to equal conditions is also called 'fair trade'. This practice is implemented by many countries which affecting industries, and other countries respond to protectionist activities with protectionism. However, implementing mutual protectionist activity only provides benefits for the protected sector, on the other hand it harms international trade and the relationship between countries. For example, in the past, the US and Canada have mutually protected timber and some sectors, resulting in a loss of relations between them,

1.3.1.6.Cost Equivalence Argument and Scientific Tariff

This argument, like the previous one, is completely contrary to the basic basis of international trade. Foreign companies may have cost advantages due to factors such as natural and human resources, tax facilities provided by the state and incentives. In order to eliminate this advantage and to ensure an equal environment for everyone, a tariff should be set to eliminate the cost differences between foreign companies and domestic companies. This tariff is called 'Scientific Tariff'. Thus, it is believed that everyone will have equal conditions.

However, it is already the inequality of conditions that makes trade possible and makes it profitable by countries. Therefore, it is natural for a country to have a competitive advantage due to natural causes. At this point, it is more plausible to criticize the cost advantages associated with the support provided by governments. However, it should not be overlooked that not all governments have the same budgetary means, and that every support from the government is the revenue transfer from the consumer to the producer. In addition, the above mentioned scientific tariff

is very difficult to determine. This application can be discussed only when countries want to block completely foreign trade (Seymen, 2000, p. 53).

1.3.1.7. Infant Industry Argument

Alexander Hamilton (1757-1804), the first finance minister in the US, is known as the first advocate of the infant industries argument because of his report known as "Report on Manufactures" (1790). It was followed by Daniel Raymond (1786-1849) and Henry Charles Carey (1793-1879) in North America and Friedrich List (1789-1846) in Germany. However, List's advocacy of infant industries has not been the same intensity in any other economist. The effects of the List's ideas were not limited to the politicians of the day, but the rulers of the developing countries of the twentieth century also benefited from his views (Kibritçioğlu, 1993, p. 50).

The infant industry thesis is one of the most popular argument of protectionist countries to restrict or stop their imports. The newly established industry in a country may not be able to cope with its rivals abroad, if the industry of other countries was established before. Because it is thought that previously established industry is more advantageous than the newly established industry in terms of cost and production efficiency. Therefore, the newly established industry pressures the state to reduce imports until it is able to compete with other countries' industry. As a result, the country takes various import measures to protect the infant industry (Coughlin, Chrystal, and Wood, 1988, p. 11). However, protected industries want to be permanent protection by government. Such infant industries grow with the comfort of protection and may have a political power that pressure the government to increase protection level.

There are other issues in which the infant industry thesis has been criticized. First, it is very difficult to predict which industry will reach the economy of scale in the future and the margin of error is quite high. Choosing a wrong sector, exploiting the consumer for a long period of time, means wasting resources. On the other hand, even if the sector is selected correctly, companies may not be able to reflect the cost decreases in their prices by acting with a high profit. In addition, it is known that many new entrepreneurs can compete with the old entrepreneurs in the free trade

environment and even replaced the old ones by introducing some innovations. The realization of the investment depends not on protection, but on the good functioning of the capital market in the country and the accuracy of the predictions made by the entrepreneur. There is no reason why an activity that provides success in the domestic market cannot succeed in the free market environment abroad (Seymen, 2000, p. 37). Learning of competition can be achieved by not protecting companies against competition but by opening them to competition.

In the past, protection of Nigeria can be a good example of infant industry argument. Nigeria, which started producing oil in 1952, production capacity has reached 2 million barrels high quality crude oil while in 1972. The increase in oil prices after the Organization of the Petroleum Exporting Countries(OPEC) crisis in 1973 and the decrease in supply in Iran in 1978 provided an advantage for Nigeria. Oil has become one of the main sources of income in Nigeria. Since 1980, fluctuations in oil prices affected Nigeria economically and the oil industry was started to protect by the state. At the present time, despite the intense protectionism of Nigeria, a strength manufacturing sector could not be established, and even the rare gains in this area were happened during trade liberalization (Kulkarni and Bowman, 2014, pp. 11-21).

1.3.1.8.Optimum Tariff

According to this idea, a country with monopoly power in the world market is thought to be able to increase the level of welfare by applying various foreign trade restrictions in international trade. If the country imposes or increases a tariff for an import commodity, the price of the good in the importer's domestic market increases and demand of the good in the import country decreases. Thus, the excess supply occurs and the price of goods become cheaper in the world market. As a result of this practice, it is thought that the importing country will increase the level of welfare by getting more goods with the same amount of money. On the other hand, as a result of the tariff applied, the volume of international trade will be reduced. Optimum tariff is the practice that aims to maximize the welfare of the country by balancing these two positive and negative factors (Bloch and Zissimos, 2009, p. 2). After this tariff level

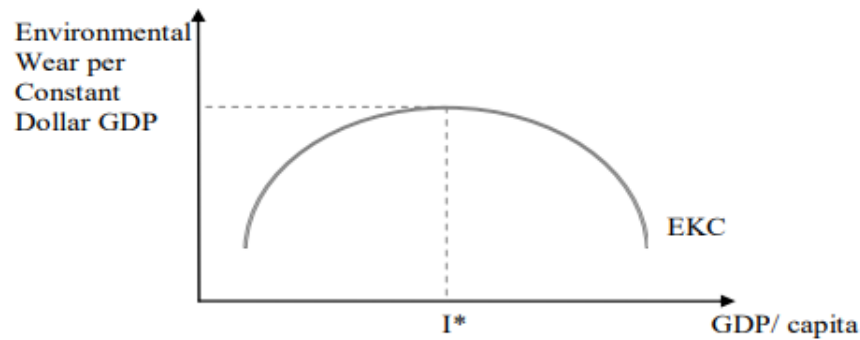
is exceeded, the increase in the tariff of each unit will mean loss of welfare. If the tariff level increases excessively, trade volume at this point may fall to zero and this is called prohibitive tariff. Undoubtedly, foreign trade gains are zero at this point.

Nowadays, a large country is unlikely to realize a tariff raise in this way. First of all, this arrangement is incompatible with the GATT principles, and other countries do not take any necessary measures in order to have the optimum feature. It should also be not forgotten that in the case of the implementation of the optimal tariff, it may retaliate in other countries. If other countries apply retaliation, the expected level of welfare cannot be reached. Naturally, from the assumption that each country considers its own interest, they will be expected to do so. In this way, a situation that turns into mutual tariff raising is referred to as customs war. As a result, no one can achieve his goal, but everyone in the world due to shrinking trade will suffer a loss. In the 1930s a very clear example of this situation was experienced. Today, on the contrary, studies are underway to liberalize world trade.

1.3.1.9. Protection of Environment

According to some protectionist advocates, free trade system causes developed countries to exploit the limited natural resources of developing countries and to increase environmental pollution. According to this view, developing countries produce and export goods using cheap technologies which harm the environment due to various inadequacies. In this way, developing countries cause negative effects such as desertification, extinct of certain animal species, deterioration of natural balance by damaging the nature during the production process. Therefore, it is necessary to stop the foreign trade with these countries and to encourage these countries to use clean technology. In addition, the environmental Kuznets Curve graph shows that income level is related to nature.

Figure 3: Environmental Kuznets Curve



Source: Nolen, Cantú, Guajardo, and García, 2010, p. 102

According to this graph, there is a positive relation between environmental and income in the country. As the income level of countries increases, it is thought that producers and society will be more sensitive to the protection of nature and thus the quality of environment will increase.

On the contrary of Protectionist thought, many free trade advocates think that international trade may harm the environment in the short term, however in the long run it will be beneficial for environment in developing countries. According to Bhagwati, with the liberalization of international trade around the world, underdeveloped and developing countries will be able to import technologies that are less harmful to nature, thus becoming a cleaner environment (Bhagwati J. , 1993, pp. 42-49). Article of Bhagwati supports the idea with Environmental Kuznets Curve. With the increasing international trade, the revenues of developing and underdeveloped countries will increase and they will be more sensitive to the environment.

This argument also has another inconsistency within itself. It is known that the countries that most send the toxic gas to the atmosphere and who endeavor to not sign the Kyoto Protocol are developed countries such as US. Again, it should not be forgotten that today's developed countries make great damage to the environment in the past centuries when they are in the process of industrialization. Besides, no one wants to live in a dirty environment. Providing a clean environment and investing resources for this is a process that comes with enrichment. Therefore, these countries need to be given time.

1.3.1.10.Domestic Good Argument

According to this argument, the internal market of a country belongs to the people of that country, it is their right. Therefore, it must protect the domestic market from foreign companies by introducing various restrictions when necessary. This idea is an understandable argument of the underdeveloped countries, who have experienced a colonial experience in their past, struggled for national independence and look suspiciously at all other countries except their own country. However, some developed countries, as well as underdeveloped and developing countries, use this argument in line with their political interests. For example; In the 1970s and 1980s, there was a hostility on imported goods in the US society. In addition, "the buy American act" in 1933 is another example.

1.3.1.11.Low-Wages Countries

Generally, workers' wages in underdeveloped and developing countries are much lower than in developed countries. The labor wages of countries such as Mexico, China, India, Indonesia are low but, export rates are high. The low labor cost provides the country with a competitive advantage, and even companies in other countries are in favor of making their production in countries with low-wage workers. Therefore, foreign trade with these countries should be restricted in order to prevent the exploitation of workers and to break the competitive advantages of low-wage countries.

It is quite clear that this argument actually serves the purpose of protecting developed economies against competition. Labor in a country is determined by the state of supply and demand according to the most basic economic laws. If labor factor in a country is high, it is a very natural result that wages are low.

However, it is the marginal efficiency of labor that determines wages in a country's economy. If wages are high in a sector, labor productivity is also high in that sector. The US has a comparative advantage in many industries, although wages are high. Therefore, for countries that have a disadvantage in terms of competition,

the problem is not the low wages in other countries, but the problem of inefficiency in their own countries.

A comparison in terms of nominal wages in different countries may lead to misleading results. A fee that seems to be quite low for the US may be quite reasonable for a Chinese or Indonesian. The wages depend on the general price level in the countries. In addition, no company applies a very low wage to a worker. Whether a worker is working at a low price or not depends on the market conditions and alternatives. On the other hand, according to some studies, free trade contributes to create more job opportunities. Because countries are going to specialize in areas where they are comparatively superior. According to Paul Krugman and Milton Friedman, free trade helps to increase exports and grow new manufacturing sectors as well as expanding the manufacturing sector. Thus, free trade supports even third world workers who are not suitable for the new job to find employment (Founda, 2012, pp. 351-355).

1.3.1.12.Improvement in Terms of Trade

According to this view, a country can improve the terms of trade by increasing tariff rates for a product. However, the country in question must be a large country to influence international prices. Theoretically, the country's tariff increases can effect welfare level limited. Because the increase in tariffs leads to a decrease in the total trade volume, this situation decreases welfare. In addition, if other countries go to retaliation, welfare level can decrease in the country. The intense efforts to reduce tariffs in the 1940s and the GATT agreement are proof that the tariff increase resulted in negative consequences for the countries (Seymen, 2000, p. 29).

1.3.1.13.Strategic Trade Policy

The strategic trade policy theory's definition is given on the article, which written by Barbara J. Spencer and A. Brander, as follows; “Strategic trade policy refers to trade policy that affects the outcome of strategic interactions between firms in an actual or potential international oligopoly.” (Spencer and Brander, 2008, p. 1)

To explain the definition, strategic trade policy refers to policies that are implemented in order to improve economic performance by encouraging exports in certain industries or limiting imports. These industries generally include firms which produce high technology and high added value goods. According to strategic trade theory, an industrialized country can provide comparative advantage with using protectionist measures on some key industries such as computer, telecommunication tools etc.

The implementation of strategic trade policy depends on the continuity of the excessive profits in the related sector. This continuity can only be achieved by the serious protection of entry into the market, which requires active government intervention. The problem here is the difficulty of choosing the right sector as in the young industry thesis. In addition, support policies should be chosen correctly even if the sector is determined correctly. On the other hand, a protected sector will increase the cost of another sector providing input from it, and that sector will be able to demand protection from the government. Thus, protectionism in one sector will breed protectionism in another sector and will deviate from the policy objective applied when such a situation arises for the whole industry.

Strategic trade policies are also targeted policies that increase the welfare of a country at the expense of the other country. This situation is considered as the beggar-thy-neighbor policies. Therefore, such policies endanger international trade and increase the likelihood of outbreak of a trade war between countries (Krugman, Obstfeld, and Melitz, 2012, p. 277).

Japan, Singapore and South Korea are examples of countries that currently implement strategic trade policy. These countries have chosen information technologies and manufacturing sectors as sectors that could be important in the leading or future periods. The progress of these countries in the steel production, electronics and automobile sectors has pushed the EU and US countries to protect themselves. The negative result of the protectionism practices is the prolongation of the process of closing the existing technology gap of the country applying protectionism.

1.3.1.14. Intellectual Property

Intellectual property refers to intangible assets such as inventions created by persons or organizations. Intellectual property is found in the commercial field as well as in artistic design and works. The intellectual property right is a legal structure that protects the intellectual labor products of economic value. According to information in article of Sharma, most common types of Intellectual Property Rights are patents, copyrights, trademarks, industrial design, geographical indications, trade secrets, layout designs for integrated circuits and even ideas (Sharma, 2014, p. 1).

According to the idea, intellectual property should be protected by domestic or international organizations for allowing people or firms to obtain returns from the creation or investment. Developing countries can easily create a copy of goods or ideas by applying reverse engineering on new inventions and ideas. Copying is carried out using the deficits of the legal structure in which intellectual property is protected. Individuals and companies who cannot stop copying their ideas cannot gain comparative advantage in production and profitability and are damaged as a result of their investments. As the domestic producer is distracted from the desire for innovation and the damage caused as a result of his investments adversely affects the economic growth of the country, countries prevent the stealing or copying of the intellectual property by applying various protective measures.

1.4. MILESTONES OF PROTECTIONISM FROM THE 20TH CENTURY TO THE PRESENT

There have been many local, regional or global crises since the beginning of the 20th century. However, the four crises mentioned in this section have had a great effect on protectionism. These crises have increased the protectionist idea throughout the world and, moreover, have been an important factor in the evolution of the concept of protectionism to new protectionism.

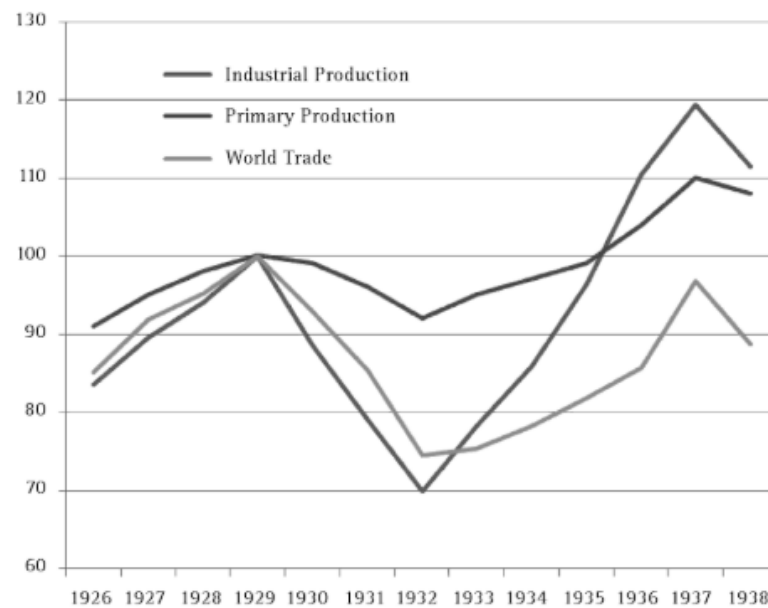
1.4.1.Great Depression (1929-1939)

The Great Depression, which took place between 1929 and 1939, affected world trade and became an important breaking point for the use of protectionist policies. After the crisis, developed and developing countries began to intensively use the tools that restrict international trade in order to protect their economies. It is important to note that in the world economy, especially in times of crisis, countries often resort to protectionist tools to minimize the negative effects of the crisis. It can easily be seen that, while the world economy generally follows a positive course, the policies of free trade gain weight, on the other hand, while in times of crisis, protectionist practices are gaining weight.

The Great Depression of 1929 started with the declines in the US stock exchange on October 3, 1929. Therewith, investors who are worried about the further decline of their stocks, have started to sell out the securities in a hurry. The sales pressure on the stock market caused the values of the securities to fall, which resulted in the collapse of the stock market. The process, which started with the collapse of the stock exchange on 24 October 1929, was later called Black Thursday. With the bankruptcy of many US banks in the process, the economic crisis has inevitable.

In addition, the US in 1930, with the Smoot-Hawley Tariff Act, increased the duties on imports of agricultural products. Hereby, US attempted to protect the domestic agricultural producer from other countries which have lower labor wage and produce manufacturing cost. However, the results of the Smoot-Hawley Tariff Act were occurred contrary to the government's expectations. Other countries have responded to this activity, which the American did to protect its economy, by retaliation. World trade shrink by 70% in the early 1930s as a result of the implementation of protectionist activities by also other countries. This contraction in world trade; left millions unemployed, deepened the Great Depression and increased the political tension that led to the outbreak of the Second World War (Sevilla, 2007, p. 3).

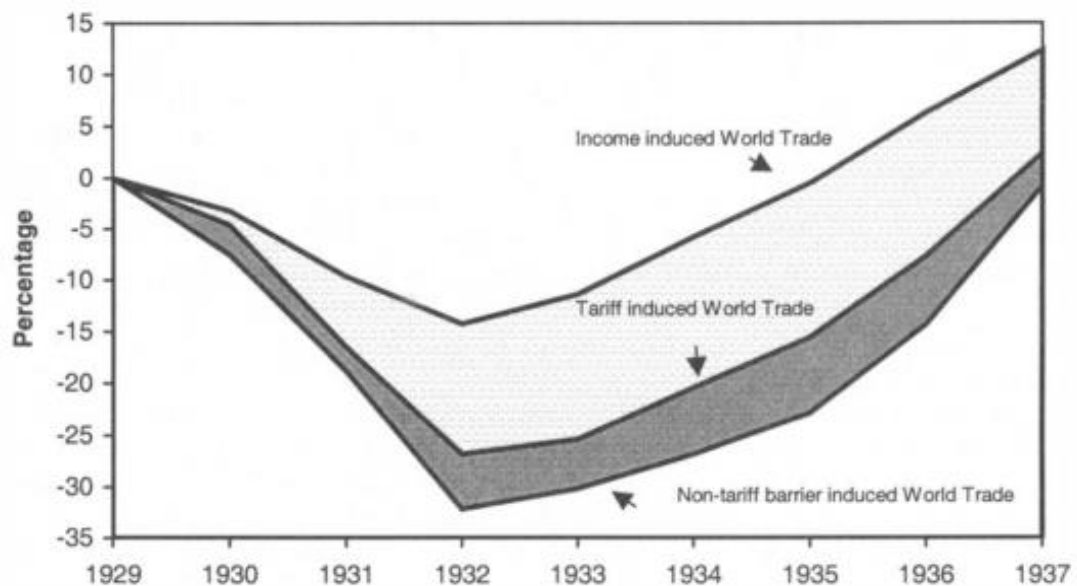
Figure 4: World Production and Trade (1926-1938)



Source: Evenett, Hoekman, and Catteneo, 2009

After the 1929 crisis, there were significant contraction in the world economy in terms of foreign trade. Developed countries started to use all policy instruments in this period to restrict trade, especially in the first few years after the crisis. Between 1929 and 1932, the volume of foreign trade in industrialized countries decreased by about 30%. However, there are studies which reach on the different causes of this decrease in the literature. Some studies show that the reason for this shrinkage in foreign trade is due to the crisis-related income reduction. On the other hand, some of the studies show protectionist policies that are implemented after the crisis as the primary reason for the decline in foreign trade (Madsen, 2001, p. 848).

Figure 5: World Protection Types(1929-1937)



Source: Madsen, 2001, p. 865

Most of the protectionist practices introduced after the Great Depression are caused by the tariff effect. Madsen (2001), in his study, concluded that between 1929 and 1932, 13% of the contraction in world trade was due to income decline, 13% was due to tariff practices and 5% was due to NTB (Madsen, 2001, p. 862).

The efforts to liberalize world trade are based on this intense protectionist movement that was inherent in the 1930s. With the rapid increase in production in developed countries in the period between the two world wars, the revival of the economy necessitated opening to wide foreign markets. Therefore, first of all industrialized countries and then developing countries have taken action to eliminate the protectionist tendencies that disrupt the world resource distribution after the war and lead to unfair competition in international trade.

1.4.2.OPEC Crisis (1973-1974)

From the second half of the 1960s, countries put away the protectionist policies and started to use free trade policies. In 1960- 1972, the increase in the rate of imports of industrialized countries to 9% per annum, the increase in exports of underdeveloped countries by 6.7% and the increase in imports by 6.2%, led the

countries to take their share from these positive developments throughout the world. In this period, exports undertook the function of growth in underdeveloped countries.

By the 1970s, the idea of free trade began to lose its influence again. The abundance of dollars in the markets resulted in the depreciation of the dollar, and speculative activities in the foreign exchange markets began. Founded in 1944 and based on the fixed exchange rate system, the Bretton Woods system was demolished, countries began to shift to a free exchange regime. High deficits in the US balance of payments led to a decrease in its competitiveness and to use them in protectionist policies. On the other hand, Japan has reached on the world stage as a technology giant. The fact that underdeveloped countries have been able to compete with western countries in manufacturing industry production and export by using cheap labor since 1960s, has left western countries in a difficult situation. While this is the case in the world conjuncture, OPEC has increased its oil prices four times, due to political reasons. This led to a decrease in demand by increasing costs and driving countries to stagnation.

The OPEC was founded in 1960 with the participation of Venezuela, Iran, Iraq, Saudi Arabia and Kuwait. After the establishment, Qatar, Libya, Indonesia, the United Arab Emirates, Algeria, Nigeria, Ecuador and Gabon also participated to the union. In the beginning, this organization, which was established to stop the decline in crude oil prices, later on, it got a power to determine the price of oil in the world market and it caused the big large fluctuations in the general price level of petroleum.

On October 16, 1973, OPEC countries announced that they would increase the oil price which is 3,09 USD in that day. In addition, the Arab states, which are members of the Organization of Arab Petroleum Exporting Countries (OAPEC), declared that in a decision taken on October 17, 1973, until the Israel occupation fall back from Arab land, they will go a 5% reduction in oil production every month. Even in the following days, the idea of implementing a full oil embargo on the USA and the Netherlands due to its support to Israel was raised, but not implemented (Liel, 2001, p. 104). Due to these developments, oil prices rose to USD 4.75 at the end of 1974 and USD 12.21 in 1975 (McMahon, 2019).

Table 2: GDP Growth of selected countries in the period of 1970-1980 (Annual %)

	Germany	France	UK	Italy	Japan	USA	Netherlands	World
1970		5.727118	5.957660774	5.268697	-1.01991	3.206807	5.694796	4.37336
1971	3.1327	5.345712	3.479335184	1.818108	4.698992	3.295477	4.31698	4.254017
1972	4.300341	4.541579	4.294469811	3.690486	8.413547	5.263263	3.533875	5.68378
1973	4.777487	6.310451	6.516074517	7.125862	8.0326	5.643125	5.444223	6.465183
1974	0.890069	4.291352	-2.472674036	5.500141	-1.22524	-0.51715	3.438718	1.988196
1975	-0.86674	-0.98016	-1.488343177	-2.09016	3.091576	-0.19768	0.002029	0.908827
1976	4.949258	4.314246	2.921780444	7.125385	3.974984	5.38609	4.45631	5.26595
1977	3.347218	3.451369	2.463214174	2.560501	4.390338	4.608597	2.52044	3.996588
1978	3.008493	3.978806	4.195284943	3.24014	5.271942	5.561685	2.696247	4.098683
1979	4.150363	3.559112	3.735497418	5.959159	5.484042	3.175691	2.014166	4.108487
1980	1.408829	1.588189	-2.041164444	3.430016	2.817591	-0.2446	1.341914	1.966133

Source: World Bank, (07.01.2019)

Increasing oil prices in a short period of time led to serious changes in the economies of oil producers and countries in need of oil. While oil producers have achieved significant revenues, the economies of the countries that supplied oil from outside have damaged greatly. Thus, this situation, combined with limited production, unemployment and insufficient economic growth, has turned into a stagflation crisis, where high price increases are observed. Price stability and full employment arrived at level where cannot be achieved. With the OPEC crisis, many states, especially the US, Germany, France, UK, Italy, Japan and the Netherlands, have been affected by this situation.

These negativities all over the world have caused protectionist policies and trends in many industrialized countries. However, since GATT forbids protection through tariffs, countries have resorted to protectionist policies through NTB which have many varieties and are very difficult to identify. Afterwards, this protectionist act was called ‘New Protectionism’.

1.4.3.Global Crisis (2007-2008)

In 2008, a global crisis stemming from US emerged. The reasons for the emergence of the crisis can be summarized as follows; repayment of mortgaged housing loans, excessive borrowing of public and private companies, irregularities in the determination of housing values of rating agencies. In addition to these,

increasing protectionist measures in foreign trade caused serious damages both in financial markets and international trade.

The negative effects of the global crisis of 2008 on many economies led to a consensus that this crisis was the biggest financial crisis in the world after the Great Depression of 1929. The negative effects of the crisis in the financial sector originating in the US and the crisis of confidence in economic units all over the world; unemployment, foreign trade, real economic indicators such as GDP per capita led to the breaking of the positive trend. The fact that the economic relations of the countries with each other increased with the new technological developments and the positive conjuncture in the pre-crisis world economy rapidly spread among the countries, however, this positive conjuncture reversed with a similar speed and protectionist idea is spread among the world. The global crisis has naturally triggered anti-liberalization and protectionist ideas and policies (UNTAD, 2010, pp. 1-5). Before the crisis, liberalization-oriented reforms in the world slowed down and doubts about globalization policies had increased. However, with the crisis, these doubts were replaced by protectionist policies. Thus, the free trade opinion worldwide which includes the last 30 years, has experienced its biggest decline since the Great Depression.

Figure 6: Change in world trade volume vs same month last year (2011-2019)



Source: World Trade Monitor, (15.03.2019)

Foreign trade is one of the real economic factors that show effect of global crisis to countries. The export and import volumes of both developed and developing economies have deteriorated at different levels after the crisis. As a result of the lessons learned from the crisis of 1929, governments introduced various expansionary monetary and fiscal policies in order to save the economy without

shrinkage. On the other hand, although the protectionism has been shown to increase among the reasons why the 1929 crisis took longer, the countries turned to protectionism in foreign trade in order to eliminate the negative effects of the crisis.

Table 3: After the 2008 Global Crisis, top 10 countries that imposed protectionist measures and affected from

Ranking	Protectionist measures imposed		Effected from protectionist measures	
	Countries	Number of Measures	Countries	Number of Measures
1	EU(27)	166	China	337
2	Russia	85	EU(27)	322
3	Argentina	52	USA	260
4	India	47	Germany	240
5	Germany	35	France	221
6	Brazil	32	England	214
7	England	31	Italy	211
8	Spain	25	Japan	192
9	Indonesia	24	Netherlands	191
10	Italy	24	Belgium	189

Source: Sally, 2011, p. 13

From the moment the 2008 crisis emerged, countries tried to manage the contraction and increasing unemployment processes in their economies by resorting to many methods ranging from financial incentives and subsidies, from tariff increases to anti-dumping practices and other NTB. When the protectionist measures made after the crisis are examined; as a result of the relatively resilient financial strength of developed economies, it can be seen that they give weight to subsidy and incentive practices. On the other hand, emerging economies have been used all other trade-restrictive instruments to protect their economies (Gamberoni and Newfarmer, 2009, p. 3).

1.4.4.Trade War (2018-...)

Increase of using protectionist policies such as tariff and non-tariff tools, is defined as a Trade War. Such unilateral economic policies made by countries are interpreted as protectionism. Because it violates the principles of WTO, usage of such economic policies are not want by the WTO (Thiebaut, 2018, p. 15).

The basis of the US and Chinese trade war was laid with the decision of US President Donald Trump on March 1, with the introduction of a 10% customs duty on steel imports and a 10% customs duty on aluminum imports. Innovation is one of the most important topics of the growing trade war with Washington's decision to impose 25% additional customs duty on more than 800 products imported from China on July 6. Because the US has started to lose its superiority in the field of innovation, it has serious concerns. China underlines the fact that the US has implemented additional tax in lanes such as aviation, telecommunications and artificial intelligence.

In the Global Times, one of the Chinese Communist Party publications, it was written about the trade war, as follow; “China does not want to get involved in a trade war. Discrepancies over trade can be gradually resolved. But if the Trump government wants to contain China's high-tech development and marginalize its promising high-tech industry, it will be quite another case.” (Global Times, 2018) Already, China has not been late for retaliate against the US act by applying 25% customs duty to the US goods that is value \$34 billion. China also informed the WTO that it will continue to work with other countries on free trade. The Chinese Securities Regulatory Commission announced that it would allow more foreign retail investors to trade domestic A-shares through onshore brokers for prepare the economy for the entered trade war.

Although it is uncertain who will be the winner of this trade war between the US and China, it is very likely that this war will affect the economy globally. Because the goods that impose mutual tax are often linked to world supply chains. This means that many product prices around the world can suddenly increase. Given that US has kept its customs regulations not only for China but also as a bargain

against the EU and Russia, it is likely that the process would make the US economically and politically isolated.

1.5. TRADE LIBERALISATION VS. PROTECTIONISM: INSTITUTIONAL FRAMEWORK

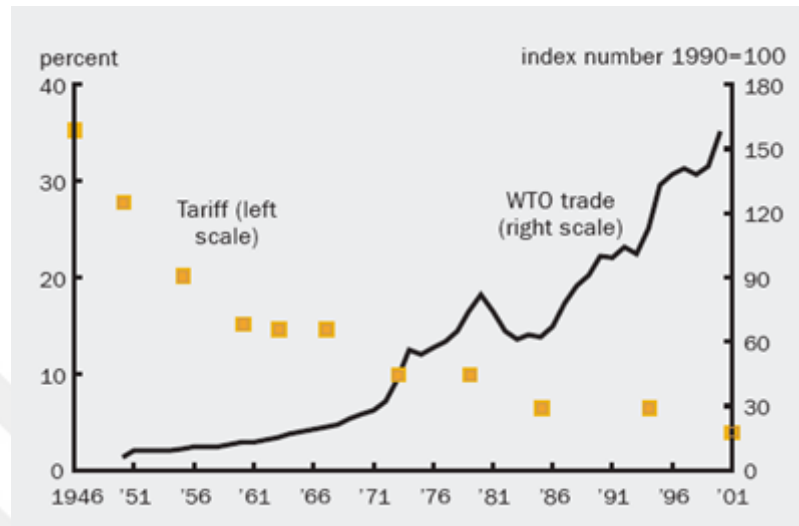
1.5.1. Foundation of GATT

As a result of the increasing protectionist policies of the 1929 world economic crisis, world trade was adversely affected. In the period after the Second World War, the countries tried to find a solution to eradicate the negative effects of the war and to restructure the national economies. It was aimed to establish an international organization called International Trade Organization (ITO) as a result of the need for cooperation for the liberalization of international trade. While the negotiations continue for the establishment of the ITO, which is planned to include comprehensive arrangements in the international trade area, the countries which want to reduce customs duties and other trade barriers more rapidly, established GATT. It was created by 23 countries which 12 of them industrialized and 11 of them developing (Mattoo, 2002, p. 41).

GATT has adopted a multilateral framework of international trade. In this context, being an international trade forum to liberalize and stabilize international trade and to be an international board in which the disputes between the member states can be resolved are considered as the main functions of GATT (Understanding The WTO, 2015, p. 9). This approach is referred to as “global approach”, i.e. liberalization of trade at global level, by means of multilateral trade talks to be conducted by GATT/WTO rounds. On the other hand, GATT also allowed for trade liberalization at regional level, i.e. “regional approach”, as stated by Article 24 of the GATT. This approach allowed for trade liberalization at regional level, in the form of trade blocks, free trade areas is often regarded also as economic integration. These structures promote trade liberalization at regional level, and as such, besides trade creation within the area, they result in trade diversion. Thus, occasionally – and by nature – they also pursue at some degree protectionist policies against third countries.

Some experiences in Latin America such as Mercosur reflect a typical example of this argument. To a certain degree the same applies to the EU.

Figure 7: Growth of trade among WTO members and the decline of tariff (1946-2001)



Source: Bernard and Michel, 1995, p. 20

After GATT came into force in 1948, the volume of international transactions increased unexpectedly in this period. While the volume of international trade increased only 0.5% between 1913 and 1948, the annual growth rate increased to 7% between 1948-1973. Global exports and imports far surpassed the growth in the production of goods and services in the world economy. Beyond this, international trade has become an important component of Gross National Product (Yoffie and Gomes-Casseres, 1990, p. 353).

Since 1948, the GATT has been the focal point for industrialized countries looking for low trade barriers. Although the limits of the GATT were initially set as a tariff agreement, over time, as the average tariff rates fell, it also became interested in non-tariff trade policies and local policies that were effective on trade.

Thus, after the Second World War, the GATT helped to regulate significant tariff reductions, while the multilateral approach in trade liberalization led to increasing NTB and difficulties of expanding international rules to new areas of trade.

GATT, the main objective of the liberalization of the world system, has carried out four conferences and five multilateral trade negotiations (round) since its establishment. These conferences and rounds include;

Table 4: GATT Meetings (1947-1993) and WTO Meeting (2001)

Years	City/Meeting Name	Number of Participating Countries	Meeting Topics	Tariff Discount Percentage Adopted
1947	Geneva	23	Tariffs	21
1949	Annecy	13	Tariffs	2
1951	Torquay	38	Tariffs	3
1956	Geneva	26	Tariffs	4
1960 1961	Geneva (Dillon Round)	26	Tariffs	2
1964 1967	Geneva (Kennedy Round)	62	Tariffs and anti-dumping measures	35
1973 1979	Geneva (Tokyo Round)	102	Tariffs, non-Tariff measures, multilateral agreements	33
1986 1993	Geneva (Uruguay Round)	123	Tariff, non-tariff measures, property right, dispute resolution, establishment of the WTO	34
2001 2004	Doha (Doha Round)	144	Liberalize global trade in agriculture, industry and services	-

Source: Seyidoğlu H. , 2017, p. 222

A total of 8 meetings were held from the GATT agreement (from 1947) to the WTO establishment (1995). In the period until the oil crisis of 1973, customs duties (tariffs), one of the protectionist measures, were gradually reduced in global trade, and from 1973 onwards, measures were taken against new protectionist policies (NTB).

The regular increase in the number of negotiations made by GATT reflects its success. The common goal of these negotiations is to eliminate the barriers to trade in goods. The reduction of tariffs and NTB under the supervision of the GATT has played a major role in shaping trade policies worldwide (Rivera-Batiz and Oliva, 2003, p. 591).

At the end of the Uruguay Round, which was the most comprehensive of these negotiations (1994), while the number of countries participating in the GATT was 128, this figure increased rapidly with the entry into force of the WTO. As of June 2016, the number of WTO member countries were 164.

1.5.1.1. The Basic Principles of the GATT

The objectives of GATT (1947) are divided into two as general and specific. Specific objectives have been set in order to achieve the general objectives in the agreement. These objectives have been identified as prevention of tariff increases and reducing other restrictive barriers imposed by countries in international trade. The general purpose of the agreement is to increase the living standards in the member countries, to ensure the full use of the world resources with a steady growth in real income and effective demand, to help the production and international trade to be developed. As a result, the GATT, on the basis of the main purpose determined, is formed around the four basic principles

The Most-Favored-Nation (MFN) Treatment

The GATT text prepared in Geneva in 1986 includes the principle of MFN as follows: "... any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or

destined for the territories of all other contracting parties." (General Most -Favoured-Nation Treatment, 1986, p. 24) In another word, a member country has to apply same treatment to any member country, in international trade, the favorable regime it has implemented in other member countries. Thus, it is considered that countries will not have any special advantage in foreign trade or will not be discriminated against (Gandolfo, 2014, p. 216).

However, some other practices, such as customs unions, free trade agreements, the system of generalized preferences, and discriminatory agreements such as low or no customs tax in favor of developing countries, or other practices such as antidumping duties and compensatory taxes are excluded from this rule.

Transparency

Transparency is one of the main pillars of the WTO and is a legal obligation as specified in Article X of the GATT. The most effective way to ensure transparency in trade is to make protections activity (if it is necessary and legal) through only tariffs. According to the principle, member states will protect their industries only with tariffs and will not resort to other measures for this purpose. Quotas, one of the most important NTB, are prohibited. However, it is also determined in which special cases the countries can apply for this prevention. Accordingly, for example, countries that are temporarily unable to balance payments may be subject to quantitative restrictions.

Reciprocity

If any member state uses a trade privilege, other member states should make equal privileges to balance the advantages and disadvantages of trade liberalization. Considering all the static and dynamic gains of trade liberalization, it may be the best way to allow free trade, regardless of whether other countries do the same. However, in practice, countries that are in adjust with trade liberalization are acting with other countries (Marrewijk, 2002, p. 223).

The most important exception to this principle is the developing countries which are separated from the obligations imposed on this principle. GATT Part IV provides developing countries with detailed commitments.

Tariff Binding and Reduction

This is the fourth and last principle adopted by GATT (1947). According to this principle, the parties are committed to their efforts to remove NTB while agreeing to the gradual reduction of tariffs by agreement. In principle, the tariff rates included in the concession list of each member state are called bounded tariffs and countries cannot exceed these rates in practice. In other words, these rates are binding on that member state and cannot be increased without negotiation with important trading partners.

1.5.1.2. Uruguay Round and Foundation of World Trade Organization

In the framework of the GATT, eight rounds of negotiation have been held. The Doha Tour, the ninth negotiation, started in 2001 at the WTO and the negotiations are still in progress. The most comprehensive of these is the Uruguay Tour, which started in 1986 and completed in 1993.

With the establishment of the GATT, liberalization in international trade in the first half of the 1960s and 1970s was replaced by partially protectionist policies in the following years. In this period, it is accepted that the stagnation of growth in trade and the revival of protectionism were caused by some problems that emerged in the 1970s. Some of these problems are as follows;

- Irregular movements of exchange rates as a result of the transition from fixed exchange rate system to floating exchange rate system,
- Increase in oil prices due to oil shocks in 1973-74 and consequently real world income in favor of OPEC countries,
- The danger of the newly industrialized countries taking over some product markets of developed countries in labor-intensive goods such as textiles, footwear, steel, clothing, toys, sports equipment, weighing instruments.
- The rapid development of trade with new industrializing countries has led to adaptation problems and unemployment in developed countries.

As a result of these developments, while globalization in some areas continues, polarization, which is a new trend in some areas, has begun to gain momentum. In response to all these negative developments in the world conjuncture, industrialized countries started to apply policies deviating from the GATT system and threatening this system. One of the main problems of the Uruguay Round was the increase in scope and intensity in the 1980s and the non-tariff practices, called "Gray Area Measures" or "New Protectionism".

Due to these reasons, the rules adopted within the framework of GATT after 1980s became unusable in international trade and question marks about the future of the current system began to form. On the other hand, the emergence of new protectionist currents of the crises of the 1970s and the use of many different protectionist practices of the countries revealed that the scope of GATT (1947) should be expanded and a new multilateral trade tour should be initiated in order to adapt to the new conditions of the period (Carbaugh, 2010, p. 188).

The main topics discussed in the Uruguay Round, initiated in line with these needs, were trade in services, liberalization of agricultural products and internal support, easing capital exports, control of new protectionist tools and setting new rules for reversing the tendency of protectionism. In addition, the main issue of GATT (1947) was the establishment of a new settlement mechanism for the settlement of disputes, which was the main issue of the negotiations.

As a result of seven years of negotiations, the final round of the Uruguay Round, the most comprehensive trade agreement in history, was signed in Marrakech in 1994. In this context, 19 treaties, 24 decisions, 8 memorandums of understanding and 3 declarations were signed. The final act required the World Trade Organization(WTO) to replace the GATT as an institution and the WTO started to operate on 1 January 1995.

1.5.2.WTO

The WTO was formed as a structure that was formed on three main sections of the Ministerial Conference, the General Council and the Dispute Settlement Gateway. Subjects were detailed within the related structures. In this context, the Ministerial Conference works as the main decision-making body and is expected to be convened every two years. The General Council convenes with the authority to decide on the day-to-day operation of the WTO. On the other hand, the Dispute Settlement Gateway was established in order to solve the problems experienced in the implementation of the rules for international trade among the member countries. The WTO assumed the mission of providing free foreign trade, reducing tariffs and eliminating trade barriers through multilateral trade negotiations that began with GATT as of 1995.

The WTO aims to make continuous negotiations between the member states for further liberalization of trade in goods and services in the world economy. The WTO also oversees the implementation of the General Agreement on Trade of Services (GATS), the Commercial Intellectual Property Rights Agreement (TRIPS) and other legal instruments of the organization. The system, based on the improved and strengthened rules created by the establishment of the organization, aims to provide exporters with liberal, secure and organized access to foreign markets for goods and service products. The system aims to ensure that the products of the companies are unhindered by the abolition of sudden restrictions and fair competition conditions.

WTO is an umbrella organization and is responsible for the implementation of GATS and TRIPS and other legal instruments of the World Trade Organization with the GATT agreement and its complementary agreements. The WTO creates a forum for the further liberalization of trade in goods and services, with the aim of conducting ongoing negotiations between the member states and for the purpose of negotiating other issues related to trade, for the development of rules and disciplines. In addition, the WTO periodically reviews the trade policies of each member country. The WTO is also responsible for the resolution of commercial disputes between Member States in accordance with the rules in the legal instruments.

As stated in the WTO's website, the organization must fulfill the following six functions;

- a) administering trade agreements
- b) acting as a forum for trade negotiations
- c) settling trade disputes
- d) reviewing national trade policies
- e) building the trade capacity of developing economies
- f) cooperating with other international organizations (WTO, How the WTO is organized, 2019)

However, according to the report of the WTO on 26 March 2009 on the financial crisis and the developments in the wages in the Member States, the tendency of protectionism has increased significantly. After the financial crisis, customs duties, NTB and other trade policies and increased protectionism has damaged to free trade. In particular, the report highlighted the deterioration caused by the economic recovery packages, and it was found that these packages, which were put forward for the fight against the crisis, supported the local production against the imported goods with state aids and other supports. Special emphasis on steel and automotive sectors, the US and EU countries, Argentina, China, India and Russia are accused of implementing such policies (Report From the Director - General on Trade- Related Developments, 2010, pp. 40-42).

Unlike traditional protectionist policies, these barriers are applied as; environmental and health standards, subsidies, voluntary export restrictions, technical barriers, quantitative constraints, rules of origin, NTB. The spread of non-tariff measures such as voluntary export restrictions, quota applications, anti-dumping investigations and additional financial liability practices that are still in place shows that the WTO cannot hinder the new conception of protectionism.

The WTO publishes the protectionist measure complaints from its establishment year on website. According to the data from this site, a total of 581 cases were filed worldwide from 1995 to April 2019. WTO entitles the complaints and cases with various latter and number. WTO is classified these complaints and cases according to process and results. The table below was created according to this

classification system and the number of cases in the various processes was given. Most of the cases filed as a result of protective practices resulted in agreements of countries. However, in 7 cases, no agreement could be reached between countries, the WTO accepted the protectionist measure and granted the complainant the right to retaliation. On the other hand, when the complaints are classified according to years, the number of cases filed has increased in the last three years. 13 cases were filed in 2018 and the number of such complaints was last reached in 2001. The increasing trend in the number of cases can be interpreted as the rise of protectionism.

Table 5: Results of the cases in WTO

Panel established, but not yet composed	27	Mutually acceptable solution on implementation notified	23
Panel composed	32	Compliance proceedings ongoing	9
Panel report circulated	2	Compliance proceedings completed without finding of non-compliance	3
Panel report under appeal	11	Compliance proceedings completed with finding(s) of non-compliance	6
Appellate Body report circulated	0	Authorization to retaliate requested	9
Report(s) adopted, no further action required	34	Authorization to retaliate granted	7
Report(s) adopted, with recommendation to bring measure(s) into conformity	41	Authority for panel lapsed	12
Implementation notified by respondent	95	Settled or terminated (withdrawn, mutually agreed solution)	96

Source: WTO Database (08.04.2019)

CHAPTER TWO

NEW PROTECTINISM

New protectionism is the idea of protecting a countries' economy from other countries with NTB such as anti-dumping and countervailing duty, voluntary export restrictions. What is new in this concept is not the introduction of measures that increase protection, but rather the change of protection measure and restrict the import in an indirect way. While it is possible that is the closure of domestic market to foreign competitors in classical protectionist thought, it's not even a matter of discussion at new protectionist thought. On the contrary, it is aimed to make the domestic market open to foreign trade and other country products as much as possible, and to increase the competitive strength of the domestic producer with the necessary support and invisible barriers within this structure.

These supports, apparent and invisible obstacles consist of NTB. Except the custom duty and tariff, all kinds of technical and financial measures to change the volume, direction and composition of international trade can be defined as NTB. In literature, these protection measures are called also various names such as non-tariff barriers, non-tariff intervention, non-tariff distortions to trade, new protectionist policies.

The reason for the emergence of new protectionism in the 1970s is the low growth and high unemployment problems in the industrialized countries. Besides, with the establishment of GATT, the decline in tariffs led countries to seek new protectionist tools. This tendency of industrialized countries towards non-tariff tools has been recognized by GATT and meetings have been made to limit these barriers on the Tokyo Round (1973-79). The greatest danger in increasing NTB is that this situation causes very sharp retaliations in foreign trade and, consequently, a decrease in world trade.

The two most important characteristics of the new concept of protectionism are the use of NTB as a tool, and the second one is that it emerged in developed countries rather than in developing countries. The new protectionism in developed countries has not been occurred by applying to the provisions of the exception that

could be applied against a compensatory compensation in other areas or to increase the rate of customs that would contradict the GATT rules. The tools of the new protectionism are the ways in which the exporting country was forced to limit its exports by means of specific threats. While the new concept of protectionism has a negative impact on all country groups, the new industrializing countries and the underdeveloped countries are the most affected countries and the industrialized countries are the most influential.

The impact of these new protectionist barriers on foreign trade has become as strong as tariffs over the years. These barriers can also cause exporters to increase their costs and to reduce the demand for the goods they import for various reasons. A non-tariff measure reduces the total imports of the two countries to each other to a minimum of 12%. In addition, trade defense measures such as anti-dumping and countervailing duty reduce the trade between the two countries by an average of 11% annually (Yalcin, Felbermayr, and Kinzius , 2017, p. 3). On the other hand, the fact that technical or invisible barriers are diverse and that countries offer quite different reasons when applying them prevent a clear definition of the measures and identified of the obstacles' effect. Invisible obstacles are foreign trade policy instrument that includes many barriers such as different health and environmental standards practices, rules of origin, labeling requirements etc., and it can find a wide range of application areas.

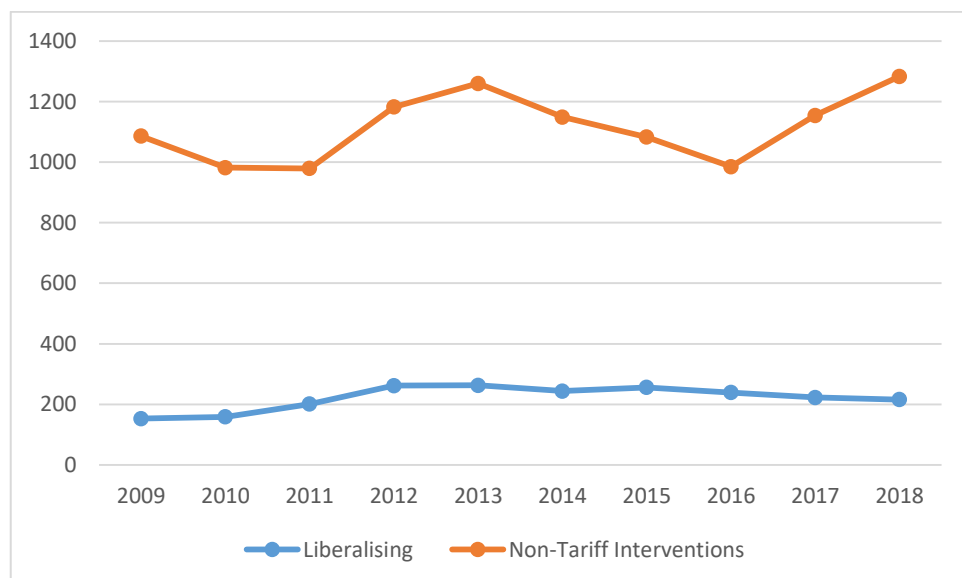
In recent years, the main aim of the strategies of Western countries is to recover the competitive advantage gained by the developing countries, especially the East Asian countries, which produce industrial production with low cost. The decline in the scientific-technological difference between the industrialized West and the industrialized countries of the East, and the concern that the prosperity shifts to the East, pushes the Western developed countries to seek to maintain their positions in the global economy or to revitalize the industrial sector. With the policies to be implemented in this direction, it is aimed to contribute to the welfare increase by increasing production and employment as a result of the recall of the factories and industrial facilities to their homeland.

The main reason for the rise of the new protectionism, which is also mentioned so much today, is the perceptions of the global economic interests of global powers are under threat. Especially in recent years, the lack of sustainable development on the basis of a fragile financial-banking sector leads national decision-makers to new protectionist measures to stimulate industrial sectors. For this reason, developed countries, led by the US and Europe, implement a number of policies, incentives and subsidies to attract the industrial establishments abroad. Developed states, after the global financial crisis, re-understood the importance of the industry. So, they started to take measures to pull their industry towards Asia.

2.1.GLOBAL TENDENCIES TOWARDS “NEW” PROTECTIONISM

Throughout the world, especially with the emerging of Trade War, protectionist thoughts and rhetoric are increasing gradually. Although the effects of the financial crisis in 2008 still continue, the increase in these discourses led the countries to protect them by using tariffs and non-tariffs. Due to the WTO's tariff prohibitions and anti-tariff vision, this protectionist orientation prompt to use non-tariff tools rather than tariffs.

Figure 8: New Non-Tariff Interventions per year in the World



Source: Global Trade Alert Database (26.04.2019)

The graph shows the total number of new non-tariff interventions implemented by 233 countries between 2008-2018. According to the information received from Global Trade Alert, a total of 11143 new NTB were applied across the world in this decade, while only 2216 NTB were liberalized. The number of NTB implemented was almost five times that of liberalization. This means that in the decade, the world has favored protectionism by implementing more than just liberalizing non-tariff tools. Especially in the last three years, it is seen that countries are applying more to non-tariff measures and decreasing the liberalization gradually. In the last decade, 2018 was the year in which biggest number of new non-tariff measures were used, with 1283 new measures worldwide.

When the protectionism of tariffs and non-tariff measures is examined worldwide, data indicate that countries prefer non-tariff tools. According to a study published in 2017, tariff applications increased by 20% between 2009 and 2016, while non-tariff practices increased by 55%. In 2010, 54% of the total protectionist obstacles were non-tariff interventions and increased to 61% in 2016. (Hidden Protectionism: Non-Tariff Barriers and Implications for International Trade) In 2018, this rate increased to 89%. Between 2008-2018, 11143 new NTB were taken worldwide and 2191 new tariff measures were taken. In this ten-year period, 16% of the total interventions were implemented with tariffs and 84% of them were made with various non-tariff measures. This shows that countries have implemented their protectionist policies with new protectionism's tools rather than classical protectionism.

Table 6: Top 10 countries that imposed and exposed NTB

Ranking	Most Applied Countries	NTB numbers	Most Exposed Countries	NTB numbers
1	US	1579	China	4896
2	Germany	1218	Germany	4457
3	India	819	Italy	4194
4	Canada	688	France	4086
5	Russia	608	US	3940

6	Brazil	558	United Kingdom	3767
7	Argentina	379	Japan	3821
8	Japan	493	Republic of Korea	3650
9	China	444	Canada	3434
10	United Kingdom	432	Spain	3413

Source: Global Trade Alert Database (26.04.2019)

The table above includes top ten countries which most applied NTB and exposed between 2009 and 2018. Almost all of the countries that in the table are industrialized and developed economies. In the past, the notion of classical protectionism has been a vision advocated by non-industrial and developing countries. On the contrary of classical protectionism, the studies on New Protectionism show that industrialized and developed countries use new protectionist measures more. In addition, the sectors that countries protected most with non-tariff interventions in this process are as follows; iron and steel, other fabricated metal products, motor vehicles and their parts, electrical energy, aircraft and spacecraft.

2.2.TOOLS OF NEW PROTECTIONISM

The number and type of applications of NTB are increasing day by day. Countries for many reasons such as quality, standard, dumping can be applied various visible or hidden non-tariff obstacle to goods. These types of measures are difficult to determine as well as the exact number is not known. This study examined the major of these measures in four different categories; Quantitative, Financial, Administrative and Technical restrictions.

2.2.1.Quantitative Restrictions

As with other restrictions, quantitative restrictions are preferred for purposes such as protecting the domestic producers against international competition, eliminating the balance of payments balance sheet and providing foreign exchange savings by limiting expenditures. GATT forbid quantitative restrictions that is

applied in export and import, and this prohibition is included in Article XI:1 of GATT.

As a NTB, quantitative restrictions impose an obstacle that directly restricts foreign trade. Therefore, it is more effective in preventing foreign trade than other NTB or even tariffs. While the restrictive effect of import tariffs comes into effect through the price mechanism, quantity restrictions directly determine the volume of goods to enter the country. A large part of NTB is composed by quantity restrictions. The import of a commodity subject to quantity restrictions can be made with the import licenses received for that goods.

Although there are various quantitative restrictions, the three most known types in this study will be examined; import quotas, import prohibitions and voluntary restrictions.

2.2.1.1.Import Quotas

Import quotas are the limitation of imported goods by measures taken by the state. Only one-time quota is defined and the subsequent imports of the goods are kept under control. Import quotas are more effective in cutting the speed of international trade than tariffs. When the quota of the imported goods is full, its import is prohibited. (McConnell, Brue, and Flynn, 2009, p. 101) The reason for applying quotas for a certain period of time is to bring a distinctive control system in imports in order to eliminate the deficit in the foreign trade of the country. Quotas protect the domestic industry from external competition to the extent that they restrict imports, and prevent the growth of foreign trade deficit.

Quotas shall be issued for certain goods to be imported to the country for certain periods of time and the importation of such goods may only be made by import licenses to be established by the state authorities. Import quotas were widely used in Western Europe after the Second World War. Later on, industrialized countries resorted to quotas to protect their agricultural sectors. On the other hand, developing countries have frequently used import quotas as a tool of import substitution industrialization policies.

When the economic effects of the quotas are examined, the domestic supply of the imported goods, which is applied to the quota, is reduced and the price of the goods increases. What is important here is who will get the scarcity rent which is caused by the increase in the price of the quota applied goods. If the importers who hold the import licenses form a monopoly among themselves, this rent will go to importers. If the exporters of the goods in the other country become organized and increase the good price, the scarcity rent will go to the importers. Another way is that governments sell import licenses of quota applied goods in auction system. In this case, scarcity rent goes to the state treasury. In practice, the most common situation is that importers who hold the import license of goods benefit from the rent which occur due to scarcity of goods.

In addition, quota protection naturally creates a production and consumption effect. The production effect will increase, at the rate of the conversion of consumption from import goods to domestic goods. The shift of resources from other areas to goods and services which applied quota is a direct production incentive. In impact of quotas on price, the decrease in the availability of imports increases the domestic prices of the goods and services included in the quota list. Also, the rents created by small amounts of goods marketed at high prices create an income injustice. These rents tend to increase further, especially if domestic price elasticities are low. To summarize the economic effects of quotas; quotas reduce the demand of imported goods, restrict imports, increase domestic price, increase production and provide real income redistribution.

Quotas which act as a NTB tool, have been one of the most effective means of limiting foreign trade. Generally, the meanings of tariff and quota are confused. The main difference between the impact of the tariff and the impact of the quota can be explained as follows: The tariff allows the allocation of resources for the price mechanism in the importing country. However, the quota provides an absolute limit and no more imports can be made, no matter how higher the domestic price is than abroad. As it limits the volume of imports, quotas increase the price of imported goods such as tariffs. While the consumption of imported goods declines due to the rise in price, consumers tend to domestic replacement goods. However, unlike tariffs, the government does not generate an income from quotas.

There are five major import quota system in international trade. Import quotas can be classified as Tariff Quota, Unilateral Quota, Bilateral Quota, The Mixing Quota and Import Licensing. Countries use these systems for the similar reasons, nonetheless each of them have different ways of protection.

Tariff or in other word Customs Quota System is a widely accepted measure in international trade. In this system, the import of a commodity up to a certain amount can be made without tax or with a special low tax rate. However, imports exceeding this fixed limit are subject to a higher tax rate. The tariff quota thus combines the tariff characteristics with the quotas. For example, there are too few Japanese cars in Europe and one of the reasons of this is tariff quotas which applied by Europe to Japan.

In the Unilateral Quota System, the importing country puts an absolute limit on the import of a good within a certain period of time. It is implemented without any agreement with foreign governments. Unilateral quotas may be either global or allocated, it's according to whether the quota amount is distributed between the export countries.

The Global quota is the restriction of the physical quantity or value of the goods to be imported, without interfering with which country and by whom it will be imported. However, the global quota system is not considered to be a very satisfactory tool, since the import country is required to constantly check the goods which enters into the country at the border gates, and also close supplier countries are always more advantageous for filling the quota, thus it causes unfair distribution of the quota among export countries. *Allocated quotas* are distributed among importers and / or countries of origin according to certain criteria. In this system, the importer is granted a special permit to import a certain amount of goods subject to quota and this permit is called the import license (Seymen, p. 103).

In the Bilateral Quota System, the quota is determined by negotiation between the importing countries and the exporting countries (or foreign export groups). The bilateral quotas are more common in international trade, because the quota is provided by agreement and minimizes discrimination. In this type of quota

practices, arouses less or no opposition from the exporting countries and does not retaliate.

In the Mixing Quota System, manufacturers must use a certain proportion of domestic materials in combination with imported parts to produce finished domestic goods. Thus, it imposes limits on the proportion of foreign raw materials to be imported and used in domestic production. In Brazil, for example, a certain amount of bread weight must contain native mandarin flour. Countries prefer this practice because it protects the domestic raw material producer and ensures that the foreign currency remains in the country.

GATT prohibited the import quota. This prohibition is stated in Article XI of the General Agreement as follows; "No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party". (Article XI General Elimination of Quantative Restrictions, 1994, p. 314) Where protectionism is mandatory, the WTO wants to the use of tariffs instead of quotas. Nowadays, it is known that quota applications are not common anymore and new non-tariff protection measures are becoming more common in the trade, such as technical barriers.

2.2.1.2.Import Prohibitions

Import prohibitions, which have a wide range of applications during the Mercantilist period, mean that the state prevention of the import of certain goods. Import prohibitions are the most advanced level of import restriction. Countries can use import bans

. The aim is to support domestic production and to protect scarce currency resources. on economic reasons such as protecting the domestic industry from the negative effects of foreign trade, to contribute to decreasing the current account deficit, to prevent the importation of luxury goods thus provide foreign exchange savings, etc. Also the prohibitions can be used for non-economic reasons such as

public health and safety, human, animal and plant health protection from substances against the general ethics.

There are different types of prohibition on international trade, except the embargo, some of well-known prohibitions types are as follows;

Total Prohibition: In this application, import of products other than basic products is prohibited

Periodic Prohibition: In this application, import is prohibited in certain periods of the year. Application is made in general agricultural products.

Temporary Prohibition: Import is temporarily prohibited for a predetermined period of time.

Prohibition for Sensitive Categories: This prohibition is applied to protect human, animal, plant health, environment and wildlife. For example, imports of live animals and meat from certain countries with animal diseases are prohibited.

Stopping Distribution of Import License: This implies de facto prohibition on imports. This practice is short term and is applied according to the developments in balance of payments.

Country Restriction: If certain countries are given a foreign trade deficit, import of certain products from these countries is prohibited.

The effect of import bans on income distribution disruptions is more severe than quotas and tariffs. Since the production of the goods that are forbidden in the country is not possible in the first place, the prices of these goods increase extremely. It is inconceivable that states can obtain taxes on imported goods without importing goods. Therefore, when import is banned, there is a loss of revenue for the state. In addition, because the national economy is isolated from the external world due to import bans, domestic prices are disconnected from world prices and disrupts the effectiveness of the resource distribution, leading to a decline in exports. Nowadays, prohibitions are applied to a very limited number of goods, mostly for non-economic reasons.

The EU's ban on imports from the United States can be cited as an example of a ban on imports due to non-economic reasons. In the 1950s, the United Nations established the Agriculture and Food Organization (FAO) and the World Health Organization (WHO). In partnership with these two organizations, FAO / WHO Food Remnants Expert Committee (JECFA) and International Food Standards, were established in 1962. The main purpose of these organizations is to determine the limits of certain substances in food products which can harm the human health. The EU has banned the importation of US bovine animals due to the fact that some hormone residual levels in bovine animals, which raised in the US, are harmful to human health. However, the analysis by JECFA and Codex as well as the United States Drug and Food Administration states that this is not the case. The main reason behind the EU's prohibition is the protection of producers who could not enter into price competition with other countries due to the high price of cattle in EU countries as a result of the payments made in accordance with the common agricultural policy implemented by the EU. (Lupien, 2002, pp. 406-411) To sum up, while implementing the import prohibitions, the main purpose of ban seems to be the protection of human, nature and animal health. However, most of these practices are based on non-scientific reasons, and the real purpose appears to be protecting the domestic economy.

2.2.1.3.Embargo

The government of a country can implement a type of practice that prohibits the export of certain goods to certain countries, due to foreign political problems. The embargo restricts countries' international trade in bilateral; when the embargo is applied a country, the embargo country can't export goods, also no country export goods to the embargo country. The embargo is a political and economic sanction applied by a country and is an important weapon for internationally implemented policies. It is applied in order to damage the economy of the foreign country and thus it forces the state to make concessions.

In the history, The US sanctions against Iran are one of the strongest practices of embargo. In 1980, some university students in Iran took the US Embassy diplomats as hostages, and the US decided to impose sanctions and embargo on Iran

for the release of diplomats. The US halted the ships used in trade with Iran, blocked Iran's money which is about \$ 12 billion in US banks, and trade with Iran was banned thus forcing companies abandon the transactions. As a result of the sanctions, Iran fell into a difficult situation, oil exports declined by 80% and suffered economic shock. The United States got the results it wanted, diplomats have been released and sanctions were ended (Clawson, 2015).

2.2.1.4. Voluntary Export Restrictions

A voluntary export restriction or Voluntary Export Restraints (VER) is a government-bounded limit on the amount of certain categories of goods that can be exported to a particular country for a certain period of time (Johnson and Bade, 2010, p. 612). They are sometimes called as 'Export Visas'. In this barrier; instead of restricting imports with quotas or tariffs, the importing country restricts exportation of export countries. But the protectionist effect is still the same. The main purpose of these practices is to limit the export of foreign countries and thus protect the domestic industries who cannot compete. VER similar to import quotas in terms of their qualifications. However, the main difference is that the VER system is not carried out by the importer but by the exporter.

The operation of the VER system is as follows: The importing country puts an upper limit on a good for the foreign supplier. This limit is usually set in terms of quantity rather than value, and usually this limit is valid only for a specific period. As soon as the time set by the importing country expires, the upper limit placed on the foreign supplier is eliminated (Hamilton, 1985, p. 345).

VER is usually carried out by two or multilateral negotiations between developed import countries and developing exporting countries. Accordingly, the exporting countries restrict their exports voluntarily with a specific quota, especially in labor-intensive industries. Voluntary export restrictions apply in areas such as textiles, clothing, steel, agricultural trade, automobiles, electronics and machinery vehicles, but barriers vary from product to product and country to country (Bhagwati J. N., 1988, p. 44).

VER and quotas differ in terms of terms of trade and their impact on the balance of payments. Restriction for the importing country will lead to an increase in import unit prices and other conditions and worsen the terms of trade. In addition, the application of VER leads to cartelization of exporters working in a competitive environment, leading to further deterioration of terms of trade against the exporting country (L.Winters, 1991, p. 109).

In terms of the balance of payments, while a quota application can help to improve the balance of payments by providing foreign exchange savings to the extent that it can reduce the amount of imports, the voluntary export restriction may lead to an increase in the foreign exchange requirement of the importing country. This need for foreign exchange will depend on the elasticity of the demand for such goods in the importing country. Low demand elasticity may lead to an increase in foreign exchange requirement due to voluntary export restrictions. Because the decrease in demand due to price increase will be proportionally lower than the price increase. With the other conditions remaining the same, this will lead to a worsening of the balance of payments and, if the flexible exchange rate is valid, exchange rates will increase.

An example of VER implementation is the Multi-Fiber Agreement, which was implemented between 1974 and 2004 and accepted as an exception to the GATT agreement. The purpose of this agreement was to bring a limit to the export of apparel and textiles from developing countries to developed countries. With this agreement, the US and EU aimed to protect the domestic textile industries. The ten-year-long agreement was repealed on 1 January 2005, due to opinion that it was against the free trade philosophy.

From the beginning of the 1950s to this day, the United States, the European Union and other industrial countries have signed some VER agreements to restrict the export of textile, steel, electronic products, automobiles and other goods from Japan, Korea and other countries (Salvadore, 2012, p. 261).

2.2.1.5.Orderly Marketing Agreement

This type of NTB is applied by countries that trading with each other through an agree which is not include legal or other type of necessity. In this respect, the exporting country restricts its exports to the importing country according to some certain criteria. Usually this is the situation appears when the importing country's importing too many goods from a country or a very rapid increase in imports from that country. In this case, the importing country wants to reduce its exports to its own country, in agreement with the exporting country, instead of reducing imports by using a protectionist tool (Jackson, Kirgis, Meier, Katz, and Ehrenhaft, 1978, pp. 1-2).

An example of the orderly market agreement, it is signed between the US and Japan. In the years before the agreement, Japan's exportation amount to the US attracted the attention of the US government and considered that they needed to sign such an agreement. In 1977, with the orderly market agreement that is signed between U.S. and Japan, exportation of color television which is made by Japan to U.S. restricted. The agreement was signed for three years and limited Japan's exports of color television to the U.S with 1.75 million units (Orderly Marketing Pacts And Restriction of Imports, 1978).

2.2.2.Financial Restrictions

Quantity restrictions from interventions to reduce the amount of imports and exports negatively affect the operation of the price mechanism. However, financial barriers limit imports or increase exports without disrupting the functioning of the price mechanism. Financial restriction tools, which are mostly aimed at reducing imports, have the effect through price mechanism as in tariffs. In other words, by increasing the price of imported goods, the total demand is shifted from foreign goods to domestic goods. Thus, these tools increase domestic production and make a negative impact on imports.

2.2.2.1.Dumping and Anti-Dumping

According to the WTO definition, *Dumping* is an international price discrimination which takes place when exporting country sells a commodity to the importing country at a lower price than the price in the exporter's domestic market. (WTO, Technical Information on anti-dumping, 2018) According to thoughts of Dumping appliers, the domestic producers of the importing country cannot compete with foreign companies and they will face with bankruptcy. On the other hand, people who don't agree with dumping supporters think that countries generally use the dumping practice to disrupt the price balance of the market in the importing country and cause damage to the domestic producer. Therefore, it is considered that the importing country will only have to supply the product from the exporting country. And no state wants it to be in its own country. Although there are many dumping types, the most known dumping types are; sporadic, predatory, and persistent.

Sporadic dumping; in some cases, such as over production or decrease of demand in domestic market, unsold stocks may occur. In these situations, producers want to get rid of these goods without decrease the goods' prices in domestic market and export them to another country with lower prices. This trade activity is called Sporadic Dumping.

Predatory Dumping; Temporarily, producer sells goods at a price below the sales price in the domestic market of the exported country. Thus producers which cannot compete with exporter will bankrupt and exporter company can easily control the price of goods at importing country.

Persistent Dumping; It is implemented by monopolistic companies who use the possibility of price discrimination between domestic and foreign markets to maximize profits. The producer company continuously applies its selling behavior to the foreign market, where it exports at a lower price than the domestic price (Gandolfo, 2014, p. 290).

The country that is exposed to dumping, imposes an additional tax on the low priced goods because dumping causes damage to the domestic producer or prevents

the establishment of an industry. This protectionist act is called *Anti-Dumping* and the additional tax is called *Anti-Dumping Duty*. Anti-dumping duties is discussed in article VI of GATT as follow; "The contracting parties recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry". In paragraph two of the same article, anti-dumping duty is allowed by saying; "In order to offset or prevent dumping, a contracting party may levy on any dumped product an antidumping duty not greater in amount than the margin of dumping in respect of such product". (Article IV Anti-Dumping and Countervailing Duties, 1994, p. 220)

In practice, it is very difficult to distinguish between dumping types. For this reason, governments are very sensitive to all dumping practices and try to prevent these by high anti-dumping duties or compensatory taxes. The applications such as tax refunds and export subsidies to promote export are accepted as dumping by the industrialized importing countries. Investigations are initiated against the exporter countries and if it is concluded that they are actually dumping, anti-dumping duty is applied on the goods.

Anti-dumping has an older history than other NTB. Canada is the first country which apply of anti-dumping measures with article 19 of Custom Tariff Act in 1904. Then, the implementation of Anti-Dumping was started to be used in New Zealand in 1905, in South Africa in 1914, and in Australia in 1916. In the US Revenue Act of 1916, a penalty measure was not only foreseen in the case of dumping, however in cases where it was determined that the aim was to harm the industry in the United States, a criminal case could be brought against those concerned. Then, US introduced the Anti-Dumping law in 1921. With this regulation, the provision of punishment of those concerned has been abolished due to difficulties in proving the intention of damaging the industry and subjectivity. It is deemed appropriate to apply anti-dumping duties in this regulation if the exported goods are de actually harmful to the local industry. The essential elements of the dumping legislation currently in effect in the United States originate from this 1921 regulation. (Kaya, 2010, p. 26) On the other hand, developing countries such as

Argentina, Brazil, India, and Mexico started to use Anti-dumping action intensely at the last of 1980's. More than 60% of the anti-dumping activities from 1995 to the global crisis of 2008 occurred in developing countries around the world (Gandolfo, 2014, p. 290).

There are three conditions for the implementation of anti-dumping measures;

The first condition is the necessity of forming a dumping margin together with the sale of the product. Dumping margin is the percentage of the difference between the normal value of the product and the price difference to which it is exported. Accordingly, the export price of the exported product should be below the normal value.

The second condition is that the importing country has suffered material damages in the domestic industry following the importation of goods. Implementation of anti-dumping measures can be legal if economic problems occur in the domestic market after import.

The last condition is that there must be a causal relationship between pecuniary loss in domestic industry and imported goods. The economic deterioration in the country's domestic market must have been due to dumped imports (Lee and Jai S. Mah, 2003, pp. 555-556). If the investigation finds a dumping activity, the country which is exposed to dumping can apply anti-dumping activity with these three measures:

Ad Valorem Duty; is the type of duty calculated on the value of the goods and according to a certain percentage.

Specific Duty; is the type of taxes that the tax liability is determined by calculating over weight, volume and length.

Price Undertakings; the Non-EU exporter agrees to sell its goods at the lowest price in the EU.

Anti-dumping measures have both positive and negative effects. Firstly, through the additional taxes imposed on imports, it eliminates the misused price differentiation caused by dumping. In the application of anti-dumping duty, it is important that the duty does not leave the exporter in a difficult position. In other

words, the tax imposed should deprive the exporter of its advantage but not exceed it. Because, opening an investigation, even if the dumping is not proven, acts as a deterrent on the exporter and it has a restrictive effect on trade. On the other hand, anti-dumping measures allow for a wider selection. Because, unlike other protection measures, this measure may be applied more specifically. Although anti-dumping measures serve for the purpose of protecting the country's production branch, increasing the price of imported goods or reducing the amount of imports prevents or delays the structural adjustment required by this production branch for free competition environment while it reduces competition. Consumers are deprived of the opportunity to buy goods cheaper. Although recommendations for the elimination of anti-dumping measures have been put on the agenda, it is a fact that certain price formations at international level may be against the law and this needs to be eliminated.

2.2.2.2.Subsidies

New protectionist measures are not only about restricting imports, but also about encouraging exports. For this purpose, the state-funded economic supports are called subsidies. Subsidies can take many forms. These include tax reimbursement, direct payment, low interest rate credit, ease of insurance arrangements, provision of cheap inputs, contribution to transportation costs, exemption from income and corporate tax. Governments can subsidize local firms in various ways to improve their trade situation and compete against foreign firms. In this respect, the countries, which are particularly underdeveloped and in the way of new industrialization, provide various subsidies to their target sectors thus obtain the various innovations in the international arena (Lin, 2006, pp. 55-76).

WTO has an agreement about subsidies and ways of protection from subsidies. The WTO's agreement generally includes what kind of supports can be considered within the scope of subsidies, which subsidies are strictly prohibited, which subsidies can be counteracted by the counterparties, and finally, what measures can be taken. In the agreement, subsidies are divided into three categories. The first is the completely prohibited subsidies. These subsidies are those that bring the use of domestic products equivalent to imported products or subsidies based on

export performance. The WTO wants to stop the subsidy immediately, if a member state determines that its support is within the scope of a prohibited subsidy. If the subsidy is not withdrawn within the specified period, the complainant member country can take countervailing action against the products of that country. The second type defined by the agreement is the countermeasures that can be taken against. These subsidies are that aim to prevent one of member harming the interests of the other member country by means of subsidies. In this case, it is the supports that allow the injured party to take countermeasures. Finally, the subsidies that cannot be taken against precaution. In the agreement, it is emphasized that subsidies for development and environmental protection are acceptable (Agreement on Subsidies and Countervailing Measures, 1994, p. 230).

There are many forms of subsidies, however two of them which are considered as NTB: production subsidies and export subsidies.

2.2.2.2.1. Production Subsidies

The states subsidize some branches of industry by providing a number of financial opportunities to certain industries to protect the competing industries from foreign competition. In other words, in order to ensure that an industry branch reaches a certain volume, the state can support this industry with subsidies instead of putting tariffs or quotas. Unlike tariffs and quotas, a property protected by subsidies is sold at the free world price in the country. In the case of direct subsidy, the government makes a payment from the treasury as much as the difference between the free world price and the domestic cost. Subsidies do not have a detrimental effect on consumer welfare because the goods are sold at low prices. Therefore, no consumption costs occur in production subsidies while it occurs in tariffs and quotas. In this respect, countries prefer subsidies application than quotas and tariffs. An increase in domestic production of the industries, which is aimed at increasing production within the country and protected by external support from subsidies, is occurring (Vicas and Deutsch, 1964, p. 230).

In spite of these advantages, subsidies are not accepted well due to that they are paid from state budget payments, in other words paid from taxes by the citizens.

Because this kind of financial support can sometimes cause the taxes paid by the public to be used in inefficient areas. However, production subsidies are widely used to accelerate capital accumulation and encourage economic development, especially in underdeveloped countries.

Developed countries have heavily resorted to subsidies in the 1970s and 1980s to protect some of the competitively low-cost industries and agricultural sectors from labor-intensive export goods. In addition, the EU's subsidies to the agricultural sector within the framework of the common agricultural policy have been an important issue of dispute between the EU and the United States and it is one of the main agenda items of the GATT and the WTO.

The main purpose of the granting of subsidies is to increase the competitive power of domestic companies against foreign companies. From the point of view of the general economy, subsidy has also other purposes such as; to protect the weak industrial branches, to promote special economic activities such as research and development, to eliminate the economic disadvantages between the different geographical regions of the country, to eliminate the balance of payments deficits, to increase the employment, to promote new branches of industry.

2.2.2.2. Export Subsidies

It is called financial support by a government to a company or a person who exports goods abroad. Export subsidies can be applied as fixed sum per unit (specific) or also a proportion of the value (ad valorem) exported. Countries make export subsidy until the domestic price of export company's goods exceeds the foreign price (Gandolfo, 2014, p. 197). Export subsidies are direct and indirect payments made by the government to companies in return for the export of certain goods. What is important here is that the subsidy is not applied to the whole of the domestic production of a good, but to the exported part of that good. In this way, producers will be interested in foreign sales more than their domestic sales. The subsidies for this purpose are varied. These include the tax rebate, direct premium payment, cheap credit and cheap input to export-oriented industries, and the provision of credit under conditions appropriate for the foreign importer to buy export goods.

With all these incentives, the exporter is paid more in terms of national currency in return for export or the unit production cost of the goods is reduced. Both of these incentives increase the profitability of exports. Export subsidies increase the profit per unit of the producers who produce the export goods, and allow the production to shift from the domestic market to foreign markets. Nowadays, all the developed and developing countries intensively strive to encourage export with subsidies and other economic instruments. For example, the EU apply subsidy to support produce and export of the Airbus planes and China apply subsidy to support produce and export the electric vehicles.

Such of these subsidies reduce the unit production cost of export goods and increase the profitability of export in terms of the exporter and thus encourage export. However, subsidies have a lessening effect on the welfare of domestic consumers because they pay more price to the subsidized property than the foreigners and they also pay subsidies' cost with their taxes.

The high rates of export subsidies, which are considered as a dumping for the importing country, may cause economic damage in the importing country. Such measures that are contrary to the principles of the GATT are often difficult to identify as they are used as a confidential intervention tool.

Export subsidies provide attractive credit opportunities for export sales, and are used to increase the market share of exporters against their foreign competitors in order to achieve higher profits (Ishikawa and Spencer, 1999, p. 200). Within the scope of these transactions, there are many applications such as tax rebates in exports, low interest and non-interest loans for direct exporters, and direct premium payments. With these applications, it is tried to increase the profitability in exports by providing support to exporters.

2.2.2.3.Countervailing Duty (Anti-Subsidy)

It is natural that the producers in the importing countries, which have to cut their production as a result caused by exporters supported with export subsidies, and whose revenues are reduced, put pressure on governments to implement protective

policies against this cheap imports. The WTO allows importing countries, which are damaged by the export subsidy, can use countervailing duty if they prove it (WTO, Agreements on Subsidies and Countervailing Measures, p. 241).

According to European Commission, countervailing duty can be used like; adding a percentage price to goods, a fixed amount per unit or implementation of the minimum import price (European Commission Website, 2019).

Today, although the WTO has prohibited subsidies for unfair competition in foreign trade, subsidies are still among the most debated issues in foreign trade. Indeed, countervailing duty, despite the fact that they are not suitable instruments and have welfare-reducing effects, can deter the counterparties from resorting to export subsidies. However, no success has been achieved in the world trade yet. Because, many countries, including the countries that are implementing compensatory taxes, apply more or less export subsidies.

2.2.2.4.Foreign Exchange Controls (Foreign Exchange Restrictions)

In order to barrier to international trade, the direct intervention of states in the foreign exchange market is called Foreign exchange control or Foreign exchange restriction. The exchange rate control practice acts as import duties. The depreciation of domestic money increases the cost of imports and thus decreases its trade (Tamirisa, 1999, p. 69). In this way, countries can protect certain industries from international competition conditions and they can restrict of the import of non-obligatory products.

There is no free foreign exchange market in foreign exchange control. All kinds of foreign exchange transactions are subject to government control and authorization. Companies who have foreign exchange revenues from foreign countries have to bring this foreign currency within a certain period of time and sell it to the central bank. In this way, the accumulated foreign currency is used in the external payment needs of governments.

Governments appoint the Central Bank or another public bank to carry out foreign exchange buying and selling transactions. In order for those in need of foreign exchange to buy foreign currency from the Central Bank, first of all, they

should get permission from the exchange authorities about the type and amount of payment. Thus, foreign exchange income and expenses are tried to be balanced as foreign currency expenditures can only be made within the foreign exchange revenues.

For example, governments that want to protect their exports or domestic production from external competition can keep their exchange rates artificially high. Accordingly, import goods will seem more expensive in the domestic market and domestic goods will seem cheaper in the foreign market. Thus, the domestic producers will be supported secretly and duty will be imposed on the domestic consumers. However, this policy is very difficult to be sustainable. In order to keep the exchange rate high, the Central Bank should take foreign currency with local currency. For this, the local currency printed will increase the amount of stock money and cause undesirable inflation.

The multi-exchange rate system first emerged in the early 1930s with the economic relations and practices of Latin American countries. The main objectives in the implementation of the multi exchange rate system were the control of imports to ensure the balance of payments of the countries and the protection of the import substitution and developing industries (Konig, 1968, p. 39). Nowadays, countries can use foreign exchange control for various reasons. The first one is the desire to close the countries' balance of payments. As a result of the policy implemented, imports are expected to decrease, exports will remain stable or increase. However, the implemented policy does not give the desired result in the long term and the policy suppresses the payment balance sheet imbalance.

The second reason is the tendency to prevent capital outflow from the country. Money can leave the country due to bad expectations for domestic economy or high interest rates of other countries. In order to prevent this money issuance, countries may carry out currency control until this trend is passed. Also, IMF allows for using foreign exchange control to prevent capital outflow.

The third reason is the desire of the country to protect domestic industry against external competition. With the changing exchange rate, the cost of imports will increase and consumers' preferences are considered to shift from imported goods

to domestic goods. Thus, it is believed that domestic industry will develop faster and become more competitive with abroad. In addition, it is used also for the purpose of realizing economic targets such as foreign exchange control, full employment and development.

Countries can also use foreign exchange control to allocate their existing foreign exchange reserves in a number of priorities between various external payment instruments. In the free trade regime, while the country needs basic goods, the country's shift to luxury consumption leads to waste of scarce currency funds. At this point, the practice of foreign exchange control gives the country the opportunity to prioritize food or compulsory goods in the areas of capital goods and development. States implement this application through the multiple exchange rate system. The system is the use of different exchange rates for various goods and services. For example, when the importation of mandatory goods such as raw materials, foodstuffs or drugs is made from the low official exchange rate, the goods that are intended to deter imports or encourage exports are left to the functioning of the free market.

2.2.2.5.Currency War

The currency war is a practice in which a country tries to provide a competitive advantage in the export market by decreasing the value of its domestic currency. In addition, due to foreign exchange rate is higher than domestic money, the country could limit the importation in this time.

In 1930s, economist Joan Robinson described the currency war as "beggar-thy-neighbor" policy due to governments make changes in the rate of domestic money, for own profit (Albers, 2019, p. 5). Economically, "beggar-thy-neighbor" policy; is a policy adopted by a country against the countries where it trades, and it implies the implementation of import restrictions and exchange rate policies to solve the problems such as inflation, balance of payments and unemployment in its economy. While the country that implements such barriers aims to benefit its own country, it harms other countries.

The main argument of this policy is the devaluation of domestic money. The domestic currency, which has a low value against foreign currency, causes the export to become cheaper and the import is expensive. In this case, while exports are increasing, imports are decreasing. The employment rate and revenues of the country implementing this policy are increasing. Although the implementation could be profitable for applying country, it harms other countries. Because policy applying country will increase export thanks to devaluation and the other country will have to import goods due to the higher value domestic money.

In this case, the country that is exposed to the application, it starts to buy goods cheaper and gives up producing itself. Thus, the need for employed labor force is decreasing. As a result, with the increase in layoffs, unemployment increases in that country and occur the foreign trade deficit.

When a country starts to lower the value of its own currency, other countries will respond in the same way. And this will cause currency wars between countries. As in the case of the idea of mercantilism, in the currency wars, a country is considered to win while the other one lose. However, in the long term, the purchasing power of the people is negatively affected and stagnation occurs in international trade around the world.

2.2.2.6. Multiple Exchange Rate Application

Multiple exchange rate practices are common in countries that perform exchange control. The countries which have protection tendency, make exchange control with multiple exchange rate application. Multiple exchange rate applications are two or more foreign exchange rates in foreign exchange transactions used in the import and export of different types of products. In short, by applying a high exchange rate to some goods, their import was prevented, and some of them could be lowered by applying low exchange rate.

In other respects, high exchange rate policy is a policy that encourages exports. While keeping the domestic currency low, it will also encourage exports, while imports will have a certain level of decreasing effect as mentioned above.

The simplest form of this NTB application is the binary exchange system. In this application there are two different currency rates; the official exchange rate, which is held at a low level, and the free market exchange rate, which is formed in free market. In imports, the mandatory consumption goods, raw materials, intermediate and investment goods are subject to a low official rate. The free high market rate is applied in two types goods, one of them is import goods that include luxury consumer products and the other one is domestic industrial goods that to be encouraged to export.

On the other hand, multiple exchange systems with very complex shapes are also available. The most extreme example of this is the determination and implementation of a different exchange rate for almost every trading group in foreign trade. For example, implementation of different exchange rates to each different sector such as agricultural products, industrial products, other, tourist payments, etc...

Multiple exchange rate applications may not be in the form of official exchange rate regulation. The same results can be obtained with instruments such as taxes, subsidies, interest payments, etc. which are applied on foreign exchange transactions. In addition, this system can be implemented in conjunction with foreign exchange control, quotas, import prohibitions and other restriction tools. Due to the discrimination of the goods and the deterioration of the competitiveness, multiple exchange rate practice is not accepted by the IMF.

2.2.2.7.Variable Levies

In order to keep the price of imported goods within the country market stable, to apply tax as much as the change in the price of imported goods. States apply variable levies, particularly to the primary goods which is imported. This application is also called flexible import fee (UNCTAD, 2012, p. 35). For example, the state wants the price of one imported goods at domestic market to be \$ 700. However, the goods price is \$ 500 in the world market. In this case, the state imposes a tax of \$ 200 when goods enter the country. If the price of the goods in the world market decrease to \$ 600, the tax will be \$ 100 in the country.

In other words, by applying variable tax to the goods to be imported into the country, the state tries to make the domestic producers compete with the imported goods. Because if the importation of goods is allowed with lower world prices under free trade conditions, the domestic producer which produce the same good with higher price will get hurt. Therefore, countries have tendency to use variable levies applications.

Variable levies are likened to quotas for their restrictive effect on imports. While quotas are fixing the quantity of the import goods, variable levies fixing the price of importing goods. But, of course, it is not correct to compare the economic effects of these applications. For example, when the demand for goods applied to the quota increases, the price of goods will increase as imported goods are limited. However, since there is no limitation in the variable taxes, such as in the quota, the increase in demand will be met by the imports of the goods (Deardorff and Stern, 1997, p. 25).

In the 1970s, industrialized countries started to use this practice to protect agricultural sectors from low-priced imported goods. Since its found, countries have often used this practice to protect their agricultural sectors. For example, variable levies are a NTB used by EU countries. As the EU supports producers within the Union, the general level of prices of agricultural products is high. It applies variable levies to lower price imported agricultural goods in order to equalize the price of imported agricultural goods to higher prices in the union. Thus, agricultural goods from the third world countries to the EU are restricted and the local producer is protected.

2.2.2.8.Discriminatory Government Procurement

Discriminatory government procurement is the deliberate choice of local companies when the state will purchase public goods and services. Thus, the states aim to support the domestic producer, preventing foreign companies from entering the local market. In the majority of countries, there are laws and other regulations issued for the state institutions to provide the goods and services they need from domestic sources. With these regulations, the use of domestic goods is ordered or

encouraged. In many countries, public goods and services have an important economic share. The state may discriminate between domestic and foreign firms in public tenders. The fact that the state prefers domestic firms to foreign firms in the purchase of goods and services affects the international goods and service flows in a certain direction. States have the power to affect foreign trade because of the large scale of the purchase of goods and services.

The one of the most striking example of discriminatory government procurement measures in international trade was the Buy American policy in the United States. Under this policy, the US has made purchases in favor of domestic producers against foreign supplies and directed its consumers accordingly. The fact that the United States regulated the law on discriminatory state procurement has made it separates from the other countries by carries the matter to the legal ground. Within the framework of this law, if the requested products are of sufficient quantity and quality within the boundaries of the United States or if the prices of domestic products do not exceed the prices of foreign products by more than 6% (this rate is 12% if the production of the domestic product is made by small enterprises or in areas with high unemployment), the purchases must be made from domestic suppliers (Naegelen and Mougeot, 1998, pp. 349-350).

Also, similar practices exist in the EU, Japan and many other countries. For example, in 1992, the EU stipulated that public institutions and organizations should purchase goods within the EU up to 3% price difference. China supports local entrepreneurs by forbidding foreigners to participate in tenders with local currency. In Indonesia, if the goods and services necessary for construction exist in the country, companies must first purchase domestic goods and services. In Malaysia, foreign investors are allowed to participate in tenders for large infrastructure projects as joint investment with domestic partners, and at least 30% of joint investments must be created by Malaysian. Also, the states make price advantages for national companies at their tender with these ratios; 15% in Egypt; 30-40% in the Republic of South Africa; 20% in Poland.

Discriminatory state acquisitions were adopted as NTB during the 1979 Tokyo Meetings. An arrangement has been made on this subject in GATT. With this agreement called GATT Procurement Code, the participating countries have agreed

to take an equal approach towards each other in government tenders. In Uruguay Meetings, an agreement which has further provisions is was signed and Procurement Code was replaced by Government Procurement. According to this agreement, it has been agreed that all member state companies participate in the public tenders opened in the member state under equal conditions.

2.2.2.9. International Cartels

Multiple companies operating in the same field of production are called cartel to form a monopolistic union as a result of their agreement to remove competition between them. Companies merging in the form of a monopoly unity, superiority in the market by eliminating the competition between them and thus increase their profits. In other words, cartels seem as an independent undertaking in law. In cartel applications, instead of combining the capitals of cartel-forming enterprises, they only use capital forces together for a specific purpose. Cartels are not desirable due to the economic strength they possess, because they are able to keep their sales prices very high, market low quality goods at high prices, and other similar drawbacks. Most countries have banned cartel agreements. Therefore, cartel agreements are usually made confidential.

Companies that produce in the same field create consensus, reduce their supply and raise their prices. This situation puts the consumer in a difficult situation by taking over expensive goods. This type of trade mergers is called ‘‘hard core cartels’’.

Organization for Economic Co-operation and Development(OECD), defines a hard core cartel with four types of cartel activities in the article as follow; ‘‘a hard core cartel is an anticompetitive agreement, anticompetitive concerted practice, or anticompetitive arrangement by competitors to fix prices, make rigged bids (collusive tenders), establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce....’’. (OECD, 1998, p. 2)

In order for a cartel to be formed, the enterprises participating in the cartel must have the largest share in the production branch or in the production of a

commodity and be strong and effective in the market. Thus, cartel establishes superiority over enterprises that out of cartel. In time, non-cartel businesses have to comply with the decisions taken by the cartel or withdraw from the market.

Nowadays, companies are in favor of monopolizing in the world market instead of creating a monopoly in a narrow domestic market. The companies that have the monopolistic idea from different countries, merge as a cartel in the world market and this organization is called 'International Cartel'. The International Air Transport Association(IATA) established by companies in different countries is an example of an international cartel. IATA is an international trading company founded in 1945, where only airlines can become members. IATA, which is composed of major airlines, sets an example for international cartels by determining international air transportation fees and policies in its annual meetings.

International cartels can be formed by countries as well as companies. OPEC can be an example to the international cartel which was established by countries. OPEC is a confederation of 12 countries that export oil and hold two-thirds of the world's known oil reserves. OPEC countries, which hold the control of world oil production and provide about half of the world's oil production, have two thirds of the crude oil reserves and one third of the natural gas reserves. For this reason, it is effective in the world oil market from time to time. Between 1973 and 1974, OPEC banned crude oil production and exports. It caused the crude oil price to increase fourfold in the past.

According to A. A. Auquier and R. E. Caves (1977), success conditions of cartels can be listed as follows; demand elasticity should be low, companies should be willing to enter cartel, potential sellers should not, buyers should not be able to organized, goods should be homogeneous, members should adhere faithfully to the cartel (Auquier and Caves, 1979, p. 573).

However, it is observed that cartels in real life are often not very long-lived and lose their effectiveness after a certain period of time. This situation is due to the structure of the cartel itself. Namely; The aim of the cartel is to increase the profits by fixing the prices above the marginal cost (in other words, by breaking the full competition balance conditions). The determination of the price on the marginal cost,

regardless of the cartel, will encourage each producer to increase its production and make more profits. When each company goes to increase production independently from each other and from cartel, total production will increase and it will be impossible to keep the market price at the level determined at cartel. Cartel will try not to exceed the production level and the cartel members will try to exceed the quotas allocated to them to increase their profits and to sell more by breaking some price.

Another problem with quotas is how to allocate these quotas. The optimum determination of the total profit of the quota will result in less profit for the companies whose production efficiency is relatively lower. Because, companies with higher productivity (lower marginal cost) will have higher production quotas and inefficiencies will receive lower quotas. The equal distribution of quotas between efficient and inefficient members will reduce total cartel profitability. In this respect, the allocation of quotas according to efficiency is recommended as a better approach for efficient companies to compensate for inefficiencies by side payments. Instead of such side payments, it can be considered to determine the quotas according to the pre-cartel production level or, in practice, according to the production capacity. However, the determination of quotas according to their production capacity encourages companies to increase their productive capacities in order to obtain higher quota, but capacity expansion encourages companies to break the cartel by breaking prices in a cartel environment where production expansion is not encouraged.

Companies other than cartel can set the price below the cartel price determined by the cartel and realize the desired sales levels against cartel members. In this way, a large number of cartel and non-cartel companies will eventually lead to a fall in prices and the disintegration of the cartel.

2.2.3. Administrative Barriers

Unlike the financial and quantitative restrictions, administrative and technical barriers are difficult to identify. In addition, it is not possible to determine the economic effects of administrative and technical barriers with partial and general

equilibrium analyzes. The main aim of these tools is not to prevent international trade, however, it restricts import by spoil the transparency between the parties. Since the effects of such practices on each importer and exporter will be different, it is difficult to quantify these effects quantitatively.

Such obstacles are also called invisible obstacles or gray barriers, as such administrative and technical barriers that act like a hidden foreign trade barrier create an invisible mechanism that protects the domestic manufacturer against external competition. There has been a significant increase in the number of such invisible obstacles today.

The examination of such practices in the GATT discipline first came to the fore during the Tokyo Round. Also, It's have been the most important discussion topic of the Uruguay negotiations. It seems very difficult to harmonize administrative and technical standards between countries and prevent them from becoming a trade barrier. Even, it seems more difficult than the fight against tariffs or quotas.

2.2.3.1.Licensing System

License is a kind of permit system which allows for foreign trade transactions of import and export commodities included in the lists of specific items and goods. Many documents and procedures may be required for import and export of licensed goods. Thus, the number of bureaucratic procedures increase and the entry or exit of the goods to the country is made more complex and difficult. The licensing system can be used in export and import applications, however, generally the import licensing system is a more widely used NTB as protectionist measure.

In the foreign trade regimes of some of the countries, there are provisions that import can be licensed in all sectors due to foreign currency shortage and protection of domestic industries and that the licensing procedure will be carried out by administrative bodies. The list of products subject to licensing and the conditions that must be fulfilled for licensing are frequently changed with the effect of political pressure groups. The license requirement creates a quantitative limitation effect and is the non-tariff type which is most prone to discriminatory practices.

The search for import licenses during commercial transactions depends on certain criteria and the discretion of the certain institutions. Import licenses are divided into two groups as economic and non-economic reasons. The import licenses required for economic reasons may be requested in the import of a certain sector products, in the importation of the products requested for use with special purposes, or requested for importing products that cannot be supplied within the country. The import licenses required for non-economic reasons are often sought in the import of products related to the political, religious, cultural and moral values of society (UNCTAD, 2012, p. 27).

Import license is a document which given by state (through specially authorized office) that allows importation of a certain amount of goods subject to the quota or permission to enter the country. Each license specifies the volume which allowed the import by state and importers could not exceed the quota. Countries use import licenses because of general protectionist reasons, but also to control the entry of dangerous goods. For example, In Japan, importers need to get license for importation of toxic substances such as mercury, nicotine, and ammonia under the Poisonous and Deleterious Substances Control Law. In addition, also import licenses can be used also for collecting statistical data in some cases.

According to WTO, the import licensing system must be transparent and impartial. Also, the purpose of the license use must not be restriction of international trade. In non-automatic licensing system, progress of importers' application must be completed within 30 days, and if applications are accepted simultaneously, it must be completed within 60 days. (WTO, Agreements on Import Licensing Procedures, p. 225) In WTO, import licensing system is divided into two systems, as automatic and non-automatic. While the automatic import license application includes all goods, the non-automatic import license application includes the importation of specific goods. In general, the non-automated licensing system is used to manage trade restrictions, such as quantitative restrictions that are justified within the WTO legal framework.

The Import Licenses Agreement does not apply to all WTO-member countries and includes issues that should be taken into account by the countries that are licensing in imports. In this context, it is requested that these practices are not

being used as a NTB by countries, do not restricts importation or does not lead to discrimination among countries and countries are required to implement practices taking into account the criteria specified in the agreement. Thus, NTB in international trade are tried to be prevented.

According to the GATT agreement, the licensing system cannot be used to limit imports in quantitative way. However, this situation also has the exceptions due to protect balance of payment and some important shortcomings in food products. These exceptions are also included in the relevant articles of the GATT agreement.

As examples of licensing practices, after the recent global economic crisis in 2008, countries have used the licensing system as a NTB or invisible barrier. Countries like Argentina, India and Indonesia have started to implement the import license system for some specific goods. In November 2008, India introduced a licensing system for iron and steel products, including many auto parts such as gearbox and bumper bars. In January 2009, Indonesia has imposed obligation on importer registration requirement and pre-shipment testing for a total of 505 different products. This license system was valid for two years and included food, beverages, children's toys and electrical and electronic products. Besides, these products could only be imported at some certain points. Argentina has introduced import licenses for tires, elevators and many other iron and steel products after the November 2008 (UNCTAD, 2010, p. 8).

2.2.3.2. Custom Valuation Procedure

In some cases, the application of custom valuation procedure in the importing country may work as a trade restriction. Customs valuation is an application that determines the customs value of imported goods which subject to ad valorem duty. With this application, customs value of import goods is determined and the duty is levied according to this value. (WTO, Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994, p. 8) If the countries determine the customs values of the imported goods according to their own rules, it is obvious that the tariff values of the goods subject to ad valorem will be troubled.

If the customs value of import goods is determined higher than the price in invoice, it means, exporter encountered with this kind of NTB. In order to prevent such arbitrary practices in international trade, the GATT and the WTO have established strict rules on the determination of the customs value of the goods and the customs tariff.

2.2.3.3.Pre-shipment Inspection

Pre-shipment inspection are audits that the importing country requires the exporter to make before shipment. These inspections are carried out by an independent inspecting company. In the inspection, some specifications such as quality, quantity and price are check. For example, before shipment, colors and material types may need to be verified by independent inspecting company for the importation of textile (UNCTAD, p. 20).

The delay in the withdrawal of goods from customs increases the costs of international trade. Therefore, some countries, due to the inadequacies of the customs administrations, make an agreement with some private institutions in order to check the quality, quantity or price of the imported goods. The fact that the importer country wants these controls increases the cost of the exporter company and thus constitutes an obstacle on trade. These practices may also have a deterrent effect on the export of goods or force the exporter to sell at lower prices. Although it occurs in some limited number of country, the issue was discussed in the Uruguay Round and make an agreement about it. According to the agreement, it is stipulated that all countries will be treated equally in all inspections and that unnecessary protection of trade by arbitrary and inconsistent practices will be avoided.

2.2.3.4.Rules of Origin

This application is used for the calculation of customs duties on imports, but also it is used at the control of foreign trade by monitoring the implementation of quota and anti-dumping tools. In this context, rule of origin can be defined as the economic nationality of a product. The rules of origin are especially important in determining the tariff and duty rates and in the implementation of the provisions of

the foreign trade regime. For example, according to the rule of origin difference, an importing country may apply different customs duties on the same goods from different country.

The uncertainty of the rules of origin and the difference between the rules of the countries that determine the origin of the goods lead protectionist countries to use these rules as an import barrier. For example, if we consider the fabrics imported by the US from the EU; The fact that these fabrics are imported from the China to Europe and subjected to process of dyeing and printing in a European Union member country, does not mean that these fabrics originate in the EU. Because most of the value added of the finished goods is produced in China. In case the goods are exported from the EU to the US, the import quota applied by the US to China will be neutralized. However, despite the fact that, there is no such a situation in reality, government can arbitrarily benefit from the uncertainty in the rules of origin and apply these rules as a NTB. Thus, they may restrict their imports. The study of Augier, Gasiorrek and Lai-Tong which examine the effect of rule of origin on international trade flow show that rules of origin have a restrictive effect on trade and this effect is manifested in the trade of intermediaries rather than the trade of producers (Augier, Gasiorrek, and Lai-Tong, 2004, p. 12).

2.2.4. Technical Barriers

While some of the tools under the technical barriers are required, some of them are used as NTB by protectionist country. These countries, which bring technical barriers, take shelter behind the reasons such as public health or public security and carry out protectionist activities. States, by setting criteria in areas such as quality, standard, packaging, labeling, can make importation difficult. By increasing import criteria and standards, importing countries increase the cost of imported goods, thus importing country protects its domestic producer in the country.

Technical barriers can be created according to the properties of the goods to be imported. These obstacles form the conditions related to the technical requirements of the goods. In other words, such technical barriers include the qualities that the import goods must bear. As an example, import country can

stipulation as like this; the canned food to be imported must be heated to a certain degree to be free of harmful bacteria.

Technical barriers may also include requirements for production conditions. These requirements are such that the stages from the raw material to the final product are in conformity with certain conditions and the quality of the production environment. For example, the importing country may submit a document containing the production stages of the goods or International Organization for Standardization (ISO) documents of the company as a requirement.

Apart from these, such barriers can also be seen in the service sector. An example is the standards in which air transport services in international trade are subject to aviation rules. Doors, flight lines, wages, ground services, security regulations, fuel prices are arranged very tightly in the aviation industry. Since the companies that do not comply with this regulation lead to unfair competition compared to others, this issue is one of the most common disputes in the WTO.

2.2.4.1. Standards

According to WTO Agreement on Technical Barriers to Trade (TBT), standards are documents approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory. (WTO, Agreement on Technical Barriers to Trade, 1994, p. 132) In other words, the standards are conditions which determine the technical characteristics of the goods for the purpose of protecting the consumer or the environment. In implementation of standards, according to the features of the product, both biological and physical standard are created and goods that do not comply with these standards are prohibited for international trade. These standards are established and implemented in both industrial products and agricultural products. Sometimes, countries use this implementation to slow down or stop imports, apart from its original purpose. For this reason, the standard practices are called as a NTB.

The standards as an invisible obstacle practices are based on legal grounds by some international agreements. However, these international agreements also enable

countries to go beyond the international standard if they deem necessary, so that the countries form their own standards, provided that they connect to various causes. These reasons are generally related to public health such as hygiene, animal and plant health. When a country imposes an invisible obstacle based on public health, it cannot be fully revealed whether it is actually a public interest or whether protect the relevant sector in the country by restricting imports. For this reason, WTO cannot interfere with invisible obstacles in most cases. Especially after the crisis of 2008, there have been increases in public health regulations for agricultural products.

Countries need scientific evidence to implement the standards which they want. However, developed countries; in particular, they have no difficulty in supporting the health standards for agricultural products with scientific data. The same applies to many manufacturing products. For example, Japan prohibited the importation of ski equipment produced in European countries; the reason was the snow falling on Japan was made possible by scientific evidence that it was different from the snow that had falling on Europe (Gültekin, 2010, p. 34). Although this rationale does not seem reasonable, the import of skiing gear in Japan is prohibited.

The exports of developing countries to developed countries are more affected by these obstacles. For example, Anders and Caswell examined the effects of the new regulations introduced by the USA on the importation of sea products in 1997, based on the foreign trade data for the 35 different countries, 26 of which were developing and 9 of which were developed, between 1990 and 2004. As a result of the research, it was observed that exports of developing countries decreased by 0.6% in volume, while exports of developed countries increased by 0.5%. The reasons for this situation are that the developed countries may adapt to the new regulations more rapidly and the market shares of the developed countries may increase due to the decrease in the market shares of the developing countries (Anders and Caswell, 2009, pp. 316-320).

ISO is the best well-known foundation for standards. It was founded in Geneva in 1947 in order to prepare internationally accepted standards and to ensure compliance with international standards. The number of member states in the International Standards Organization is 162. National units, which are members of

the organization, are the most authoritative institutions in their countries. Each country is represented by a competent body in the organization. Standardization, measuring, naming and translating foreign names into various languages, issues such as the characteristics of machines, experiment managers, tools, processes, surfaces, materials and parts that should be carried and the way in which these characteristics are presented fall within the scope of the International Standards Organization. Upon request, this organization establishes international technical committees to resolve a specific scientific standard issue and publishes the results of these committees as International Standard (IS). Due to technological requirements, ISO standards are reviewed every five years and necessary changes are made. Countries does not always have to comply with these standards, however it is a fact that such standards have become increasingly important and have become a necessity for the exporter.

2.2.4.2. Technical Regulations

Technical regulations are mandatory documents that by states to overcome market distortions and to protect the country and its citizens from poor quality and harmful products. Technical regulation was defined by WTO as follow; “Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method.” (WTO, Agreement on Technical Barriers to Trade, 1994, p. 132)

The technical regulations include the national legislations of the Member States, which they have determined and not adopted, taking into account human health and safety, improvement of working conditions, protection of plants, animals and the environment. This regulation has a legal obligation to apply. There are three basic criteria for qualifying a document as technical regulation; it must be an identifiable product or product group, it is necessary to identify one or more features of the product and it is the obligation of compliance with product specifications. In foreign trade, technical regulation includes; terminology requirements, marking and symbol requirements, packaging requirements, labelling requirements.

Terminology Requirements

This requirement involves writing the terminological names of the components of the product. For example, in pharmaceutical export, the drug content is written in the terminological language in the section where information about the drug is given.

Marking and Symbol Requirements

This requirement includes information and signs that must be placed on the goods prior to the transportation and customs phase. For example, to place symbols on the goods for dangerous and explosive substances to be exported.

Packaging Requirements

These requirements include: the nature of the material used for the packaging of the product, the dimensions of the package, and the information that must be on it. For example, different packaging and bagging may be required for the same product to be exported to different countries.

Labelling Requirements

This requirement is related to information that consumer must be known and the information must be take place on the package or labels. For example, if a company chooses to export a product produced for its domestic market, it will have to revise its labels according to the market, standard and language of the country it is exporting.

CHAPTER THREE

NEW PROTECTIONISM IN THE EU

Almost all European countries have received massive material and nonmaterial wounds from the Second World War. In this process, where countries' economies were badly affected and where the trade between European countries reached almost zero point, some countries started to search a solution for this situation. As a result of these searches, firstly, the European Coal and Steel Community was established in 1951 with the signing of the Treaty of Paris by six countries (Germany, Belgium, France, Netherlands, Italy and Luxembourg). Afterwards, the Treaty of Rome was signed in 1957; The European Economic Community and the European Atomic Energy Community have been established.

In the 1970s, the laws and practices of the community have been rapidly changed due to the globalization movements that have started to encircle the whole world. The name of the European Economic Community was transformed into the European Union following the Maastricht Agreement, which came into force in 1993, and the socio-economic progress was strengthened by accelerating. Today, the EU has a significant share in the world economy and international trade.

The EU, which aims to facilitate trade and remove barriers during its establishment, nowadays increases the protectionism worldwide by using a considerable amount of NTBs. With the new protectionist measures EU implements, it reduces the speed of trade and even in some cases makes the international trade impossible. In this part of the study, the new protectionist policies of the EU are examined.

3.1.COMMON COMMERCIAL POLICY OF THE EU

The Common Trade Policy (CTP) founded from the necessity of making the foreign trade policies of the member countries, which came together to create a common market within the framework of the Customs Union, into common rules and policies. EU Common Trade Policy is a set of common rules governing the commercial relations of the member countries with third countries. The legal basis of

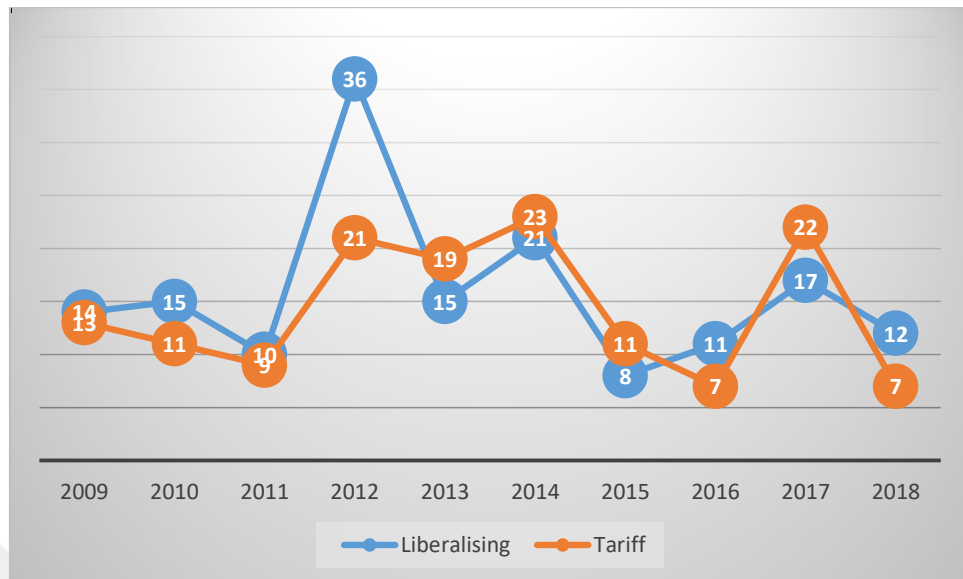
CTP is based on the 1958 Treaty of Rome. Article 3 of the Agreement; steps were determined which to be taken in order to remove the elements preventing trade in the union, to establish a common customs tariff and to establish a trade policy. The main issues related to the Common Commercial Policy(CCP) and the obligations in the area of forming a common commercial policy of the member countries are listed in the 4th part of the Agreement in articles 110 - 116.

Article 110 of the Treaty of Rome, the main purpose of CCP is stated as follows; ‘‘By establishing a customs union between themselves Member States aim to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers.’’ (Treaty of Rome, 1957, p. 40)

The most important instrument in this policy is the Common Customs Tariff. It is a policy that requires a common customs tariff to be applied to third countries while removing all tariffs and quotas among the member countries. Thus, it is aimed to control the imports while ensuring the free movement of goods within the union. With the Treaty of Rome, the European Economic Community formed by Italy, the Netherlands, Luxembourg, Belgium, France and Germany has been implementing the common tariff against third countries as of 1 July 1968.

Because CCP is considered as a policy for the regulation of the direction and volume of direct trade, other economic policies and instruments that do not affect the volume or direction of direct trade are not considered within the scope of the common trade policy. For example, although there are intense effects on trade, standards or regulations for human, animal and plant health are not covered under the CTP. In addition, Community regulations for the qualifications of goods do not fall under the CCP. For example, documentation and standard requirements are dealt with outside the trade policy, even if they have become factors influencing trade at Community level.

Figure 9: The number of new import tariff practices and it liberalized in the EU (2009-2018)



Source: Global Trade Alert Database (26.04.019)

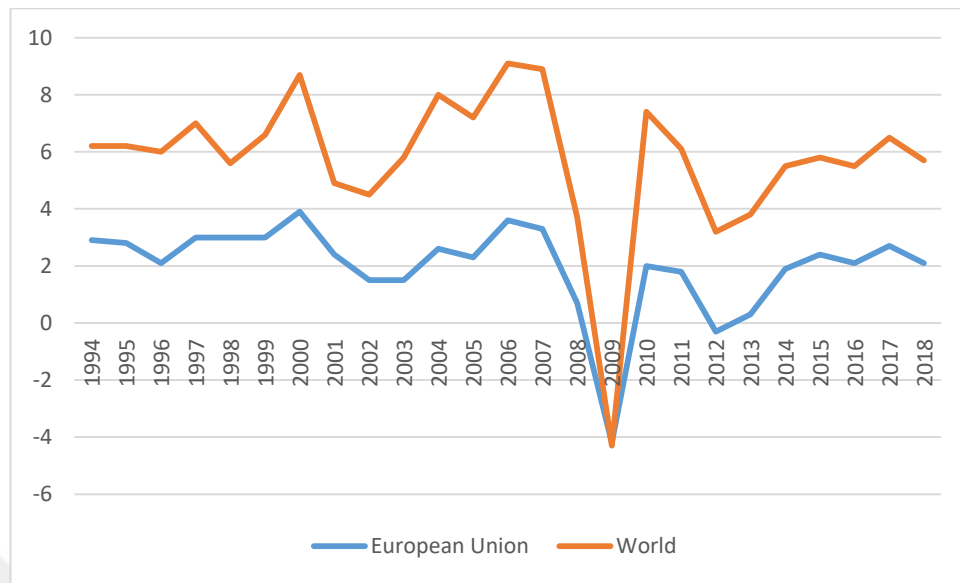
The table shows the number of new tariffs applications that EU countries have implemented and the number of tariffs applications it liberalized between 2009-2018. In this ten-year period, the EU has liberalized a total of 159 tariff practices, while has implemented 143 new tariff practices. The table show that EU's tendency of protectionism with tariff application decreased. The protectionist idea of the EU has not changed, however the application of this idea has evolved. Nowadays, the EU protects itself by means of NTB, as in many developed countries. The new protectionist policies, which is called also new mercantilism, has become the main protectionism tool of EU. Although the laws and rhetoric of the EU are in favor of free trade, they have a protective tendency in practice. As crises and economic nationalism grow, the EU is gradually moving away from the idea of free trade. Nowadays, in EU and many other countries, protectionism with NTB are replaced by the idea of free trade and tariff practices.

3.2.THE RISE OF NEW PROTECTIONISM IN THE EU

The Treaty of Rome includes the EU's principles on foreign trade. In this treaty, it is aimed to develop world trade, to remove barriers in international trade and to reduce tariffs. At the same time, it is aimed to remove restrictions on free competition between EU member countries. The Union avoids any protective policies among its members. In spite of all these, member countries are implementing protective strategies on foreign trade. Members, on the one hand, put pressure on the Union on protective policies and on the other hand, take various measures to restrict imports. These protective applications began to show themselves especially in the late 1970s. Among the member states, France, Greece, Italy and Iceland aim at protectionism, while countries such as Germany, Denmark and the Netherlands favor free movement in trade between members. The number of countries that favor protectionism in trade is higher than those for free trade. In the late 1980s, they stated that if the countries representing the protectionist group did not take protective measures against the European Commission and the Council in the way they wanted, they would be doing that protectionist activities at the country level (Engin, 1992, p. 63). Therefore, the protectionist group has more sanction power in the Union.

When the developments and trends in the EU trade policy are examined, it can be called both the source and the target of protectionism. Members of the EU and G20; France, Germany, Italy and the UK have been pursuing trade policies by the WTO since 2008. On the other hand, G20 promises to avoid from build new barriers and restriction on foreign trade of good and service. Since the G20 countries constitute a large part of world trade and the Gross Domestic Product(GDP), they should pay more attention to maintaining free trade and fair competition in international trade. For this reason, the EU, which is a member of the G20, is equally as responsible for the rising protectionist trends on the global scale as the other G20 countries. (Ghibuțiu, 2017, p. 9)

Figure 10: Percent change of real GDP



Source: International Monetary Fund Data Mapper (20.05.2019)

After the Global Crisis of 2008, European Union countries have suffered from the crisis like many countries. In the aftermath of the crisis, trade in Europe slowed down considerably, and the growth rates of the member countries declined. The graph above shows the change in the gross domestic product of the world and the EU between 2000-2018, the last two years being estimated. The fact that the global economy is in this direction also and exposed to the same difficulties in other countries has provided an efficient basis for the tendency of EU countries to apply protectionist trade policy measures. Due to the laws of the WTO, countries have not implemented their protectionist actions with tariffs which are classical protection means, however they have applied NTB which are more difficult to identify.

The EU members implemented 201 new trade restrictive measures in the 18 months after the crisis and withdrew only 16 of them. Between 2008 and 2015, a total of 1059 measures were implemented, of which only 17% were abolished. During this period, EU trade liberalization policies were inadequate and protectionism increased (Ghibuțiu, 2017, p. 10). As global crisis breaks out in financial sectors, especially in banking sector, global confidence in these areas has been shaken. The impact of the financial crisis on countries varied according to the sectoral structures of the national economies. For example, countries such as Spain,

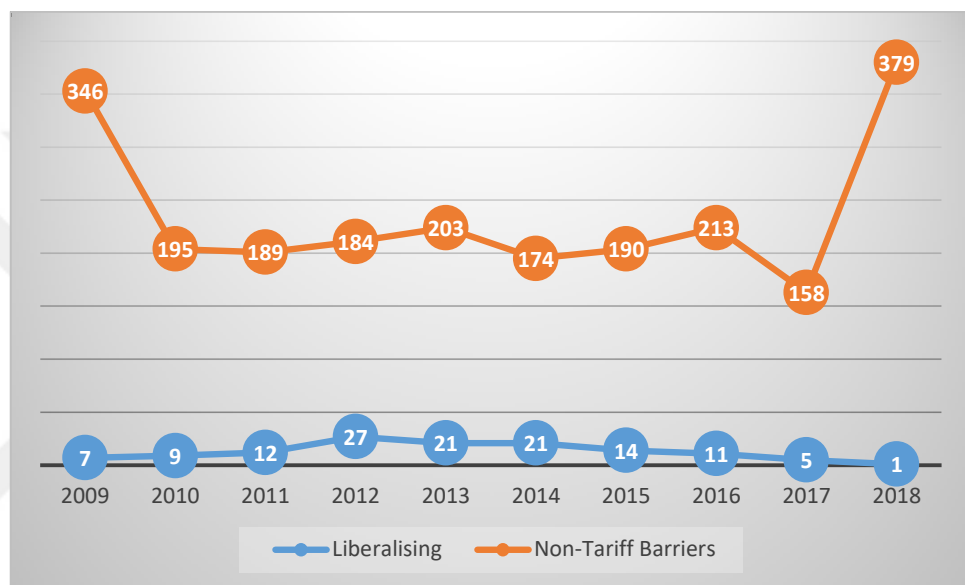
Greece and France, whose economic structure is predominantly based on the services sector, are more affected by the crisis, while export oriented countries and manufacturing industries such as Germany not only did they get less wound, but also they managed to turn the crisis into an opportunity.

With the outbreak of the crisis, many non-tariff protection measures have been taken in EU countries. In February 2009, the French government announced that it would support Peugeot Citroen and Renault companies with € 6 billion. The condition for this subsidy was that these companies have stopped their production in other countries and brought them to France. The introduction of this condition has disturbed other European countries, especially the Czech Republic, where Peugeot has been manufacturing. Therewith, France stated that this condition was not valid for EU member states. Also, Italy, Germany, Sweden and the UK have promised state aid in their own companies, ranging from \$ 1.2 billion to \$ 4 billion. On the other hand, the German government has taken serious steps to prevent purchase of domestic high-tech companies by especially non EU countries' public economic enterprises. German Economy Minister Brigitte Zypries has urged the EU to take action, particularly to prevent Chinese companies from acquiring high-tech firms in Europe (Barbaglia, Wagner, and Schuetze, 2017). With this and similar measures, the number of NTB in the world and in the EU has boomed. At the end of 2009, the total number of NTB implemented by the 28 EU communities was 379.

The increase in NTB around the world, i.e. the rise of protectionist policy, affect countries' foreign trade, and not only countries that enforce protectionist policies, but all the countries of the world suffer from this tendency. This type of protectionist measures after the World Wars, the Great Depression of 1929 and OPEC crisis was implemented by particularly the US and EU countries. Such protectionist policies implemented in the past did not save the EU from the economic hardship caused by the crisis and wars, on the contrary increased the economic negatives. The most important reason for this is that the protectionist policies are mutual, that is, when a country or group of countries implements protectionist policies to other countries, the exposed countries respond with the same protectionist idea. For example, as the French government attributed the automotive subsidies to the condition that the factories were moved to the France from Central and Eastern

European countries, Slovakia declared that they would return Gaz de France to their countries (Schwartz, 2009). This kind of retaliation has brought to mind even the possibility of reaching the end of the EU project. For this reason, the union has seen that the protectionism applied after the crisis is not a solution but rather a factor that increases the problem. Accordingly, EU countries applied to NTB less than the previous year in 2010.

Figure 11: Total numbers of NTB and liberalization policies which is applied by EU countries (2009-2018)



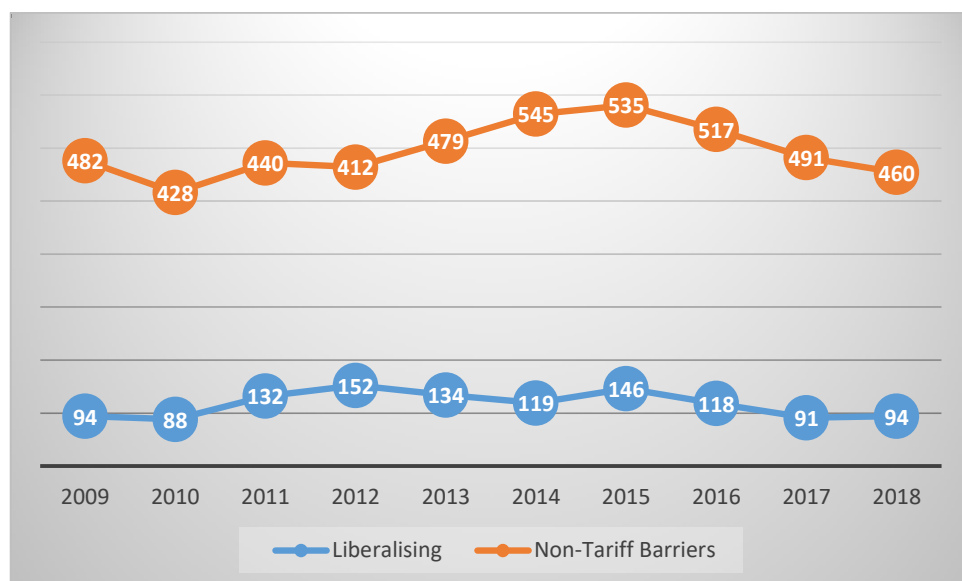
Source: Global Trade Alert Database (01.05/2019)

The graph shows the number of new NTB taken by EU countries between 2009-2018. In this 10-year period, While the EU has implemented a total of 2231 new NTB, liberalizing only a total of 128 NTB. In this process, it can be said that the EU is in favor of protectionism with NTB as foreign trade policy and restricts trade rather than liberalizing trade. The crisis which experienced in 2008, affected protectionist thought in Europe and for this reasons, new NTB were applied with the extraordinary numbers in 2009. However, in the next year, the number of new obstacles has been reduced and free trade has gained strength again. While the number of non-tariff obstacles in the period 2010-2017 did not show great changes, there was a huge increase in 2018. The increase in the idea of economic nationalism around the world, the strengthening of the protectionist thought and the negativity of the economic indicators can be seen as the reason for this increase. However, it is

certain that the main factor of the increase in non-tariff tools usage between the years 2017-2018 was the Trade War.

On January 20, 2017, Donald Trump, elected president of the United States, addressed his electorate with economic nationalist rhetoric before the elections, and after his election he began to execute his rhetoric. After taking office, he withdrew the US from the Trans Pacific Partnership(TPP), which included 12 countries, and unilaterally withdrew from the ongoing Transatlantic Trade and Investment Partnership(TTIP) Agreement with the European Union. In addition, the US has started to increase customs duties on various product groups of other countries. The increase in the US tariffs on steel and aluminum goods has created a perception of the beginning of the Trade War, which targets trade between the US and China, however has mainly affected EU countries. As a policy of protectionism, US applied tariff on import goods, EU and other countries began to respond that act with various protectionist tools. Trump's foreign trade policy, the UK's move towards for a future outside the EU with the Brexit decision, the extreme right movements in Europe are increasingly at the center of politics, it points out that liberal values, both politically and economically, have been withdrawn. In the EU countries, New Protectionism policies are increasingly taking place on the international agenda.

Figure 12: Total numbers of NTB and Liberalization policies which is applied to EU countries (2009-2018)



Source: Global Trade Alert Database (01.05.2019)

The graph shows the number of NTB and liberalizing which were applied to EU countries between 2009-2018. In this ten-year period, 4789 non-tariff measures were applied to EU countries in total, while 1168 non-tariff measures applied to EU countries were liberalized. This is indicative of the prevalence of protectionist thought in other countries as well as in the EU. However, since 2015, the number of new NTB to the EU has shown a decreasing trend. While the number of new NTB imposed by the EU increased significantly in 2018, the number of NTB applied to the EU has not increased, on the contrary it has declined. This shows that the EU does not apply protective measures as retaliation, also is a determinant not a passive at protection policy in the world. According to these data, it can be said that the EU has been supporting the protectionist idea through non-tariff tools in recent years and slowing trade around the world.

Table 7: Top 10 countries that is exposed NTB by EU

	Countries	NTB		Countries	Liberalising
1	USA	805	1	USA	82
2	China	659	2	China	73
3	Switzerland	525	3	Brazil	70
4	Japan	525	4	India	70
5	Canada	507	5	Turkey	67
6	Brazil	443	6	Russia	65
7	India	433	7	Ukraine	61
8	Russia	385	8	Canada	61
9	Turkey	347	9	Thailand	60
10	Republic of Korea	333	10	Australia	57

Source: Global Trade Alert Database (01.05.2019)

3.2.1. Countries where the EU imposes non-tariff barriers (2009-2018)

According to data from Global Trade Alert (GTA) – an independent monitoring body coordinated by the London-based Centre for Economic Policy Research, top 10 countries which is exposed NTB by EU countries, and number of

measures is located on the left side of the table below. On the right side of the table are the top 10 countries where the EU countries have lifted the barriers they have implemented and the number of liberalized measures. The table is based on data between 2009-2018 and non-tariff measures made by EU members to each other are not included.

The United States is one of the largest trade partnerships in the EU. However, as of the global crisis that began in the US in 2008, the EU countries applied the most of the NTB to the United States. There have been many cases of protectionism from the past to the present between EU and USA. This protectionist trend, which was already present, has more increased with the trade war in 2018. To give an example of a recent case, on 16 July 2018, the US complained to the WTO that EU apply protectionist tools on US goods. It was alleged that the EU had violated Articles I:1, II:1(a), and II:1(b) of the GATT 1994 and applied additional duties to certain US origin goods. The case has not yet reached a conclusion and continues in the WTO (WTO, Dispute Settlement: The Disputes).

China is the second country which is exposed most NTB by EU countries. The EU's large-scale current trade deficit from mutual trade, which is the reason for the protectionism against China, is shown. The EU's anti-dumping practice against China in 2011 can be shown as an example of this protectionist trend. China, the largest solar panel manufacturer in the world, had a solar panel export of € 21 billion in 2011 to the EU. This large amount of exports has raised rumors about China's dumping practices. The EU Trade Commission President Karel De Gucht declared that the price of the panels sold by China in Europe should be 88% higher. Subsequently, it has been argued by the EU that China has been dumping, selling its goods below its value and provides superiority against its rivals in European market. For this reason, the European Commission has applied anti-dumping duty on solar panels imported from China. In return, China initiated a dumping and subsidy investigation against wines from the EU (Chen, 2015, p. 2).

One of the reasons that led the EU countries to new protectionism is the foreign trade forces of the countries outside the union. The EU, which increased the volume of domestic trade with its common currency policy, started to show structural weaknesses in foreign trade with the expansion policy in the early 2000s. Thanks to

its productivity and competitive advantage, East Asia and North America are gaining strength in the field of foreign trade day by day against Europe (Burcă-Voicu and Maniu, 2016, p. 7).

Another important point is unemployment in the countries of the union. People who lose their jobs do not find jobs easily in Europe, which has high levels of unemployment. When the level of unemployment is high, the job search period of the people is also long. Middle-aged workers often retire early because of difficulties in finding a job. Workers with low professional skills are also in the same situation. For this reason, people in advanced industrialized countries are very concerned about the fact that the manufacturing business in China or in the service sector is in the hands of India (Stiglitz, 2006, p. 67).

3.2.2.EU countries which were most exposed to the non-tariff barriers between (2009-2018)

Table 8: Top 10 EU countries that are exposed NTB

	Countries	NTB		Countries	Liberalising
1	Germany	3672	1	Germany	945
2	Italy	3479	2	France	879
3	France	3337	3	Italy	875
4	United Kingdom	3237	4	United Kingdom	823
5	Netherlands	2913	5	Spain	793
6	Spain	2909	6	Netherlands	764
7	Belgium	2755	7	Belgium	746
8	Sweden	2562	8	Sweden	505
9	Poland	2350	9	Poland	555
10	Austria	2320	10	Austria	433

Source: Global Trade Alert Database (01.05.2019)

The following table shows the top 10 EU countries that are exposed to the highest number of NTB between 2009-2018. On the left side of the table, there are EU countries that are exposed to the highest NTB and the number of measures they

are exposed to. Countries that exposed to new protectionism are also countries with the largest GDP shares in EU. For that reasons, it can be said that the major economies in the EU are exposed to more NTB. According to the data obtained from the IMF, in 2018, the ranking of the countries in terms of their nominal GDP and economic size in terms of the US dollar is as follows; Germany (\$ 4,029,140) first, Italy (\$ 2,086,911) fourth, France (\$ 2,794,696) third, United Kingdom (\$ 2,808,899) second, Netherlands (\$ 909,887) seventh, Spain (\$ 1,437,047) sixth, Belgium (\$ 536,055) eleventh, Sweden (\$ 709.118) ninth, Poland (\$ 549.478) twelfth and Austria (\$ 459.401) tenth.

To the right of the table are the EU countries where the NTB are most liberalized and the number of measures released. The 10 countries where the liberalization is applied most often consist of nine countries where the maximum non-tariff protection is applied. But, as it is seen, non-union countries, like the EU countries, have implemented protective policies rather than implementing trade liberalization policies for a decade.

3.2.3.The sectors most protected by the EU

Between 2009-2018, the top ten products in which the NTB are most applied by EU countries and the number of obstacles implemented in these sectors are listed in the table below.

Table 9: Most protected 10 sectors by EU

Code	Name	Interventions
496	Aircraft and spacecraft, and parts thereof	162
711	Financial services, except investment banking, insurance services and pension services	138
171	Electrical energy	67
491	Motor vehicles, trailers and semi-trailers; parts and accessories thereof	64
641	Local transport and sightseeing transportation services of passengers	56
412	Products of iron or steel	55
341	Basic organic chemicals	41
449	Other special-purpose machinery and parts thereof	40
222	Other dairy products	35
012	Vegetables	34

Source: Global Trade Alert Database (01.05.2019)

EU non-legal financial support to the aircraft sector may serve as an example for this issue. The United States complained to the WTO in 2004 that the EU imposed unjustified subsidies. According to this complaint, the EU has provided Airbus with a subsidy of \$ 22bn (£ 16.3bn), protecting the company and allowing the company to create unfair competition against the US firm Boeing. In 2011, the WTO found the US justified in its complaint and asked the EU to stop this policy. In 2018, the US firm Boeing claims that the EU still continues its policy of subsidization, despite the EU said that stopped this policy in 2011. The US Trade Representative (USTR) stated that if the EU continues this policy, the US will apply tariffs as a retaliation (EU paid Airbus billions in illegal subsidies, WTO rules, 2018).

It has been expressed many times by the European Central Bank that the pressures of protectionism pose a serious threat to the EU and particularly to the Euro zone. In the aftermath of the 2008 crisis, central banks and banking sectors have taken serious protectionist steps such as purchasing bonds of strategic companies and implementing a low exchange rate policy in order to accelerate the structural transformation in critical industries and technologies. For example, the European Central Bank (ECB) and the British Central Bank have started to buy bonds of industry-technology companies by removing the obstacle between finance and industry in order to provide liquidity to the real sector. These kind of economic actions are obvious protectionist policies applied against other countries. Thus, central banks provide direct industrial finance to increase real sector investments (Dilek and Sadık, 2018, p. 24). Some economists argue that this policy will be more effective than funding banks to revive markets, while others interpret the acquisition of corporate bonds by central banks as a nationalization move that will disrupt competition in the market. Where banks cannot effectively play their role as financial intermediaries in this time, acquiring corporate bonds may be a lifeline for the real sector. This policy is expected to have a positive impact on economic growth if central banks select strategic sectors and promising companies in corporate bond purchase programs.

On the other hand, the sectors which are not listed but which are the one of the most protected by the EU with various commercial protection tools and which are investigated by other countries are iron, steel and chemical products. The fact that the

iron and steel sector is among the most protected sectors by the EU is explained by the strategic position of the sector in question. The European steel sector was affected by the global economic crisis that occurred in 2008, resulting in a major decline in steel production in 2009. The recovery in the following years left its place again to a serious decline in the second half of 2011. This issue was put on the agenda in the 2012 meeting of the council. The meeting was aimed at protecting the steel industry and increasing its competitiveness (3190th Council meeting Competitiveness (Internal Market, Industry, Research and Space), p. 16). In the statements made by the EU Commission, it is decelerated that these figures do not have very high figures compared to other country and country groups, and that these trade measures affect only 5% of the Union's imports.

When the NTB implemented by EU member states are examined in more depth, various data can be accessed on the basis of product. Between 2009-2018, the ten most protected goods by the Member States, the Harmonized Codes (HS codes) of the goods and the number of protective measures applied to these goods are as follows;

Table 10: Top 10 sectors that applied liberalization policy by EU

Code	Name	Interventions
211	Meat and meat products	19
012	Vegetables	16
013	Fruits and nuts	13
341	Basic organic chemicals	12
214	Prepared and preserved fruits and nuts	10
347	Plastics in primary forms	9
354	Chemical products n.e.c.	8
429	Other fabricated metal products	8
352	Pharmaceutical products	8
239	Food products n.e.c.	7

Source: Global Trade Alert Database(01.05.2019)

In this process, which has gone beyond decade, the liberalization of trade barriers in Europe has been made mostly in agriculture, but the agricultural sector is still largely protected. On the basis of product, three of the ten most protected goods are agricultural products. The EU's most effective protectionist activities in the field

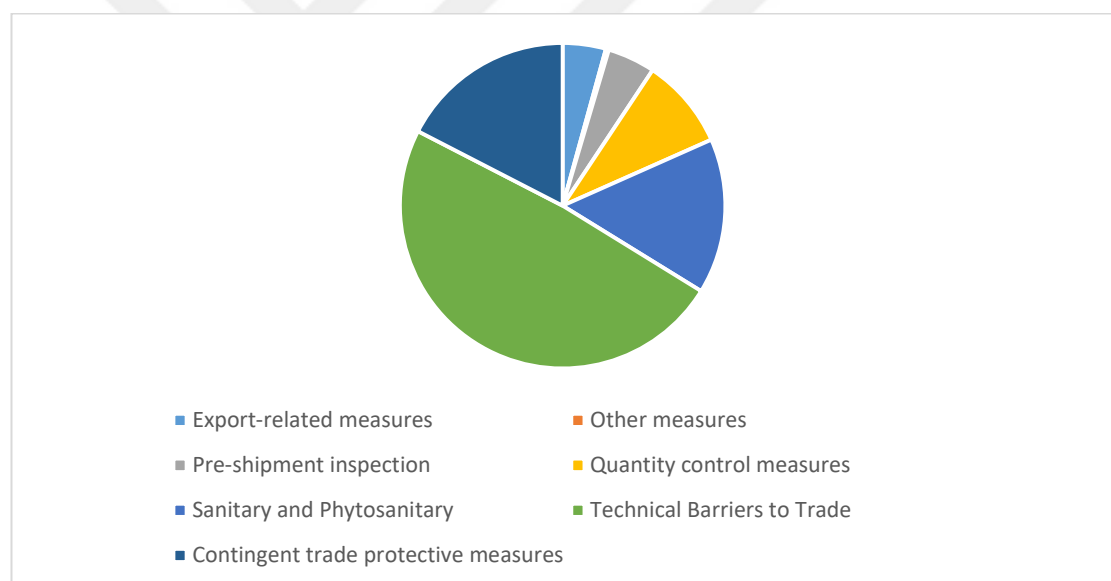
of agriculture are quota, incentives and subsidies. The EU, put into force the implementation of the Common Agricultural Policy (CAP) in 1962. With this policy, EU member states protect their agricultural producers by supporting with high incentives and imposing restrictions on imports. In 2018, the EU total budget was € 160.11 billion, while € 58 billion of this budget was allocated to the Common Agricultural Policy. In the EU, agriculture is still an important business area where 22 million people work today. However, the protectionist measures implemented by the EU create unfair competition. Investigations into illegal subsidies provided by the EU are considered as anti-dumping investigations by the GATT. Subsidy Agreement and the article 6 of the GATT Agreement and the can be given as the basis against this kind of protectionist act.

In addition to subsidies and quotas, one of the methods of EU protection of agricultural products is the technical standards. For example, according to an article published in 2001, following the new standards that the EU will bring to dried fruits, nuts and cereals, the risk of endangering the health of these goods will drop to 1.4 per billion in a year. On the other hand, as a result of this arrangement, the exports of some African countries to the European Union will decrease by 670 million USD, in other words, exports will decrease by 64% (Otsuki, Wilson, and Sewadeh, 2001, p. 495). In an article published in 2007, an opposite situation was encountered. There are also cases in which exporting countries, when adaptation to standards, has a positive contribution to nation welfare, with the change in production structure and export. For example, Senegal's exports of vegetable and fruit products to the EU have steadily increased despite increasingly difficult EU standards. This increase was mainly due to the increase in consolidation between the industry sector that export agricultural good and the farmers producing these products, the coordination between the possible importers in the EU and the exporters in Senegal, and the beginning of the existing production process in Senegal with larger farmers (Maertens and Swinnen, 2007, pp. 24-26).

3.2.4. Non-Tariff Barrier types which is applied by the EU

United Nations Conference on Trade and Development (UNCTAD) shares the types and numbers of non-tariff measures implemented by the EU and other countries. UNCTAD has divided the non-tariff data that the EU is implementing in two ways; these are unilateral and bilateral protectionist acts. According to these data, today, the number of non-tariff measures implemented by the EU unilaterally is 401 in total and 253 in the bilateral way. The distribution of unilateral and bilateral measures is as follows; Export-related measures (28), Pre-shipment inspection (31), Quantity control measures (59), Sanitary and Phytosanitary (101), Technical measures (114), Other measures (2). The graph below shows the distribution of non-tariff measures implemented by the EU.

Figure 13: Distribution of NTB in EU



Source: UNCTAD (30.03.2019)

Export-related measures include protectionist applications on domestic goods that state does not want to export. For example, exportation of precious metals, raw materials, semi-finished products. As a reason for this, it can be said that countries want to sell value-added goods. Because when countries export raw materials and semi-finished goods, they eliminate the possibility of selling higher value-added goods.

Pre-shipment inspection is a foreign trade operation that is checking the goods' property such as quantity, quality and price. This examination is carried out by the private companies on request of importer. In these stages, the long duration of the process, the demand for extra documents, the presence of defects in the goods, and the payment of the inspection cost by the exporter, negatively affect the export.

Sanitary and phytosanitary measures are the types of measures that require the goods to be suitable for human, animal and plant health. Countries can use this practice as a NTB. For example, states' high health standards for imported goods make international trade difficult. High standards, supplementary documents and additional inspection requests discourage the exporter.

Contingent Trade Protective Measures includes the protectionist measures such as anti-dumping, countervailing, safeguard that governments apply to importers directly. In this type of measures, states claim the other countries' exporters harm domestic market with lower price. For example, the state imposes an anti-dumping duty on the importer's good, claiming that the importer is dumping.

Quantity control measures include obstacles such as quota, voluntary export restrictions, orderly marketing agreements. In this type of measure is limiting the import quantity with different measures. States tries to protect their domestic producers with the determined the limit of import goods. In some applications this determined limit can't exceed, however in some applications such as tariff quota, exporter countries can exceed the quota but when quota exceeded import country start to apply additional duty on the import goods.

Technical barriers include standards and regulations. For example, requirements such as packaging standards, health standards, production standards make trade difficult. As import countries know this, they can use these requirements as a barrier to trade. Especially, exporters which in low income and developing countries, have difficulty in fulfilling these requests. In these countries, the increase in costs and the inadequacy of technological tools cause the exports to be canceled or decreased.

As mentioned before, there are many non-tariff protection instruments. However, each day there is a new one. It takes time for governments and institutions to identify these new practices. Other measures include these new measures and applications that unsuitable to other categories.

3.3.QUANTITATIVE RESTRICTIONS IN THE EU

In this chapter, the NTB applied by the EU are classified as in the second section. There are quotas, restrictions and prohibitions imposed by the EU under the heading of quantity restrictions. Since these NTB are focused on the quantity of goods imported, they are examined under this heading. Apart from these measures, there are also other practices that restrict the amount of imports, however the measures examined in the study are the major measures in the quantity restriction policy.

Quantity restrictions usually consist of visible measures. In other words, countries that implement these measures are easily recognized by other countries and organizations. For this reason, countries that want to protect themselves are reluctant to use these tools that are being visible and they are less common than other NTB. Because other countries are more likely to complain to the WTO or retaliate it.

3.3.1.Quota

Quota application is gradually decreasing both in the European Union and other country groups and countries. The EU uses the quota system, usually in tariff quota form. In the Tariff quota system, country or country groups determine certain quota amounts for imported goods for certain time periods. A certain amount of duty is imposed on the inflow of goods to the quota indicated by the import country and the duty is increased when the quota amount is exceeded.

The EU shares the application of the scheduled quota during the year on the website of the European Commission. The EU shares its implemented tariff quota applications on the website of the European Commission. According to the information received from this site, some of the EU quota applications applied to third countries in 2018, are listed in the table below. The order number, HS code, the

name of the goods, the date range of the application and the quota amount are shown in the table.

Table 11: Some goods in which the EU applies tariff quotas

Order Number	HS Code	Product Name	Start Date	End Date	Amount -Kilogram
90043	1104	Cereal grains otherwise worked	1.7.2018	30.06.2019	10000000
90070	2309	Preparations of a kind used in animal feeding	1.1.2018	31.12.2018	2700000
90071	1008	Buckwheat, millet and canary seed; other cereals	1.7.2018	30.06.2019	1300000
90072	2302	Bran, sharps and other residues	1.1.2018	31.12.2018	475000000
90074	1001	Wheat and meslin	1.7.2018	30.06.2019	49807600
90076	1003	Barley	1.1.2018	31.12.2018	50000000
90131	0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots	1.1.2018	31.12.2018	5000000
90132	1108	Starches; inulin	1.1.2018	31.12.2018	10500000

Source: European Commission Database (26.04.2019)

The quota that the EU has applied to the steel sector in 2018 can be an example of this topic. In March 2018, the European Commission launched an investigation about protection measure on steel imports. The US decision to impose duties on the EU's steel products and increasing trend of steel imports to the EU has been shown as reasons for the initiation of the investigation. In addition, the Commission argues that the impact of the global economic crisis in 2008 on the steel sector is still continuing. Within the scope of the investigation, in accordance with the decision announced in July of the same year, a decision was taken to apply global tariff quota in 26 steel product groups with a validity of 200 days. The EU decided to apply an additional 25% duty after the import quota was exceeded. The Commission

is considering to use the tariff quota implementation, which is the protective application on the steel sector, until 16 June 2021 (Commission Imposes Definitive Safeguard Measures on Imports of Steel Products, 2019).

There are two complaints to the WTO in 2001 and 2006 that the EU has implemented quota. On 25 January 2001, the United States filed a complaint to the WTO that the European Commission had applied tariff quotas to corn gluten feed. The US stated that the tariff quota policy implemented by the EU is contrary to the Safeguards Agreement of Articles I, II and XIX of the GATT 1994, and Articles 8.1, 8.2, and 8.3.

The other complaint was made by Argentina on 6 September 2006. Argentina stated that it was in favor of China that the EU increased its tariff quotas for garlic imports by 20,500 meters. It is said that the increase in the quota was the result of the negotiations between the EU and China, and that the policy implemented was contrary to Article XXIV: 6 of GATT 1994 (WTO, Dispute Settlement: The Disputes, 2019).

3.3.2.Prohibition and Restriction

According to Article 134 of the EU and Article 267 of the Customs Union of the European Union, the Union may impose restrictions and prohibitions on the import, export and transfer of various goods. The Union states that it is applied these restrictions and prohibitions for various reasons such as protection of human, animal, nature, national values (such as archaeological artifacts), protection of industrial and commercial property.

On 18 June 2018, the EU shared its restrictions on prohibitions on international trade. The shared list includes the documents required for the trade of the restricted goods, the legal regulations applied, the measures applied and the year of implementation. According to the data from this list, some goods in which the EU imposes restrictions and prohibitions on its imports and exports are given in the table below.

Table 12: Some goods that importation is prohibited by EU

Targeted Goods	Name of the Measure	Legal Act
Chemicals and goods containing chemicals	Persistent organic pollutants	Regulation (EC) No 850/2004
Animal products	Personal consignments of products of animal origin	Regulation (EC) No 206/2009
Food	Betel leaves from Bangladesh	2014/88/EU
Food and feed	Dried beans from Nigeria	Regulation (EU) No 2015/943
Cash and similar goods	Medals and tokens similar to euro coins	Regulation (EC) No 2182/2004
Medicines	Tiered priced medicines	Regulation (EU) No 2016/793

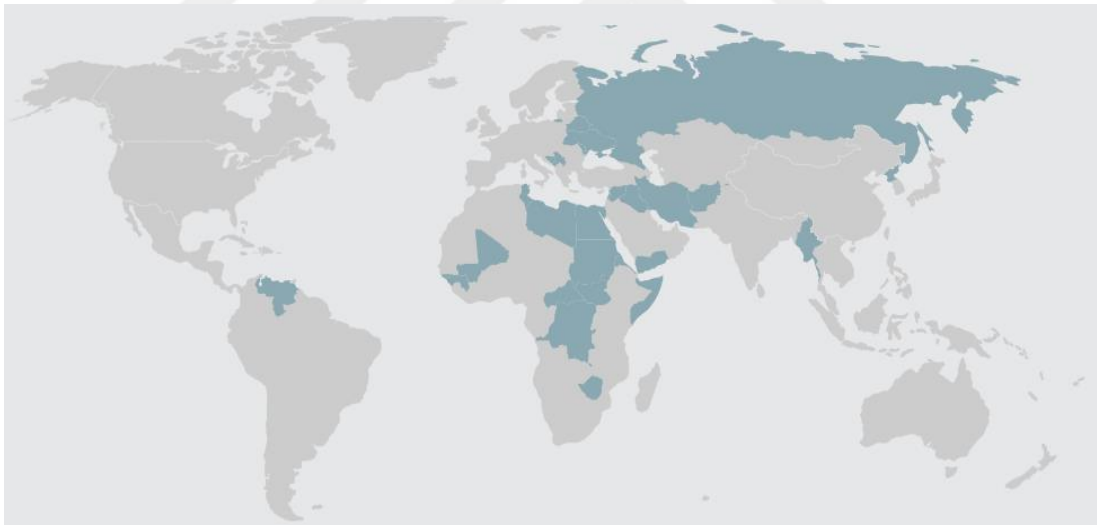
Source: EU Prohibitions and Restrictions for Customs, 2018, pp. 4-32

On the WTO's website, there are complaints about the prohibitions imposed by the EU. For example, on 25 January 2001, Canada filed a complaint to the WTO that the EU had applied prohibition to asbestos and products containing asbestos. Canada stated that the measures which is applied by the EU is contrary to the Sanitary and Phytosanitary Agreement of Articles 2,3 and 5; Technical Barriers to Trade Agreement of Articles 2 and GATT Agreement of Article 3,6,13. On 25 November 1998, the panel on the solution of the problem was established and on 18 September 2000 a report on the negotiations was published. On 5 April 2001, it was decided that no change was required on the basis of the reports of the dispute resolution center and the appeals body (WTO, Dispute Settlement: The Disputes, 2019).

3.3.3.Sanction and Embargo

In Europe, sanctions before 1980 were at the national level. EU countries were sanctioned only two countries with the UN before 1980, these countries were Rhodesia (1965) and South Africa (1977). With the Cold War that broke out in the 1990s, joint sanctions policies were started to be implemented more corporately. In 1992, the EU countries signed the Treaty of Maastricht and, together with the Common Foreign and Security Policy (CFSP), became more coordinated in Applying sanctions. While the number of sanctions imposed by EU countries in 1991 was 6, it increased to 31 today. The EU has constituted 36% of sanctions (except United Nation's sanctions) across the globe, between 1980 and 2014. After the USA, the EU has become the most imposing community (EU sanctions: A key foreign and security policy instrument, 2018). Countries which are currently subject to sanctions by the EU are on the map below.

Figure 14: Countries that EU applied sanctions



Source: EU Sanctions Map (12.04.2019)

EU sanctions against Russia can be given as an example about this topic. On March 18, 2014, Russia was illegally annexed the Crimean Autonomous Republic and Sevastopol in their land. After the annexation of the Crimea by Russia and the incidents that occurred in the east of Ukraine, EU, US and some countries started to impose economic sanctions on Russia. In 2018, the EU decided to extend the period of economic sanctions imposed on Russia for another 6 months, on the grounds that

it was destabilizing Ukraine. Under extended economic sanctions, Russia cannot import weapons from 28 EU members and is restricted from purchasing some of the technologies used in gas sectors. In addition, Russian public banks are excluded from the financial sector in Europe.

Today, the EU implements an embargo on only 4 countries. Exposed countries, the type of sanction imposed, the country group that apply the embargo and the number of restrictive measures implemented are listed in the table below.

Table 13: Countries that EU applied embargo

Country	Specification (Type)	Adopted by	Number of Restrictive measures
Iran	Restrictive measures in relation to the non-proliferation of weapons of mass destruction (WMD)	UN and EU	11
Myanmar (Burma)	Restrictive measures against Myanmar/Burma	EU	7
North Korea	Restrictive measures in relation to the non-proliferation of the weapons of mass destruction (WMD)	UN and EU	52
Russia	Restrictive measures in view of Russia's actions destabilising the situation in Ukraine (sectoral restrictive measures)	EU	8

Source: EU Sanctions Map (12.04.2019)

3.3.4. Voluntary Export Restraints and Orderly Marketing Agreement

Today, countries do not prefer to use of VER and OMA. However, in the past, the VER application implemented between the EU, the US and Japan can be cited as examples. Until the 1970s, the car industry was dominated by multinational companies in European countries and North America. In the early 1970s, with the introduction of Japan into the sector, Japanese firms began to dominate the sector. American and European car companies were negatively affected from this Japan's

companies trend. Both of these sides' manufactures have implemented lobbying activities and convinced their governments to implement a protective measure against Japan. As a result of the pressure of the lobby activities on the states, the USA and the EU have applied the VER application between Japan and 1977-1999 (Walker, 2017, p. 1). With the entry into force of the VER, between the years mentioned, Japan was able to export cars to US and EU in the specified amounts.

The textile agreement between the EU and China can be cited as example OMA. In 2005, China imposed an export duty on its own textiles goods which is imported by EU countries. Afterwards, the EU signed an OMA with China. The agreement included provisional duties and quotas to be applied to the textile goods. In this case, if the duties imposed on China's property was permanent, it could be interpreted as a tariff application, but because it was temporary, it was perceived as a NTB (Davies, 2015, p. 22).

3.4.FINANCIAL RESTRICTIONS IN THE EU

Non-tariff financial measures implemented by the EU are examined in this heading. Financial restrictions are more invisible than quantitative restrictions. In some situations, while applications such as anti-dumping and countervailing seem to be practices against unfair trade, in fact, these are applications that could cause unfair trade. Under the heading of financial constraints, EU-implemented anti-dumping, subsidies, countervailing, discriminatory government procurement and cartels applications were examined.

3.4.1.Anti-dumping

Among the anti-dumping, anti-subsidy measures, the EU applies more anti-dumping measures. In addition, by applying anti-dumping measures, EU catch the foreign exporters which subsidies by states. However, if the EU's market is subject to physical damage or is under threat of physical damage and the EU is complaining about it, it imposes a temporary anti-dumping duty. If, at the end of the investigation, the exporters are not guilty, that they are not dumping, then the temporary anti-dumping duty collected during the investigation is paid back to the exporting

country. However, if it is discovered that the dumping was finally carried out at the end of the investigation, the temporary anti-dumping tax was then converted into definitive anti-dumping duty. Or, the dumping country promises to raise prices and the EU is giving up its anti-dumping practice. The country that is the most exposed to the anti-dumping duty of the European Union is China. In addition, Russia, Ukraine and Japan are subject to a significant amount of antidumping duty.

Table 14: Goods that EU applied Anti-dumping

Product	Originating from	Anti-dumping and level of measure
Stainless steel tube and pipe butt-welding fittings	China, Taiwan	China 30,7 – 64,9% Taiwan 5,1 – 12,1%
Heavy plates	China	65,1 – 73,7%
Hot-rolled flat products	China	18,1 – 35,9%
Hot-rolled flat products	Brazil, Iran, Russia and Ukraine	Brazil 53,4 – 65% Iran 57,5% Russia 17,6 – 96,5% Ukraine 60,5%
Thermal paper	Republic of Korea	104,46 EUR per ton
Seamless pipes and tubes of iron or steel of an external diameter exceeding 406,4 mm	China	29,2 – 54,9%
Rebars	Belarus	10,60%

Source: 36th Annual Report from the Commission to the European Parliament and the Council on the EU's Anti-Dumping, Anti-Subsidy and Safeguard activities (2017), 2018, p. 18

At the end of 2017, the EU implemented a total of 97 anti-dumping applications, affecting 67 products and 17 countries. Most of the anti-dumping measures taken were applied against China (85). After China, the countries with the most anti-dumping measures applied are as follows; Russia (9), India (5), Indonesia (4) and USA (4), Republic of Korea (3), Belarus, Taiwan, Thailand (2), Argentina (1), Brazil (1), Iran (1), Japan (1), South Africa (1) and Turkey (1). The following table lists some of the goods, countries and anti-dumping levels in which the EU has established anti-dumping in 2017.

The anti-dumping legislation of the EU was first enacted in 1968 and has changed several times since. Protection of dumping of the EU manufacturers against dumping was carried out by the Regulation no. 2423/88 until 1995. However, in 1994, as a result of the adoption of the WTO Anti-Dumping Agreement which regulates the protection against dumping, Regulation No 2423/88 was required to be revised and this regulation was completely abolished and the Regulation No. 3283/94 of 22 December 1994 was adopted. This regulation has been repealed and the Regulation No. 384/96 was adopted and entered into force on March 6, 1996, upon the failure to provide the expected benefit and the presence of some technical errors.

In fact, anti-dumping aims to protect international trade competition, not to block international trade. Because, if an exporter enters a foreign market by abnormally lowers price of goods, it can eliminate the competitors in the market and reach the cartel position of the goods. If the exporter is the main factor in the pricing of the goods in the market, it can make big and unethical profit by raising the prices. However, in both the GATT and the EU system, anti-dumping duties function as a trade barrier. This is due to applied unnecessary anti-dumping practices by states. Even the price differentiation movements, which do not disturb the competition, are perceived as dumping by the countries and they apply anti-dumping duties to these exporters.

There are 15 complaints to the WTO that the EU has implemented anti-dumping measures. These complaints were made by India(4), China(3), Russia(3), Indonesia(2), Argentina(1), Norway(1) and Brazil(1). For example, on 5 July 2004, India complained to the WTO that the EU was implementing Anti-Dumping measures on certain flat rolled products of iron or non-alloy steel, of a width of 600 mm or more, not clad, plated or coated, in coils, not further worked than hot-rolled which is export from India. They stated that the EU violated Article 3.4, 3.5, 4.1, 9.2 of the Anti-dumping (Article VI of GATT 1994). According to the complaint, while EU apply anti-dumping measures on the goods from India, don't apply any measures on the same goods from Egypt, Slovakia and Turkey (WTO, Dispute Settlement: The Disputes, 2019).

3.4.2.Anti-Subsidies (Countervailing) Duty

In 2017, the EU exported 374.6 billion euros' worth of goods to China. On the other hand, it imported goods from China at 198.2 billion euro. Therefore, the EU had a foreign trade deficit of 176.4 billion euro from its trade with China. Between the years of 2008 and 2017, except for 2015 (180.5 billion Euro), the EU had the largest trade deficit in 2017 from trade with China (China-EU - International Trade in Goods Statistics, 2019). Accordingly, the EU's anti-dumping and anti-subsidies (countervailing) decisions against China are alleged to be aimed at closing this foreign trade deficit.

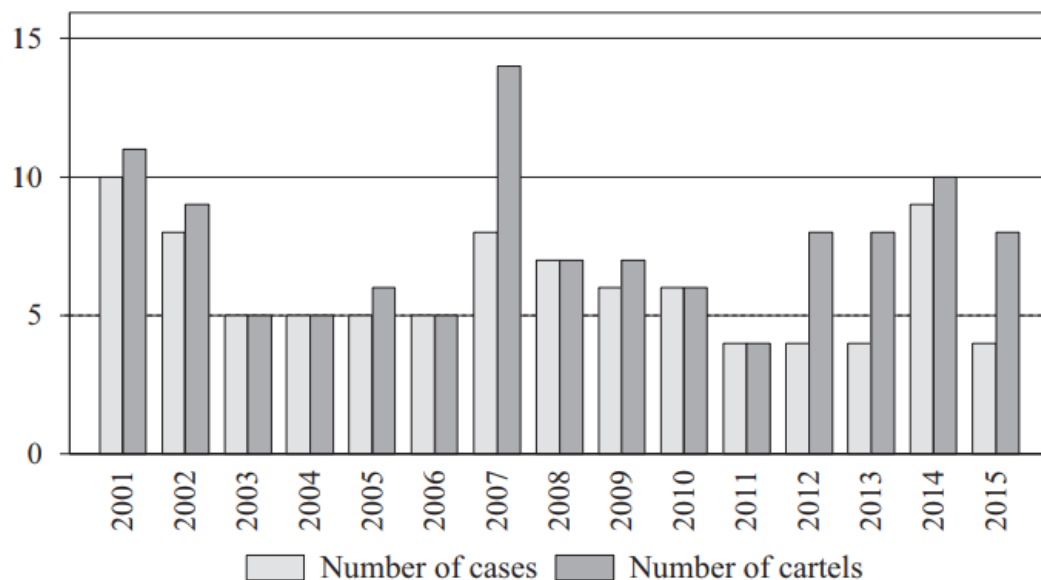
As in the case of anti-dumping, the EU has applied also anti-subsidies to China (8) most. At the end of 2017, the EU introduced 13 anti-subsidies, affecting 13 products and 4 countries. By the EU, after China, the countries most exposed to anti-subsidies are as follows; India (5), USA (2), Turkey (1). There is only one anti-subsidy was applied by EU in 2017 and it was applied to China. Hot-rolled flat products was applied 4.6 to 35.9% anti-subsidies (36th Annual Report from the Commission to the European Parliament and the Council on the EU's Anti-Dumping, Anti-Subsidy and Safeguard activities (2017), 2018, p. 18). In the WTO, there are 17 complaints about subsidies and countervailing applications which is applied by EU. These complaints were made by USA(4), Republic of Korea(3), Russia(3), Australia(1), Thailand(1), Brazil(1), India(1), China(1), Argentina(1), Pakistan(1). For example, on 28 October 2014, Pakistan complained to the WTO that the EU was implementing countervailing duty on certain polyethylene terephthalate from Pakistan. They stated that the EU violated Article 6 of the Subsidies and Countervailing Measures Agreement (WTO, Dispute Settlement: The Disputes, 2019).

3.4.3.Cartels

The European Union is against to cartelization both in unity's market and outside markets. The European Commission conduct investigations on cartel applications on companies in EU or originating from Europe. In accordance with the complaint, the Commission initiates an investigation into the company or company

groups, and if the cartel is identified as a result of the investigation, they are subject to criminal proceedings. Between 2004 and 2015, a total of 85 cartel cases were met in Europe and other countries. 580 companies were penalized for the crime of cartelization and a total of 18 billion euros was fined by European Commission. Garz and Maaß, in their article, stated that the European Commission is not expected to discriminate against companies outside the EU, however companies within the EU have the possibility of implementing lobby activities on the commission. The study claims that the Commission has excluded the investigations from the agenda by bringing the cartel investigations, which are the subject of the companies in the union, to the FIFA World Cup, the Olympics and the election times of EU member states. Although cartel complaints not right, they can harm the companies ' prestige by cartel news. The Commission's conducting these investigations in the days when the agenda is intense is perceiving the companies within the union as protection (Garz and Maaß, 2018, p. 4).

Figure 15: Number of Cases and cartels



Source: Hellwig and Kai Hüschelrath, 2017, p. 406

In another article, between 2001 and 2015, the European Commission's decisions on Cartel were examined. During this time, a total of 90 cases were examined, 113 cartels and 600 firms were affected by investigations. Within this

period, an average of 6 cartel cases was encountered per year examined by the European Commission. In the study, it was stated that there was no decreasing trend in cartel cases of the European Commission (Hellwig and Kai Hüschelrath, 2017, p. 405).

3.4.4.Discriminatory Government Procurement

According to Dimitrova, protectionism is increasing both in the world and in Europe through discriminatory government procurement. In 2016, the EU made about 2 trillion government purchases, which amounted to 13.4% of the EU GDP in that year (Kutlina-Dimitrova, 2018, p. 1). States make purchase for political reasons or to protect certain industries. Generally, these purchases are made especially in the area of technology and defense industry.

The EU states that there are efforts to open its procurement market to countries outside the Union, and other countries are not in such an effort. Even, the European Commission argues that its markets are more open than many competing countries such as US, India, China. However, according to the article (2012) of Messelin and Miroudot, the EU supply market is not as open as they say. The study shows that the EU procurement market is more closed than countries such as Canada, China, Japan and the USA (Messerlin and Miroudot, 2012).

According to GTA's data, between the years 2009-2018, the EU made 9 discriminatory government procurement. The EU has implemented this practice against countries such as the USA, China, Canada and Brazil. The most protected sector by the EU through the implementation of discriminatory government procurement has been the steel and iron sector, which has suffered major injuries from the 2008 crisis.

3.5.TECHNICAL RESTRICTIONS IN THE EU

Countries generally aim to restrict trade indirectly by applying technical barriers. Indirect intervention is more difficult to determine, for that reason countries with protectionist thinking prefer to use technical barriers. Under technical restriction heading, license and rule of origin measures of the EU will be examined.

3.5.1. License Requirements

While the trade between the countries within the Union is mostly license is not required, the import or export license is required in trade with third countries outside the union. License application is part of the customs control of the EU. The main purpose of the licensing practice is to protect the consumer and nature, however in some cases it is also applied to protect the local producer. In such cases, the application of the license is often perceived as protectionism.

The number of documents and the number of product controls required to the exporter who are exposed to the license application are increasing. The increase in bureaucracy prolongs the duration of exports and makes exports more difficult. In some cases, it may be possible to discourage exporters from exporting by license application. In particular, the increase in the cost of exports or high-tech requirements for the exporters in undeveloped countries are adversely affected.

The EU applies a variety of license requirement to improve product quality, protect society and nature health. While some of these requirements are based on reasonable and rational reasons, there are some licensing applications also for set to protect the local producers. In the year 2018, some of the goods that the Union brings license obligation are listed in the table below.

Table 15: Goods for which the EU requires a license

Targeted goods	Name of the Measure	Legal Act	Document description
Chemicals and goods containing chemicals	Substances that deplete the ozone layer	Regulation (EC) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 on substances that deplete the ozone layer	Import license, export license
Food and feed	Single CMO regulation	Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organization of the markets in agricultural products	Import license, export license, certificate.
Cultural goods	Cultural goods	Council Regulation (EC) No 116/2009 of 18 December 2008 on the export of cultural goods	Export license

Chemicals and goods containing chemicals	Explosive precursors	Regulation (EU) No 98/2013 European Parliament and of the Council of 15 January 2013 on the marketing and use of explosives precursors	License
Wildlife products	FLEGT Regulation - Licensing scheme for import of timber	Council Regulation (EC) No 2173/2005 of 20 December 2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community	FLEGT License

Source: EU Prohibitions and Restrictions for Customs, 2018, pp. 4-32

In WTO, there are 7 complaints about import licensing implementation which is applied by EU. In WTO, there are 7 complaints about import licensing implementation which is applied by EU. For example, on 24 February 1997, Brazil complained to the WTO that the EU was implementing import licensing on certain poultry product. They stated that the EU violated Article 4,5 of the Agriculture Agreement, Article II, III, X, XIII, XXVIII of GATT Agreement, Article 1,3 of Import Licensing Agreement. Brazil also advocated that these measures directly or indirectly abolished the benefits of the GATT agreement. The commission established by the WTO found Brazil unjustified on the grounds that it failed to prove its claims sufficiently. On the request of Brazil, the appeals committee concluded that the EU was inconsistent with articles 5.1 and 5.5 of the agriculture agreement. On 21 November 1998, the EU and Brazil declared a common solution (WTO, Dispute Settlement: The Disputes, 2019).

3.5.2.Rules of Origin

Rule of Origin is an application that contains documents or certificates that allow the identification of the origin of the goods. By the means of this practice, the origin of the import goods to be entered into the country is determined and the importing country implements the foreign trade policy applied to that country. Countries determine the tax rate they will apply to the goods through this application. However, at the same time, this required implementation is sometimes taken as a NTB. The certificate of origin is time-consuming, increasing the cost and the brocratic processing level.

An Italian company can be shown as an example of this application. When more than one certificate of origin is requested at the same time, the Chamber of Commerce make the company wait for 30 days. Companies that do not want to wait for this period can get an online certificate, but one of them cost is 5 euros in the EU. This means that the company, which needs 1000 certificates a year, has to pay 5000 euros for this application. For the Italian company, this amount constitutes 2% of the value of the goods to be exported. According to the study by the International Trade Center, the lawsuit filed against the application of a certificate of origin in the EU, due to the practice, is mostly opened for the following reasons; 21% high payments, 14% administrative burdens, about 10% information and transparency issues. Also, the discriminatory behaviors applied when receiving a certificate of origin are among the complaints of the companies.

3.6.ADMINISTRATIVE RESTRICTIONS IN THE EU

Countries are able to protect their economies from foreign trade with administrative regulations and practices. The standards and obligations brought by country or country groups increase the cost and thus make import difficult. In these cases, it is aimed to protect the local economy by deterring exporters from other countries from trade. Under the heading of administrative restrictions, the standards which are applied by EU will be examined.

3.6.1.Standards

In line with the technical and administrative measures in export, the countries supervise the certain quality and standards of products and services to be exported. In order to comply with the common standards, technical and administrative measures on export-oriented firms in the European Union, countries are encouraging these companies. The standards, technical and administrative regulations prepared by the EU for export-oriented firms are carried out in order to eliminate the quality differences and limitations between the products and services of the countries in international trade (Bradford, 2012, p. 5).

European standards; It has been described by the European standardization bodies as technical regulations which have been developed for continuous use but are not mandatory. The general definition of the standard therefore applies to European standards. However, in order for any standard to be considered a European standard, it must be accepted by one of the European standardization bodies.

The European Standardization Organizations(ESO) develop two kinds of standards in principle. A European Standard (EN) is a document that has been adopted by one of the three recognized ESOs. Directive 98/34/EC¹³ defines European standards as technical specifications adopted by the ESOs for repeated or continuous application with which compliance is not compulsory. According to the internal rules of these organizations, European standards must be transposed at a national level. This transposition means that the European standards in question must be made available as national standards in an identical way. All conflicting national standards must be withdrawn in a given period.

On the other hand, a Harmonized standard (HD) is a European standard, which is adopted by ESOs, prepared in accordance with the general guidelines, and agreed between the Commission and the ESOs. These follow a mandate issued by the Commission after consultation with the member states. HDs are published in the Official Journal of the European Communities and the compliance with them attributes the conformity presumption for the New Approach products. However, as previously mentioned, firms may well choose to comply with listed essential requirements in the New Approach directives. In fact, HDs are ENs that are referenced in the New Approach directives.

There are also three institutions to protect and develop European standards. These are CEN (European Standardization Committee), CENELEC (European Electro Technical Standardization Committee) and ETSI (European Telecommunications Standards Institute). The standards set by these three institutions are accepted by many countries within and outside the EU.

CEN was founded in 1961 by the standardization organizations of 6 EU and 7 EFTA countries. It is the basic institution that operates to harmonize standards at the EU level. CEN works to remove technical barriers that arise from the difference of

national standards and negatively affect the functioning of the domestic market by creating harmonized EU standards in all sectors. CENELEC was founded in 1973 and it is responsible for European standardization in the field of electrical engineering. ETSI was founded in 1988 and it sets standards in the area of information and communication technology.

On the WTO's website, there are complaints about the standards imposed by the EU. For example, on 13 May 2003, US filed a complaint to the WTO that the EU had applied standards on agricultural and food imports from the United States. US stated that the EU violated Agreements of GATT, Agriculture, Sanitary and Phytosanitary Measures and Technical Barriers to Trade. On the request of the US, the dispute resolution unit decided to establish a commission on 18 August 2003. On 29 September 2006, the commission report was sent to the members. According to the Commission, in 24 of the 27 biotech crops surveyed, it does not agree with the view that the EU does not comply with the responsibilities of the agreements and that the standards do not correspond to the agreement. According to the report, there were postponements which were not in accordance with the procedure. On the other hand, it indicated that there are also some measures that do not rely on sufficient scientific evidence. The United States requested the right to retaliate through the relevant articles. On 14 May 2003, Canada and Argentina applied to the WTO on grounds of similar reasons to the United States and found that the European Communities did not comply with certain provisions of the Sanitary and Phytosanitary Measures Agreement (WTO, Dispute Settlement: The Disputes, 2019).

CONCLUSION

Classical protectionist thought is considered to have been born with mercantilism. According to mercantilist thinking, the welfare of the people depends on the amount of capital in the country and the volume of global trade does not change. In other words, there are winners and losers in foreign trade between two countries engaging in trade. Therefore, a state which have mercantilist idea should play a protective role, supports exports and limit imports. The classical idea of protectionism defends to protect the domestic economy with high custom duty(tariff) from import goods. Classical protectionist thought has become increasingly widespread among countries in the 17th century and this philosophy continued its reign in the world of economic thought until the 19th century.

On the other hand, the idea of free trade, which began to be spoken in countries such as England and the United States, was strengthened by Adam Smith's wealth of nations (1776) and David Ricardo's Theory of Comparative Advantages (1817). In this process, countries have favored free trade and the world-wide foreign trade volume has increased. However, the World Wars and Great Depression led to get wounds of free trade idea. In this process, international trade has been influenced by the colonialism race and the increasing nationalist movements throughout the world, thus entering once again a period in which the protectionist policies prevailed.

After the Second World War, the normalization process gained momentum and free trade was started to be discussed again. As early as 1944, when Bretton Woods conference was held, attended by 44 countries, it is aimed to re-start international trade and to quickly rebuild the international monetary system, which was shattered by the world wars. At the same time, this conference led to the birth of GATT. GATT was established in 1947 with an agreement signed by 23 countries and entered into force on 1 January 1948. The purpose of GATT was to reduce import duties, to remove all barriers to international trade and to stop discriminatory practices in trade. GATT, in the process after its establishment, managed to remove most of the tariff barriers that restrict free trade in international trade.

The idea of free trade, which became widespread with the decrease in the tariffs around the world, was hit by the world energy crisis in 1973, and the idea of protectionism which was thought to have been left behind by the end of the 1930s came back to the agenda. However, the classical form of protectionism has evolved and tariff application has been replaced by NTB such as anti-dumping, countervailing, licenses and standards. The prohibitions imposed by GATT on tariffs and the fact that the NTB were difficult to identify led the countries to such kind of protectionism. This form of protectionism with non-tariff tools has been referred to by names such as New protectionism or New mercantilism.

While the classical protectionist conception is a thought advocated by developing countries, new protectionism has been an opinion adopted by developed countries. Although there are many reasons for this, the most important reason is the strengthening of developing countries in foreign trade. Especially the developing Asian countries have started to have a voice in foreign trade and they have made the developed countries anxious. Although GATT has prohibited protection by NTB in this process, many developed countries have used these tools.

The idea of free trade, which was strengthened again in the 1980s, was damaged by the global crisis in 2008 and left its place to again new protectionism. After the global crisis, most of advanced and industrialized countries have protected their economies by means of NTB and aimed to improve their current account balance.

This protectionist trend was rebuilt in 2018, after a short downtrend. The economic nationalist thought, which existed before the trade war, has gradually increased with this phenomenon. In particular, the protectionist tendency shown by the US has adversely affected China, Canada, Mexico and the EU. In this process, the number of applications to NTB worldwide increased.

The first part of the study includes the reasons of protectionist thought and its change in the historical process. The state of protectionist thought, which was thought to have been born with mercantilism, was examined in times of Great Depression, World Wars, OPEC crisis, Global Crisis and Trade War. In addition, the reasons for the protectionism of countries such as the baby industry thesis,

unemployment and balance of payments have been investigated. In addition, the reasons such as the baby industry thesis, unemployment, balance of payments for the protection of countries were investigated. At the end of the first chapter, the organization and objectives of the GATT and WTO, which aimed to liberalize trade, have been examined. As a result of this section, it has been seen that there are a lot of reasons why countries apply protectionist policy. On the other hand, in the historical process, it is observed that protectionist thought restricts international trade and decreases welfare. In this respect, GATT / WTO reduced the tariffs and established rules for free and fair trade between countries.

The second part of the study includes what is new protectionism and the new protectionist tendency in the world. Between the years 2009-2018, the number of NTB applied in the world, the country that applies the most protectionist tools, the most protected products are shown in the tables. Besides, certain NTB applied worldwide are examined. In this section, NTB are divided into main headings according to their types; quantity, financial, administrative and technical restrictions. Thus, this part of the study shows clearly the enormous rise in number of NTBs, a considerable amount of them being invisible.

In the third part of the study, the protection with NTB by the EU is examined. With the data obtained from GTA, between the years 2009-2018, the graphs of the number of applications for new NTB have been generated. Moreover, according to the data from the same source, the most protected products of the EU, the countries most exposed to protectionism by the EU, and Countries that are most exposed to protectionism in the EU are examined. According to data from UNCTAD, NTB implemented by the EU are given graphically. Finally, some NTB implemented by the EU were categorized and examined as in the second section.

Between 2009 and 2018, the EU introduced 2231 new NTB, while 128 liberalized. This ten-year process is characterized by a protectionist idea rather than a free trade idea. In addition, the studies and the obtained data indicate that the new protectionist measures in the EU in recent years has increased. In 2018, the number of NTB introduced by the EU has increased approximately twice compared to the previous year. Contrary to this trend, there is a decrease in NTB applied to the EU.

Increased protectionism in the EU can be seen as: increasing economic nationalism in many countries, the Brexit decision and the US trade war.

The EU, which suffered considerable damage from the 2008 crisis, wanted to protect the aircraft and spacecraft sector, the financial services sector and the electricity sector in the post-crisis period. The areas that the Union wanted to protect were generally high value-added goods. The EU has most implemented NTB to developed countries such as USA, China, Switzerland and Japan between 2008-2018. Similarly, the countries exposed to the most NTB were the most developed countries of the EU, such as Germany, Italy and France.

According to data from the UNCTAD, 654 NTB is currently being used in EU and the most common of these obstacles is the technical barrier such as license requirement and standards. The EU and many countries have chosen such barriers because, unlike quota, anti-dumping, countervailing, such obstacles are difficult to identify. Procedures such as document requirements and standards make it difficult to export goods to the EU. To sum up, it is clear that contrary to its founding principles formed by liberal thought, since a decade now, EU draws attention with gradually increasing protectionist tendencies.

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