

**Pugachevska K.S.**  
*Candidate of Sciences (Economics)*  
*Kyiv National University of Trade and Economics*

**Pugachevska K.Y.**  
*Candidate of Sciences (Economics), Associate Professor*  
*Mukachevo State University*

## **DETERMINANTS OF FOREIGN TRADE LIBERALIZATION**

Sustained economic growth requires policies that make an economy open to trade and investment between nations. Trade liberalization is removal or reduction of restrictions or barriers on the free exchange of goods worldwide. This policy includes dismantling of tariff (duties, surcharges, and export subsidies) as well as non-tariff barriers (licensing regulations, quotas, and arbitrary standards etc.). The eradication of these restrictions often stands for promoting the «free trade».

Despite the efforts of the institutions of the multilateral trading system and regional trade unions, the amount of protectionist barriers to movement of goods and services across national borders is increasing. It includes traditional duties and quotas, technical import restrictions (for example, by introducing safety standards or standards that differ from those practiced by exporting countries) as well as fiscal, legal and administrative barriers. The movement freedom is also limited through the system of state support, public procurement and state monopoly in certain sectors.

The growth of protectionism in nowadays conditions is a paradox of modern consumer society in which few people buy domestic goods when cheap and high-quality imported substitut if offered. The government is often interested in protectionism, fearing that uncontrolled import flows could lead to the bankruptcy of domestic enterprises, reduction of employment and tax revenue. Under these conditions, barriers make import more expensive or even unavailable, expanding demand for domestic goods. As a result, the producers can sell it at higher prices, and thus the preconditions for growth in the domestic economy are created [1].

In many countries, protectionistic barriers are government response to changes in the quality of goods and services imported, reducing social security and state control, as well as the undesirable prospect of opening strategic sectors. The gain of protection the country receives in the form of customs duties and tax charges, as well as state monopolies in some sectors and national enterprises in the form of profit, formed in conditions of limited competition. In the classical theory of international trade protectionism policy cancellation is considered as good as it leads to increasing the level of sales, it contributes to the augmentation of wealth. Governments must support free trade policy and entrepreneurs should refuse from production of goods that are cheaper to purchase abroad, and in such a way to use the absolute advantage of the national economy (natural or acquired as a result of the choice of the best production technology) and focus on what can be produced most effectively and better than others.

When turning our attention to the future of the international trading system, three issues can be highlighted: is it possible for World Trade Organization (WTO) to act as a more multi-polar trading system; were the limits of covered issues found or there is more the WTO expand on; finally, is the multilateral system disappearing due to the strong rise of predominantly bilateral relations in trade and investment. The majority of details in the today's debate are not new. International trade policy as well as the construction of it's system is a recurring phenomenon. Secondly, the international trading system has placed important phases in relative economic since 1947 history segment. As well as found ways of placing various countries at vastly different levels of development. Which leads to the situation that shift

in the relative market power in the direction of large emerging markets and the of large number of developing countries in the WTO has not to be an overpowering problem.

Professor of the University of St. Gallen (Switzerland) S. Evenet who specializes in issues of international trade and economic development, confirmed that the breach of agreements on maintenance of protectionism by countries of G20 is recorded an average «once every three days», while measures that lead to trade diversion from its development in the most optimal scenario (i.e. without artificial barriers) relate to 80% of the headings. Besides, S. Evenet notices the passivity of WTO concerning the threats of protectionism [2].

The benefits of international trade is certainly undeniable, however, doubt the fact that free trade and the rejection of trade barriers leads to the growth of international trade. The results of obtained correlation based on information of the UN Conference on Trade and Development, the World Trade Organization and cover 137 countries for the period of 1980-2011 years showed that there is a rather strong correlation between growth of GDP per capita and the share of exports in GDP, as well as between the share of investment in GDP and the share of exports in GDP, but not between the rates of import duties and export growth.

Thus, the main trends of trade liberalization can be considered as the expansion of application of regulatory measures both by the governments of nation states and by supranational economic organizations; coordinating and promoting international cooperation in the areas of multilateral liberalization of foreign trade; reduction of import duties as a result of commitments in frames of membership in WTO; increasing the use of non-tariff regulation measures to protect the domestic market from foreign competition [3, p.69].

In the global trading space, on the one hand, characterized by unprecedented dynamics and scale, and on the other - sectoral and territorial asymmetry the opposite trend arises: the market liberalization of trade relations and the development of state protectionism, different means and tools of which are used by the developed and developing countries. The objective process of growth in world trade increases the importance of states in the regulation of foreign trade in order to advance national economic interests.

## References

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