



When Trade Barriers Rise: Impacts of Developed Nations Protectionism on Developing Countries Exports

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Abstract

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The resurgence of protectionist policies in developed nations has profoundly impacted the export competitiveness of developing countries. This study examines how trade barriers, such as tariffs, quotas, subsidies, and stringent regulations, affect exporters in developing economies. Through a qualitative literature review, drawing from academic journals, international organization reports, and credible media, the research explores the direct and structural consequences of protectionism. Findings reveal that these policies restrict market access, elevate production costs, and disrupt global supply chains, significantly undermining the competitiveness of developing countries' exports, particularly in agriculture and textiles. Additionally, protectionism stifles innovation, widens global competitiveness gaps, and creates market uncertainties, challenging long-term economic planning. Developing nations face increased compliance costs and reduced bargaining power in trade negotiations, exacerbating economic vulnerabilities. The study also investigates adaptive strategies, such as market diversification and regional cooperation, to mitigate these impacts. By offering a nuanced understanding of protectionism's effects, this research contributes to theoretical discourse and informs policy formulation, advocating for a fairer global trade system to support the economic resilience of developing countries in an increasingly restrictive trade environment.

1. Introduction

Over recent decades, the global trading system has been shaped by the principles of free trade, fostering economic integration and growth, particularly for developing nations. Tariff reductions and the elimination of non-tariff barriers have enabled these countries to access global markets, enhance export performance, and drive domestic economic progress. The liberalization of trade has bolstered productivity in sectors like agriculture and industry, integrating developing economies into competitive global supply chains. This openness has been instrumental in promoting job creation and economic development, positioning trade as a cornerstone of prosperity for many developing nations. However, in recent years, a significant shift has occurred as developed countries, once staunch advocates of open markets, have increasingly adopted protectionist measures, reshaping global trade dynamics and posing challenges for their trading partners.

The rise of protectionism in developed nations has been driven by a confluence of global and domestic factors. Events such as the 2008 financial crisis, the economic fallout from the COVID-19 pandemic, and political developments like Brexit and unilateral trade policies in major economies have prompted a retreat from free trade principles. These countries have implemented measures such as high import tariffs, subsidies for domestic industries, quotas, and stringent technical regulations to shield local markets from international competition (Mueller & Farhat, 2022). For developing countries, which often depend heavily on exports to developed markets, these policies have far-reaching consequences. Their reliance on export-driven growth makes them particularly vulnerable to changes in trade

policies, as protectionist measures increase costs, create regulatory hurdles, and limit market access. This undermines the competitiveness of their products, weakens their role in global supply chains, and threatens economic stability (Grant et al., 2021).

Protectionist policies not only erect technical barriers but also distort market prices and access, placing developing countries at a structural disadvantage. Goods from these nations, once competitive, face reduced viability due to added tariffs or complex compliance requirements that are costly to meet. This shift erodes the foundation of global market openness, creating an uneven playing field where developing countries struggle to maintain their export markets (Nugroho et al., 2021). While protectionism is a frequent topic in international trade discussions, academic research has largely focused on its implications for developed economies, such as protecting domestic industries or reducing reliance on imports. In contrast, the specific impacts on developing countries' export performance, both at micro and macro levels, remain underexplored. Existing studies often focus on specific sectors or individual countries, leaving a gap in comprehensive, cross-sectoral analyses of how protectionism affects developing nations broadly.

The effects of protectionist policies vary depending on the economic structures and export profiles of developing countries. For instance, nations reliant on agricultural or textile exports may face different challenges than those exporting raw materials or manufactured goods. Moreover, the strategies developing countries employ to counter protectionist pressures, such as diversifying markets, strengthening domestic industries, or pursuing regional trade agreements, are rarely examined in depth. This gap in understanding limits the ability to fully grasp the

long-term implications of protectionism and the adaptive capacities of developing economies.

This study seeks to address these research gaps by critically analyzing the impact of developed countries' protectionist policies on exporters in developing nations. It aims to identify the most significant forms of protectionism affecting export competitiveness and to explore the strategies developing countries can adopt to navigate an increasingly restrictive global trade environment. By examining both the direct and structural consequences of protectionism, this research contributes to a deeper understanding of its effects and offers insights for policymakers and scholars seeking to foster a more equitable global trading system.

2. Methods

This study adopts a qualitative methodology, utilizing a comprehensive literature review as the primary approach for data collection and analysis. This method was chosen for its ability to synthesize diverse perspectives and findings from existing academic and authoritative sources, making it well-suited to explore the multifaceted issue of protectionism and its impact on global trade, particularly for developing nations. By reviewing a wide range of materials, the study captures nuanced insights into the complex interplay between protectionist policies and export performance.

Data were sourced from credible and varied materials, including peer-reviewed journal articles, academic books, reports from international organizations such as the World Trade Organization (WTO), the United Nations Conference on

Trade and Development (UNCTAD), and the International Monetary Fund (IMF), as well as analytical pieces from reputable media outlets. Sources were selected purposively based on their relevance to the research topic, credibility, and publication recency to ensure reliability and validity. This approach allowed for a robust examination of current trends and historical contexts surrounding protectionism.

The analysis focuses on elucidating how protectionist measures in developed countries influence the export competitiveness of developing economies. By synthesizing findings from the literature, the study identifies patterns, causal links, and contextual factors that shape the extent and nature of these impacts. Rather than aiming for broad generalizations, the research seeks to provide a detailed and contextual understanding of how trade barriers affect developing countries' export sectors. Employing a descriptive-analytical framework, the study contributes to theoretical discussions on global trade dynamics while offering practical insights for policymakers. This approach facilitates a deeper exploration of adaptive strategies and policy responses that developing nations can employ to mitigate the challenges posed by protectionism, enhancing their resilience in a shifting global trade landscape.

3. Results

3.1. Effects of Protectionist Measures on Export Access and Costs

Protectionist policies in developed nations have emerged as a critical challenge to global trade, significantly undermining the export competitiveness of

developing countries. These policies, encompassing import tariffs, quotas, subsidies, and stringent technical and environmental standards, disrupt the open and equitable trading system that developing nations rely on for economic growth. Research highlights that such measures create barriers that restrict market access, elevate production costs, and exacerbate competitive disparities, particularly in key sectors like agriculture and textiles.

A primary consequence of protectionism is the limitation of market access for developing countries' exports. High tariffs and quotas increase the cost of goods in developed markets, rendering products from developing nations less competitive compared to domestic or preferentially treated imports. For instance, U.S. tariffs on Chinese goods triggered a ripple effect, reducing demand for raw materials and semi-finished products from countries like Indonesia, a key supplier of nickel and agricultural goods. This illustrates how protectionism not only directly restricts market entry but also indirectly disrupts global trade networks, diminishing export volumes for developing economies.

Additionally, protectionist measures elevate production costs, further weakening price competitiveness. Developing nations often rely on imported raw materials or components for export-oriented industries such as textiles and electronics. Tariffs and non-tariff barriers imposed by developed countries raise the cost of these inputs, forcing exporters to increase prices, which erodes their market edge (Grant et al., 2021). In Indonesia, for example, higher costs for imported materials due to trade barriers have impacted the textile sector, making it challenging to compete with domestic products in developed markets. This cost escalation is

particularly burdensome in price-sensitive sectors, where slim profit margins amplify the impact of trade barriers.

Non-tariff barriers, such as stringent environmental or technical standards, further complicate market access. These regulations often require costly compliance measures that small and medium-sized enterprises in developing countries struggle to afford, limiting their ability to compete (Mueller & Farhat, 2022). As a result, protectionism not only raises direct costs but also disrupts the production chain, reducing the overall competitiveness of developing nations' exports. These challenges underscore the need for strategic responses, such as improving production efficiency or seeking alternative markets, to mitigate the adverse effects of protectionist policies on developing economies.

3.2. Structural Consequences for Competitiveness, Innovation, and Global Trade Dynamics

Protectionist policies implemented by developed nations create far-reaching structural challenges for developing countries, significantly impacting their long-term competitiveness, innovation, and integration into the global trading system. These policies, which include high tariffs, subsidies, quotas, and stringent regulatory standards, disrupt the free flow of goods and services, limiting opportunities for developing economies to enhance their economic efficiency and adopt advanced practices. Moreover, they introduce market uncertainties that complicate strategic planning, weaken bargaining power, and exacerbate global competitiveness disparities, particularly affecting key sectors such as agriculture and textiles (Çetin & Erkisi, 2023).

One of the most significant structural impacts of protectionism is its suppression of innovation in developing countries. In an open trade environment, exposure to international competition encourages industries to adopt cutting-edge technologies, improve production processes, and align with global best practices. However, protectionist barriers, such as high tariffs or complex technical standards, restrict access to competitive markets, diminishing the incentives for technological advancement (Melitz & Redding, 2021). For example, small and medium-sized enterprises (SMEs) in developing nations often lack the financial resources to comply with stringent environmental or quality standards imposed by developed countries. These compliance costs can be prohibitive, forcing many SMEs to abandon export markets altogether. This exit not only reduces their revenue but also curtails their ability to invest in research and development, ultimately stifling innovation. In sectors like textiles, where technological upgrades are critical for maintaining competitiveness, the lack of market access can trap firms in outdated production methods, further eroding their global standing.

Global supply chain disruptions represent another critical consequence of protectionist policies. Tariffs, such as the 10–20% duties imposed by the U.S. on Chinese imports, create ripple effects that destabilize supply chains worldwide (Dong & Kouvelis, 2020). Developing countries, which often serve as suppliers of raw materials or intermediate goods, face reduced demand when major markets like China or the U.S. experience trade restrictions. For instance, Indonesia's exports of nickel and palm oil to China declined significantly when China reduced industrial output due to U.S. tariffs (Johnson & Haug, 2021). This reduction in demand not

only lowers export revenues but also disrupts the economic stability of industries reliant on these markets. Furthermore, supply chain volatility increases market uncertainty, making it difficult for exporters to plan long-term investments or expansion. This uncertainty can deter foreign direct investment and limit the growth of export-oriented sectors, further weakening the economic prospects of developing nations.

Protectionism also exacerbates global competitiveness disparities, creating an uneven playing field that favors developed nations. Policies such as local content requirements, stringent health standards, or environmental regulations are often designed to protect domestic industries in developed countries while imposing significant burdens on exporters from developing nations (Handoyo et al., 2023). For example, the European Union's rigorous environmental standards for palm oil imports require Indonesian exporters to obtain costly certifications, which many smaller firms cannot afford. This results in reduced market access and loss of market share, as only larger firms with sufficient resources can meet these requirements. In agriculture, products like cocoa, coffee, and palm oil face similar challenges, with compliance costs for food safety or environmental standards eroding their competitiveness (Moradi et al., 2021). These barriers create a structural disadvantage, as developing countries struggle to compete with the advanced technological and financial capabilities of developed nations' industries.

The textile and agricultural sectors, vital to many developing economies, are particularly vulnerable to these protectionist measures. Research indicates that tariffs and non-tariff barriers can lead to export declines of 10–15% in these sectors

(Moradi et al., 2021). For instance, Indonesia's textile industry, a significant contributor to its export economy, faces challenges in the U.S. market due to tariffs that increase costs and reduce price competitiveness. Similarly, agricultural exports like coffee and cocoa are subject to stringent safety and environmental regulations in developed markets, which often require expensive certifications that small-scale producers cannot afford. These barriers not only reduce export volumes but also limit the ability of developing countries to diversify their product offerings or improve quality, further entrenching their competitive disadvantage.

Protectionist policies also weaken the bargaining power of developing countries in global trade negotiations. The instability caused by trade barriers, such as fluctuating tariffs or sudden regulatory changes, reduces the predictability of market access, making it challenging for developing nations to negotiate favorable trade agreements (Johnson & Haug, 2021). This diminished bargaining power limits their ability to secure exemptions or preferential treatment, further marginalizing them in the global trade system. Moreover, the uncertainty created by protectionism discourages long-term investment in export industries, as firms hesitate to commit resources in an unpredictable trade environment.

To mitigate these structural challenges, developing countries must adopt proactive strategies to enhance their resilience. Market diversification is a critical approach, as reliance on a few developed markets increases vulnerability to protectionist policies. By exploring alternative markets, such as those within regional trade blocs like ASEAN or the Regional Comprehensive Economic Partnership (RCEP), developing nations can reduce their dependence on volatile developed

markets. Additionally, investing in technological upgrades and improving production efficiency can help exporters meet stringent standards and remain competitive. Regional cooperation can also provide a platform for collective bargaining, enabling developing countries to negotiate better trade terms and access new markets. For instance, ASEAN's integrated market offers opportunities for member countries to strengthen intra-regional trade, cushioning the impact of protectionist policies from developed nations.

However, these adaptive strategies require significant resources and coordination, which can be challenging for developing countries with limited financial and institutional capacities. Without broader reforms to the global trading system, the structural disadvantages imposed by protectionism will persist, perpetuating economic disparities and limiting the integration of developing nations into global markets. International cooperation and advocacy for fairer trade policies are essential to address these challenges, ensuring that developing countries can maintain their economic growth and competitiveness in an increasingly protectionist world.

4. Conclusion

Protectionist policies implemented by developed nations significantly undermine the export competitiveness of developing countries, disrupting a global trading system designed to be open and mutually beneficial. Through measures like tariffs, quotas, subsidies, and stringent regulations, these policies limit market access and increase production costs, particularly for small and medium-sized enterprises

in developing economies. The reliance on imported inputs exacerbates vulnerabilities, as trade barriers raise costs across the production chain, leading to reduced export volumes and diminished market share, especially in sectors like agriculture and textiles. These direct impacts create immediate economic challenges, threatening the growth and stability of export-dependent developing nations.

On a structural level, protectionism stifles innovation, disrupts global supply chains, and widens competitiveness disparities. By restricting access to competitive markets, these policies hinder technological advancements and limit opportunities for developing countries to adopt global best practices. Market uncertainties and reduced bargaining power further complicate long-term planning, while stringent standards often serve as covert tools to favor developed nations' industries. To address these challenges, developing countries should pursue market diversification, enhance production efficiency, and strengthen regional trade frameworks like ASEAN or RCEP. However, achieving a more equitable global trade system requires reforms to mitigate the adverse effects of protectionism, ensuring that developing nations can sustain their economic growth and resilience in an increasingly restrictive trade environment.

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