



Protectionism in the International Business: Editorial to the Focused Issue

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1 Protectionism in the International Business

Despite the scholarly recognition that internationalization is a rather complex process that is neither always forward moving nor monotonic, and the fact that there are cycles of de-internationalization and re-internationalization, the antecedents and motivators for the afore-mentioned internationalization pathways are still underexplored (Kafouros et al., 2022). De-internationalization can take various forms such as a total withdrawal from the international markets or departing from a particular market, divestment, or entail minor adjustments, such as reductions in trade volume

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by downscaling the firm's overseas activities (Benito, 2023). Furthermore, the comprehensive review of the de-internationalization by Tang et al. (2021) synthesized theoretical assertions and empirical findings and stressed the need for better comprehension of the dynamics of de-internationalization and its motives, barriers, and long-term effects on various stakeholders. De-internationalization can take various forms such as a total withdrawal from international operation or departing from a particular market, and entail minor adjustments, such as downscaling the firm's overseas activities (Benito, 2023).

Globalization has increased the ebb and flow of products, capital, employees, and information. However, these flows have been interrupted by the recent waves of nationalistic, xenophobic, and anti-globalist movements of all stripes (Ghemawat, 2016). Populist governments have risen in various parts of Europe, the Americas and Asia and have led to renewed trade and geopolitical tensions along the East-West and South-North axes. Thus, we believe that examination of the links between environmental condition, such as protectionism, tariffs, immigration policies, censorship, surveillance, trade and investment agreements, convertibility restrictions and trade wars, institutions and the multinational enterprise is very timely in the International Business domain. Recent shifts towards the more protectionist and nationalistic policies in the political terrain of the two major energy-importing and consuming nations on both sides of the Pacific are set to pose existential concerns and questions for policymakers (Aidelojie, 2019; Alon & Kim, 2022; Evenett, 2019).

Protectionism refers to the practice of utilizing economic mechanisms to limit or interfere with trade and to benefit local manufacturers (Hughes & O'Neill, 2008). The discussion about the rise in protectionism and its associated consequences is not limited to academic research alone (Bertrand et al., 2016). It is also reflected in media reports and can be observed in foreign investment statistics (UNCTAD, 2017). One line of reasoning in favour of protectionism is that limitless global trade can make a country heavily rely on other countries. Thus, protectionism is perceived as an essential mechanism to defend national sovereignty. In order to reach this objective, protectionism can take the form of imposing restrictions on industries considered strategically significant for the self-sufficiency of a nation, such as defence (Enderwick, 2011). Moreover, foreign direct investment (FDI) can be used by sovereign states for pursuing their strategic goals, such as, for instance, a vehicle for technology transfers, but also for exerting the political influence. Therefore, for example, the EU's recently adopted foreign investment screening regulation is a response to fears that state-led investment could strategically exploit the openness of the common market, and the willingness to cope with potential threats stemming from the Chinese FDI socialist system of governance in particular, are characterized by rather blurred public-private distinctions (McDonagh, 2023). Metiu (2021) explored the international effects of U.S. trade protection by conducting a narrative analysis of the extent of newspaper coverage of U.S. trade protection, and concluded that media attention promotes the proliferation of protectionist shocks.

While some studies attribute protectionism to the global financial crisis of 2008 (Hemphill, 2010), its continued existence and the frequency of government intervention suggest that economic crises of 2008 should not bear the sole blame; instead, protectionism appears to be a more widespread phenomenon (Heinemann, 2012).

Despite the recent rise of protectionism and the potential for severe implications on the internationalisation of firms (Zhang & He, 2014), the impact of protectionism on firms' cross-border activities is underrepresented in the international business and management literature. Specifically, we still have limited understanding of the conditions under which the impact of protectionism is amplified or reduced.

Scholars have used the rise of nationalism, populism (Ghauri et al., 2021) and de-globalisation (Buckley & Hashai, 2020; Contractor, 2021; Witt, 2019) as indicators of protectionism. Over the last decade, populism has gained traction following the UK referendum and a change in US presidency in 2016 (Ghauri et al., 2021). Some scholars consider nationalism as part of populism. On the contrary, a number of researchers believe that nationalism and populism are different concept. Nationalism generally related to fidelity and identity. In contrast, populism describes public and monetary structures (Gellner, 1983). Although populism remains a contested concept (Rooduijn, 2018), the burgeoning literature has advanced our understanding of its core ideological traits, empirical manifestations, and consequences for policymaking and the liberal democratic order (Huber & Schimpf, 2017).

In the international business domain, nationalism and populism concepts are even more interconnected and sometimes used as substitutes (Ghauri et al., 2021). Due to the increasing prominence of populist and nationalist ideologies in the realm of politics and policymaking, there is a growing scepticism among economists and trade experts regarding the advantages of globalization. Subsequently, a growing number of countries, and even some economists, are beginning to question the impact of the substantial influx of manufactured goods from low-wage emerging markets, notably China, on the dynamics of global trade and globalization over the past couple of decades (Krugman, 2019).

Comprehending the phenomenon referred to as populism's moment (Devinney & Hartwell, 2020) presents a fresh challenge for international business scholars. This challenge is both reminiscent of and distinct from any other political force encountered in the past. While current notions of emerging market firms have adapted to tackle this issue, there is a lack of a comprehensive framework to assess the full spectrum of coping strategies in the context of a developed country (as highlighted by Müllner in 2016). To illustrate this insufficiency, a narrowly construed institutionalist perspective may, when focusing on institutional differences, produce inaccurate projection regarding the impacts of populism. While the application of institutional view is essential for understanding the enduring changes brought about by populism, when applied to the business context, the concept of institutional distance might indicate a reduction in that distance. However, this doesn't necessarily translate into advantages for companies. In other words, populism may make developed countries more akin to emerging markets, but this diminished distance does not guarantee that business operations will become easier or that organisations will enjoy any rewards (Hartwell & Devinney, 2021).

The first paper in our focused issue by Arslan et al. (2023) explores the effect of protectionism and intellectual property right (IPR) protection in host markets on cross-border mergers and acquisitions (CB M&As), and reveals that despite the fact that the local protectionism does not play a significant role in CB M&As, its presence enhances the positive effect of IPR protection on CB M&A activities in the host

country, thereby providing corroborative evidence to the contingent role of the aforementioned protection.

The next paper by Ghauri et al. (2023) examines the relationship between local protectionism and performance of multinational corporation (MNC) subsidiaries in China, and shows that the positive or negative effects of subnational protectionism in China hinges on performance types, and the performance in its turn is moderated by different internal capabilities of MNC subsidiaries.

The following study conducted by Soral et al., (2023) highlights that protectionist economies hamper the free flow of capital and labor across national and corporate borders, and thus limits the production, access, and diffusion of knowledge required to create novel solutions. It investigates the relationship between trade openness and workforce diversity and demonstrates that trade openness indirectly augments workforce diversity through two factors of crucial importance namely the availability of venture capital and collaboration.

The fourth paper by Temouri et al. (2023) focuses on the effect that protectionist measures have on multinational enterprise (MNE) reshoring back to the UK, and explicates that firms that are more sensitive to wage costs in their overseas subsidiaries are more likely to reshore, while the capital-intensive firms do not have a higher propensity to reshore. These results elucidate the potential impact of Brexit on the UK MNEs with subsidiaries in EU, and shed light on different types of behavior by firms tackling this significant macro-level change.

Drawing on the de-globalization and global value chains GVCs' literatures, the concluding fifth paper by Zahoor et al. (2023) presents a historical content analysis on 174 articles from 2016 to 2020 published in leading and major national and international newspapers, and suggests that international trade protectionism has altered the landscape of GVCs by causing considerable disruption to their functioning, thus exposing them to future external policy risks.

We hope that taken together these five novel studies on various aspects of protectionism accepted to our focused issue will stimulate the future debates and subsequent research endeavors aimed at exploring the protectionism in the international business realm.

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