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NEO-PROTECTIONISM IN THE STRATEGIES OF AMERICAN MULTINATIONAL ENTERPRISES AMIDST THE PRC'S EXPANSION

A characteristic feature of the modern economic landscape is the exacerbation of relations between the US and the PRC. Contemporary challenges are rooted in disproportions within global value chains caused by the high capital intensity of production, the rapid integration of technological innovations, and the unequal distribution of resources among actors. The shift in the strategies of multinational enterprises (MNEs) is a response to institutional instability, protectionist measures, and rising operational costs that drive the transformation of the market environment. In this context, neo-protectionism should be viewed as a tool for resolving the internal contradictions of the liberal model, whereby the state resorts to the selective protection of strategic sectors without formally abandoning the rhetoric of free trade [1]. The rapid development of China and the onset of Asian globalization threaten the national interests and global dominance of the US, which seeks to contain China's growth. US control over the Strait of Malacca has forced the PRC to seek new oil supply routes to the South Asian region, while oil and gas deposits discovered in the South China Sea are pushing China to escalate local territorial disputes [2].

The US, known in the 20th century for its commitment to the concepts of the free market and free trade, is currently resorting to so-called neo-protectionist policies. Modern trends in the regulation of international trade are shaped by an excessive conflict of geo-economic interests, where traditional multilateral mechanisms are giving way to unilateral and selective protective measures [3]. During the 2017–2021 period, as a result of the US introducing tariffs, quotas, and subsidies for its domestic manufacturing, global GDP fell by an estimated 1%. A slowdown in investment growth has also been observed (1.7% at the end of 2019, compared to 3.5% at the beginning of 2017) [4]. Donald Trump's policy was aimed at strengthening American manufacturing capacities, yet it faces criticism. During his tenure, not only the US and China but also the European Union and Japan began to deviate from the concept of free trade. This specific set of global actors is not unexpected, as it highlights the underlying confrontation between the two superpowers. China is equally known for its industrial protectionism, as well as its virtual monopoly in the alkaline-earth metals and electronics markets.

Multinational enterprises have found an alternative in "non-red" supply chains – meaning supply chains that exclude China. This approach is closely linked to the "China Plus One" strategy. This strategy allows MNEs to diversify risks by maintaining a presence in the PRC while simultaneously relocating new projects to nearby countries with relatively stable governments, such as India, Vietnam, Indonesia, Thailand, the Philippines, Brunei, and Bangladesh. As the cost of Chinese labor and operational expenses for firms in China rise rapidly, MNEs are relocating their production to the aforementioned countries. However, this relocation is not absolute, and a certain degree of MNE presence remains in China. Relocating production benefits firms through significantly cheaper local labor, risk diversification upon entering these markets, and the creation of new market opportunities. While a decrease in foreign investments in China benefits competitor countries, it raises the question: does a symmetrical strategy exist whereby MNEs move their production from the US to neighboring countries?

Multinational enterprises, which by some estimates account for up to 22% of the total US private sector GDP, are generally not relocating their production outside the US, though fundamentally similar strategies do exist. There are four primary development strategies for MNEs: operation improvement, product expansion, market development, and diversification. Operation improvement strategy focuses on optimizing existing processes and reducing costs within established markets and product lines. Product expansion strategy involves broadening the product assortment and introducing new products to established markets. Market development strategy is aimed at the geographical expansion of existing product sales. Diversification strategy combines simultaneous entry into new markets with new goods, carrying the highest risks but offering the greatest growth potential. To achieve optimal results, modern MNEs combine these strategies. The development of MNEs is influenced by numerous factors: the speed of integrating innovative solutions, firm scale, profit margins, product life cycles, limited managerial resources, threat of mergers, related financial constraints, and demand limitations [5].

Simultaneously, various “shoring” strategies have emerged, including reshoring, friendshoring, nearshoring, farshoring, altshoring, and offshoring. While offshoring is considered a traditional strategy, reshoring is the process of returning production to the country where the enterprise holds its primary capital, friendshoring entails placing production in allied or friendly countries, nearshoring is relocating production close to the country of primary capital, farshoring involves geographically distant production placement, altshoring refers to locating production in alternative countries that may not have close ties to the home country but hold significant strategic interest [6; 7]. Each of these strategies reflects a compromise between cost minimization, risk diversification, and the political reliability of partners. The choice of configuration is determined by the balance between economic feasibility and geopolitical constraints. Processes of reshoring and nearshoring are actively taking place around the US – processes that run directly opposite to the decoupling occurring around China. China indirectly benefits from this by gaining opportunities not only to maintain low-cost manufacturing but also to develop higher-value sectors.

It is worth noting that US neo-protectionist policy is contradictory when weighing its short-term and long-term consequences. In the short term, increased tariffs and restricted access to cheap imports reduce the purchasing power of American consumers and raise costs for producers reliant on intermediate goods from abroad. Conversely, in the long term, stimulating domestic production and relocating strategic capacities closer to national borders aim to bolster supply chain resilience and reduce vulnerability to external pressure. This logic aligns with a broader global transition from purely economic criteria for production placement to security and geo-economic criteria, where supply reliability outweighs cost minimization.

The US policy of containing China consists not only of trade wars initiated by President D. Trump but also of structural attempts to limit China's growth by restricting foreign direct investments into the PRC while simultaneously developing the American manufacturing sector. Although this yields negative short-term consequences – such as a decrease in national welfare and a drop in American purchasing power – it will ultimately lead to a more favorable competitive position for American producers in the global market over the long term. Questions regarding the future behavior of US MNEs and the resilience of their reconfigured value chains remain highly relevant, especially given the sustained economic interdependence of the world's two largest economies.

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