



Protectionism Unabated: The latest results from Global Trade Alert

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G20 Declaration in November 2008

"We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty. In this regard, within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports."

15 November 2008, Washington DC.

The very latest results from the Global Trade Alert

- 657 completed investigations of announced state measures: 445 implemented, 212 pending.
- Of the implemented measures, 322 discriminate against foreign commercial interests.
 - Only 63 of the discriminatory measures are trade remedies.
 - Of the discriminatory measures, 197 were imposed by G20 members.
- Of the pending measures, if implemented, 194 will almost certainly involve discrimination.
 - 136 of these measures are trade remedies.

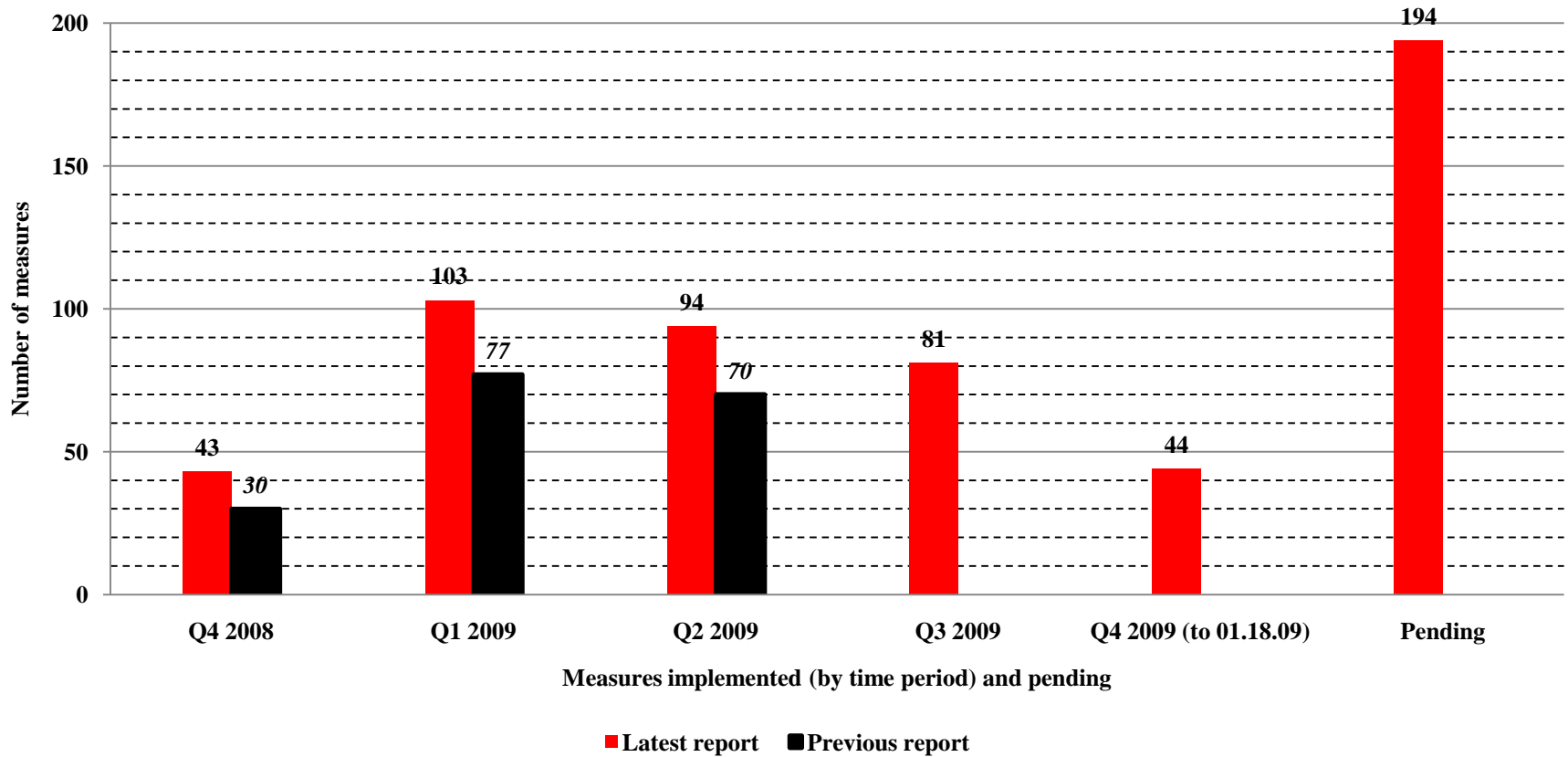
Most prevalent discrimination

Measure	Number implemented and discriminatory	Number pending	Number of jurisdictions responsible for implementation	Number of jurisdictions hurt
Bailout/subsidies	123	5	40	176
Trade defence measures	64	140	47	109
Tariff measures	44	17	19	122
Export subsidy	14	2	33	145
Public procurement	14	13	11	133

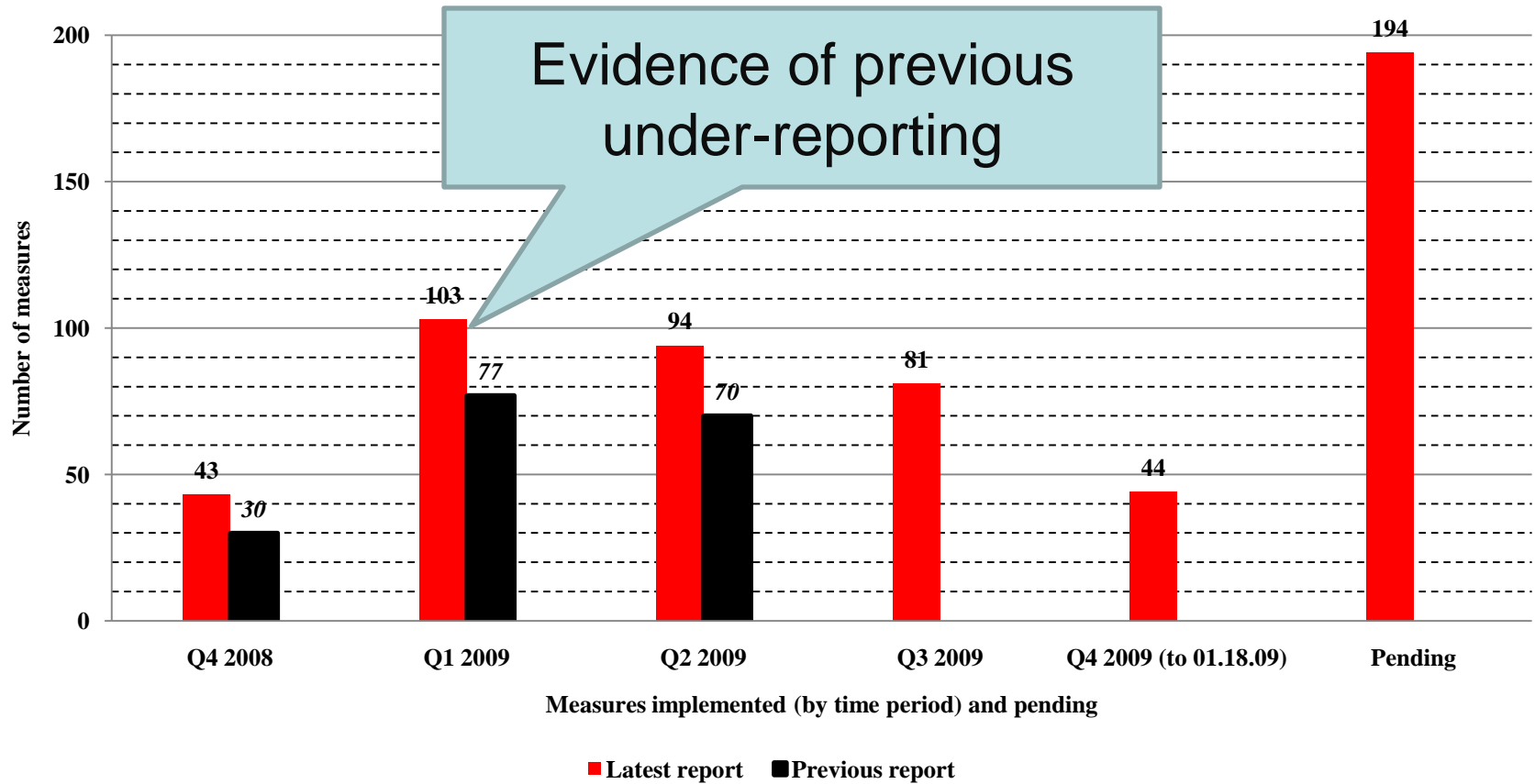
Effects on Japan's exports

1. Other than subsidies, foreign beggar-thy-neighbour measures reduced Japanese sectoral exports during the crisis.
 2. Japanese protection in favour of a given sector reduced that sector's exports during the crisis; suggesting that resources are reallocated by Japanese firms towards supplying the more secure domestic market from the export market.
 3. Discriminatory foreign subsidies have limited the contraction of Japanese exports during the crisis.
- See Shingal (2009) in Third GTA report.

Is the Protectionist Juggernaut Slowing Down?

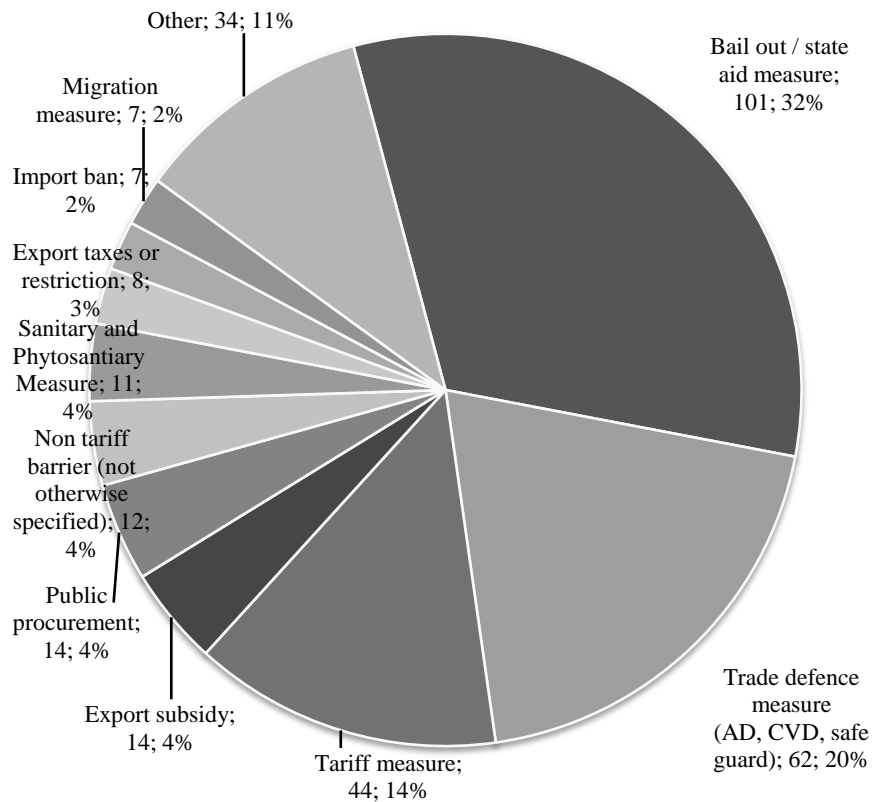


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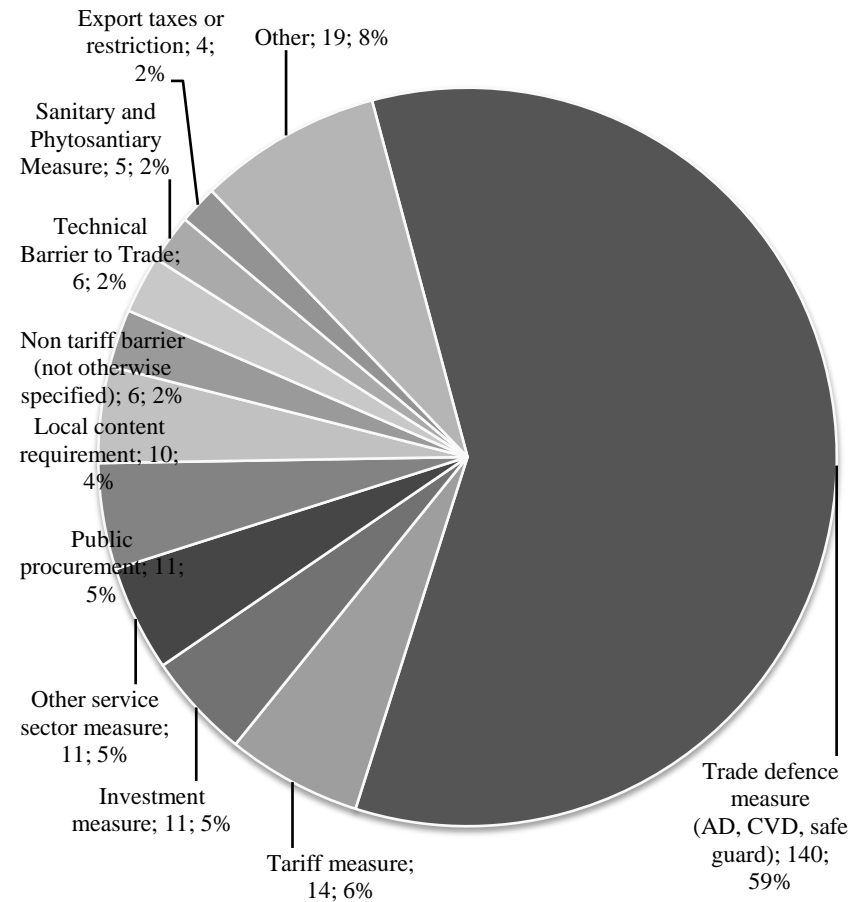


The form of discrimination will change

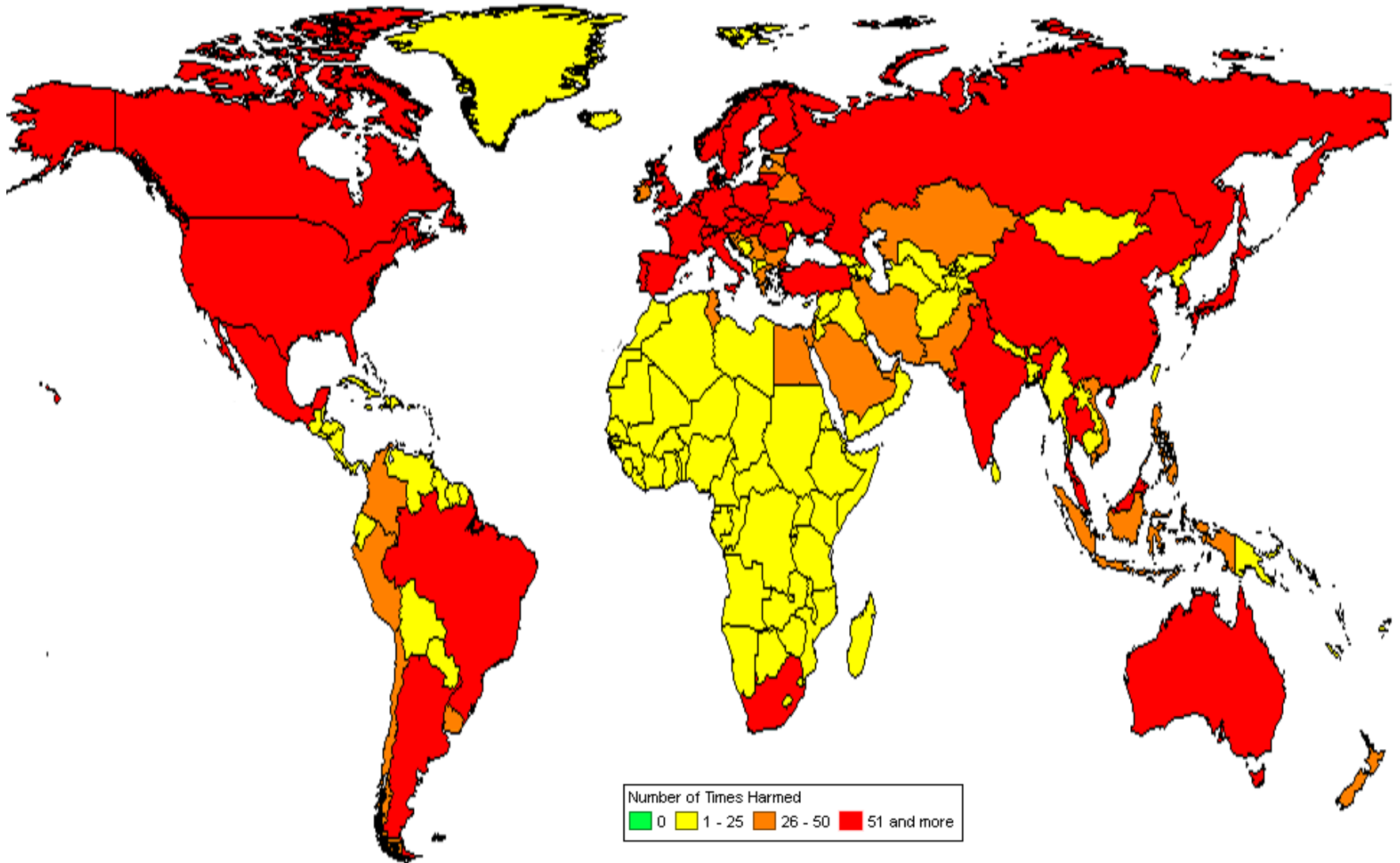
- Implemented measures



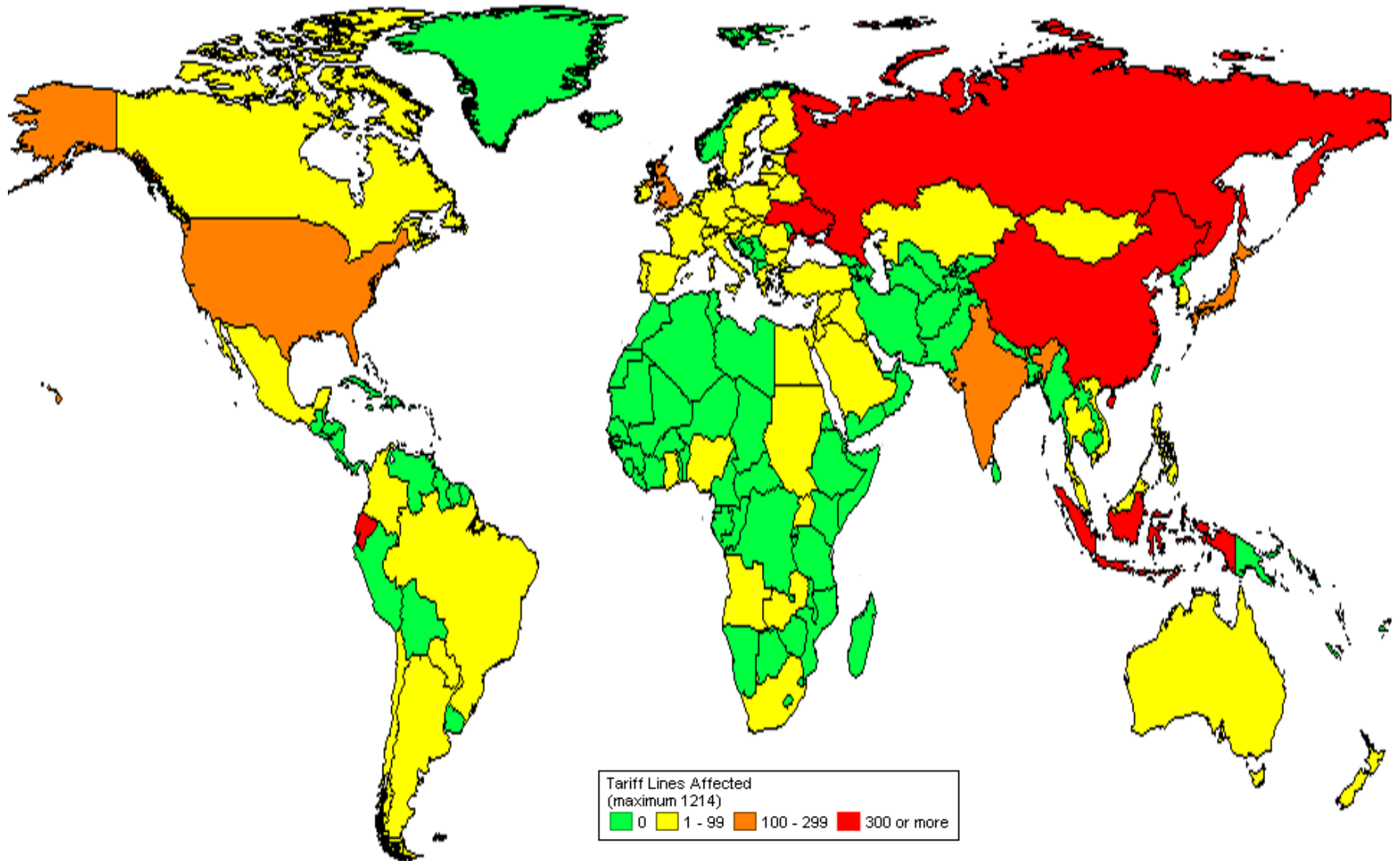
- Pending measures



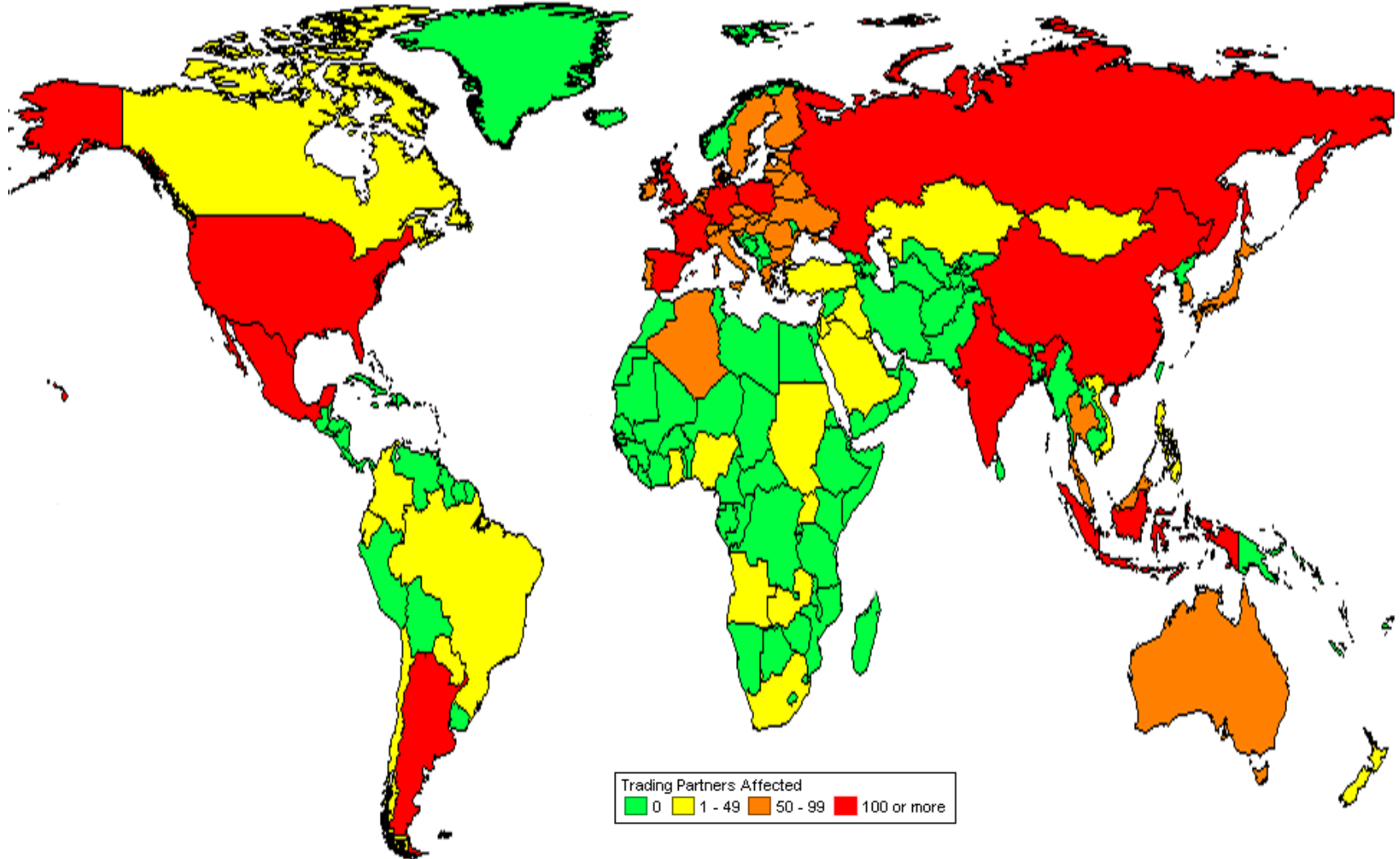
How many times has your country's interests been harmed?



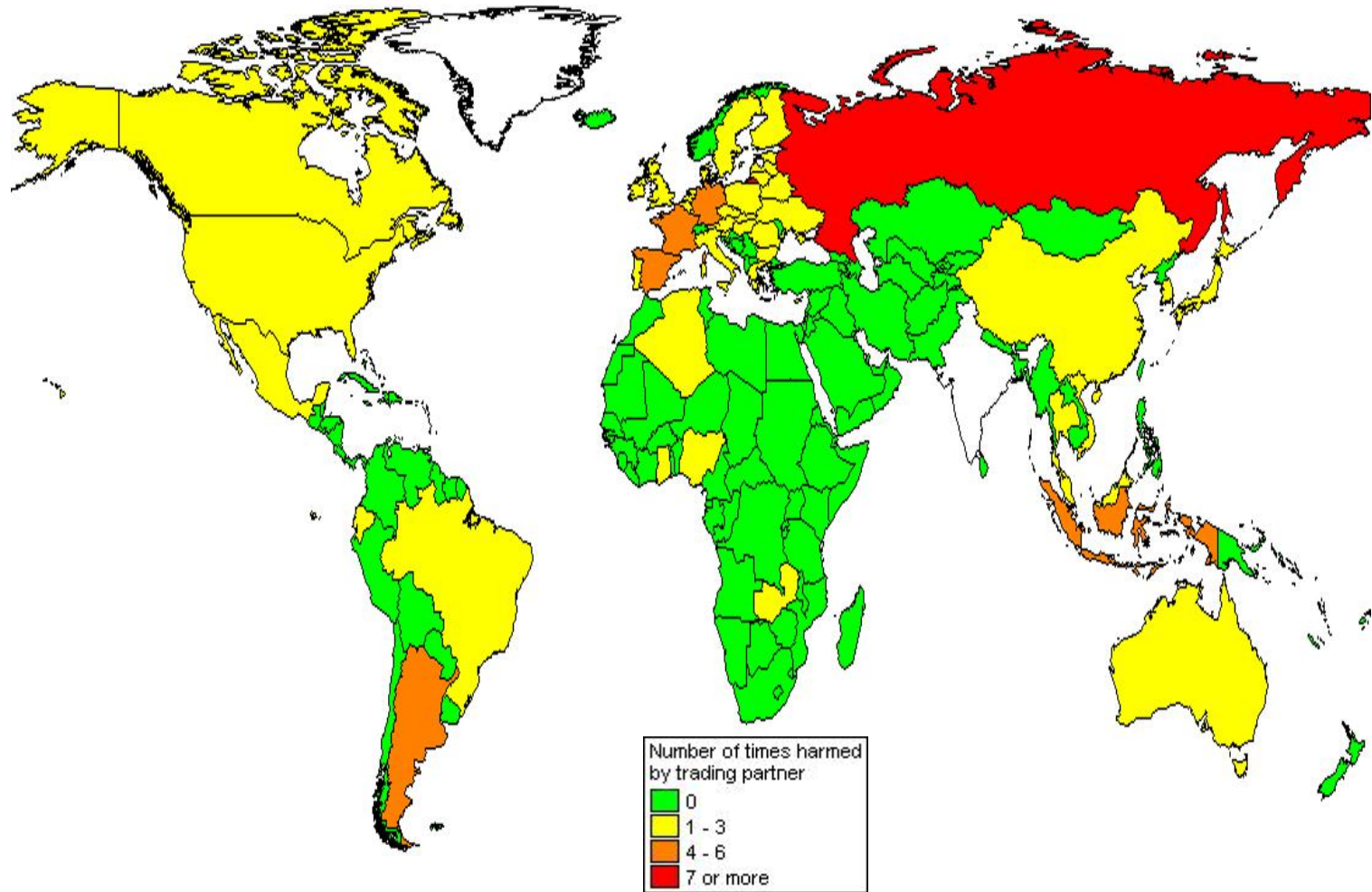
Own protectionism is not yet on the scale of the 1930s



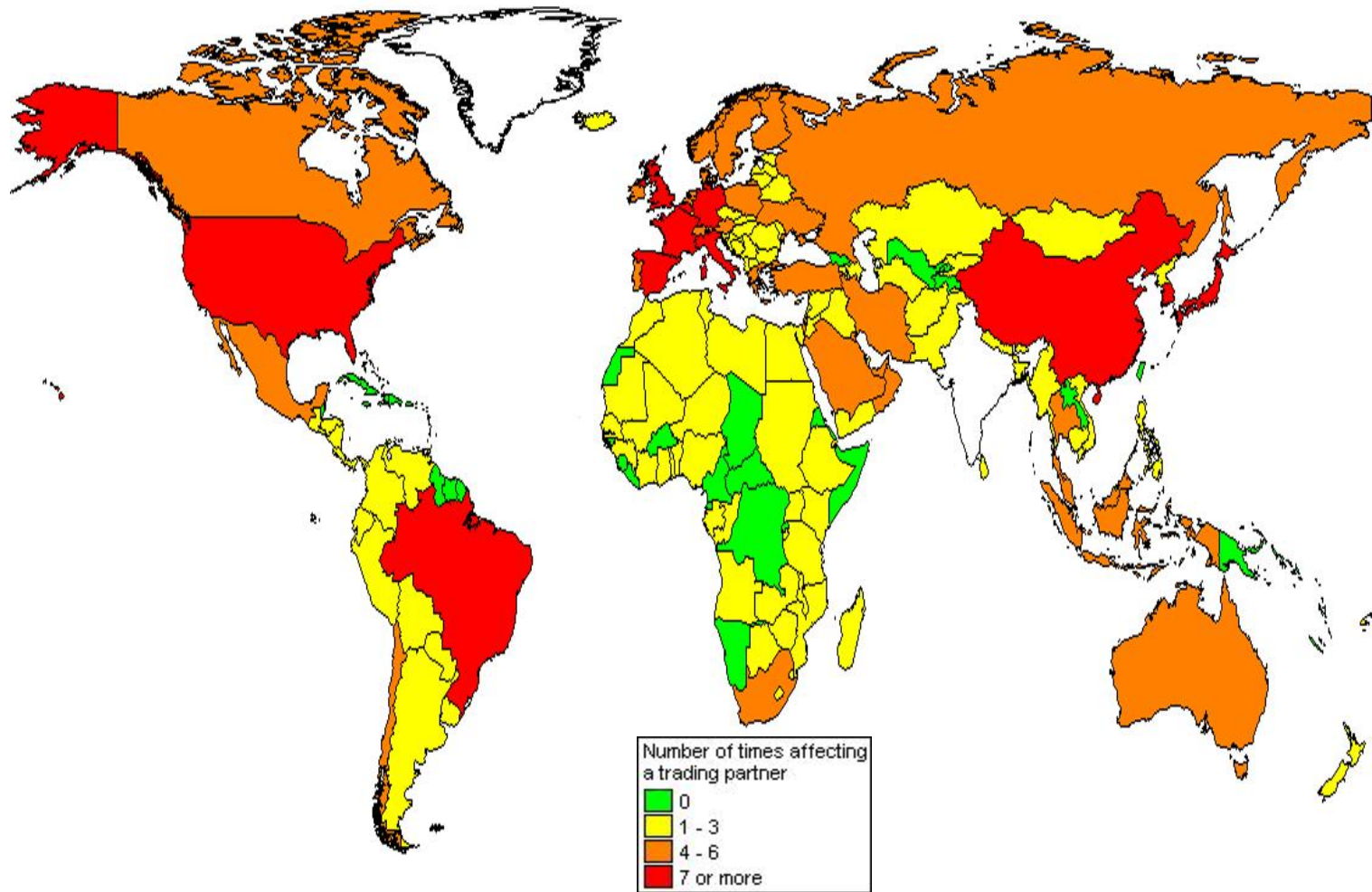
Still many countries have harmed more than 100 trading partners



Number of times Indian interests are harmed by a trading partner



Number of times India's actions have harmed a trading partner



Current protectionist dynamics

- To date, why we haven't seen a 1930s outcome:
 1. Fundamental differences in macroeconomic orthodoxy.
 2. Outsourcing and supply chains.
 3. "Cash is King" and the widespread use of financial assistance, not tariffs.
- Did international initiatives restrain protectionism?
Comments on WTO, G20, and RTAs.

Future protectionist dynamics

- Factors to look out for:
 1. Unemployment increases in industrialised economies over the next 12 months.
 2. Import rebound and "proving" "injury" in trade remedy investigations.
 3. Fiscal stringency and limited government tools to help domestic firms.
 4. Wild cards: border tax adjustments for carbon taxes (EU); trade frictions over the Chinese currency peg to the US dollar.

Implications for policymaking

- Just because protectionism hasn't turned out as badly as many feared it might at the beginning of 2009 doesn't mean it isn't a problem or that it cannot become one, especially as unemployment rises sharply in the next 12 months.
- Monitoring and peer pressure should continue; the world economy is not out of trouble yet, and in today's 24-hour media cycles protectionist spirals can get out of control very quickly.
- Upcoming G20 process.

What Next for the G20?

- In addition to affirming no-protectionism pledge and assuming that recovery is broad based, governments will need to be encouraged to unwind the discriminatory measures put in place.
- Individual incentives to unwind measures weak, so collective process needed.
- Senior officials process could establish non-binding principles and timetable for unwinding the wide-ranging discriminatory measures.
- Process could be supported by analytical work.

The Unrelenting Pressure of Protectionism: The 3rd GTA Report

A Focus on the Asia-Pacific Region

Edited by Simon J. Evenett



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Antidumping practice has changed

- Although the average number of countries targeted in each antidumping investigations remains unchanged, during the crisis far more investigations target foreign firms whose combined market share is 21-40 percent rather than 41-60 percent.
- Three-quarters of crisis-era antidumping investigations targeted countries where imports had grown faster than the average from all sources; up from two-thirds before the crisis.
- There has been a large shift during the crisis to targeting products where import prices have risen over the previous two years. Only 16 percent of the anti-dumping investigations launched in the first three quarters of 2009 involved imports where their unit prices had fallen; the comparable percentage for the 2007 investigations was 52 percent.
- Three-quarters of crisis-related antidumping investigations are into products where tariffs have fallen slower than the national average; before the crisis only half of the investigated products had previously benefited from below average tariff cutting.