

Protectionism after the Financial Crisis

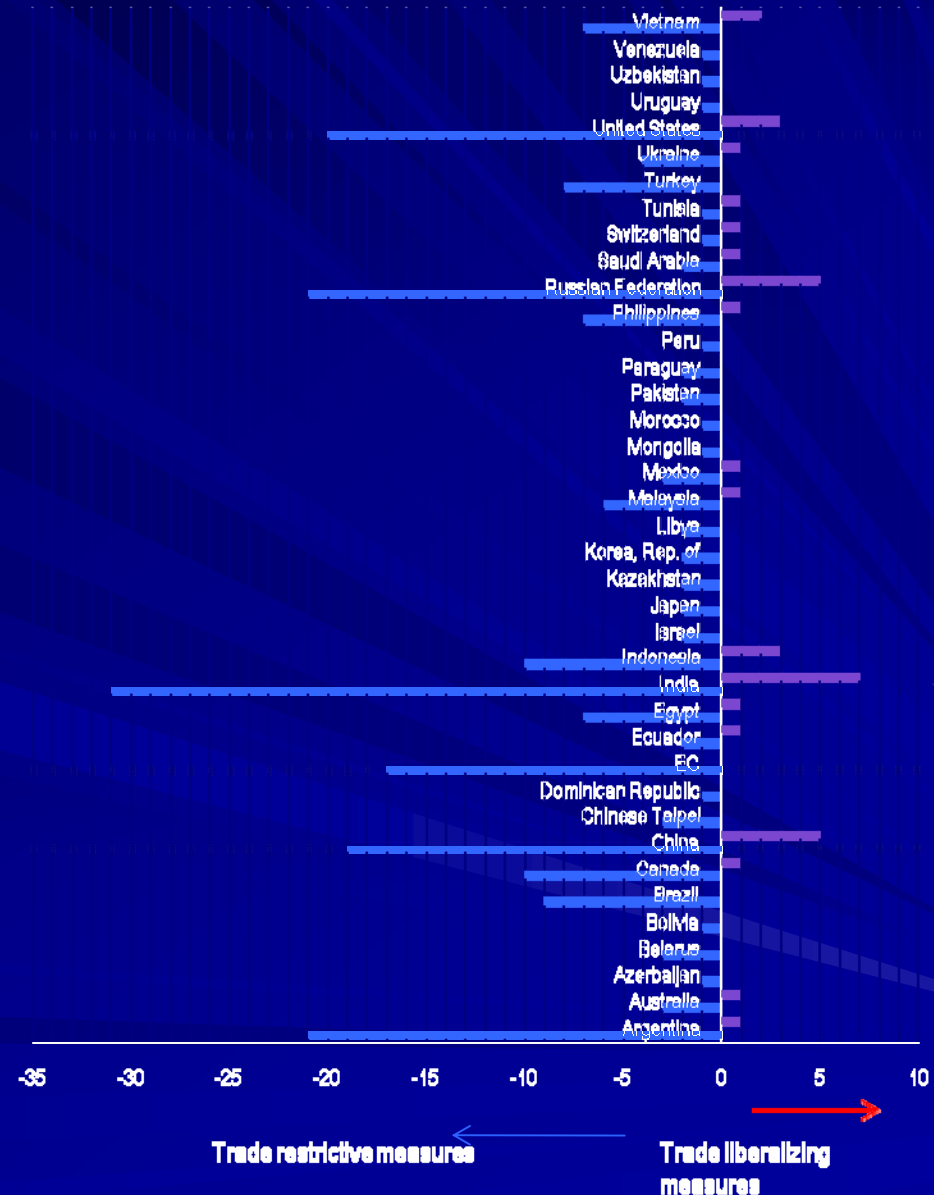
Richard Newfarmer
Special Representative to UN and WTO
World Bank

Geneva
September 29, 2009

Protectionist measures proliferate...

- All G20 countries, bar South Africa, have taken trade restricting measures.
 - Over 270 such measures, vs less than 70 trade liberalizing measures
- Prevalence of trade remedies
 - G20 initiation of safeguards investigations increased from 2 (Jan-July 2008) to 16 (Jan-July 2009).
 - WB Global Antidumping/safeguard database: new investigations up 18.5% over first half 2008; new measures imposed up 30.5%.
- Tariff increases selective
 - Most use binding overhang
- “Murky” measures predominate
- “Buy national”
- Implementation of regulations (stricter implementation TBT, SPS, slower procedures)

Trade restrictive and liberalizing measures by country, September 2008 - August 2009



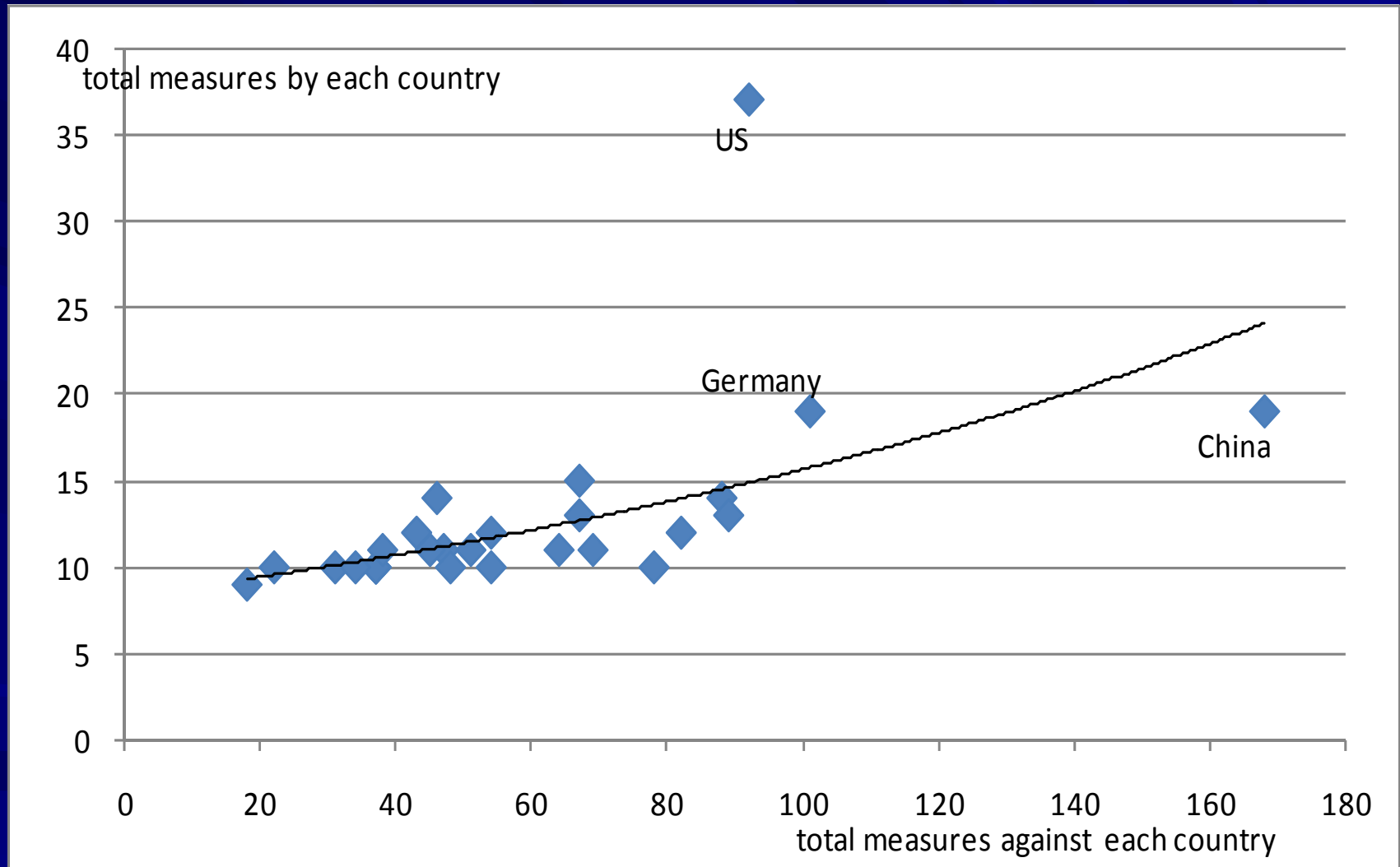
Source: World Bank, based on WTO/OECD/JUNCTAD monitoring report Sept 09

Measures take various – often obscure -- forms...

Count of dummy	10/1/20	11/1/20	12/1/20	1/1/20	2/1/20	3/1/20	4/1/20	5/1/20	6/1/20	7/1/20	8/1/20	Grand
Row Labels	08	08	08	09	09	09	09	09	09	09	09	09 Total
AD imposed			2	2	4	8						16
AD Initiation					2	9	10	6	10	9	5	51
Export restriction			2	1	3	1						7
Import Ban			1	1	2	4	1		1	2		12
Import Duty	2	1	3	2	5	8	8	5	8	1		44
Liberalization Intermediates		5	3	1	2	3	9	3	3	1		30
Liberalizing	1		6	1	5	8	6	6	2	1		37
NTM		7		5	6	5	3		2	3		37
Safeguard Imposed		1		1	3	1						6
Safeguard Initiation						3	8	3	1	1		16
Subsidies		1		1	3		4	2	3	2		18
Grand Total	3	15	17	15	35	50	49	25	30	20	5	274

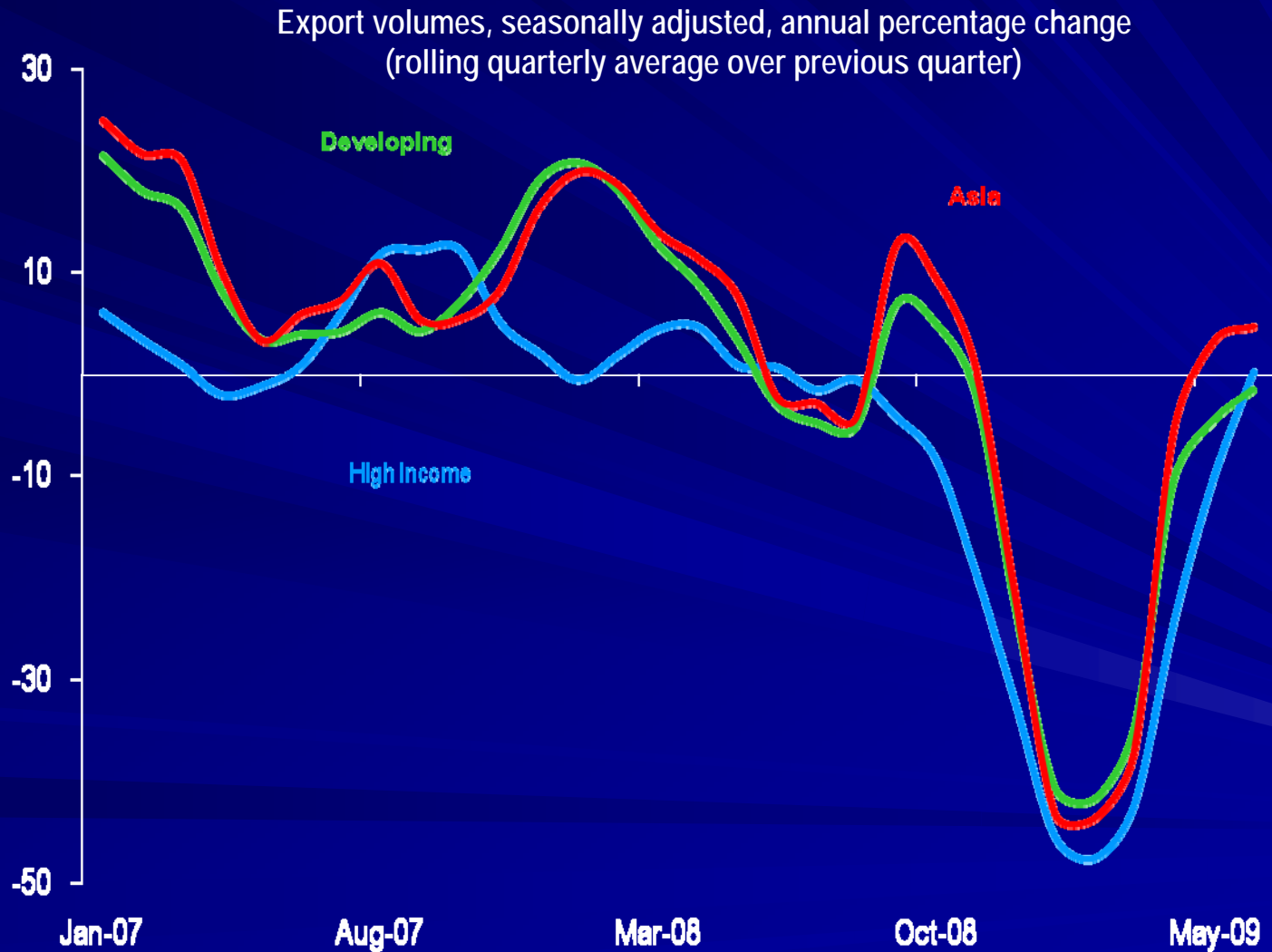
- Some evidence of acceleration of activity
- Rich countries use subsidies more often; developing countries use tariffs
- Mostly to protect textiles, steel, autos agriculture
- Automatic subsidies in agriculture undoubtedly gone up (not counted)
- Actual effect on tariff rates (so far) minor. Of 58 countries, 29 increased av. tariffs 2009/08, but only one up by more than 1%.
- Not all liberalizing measures lower actual protection...

China is the major target...



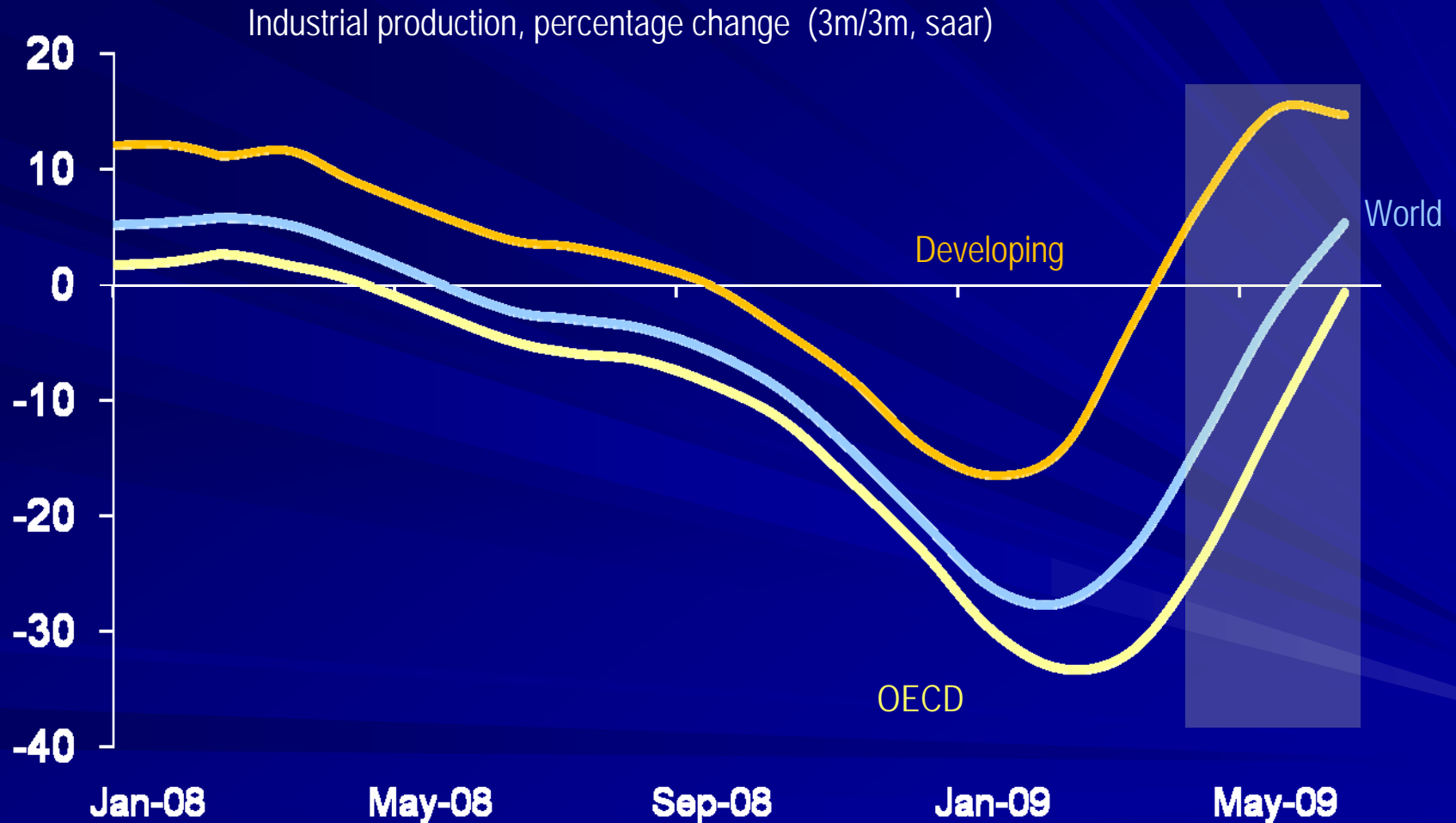
Source: Global Trade Alert, September 2009

Good news: Protection is not preventing recovery of trade



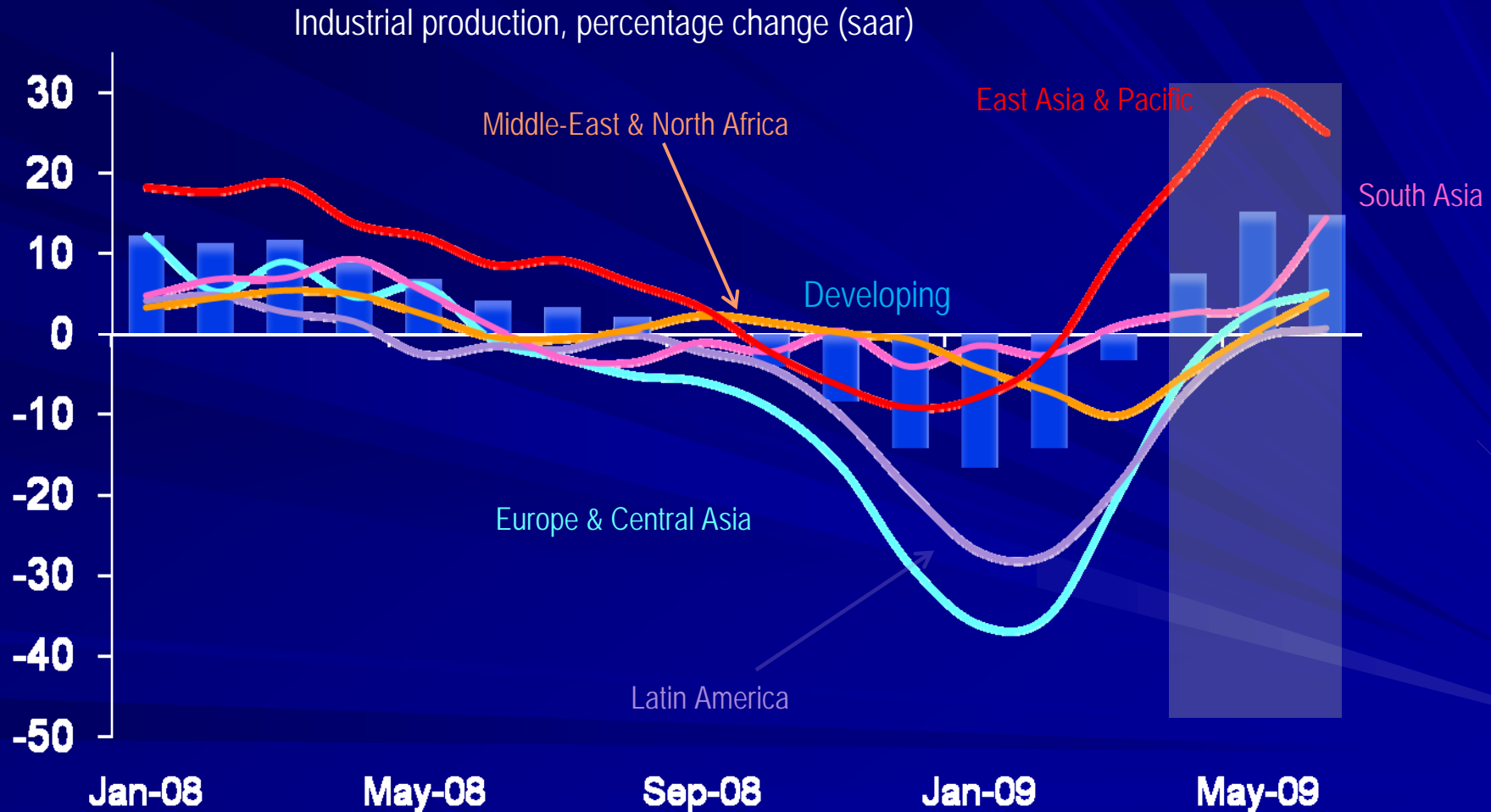
Source: World Bank

Industrial production has turned around



Source: World Bank, DEC Prospects Group.

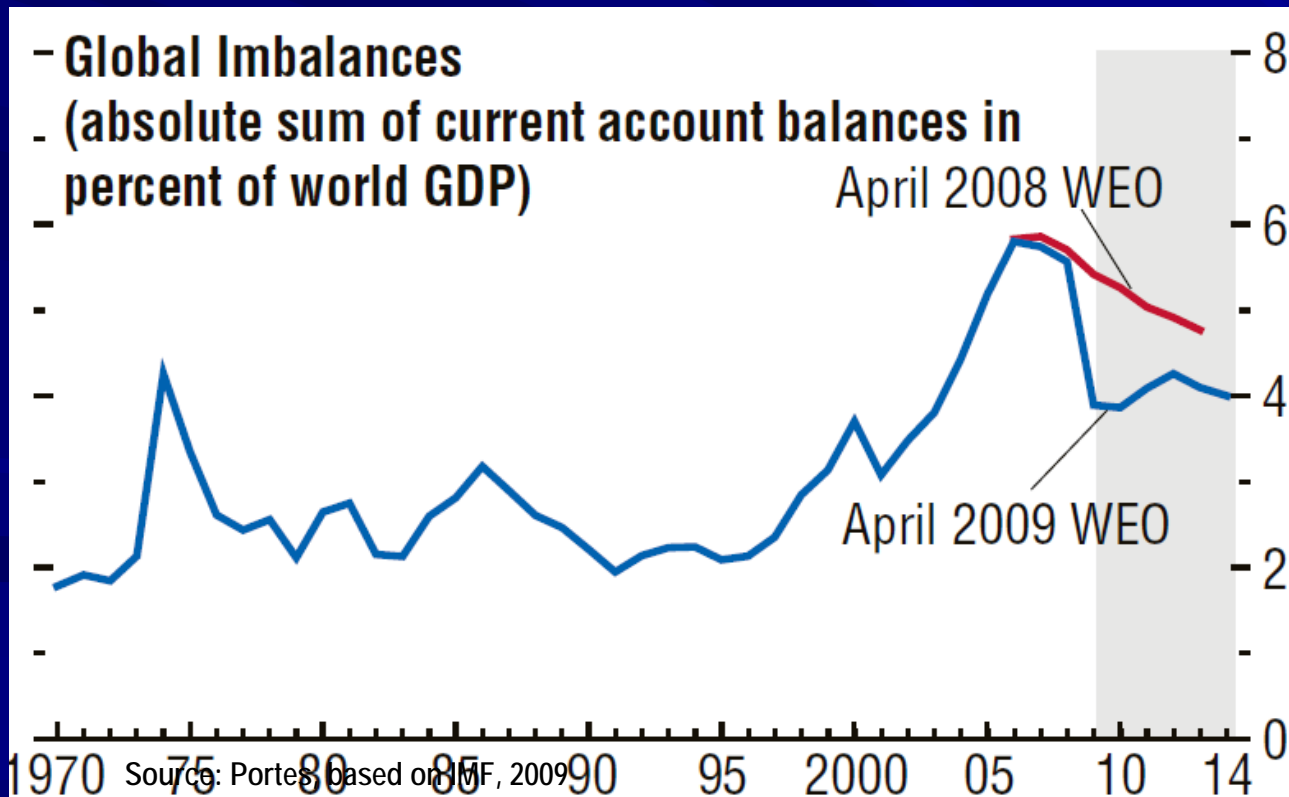
...with a general uptrend across all regions



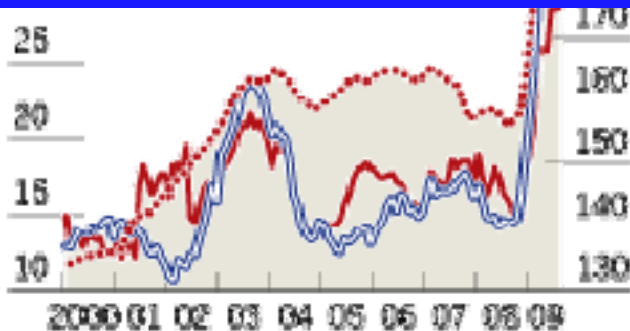
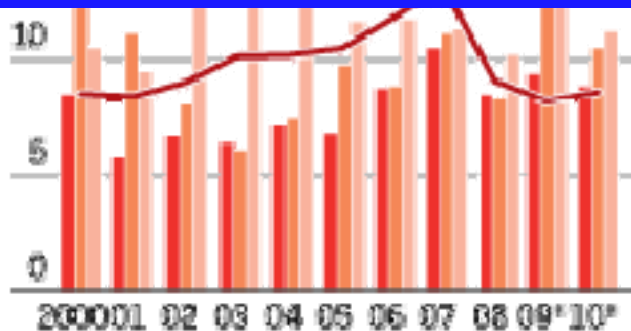
Source: World Bank, DEC Prospects Group.

Reasons to monitor closely...

- Trade recovery implies some new import competition – and this will occur exactly as unemployment peaks... GTA: 140 protectionist measures in the pipeline
 - Recessions with housing bust involve deepest employment cuts and longest periods to recover (Classens, et al 2008)
 - Employment recovery lags output recovery by 12-24m
- Pace of “rebalancing” the large deficits and surpluses



contingent protection



Trade and the balance of payments

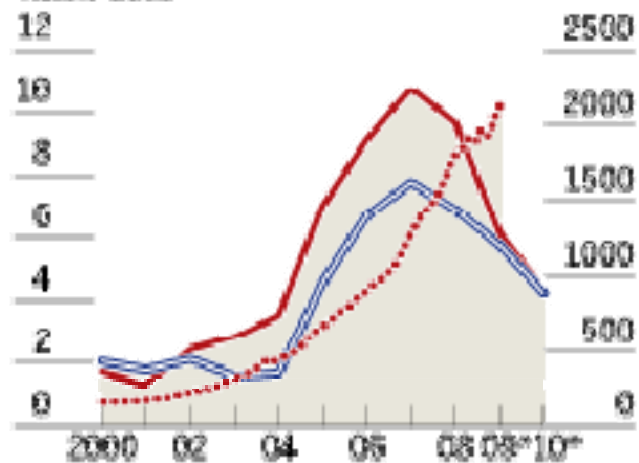
Balances (% of GDP)

Current account —

Visible trade —

Foreign exchange

reserves (\$bn) ····



Exchange rate

JP Morgan renminbi
real effective rate



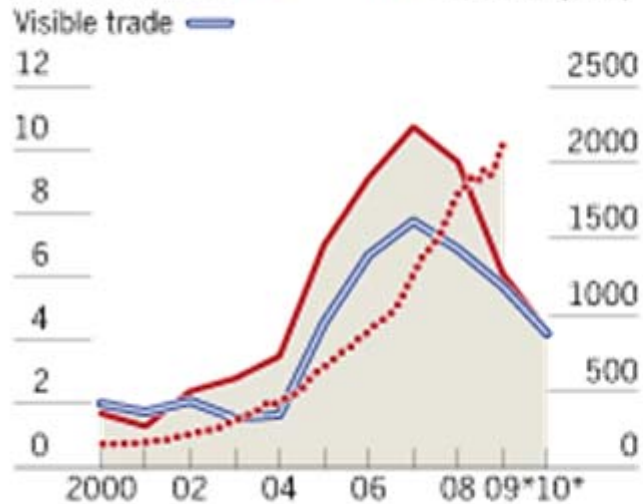
Source: Thomson Reuters Databream

* 2009 & 2010 = EIU forecasts

Source: Financial Times, Sept 2009

Trade and the balance of payments

Balances (% of GDP)
Current account — Foreign exchange reserves (\$bn)



Exchange rate

JP Morgan renminbi real effective rate



* 2009 & 2010 = EIU forecasts

Source: Thomson Reuters Datastream

Reasons to monitor closely...

- Trade recovery implies some new import competition – and this will occur exactly as unemployment peaks...
 - Recessions with housing bust involve deepest employment cuts and longest periods to recover (Classens, et al 2008)
 - Employment recovery lags output recovery by 12-24m
- Pace of “rebalancing” the large deficits and surpluses
- While aggregate trade effects may be relatively small, effects in specific markets could be severe – so the task now is to analyze these consequences

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