



World Trade and Trade Policy: New Impetus for Liberalization or Drift to Protectionism?

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Emerging Protectionism

- We are not facing a 1930s style scenario of spiraling, tit-for-tat tariff hikes (my famous last words?) Restraining factors: WTO agreements and fragmented supply-chains
- We are facing a scenario of creeping protectionism (as in the 1970s) by non-tariff means: subsidies, procurement, NTBs, etc. Such measures are less disciplined by WTO agreements. They exacerbate trends of creeping protectionism under way before the onset of the crisis.



Measures

Tariffs Subsidies Gov Proc Standards NTBs

Argentina

Brazil

Ecuador

India

Indonesia

Russia

Turkey

Tariff water in emerging markets

Tariffs on manufactured imports

	Average bound tariff (%)	Average applied tariff (%)	Tariff Water Ratio
China	9.14	8.96	1.02
India	34.94	16.44	2.13
Mexico	34.91	13.33	2.62
Brazil	30.79	12.63	2.44
Turkey	17.03	4.69	3.63
Indonesia	35.55	6.75	5.27
Saudi Arabia	10.50	4.81	2.18
South Africa	15.72	7.85	2.00
Thailand	25.55	8.17	3.13
Argentina	31.84	12.57	2.53



Measures

Tariffs	Subsidies	Gov Proc	Standards	NTBs
Argentina	EU	US	India	Indonesia
Brazil	US	China	China	Malaysia
Ecuador	China	SE Asia	EU	India
India	LA	Russia	Russia	Russia
Indonesia				
Russia				
Turkey				



Exacerbate creeping protectionism

- Backlash the rise of China
- "Green protectionism"
- Industrial policy: national champions, strategic sectors
- Energy nationalism
- Investment nationalism
- Antidumping

What should be done?

- A. Finish the Doha Round – but don't expect much of it
- B. Avoid pledges you do not intend to honour.
- C. Prepare to fight actual protectionism and relevant threats – not imagined threats
- D. Acknowledge that key protectionist threats are emerging from fiscal expansion
- E. Establish a "ceasefire agreement" on tariff hikes, government procurement protectionism, and trade distorting state aid (the really bad apples).
- F. Task a smaller group of countries to propose to the next G20 summit "guidelines" on how to prevent protectionist threats and progress multilateral agreements limiting the use of favoured protectionist tools today.