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Protectionism on the Rise: A Report on the Use of Trade Remedies During the Global Financial Crisis

New report shows protectionism increased and spread 18.8 percent during the first quarter of 2009

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Executive Summary

Much has been made of the Group of 20's (G-20) commitments to refrain from imposing new protectionist measures in the wake of the global economic crisis.[1] Most of the G-20 economies are members of the World Trade Organization (WTO), and many of them had pre-crisis "applied" import tariff rates quite close to the upward limit on their "bound" tariff legal commitments under the WTO. This proximity limits their policymakers' abilities to respond to domestic protectionist pressure by simply raising applied import tariffs; as raising import tariffs above these bound legal commitments would be a flagrant violation of the rules of the international trading system under the WTO.

Nevertheless, policymakers in these economies do have the flexibility to funnel domestic industry demands for new import restrictions into alternative trade "remedy" policy instruments such as antidumping, safeguards, and countervailing duties (anti-subsidy) policies. **A new study examining newly available data that tracks the combined use of these trade policies indicates a continued increase in protectionist resort to these import barriers in the first quarter 2009.**[2] The first quarter 2009 increase is above and beyond the sharp increase that began in 2008 with the spread of the global economic crisis.[3]

Compared to the same time period in 2008, the **first quarter of 2009 saw an 18.8 percent increase in initiated investigations in which domestic industries request the imposition of new import restrictions under trade remedy laws**. While the list of new investigations is dominated by India and Argentina, other G-20 members that also initiated at least one new investigation during the first quarter of 2009 include Australia, Canada, China, the European Union and its member states, Mexico, South Africa, Turkey and the United States.[4] China's exporters were the dominant target for these new investigations that may result in import restrictions, facing over two thirds of the new investigations.

Compared to the same time period in 2008, the first quarter of 2009 also saw a 15.4 percent increase in the *imposition* of new import-restricting tariffs and quotas upon completion of earlier investigations initiated under these trade remedy laws, a trend that will almost certainly continue to increase throughout the remainder of 2009 and into 2010. While India imposed the most new import barriers under these laws during this time period, other G-20 members that did so include Argentina, Australia, Brazil, Canada, the EU and its member states, South Korea, Turkey and the United States. China's exporters are the dominant target for these newly imposed import restrictions facing new barriers in over 70 percent of the cases.

Endnotes

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[1] The G-20's Washington Summit led to a 15 November 2008 declaration that "[w]e 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." (G-20, 2008, p. 4) The G-20's London summit led to a 2 April 2009 "Global Plan for Recovery and Reform" plan which also stated "We have today therefore pledged to do whatever is necessary to…promote global trade and investment and reject protectionism, to underpin prosperity" (G-20, 2009, p. 1).

[2] For the full study, see Bown, Chad P. (2009) "Protectionism Increases and Spreads: Global Use of Trade Remedies Rises by 18.8% In First Quarter 2009," Monitoring Update to the Global Antidumping Database, 11 May 2009, available at .

[3] The data in this monitoring report extends the analysis of the 2008 trends in antidumping reported at http://www.brandeis.edu/~cbown/global_ad/monitoring/ , including Bown, Chad P. (2009) "Monitoring Update to the Global Antidumping Database: Protectionism Is on the Rise as Antidumping Import Restriction Use up 31% in 2008," 5 March; Bown, Chad P. (2009) "Protectionism Is on the Rise: Antidumping Investigations," chapter 11 in Richard Baldwin and Simon Evenett, eds. *The Collapse of Global Trade, Murky Protectionism, and the Crisis: Recommendations for the G20*. VoxEU.org e-book, 5 March; and Gamberoni, Elisa and Richard Newfarmer (2008) "Trade Protection: Incipient but Worrisome Trends," *World Bank Trade Notes no. 37*, 2 March.

[4] The EU, France, Germany, Italy and the UK as these are five separate members of the G-20 but are represented by one collective EU trade policy. The only G-20 members for which we did *not* find evidence of newly initiated trade remedy investigations during the first quarter of 2009 were Brazil, Indonesia, Russia, Saudi Arabia and South Korea.