

Business, not bureaucrats will get trade moving again

GLOBAL INSIGHT



Alan Beattie

It took about 48 hours after the G20 meeting in Washington last November for the first holes to be punched in the anti-protectionism pledge to which all heads of government signed up.

Russia made the initial incision by raising car tariffs, after which pretty much everyone piled in to the breach.

This time the foolishness preceded the summit. Late on a Friday night the week before last, the Obama administration tried (but failed) quietly to slip out its decision to block imports of Chinese tyres.

And at the end of last week, just as the Pittsburgh gathering was in full swing, the European Commission decided to impose "anti-dumping" duties on steel pipes from the Middle Kingdom. Most blocks on imports are unjustified, but these were especially so.

In spite of Barack Obama's claim that he was merely enforcing trade agreements, the tariffs in question, under the previously unused Section 421 of US trade law, do not require Washington to prove that goods are underpriced or subsidised - merely that they have been rising quickly.

Similarly, the EU decision broke new ground: it protected companies from the mere threat of being hurt by low-cost competition, rather than making them prove it first.

So protectionism is rising, often in new and innovative forms, and there is little sign that the

G20 process is doing much to constrain it. (The Pittsburgh gathering also made the ritual vow to complete the so-called Doha round of trade talks, but that incantation now carries the same sincerity as saying "Have a nice day".) Yet a counsel of despair would be, at the very least, premature.

The protectionist lobbies that have wreaked havoc during past economic downturns are weaker or more ambivalent this time round. If the nascent economic recovery continues and strengthens, there is a reasonable chance that the current wave of protection can recede without too much damage being done.

First of all, it is worth stressing that it is by no means straightforward to

judge how much protection is actually being imposed. Unlike the 1930s, when there were widespread increases in permanent import tariffs, today's protectionism comes in more nebulous forms: anti-dumping and other emergency import protections of the kind imposed by Washington and Brussels; auto and financial bail-outs skewed towards domestic companies; import licensing restrictions; quiet, menacing words in executives' ears about the foolishness of cutting jobs at home before those offshore.

Simon Evenett, the academic who co-ordinates Global Trade Alert, the invaluable watchdog project, estimates that about 80 per cent of tariff categories (at one particular level of disaggregation) have been affected in some way. But as he admits, it is far from clear how much trade in each category has been hit.

And with the number of

anti-dumping actions still well below historic highs, it seems unlikely that the restrictions imposed so far are going to have a big impact on global trade. So far, those industries receiving anti-dumping and similar protection are mainly low-value bulk

emanating from Pittsburgh. It is businesses and consumers, not bureaucrats, that will get trade moving again. There are reasons to be optimistic on trade, but the G20 is not among them.

Few people working in companies will pay heed to empty pieties emanating from Pittsburgh

input goods - cheap tyres, steel pipe, glossy paper.

For the companies that buy those products it is no doubt annoying to have flows of trade interrupted, but few will see their costs escalate hugely.

The high-value protectionist industries of the past, such as the US auto companies that helped lead the campaign against Japanese imports in the 1980s and 1990s, are much less active in trade lobbying, not least because they themselves have built plants all over the world.

Unless the auto bailouts become permanent subsidies, the global car industry should be able to start moving back towards competitive normality if the economy continues to recover. The protectionist implications of carbon border taxes as part of the climate change debate are another story, but that is a potential rather than an actual threat for the moment.

And the most cheering news of the past week had little to do with the G20 meeting. Global trade has responded to rising demand, posting its biggest one-month rise for five years.

Few people who actually work in companies trading across borders will pay heed to the empty pieties



Saranno le imprese, non i burocrati, a stimolare di nuovo gli scambi commerciali (ca)