

Role of international trade rules in the current economic crisis

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Consequences of the crisis – estimation for 2009

- **global economy would contract** by between -0.5 and -1 % (IMF)
- **world merchandise exports to fall** by -9 % (WTO)
- **deepest declines** in 60 years

Governmental reactions

- **SUBSIDIZATION**
 - Stimulus packages
 - Trade finance facilities
- **REGULATION**
 - Trade protectionism
 - Trade liberalization

Limitations to subsidization and regulation

- Commitments of the WTO members
- Rules of international trade
- Dispute settlement understanding

Trade commitments

- Agricultural trade
- Industrial products trade
- Bound tariffs X applied tariffs („water“)
- Number of bound lines

Trade commitments - weakness

- All in the area of market access and conditions on the „accepting market“
- No commitments for export taxes and export licencing
- Impact on effectiveness and competitiveness of import depending industries

Subsidization

- Limited by international trade rules: prohibited and allowed
- **Prohibited:**
 - Export subsidies
 - Local content subsidies (use of domestic over imported goods)
 - Export financing (with the OECD Consensus exception)

Subsidization

- **Actionable subsidies:**
 - All specific subsidies with enterprise specificity, industry specificity and regional specificity
 - This subsidization could be subject to a challenge (WTO dispute settlement)
- **Agricultural subsidies:**
 - Domestic support
 - Export subsidies

Trade protectionism

- **„Pure“ trade protectionism**
 - tariff increase
 - import bans
- **„Hidden“ trade protectionism**
 - Buy-local conditions
 - Labour related measures
 - Currency devaluation
 - Technical and hygienical norms
 - Non-tariff measures with trade impacts

Trade protectionism

- **Trade remedies used as protectionism**
 - Antidumping actions
 - Safeguard measures
 - Countervailing measures
- **Other safeguards**
 - Safeguard the balance of payments (reaction to the country's external financial position, not to sectoral difficulties)
 - Infant industry protection (developing countries)

Trade protectionism and subsidization in practice of states

- **Increased tariffs:** Ecuador (940 products concerned), India, Russia and Mexico
- **Non-tariff barriers:** Indonesia, Argentina, China (bans on some imports)
- **Antidumping measures** in 2008: increased by 27%; main targets - China, EC, USA; used mainly by India (42), Brazil (16), Argentina (11), China (11), Turkey (10) and EC (9).

Trade protectionism and subsidization in practice of states

- **Steel industry:**

- import licensing,
- increase of import tariffs,
- antidumping measures,
- new technical norms and certification procedures,
- export licensing,
- conditions for state aid (USA adopted the American Recovery and Reinvestment Act)

Trade protectionism and subsidization in practice of states

- **Auto industry:**
 - financial instruments as governmental loans and guarantees (USA, France, Italy, Germany, Spain, Sweden, UK)
 - governmental loans, loans with lower interest rates or financial trust for maintaining liquidity (Brazil, Canada, Australia)
 - taxes reduction in order to promote car selling (China, South Korea, Turkey)
 - increase of import tariffs - cars, trucks and buses, reduced tariffs for motors and components (Russia)

Trade liberalization as a response to the crisis

- Access to trade finance
- Elimination or reduction of import tariffs
- Elimination or reduction of export taxes
- Increase of VAT rebate rates on exports
- Trade facilitation measures

Role of the multilateral trading system

- Rules, commitments, legal actions to unfair trade, dispute settlement ———> barriers to the trade protectionism
- Weaknesses:
 - flexibilities - bound and applied tariffs, not all tariffs are bound
 - not all protectionist instruments are ruled

Future

- **No-standards lowering clause**
- **Successful negotiations – 150 billion USD of consumption stimulation (with production consequences)**

Thank you for your attention

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