

Too early to cry wolf

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► **To cite this version:**

Patrick Messerlin. Too early to cry wolf. Evenett, Simon J., Cattaneo, Olivier, Hoekman, Bernard M. The fateful allure of protectionism: Taking stock for the G8, Centre for Economic Policy Research, pp.15-16, 2009. <hal-01053635>

HAL Id: hal-01053635

<https://hal-sciencespo.archives-ouvertes.fr/hal-01053635>

Submitted on 7 Oct 2014

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2. Too Early to Cry Wolf

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SciencesPo

The WTO used the term ‘significant slippage’ to qualify changes in protection during Fall 2008 and Winter 2009. Most newspapers translated these terms into ‘rise of protectionism.’

Evoking such a rise is premature. It is crucial to address this statement because it offers a huge tactical advantage to protectionist interests. First, it makes it much more difficult for governments to push for more liberalization when everybody else is – allegedly – busy raising protection. Second, since nothing bad will flow from such a ‘rise of protection’ (since there is none) protectionist lobbies can claim that raising protection does not have the dire effects that economists predict, and they will quickly ask for more protection.

The following observations can be made on the basis of the raw information provided in the March 2009 WTO Report:

- a) One third of the measures taken during the last eight months have been market-opening (cuts in tariffs, export taxes, etc.). The most important measure of these last few months is the vast programme of tariff cuts of Mexico (7th largest world economy).
- b) Assessing the increase in antidumping initiations in 2008 compared to those in 2007 as a rise in protectionism is far-fetched for several reasons. The year 2007 shows the lowest annual number of cases since 1995. Suggesting a link between the 2008 rise in antidumping cases and the current crisis ignores the duration of antidumping procedures (12 months or more). The products involved have been antidumping addicts for the last two decades at least.
- c) Other protectionist measures (increases of non-tariff barriers or tariffs) are limited, except for a couple of (unsurprising) exceptions (Argentina and Indonesia).
- d) Half of the stimulus packages have little or no discriminatory impact, but simply aim at boosting economic activity. There are only two key exceptions: (i) China's stimulus package has a systematic sectoral approach, and (ii) the car sector across the OECD (from assemblers to dealers) has been a major beneficiary of stimulus packages.
- e) ‘Financial nationalism’ is unlikely for several reasons. Governments are eager to give banks back to the private sector, and the rapidity of such moves depends crucially on the capacity of these banks to keep foreign clients. Local politicians have begun to realize that jobs in the local subsidiary of a foreign firm are as valuable in terms of votes as jobs in a wholly domestically owned firm. After

almost 20 years of globalization, it is almost impossible to define what is a 'domestic' firm.

This cold-minded assessment suggests three 'counter-offensives': (i) monitoring closely antidumping initiations (especially, a widening of the scope of products in new antidumping complaints), (ii) cutting back car subsidies, and (iii) launching talks to improve market access in services, first between the EC and the US, then extending such talks to fewer than the ten countries that account for more than 80 percent of the world output in services.

About the author

Patrick Messerlin is Professor of Economics at Sciences Po. He has also been the Director of the Paris-based think tank Groupe d'Economie Mondiale at Sciences Po (GEM) since its creation in 1998. Since June 2006, he served as Chairman of the Steering Committee of ECIPE (European Center for International Political Economy) based in Brussels. He specializes in international trade policy and regulatory impact assessment. His current research deals with WTO issues, EC commercial policy, services liberalization in services and the associated "Better regulations" initiatives. In 2001-2002, Messerlin was a special advisor to Mike Moore, WTO Director General. In 2003-2005, he also served as co-chair, with Ernesto Zedillo, of the United Nations Millenium Development Goals Task Force on Trade for Development. Since June 2008, he is serving as co-chair again, with Ernest Zedillo, of the joint World Bank & UK Department for International Development Task Force on Global Finance and Trade Architecture. Messerlin is the author of many books, most recently *Measuring the Costs of Protection in Europe: European Commercial Policy in the 2000s* (Peterson Institute for International Economics 2001), and *Europe after the No Votes* (Institute of Economic Affairs 2006).