The Great Recession and Import Protection
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Negative Shocks to Global Economy

• The Great Depression of the 1930s

• The Great Recession of 2008-09

1) painful economic contractions,
2) severe dislocations to industrial production,
3) sharp spikes in unemployment.
1930s

"beggar-thy-neighbor" policies

- 12 spokes (months)
- World trade (month) is measured along each spoke
- Jan 1929, world trade was about US$3 trillion

Charles Kindleberger, "The World in Depression."
Echoes of 1930s?
Comparing

<table>
<thead>
<tr>
<th></th>
<th>1930s</th>
<th>Great Recession</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharp drop in GDP</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sharp drop in trade</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>New Restrictive Trade Policies</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Form</td>
<td>Tariffs</td>
<td>Subtle</td>
</tr>
<tr>
<td>Duration of downturn</td>
<td>Long-lived</td>
<td>Modest (I think)</td>
</tr>
</tbody>
</table>
GDP & Trade Trends

• For most countries, during Great Recession
  – GDP fell
  – Trade fell by much more
GDP
Merchandise Imports
How to interpret?

• Big drop in trade (sharper than in 1930s)

• Relatively quick rebound
Subtle Response

• While there was not a large-scale resort to protectionism, the facts simply do not support the idea that countries did not adjust their trade policies during this period.

• Many countries were quite active with their trade policy during the crisis

• How different? Why?
Is Protectionism on the Rise?

• No widespread increase in protectionism via tariff policies since the global financial crisis has unfolded. (Kee, Neagu, Nicita, ReStat)
  – Many countries adjusted tariffs upward on selected products, only a handful of countries, such as Malawi, Russia, Argentina, Turkey and China focus on products that have significant impacts on trade flows.
  – US and the EU (most developed countries) rely mainly on anti-dumping duties to shield domestic industries.

• Overall, while the rise in tariffs and anti-dumping duties may have jointly caused global trade to drop by as much as US$43 billion during the crisis period, it explains less than 2 percent of the collapse in world trade.
Déjà Vu All Over Again?

1) “lessons learned” / WTO rules
   – Fiscal stimulus packages instead of trade policy
2) Banks / Credit Issues
3) New political–economic order based on global supply chains
   ▪ *Changes how shocks transmitted*
   ▪ *firms are both exporters and importers; (lobbying for protection has changed)*
4) Proliferation of preferential trade agreements
5) More subtle policies
An Important Difference: Bound vs. Applied Tariffs

• **Bound**
  – the maximum level

• **Applied**
  – what is actually levied
    • e.g., 10% bound, 7% applied

• For some countries, lots of “over-hang”
# US & Canada Tariffs

## ALL PRODUCTS

<table>
<thead>
<tr>
<th></th>
<th>% line items bound</th>
<th>Avg. Tariff (bound)</th>
<th>Avg. Tariff (applied)</th>
<th>Duty-free (bound)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Canada</strong></td>
<td>99.7%</td>
<td>6.8%</td>
<td>3.7%</td>
<td>37.7%</td>
</tr>
<tr>
<td><strong>US</strong></td>
<td>99.9%</td>
<td>3.5%</td>
<td>3.5%</td>
<td>45.6%</td>
</tr>
</tbody>
</table>

## AGRICULTURE

<table>
<thead>
<tr>
<th></th>
<th>Avg. Tariff (bound)</th>
<th>Avg. Tariff (applied)</th>
<th>Duty-free (bound)</th>
<th>Non-ad valorem duties</th>
<th>Max duty (bound)</th>
<th>Max duty (applied)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Canada</strong></td>
<td>16.7%</td>
<td>11.3%</td>
<td>48.1%</td>
<td>19%</td>
<td>597%</td>
<td>584%</td>
</tr>
<tr>
<td><strong>US</strong></td>
<td>4.8%</td>
<td>4.8%</td>
<td>32.8%</td>
<td>40.1%</td>
<td>350%</td>
<td>350%</td>
</tr>
</tbody>
</table>
Administered Protection

- Antidumping
- Countervailing Duty
- Safeguard
AD Actions

New investigations

- Developing
- Developed

Years:
- 2007 Q1
- 2007 Q2
- 2007 Q3
- 2007 Q4
- 2008 Q1
- 2008 Q2
- 2008 Q3
- 2008 Q4
- 2009 Q1
- 2009 Q2
- 2009 Q3
- 2009 Q4
- 2010 Q1
- 2010 Q2
- 2010 Q3
- 2010 Q4
CVD Actions

New investigations

[Bar chart showing new investigations from 2007 Q1 to 2010 Q4, with categories for Developing and Developed.]
Global Safeguard Actions

New investigations

- Developing
- Developed

- 2007 Q1: 1
- 2007 Q2: 1
- 2007 Q3: 1
- 2007 Q4: 1
- 2008 Q1: 1
- 2008 Q2: 1
- 2008 Q3: 1
- 2008 Q4: 1
- 2009 Q1: 1
- 2009 Q2: 1
- 2009 Q3: 1
- 2009 Q4: 1
- 2010 Q1: 1
- 2010 Q2: 1
- 2010 Q3: 1
- 2010 Q4: 1
Admin Protection at Product Level

United States

- Stock: products under trade barrier (AD, CVD, SG, CSG)
- Flow: products subject to newly initiated trade barrier investigation (AD, CVD, SG, CSG)

Percent

Year:
1990 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09
Admin Protection at Product Level

Canada

Percent

Stock: products under trade barrier (AD, CVD, SG, CSG)

Flow: products subject to newly initiated trade barrier investigation (AD, CVD, SG, CSG)
Other Issues

- Exchange Rate
- COOL
Canadian Dollar to US Dollar
## Regulation - COOL

<table>
<thead>
<tr>
<th>MCOOL Label</th>
<th>Born</th>
<th>Raised</th>
<th>Slaughtered</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product of the United States</td>
<td>USA</td>
<td>USA</td>
<td>USA</td>
<td>94.347</td>
<td>103.033</td>
</tr>
<tr>
<td>Product of the United States and Canada (Multiple countries of origin)</td>
<td>Canada</td>
<td>USA</td>
<td>USA</td>
<td>6.721</td>
<td>6.789</td>
</tr>
<tr>
<td>Product of Canada and the United States (Animals imported for immediate slaughter)</td>
<td>Canada</td>
<td>Canada</td>
<td>USA</td>
<td>3.284</td>
<td>1.957</td>
</tr>
<tr>
<td>Product of Canada</td>
<td>Canada</td>
<td>Canada</td>
<td>Canada</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
U.S. Imports of Live Swine from Canada

MCOOL Final Rules Published