

The Great Recession and Import Protection

CATPRN WORKSHOP 2012 – Toronto, Ontario

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Negative Shocks to Global Economy

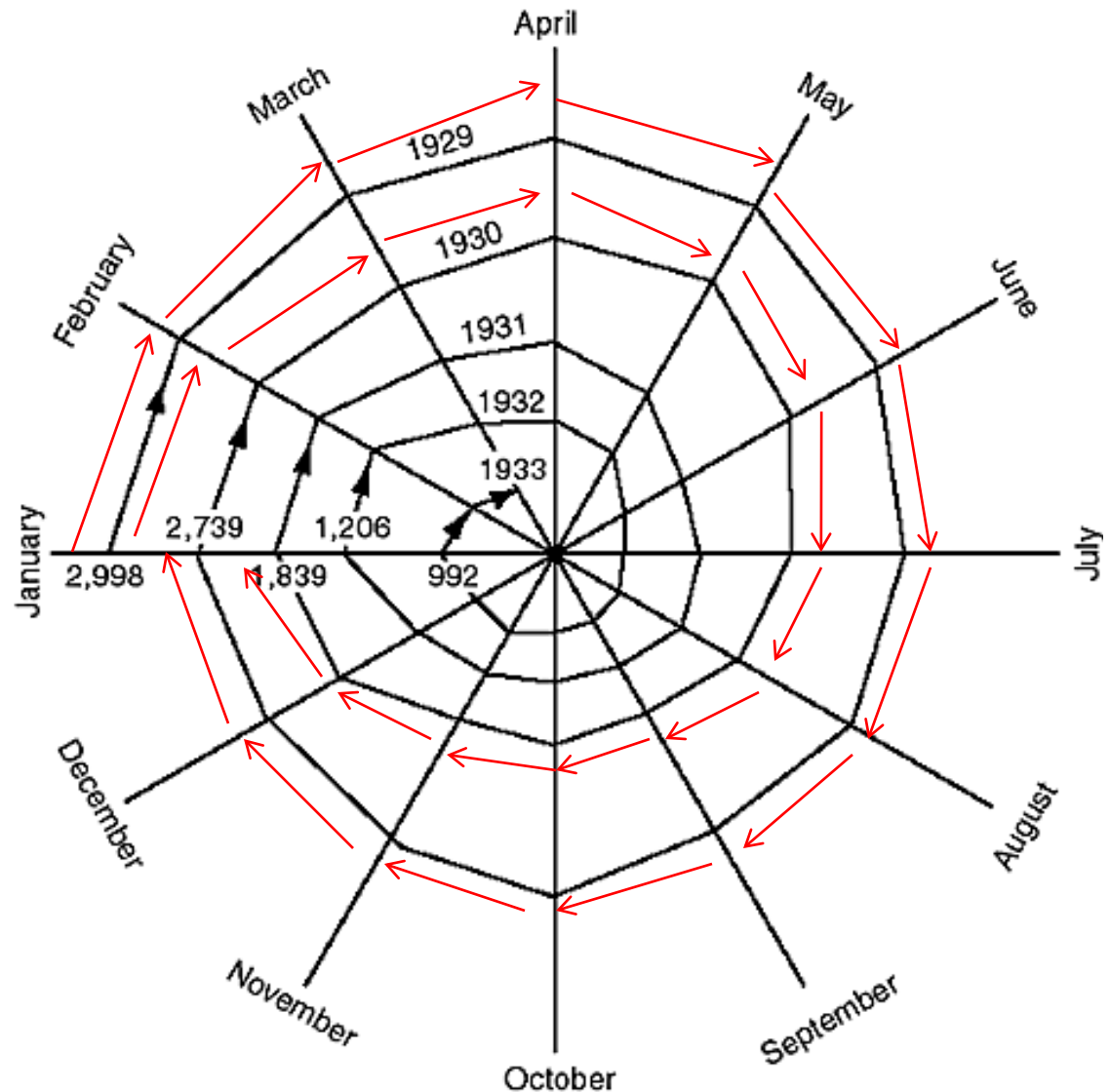
- The Great Depression of the 1930s
- The Great Recession of 2008-09
 - 1) painful economic contractions,
 - 2) severe dislocations to industrial production,
 - 3) sharp spikes in unemployment.

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

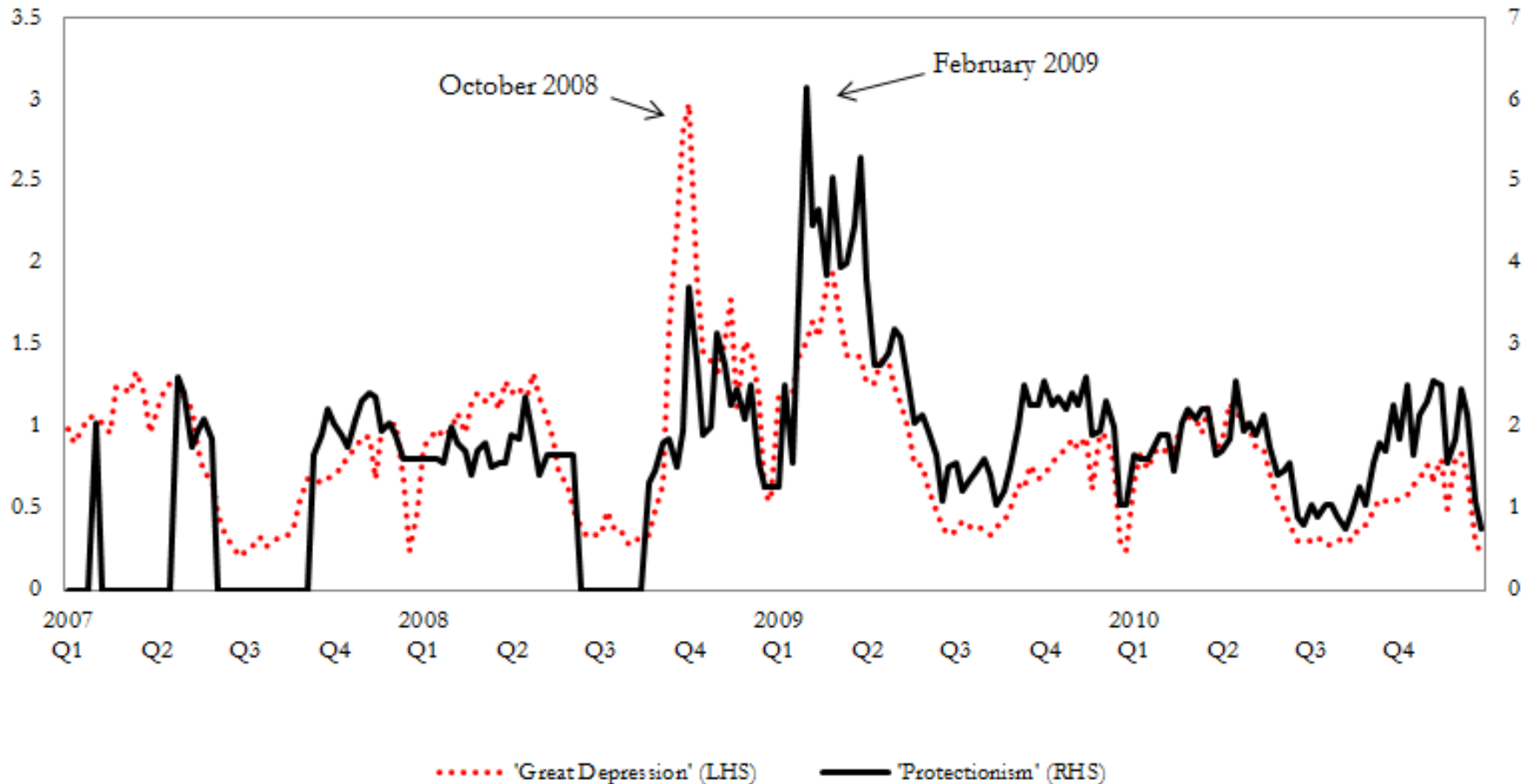
THE KINDLEBERGER SPIRAL



Echoes of 1930s?

Google Search
volume index

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Comparing

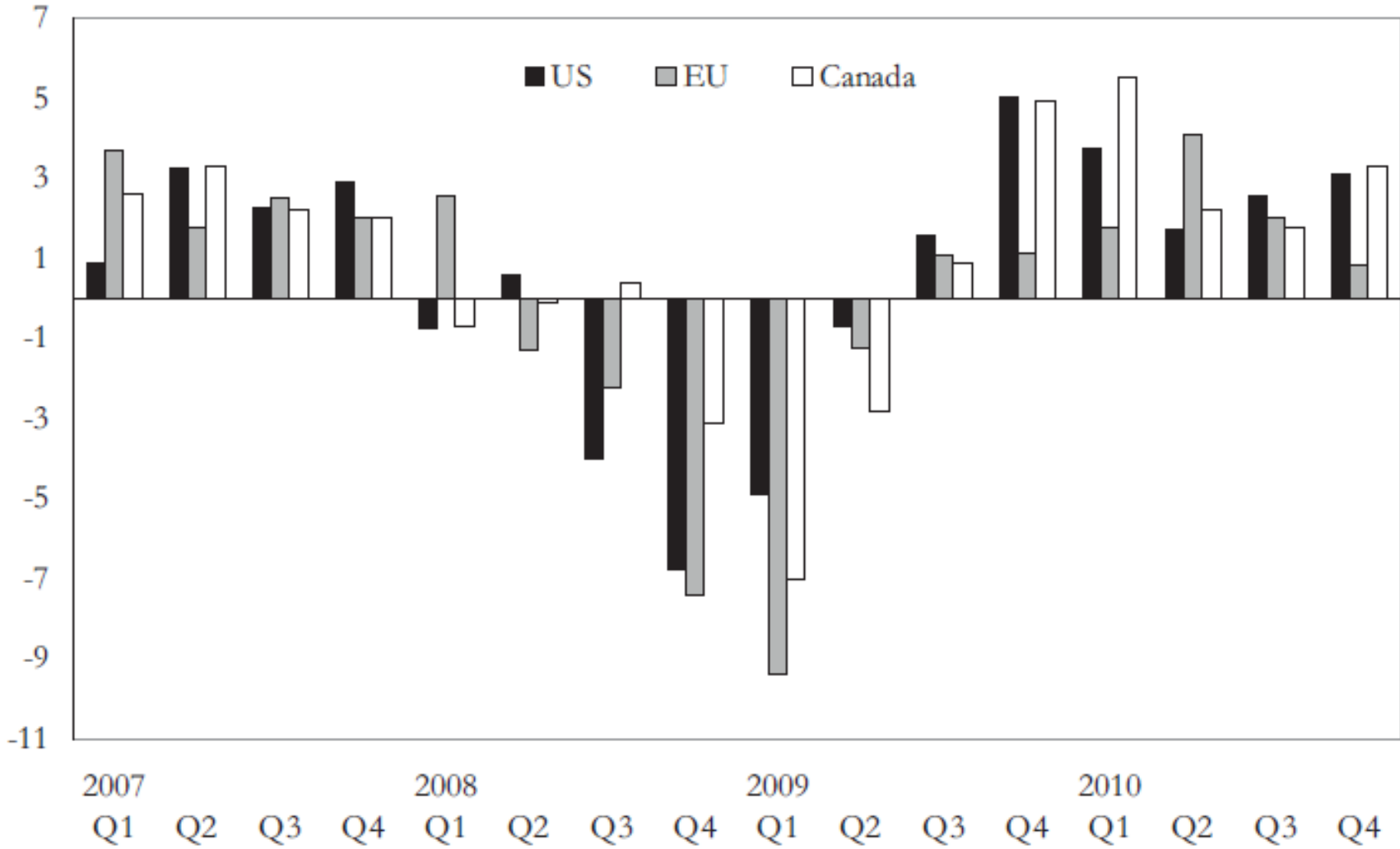
	1930s	Great Recession
Sharp drop in GDP	Yes	Yes
Sharp drop in trade	Yes	Yes
New Restrictive Trade Policies	Yes	Yes
Form	Tariffs	Subtle
Duration of downturn	Long-lived	Modest (I think)

GDP & Trade Trends

- For most countries, during Great Recession
 - GDP fell
 - Trade fell by much more

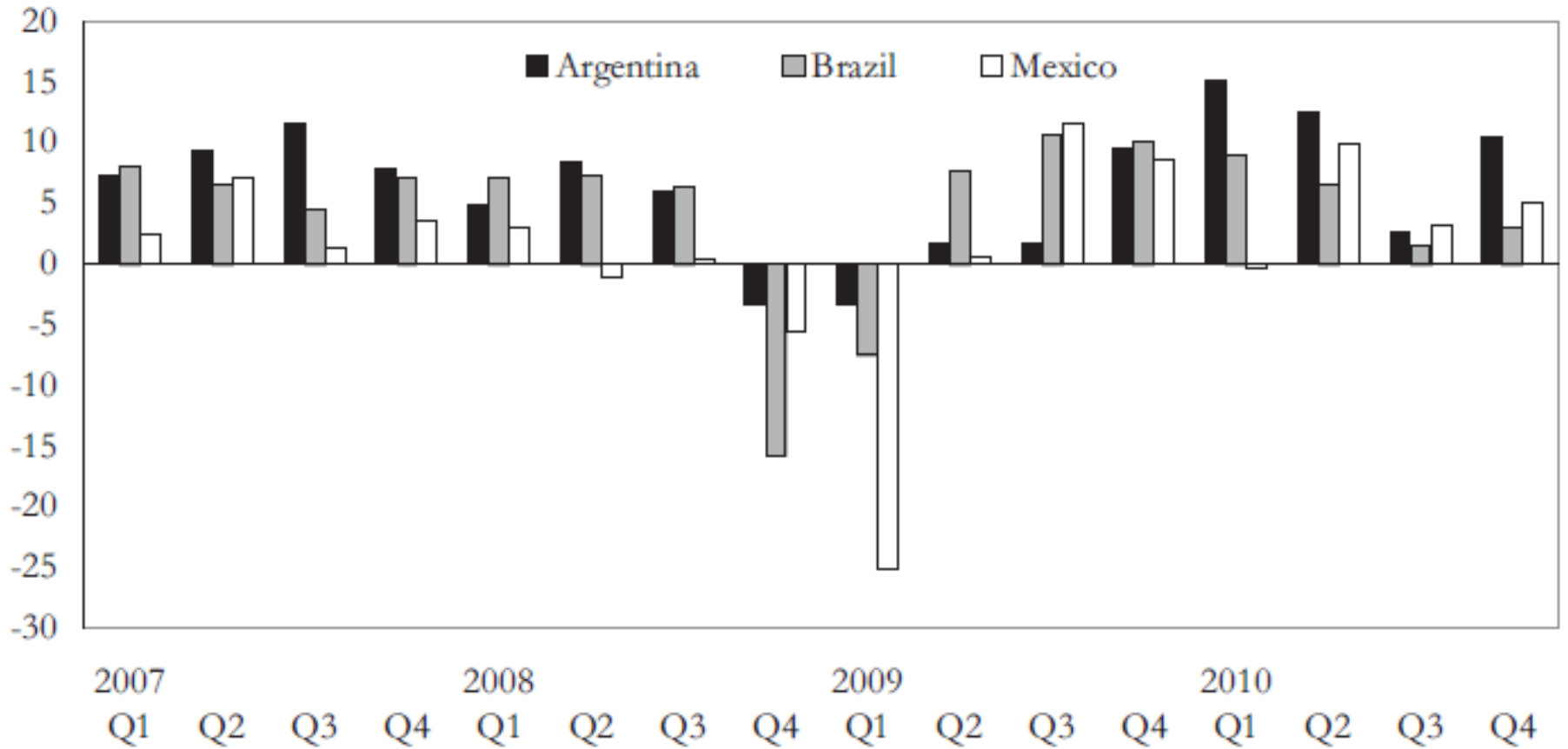
GDP

Percent
(annualised rate)



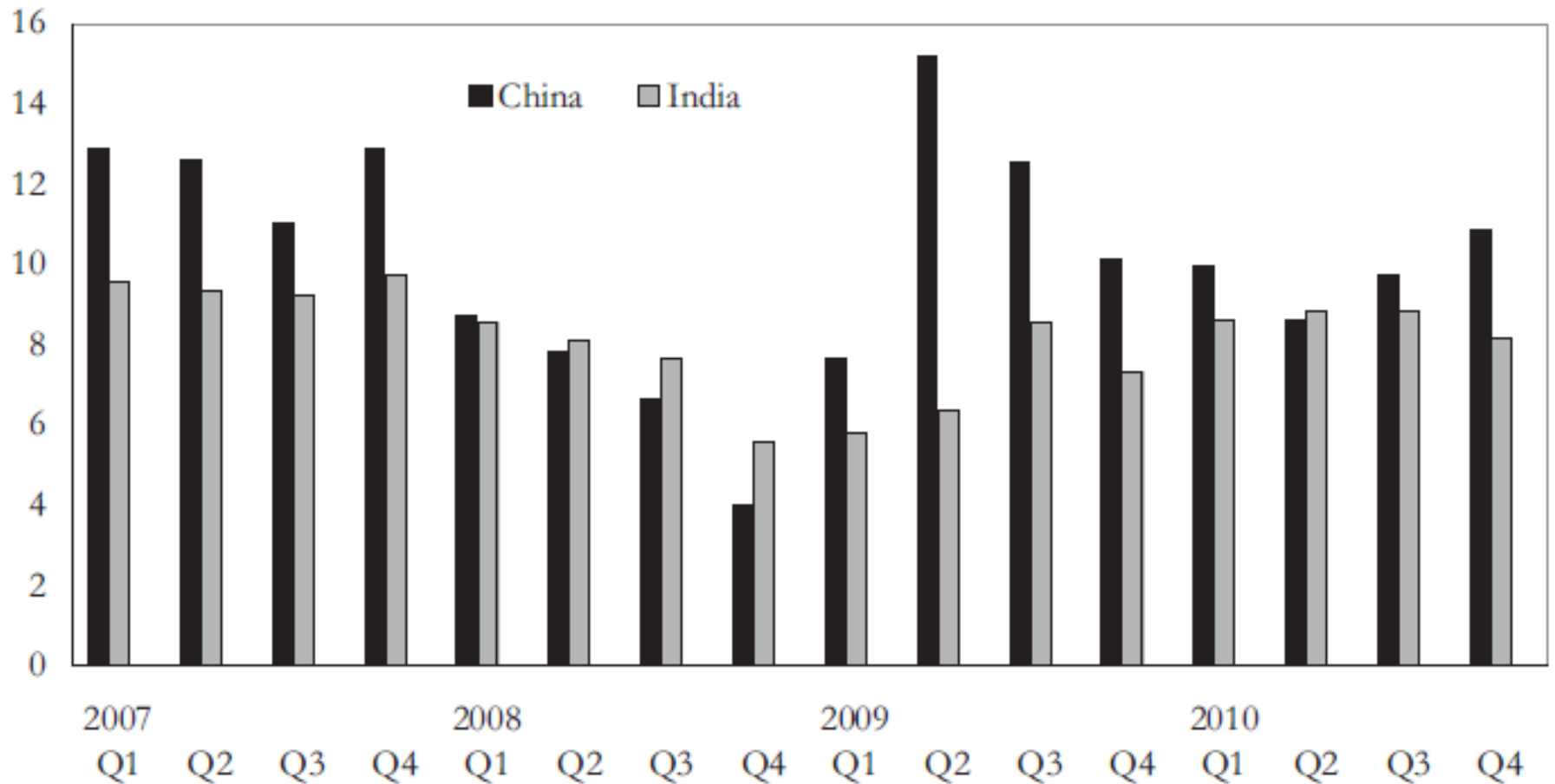
GDP

Percent
(annualised rate)

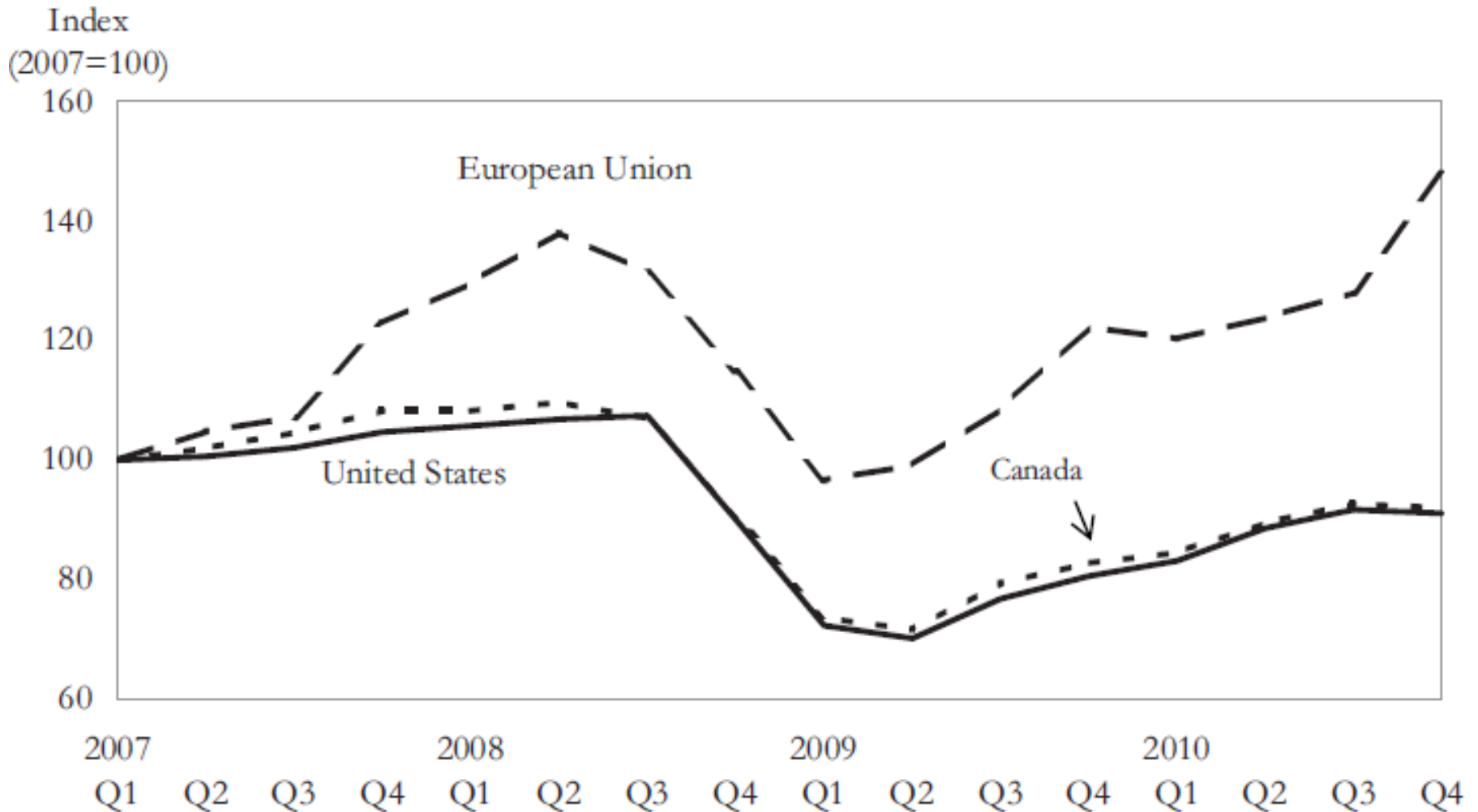


GDP

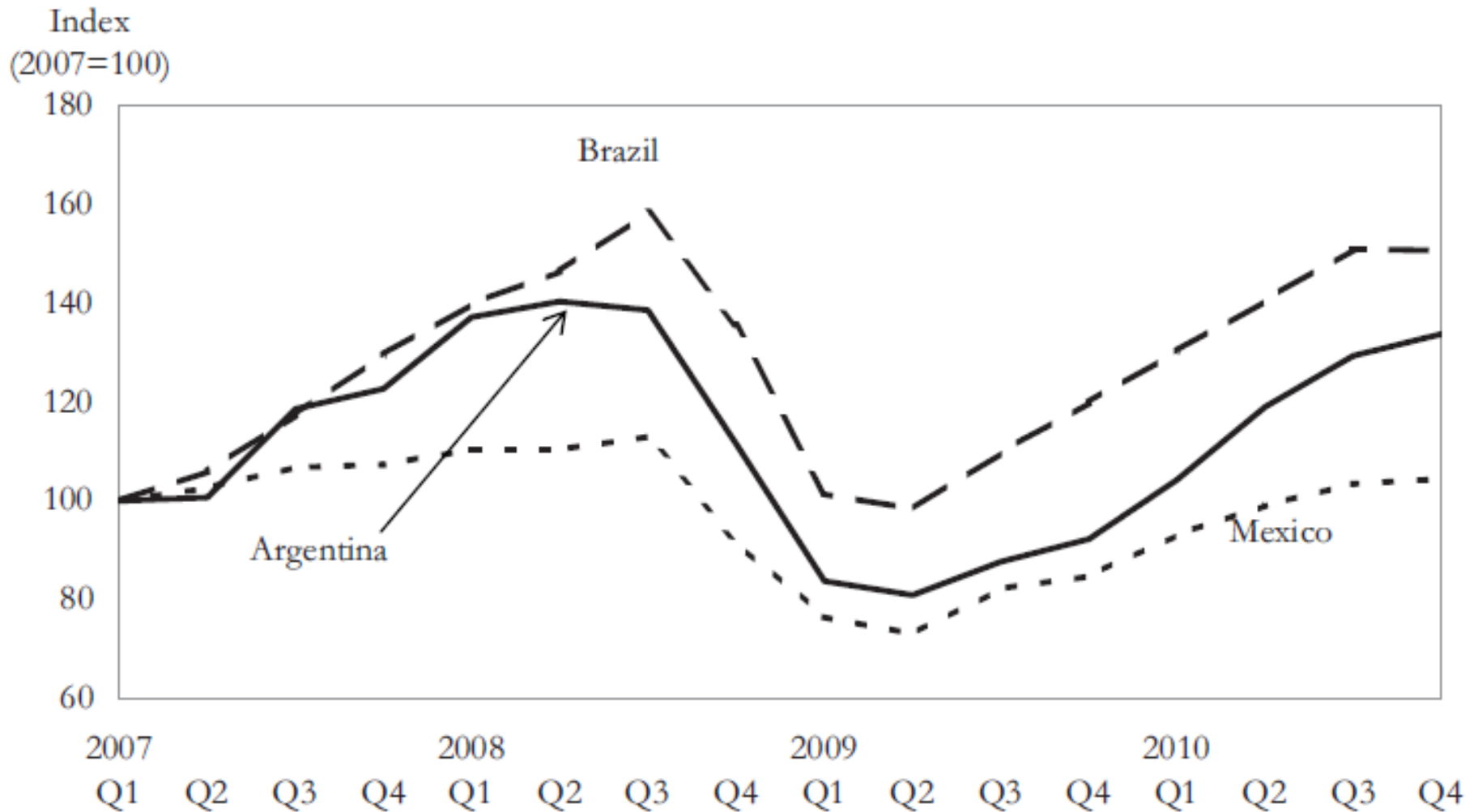
Percent
(annualised rate)



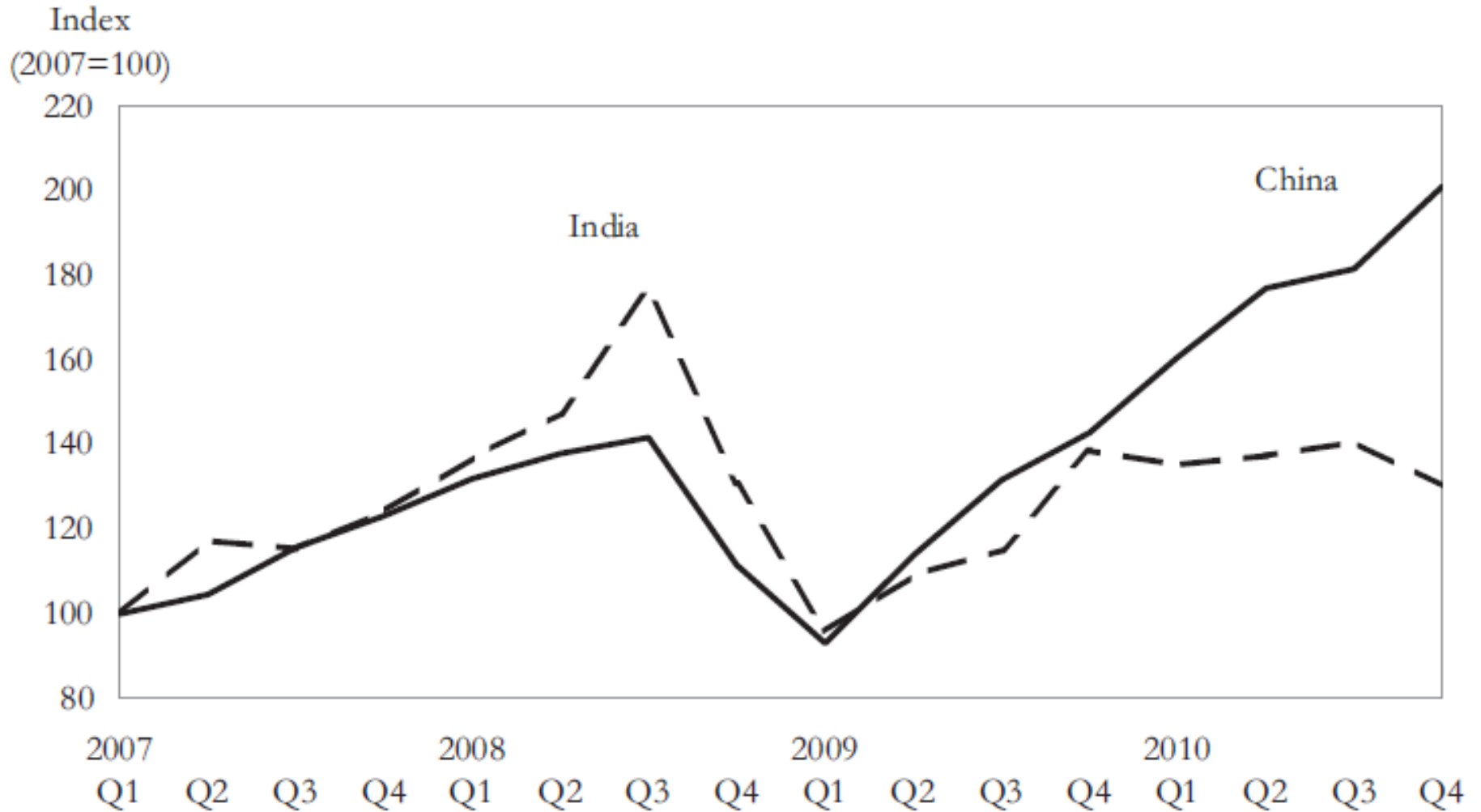
Merchandise Imports



Merchandise Imports



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

	% line items bound	Avg. Tariff (bound)	Avg. Tariff (applied)	% line items Duty-free (bound)
Canada	99.7%	6.8%	3.7%	37.7%
US	99.9%	3.5%	3.5%	45.6%

AGRICULTURE

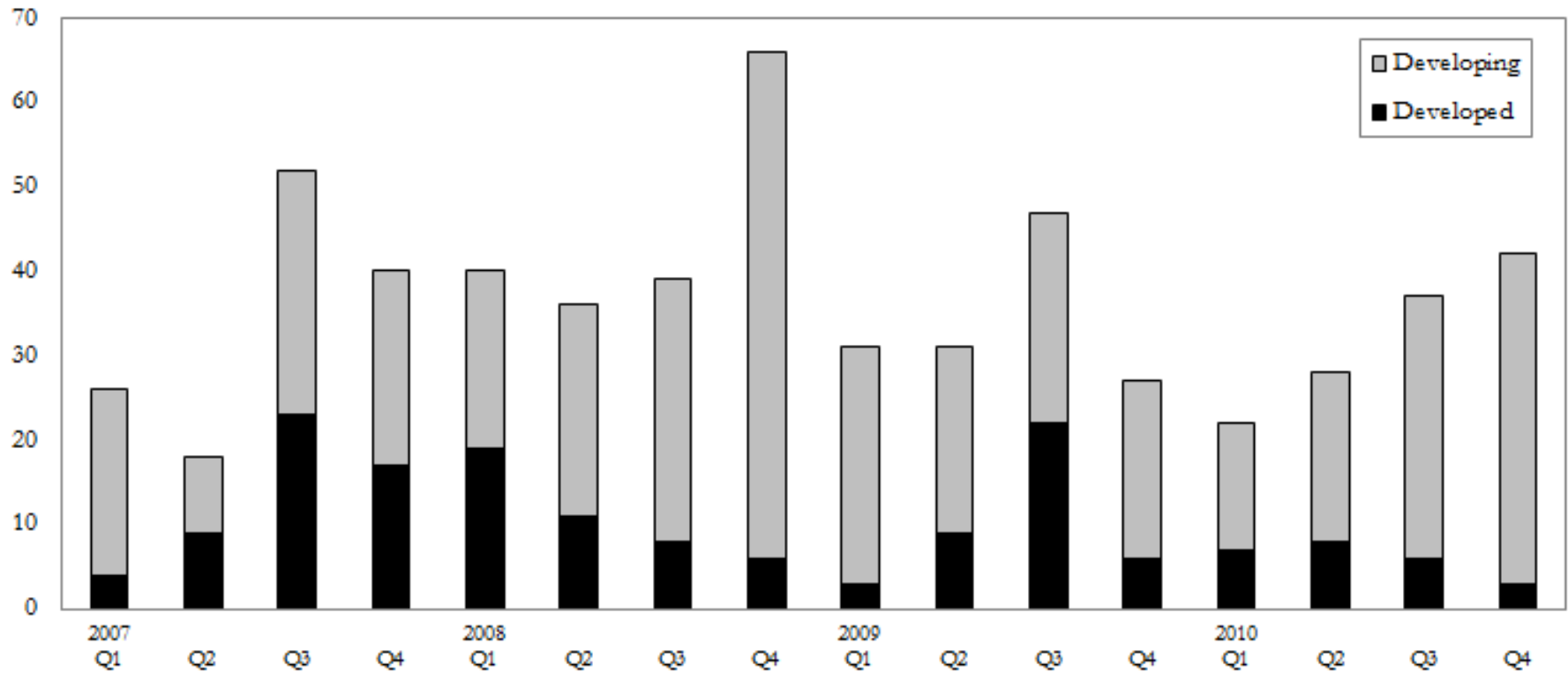
	Avg. Tariff (bound)	Avg. Tariff (applied)	Duty-free (bound)	Non-ad valorem duties	Max duty (bound)	Max duty (applied)
Canada	16.7%	11.3%	48.1%	19%	597%	584%
US	4.8%	4.8%	32.8%	40.1%	350%	350%

Administered Protection

- Antidumping
- Countervailing Duty
- Safeguard

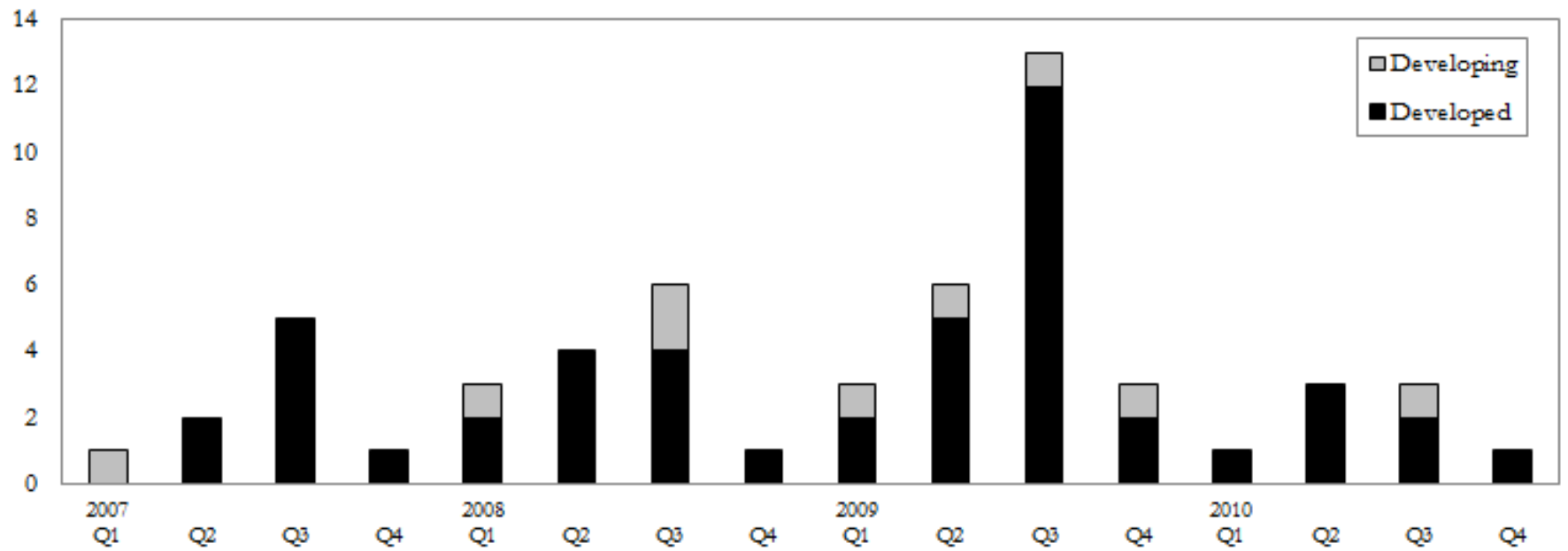
AD Actions

New investigations



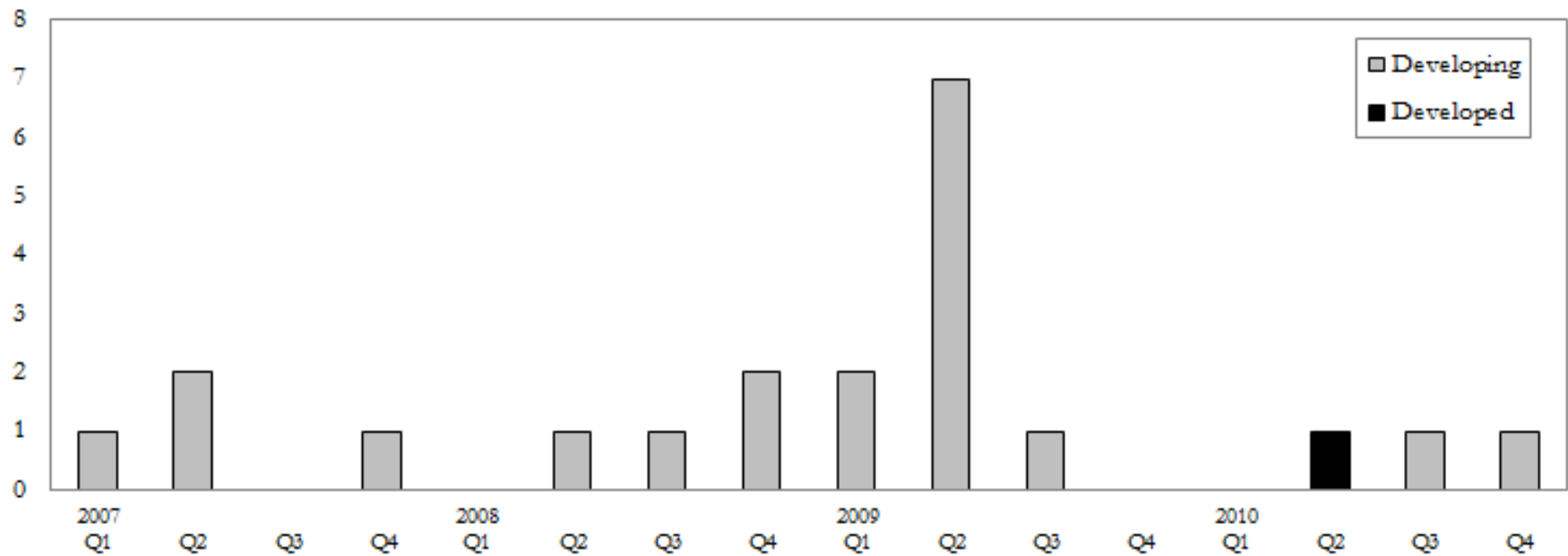
CVD Actions

New investigations

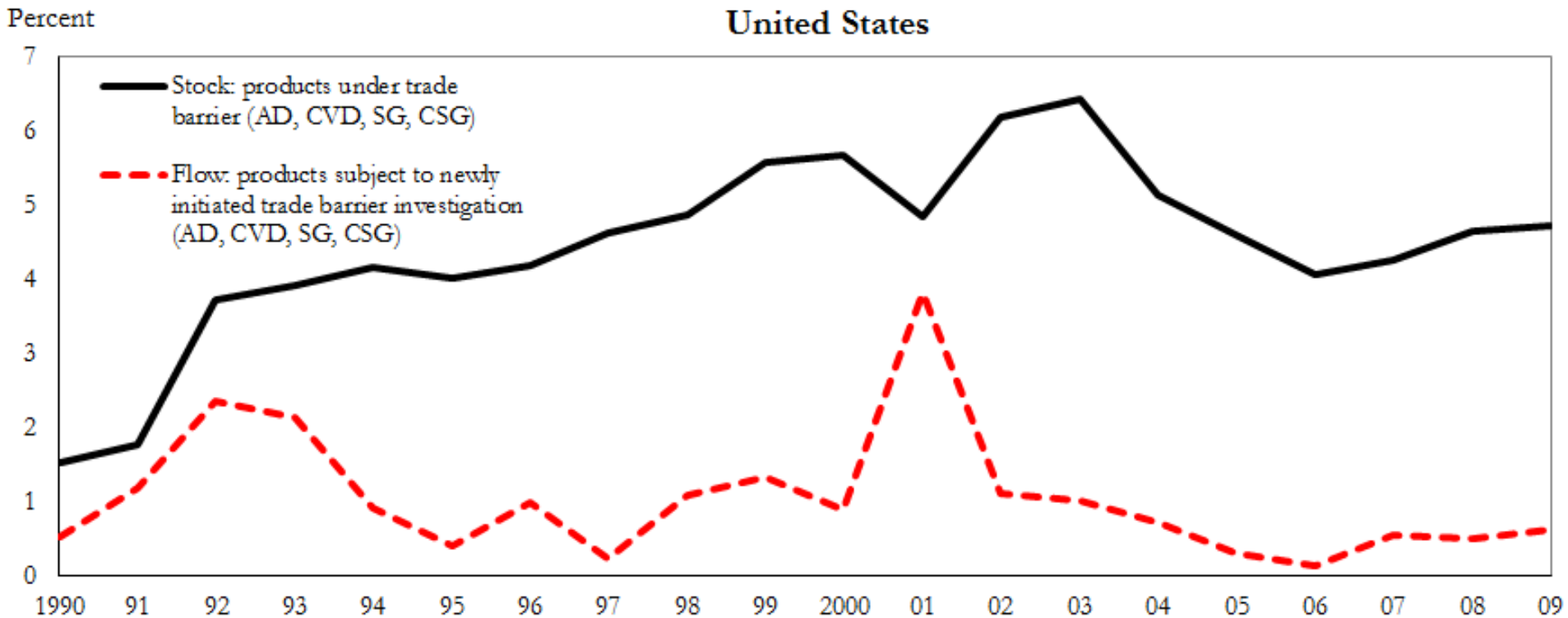


Global Safeguard Actions

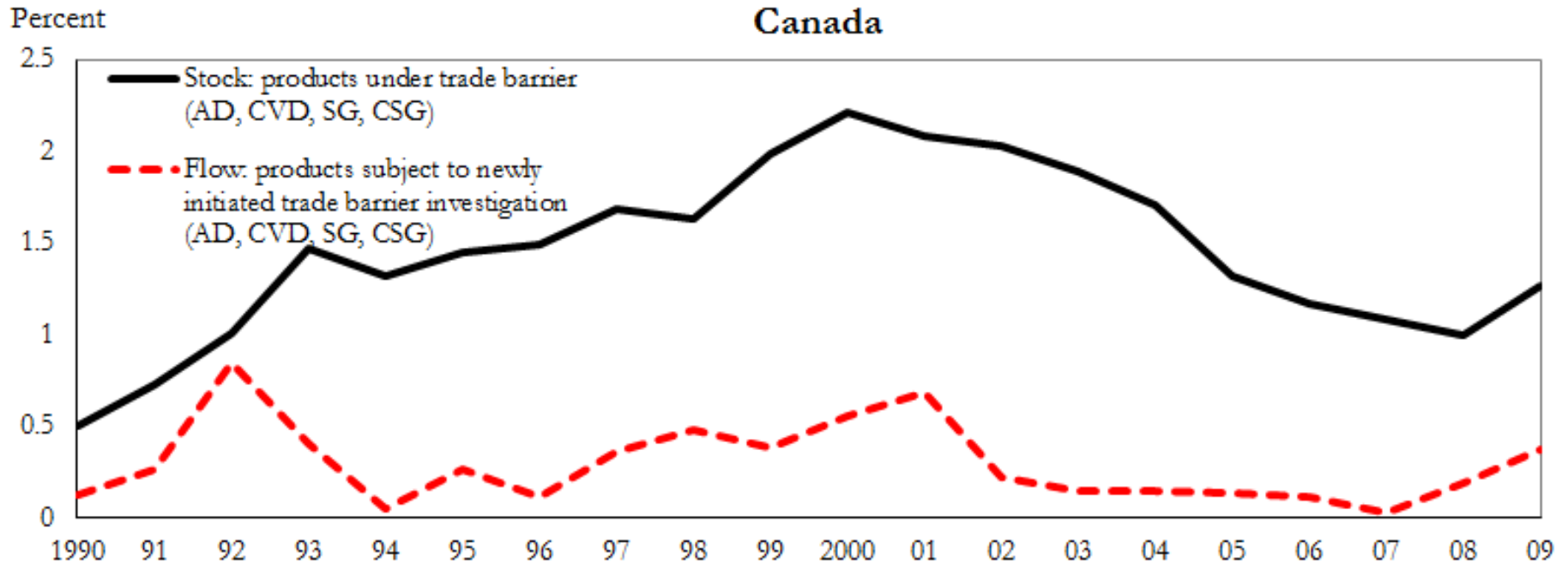
New investigations



Admin Protection at Product Level



Admin Protection at Product Level



Other Issues

- Exchange Rate
- COOL

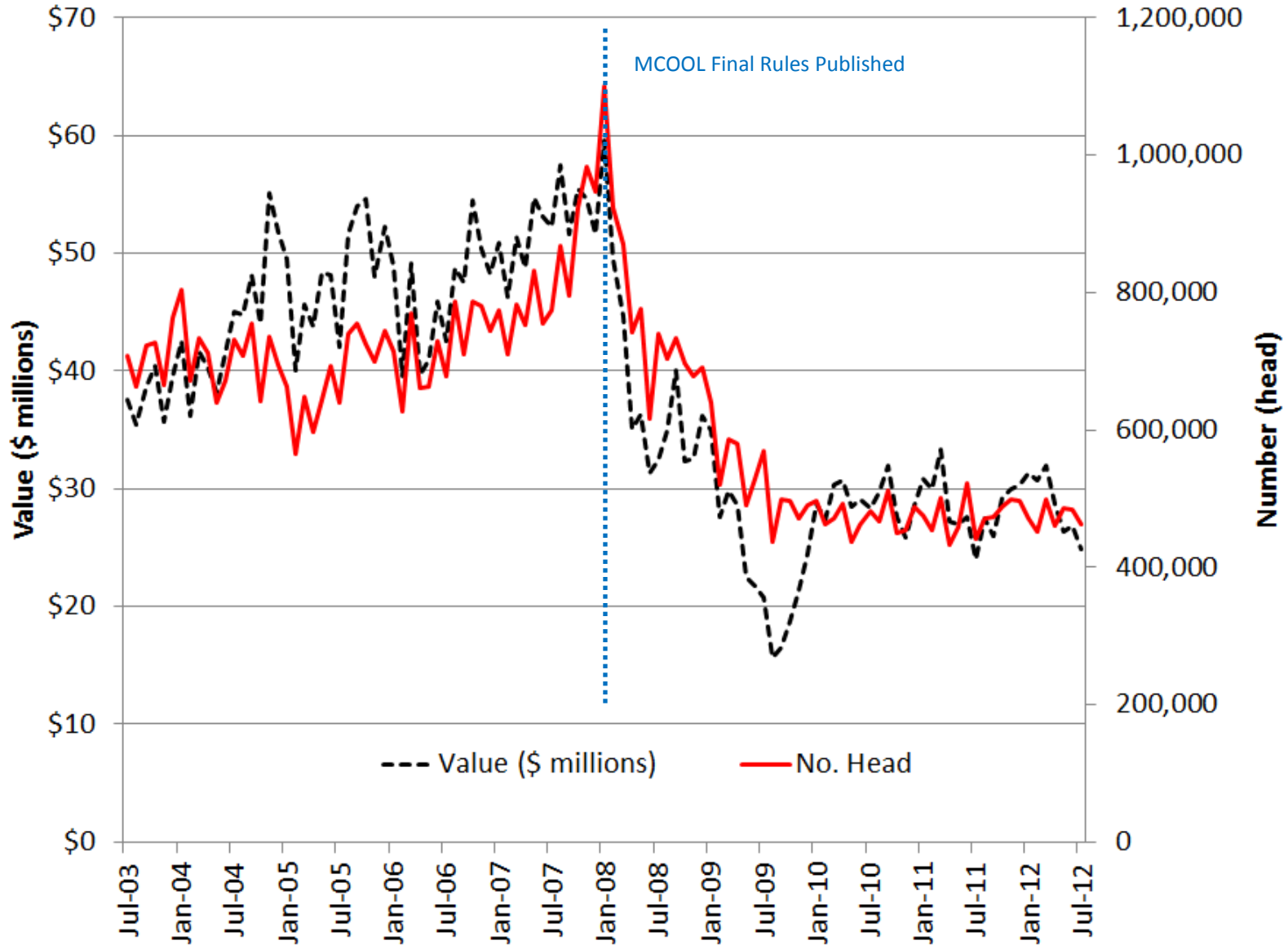
Canadian Dollar to US Dollar



Regulation - COOL

MCOOL Label	Born	Raised	Slaughtered	Barrows & Gilts (Million Head)	
				2007	2008
Product of the United States	USA	USA	USA	94.347	103.033
Product of the United States and Canada (Multiple countries of origin)	Canada	USA	USA	6.721	6.789
Product of Canada and the United States (Animals imported for immediate slaughter)	Canada	Canada	USA	3.284	1.957
Product of Canada	Canada	Canada	Canada	N/A	N/A

U.S. Imports of Live Swine from Canada



U.S. Imports of Live Swine from Canada (by type)

