

[Sign In](#)[Subscribe](#)

MENU

[HOME](#) [FASTFT](#) [MARKETS DATA](#)

## Protectionism

# Protectionism may bark but it still has no bite

Measures blocking imports are well within their historical trends

## FT View



© AFP

JUNE 23, 2016 6:58 PM

Despite many warnings of an imminent attack ever since the global financial crisis, the dog of traditional trade protectionism has stayed in its kennel, emitting only the occasional growl.

Finally, there may be some signs that the hound is stirring. The existing mechanisms that allow a limited amount of protection but essentially keep the beast on a leash still seem, happily, to be working.

This week the [World Trade Organisation](http://www.ft.com/topics/organisations/World_Trade_Organisation) ([http://www.ft.com/topics/organisations/World\\_Trade\\_Organisation](http://www.ft.com/topics/organisations/World_Trade_Organisation)) released its regular report (<http://www.wto.org/english/press/p/160623tpr.htm>)

MENU

[SUBSCRIBE](#)

showed the highest rise in new protectionist measures since the WTO started the monitoring exercise in 2009. On top of a marked slowing of world trade growth relative to the expansion in overall global gross domestic product over the past few years, and the sometimes extreme protectionist rhetoric emanating from the likes of Donald Trump, this is clearly a cause for concern.

However, a closer look at the numbers suggests that the rise in protectionist measures is concentrated in well-established mechanisms such as duties against dumped and state-subsidised imports. Their increase is well inside normal boundaries given the state of the world economy. Governments should use what discretion they have to limit the use of such measures, but must also prevent more insidious and covert forms of protectionism from distorting world commerce.

The WTO numbers show that in the seven months to mid-May 2016, G20 economies introduced 145 protectionist measures, the highest since 2009. Of these, 89 were traditional “trade defence” measures, principally antidumping and countervailing duties aimed at imports priced unfairly low or state subsidised.

This is not particularly surprising. The falls in commodity prices over the past couple of years, particularly of products like steel in which there is an obvious global glut, have made it easier for domestic producers to argue that they have been hurt by imports and thus deserve protection. However, this is a traditional phenomenon which, while regrettable, does not necessarily have wider implications for protectionism and world trade.

Certainly, the episode brings into relief the strengths and weaknesses of various countries’ domestic antidumping laws. The US, for example, has rules that are legally clear but tend to lead to huge dumping tariffs. Last month the Department of Commerce announced a duty of more than 200 per cent on corrosion-resistant steel from China. The EU has a more opaque mechanism that nonetheless makes more economic sense, permitting the authorities to take into account the effect of antidumping duties and hence more expensive imports on the whole European economy.

Trade defence measures, while they make little sense to economists, play the role of a political safety valve and are probably a regrettable necessity. But at a minimum, governments should use what discretion they have to constrain their use. In the case of the US, while the legalistic nature of its antidumping regime will not change, the administration could at least [give up trying to defend \(http://next.ft.com/content/1b89a3b4-261d-11e6-8ba3-cdd781d02d89\)](http://next.ft.com/content/1b89a3b4-261d-11e6-8ba3-cdd781d02d89) its more egregious aspects from legal challenge in the WTO. Governments should guard against over-confidence that protectionism has been permanently confined. For one thing, there are many subtle regulatory changes that can be used to keep out foreign producers. But the traditional tools of trade defence have been used more or less as expected. Blocks on imports are always a cause for concern but they are not, as things stand, a reason for great alarm.

distribute to others. © The Financial Times Ltd.

---