Emerging Trade Protectionism：A Case in China

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- President Obama signed a determination to apply an increased duty to all imports of passenger vehicle and light truck tires from China for a period of three years, tariffs will surge by 35%, 30%， and 25%， in the next three years;

- The US data shows that the value of tyre imports from China increased from $453.3m in 2004 to $1.8bn in 2008. Four US plants closed in 2006 and 2007 and three more are likely to be closed this year. US production capacity has fallen by 17.8 per cent in the past four years ;

- The Ministry of Commerce said tire products exported to the US from China actually declined 16 percent in the first half of this year. China's tire exports to US in 2008 only rose 2.2 percent from 2007.

- “Tariffs will not create manufacturing jobs in the United States,” said Jim Mayfield, president of Del-Nat Tire Corp. F or the past 15 years, major US producers had focused on higher profit and better performing tires instead of what industry insiders call "tier three tires" that service lower end and second-hand automobiles.

- With tariffs imposed, the biggest hit would be felt by American consumers who buy 50-dollar Chinese-made tires and can't afford US brands that cost upwards of 150 dollars, warned many distributors.

- There are currently twenty tire producers in China and four of them are from the US　that account for two-thirds of exports to the US。

- Many US tire producers had moved their production of low-end tires off-shore to make use of cheap labor, while keeping the high-end production line in US.

- China announced dumping and subsidy probes of chicken and auto products from the U.S., two days after US imposed tariffs on tires from the Asian nation.

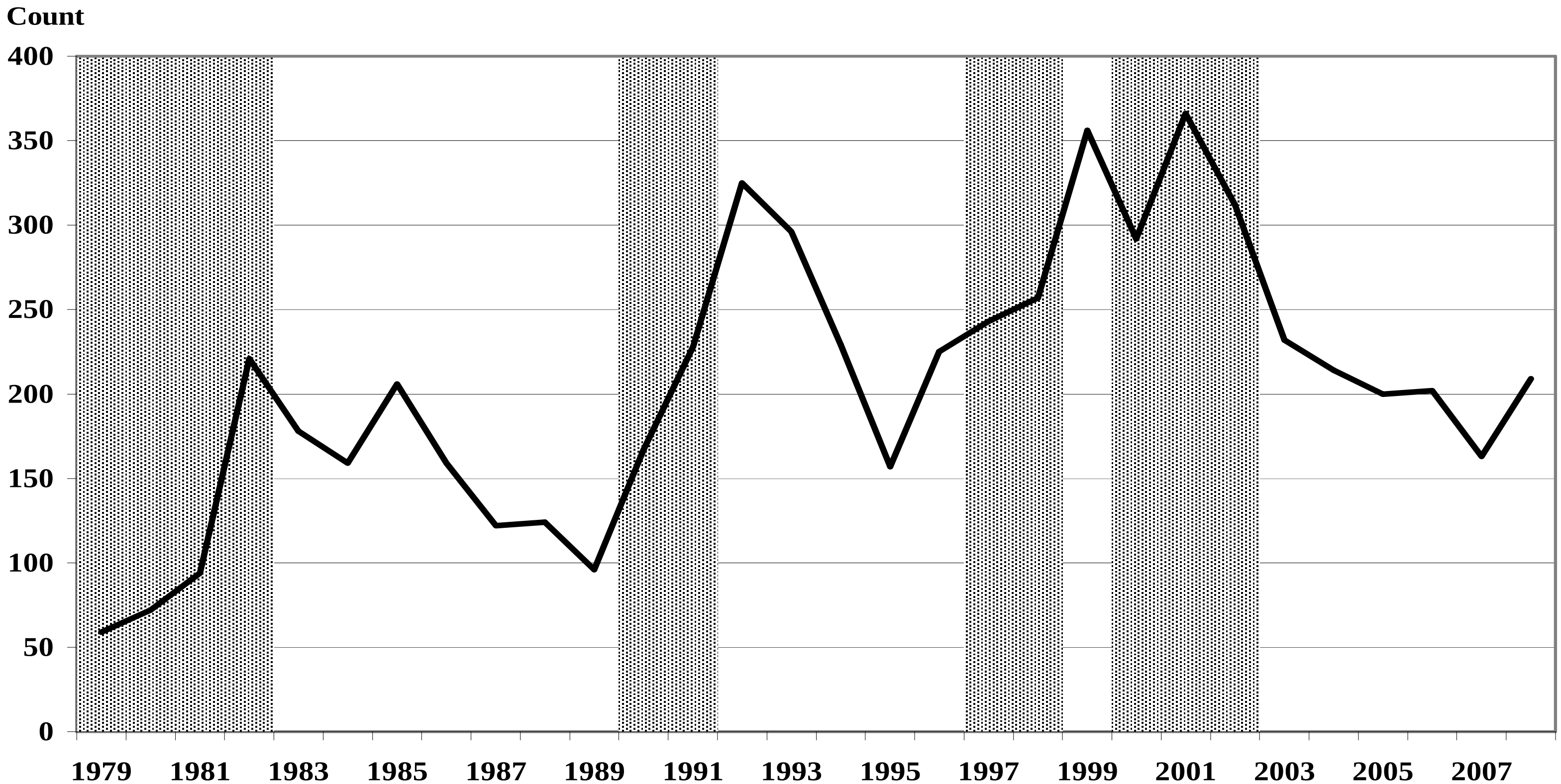
- ***last year China surpassed Russia as the largest destination for U.S. chicken, according to the USA Poultry & Egg Export Council.***

- ***U.S. chicken exporters will lose about $370 million over the next six months if China doesn't resume imports***

Rising Protectionism During Recession

Chart 6

Global anti-dumping initiations, 1979-2008[a]

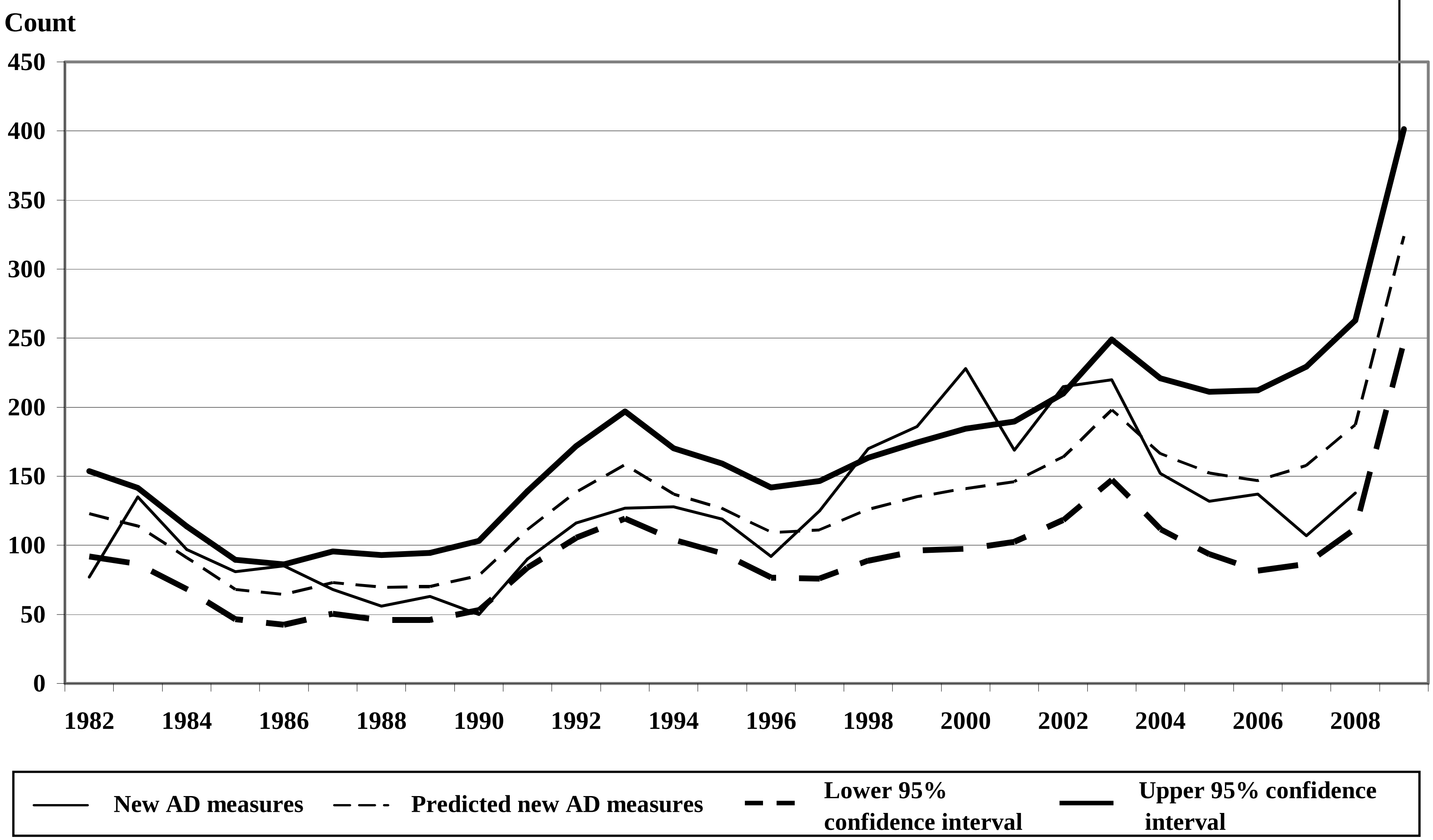


a Shaded areas show the periods of economic recession.

Source: WTO Secretariat.

Chart 10

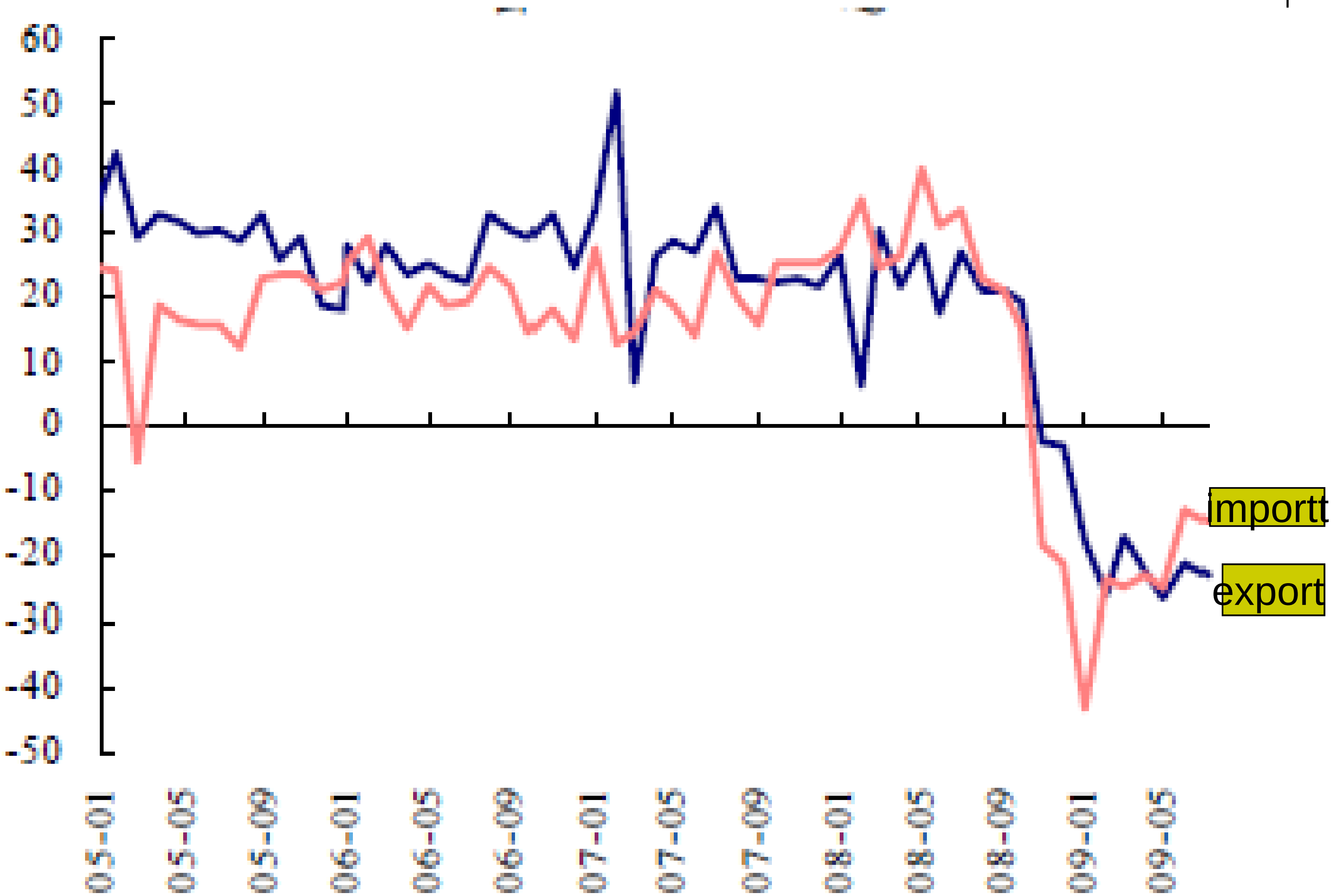
Predicted and actual number of anti-dumping measures, 1982-2009



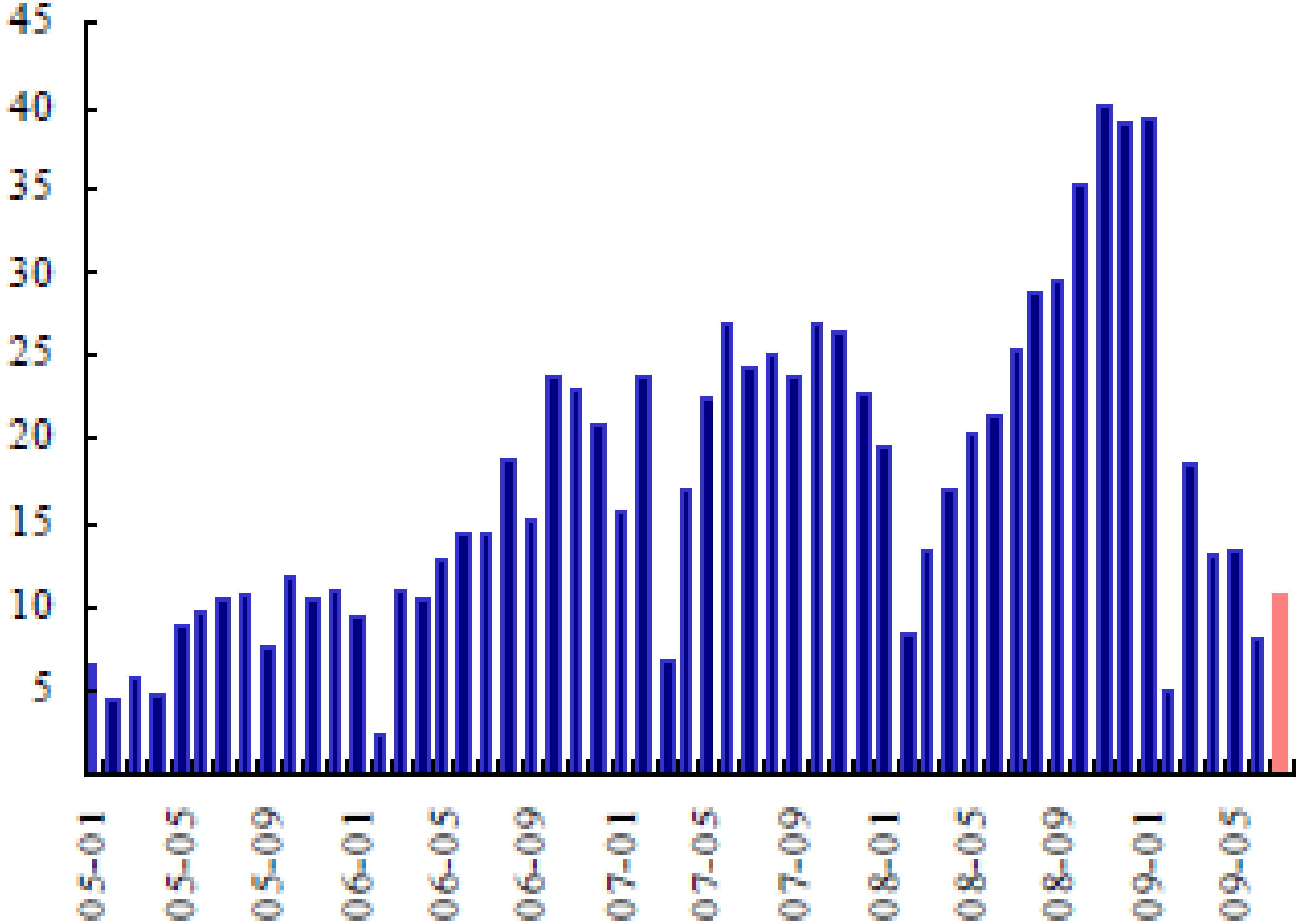
Source: WTO Secretariat.

China's Trade and Investment After the Crisis

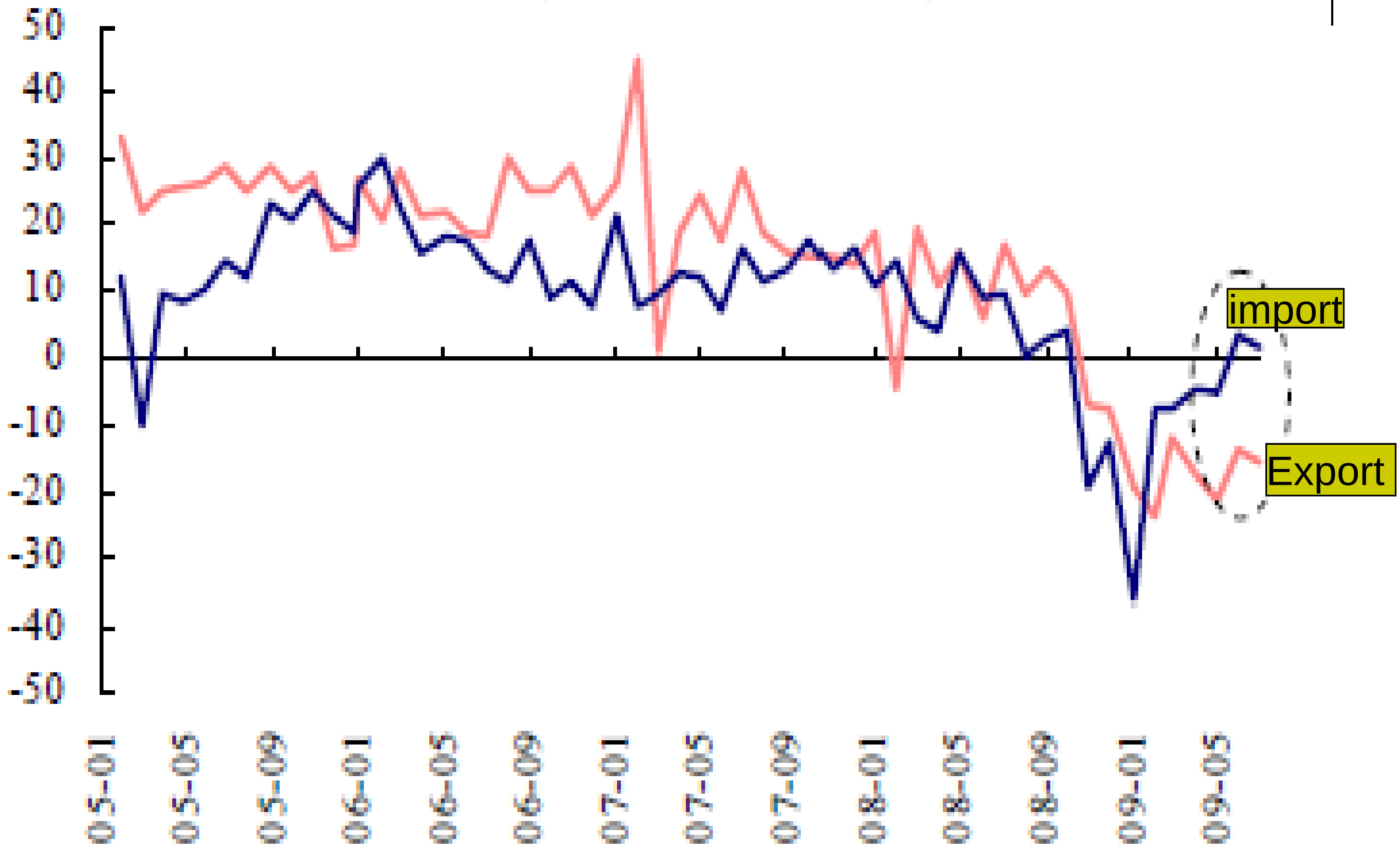
Export and Import Dropped Sharply in China



Trade Surplus also Dropping In China



However, Growth Import has been positive in Real Terms



China Suffered Most from Emerging Protectionism

- Sept. 2008 - June,2009, including the US and European nations, launched 77 cases worth $9.8 billion against China, increasing the number by 112 percent.

Case Two: Carbon Tax

- According to the American Clean Energy and Security (ACES) Act, the US will levy duties on imports of carbon-intensive goods from countries which do not have a binding target to reduce greenhouse gas emissions.

- A carbon tariff does not abide by “the common but differentiated” principle established by the Kyoto Protocol,
- Levying carbon duties defies WTO principles of most-favored nation status.
- If the carbon tariff is levied, it will complicate the duty system among countries, disturb the international trade order and eventually provoke trade wars.

- Rich countries have released much more greenhouse gases throughout history. ;
- most developing countries are engaged in the process of heavy industrialization, which demands high energy consumption and large releases of greenhouse gas.
- Rich countries have outsourced some highly polluting industries to developing countries;

Emerging Investment Protectionism

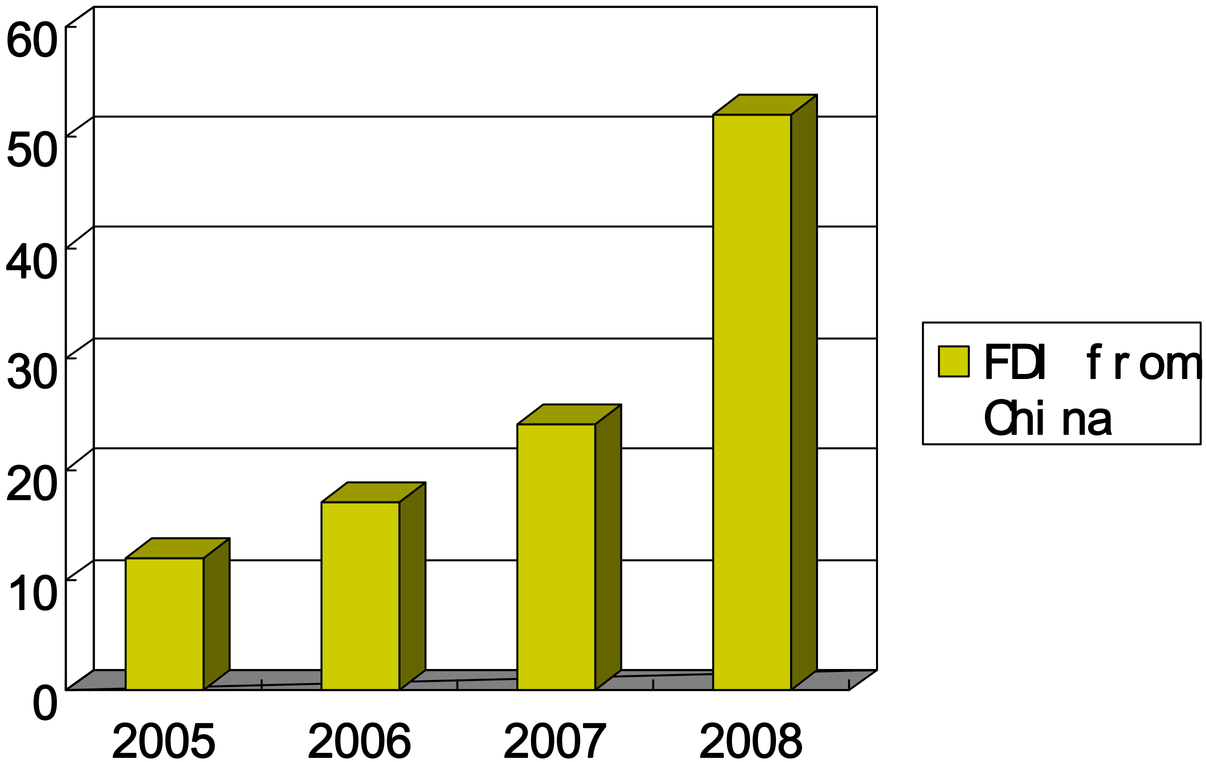
- Net private capital inflows to developing countries fell to $707 billion in 2008, a sharp drop from a peak of $1.2 trillion in 2007. International capital flows are projected to fall further in 2009, to $363 billion.

- Over the last two years, merger proposals have been turned down in many parts of the world.
- Acquisition deals have been blocked and laws on closer government scrutiny of foreign direct investment (FDI) passed.

- In 2008 global FDI fell by 20 percent, while outward FDI from China nearly doubled.

- China's outward FDI accounts for not much more than 1 percent of the global total,.

Outward FDI from China



- China's capital exports is Asia accounted for 67 percent, Latin America received 21 percent, Europe 4 percent, Africa 4 percent, North America 3 percent and Oceania 2 percent.

Case Three: Chinalco invests in Rio Tinto

- In Feb 2009, Chinalco started to negotiated with Rio Tinto on a $19.5 billion investment deal.
- By June, Rio said it had scrapped the $19.5 billion partnership on purely business grounds.
- In 2005 a bid by offshore oil specialist CNOOC for Californian rival Unocal fell of U.S. political opposition;
- also that year state-owned miner Minmetals failed in a bid for Noranda, the Canadian nickel miner, against a backdrop of labor concern.

Policy Recommendations

Q & A

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