Cross-border trade and emerging protectionism

Development through Trade Programme
SAIIA
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Overview

- The Trade Collapse: Some Empirics
- Patterns of Protectionism
- The Multilateral Trading System: Emerging Systemic Issues
The Trade Collapse: Some Empirics
Developments in Global Trade

• In the 1st quarter of 2009 World exports decreased by 22% quarter on quarter & by 31% year on year
• Contraction began in the 4th quarter of 2008
• Developed economies hard hit-exporters of automotive products & machinery
• Commodity exporters in developing countries have also been affected
• Exports of iron & steel, fuels & mineral ores have declined

Source: WTO Secretariat, 2009
Developments in Global Trade (cont.)

Volume of Monthly Exports, 2000-2009, Indices, 2000=100

Source: CPB Netherlands Bureau for Economic Policy Analysis, 2009
Developments in Global Trade (cont..)

Source: CPB Netherlands Bureau for Economic Policy Analysis, 2009
Developments in Global Trade (cont..)

The Baltic Exchange Index dropped by 93% between July & December 2008
Soft commodities prices have fallen but have shown some resilience

Source: SAGIS, IMF World Economic Indicators 2009
Developments in Global Trade (cont..)

- Hard commodity exporters have been struggling because of falling commodity prices

Source: IMF World Economic Indicators 2009
Developments in Global Trade (cont..)

Annual export growth* (% change), 2003-2009(e)

Annual import growth* (% change), 2003-2009(e)

Source: IMF, World Economic Outlook, 2009

* Total Goods and Services exports & imports
Developments in Global Trade (cont..)

- Trade in services has been more resilient than goods trade
- Countries which are relatively specialised in services have experienced less of a decline in their exports
- Demand for services is less cyclical and less dependent on external finance

Source: World Bank
Capital Inflows

• ODA decreased by 12.3% in 2007
• In the same period FDI grew by 15.8%
• Capital flows to Africa are widely expected to decline in 2008/09

Source: African Economic Outlook, 2009
World Bank’s forecast indicates that remittances to developing countries and Sub-Saharan Africa are expected to decline by 7.3% and 8.3% respectively in 2009.
Global Protectionism

- The financial crisis has triggered the adoption of new protectionist measures
- Import restrictions such as increase in tariffs have been on the rise
- There has been widespread restrictions on pork/pork related products associated with the A(H1N1) influenza pandemic
- Anti-dumping & safeguard measures have also been on the rise
- Export subsidies in the agricultural sector have been rising, particularly in the dairy sector

Proportion of Trade & Trade Related Measures announced/implemented as of 1 March 2009

- Import tariffs, 25%
- Anti-dumping investigation, 31%
- Safeguard investigation, 14%
- Export subsidies, 7%
- Buy local, 6%
- Export quotas, 5%
- Other*, 10%

Source: SAIIA’s calculations from WTO’s data

* Other, includes import bans, investment and labour restrictions
Global Protectionism...(cont..)

• About 78% of all trade & trade related measures have been announced or implemented by developing countries
• In Africa, a few countries have instituted import bans on pork & pork related products e.g. Cameroon, Ghana, Morocco, Sudan, Gabon
• Egypt has increased tariffs on cocoa, steel products, chemicals & machinery
• Egypt also instituted an export ban on rice until October 2009

Source: SAIIA’s calculations from WTO’s data
Global Protectionism...(cont..)

Source: SAIIA's calculations from WTO's data
Global Protectionism...(cont..)

Number of Safeguard Measures, 1995-2008

Source: SAIIA's calculations from WTO's data
Global Protectionism...(cont..)

Source: SAIIA’s calculations from WTO’s data
Global Protectionism...(cont..)

- Some African countries have announced stimulus packages to ease the effects of the financial crisis, notably Egypt & South Africa
- South Africa’s stimulus package includes stated intentions to increase tariffs, use administrative measures to minimize imports, reference price system & preference of domestic firms in government procurement

Source: WTO Secretariat
The Multilateral Trading System: Emerging Systemic Issues

- By and large the system has worked concerning those trade issues covered by WTO disciplines.
  - But some gaps are evident (Evenett and Hoekman, 2009):
    - Subsidies disciplines (exports; finance)
    - Government procurement
    - Policies affecting movement of services workers
    - Services exports
    - Transparency and notification mechanisms
    - Climate change
The Multilateral Trading System: Emerging Systemic Issues

- Global economic imbalances and the trading system:
  - Should the WTO be involved in exchange rate issues?
  - If yes, how?
  - Implications for dispute settlement?
  - Division of labour between WTO, IMF and World Bank
  - G20’s role?
The Multilateral Trading System: Emerging Systemic Issues

- Shifting economic power-balances
  - Accommodating emerging market needs in the MTS?
- Is the US retreating from global trade leadership?