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What world leaders should do to halt the spread of protectionism

A VoxEU.org Publication
Edited by Richard Baldwin and Simon Evenett

When incomes, investment and jobs are under threat, national governments try to cushion the blow – in part by erecting new trade barriers. The current crisis is no exception. According to the latest data from the WTO and ITC, the number of antidumping cases jumped 40% in the first half of 2008, and many nations have already raised tariffs this year.

The magnitude of the new protection is modest – so far. As the recession spreads and deepens globally, this could change – especially if world leaders lose control of the situation. Protectionism and competitive devaluations could trigger a vortex of beggar-thy-neighbour policies.

The universal respect for WTO rules and 60 years of tariff negotiations make a repeat of the 1930s tariff war unlikely. But protectionism can be introduced even within the WTO rules. WTO members are allowed, for example, to set tariffs and agricultural subsidies up to maximum agreed ceilings. There is a huge gap between those maximum levels and the levels in force today: American and European agricultural subsidies, for example, could be **trebled** without running into WTO ceilings. Similarly, exporters to emerging markets cannot take current market access for granted. On average India is allowed to charge a maximum tariff of 50.2 percent on its imports, but at present actually charges around 10 percent. Indian tariffs could be **quintupled** without breaching WTO rules – and the story is similar for most rapidly industrialising nations.

A new VoxEU.org Ebook

To address the question: “What should world leaders do to prevent the spread of protectionism?”, we assembled 17 leading trade scholars from around the world to write short essays on the issue.

The resulting Ebook, “[What world leaders should do to halt the spread of protectionism](#)” is aimed at the world’s trade ministers who are likely to gather in Geneva next week in an attempt to rescue the WTO negotiations known as the Doha Round.

The essays – which were written in the first week of December – provide a surprisingly consistent response. Authors differed on many points, but three policy recommendations recurred:

- 1) Macroeconomic initiatives are the best way to fight this crisis, not protectionism.
- 2) APEC and G20 leaders’ words should be translated into deeds by agreeing a framework that will allow completion of the Doha Round.
- 3) World leaders should establish a surveillance mechanism to track any new protection, whether it is WTO-consistent or not.

The authors

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The book is available to download free of charge at www.VoxEU.org

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