

# Global Trade Today

---

Presented by:

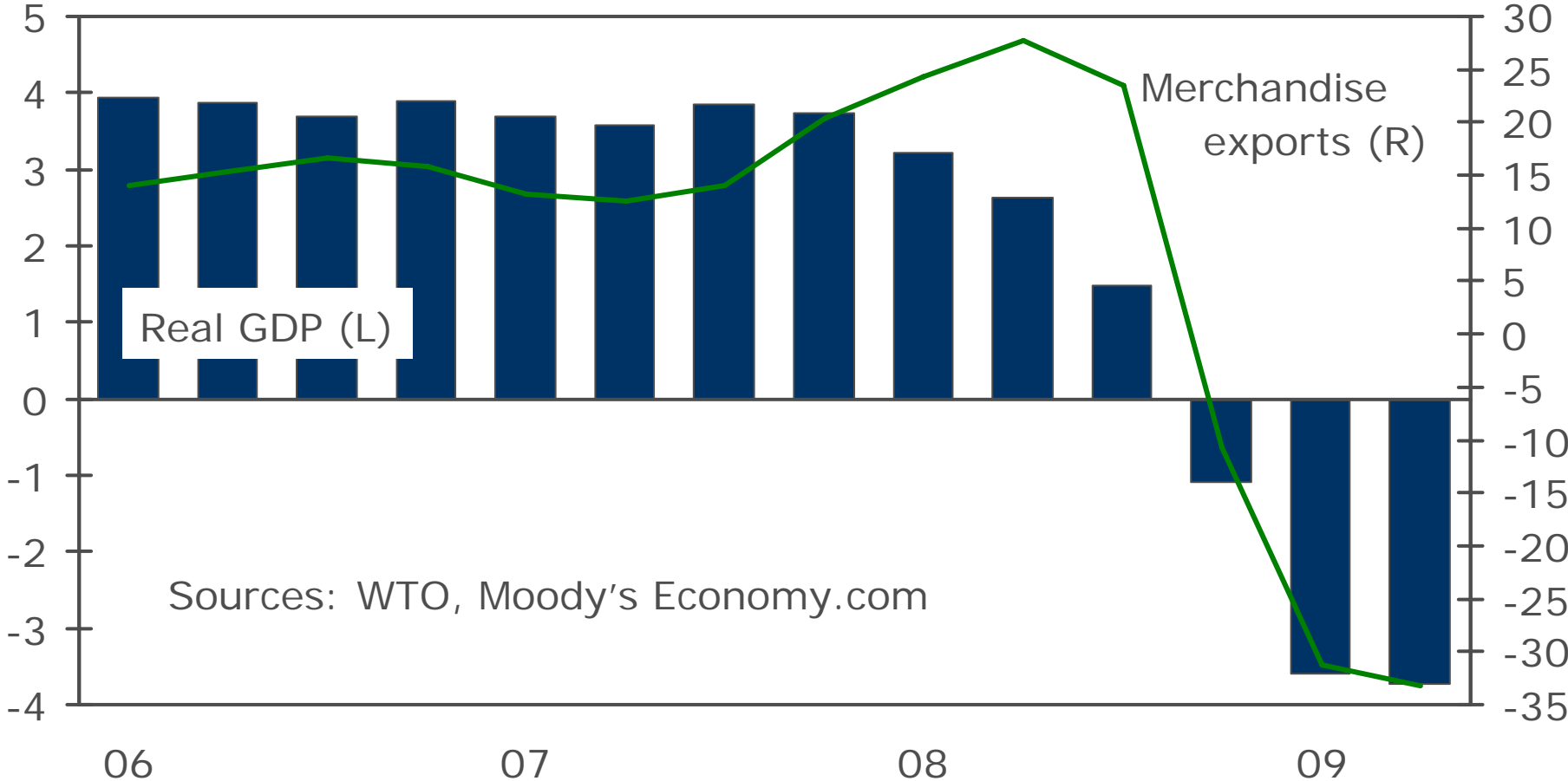
**Bodhi Ganguli,  
Economist**

September 18, 2009

# The Crisis and Its Aftermath

# Global Trade Collapsed Much Faster Than GDP

% change year ago



# Causes and Effects

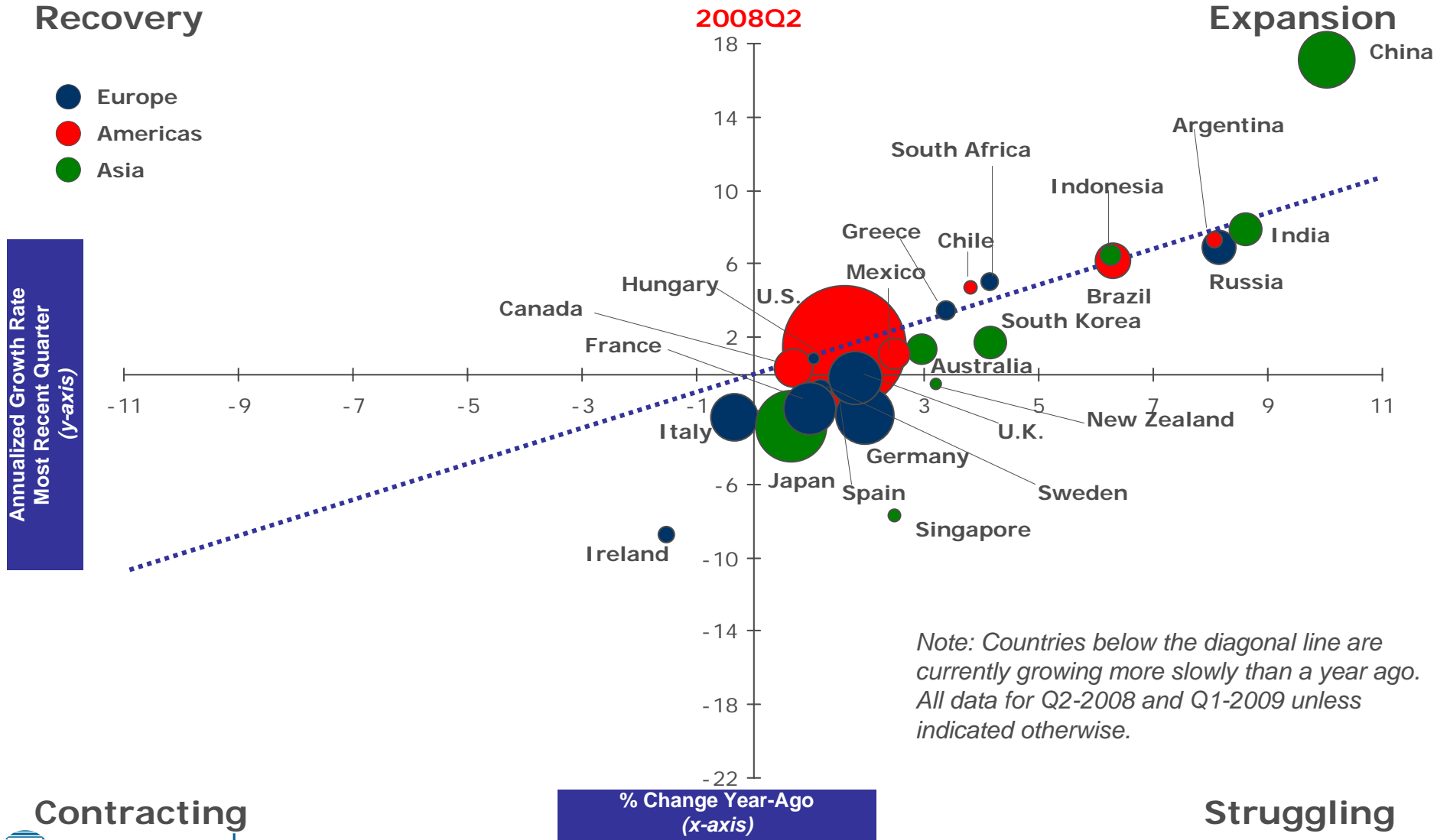
# Factors Behind the Record Contraction

- Massive drop in demand caused by synchronized global downturn.
- Drying up of trade finance.
- Increasing presence of global supply chains.
- Increasing (threat of) protectionist measures.

# Effects Have Been Severe

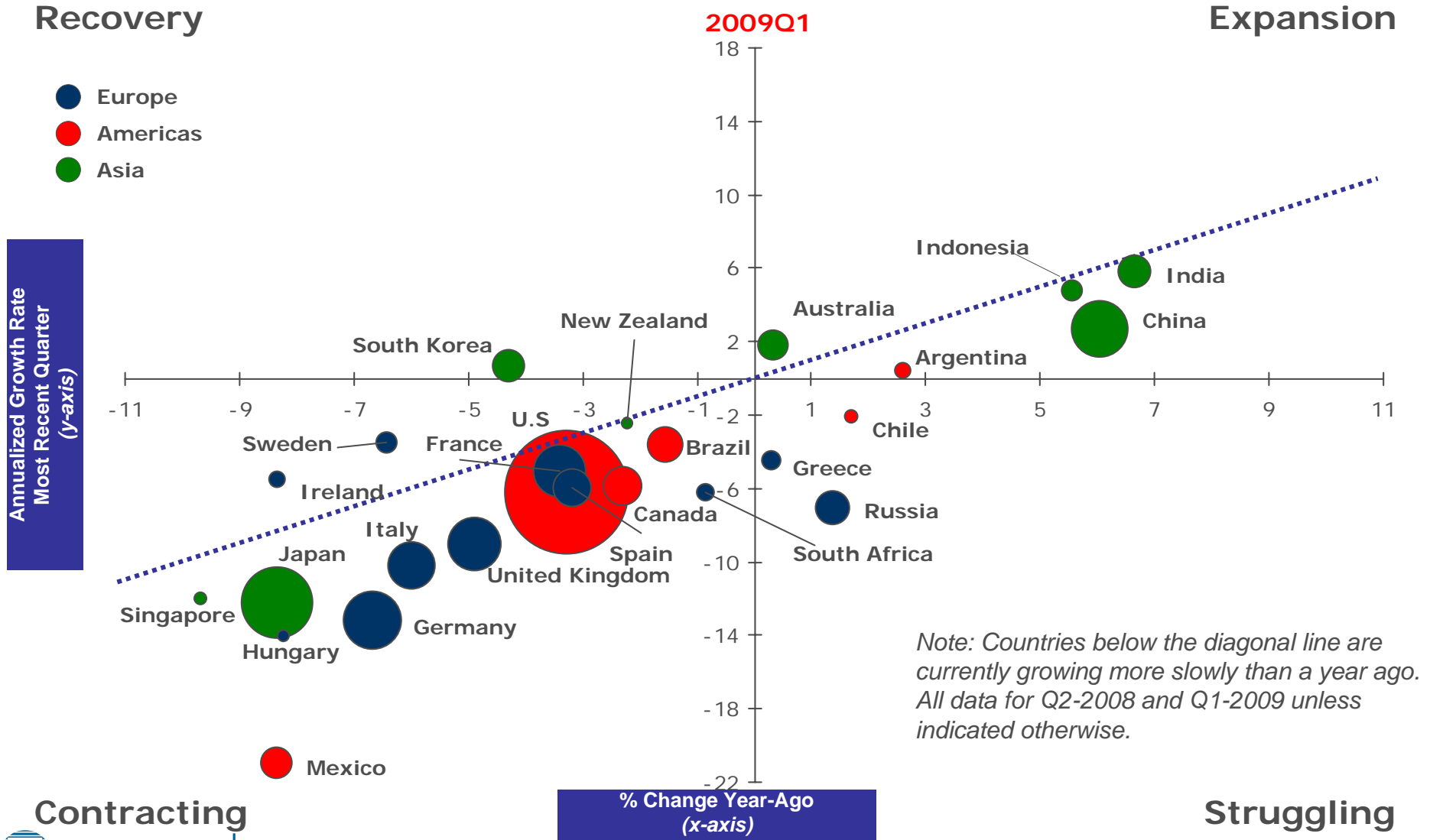
- **WTO expects global exports to drop by 9-10% in volume terms in 2009, biggest contraction since the second World War (10% in developed countries, 2-3% in developing countries).**
- **FDI is likely to drop more than 30% in 2009.**
- **Many thousands of trade related jobs have been lost worldwide, raising unemployment rates.**
- **Drastic drop in industrial production around the globe, contributing to synchronized slowdown in GDP growth.**

# The Downturn Was Highly Synchronized

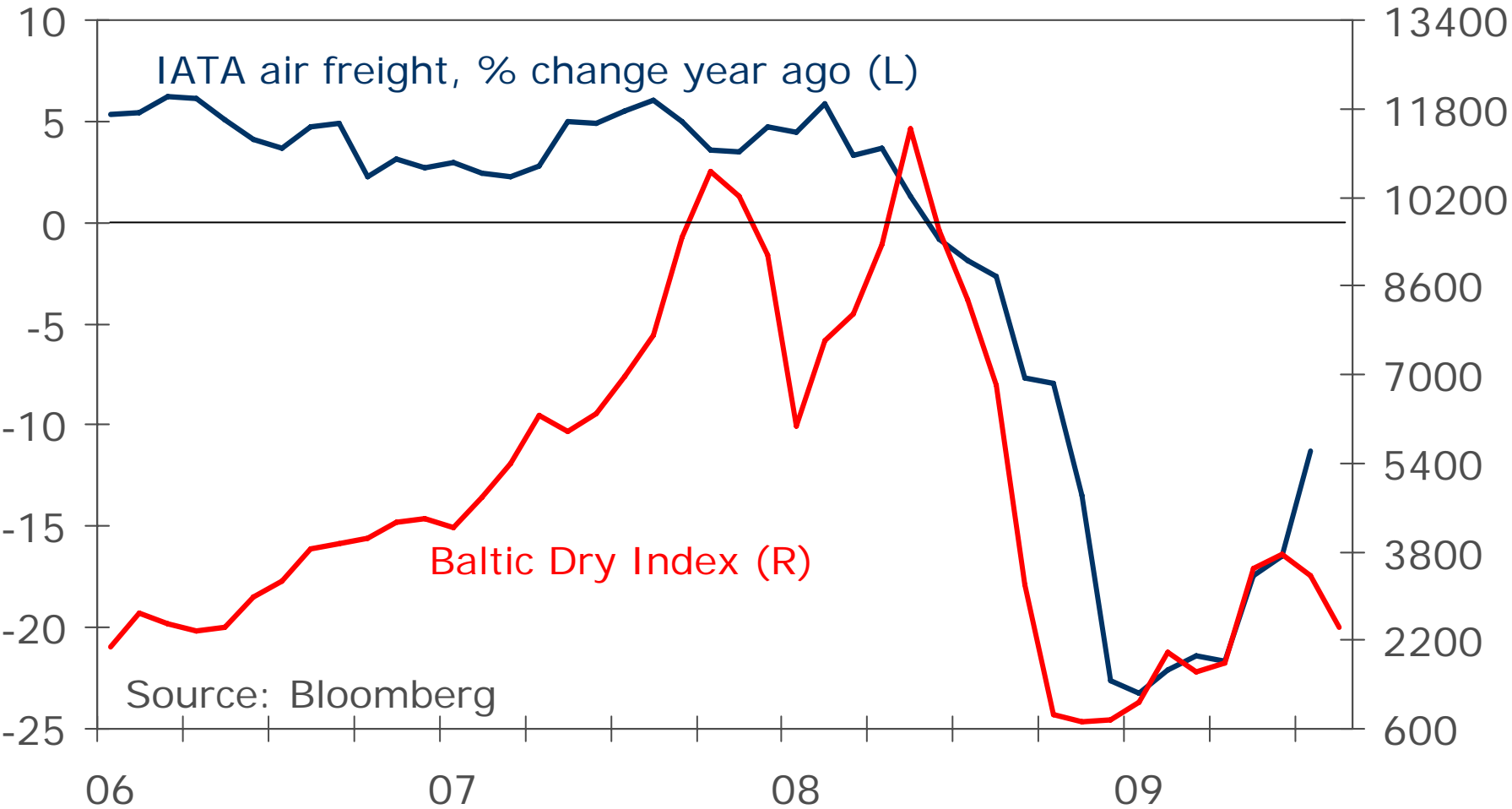


**Struggling**

# All Major Economies Affected to Some Extent



# Not Out of the Woods Yet



# Protectionism

# A Potential Impediment to Recovery

- The crisis has put protectionism back on the policy agenda.
- Protectionism has been muted compared with the early 1980s or post-1929.
- But despite pledging to maintain open trade and refrain from new barriers to trade, there has been a measurable increase in protectionist measures by G20 members.

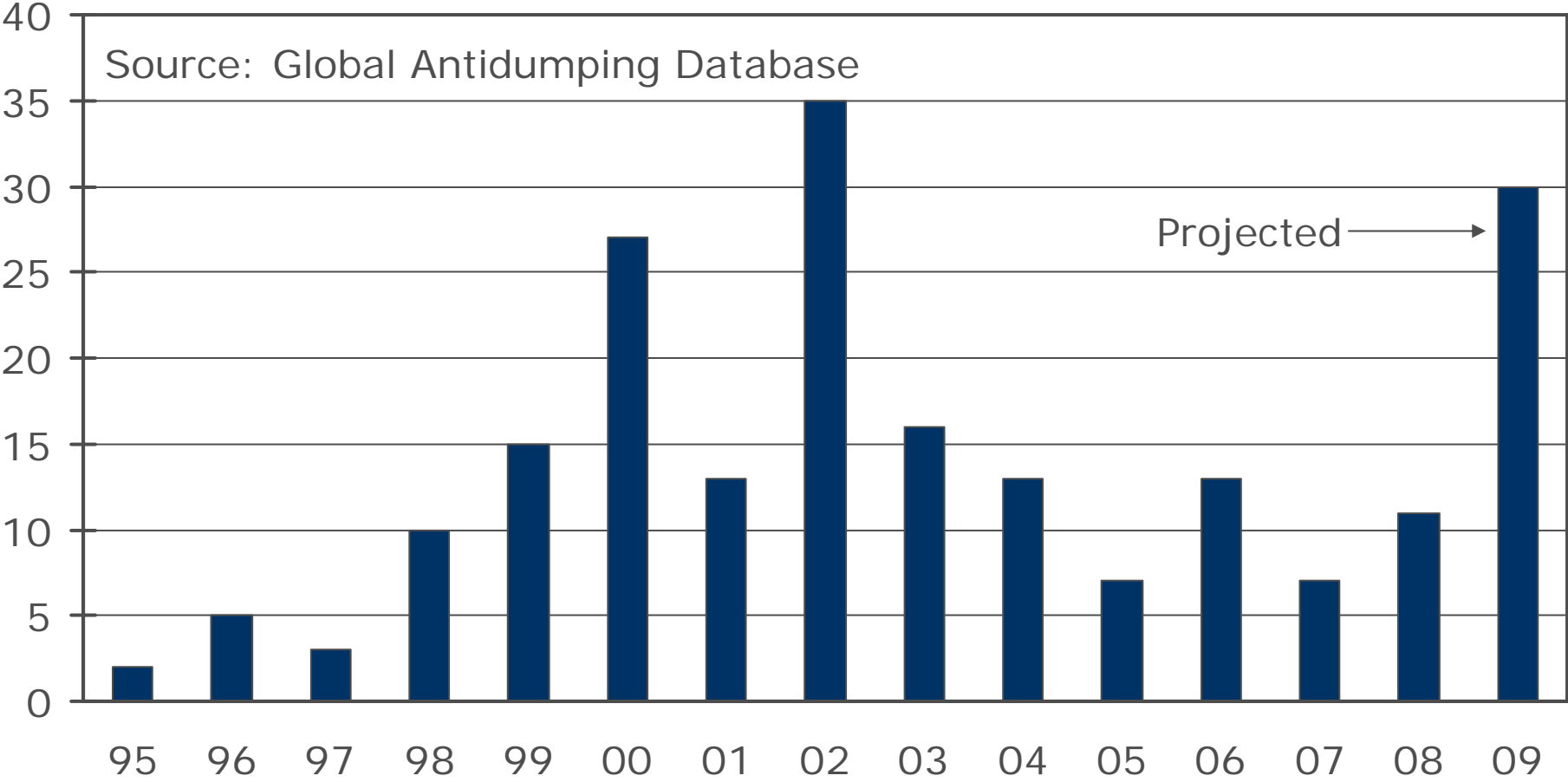
# The New Face of Protectionism

- Post crisis, G20 members have increasingly agreed to domestic industry demand for protection from import competition.
- 12.1% y/y increase\* in initiated investigations in the second quarter under trade remedy laws.
- Members have preferred trade remedy policy instruments rather than tariffs, namely, antidumping, safeguards and countervailing duties (anti-subsidy).

\*Source: Global Antidumping Database

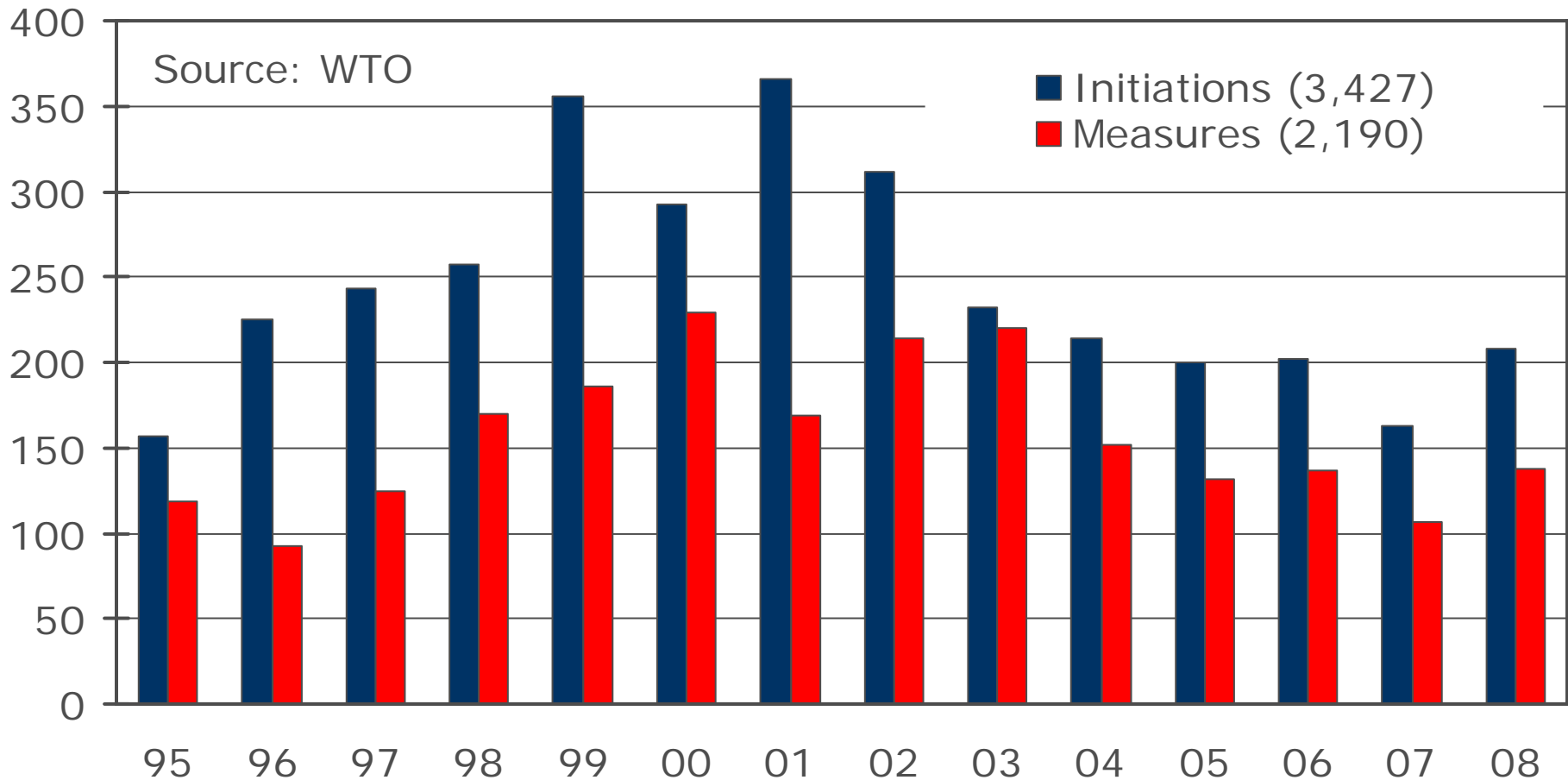
# Use of the "Safeguard" Policy Has Spiked in 2009

## Safeguard initiations by WTO members, China most targeted



# Antidumping Remains Popular

AD use by WTO members, India top user for last 10 years



# Case Study: Trade Effects of Indian AD Actions

- Indian AD is moderately “effective” in limiting import competition to domestic traders\*.
- In the first 3 years after a case is filed, imports from subject countries fall by as much as 23%.
- Some “trade diversion” does occur to non-subject countries. But overall imports still fall in response to Indian AD legislation.

\*Ganguli, Bodhi. “The Trade Effects of Indian Antidumping Actions”.  
Review of International Economics, Volume 16(5), November 2008

# Looking Forward

# Policy Recommendations—Consensus Is the Key

- Adopt and implement improved global financial governance at G20 summit in Pittsburgh to boost availability of trade finance.
- Strengthen institutional monitoring, review and notification of new trade restrictions.
- Roll back temporary protectionist responses to the crisis (including “buy national” clauses).
- Signal commitment to keep trade and investment flowing by concluding Doha Round.

[www.economy.com](http://www.economy.com)