

Workshop 1 Protectionism

By EU Reporter

The threat of protectionism potentially threatens to turn the current global recession into a full blown depression warned the speakers at the European Business Summit's workshop on the issue.

Former EU trade commissioner and now head of the World Trade Organization, Pascal Lamy, said there was some good and bad news. The bad was that trade policy decisions were going in the wrong direction, the good was that "WTO disciplines work to stop high intensity protectionism".

While the current trade commissioner Baroness Ashton said; "There is a difference between protection and protectionism. It is very important to get across that trade without restriction is part of the solution to the current crisis."

Fernando Beccalli Falco, head of industrial group GE International, claimed "concerns about protectionism are always there and it takes many forms including tax, subsidies and goods specifications".

A point supported by Anders Dahlvig, head of furniture retailer IKEA, agreed companies have problems exporting to Russia because of high import duties, to India because of investment rules and to China because of product test standards.

Professor Jagdish Bagwati of Columbia University said there was a major issue with bailouts. "When a government does a bailout it must not be allowed to specify sectoral subsidies, such as those for the auto industry. In the US in fact these are just for Detroit rather than other transport manufacturers, as this undermines the rules."

The professor highlighted another concern over labour laws and protectionism. "We are seeing the rise of neo-xenophobia, alien workers are fired first and there calls that jobs must go to locals rather than other nationals.

"Another issue is the changing of rules on direct investment, which was led by Nicolas Sarkozy recently about the French car industry investing in Slovakia. The president defined that as the ultimate threat. I thought we had put this sort of grandstanding behind us."

Baroness Ashton also warned against a holier than thou approach to international trade. "It is no good just pointing fingers at wrongdoers. We have to explain being anti-protectionist will produce a better recovery. It is very difficult as a politician to tell voters that why their jobs being cut will be better for the future, but we should try to do it."

As for the G20 meeting to be held in London next week, April 2, the speakers all urged the heads of government to continue with and conclude the WTO's Doha round, as the most important thing that they can do.

“I am glad for this support, but you must remember the ultimate negotiators are the sovereign nation states and the EU and not me,” said Pascal Lamy.

Professor Bagwati put great onus on the US and India to come to an agreement to help in the finalisation of Doha. “We must stop the urge in a macroeconomic crisis to slide back into protectionism.”

More positively Fernando Beccalli Falco said the threat of falling into a 30s style protectionist depression was reduced as companies were now multinational rather than national. “The supply chain is much more interconnected and this will take a long time to break.”