



# **The Motives for Discrimination: Industrial Policy Since the Crisis**

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***UNESCAP Workshop***

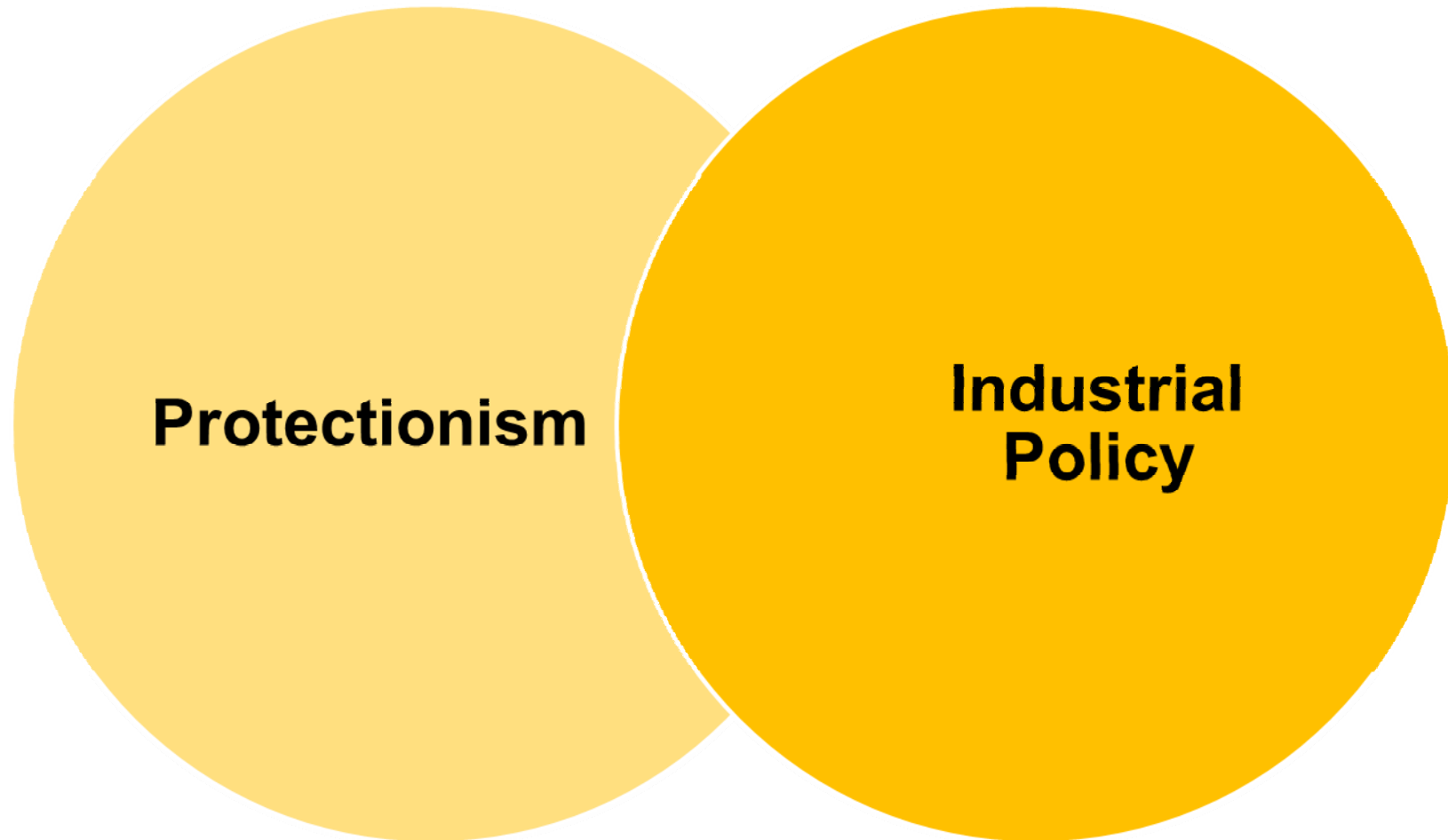
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# It's not the 1930s, yet

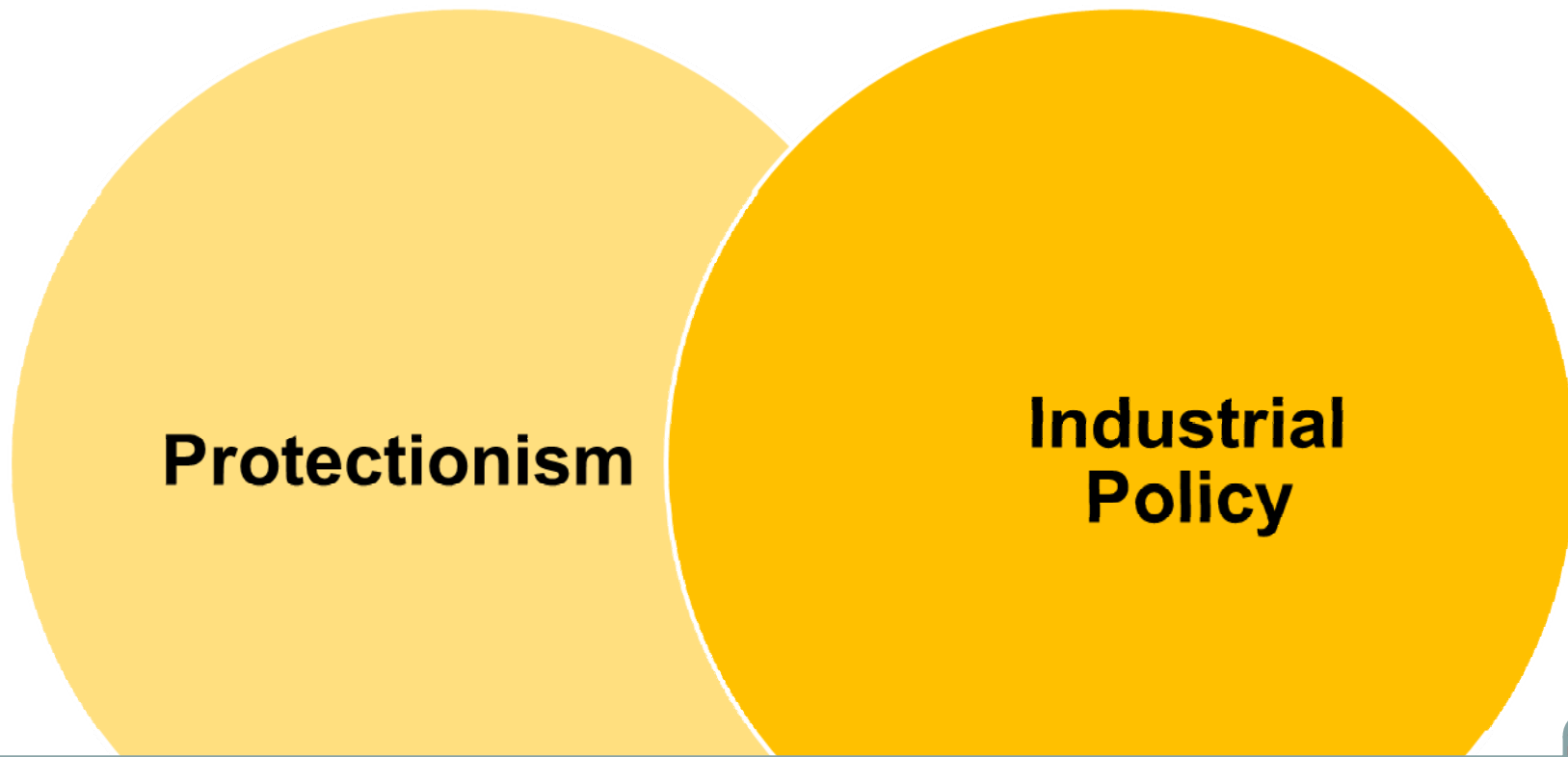
- Across-the-board tariff increases—seen in the 1930s—have only been implemented by a small number of relatively unimportant trading nations.
- So has the historical pattern been broken?
- Not really as history teaches us that the form of beggar-thy-neighbour policy tends to change from each major crisis.
  - Compare early 1980s with the 1930s.
  - Implications for the rhetoric concerning protectionism.
  - What has happened this time around—and its links to industrial policy.
- Purpose of this presentation.

# The overlap between discrimination and industrial policy



3 Overlap in some features: motives, targets, and tools

# The overlap between discrimination and industrial policy



Warning: Relabelling measures as industrial policy does not change their underlying economic effects!



# **The Facts on Discrimination and Links to Industrial Policy**

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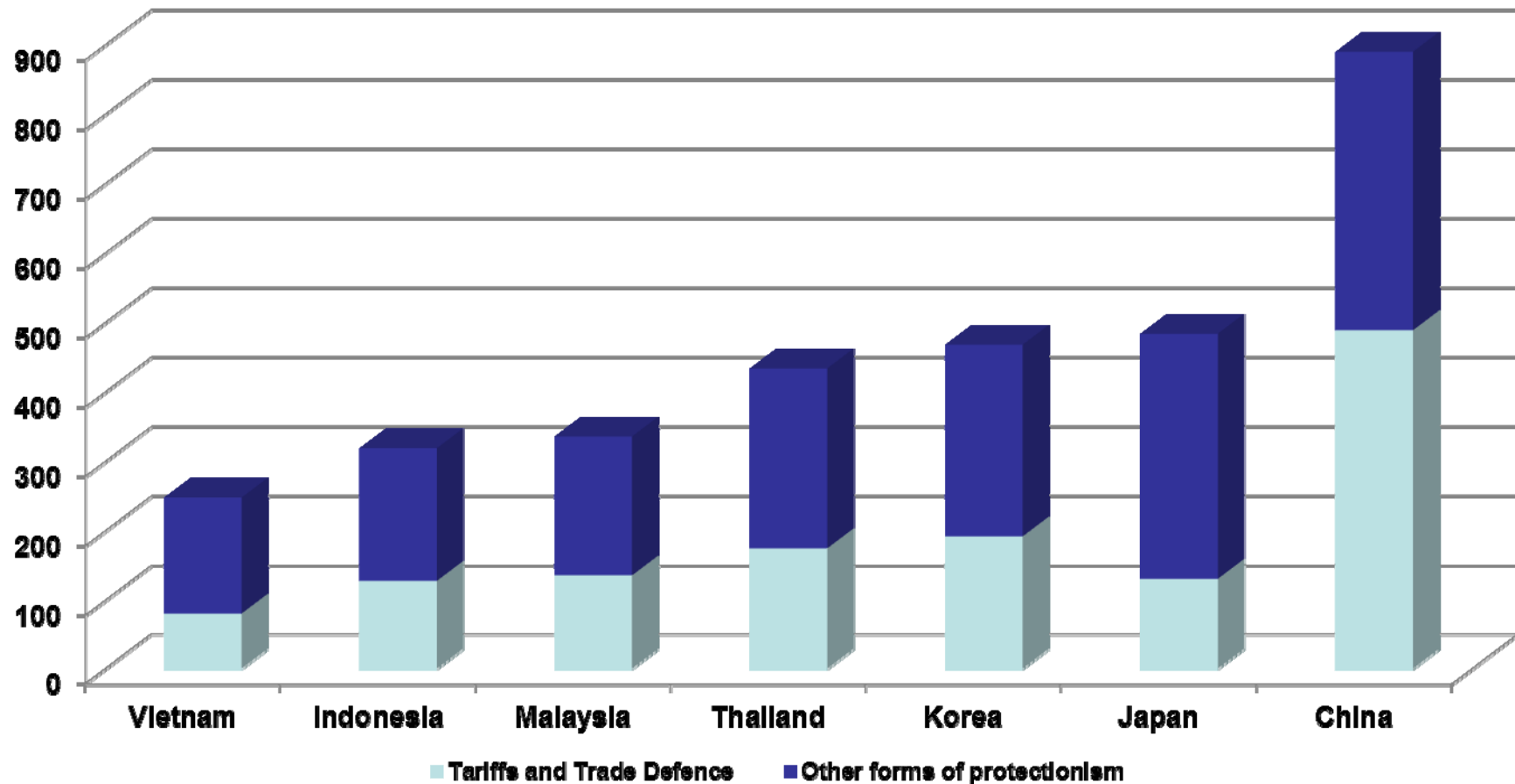
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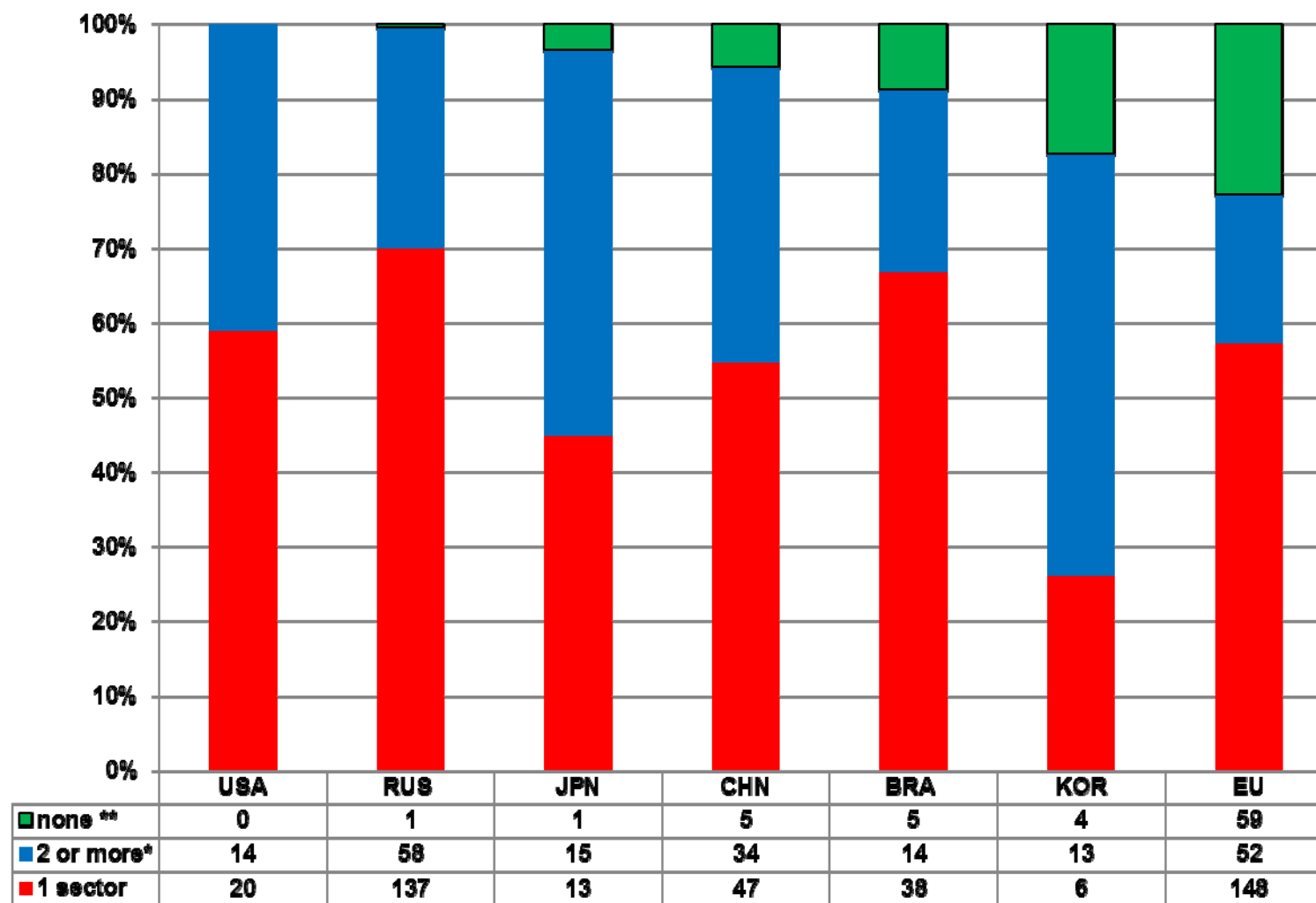
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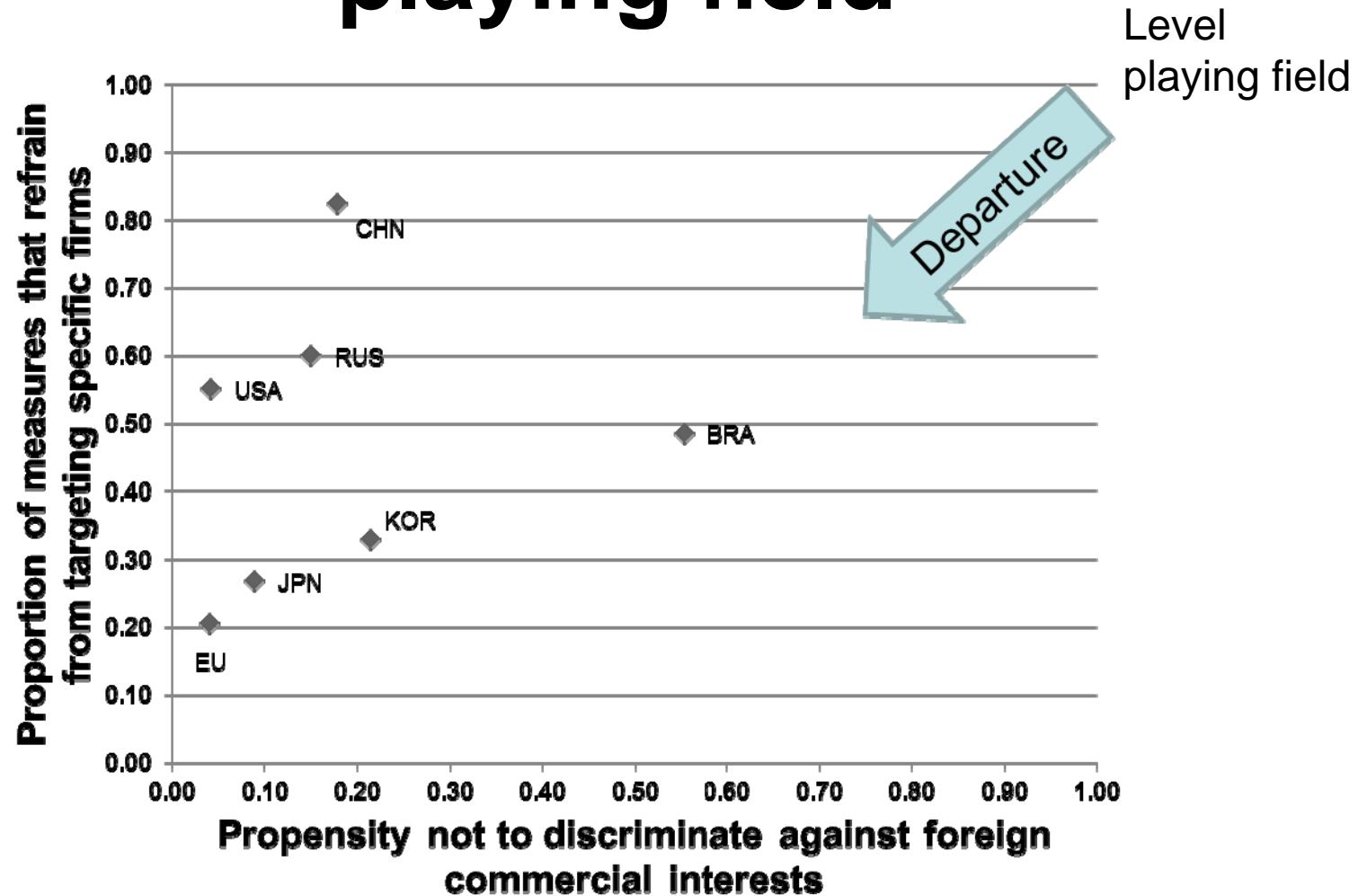
# East Asian traders targeted often...not just by traditional protectionism



# Selectivity returns—sectors targeted

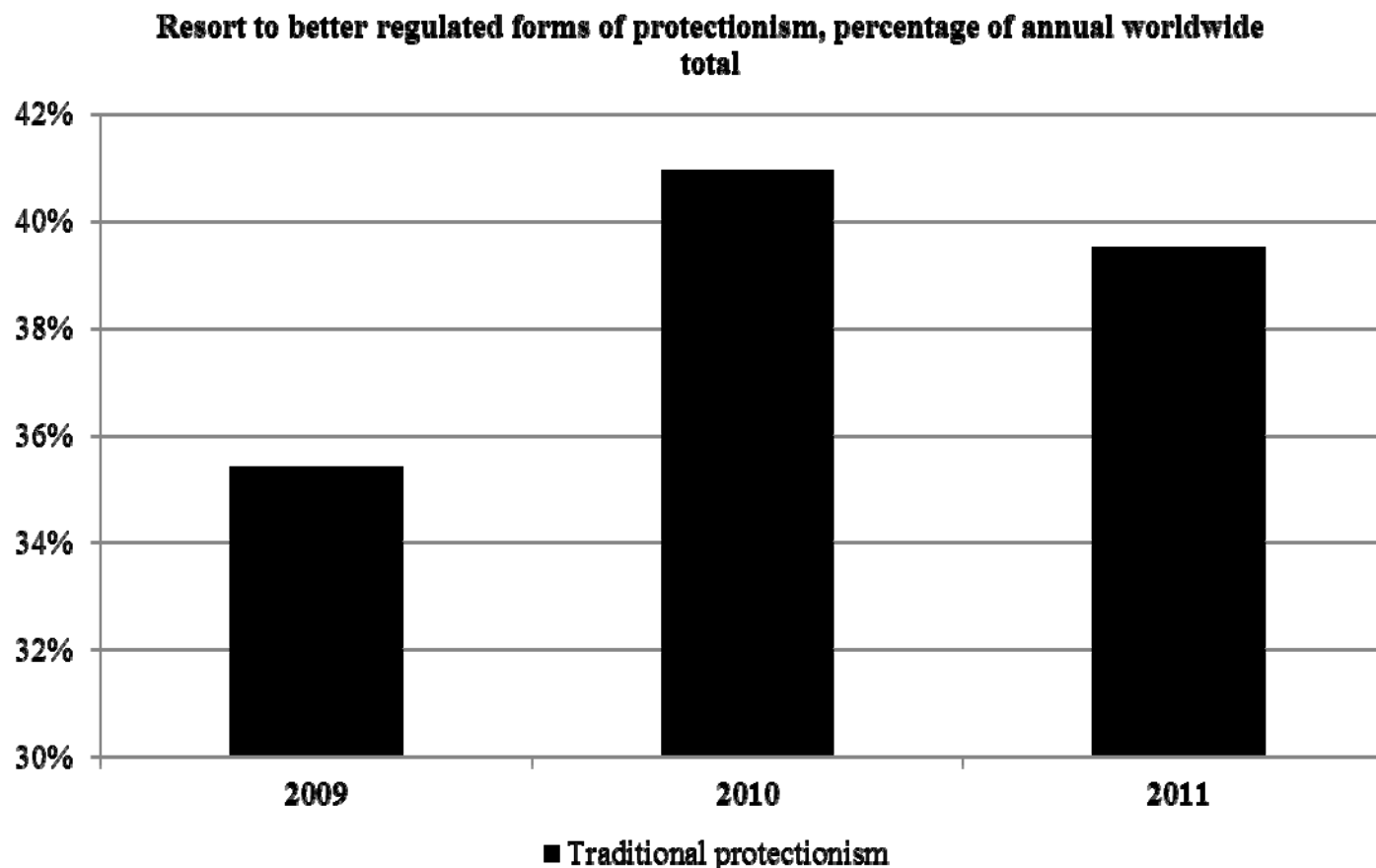


# Crisis-era departures from the level playing field





# Tougher WTO rules are circumvented- most protectionism is in other areas



Source: 11<sup>th</sup> Global Trade Alert report, [www.globaltradealert.org](http://www.globaltradealert.org)



# **Retaliation and the Cost-Benefit Analysis of Industrial Policy**

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# How has the cost benefit calculus changed in recent years?

- Dogs that did not bark:
  1. Regional trade rules—witness suspension of EU state aids regime.
  2. Limited evidence of WTO rules having any bite—contrary to the obsessions of certain industrial policy advocates.
- What did happen and its effect on cost/benefit ratios:
  1. Resort to subsidisation puts recipients at risk of countervailing duty enforcement action by trading partners—can result in market access being denied.
  2. Other nations' industrial policy has shifted burden of capacity reduction abroad and worsened export prices.

# What Next?

- In a perfect world there would a stronger case for devising new global disciplines on state intervention that limited harm to trading partners—but no appetite for this at the moment.
- Little restraint from international accords, only restraint comes from national debates.
  - How this plays out will likely vary across jurisdictions.
- Industrial policy's higher profile won't go away—some influential firms and interests will get their hands on a lot of societal resources often at the expense of everyone else.
- Getting away with this will require branding industrial policy in lots of reassuring but misleading ways—policy analysts must keep a cool, detached eye on these developments.