


# What's Wrong with Protectionism?

Deborah Elms, TFCTN Singapore

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# Why Protect?

- ▶ My constituents are asking me for help
  - ▶ My business firms need assistance in times of crisis
  - ▶ Any money spent on stimulus packages should be kept at home
    - Why send our money to others?
  - ▶ Why does it matter what we do at home?
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# Kinds of Protectionism

- ▶ Raise of tariff barriers
    - Gap between bound and applied rates
  - ▶ “Buy local”
    - Official government procurement
  - ▶ Limit visas for foreign workers
  - ▶ Stimulus package subsidies
  - ▶ Rules changes
  - ▶ Local vs. national level
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# The Perils of Protecting at Home

- ▶ **Timing**
  - By the time measures take effect, crisis is over, but measures stay in place
- ▶ **Lack of competition**
  - Inefficient outcomes
  - More harmful to consumers and intermediate producers
- ▶ **Almost impossible to dismantle**
  - Example: US sugar supports, cotton subsidies

# Perils of Protection for the Rest of Us

- ▶ Undermines rules-based system
    - Particularly harmful for smaller, developing countries
  - ▶ Global trade shrinkage as markets close to imports
  - ▶ Inefficient outcomes at system level
  - ▶ Practical issues
    - Remittances evaporate
    - Repatriation of foreign workers
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# Questions for Discussion

- ▶ What pressures have you faced for protection?
  - ▶ If you refuse, what do you say?
  - ▶ If you agree, how can you make your intervention least problematic?
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