

## G-20 Pledges to Avoid Protectionism After Obama's Tire Tariff

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By Mark Drajem and Theophilos Argitis

Sept. 25 (Bloomberg) -- Global leaders pledged to avoid protectionism, repeating a promise made at earlier summits of the Group of 20, just two weeks after President **Barack Obama** imposed tariffs on Chinese tire imports.

At the conclusion of a two-day meeting in Pittsburgh, the leaders said in a statement today that they would also redouble efforts to reach by next year a new agreement to cut tariffs and subsidies in the World Trade Organization as part of the so-called Doha Round.

"We will fight protectionism," the leaders said. "Continuing the revival in world trade and investment is essential to restoring global growth."

In each of the three meetings of the Group of 20 since the global recession began last year, the world leaders promised to avoid trade restrictions, vowing not to repeat mistakes economists say helped deepen the Great Depression. Countries violated those pledges to varying degrees as soon as the summits ended, according to WTO reports.

The WTO and United Nations said in a joint **report** on Sept. 14 that world trade would drop 10 percent this year because of the collapse in global economic growth. While countries haven't taken on "widespread trade or investment restrictions," there have been new tariff and non-tariff barriers, the report said.

### 'Sand in the Gears'

These actions "are creating 'sand in the gears' of international trade that may retard the global recovery," the report said.

The pledge by the world leaders follows Obama's decision to slap tariffs of 35 percent on tire imports from China, the first time a U.S. president has used a provision to block surging imports from that country. Unlike dumping duties, Obama had to decide personally to limit the imports, escalating its symbolic importance.

Those duties set "a bad example," **Dan Ikenson**, associate director of the Center for Trade Policy Studies at the **Cato Institute**, said in an interview on Sept. 20. "It opens the door to other countries to indulge their own protectionist constituencies."

### 'Dangerous Precedent'

China warned of a "dangerous precedent" and is concerned that U.S. textile and steel producers may file similar so-called safeguard complaints, **Zhou Wenzhong**, China's ambassador to the U.S., told reporters Sept. 17.

Worldwide, so-called safeguard investigations jumped to 16 in the first six months of 2009 compared with two for the same period a year ago. India accounted for 14 of those cases.

Agricultural products, iron and steel, motor vehicles and parts, chemical and plastic products, and textiles and clothing have been the products most affected overall by new trade restraints this year, the WTO said in its most recent report.

While free-trade advocates criticized Obama's move on tires, the growing number of dumping cases and 'Buy American' provisions in the U.S. stimulus plan, they also say that the discipline of the WTO and the G-20 pledges have served a purpose to limit the scope of restrictions.

The leaders today pledged to "minimize" the impact on trade and investment of fiscal policies and steps to support the financial sector. They also mandated G-20 officials to "take stock" by early next year of progress and proceed as "quickly as possible" on resolving differences.

Unlike the 1930s, most of the drop in trade is from a drop in demand, not new tariffs, according to **Arvind Subramanian**, a senior fellow at the **Peterson Institute for International Economics** in Washington.

"We've had a tremendous drop in trade, but the trade-policy response has been muted," Subramanian said Sept. 15 at the **Carnegie Endowment for International Peace** in Washington. "The incentives for protection were muted because of globalization."

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