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# 3 Assessing the G20 Use of Antidumping, Safeguards and Countervailing Duties During the 2008-2009 Crisis<sup>1</sup>

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## Introduction

Since the onset of the global financial crisis in 2008 and 2009, the G20 summits resulted in public commitments not to increase trade barriers and resort to protectionism. To date, the incidence of these economies implementing new import protection by simply raising applied tariff rates has been fairly limited.<sup>2</sup> Nevertheless, a number of these economies have changed their levels and distribution of import protection during the crisis through their use of antidumping, countervailing duty (anti-subsidy), global safeguard, and China-specific safeguard policies, the four policies that we refer to jointly as “temporary” trade barriers (TTBs). Each of these policies can be used in potentially WTO-consistent ways, and most members of the G20 had a significant history of using at least one of these four TTB policies long before the recent crisis.

The current analysis refers to results of new research that provides a more detailed and precise assessment of G20 use and potential trade impact of such TTB policies during the period of the global economic crisis in recent historical perspective.<sup>3</sup> First, new estimates indicate that the major G20 users of these policies combined to cover approximately 25% more imported product lines with TTBs by the end of 2009 compared to the pre-crisis levels of 2007. The new crisis-era TTBs that these economies have imposed are estimated to impact only 0.3% of these economies’ total imports. While small on average, the trade impact is nevertheless not uniform across either TTB-using economies or adversely affected exporters. For example, on the user side, India’s and Turkey’s newly-

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1 This analysis draws heavily from Bown (2010a) and Bown and Kee (2010), to which the reader should refer for more details on methodology as well as additional results. Any opinions expressed in this paper are the author’s and should not be attributed to the World Bank. All remaining errors are my own.

2 Kee, Neagu and Nicita (2010) analyze the countries that raised applied tariffs during the crisis and estimate the limited trade impact of such tariff increases.

3 Earlier updates include Bown (2009a, 2009b). For earlier assessments of protectionism during the crisis through other (non-TTB) policies, see Baldwin and Evenett (2009) and Evenett, Hoekman and Cattaneo (2009).

imposed crisis-era TTBs are estimated to affect more than 1% of each economy's imports. Finally, while confronting such TTBs is not new for China's exporters, they face a 40% increase in the stock of products subject to G20 TTBs in 2009 relative to pre-crisis level of 2007. In value terms, nearly 80% of the G20 imports being subject to new TTBs imposed during the crisis are sourced from China. The crisis-era implementation of new G20 TTBs may affect more than \$20 billion worth of China's exports, or almost 2% of its (pre-crisis) 2007 level of exports to these economies.

## **Increased stock of imposed temporary trade barriers resulting from the crisis**

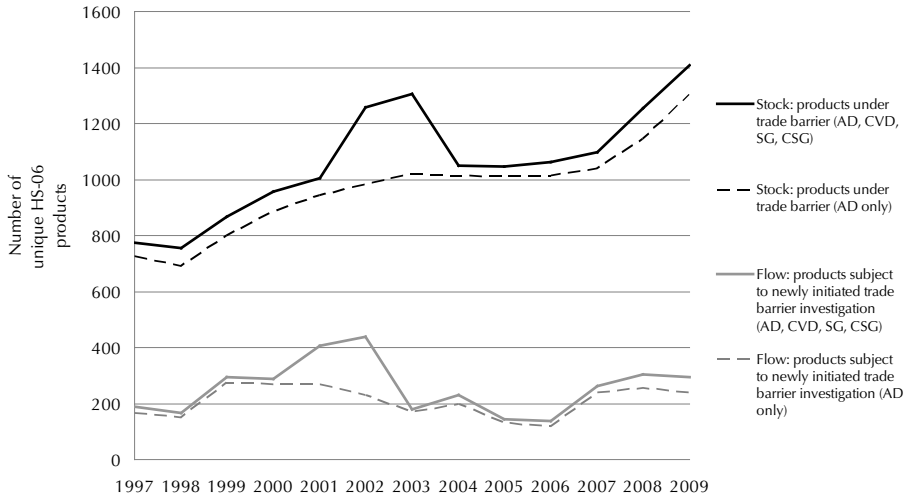
In theory, the level and distribution of national import protection due to temporary trade barrier policies such as antidumping, safeguards, and countervailing duties can change over time as the flow of new TTBs evolves. First, domestic industries file petitions with their governments, governments initiate investigations of cases, and then they make preliminary and final rulings on whether there was sufficient evidence to merit imposition of a new trade barrier. Thus the level of TTB protection can be affected by changes to the flow of new barriers that industries demand and/or that government policymakers grant. Second, previously imposed TTBs can also be removed at different rates over time. For example, removal of a preliminary measure (after a preliminary affirmative decision in an investigation) can take place after only a few months, such as after a negative *final* determination. TTBs can also be removed after a number of years because of an administrative review, a WTO-mandated sunset review, or the explicitly scheduled expiration of the barrier. Sometimes TTBs are even removed "earlier" than their scheduled expiration, for example, if the policy is successfully contested through formal WTO dispute settlement.

Thus to better address the question of whether there is a higher *level* of TTB import protection resulting from the 2008-2009 crisis relative to earlier eras, we follow Bown (2010a) and examine the "stock" of such measures in place over time, and not simply the flow of products subject to newly imposed measures. The dark black line of Figure 3.1 is taken from Bown (2010a) and provides a summary of the combined stock of products that twelve of the major G20 economies have covered by imposed TTBs during 1997-2009.<sup>4</sup> The figure relies on product-level data from the World Bank's *Temporary Trade Barriers Database* (Bown, 2010b) and

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<sup>4</sup> The twelve G20 members included in figures 1 and 2 are Argentina, Australia, Brazil, Canada, China, European Union, India, Indonesia, South Africa, South Korea, Turkey, and the United States. While G20 economy and TTB user Mexico is included in table 1, it is not included in the aggregated figures 1 and 2. Unrelated to the crisis in October 2008, Mexico suddenly removed antidumping duties on Chinese imports of roughly 1000 6-digit HS product lines that had been imposed since 1993 (Bown, 2010a). Japan, Russia, and Saudi Arabia are the only G20 economies not represented in the analysis of the use of these temporary trade barriers since they did not actively use such policies during this time period. G20 member countries France, Germany, Italy, and UK are not included separately because their trade policy is determined by the European Union, the twentieth member of the G20. Even though many of these economies use of TTBs started much earlier, we begin in 1997 since that is the time period in which each of the twelve G20 economies in the sample were using at least one of their TTB policies, China being the last of the twelve as it adopted its use of antidumping in 1997.

**Figure 3.1** Combined G20\* Use of Temporary Trade Barriers, 1997-2009



Notes: A “product” is defined at the 6-digit Harmonised System (HS) level. The figure illustrates the number of importing country-product combinations affected due to the use of policies such as antidumping (AD), countervailing duties (CVD), global safeguards (SG), and China-specific transitional safeguards (CSG). \*The data is aggregated over the following twelve G20 economies: Argentina, Australia, Brazil, Canada, China, the European Union, India, Indonesia, South Africa, South Korea, Turkey, and the United States. The only major G20 user of such policies not included in the figure is Mexico, for reasons described in the text. The “stock” includes both imposition and removal of import restrictions. With roughly 5000 6-digit HS product categories per importing economy and 12 policy-imposing countries, the maximum value that the vertical axis could possibly take is 60,000.

Source: Bown (2010a). Data on the stock of policies imposed and removed over 1988-2009 compiled from the Temporary Trade Barriers Database.

is constructed from the annual number of 6-digit HS products covered by at least one of these four TTBs. The first result from the figure is that 25% more import product lines were subject to these trade barriers in 2009 compared to the pre-crisis stock level of 2007.

The *dotted* black line in Figure 3.1 indicates that most of the products subject to a TTB during the 2008-2009 crisis are covered by the imposition of an economy’s *antidumping* policy.<sup>5</sup> Antidumping is predominant even though each of the other three policies has also been used; including the high-profile China-specific safeguard policy that the U.S. used to restrict imports of Chinese tires beginning in September 2009. The small differential between total product coverage due to all TTBs and that due to antidumping alone makes the 2008-2009 recession different from at least some earlier recessions. For example, Figure 3.1 also illustrates the major increase in the stock of products covered by TTBs other than antidumping in 2002-2003 (in this case, through use of the *global*

5 It is increasingly the case that some of these economies impose simultaneous antidumping and countervailing duties over the same underlying product. In the analysis, we do not “double count” the same 6-digit HS product that one policy-imposing economy may have subject to multiple (e.g., antidumping and countervailing duty) TTBs simultaneously.

**Table 3.1** G20 Imports Subject to Newly Imposed Temporary Trade Barriers 2008-2009

G20 Economy Imposer	Percent change in stock of products subject to such barriers in 2009 relative to pre-crisis 2007 level (1)	Value of 2007 imports for products subject to new TTBs in 2008-2009 (2)	Share of economy's total 2007 imports (3)	Value of 2007 imports from China subject to new TTBs in 2008-2009 (4)	(4) as a share of (5)	(4) as a share of all 2007 imports from China (6)
Developing economies	0.41*					
India	0.61	\$3,140,000,000	0.014	\$2,332,000,000	0.743	0.095
China	-0.10	\$2,447,700,000	0.003	Na	Na	Na
Turkey	0.46	\$1,940,000,000	0.011	\$640,000,000	0.323	0.048
Brazil	0.22	\$1,218,000,000	0.005	\$653,000,000	0.536	0.026
Argentina	0.48	\$303,800,000	0.007	\$167,400,000	0.551	0.033
Indonesia	0.69	\$289,026,265	0.004	\$123,533,383	0.427	0.014
Mexico	-2.84	\$76,400,000	0.000	\$39,600,000	0.518	0.001
South Africa	-0.18	\$ 7,803,397	0.000	\$5,631,423	0.722	0.001
High income economies	0.03					
United States	0.10	\$9,990,000,000	0.005	\$9,080,000,000	0.909	0.027
European Union	-0.05	\$7,750,000,000	0.002	\$6,540,000,000	0.844	0.010
Canada	0.16	\$673,000,000	0.002	\$622,000,000	0.924	0.017
Australia	0.39	\$281,600,000	0.002	\$272,200,000	0.967	0.012
South Korea	-0.44	-	-	-	-	-
Total	0.25	\$28,117,329,662	0.003	\$20,475,364,806	0.798*	0.018

Source: Bown and Kee (2010). Temporary trade barriers imposed during 2008 or 2009, 2007 import data at the economy's national tariff line level from Comtrade matched to tariff line policy data from the Temporary Trade Barriers Database (Bown, 2010b). \*The aggregated total subtracts out from the denominator the value of China's imports subject to its own new TTBs, since China does not impose TTBs on its own exports. Tariff line import data for South Korea not available at the time of the analysis.

*safeguard* policy). In that instance, following the U.S. recession of 2001, the U.S., EU and China simultaneously used their global safeguard policies to implement new import restrictions over hundreds of varieties of steel products.<sup>6</sup>

Table 3.1 disaggregates the Figure 3.1 data by TTB policy-imposing country, quickly illustrating how the combined 25% increase in products covered was not the result of each economy increasing its level uniformly. Eight of the thirteen G20 economies in the sample *increased* the number of products subject to such import restrictions between 2007 and 2009, though at different rates, including Argentina (48% more products covered), Australia (39%), Brazil (22%), Canada (16%), Indonesia (69%), India (61%), Turkey (46%) and the United States (10%). Only China, European Union, Mexico, South Africa and South Korea *reduced* the number of products subject to such import barriers between 2007 and 2009.

### **The estimated impact on G20 imports of such temporary trade policy changes**

While one way to examine the impact of imposed TTBs is to count changes to number of products that they affect, the next approach we adopt is to assign dollar values to the amount of trade potentially affected by the barriers. Here we match the tariff-line *policy* information on products subject to new TTBs imposed during 2008-2009 with tariff-line level *import* data for these economies from 2007, i.e., before the crisis-era trade collapse.<sup>7</sup>

The purpose of this exercise is to provide another estimate on the scope of trade potentially affected by 2008-2009 use of TTBs. To clarify, we do not propose that protectionism during the crisis was a major cause of the trade collapse of the fourth quarter of 2008 and the first quarter of 2009. Analysis of higher frequency (quarterly) data available to date suggest that even the TTBs that have been imposed during the crisis have been imposed with a lag.<sup>8</sup> By examining trade values (and the share of trade potentially affected by new TTBs), the purpose of the exercise is to better assess whether the post-crisis stock of TTBs in place is likely to impede a V-shaped trade recovery from its early 2009 nadir.

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6 The grey lines in Figure 3.1 illustrate the “flow” data on the count of products subject to potentially new TTBs over time due to new investigations.

7 To be clear, in this section we no longer rely on the 6-digit HS product level (the unit of measurement common across countries in figures 1 and 2) but instead use each economy’s tariff line level import data available from Comtrade, which we match up to the tariff-line level trade barrier information in Bown (2010b).

8 See Bown (2010c) for presentation of the quarterly figures on newly imposed measures during the crisis. Baldwin (2009) presents a set of early research examining likely culprits behind the trade collapse of 2008-2009, most of the evidence pointing toward an adverse demand shock.

Consider again Table 3.1, and to interpret the additional information provided, begin with a G20 TTb policy-imposing country like Turkey.<sup>9</sup> The value of 2007 Turkish imports of products on which Turkey would subsequently impose new TTbs during 2008-2009 was \$1.94 billion.<sup>10</sup> This was 1.1% of Turkey's total imports in 2007.<sup>11</sup> Of the \$1.94 billion of Turkey's imports that would be subject to new trade barriers in 2008-2009, roughly 32% (\$640 million) were imports deriving from China alone. Finally, the \$640 million in imports from China subject to new Turkish import restrictions covered products that made up 4.8% of all Turkish imports from China in 2007.

As Table 3.1 also indicates, the *magnitude* of trade affected by Turkey's new TTbs imposed during 2008-2009 was not typical of each of the major G20 economies. Only India (\$3.14 billion, or 1.4% of 2007 total imports) imposed new TTbs in 2008-2009 over a larger share of its total imports. While the U.S. (\$10 billion), European Union (\$7.8 billion), and China (\$2.4 billion), also imposed new TTbs covering a greater *value* of their economy's imports, their new TTbs covered a much smaller fraction of each economy's total imports (0.5%, 0.2%, and 0.3% respectively).

In the aggregate, Table 3.1 indicates that over \$28 billion in G20 member economy imports was subsequently subjected to new TTbs imposed in 2008-2009. However, this was only 0.3% of these G20 member economies' total 2007 imports.

## Exporters affected by G20 changes in TTbs

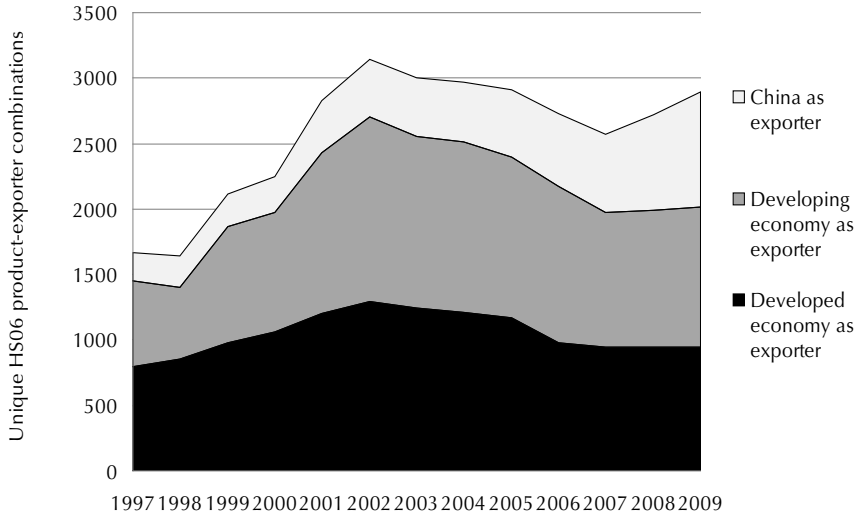
While there has been a combined 25% increase in the number of products subject to new temporary trade barriers in 2009 compared to the pre-crisis levels of 2007, Figure 3.2 from Bown and Kee (2010) also shows that there was not a uniform incidence of such barriers across exporters. Most striking is how the 2009 stock of China's (6-digit HS) export products subject to these TTbs imposed by these eleven other G20 economy trading partners is 40% higher than the

9 While comparable to the first estimates of this issue contained in Table 7.4 of Bown (2009b), these figures are "improved" estimates of potential impacts for the following reasons. First, whereas the results in Bown (2009b) covered all newly initiated investigations between 1Q 2008 through 1Q 2009, Table 3.1 reports all temporary (preliminary and final) trade barriers imposed between 1Q 2008 and 4Q 2009 and thus does not include products that were investigated but that which did not result in at least preliminary measures. Second, the results in Bown (2009b) were estimated from 6-digit Harmonised System (HS) level data, whereas the results above are computed from actual tariff line import data (at the 8, 9, 10 or 12 digit level, depending on the tariff line classification system of the importing economy).

10 The analysis in this section admittedly focuses on assessing the value of trade impacted due to the "flow" of new barriers imposed. We do not examine the value of trade subject to the pre-existing underlying stock of (pre-crisis) imposed TTbs. Due to lack of data, we also do not estimate the potentially offsetting value of trade growth that may be created in 2008-2009 due to the removal of TTbs that had been imposed in earlier years.

11 Because many antidumping measures are imposed with triple digit tariffs that are prohibitive, these figures are useful in that they provide an upper bound to the amount of trade estimated to be lost. Nevertheless, for policies that are imposed on a non-MFN basis that target only a subset of exporting countries, one result of the policy may be trade diversion, or an increase in imports from non-targeted sources. This may potentially offset some of the overall negative trade impact facing the targeted country. Second, the targeted exporters may also be able to "deflect" some of their exports to third markets, so that the total value of their trade subject to the new TTb is not eliminated from global (or even total G20) trade flows.

**Figure 3.2** Combined G20\* Use of Selected Temporary Trade Barriers by Import Source, 1997-2009



*Notes:* The figure illustrates the number of importing country-product-exporting country target combinations affected due to the use of policies such as antidumping (AD), countervailing duties (CVD), and China-specific transitional safeguards (CSG). Unlike figure 1, this figure does not reflect each economy's potential use of the global safeguards (SG) policy which is not exporting-country specific. \*The policies are aggregated over the following twelve G20 economies: Argentina, Australia, Brazil, Canada, China, the European Union, India, Indonesia, South Africa, South Korea, Turkey, and the United States. Mexico is the only major G20 user of such policies not included, for reasons described in the text. The "stock" includes both imposition and removal of import restrictions.

*Source:* Bown and Kee (2010).

pre-crisis level of 2007. The number of such barriers facing all *other* (non-China) developing countries increased by only 4% during this period, though this too was not uniformly distributed. For example, the increase in product coverage between 2007 and 2009 was particularly pronounced for developing economy exporters such as India (17%), Indonesia (25%), Thailand (23%) and Vietnam (74%). On the other hand, exporters in developed economies face roughly the same number of such barriers in 2009 as they did in 2007.

These figures are consistent with pre-crisis trends in the use of these policies that suggest that new TTBs are increasingly "South-South" in nature. Bown and Kee (2010) also estimate that other developing economies are responsible for more than half the 2009 cumulative stock of TTBs imposed against exports from developing economies such as China (58% of all products affected by TTBs), Indonesia (53%), Malaysia (85%), South Africa (57%), and Thailand (60%). Among the major emerging market exporters, only India (37%), Brazil (38%), Russia (40%) and Ukraine (25%) continue to have a minority of the country-specific barriers they face result from policies imposed by other developing economies.

Finally, the last two columns of Table 3.1 provide a more detailed assessment of the extent to which China's exports have been affected by the new TTBs imposed during the crisis. As described in the context of figure 2, the stock of Chinese

exported product lines facing TTBs in 2009 was 40% higher than the measured stock before the crisis in 2007. Table 3.1 indicates that these new TTBs imposed in 2008-2009 are estimated to impact \$20.5 billion in imports, or roughly 80% of the entire amount of imports that these particular G20 economies subjected to new TTBs during 2008-2009. The estimated \$20.5 billion was also 1.8% of the value of total Chinese exports to these markets in 2007.

### **Two questions for the future: How will ongoing investigations conclude and how temporary are these barriers?**

The final legacy of temporary trade barriers imposed as a result of the 2008-2009 economic crisis is not yet completely known. Notwithstanding the possibility of a further deepening of the global economic recession begun in 2008 that may lead to a substantial increase in the flow of new investigations, the level and distribution of G20 import protection after the crisis will be the result of two yet-to-be resolved issues. First, there are many TTB investigations initiated during the crisis that have yet to be concluded. The full post-crisis stock of TTBs will thus partly reflect dozens of forthcoming government policymaking decisions over whether to impose new TTBs. Second, the higher stock of TTBs that we have described throughout are only “temporary” if they are someday removed. While TTBs imposed as safeguards have typically been removed as scheduled, the evidence on timely removals is much less convincing for policies like antidumping that are used more pervasively (Moore 2006; Cadot, de Melo and Tumurchudur, 2007).

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