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University of St.Gallen

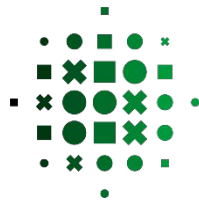
*“From insight  
to impact”*



# Global Protectionist Dynamics and Swiss Business

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# Putting Current Trade Tensions in Perspective

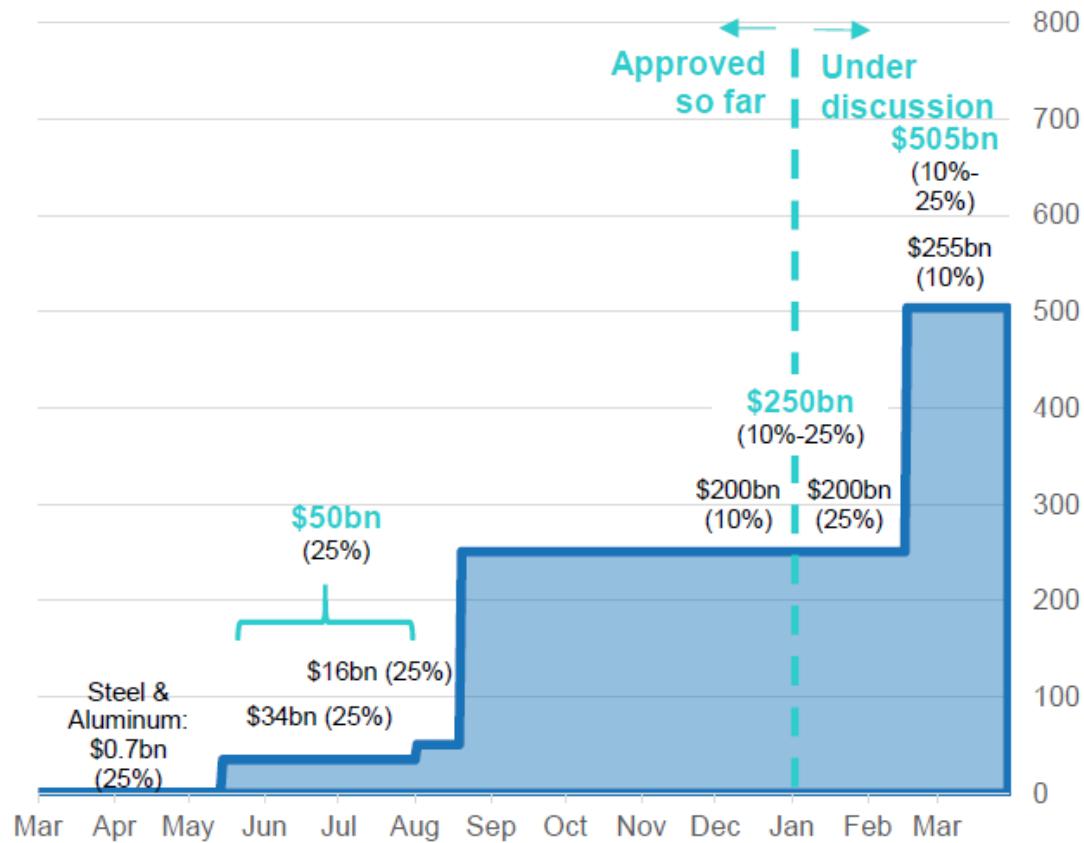
I will

- Argue that President Trump has made overt the longstanding covert tendency to tilt the playing field in favour of domestic firms.
- Characterise global protectionist dynamics.
- Highlight what is at stake for Swiss commercial interests.
- Discuss “what next?”

# Tracking Protectionism and Trade Reform: Global Trade Alert

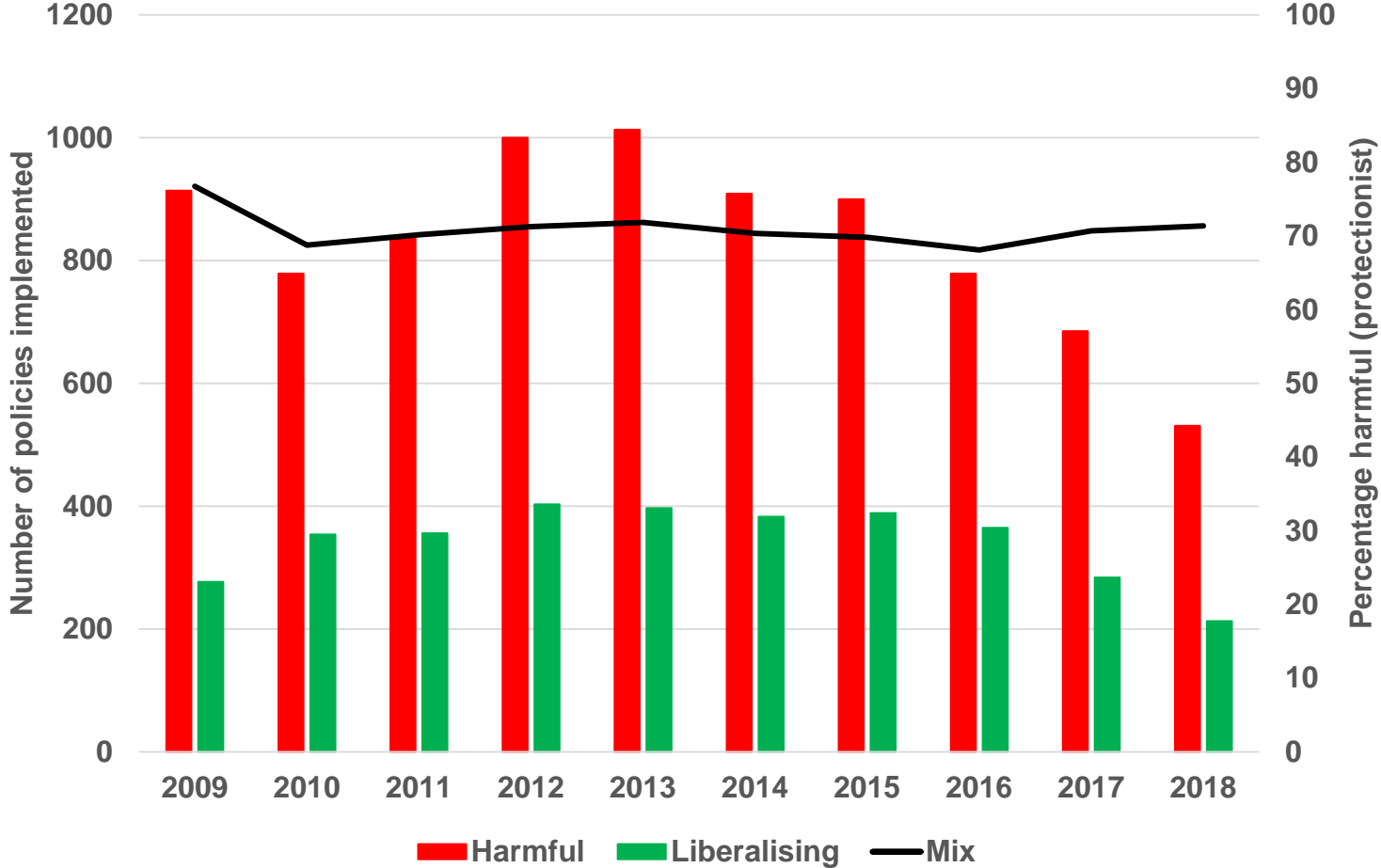
- Goal: to provide the best independent detailed data on policy changes that affect cross-border commerce.
- Has documented over 15,000 policy changes since November 2008; more than 3x size of comparable WTO database on crisis measures.
- Run from University of St. Gallen.
- Use extensively in public policy debates—see Monday's report by the Chinese State Council on US trade policy.

# Is this the most accurate way to characterise current trade tensions?



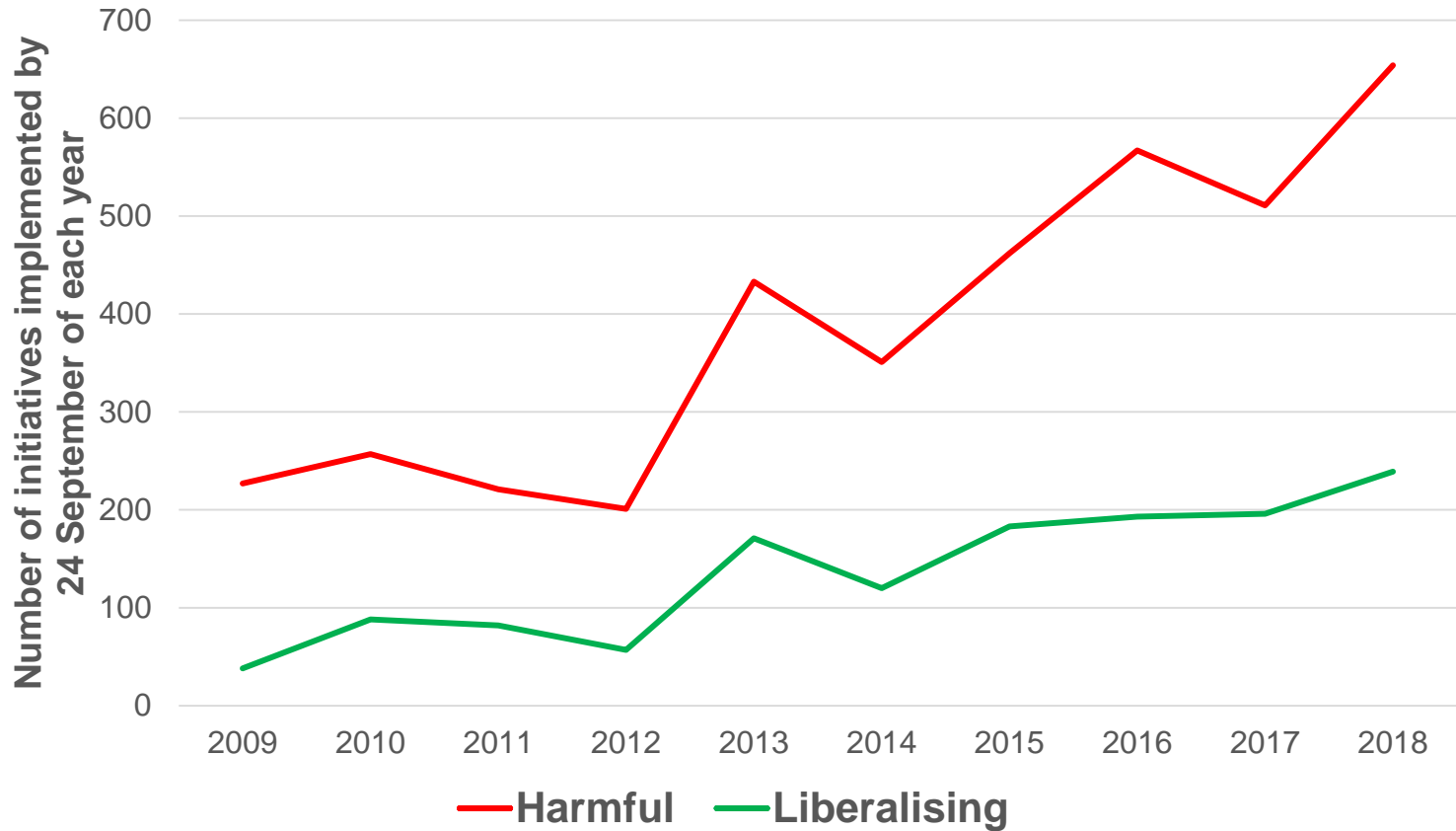
Source: BBVA Research

# Focusing on 2018 is misleading



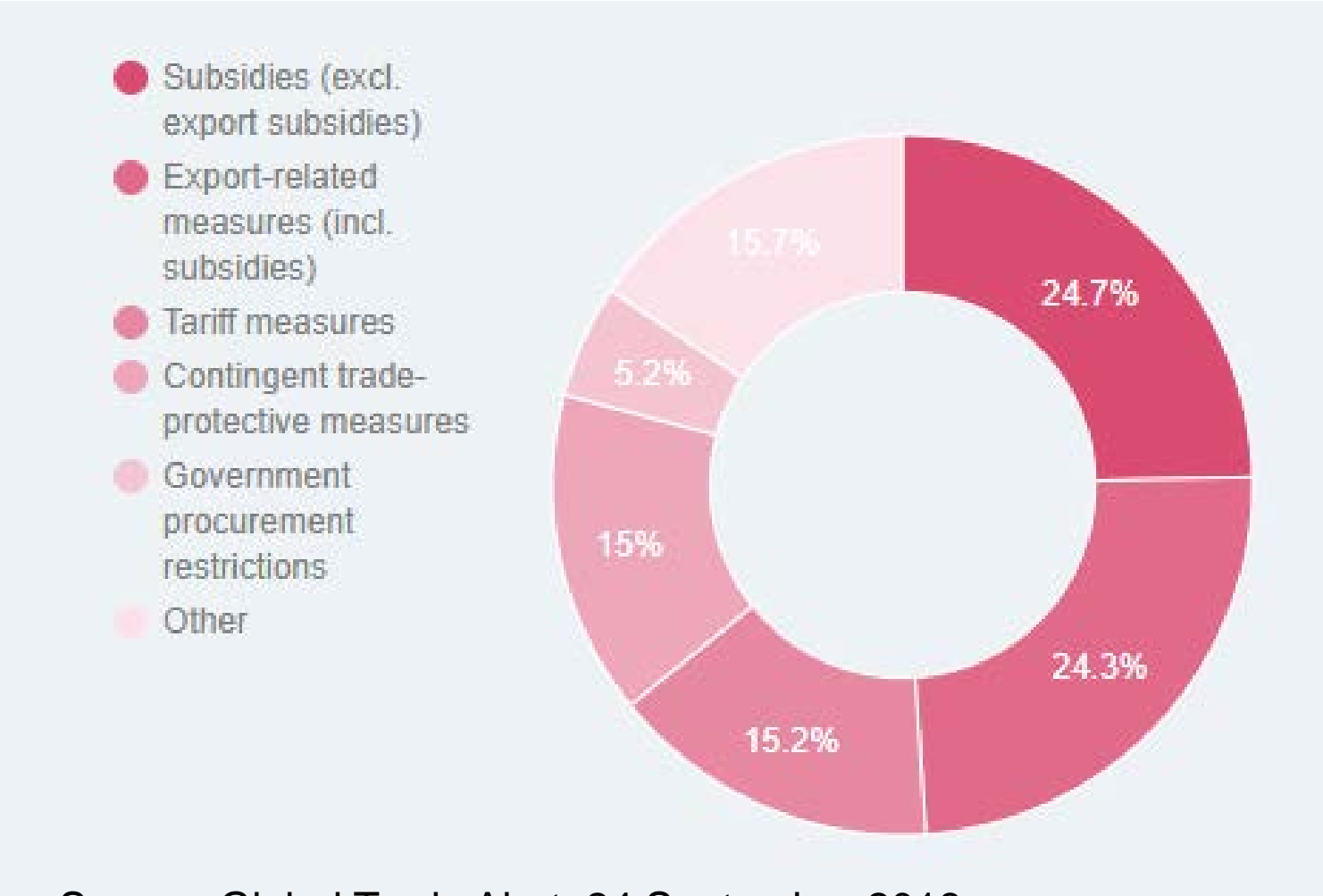
Source: Global Trade Alert, 24 September 2018.

# But 2018 has been bad



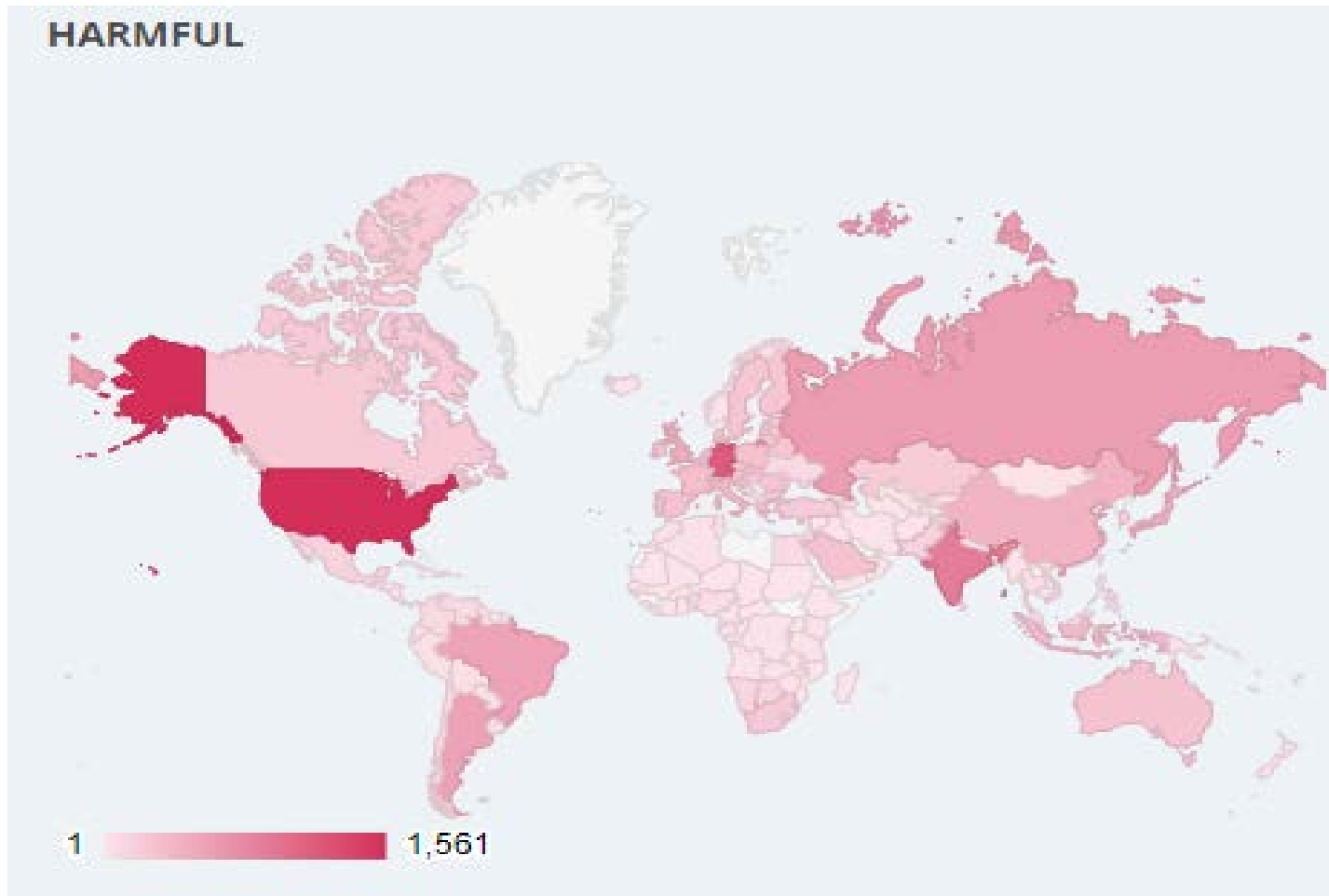
Source: Global Trade Alert, 24 September 2018.

# Subsidies are the most used trade distortions—not tariffs



Source: Global Trade Alert, 24 September 2018.

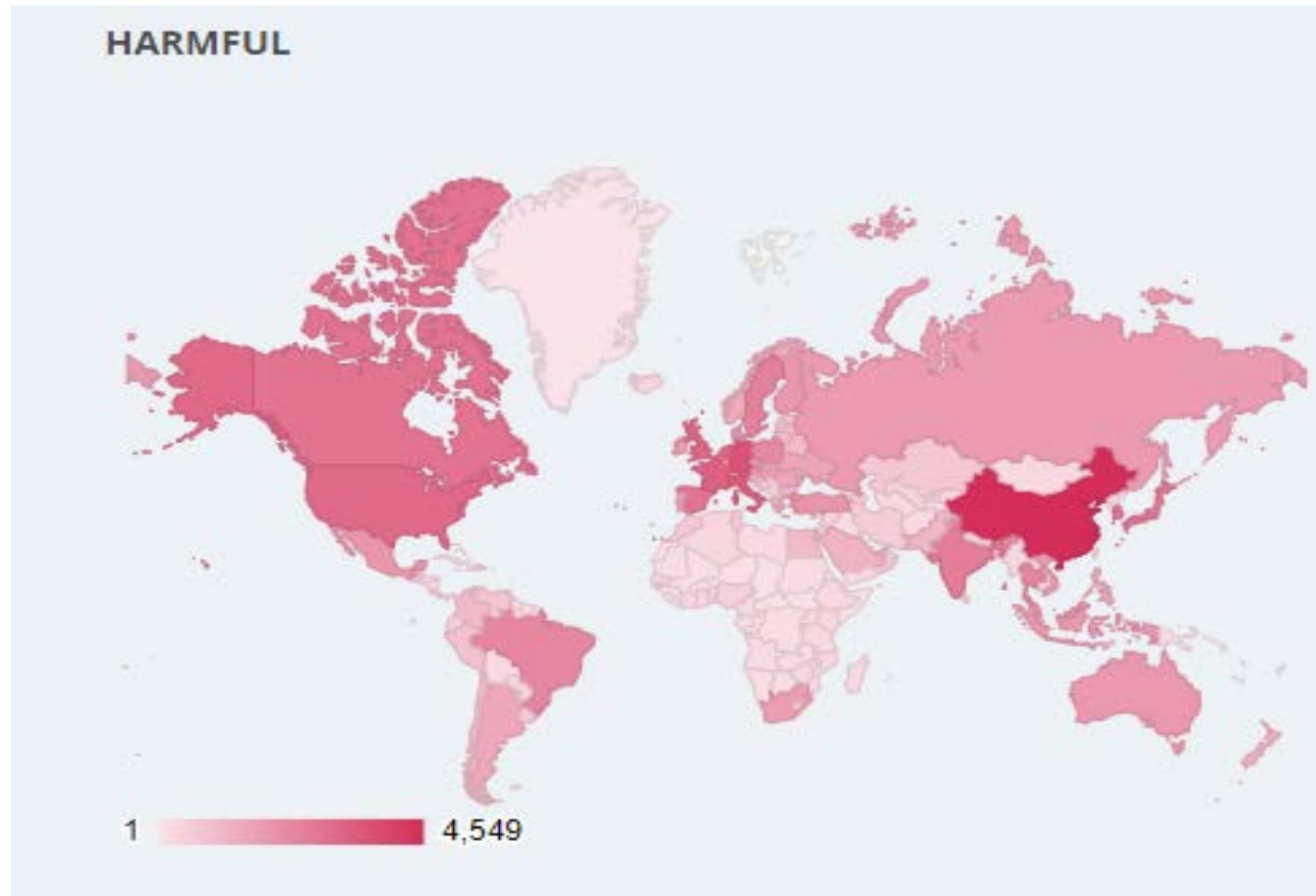
# G20 countries responsible for most trade distortions



Source: Global Trade Alert, 24 September 2018.

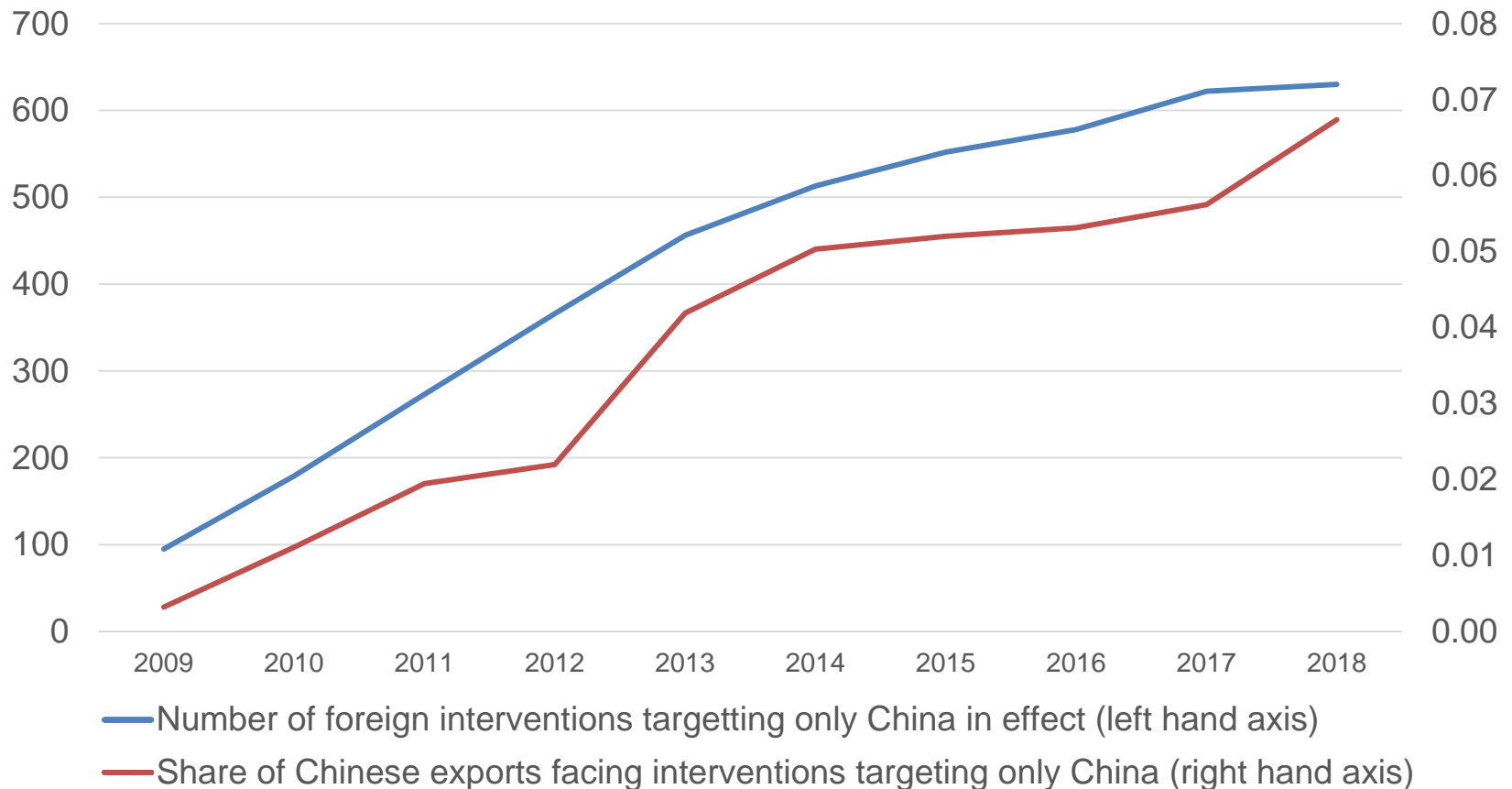


# China hit by far the most by foreign trade distortions

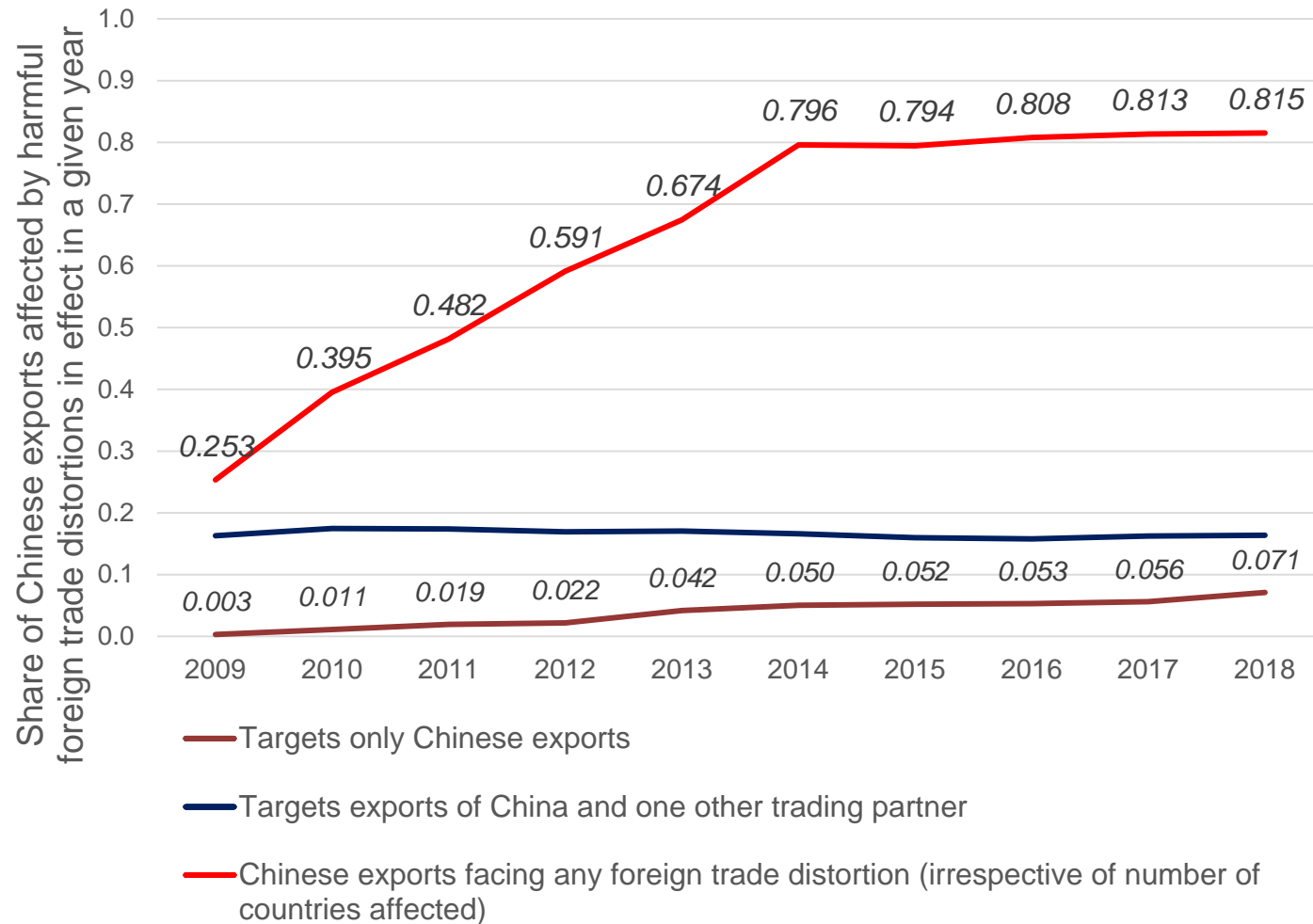


Source: Global Trade Alert, 24 September 2018.

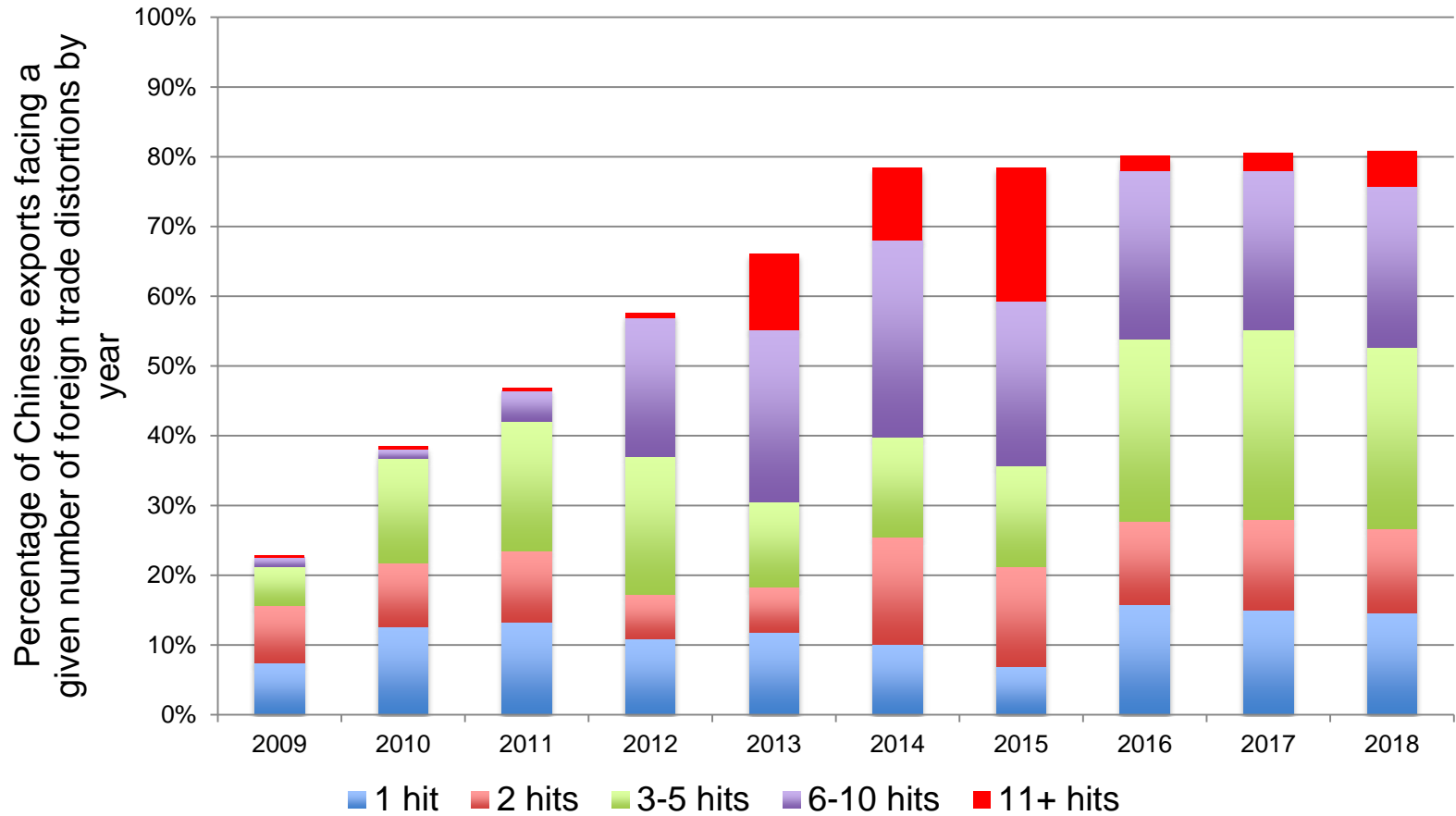
# Specific targeting of Chinese exports relatively rare



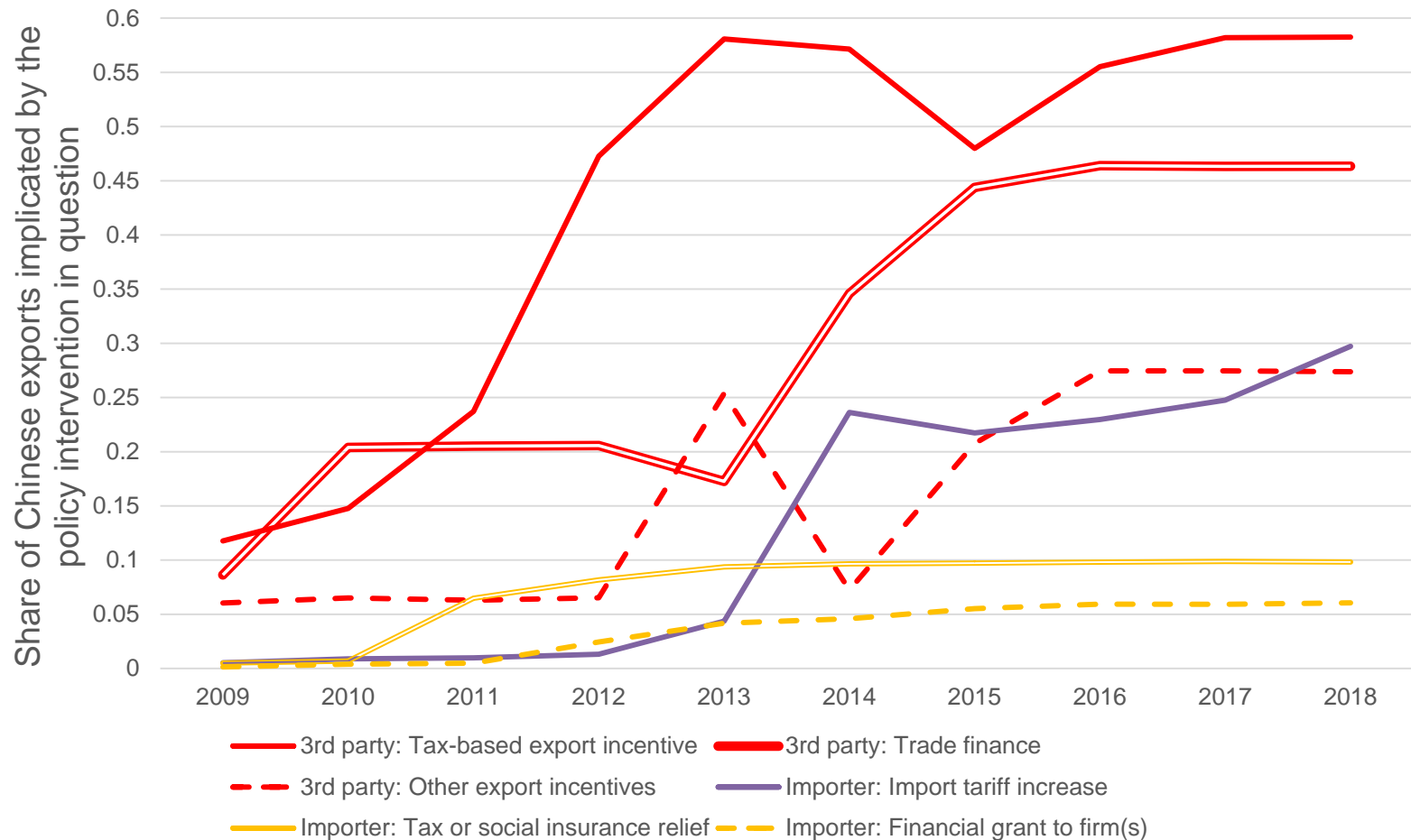
# China exports face collateral damage from foreign trade distortions



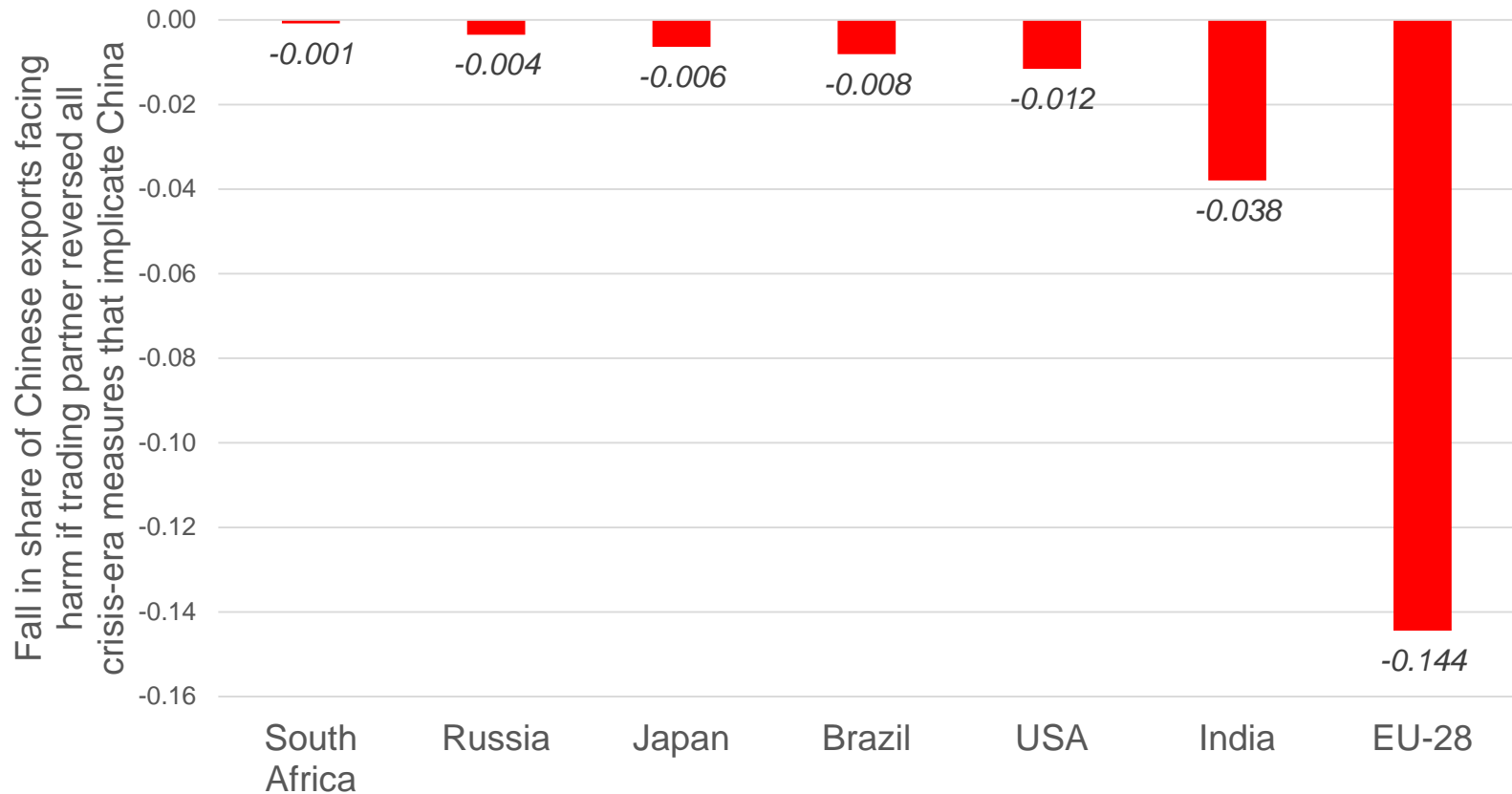
# Hits to Chinese exports compound over time



# Five of top 6 policies harming Chinese exports involve some form of subsidy



# Bilateral deals to limit protectionism won't help China much



# Implications for Swiss Business

- Current “trade war” is principally bilateral, so main effect is on Swiss firms operating in China or USA.
  - Exception: Steel sector.
- Watch out for US decision on car and car part imports—could result in worldwide tariffs.
- Look out for “trade deflection” from bilateral trade war that causes protectionist response to spread.
- Opportunities created by current trade tensions for Swiss business.
- Over longer term expect new global rules on subsidies and on export credits and trade finance.

# Principal Implications

- Don't be misled that only covert, import restrictions matter—the scale of subsidisation and export support policies are much larger.
- Still, 2018 has been a very bad year.
- The cumulative impact of 10 years of new trade distortions affects large %s of world trade and hence corporate performance.
- The focus on the US-China “trade war” is misleading—bilateral deals won't fix this.