



European trade commissioner, Baroness Catherine Ashton, says moves to help industries can be good, if they enable and encourage companies to be part of global trade.

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Protection racket

When Vietnam and China lobbied last year for an end to anti-dumping measures against exports of shoes with leather uppers from those countries to the European Union, one of the points they made was that for Europe to put what they perceived as unfair barriers in the way of their footwear manufacturers was protectionist. And when, last September, the European Commission announced a formal review into accusations that the Asian countries were making the export prices of shoes falsely cheap—during which exporting companies will have to continue to pay an extra 16.5% for product from China and 10% on shoes made in Vietnam—politicians and business leaders in the north of Europe levelled the same accusation at their counterparts in the south of the continent. It would be fair to say, putting it mildly, that the wounds from this have still to heal completely.

Liberal democracies are not fond of being called protectionist, but the issue goes way beyond name-calling. At the most recent meeting of the World Economic Forum, at Davos in Switzerland at the end of

The footwear industry has suffered its fair share of division in recent times over the question of protectionism. This article examines the wider global trade context in which the different points of view on this question have grown up.

January, Brazil's minister of foreign affairs, Celso Amorim, said the greatest threat to the system of open trade across the world would be if protectionist measures began to spread in an uncontrolled fashion. "I see more and more signs of this," he continued. "I'm referring to protectionist measures in developed countries, in rich countries. They are measures that fall within an ideology of economic nationalism. That would be extremely serious; it would take us back to the 1930s again. It would dash the hopes of developing countries."

Only fair

Of course, when, in recent weeks, Argentina launched a programme of employing government aid to offer school shoes, made by local companies from local leather, at a price of around \$15, and followed this up by launching an anti-dumping investigation of its own into imports from China, no one in the South American country regarded such moves as protectionist. The country's president, Cristina Fernández de Kirchner, said that defending jobs involving a high level of manual labour was of great importance to her. She said: "Preserving these jobs means more than continuing to pay someone's salary. This is what keeps families and societies on the right road; this is what life is about."

The same is true of the United States, whose 'Buy US' policy, perceived as protectionist by many outside, is natural and fair in the eyes of most legislators and citizens there.

In Davos, Mr Amorim spoke, as he has many times in the past, in support of the Doha Development Round of trade talks, which stalled last July and, in spite of the best efforts of the World Trade Organisation (WTO), have still to get going again, with disagreements over agricultural policy between China, India and the US the principal stumbling block. Recent comments from the director general of the WTO, Pascal Lamy, still leave some room for optimism. "We are nearly there," he says. "We're 80% of the way down the road. The remaining 20% is work we still have to do on agricultural and fishing subsidies, industrial tariffs, anti-dumping. But what remains to be done, especially considering where we were last year, is modest."

He accepts that the current global economic situation could make it harder to bring the Doha Round to a successful conclusion. Mr Lamy says governments have "for political and tactical reasons" not yet put into the public domain "everything they have negotiated". He makes it clear that a successful conclusion to Doha will lead to the amount of duty the governments of the world are able to charge importers for bringing in shoes and other goods made overseas will halve.

This, perhaps, gives some insight into why some budget-conscious governments are less keen than Mr Amorim, whose suggested remedy for many of the problems affecting fair and open global trade at the moment is: "Conclude Doha, and conclude it quickly."

Domestic reaction

Soon after the footwear fracas of last autumn, the European Union appointed a new commissioner for trade, Baroness Catherine Ashton. She sat on the same Davos panel as Celso Amorim to debate the best ways to combat protectionism. She said she feared many government and global leaders were failing to communicate to businesses and to the general public that many of the ideas they were putting forward were "solutions rather than problems", because what they are attempting to do, in taking these measures, is protect people's jobs, their prosperity and the wellbeing of their families. She said it was only natural for



Celso Amorim, Brazil's minister for foreign affairs, at the World Economic Forum in Davos, Switzerland.

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countries to react first by looking at their domestic economies.

However, Baroness Ashton quickly went on to say: "The way forward is to trade. This will be an important remedy. What I am fearful of is that we are not communicating that effectively enough. We're not actually explaining to people across the world, to government, to politicians, to legislators that making sure businesses are able to trade is an important part of the solution. A failure to communicate this could then feed into a fear that will turn itself into protectionism of the worst kind."

She emphasised that she sees a big difference between this "protectionism of the worst kind" and some of the steps that companies and industrial bodies have taken to be able to survive or continue flourishing so that they can remain active in global trade. National governments, quite reasonably in her view, want to use their resources to support and develop industry, whether industries that are "in grave danger", or those for which they see good future potential. But this should happen, Baroness Ashton stressed, only so that the businesses involved can operate in a global market. "I don't think we should see these two things always as a deep contradiction," she said. "Sometimes they are, but not always. Looking to support domestic industries is important, but the challenge that faces us all is to find a way to support those industries so that they can use their advantage to be part of a trading nation in a trading world, in the spirit of us all working together."

The minister for trade for the Republic of Korea, Kim Jong Hoon, spoke of a "dangerous vicious circle that



WTO director general, Pascal Lamy, says 80% of the work on the Doha Development Round has already been completed.

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can develop if one player in the global market starts adopting protectionist measures and its trading partners feel pressurised into responding in kind. He said the whole global trading community had to look out for three things. The first of these was to send positive messages to domestic consumers, making it clear to them that measures that distort and restrict trade are not the right answer at this time. Second, we should all be mindful, he said, that whatever stimulus packages governments come up with, abiding by WTO rules in putting the packages into practice should be “a minimum requirement”. Lastly, he agreed that good communication among trading nations was of crucial importance.

Development in reverse

Another important Asian footwear manufacturing country, Indonesia, says it is already suffering because of what it regards as increased protectionism in the developed world. Its trade minister, Mari Pangestu, says: “We are already feeling the effects; all developing countries are, even countries that have done everything right, such as Indonesia. And the biggest threat from this is the reversal of development. If Doha does not happen, if there’s a loss of confidence in the multilateral trading system, if there is continued rampant protectionism in developed countries with subsidies and fiscal stimulus programmes, developing countries are going to lose access to those markets. We’ve carried out all the reform policies, and until now we have been able to raise money to finance our budget deficit for

development purposes from the commercial market, but we can’t do that any more.”

She raises an interesting point that could back up any moves to boost footwear manufacturing jobs in countries such as Indonesia. Many of the stimulus packages she has heard about will contribute, she believes, to protecting men’s jobs, but will leave women out of work. We know from comments ministers from countries such as Vietnam have made in recent times that boosting industries that employ large numbers of women—which footwear does—is a key component to reducing poverty. The suggestion, varying slightly the comment quoted above from the president of Argentina, is that if you give a man a living wage, he will live, but that if you give a woman a living wage, a whole family will. Ms Pangestu says: “I can tell you that one problem we are having right now is that a higher number of women than men are losing their jobs. But all the fiscal stimulus programmes are directed at men because they are for building roads and bridges. These are the real issues.”

A still hopeful Pascal Lamy says that, for the most part, the rules governing global trade work. Disputes, such as the ones we have seen in the footwear industry, will always arise, but his organisation is used to handling them within the rules of the game. He has called on governments across the world to stay engaged and to keep global trade moving. His conviction is that global trade, fair and free within the framework of the rules, is the only game in town. 🌐



Indonesia’s trade minister, Mari Pangestu, fears the process of transforming economies in the developing world could go into reverse.

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