

COMMENT

Protectionism on the Rise

WITH THE US ECONOMY IN BAD shape, various actors in that country seem to be preparing the ground for a bout of protectionism, with developing countries, particularly India and China, the target.

The *New York Times* recently published a front page article giving details of how Chinese authorities subsidise producers of solar and wind technology in allegedly unfair ways.

This is truly ironic for many reasons. On one hand, developing countries, especially China, are under tremendous pressure to reduce their greenhouse gas emissions.

The most important measure advocated is to switch from carbon-intensive coal and oil to renewable clean energy like solar and wind.

This pressure is being applied at the global climate negotiations. In addition, the US House of Representatives has passed a Bill that authorises the President to impose a "border adjustment measure" (with the effect similar to a tariff) on carbon-intensive imports of countries that are deemed not to have taken sufficient action on climate change.

Yet, when China takes measures to promote the production of solar panels and wind turbines, it is asked to stop these measures on the ground that they violate WTO rules.

The United Steelworkers Union has filed a 5,000-page legal case with the US administration accusing China of subsidising exports of wind turbines, solar panels, nuclear power plants and other clean energy equipment.

The union claims that the central and provincial governments have used land grants, low-interest loans and many other measures that allow Chinese companies to gain market share at the expense of jobs in the US.

The hard fact is that WTO's subsidies agreement is biased in favour of developed countries because it allows types of subsidies that they use (especially research and development grants) while forbidding or restricting types of subsidies that developing countries tend to use.

Developing countries, because of lack of resources, cannot match the R&D subsidies that the rich countries provide.

They can, however, provide assistance to firms for infrastructure (such as land and utilities) and credit (bank loans at preferential rates) to encourage production.

But developed countries facing high unemployment and other economic woes, are trying to make scapegoats of developing countries and take them to court in the WTO for using these measures.

Meanwhile, the US (and European countries) have spent trillions of dollars to rescue their financial institutions and automobile companies.

If free enterprise and free trade principles were to apply, these measures should not be allowed. Yet no developing country has taken WTO action against these countries.

[Contributed]