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Transcript

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PETER CAVE: A leaked report from the World Trade Organization says that nations are throwing up trade barriers in response to the global recession.

The WTO director general, Pascal Lamy, says that the global economy is fragile and that wealthy nations will see exports drop by 14 per cent this year. And that's not going to help the world recover from the worst downturn since the Great Depression.

Finance reporter, Sue Lannin.

SUE LANNIN: As the world's economy stumbles, countries are putting up the walls. The head of the World Trade Organization, Pascal Lamy, says protectionism is on the rise and that's cutting into trade. The WTO says while the slowdown in the global economy appears to be easing, it expects trade volumes to fall by 10 per cent this year,

Fariborz Moshirian is a Professor of Finance at the University of New South Wales. He says despite all the rhetoric there is no real commitment to free trade.

FARIBORZ MOSHIRIAN: The situation is not good because we know that since the G20 summit in November 2008, we have seen in this further deterioration in trade and increase in trade protectionism. Seventeen countries from amongst the G20 group introduced 47 trade-restricting measures.

SUE LANNIN: It is not helping the world get out of the global recession, is it?

FARIBORZ MOSHIRIAN: That is true and when you look at for instance, the case of European Union, they have applied anti-dumping duties on US. The EU for instance introduced export subsidies on butter, cheese, milk powder. China and India for instance embark on export subsidies while India banned the importing of toys from China.

SUE LANNIN: Mr Lamy says there are twice as many trade barriers than free trade

measures. One dispute is between China, the European Union and the United States. The EU and the US says Beijing is breaching WTO rules by restricting exports of raw materials. China says it's not breaking the rules.

Professor Alan Oxley is the chairman of the Australian APEC Study Centre at RMIT.

ALAN OXLEY: What you are seeing is the tensions which do arise when trade falls off which is what has happened in the recession and industries which have a bit of trouble being competitive in world markets, typically steel and textiles, particularly industrialised world like United States, start to put pressure on the Congress to take actions to protect them and that is why we have seen the upsurge in anti-dumping activities.

SUE LANNIN: The WTO also says the outbreak of swine flu is hampering trade with nearly 40 countries bringing in restrictions. Fariborz Moshirian again.

FARIBORZ MOSHIRIAN: This swine flu episode is creating a new excuse for some countries to intensify trade barriers against foreign goods.

SUE LANNIN: Pascal Lamy is also concerned that stimulus spending by governments around the world has created new barriers. Fariborz Moshirian believes that is financial protectionism.

FARIBORZ MOSHIRIAN: We implicitly ask financial institutions to support domestic projects. They should support domestic lending and reduce the international lending activities.

So the combination of in effect trade protectionism and financial protectionism is not contributing to stronger recovery that some people were expecting to see in the second part of 2009.

SUE LANNIN: Despite the downturn, Alan Oxley says China could lead a global turnaround.

ALAN OXLEY: People watching China's exports. What we should be watching is China's imports. The Chinese have put in place some significant stimulants and I think it is a reasonable proposition over the next year or two, we will start to see that they'll continue to be a growth market for countries in the region exporting. The big downside is the collapse of demand in the United States and Japan.

SUE LANNIN: And Australia's trade deficit rose in May. The gap between imports and exports came in at \$556-million - a nearly 100 per cent increase from April.

PETER CAVE: And that was our finance reporter, Sue Lannin.