G20 Commitment on "Rejecting Protectionism" Compliance Performance Report

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Prepared by

The International Organizations Research Institute of the State University Higher School of Economics

And

The G8/G20 Research Group of the University of Toronto

Co - chairs:

HSE Research Team Professor Marina Larionova

UoT G8/G20RG Research Team Professor John Kirton

Analysts at the State University Higher School of Economics:

Ekaterina Gorbunova

Mark Rakhmangulov

Anna Vekshina

Yuriy Zaytsev

Analysts at the University of Toronto:

Jenilee Guebert

Kathryn Kotris

Zaria Shaw

Cam Vidler

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Rationale

In the Washington Declaration the adopted by the G20 leaders pledged the following commitment on trade liberalization: "Within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organizations (WTO) inconsistent measures to stimulate exports".

The commitment features

There are three components to this commitment:

- member states commit to refraining from new barriers to investment or to trade in goods and services;
- member states commit to refrain from imposing new export restrictions;
- member states commit to refrain from implementing World Trade Organizations (WTO) inconsistent measures to stimulate exports.

The first two parts of the commitment don't mention the WTO explicitly. However it does not imply that these two are unrelated to the WTO norms. Even if the three are treated as separate bits, there is a need to adopt a measure of compliance assessment, so that there is across countries consistency. WTO consistency principle is adopted in the monitoring, as there is no better normative standard than WTO provision on international trade, and as any action by the G20 members under the first two components can not considered in breach of the commitment. Assessing the third bit requires the WTO consistency. Thus a cross components consistency measure is attempted.

Scoring

-1	State introduces new barriers to investment or to trade in goods and services **and** implements measures inconsistent to WTO regulations to stimulate exports
0	State raises new barriers to investment or to trade in goods and services **or** implements WTO inconsistent measures to stimulate exports.
+1	State refrains from raising new barriers to investment or to trade in goods and services **and** doesn't implement World Trade Organizations (WTO) inconsistent measures to stimulate exports.

The WTO agreements provisions have been used for guidance in analysis:
http://www.wto.org/english/docs_e/legal_e/legal_e.htm

The country reports starts with a general assessment of the country position re the commitments as expressed formally and publicly in various fora. The review of the measure undertaken covers not only those in breach of the WTO provisions, but the major actions which are in conformity with these. As many countries have introduced a proliferation of programmes and measures but remain within the WTO provisions. The reviews also include the measures which can not be assessed definitively at this stage, but can be evaluated eventually, the reports finally a wrap up on the measures which are clearly non compliant, if any. The final assessment and a score wrap up the monitoring results. If an analyst has doubts, they are made explicit for further consultations with the analysists and the stakeholders.

Over the monitoring period protectionist measures have been adopted by most of the G20 members, though the commitment to the pledge made in the G20 summit in Washington has been repeatedly emphasized.

Having said that, the fact sheets of measures to address the crisis and restore the financial and economic stability list special regimes for state aid, including for exporters of industrial and agricultural goods, introduction of subsidies, or customs duties, change of quotas, change of tax regimes, anti dumping measures.

Though the G20 members have undertaken a wide range of measures, few of the measure so far can be definitely assessed as actionable under the WTO provisions, though a number of anti dumping cases may find their way to the WTO DSB. Thus for countries with auto bailouts it is hard to judge consistency without a prior WTO decision on these matters. Given that, assessments were made on the principle of "not guilty until proved otherwise".

Export restrictions, including export taxes, do not seem to have been raised by any G20 members. On the contrary, most members that had export restrictions prior to the economic crisis have reduced them, most notably China. This is hardly surprising, considering many governments are seeking to stimulate exports in the face of a falling world demand.

The evidence collected so far indicate, that the countries managed to remain within the limits of the commitment and the WTO provisions to 58%. The multilateral commitments and peer pressure, including from the international institutions (WTO, IMF and the WB) seem to have proved to be a containing factor in the protectionist fever. Thus establishment of a transparent mechanism to monitor commitments to avoid trade restrictions and measures to increase access to trade finance, can become an essential instrument of a package of internationally coordinated measures to restore stability and set a course for a sustainable economic recovery1.

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[1] 'The Road to the London Summit'– the plan for getting the global economy back on track through a new global deal. Report by Prime Minister, Gordon Brown (18/02/2009) http://www.londonsummit.gov.uk/en/media-centre/latest-news/?view=News&id=13722811

G20 Compliance Scores

Country	Score
Argentina	0
Australia	+1
Brazil	+1
Canada	+1
China	0
France	0
Germany	+1
India	0
Indonesia	0
Italy	+1
Japan	+1
Mexico	+1
Russia	0
South Africa	+1
United Kingdom	+1
United States	0
European Union	+1
Average score	0.58 (58%)

Argentina: 0

Argentina has practiced rather tight policy with respect to international trade. It has undertaken measures to protect national industry imposing non-automatic licensing, strengthening trade control and even implementing WTO inconsistent measure introducing subsidies to fish and agricultural sector. Simultaneously, the Argentine government has supported banking sector, car industry and introduced export customs duties cuts to raise export.

Argentina has introduced non-automatic licensing requirements on 1200 consumer goods such as auto parts, textiles, TVs, toys, shoes, and leather goods[2]. This measure is applied for imports from all countries, including MERCOSUR. The list of 1200 products includes items which are not produced in Argentina. Thus, 50% of consumer goods value import is a subject to non-automatic licensing (in 2007 it was 11%).[3] Non-automatic licensing does not constitute a direct barrier to imports and though technically demanding for exporters, is a legitimate right of the country.

Argentina has strengthened control over import of 120 goods from China and Brazil. First of all this refers to 50 items of textile products, 50 items of metal products and 20 items of so called ‘white line' (fridges, kitchen stoves and washing machines).[4]

To support banking sector National administration for social insurance (Administración Nacional de Seguridad Social, ANSES) organized a USD600 million auction for banks for obtaining 1-year deposits. The money should be repaid in a 1-year period with an 11% fixed rate. USD200 million are intended for mortgage loans for buying new cars, USD200 million – for personal loans to debit card holders, and USD200 million – for financing of SME.[5]

The Government of Argentina announced a project of a new Law including measures to resist global financial crisis, which was approved by the Congress on 18 December 2008. The main measures covered by Law include respite of payments for companies having debts for the 31 December 2007, support for car industry, credits for preliminary export financing, credits for SME, plan for renovation of home appliances sector, export taxes cut, support of local tourism.[6]

Substantial subsidies have been allocated by Government of Argentina to support export. Credits for preliminary export financing included USD80 million for preliminary financing of fish products export and USD1.7 million for preliminary financing of export and payments to employees in agricultural sector. These credits are offered with a fixed interest rate at 11% and monitored by the state.[7] The interest rate is lower than the market rate and thus is inconsistent with WTO rules.

Another measure to stimulate export was a cut of export taxes on wheat and corn by five percentage points to 23% and 20%, respectively. Now the Government is considering the reduction of export taxes by 4 and 5 points on sunflower (which is now 32%) and more flexible approach to meat products control.[8]

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[2] Report to the TPRB from the director-general on the financial and economic crisis and trade-related developments. 23 January 2009. http://www.tradeobservatory.org/library.cfm?refid=105042

[3] Se controlará la improtación de unos 1200 bienes de consumo. La Nacion. 30 October .2008. http://www.lanacion.com.ar/nota.asp?nota_id=1064700&high=mercosur

[4] Argentina controla importaciones de Brasil y China por crisis. Los Tiempos. 16 October 2008. http://www.lostiempos.com/noticias/16-10-08/16_10_08_ultimas_eco15.php

[5] Boletin Oficial de la Republica Argentina. 9 December 2008. http://www.boletinoficial.gov.ar

[6] Argentina y Brasil ante la crisis financiera mundial: Un análisis comparado de las políticas públicas impulsadas pot los poderes ejecutivos. 22 January 2009. http://www.evrieduca.com/noticia.php?id=0000008

[7] Argentina y Brasil ante la crisis financiera mundial: Un análisis comparado de las políticas públicas impulsadas pot los poderes ejecutivos. 22 January 2009. http://www.evrieduca.com/noticia.php?id=0000008

[8] Report to the TPRB from the director-general on the financial and economic crisis and trade-related developments. 23 January 2009. http://www.tradeobservatory.org/library.cfm?refid=105042

In order to support car industry 3.1 billion pesos (USD0.9 billion)[9] were allocated for credits for buying new cars. 650 million pesos (USD196 million) are allocated for credits for buying trucks and equipment. Plan for renovation of home appliances sector was aimed to support domestic production and consumption, as well as to reduce energy consumption by using more energy-effective technologies.[10]

To facilitate investment projects the government of Argentina has given credits to private sector firms. Nearly 500 companies, working in the tourism sector will receive credit card payments with the possibility to pay in 3-6 installments without interest rate. Argentina also allocates 300 million peso (USD90 million) credits for buying equipments and renovation of companies. It is expected that appropriately 364 hotels and 140 travels operators will benefit from the measure.[11]

To support SME and maintain job the Central Bank has already allocated 1.6 million pesos (USD0.5 million) and is going to allocate 1.2 billion pesos (USD363 million) more in the nearest future for offering 12-36-months loans for SME. The main condition for companies willing to receive the resources is their guarantee not to dismiss personnel.[12]

Thus, Argentina has introduced WTO inconsistent measures with subsidies introduction and strengthening import control. Implementation of the commitment is assessed at a score of 0.

Analysts: Ekaterina Gorbunova and Yuriy Zaytsev

Australia: +1

The national government on the whole has not imposed any trade and investment restrictions, or WTO-inconsistent subsidies. WTO sources have reported that the state government of Victoria introduced a 40% local content requirement on government purchases of large capital goods, including trains.[13] However, since it is a local government measure, it should not be seen as a violation of the Australian government's commitments.

In terms of subsidies, as of January 2009, Australia planned to create a "Special Purpose Vehicle" fund worth AUD 2 billion to help finance car dealerships.[14] It does not appear, however, that this subsidy is linked to the stimulation of exports.

Australia's compliance is scored +1.

Analysis by the University of Toronto G20 Research Group

Brazil: +1

During the monitoring period the Federal Government of Brazil has undertaken no measures of raising new barriers to investment or to trade, has not imposed new export restrictions. Some measures have been registered that could be considered to be WTO inconsistent. Simultaneously, Brazil has made substantial steps towards fostering trade and investments flows. The Brazilian government has concluded joint action plans and bilateral agreements with foreign partners on trade issues, lowered customs tariffs for industrial products and car industry supported car makers and farming sector with granting different forms of subsidies.

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[9] The sum in USD was calculated at the exchange rate 1 USD = 3.34 peso.
[10] Report to the TPRB from the director-general on the financial and economic crisis and trade-related developments. 23 January 2009. http://www.tradeobservatory.org/library.cfm?refid=105042
[11] Boletin Oficial de la Republica Argentina. 9 December 2008. http://www.boletinoficial.gov.ar
[12] Boletin Oficial de la Republica Argentina. 9 December 2008. http://www.boletinoficial.gov.ar
[13] The Australian. January 12, 2009. "Global trade needs Doha after G20 broken pledges." Available online at http://www.theaustralian.news.com.au/business/story/0,28124,24899001-30538,00.html
[14] Report to the TPRB from the director-general on the financial and economic crisis and trade-related developments.

Substantial actions were undertaken by the Federal Government of Brazil to strenghten relations with foreign partners in trade and investments facilitaion. At the Second Brazil-European Union Summit, which was held in Rio de Janeiro on 22 December, the Brazilian President Luiz Inácio Lula da Silva, French President, Nicolas Sarkozy, in his capacity as the President of the Council of the European Union, and the President of the European Commission, José Manuel Durão Barroso discussed Brazil-EU Joint Action Plan and Strategic Partnership in the next three years.

Leaders underscored the critical importance of rejecting protectionism and not turning inwards in times of financial uncertainty. Leaders confirm their willingness to reach an ambitious, comprehensive and balanced agreement that fulfils the development objectives of the Doha Round and significantly fosters trade flows in agriculture and industrial goods and services among and between developed and developing countries, as well as promotes effective trade rules.[15]

Within the Joint Action Plan EU and Brazil agreed a set of measures to increase trade and investment flows. It was decided to facilitate the exchange of information that allows both sides to take advantage of reciprocal opportunities for public and private investments.[16]

A Common tax regime (RTU) which establishes a common tax rate at 42.25% of good's price and legalizes retail trade between the City of the East (Ciudad del Este) and other bordering cities of Paraguay and Brazil, was approved by the Brazilian Senate.[17]

To modernize trading system update statistics and identify divergences with commercial operations the Federal government of Brazil has introduced a new electronic license system to register imported goods. According to Brazil's Finance minister Guido Mantega a long list of products equivalent to 60% of Brazil's imports would have needed the previous approval from the Industry and Foreign Trade ministry, which had 60 days to decide on the license issue.[18] The present system makes easier the procedures of concordance and may be considered as a measure to facilitate international trade operations.

To support real sector development the Brazilian government has allocated 9 billion reals (approximately USD4 billion[19]). Main measures were focused at lowering customs tariffs for some industrial products and car industry and reduction of tax rate to 0% on foreign currency transactions.[20] A decrease of customs tariffs aimed at lowering final consumer prices for such products as home appliances and cars has been introduced. Regarding foreign exchange transactions involving the financial and capital markets a tax rate was reduced from 1.5% to zero on all transactions (inflows and outflows). The tax on foreign currency exchange transactions involving the inflow and outflow of funds related to cross-border financing with an average

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[15] Ministério das Relações Exteriores. Reunião de Cúpula Brasil-União Européia - Rio de Janeiro, 22 de dezembro de 2008 - Declaração Conjunta. 22 Decmber 2008. http://www.mre.gov.br/portugues/imprensa/nota_detalhe3.asp?ID_RELEASE=6156

[16] 2nd Brazil - European Union Summit Rio de Janeiro. 22 December 2008. http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/105021.pdf

[17] Argentina y Brasil ante la crisis financiera mundial: Un análisis comparado de las políticas públicas impulsadas pot los poderes ejecutivos. 22 January 2009. http://www.evrieduca.com/noticia.php?id=0000008

[18] Brazil back steps on "electronic" import license request. MERCOPRESS. 28 January 2009. http://www.falkland-malvinas.com/vernoticia.do?id=15918&formato=HTML
Brazil backs off import restrictions. TMCNews. 9 January 2009. http://www.tmcnet.com/usubmit/-brazil-backs-off-import-restrictions-/2009/01/29/3950230.htm

[19] The sum was calculated at the exchange rate 1 USD = 2.25 Real according to the US Federal Reserve System data on 20 March 2009.

[20] Argentina y Brasil ante la crisis financiera mundial: Un análisis comparado de las políticas públicas impulsadas pot los poderes ejecutivos. 22 January 2009. http://www.evrieduca.com/noticia.php?id=0000008

repayment term of longer than 90 days has been reduced from 0.38% to 0%.[21] The central bank has recently offered USD2 billion to companies starved of trade finance.[22]

With respect to car industry customs tariffs the reduction amounted to 0% of tax rate for cars with 1000 cubic liters capacity of a cylinder, for other cars – from 13% till 6.5%.The Brazilian government has instructed the state-run Banco do Brasil to make USD1.7 billion available to carmakers' financing units. It is also cutting car-purchase taxes.[23] According to report of the International Trade Department of the World Bank it is a form of subsidy to auto industry.[24] Nevertheless, because of a lack of information it is still unclear, whether it complies with the WTO rules or not.

Brazil's Central Bank issued USD1.62 billion in six-month loans in an attempt to provide relief to exporters, especially in the farming sector.

In January Brazil announced its intention to impose restrictions on 60% of imports, but it was quickly reversed by President Lula da Silva, claiming he did not want the country to be labeled protectionist.[25]

A shortage of accessible information makes it difficult to gather sufficient data. Nevertheless, on the basis of accumulated evidence base given that the support to the auto industry and farming sector exporters are in line with the other G20 countries measures and do not constitute new barriers to trade, new export restrictions and WTO rules breach. Brazil's compliance is scored +1.

Analysts: Ekaterina Gorbunova and Yuriy Zaytsev

Canada: +1

No facts of raising new investment or trade barriers, imposing export restrictions or implementing WTO inconsistent measures by Canada have been registered in compliance monitoring period.

The country adhered to anti-protectionist trade policy. Canada's federal budget eliminated duties on CAD2 billion (USD1.62 billion)[26] worth of imported machinery and equipment.[27] Canada announced CAD4 billion (USD3.23 billion) in short-term loans to its auto industry.[28]

Within national automobile industry support measures General Motors Canada Ltd. and Chrysler Canada Inc. received CAD1.2 billion (USD0.97 billion) from the Federal government representing the first installment on an agreed upon CAD4 billion (USD3.23 billion) lending plan. The interest rate is set at 3 points over the 3-month London interbank offered rate (Libor) which worked out to be 4.40% at the time of disbursement.[29] The federal and Ontario provincial governments have agreed to further lend Chrysler Canada Inc. CAD1 billion (USD0.8 billion)

[21] International Tax Alert. 7 November 2008. http://www.ey.com/global/assets.nsf/Austria/Brazilian_International_Tax_Alert,_November_2008/$file/Brazilian%20International%20Tax%20Alert,%20November%202008.pdf

[22] Report to the TPRB from the director-general on the financial and economic crisis and trade-related developments. 23 January 2009. http://www.tradeobservatory.org/library.cfm?refid=105042

[23] Too many moving parts. The Economist. 7 February 2009. http://www.economist.com/displaystory.cfm?story_id=13057275

[24] Trade Protection: Incipient but Worrisome Trends. International Trade Department. World Bank. 2 March 2009. http://siteresources.worldbank.org/NEWS/Resources/Trade_Note_37.pdf

[25] WTO director urges trade instead of protectionism. International Herald Tribune. 2 March, 2009. http://www.iht.com/articles/ap/2009/03/02/business/AS-Australia-WTO.php

[26] CAD1 = USD1.237

[27] Globe and Mail (February 6, 2009), "Buy American battle not over, leaders warn".

[28] Globe and Mail (February 6, 2009), "Buy American battle not over, leaders warn".

[29] National Post (January 9, 2009), "Trade risks in auto bailouts".

but the terms have not been finalized. General Motors Canada Ltd. has been offered CAD3 billion (USD2.4 billion) but declined saying it does not need the money immediately.[30]

A small group of U.S. oil producers persuaded Oklahoma's Attorney General to investigate whether Canadian petrol producers from the Alberta tar sands are 'dumping' or selling products below production costs in Cushing, Oklahoma. Canada claims that the U.S. is being protectionist.[31]

Canada has received accusation from China on imposition of anti-dumping duties of up to 43% against Chinese aluminum products. The China Nonferrous Metals Industry Association has asked the matter to be referred to the WTO.[32] However, the fact of non-compliance with WTO rules can only be established only after WTO anti-dumping duties investigation.

Thus, taking into consideration compliance with G20 commitment clauses, Canada's compliance is assessed at a score of +1.

Analysis by the University of Toronto G20 Research Group

China: 0

China has breached the condition of G20 commitment raising barriers to goods from the member states of the European Union. The Government of China has undertaken substantial measures to promote the Chinese export increasing VAT rebates and making export relatively cheaper. Having made this China was accused by the USA of unfair support of its export industry inconsistent to WTO rules.[33] The number of anti-dumping cases worldwide brought against China is setting a record pace.[34]

China has recently taken fiscal measures to boost its exports. On 1 November 2008 VAT rebates were increased for exports of textiles and clothing, bamboo products, plastics and furniture. Tax rebates were increased for 3,770 different exports. In addition, import tariffs and VAT paid on 1,730 tariff lines of imports have been reduced, as long as they are used in the production of products for export.[35]

Tax rebates have been also increased for Chinese aluminum, chemicals, and tires to boost those industries' exports. Under international trade rules, governments can rebate their value-added or sales taxes at the border, making their exports relatively cheaper. Manufacturers in other countries, whose governments may not have the deep pockets to forgo such tax revenue, see these rebates as little more than Chinese export subsidies.[36]

China will reduce export taxes to zero and extend greater financial support to exporters in order to increase its share of global trade in an environmentally responsible way. This is in response to the contraction of global trade and currencies of many of China's competitors and customers. China's central bank governor refuses to rule out the possibility of a currency devaluation.[37]

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[30] The Globe and Mail (February 16, 2009), A13.
[31] The Globe and Mail (March 9, 2009), "Oil patch irate over dumping allegations".
[32] The Globe and Mail (March 12, 2009), "Chinese group warns of trade backlash".
[33] The Washington Post (December 22, 2008) "Trade Barriers Toughen With Global Slump".
[34] National Journal (December 12, 2008), "Protectionism in the Offing?"
[35] ibid. p. 6.
[36] National Journal (December 12, 2008), "Protectionism in the Offing?"
[37] The Financial Times (March 10, 2009), "China acts to shore up weakening exports".

According to the World Bank's monitoring list of trade and trade-related measures, China has recently banned imports of Irish pork and rejected some Belgian chocolate, Italian brandy, British sauce, Dutch eggs, and Spanish dairy products.[38]

To support auto industry China has also announced measures to subsidize carmakers. These include lower sales taxes for certain cars, a Y5 billion (USD0.73 billion) subsidy to farmers to purchase upgraded vehicles, Y10 billion (USD1.46 billion) over three years to encourage clean car technologies, as well as a loan approximately equivalent to USD1.45 billon from the Export and Import Bank to a major car company.

The Beijing government announced various tax incentives and subsidies for its auto industry.[39]

China rejected a USD2.4bn Coca Cola deal on competition grounds, saying the move would hurt small domestic companies and limit choice.[40]

Thus, China has raised trade barriers to goods from the EU countries, and has undertaken substantial measures to promote its export through subsidies. But there is still a need to justify if the subsidies imposed are WTO inconsistent according to the WTO Agreement on Subsidies and Countervailing measures. Meanwhile, China gets a score of 0.

Analysis by the University of Toronto G20 Research Group

France: 0

During the monitoring period France has not breached the clauses of commitment. Substantial measures were undertaken to support SME and leading national industries.

The French government is completing an agreement to lend EUR5 billion (USD 6.75 billion)[41] to finance purchase agreements of Airbus SAS jets. The aircraft financing will be facilitated by BNP Paribas and Societe Generale and possibly other French banks.[42]

The French government is in the process of launching a sovereign wealth fund worth USD7.6 billion to protect French companies from foreign takeovers.[43] The stated objective of the French sovereign wealth fund is to invest in French companies that are failing and support smaller French companies.[44]

The French government has also undertaken a set of measures to revitalize **national automobile industry**. As of late January, the government had announced the creation of a restructuring fund worth EUR300 million (USD405 million) for the auto industry, as well as a EUR3 billion (USD4 billion) loan facility for Renault and Peugeot-Citroen.[45] The rate of interest charged is 6 % over 5 years. Renault Trucks, owned by AB Volvo of Sweden, and some other automakers will also receive EUR500 million (USD675 million) in loans. Renault and PSA committed not to close any production sites for the duration of their loan.[46] A subsidized loan package of EUR6 billion (USD8.1 billion) has been offered to the industry.[47] More recently in exchange for a government loan package of EUR6 billion (USD8.1 billion) for French

[38] Gamberoni, Elisa and Richard Newfarmer. March 2009. "Trade protection: Incipient but worrisome trends." In Baldwin, Richard and Simon Evenett (eds.). The collapse of global trade, murky protectionism, and the crisis: Recommendations for the G20. P. 50. http://www.voxeu.org/reports/Murky_Protectionism.pdf
[39] The Korea Herald (February 6, 2009), "Protectionism rearing its ugly head".
[40] The Financial Times (March 19, 2009), "Beijing bars Coke takeover of juice maker".
[41] The sum was calculated at the exchange rate EUR1 = USD1.35 according to the US Federal Reserve System data on 20 March 2009
[42] Globe and Mail (January 27, 2009), "France readying plan for aircraft financing".
[43] The Washington Post (December 22, 2008), "Trade Barriers Toughen With Global Slump".
[44] Global Finance (January 1, 2009), "The Price for Protection".
[45] World Trade Organization. op cit.. p. 7.
[46] The Globe and Mail (February 10, 2009), "Peugeot, Renault win loans on promise of no cutbacks".
[47] Gamberoni and Newfarmer. op cit. p. 50.

automakers, French President Nicola Sarkozy suggested that the companies bias production towards the home market, saying that producing cars in countries like the Czech Republic for sale in France was "unjustified." Chairman of the European finance ministers, Jean-Claude Juncker warned France about package and called for the European Commission to “examine [it] very intensively” to ensure that it did not violate the principles of the common market.[48] The European Commission, however, has approved the loan based on their confidence that Renault and Peugeot-Citroen were still free to locate production where they liked.[49] But the French government's pressure is still likely to constrain the firms' production decisions.

France adhered to requirements of the commitment, but the combination of the sovereign wealth funds and French government pressure on companies to relocate to domestic market earn a 0 based on barriers to investment.

Analysis by the University of Toronto G20 Research Group

Germany: +1

During the monitoring period no facts of raising new barriers to investment and trade or implementing WTO inconsistent measures undertaken by German Government have been registered. Germany has tried to adhere to the principles outlined in the Washington Summit Declaration to undertake measures to respond to the global economic crisis in coordination with world partners rejecting protectionism.

German Chancellor Angela Merkel is committed to find a balance between national and international priorities. German Government has tried to stimulate national economy and enhance the quality of international regulations and more transparency in the financial markets at the same time.[50] It has accepted the necessity to rebuild its own financial systems and help the international community to regain confidence.[51] German Chancellor in her speeches at different meetings held in different formats stressed the need for open global economy that is free of protectionism. At the meeting on 5 February 2009 in Berlin Angela Merkel and representatives of international organizations, OECD Secretary-General Angel Gurría, WTO Director-General Pascal Lamy, ILO Director-General Juan Somavia, IMF Managing Director Dominique Strauss-Kahn and World Bank President Robert B Zoellick, stated that all countries have a duty to resist protectionist tendencies, work towards tangible further opening of world trade and ensure that their stimulus packages do not disrupt trade.[52] On 30 January 2009 at the World Economic Forum the Chancellor reaffirmed her commitment to the European Pact for Stability and Growth.[53] This conforms German Government compliance with the EU regional measures in tackling the crisis.

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[48] Reuters. February 13, 2009. “Juncker warns France and Italy on protectionism.” Available online at http://uk.reuters.com/article/motoringAutoNews/idUK143088+13-Feb-2009+RTRS20090213

[49] Economist. March 1, 2009. "Ailing in the east". http://www.economist.com/world/europe/displaystory.cfm?story_id=13209335

[50] Joining forces for greater transparency and effective regulation. Official web-portal of the Federal Government of Germany. 12 March 2009. http://www.bundesregierung.de/nn_6538/Content/EN/Artikel/2009/03/2009-03-12-merkel-sarkozy__en.html

[51] Special Address by Angela Merkel, Federal Chancellor of Germany at the World Economic Forum on 30 January 2009. http://www.weforum.org/en/knowledge/Events/2009/AnnualMeeting/KN_SESS_SUMM_27164?url=/en/knowledge/Events/2009/AnnualMeeting/KN_SESS_SUMM_27164

[52] Joint press release by Chancellor Angela Merkel, OECD Secretary-General Angel Gurría, WTO Director-General Pascal Lamy, ILO Director-General Juan Somavia, IMF Managing Director Dominique Strauss-Kahn and World Bank President Robert B Zoellick on the occasion of their meeting on 5 February 2009 in Berlin http://www.bundesregierung.de/nsc_true/Content/EN/__Anlagen/2009-02-05-presseerklaerung-merkel-io-eng,templateId=raw,property=publicationFile.pdf/2009-02-05-presseerklaerung-merkel-io-eng

[53] Coordinating global business together. The Federal Government of Germany. 30 January 2009. http://www.bundesregierung.de/nn_6538/Content/EN/Artikel/2009/01/2009-01-30-wef-davos__en.html

None of the 3 components of the commitment has been breached by Germany. Substantial measures were implemented to support strategic industries, innovations and banking sector, revitalize social sector. Considerable resources were also directed to stimulate investment programs and to increase the volume of export credit guarantees. Germany has adopted a fiscal stimulus package in the amount of 4.2% of the GDP for 2009-2010, that places it in the top of group of countries in the European Union. In order to strengthen the effect of such packages the Government plans to introduce tax cuts and infrastructure package as of 2009.[54]

To stimulate the demand and support investment projects the Federal government made available a total of Euro16.9 billion (USD22.8 billion)[55] through specially established Investment and Repayment Fund for public investment projects to strengthen research and economy. Of this sum EUR4 billion (USD5.4 billion) are earmarked for additional federal investment, while EUR10 million (USD13.5 million) will go to support additional investments of local authorities and federal states.[56]

To revitalize social sector extensive measures were emphasized in a legal package "Konjunkturpaket II" adopted by the upper Chamber of German Federal Parliament Bundesrat. The package amounts for Euro50 billon (USD67.5 billion) and mainly focuses on employment raise; tax decrease; debt relief practices expansion.[57] More than EUR17 billion (USD22.95 billion) are allocated to be spent on roads, schools, hospitals and so on, mainly through local authorities.[58]

With regard to support of the national car industry Germany has announced EUR1.5 billion (USD2.025 billion) in incentives for car buyers who trade in old cars for new, greener ones[59], EUR900 million (USD1.2 billion) for medium-sized industry within the central innovation programme[60] and EUR500 million (USD675 million) towards promoting research in the mobility sector.[61] These measures are not inconsistent with the WTO's rules because they are directed to stimulate innovations in strategic industries. They are allowed by the WTO under the Article 8, pt. 2 (a) of the Agreement on subsidies and countervailing measures[62] and refer to non-actionable subsidies.

The German federal government was also considering creating a line of credit equal to USD3.3 billion for Ford subsidiary Opel, while four German states were planning to provide an additional USD900 million. Without the aid, the carmaker could go bankrupt by May or June and 25,000 jobs would be gone. Germany's finance minister Peer Steinbrueck said it would be more logical to provide aid to the company, which would keep jobs and tax revenues going, than it would be to relegate workers to unemployment benefits.[63] The incentives for car buyers are not conditional on purchasing domestically produced cars, and there does not seem to be specific

[54] Press Conference with Chancellor Merkel. The official site of the Prime Minister's Office. 16 March 2009. http://www.number10.gov.uk/Page18617

[55] The sum was calculated at the exchange rate EUR1 = USD1.35 according to data of the US Federal Reserve System on 20 March 2009

[56] Supplementary budget agreed. The Federal Government of Germany. 27 January 2009. http://www.bundesregierung.de/nn_6562/Content/EN/Artikel/2009/01/2009-01-27-nachtragshaushalt__en.html

[57] Konjunkturpaket II: Die Krise meistern. Bundesregierung. Den 25 Februar 2009 http://www.bundesregierung.de/nn_1272/Content/DE/Artikel/2009/01/2009-01-27-zweites-konjunkturpaket.html

[58] How very stimulating. The Economist. 15 January 2009. http://www.economist.com/displayStory.cfm?story_id=12947570

[59] Too many moving parts. The Economist. 7 February 2009.

[60] Supplementary budget agreed. The Federal Government of Germany. 27 January 2009. http://www.bundesregierung.de/nn_6562/Content/EN/Artikel/2009/01/2009-01-27-nachtragshaushalt__en.html

[61] Report to the TPRB from the Director-General on the financial and economic crisis and trade-related developments. 23 January 2009. http://www.tradeobservatory.org/library.cfm?refID=105042

[62] Agreement on subsidies and countervailing measures. WTO legal texts. http://www.wto.org/english/docs_e/legal_e/legal_e.htm

[63] "Germany considers aid to Opel". United Press International. 24 February 2009. http://www.upi.com/Business_News/2009/02/24/Germany_considers_aid_to_Opel/UPI-26161235497667/

subsidies to industries. In contrast to the Canadian, French and American auto sector measures, Germany's plan is clearly WTO consistent.

In order to avoid misbalances in national economy and to cope with the consequences of financial crisis **in the banking sector and investments** the German Federal government has supported banking sector granting guaranties to cover banks' refinancing capacity. A EUR6.7 billion (USD9.045 billion) SoFFin[64] has been allocated as a guarantee for SdB – Sicherungseinrichtungsgesellschaft deutscher Banken mbH, a banking entity of the German private banking industry. The guarantee aims to bolster the German Deposit Protection Fund and to pre-finance future proceeds from the estates of insolvent Lehman Brothers entities.[65] The German Government has granted to IKB Deutsche Industriebank a guarantee of at most EUR5 billion (USD6.75 billion) on IKB's newly issued debt to cover the bank's medium-term refinancing needs in the financial crisis and to ensure the continuity of its business activities.[66] On 18 December Germany notified a guarantee programme for Nord LB to cover the bank's medium-term refinancing lending capacity.[67] A capital injection and a risk shield of (USD6.48 billion) EUR4.8 billion was granted to Bayern LB (German credit institute) by the Freistaat Bayern. The support aims at reinforcing the core capital basis of Bayern LB and to ensure the refinancing capability of Bayern LB.[68]

To promote trade intensification, Euler Hermes Kreditversicherungs-AG, which manages the Federal Government's export credit guarantee scheme, and the Russian Bank for Development and Foreign Economic Affairs (Vnesheconombank) signed a cooperation agreement in Moscow on 8 December 2009. The agreement aims at promoting trade between the Russian Federation and Germany. The Agreement also establishes a strategic partnership and development of a long-term effective and mutually beneficial cooperation in the sphere of export credit insurance against commercial and political risks and also insurance of investments. Established framework will promote, support and stimulate trade and investments between Russia and Germany by means of mutual insurance and reinsurance of export credits and investments.[69]

The German Federal Government has increased the volume of export credit guarantees by 21.9% in 2009; the total sum constitutes for EUR20.7 billion (USD27.9 billion). This measure was undertaken by the Federal Government to support German exporting branches' entrance to highly-risk foreign markets and to protect them from a slump of foreign supply. This practice has

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[64] Special Fund for Financial Market Stabilization.0

[65] State aid: Commission approves € 6.7 billion guarantee for SdB – Sicherungseinrichtungsgesellschaft deutscher Banken mbH. State aid: Overview of national measures adopted as a response to the financial and economic crisis. Official web-portal of the European Union. 22 January 2009. http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/67&format=HTML&aged=0&language=EN&guiLanguage=en

[66] State aid: Commission approves state support for IKB. State aid: Overview of national measures adopted as a response to the financial and economic crisis. Official web-portal of the European Union. 23 December 2008. http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/67&format=HTML&aged=0&language=EN&guiLanguage=en

[67] State aid: Commission approves German banking rescue aid for NordLB. State aid: Overview of national measures adopted as a response to the financial and economic crisis. Official web-portal of the European Union. 23 December 2007. http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/67&format=HTML&aged=0&language=EN&guiLanguage=en

[68] State aid: Commission approves state support for Bayern LB. State aid: Overview of national measures adopted as a response to the financial and economic crisis. Official web-portal of the European Union. 18 December 2007. http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/67&format=HTML&aged=0&language=EN&guiLanguage=en

[69] On agreement between Vnesheconombank and Euler Hermes Kreditversicherungs-AG. Vnesheconombank. State Corporation for Development and Foreign Economic Affairs. 8 December 2008 http://www.veb.ru/ru/about/press/news/index.php?from32=6&id32=4891

been used for 60 years and always gets expected results of economic growth.[70] There is not enough information to assess this measure as a prohibited export subsidy that falls under paragraph 1 (a) of Article 3 of the Agreement on subsidies and countervailing measures as an export credit guarantee against increase in the cost of exported products or of exchange risk progammes, at premium rates which are inadequate to cover the long-term operating costs and losses of the programmes. So, it has to be interpreted a general measure of export credit guarantee.

Germany has refrained from raising new barriers to investment or to trade, the consistency of undertaken measures to support national economy with WTO rules gives a ground to assess its compliance with the G20 commitment at a score of +1.

Analyst: Yuriy Zaytsev

India: 0

During the compliance period India has introduced import barriers but hasn't implemented WTO inconsistent measures to stimulate exports. India has undertaken a wide range of tariff and subsidy measures.

India has also imposed anti-dumping duty on Plain Medium Density Fibre Board from 6 MM and above imported from or produced in China, Malaysia, New Zealand, Thailand and Sri Lanka at the rate of 355.62 - 395.52 USD till 26 August 2009.[71]

In February in an attempt to tame prices and increase local supplies the government allowed duty free imports of raw sugar from the 17 February 2009, till 30 September 2009, on condition that a similar quantity of refined sugar is exported within two years.[72]

The government of India plans to allocate 3.2 billion Indian rupees (USD63.4 million) for encouraging domestic oilseed production in 2008/09 in order to reduce soybean and vegoil imports.[73] But the decision hasn't been made yet.

India has increased the rebate on the duty drawback system for exporters.[74] The government of India has introduced a package of trade facilitation measures, which include:

- Duty credit scrips under debt scheme to be issued prior to the export operation;
- Special package of 3.25 billion Indian rupees for leather and textiles sector industries enterprises;
- Three trading houses have received a status of nominated agencies for import of precious metals;
- Import restrictions on processed corals removed;
- Threshold criteria for recognition as premier trading houses reduced;
- Export guarantees extended till October 2009 for exports during 2008 – 2009;

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[70] Exportkreditgarantien der Bundesrepublik Deutschland auch in der Finanzkrise mit positivem Ergebnis. Bundesministerium für Wirtschaft und Technologie. Den 3 Februar 2009. http://www.bmwi.de/BMWi/Navigation/Presse/pressemitteilungen,did=288446.html

[71] Regarding Anti dumping duty on Plain Medium Density Fibre Board originating in, or exported from, China PR, Malaysia, New Zealand, Thailand and Sri Lanka http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k9/cs21-2k9.htm

[72] Amending notification No.93/2004-Cus.&94/2004-cus. to relax actual user condition in respect of Authorisation issued for import of raw sugar. http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k9/cs22-2k9.htm

[73] Supply&Demand Balances of the oilseed and vegoil markets: Trade war. 2 January 2009. http://g8live.org/2009/01/02/supplydemand-balances-of-the-oilseed-and-vegoil-markets-trade-war/

[74] Trade Protection: Incipient but Worrisome Trends. March 2, 2009. http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1126812419270/Trade_Note_37.pdf

• Procedure for claiming duty refund and refund of terminal excise duty have been further simplified;

• Early refund of service tax claims & further simplification of refund procedures are in progress;[75]

These actions facilitate rather than obstruct trade liberalization and are in conformity with the WTO provisions. However in November 2008 India raised tariffs on some steel products and issued notifications restricting imports of some steel products.[76]

India has imposed trade barriers, but it has to be verified whether these barriers are illegal non-tariff barriers or are above bound levels. The assessment goes that India has breached only the first part of a commitment and, therefore, it has been awarded a score of 0.

Analyst: Mark Rakhmangulov

Indonesia: 0

Indonesia has imposed several barriers to international trade since the November meeting in Washington, although it is not clear that they violate WTO rules.

In December, Indonesia announced requirements for importers to get special licenses and pay new fees on over 500 products, including clothing, shoes and electronics.[77] In addition, the government has been limiting imports of electronics, garments, toys, footwear and food and beverages to only five ports of entry and certain international airports.[78]

The measures imposed by Indonesia appear to violate GATT 1947 Article III on the national treatment of imports. Therefore, the country's compliance is assessed at 0.

Analysis by the University of Toronto G20 Research Group

Italy: +1

Italy reaffirmed its commitment to avoid protectionism at the G7 Finance Ministers and Central Bank Governors meeting that took place in Rome on 13 and 14 February 2009. It "remains committed to avoiding protectionist measures, which would only exacerbate the downturn, to refraining from raising new barriers and to working towards a quick and ambitious conclusion of the Doha Round".[79]

"The fight against protectionism is a key priority of Italy's G8 Presidency", Foreign Minister Franco Frattini said on 23 February 2009 in the Carnegie Endowment for International Peace. He defined protectionism as "the wrong answer" to the global economic and financial crisis. The Minister explained that Italy is very concerned about the protectionist temptations in some countries, particularly European ones. Protectionism risks to unravel the EU and the very logic of interdependence that underpinned its evolution over the last fifty years. The "four

[75] Government of India Ministry of Commerce and Industry Trade facilitation measures supplement to foreign trade policy – highlights http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=2391
[76] Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade-Related Developments. 23 January 2009. http://www.tradeobservatory.org/library.cfm?refID=105042
[77] *The Washington Post* (December 22, 2008), "Trade Barriers Toughen With Global Slump".
[78] *ibid.*
[79] Statement of G7 Finance Ministers and Central Bank Governors Rome Italy. 14 February 2009. http://www.g7finance.tesoro.it/opencms/opencms/handle404?exporturi=/export/sites/G8/it/2009ItalianPresidency/Meetings/February/Communiques/Documents/Comunicato.pdf&%5d and
Intervento del Ministro Frattini al Carnegie Endowment for Intarnational Peace – Bruxelles, sulle priorità della presidenza italiana del G8: governance globale contro le crisi (versione originale), Ministero degli Affari Esteri (Roma) 23 febbraio 2009. Date of Access: 1 March 2009.
http://www.esteri.it/MAE/IT/Stampa/Sala_Stampa/Interventi/2009/02/20090223_ItalianG8Presidency_Priorities.htm

freedoms" of the European single market cannot be called into question. On the contrary, Europe should lead in the fight against global neo-protectionism, Frattini concluded.[80]

In the summit of the G20 group's European members in Berlin Prime Minister Silvio Berlusconi called "not to yield to protectionism temptation amidst the ongoing international economic crisis".[81]

During the monitoring period Italy has introduced a set of measures in order to support domestic producers of the key industries in the global economic downturn. These measures contain neither any barriers to investment or to trade in goods and services nor any export restrictions. All measures have been aimed at rescuing export-oriented industries, crucial for Italian economy (automobile, fashion and dairy industries), they are consistent with the WTO norms and do not imply export stimulation.

On 15 December 2009 on the sidelines of a meeting of the EU Foreign Ministers and countries bordering on the Mediterranean Italian Foreign Minister Franco Frattini said that the Italian government would consider helping the automobile sector in the current financial crisis but only within a EU framework. "It would be wrong to help one sector over another based on the individual needs of the member states. However, if Europe decides on a general framework to help certain sectors, including the automobile industry, we would take this into consideration", the Minister explained. "But until this happens it would be very dangerous to give aid to a sector on a member by member basis. It is a method I have never approved of", Frattini added.[82]

On 16 January 2009 at the informal meeting of the EU's ministers the European Commission recommended to the EU's members to implement on the national level a set of measures: renovation of the car fleets, requalification of labour forces and financing of restructuring processes of suppliers.[83]

The Italian government was set to rescue the crisis-hit automobile industry by encouraging domestic demand for new environmentally friendly cars. In 2008 the sales of Italian vehicles decreased by 13.4%[84]. In January, 2009 the sales dropped by 32%[85] in comparison with the same period of 2008.

On 6 February 2009 Italian Council of Ministers approved the Decree N 5[86] in support of ailing automobile industry and other strategic sectors suffering from the global economic crisis. Measures to help the automobile industry include: bonus programme for acquiring vehicles in conformity with ecological standards and incentives for renovating of the car fleet which is the

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[80] Intervento del Ministro Frattini al Carnegie Endowment for Internatioal Peace – Bruxelles, sulle priorità della presidenza italiana del G8: governance globale contro le crisi (versione originale), Ministero degli Affari Esteri (Roma) 23 febbraio 2009. Date of Access: 1 March 2009. http://www.esteri.it/MAE/IT/Stampa/Sala_Stampa/Interventi/2009/02/20090223_ItalianG8Presidency_Priorities.htm

[81] Berlusconi a Berlino per Riunione europea G20, Governo Italiano (Roma) 22 Febbraio 2009. Date of Access: 28 February 2009. http://www.governo.it/Notizie/Palazzo%20Chigi/dettaglio.asp?d=42052

[82] Aid to auto industry only within EU framework Frattini says, ANSA (Taormina) 15 December 2009. Date of Access: 12 March 2009. http://www.lifeinitaly.com/node/2764

[83] Provvedimento a sostegno settori industriali in crisi, Ministero dello sviluppo economico (Roma) 6 febbraio 2009. Date of Access: 7 February 2009. http://www.sviluppoeconomico.gov.it/pdf_upload/PROVVEDIMENTI-AUTO.pdf

[84] Provvedimento a sostegno settori industriali in crisi, Ministero dello sviluppo economico (Roma). 6 febbraio 2009. Date of Access: 7 February 2009. http://www.sviluppoeconomico.gov.it/pdf_upload/PROVVEDIMENTI-AUTO.pdf

[85] Provvedimento a sostegno settori industriali in crisi, Ministero dello sviluppo economico (Roma). 6 febbraio 2009. Date of Access: 7 February 2009. http://www.sviluppoeconomico.gov.it/pdf_upload/PROVVEDIMENTI-AUTO.pdf

[86] Decreto-legge 10 febbraio 2009, n. 5 Misure urgenti a sostegno dei settori industriali in crisi, Governo Italiano. Date of Access: 1 March 2009. http://www.governo.it/GovernoInforma/Dossier/auto_sostegno/DL5_10022009.pdf

oldest in Europe, encouraging innovations and scientific researches on less polluting technologies.[87]

The measures, regarding Italian automobile industry, don't breach the WTO's rules as they all are aimed at implementing innovations and don't distort the trade conditions directly, therefore, they are allowed by the WTO. They fall under the Article 8, pt. 2 (a) of the Agreement on subsidies and countervailing measures[88] and refer to non-actionable subsidies. According to the WTO's rules the funds assigned to innovation programs may cover up to 75% of their costs.

Some measures have been undertaken to support the diary industry. On 6 February 2009 Decree N 4[89] concerning milk production quotas in Italy came into effect. This long-awaited Decree specifies new quotas (with addition of extra 620 thousands tons per year which is equal to EUR240 million[90] (USD324 million)[91]) for Italian milk producers, negotiated at the Community level.[92] The Decree resulted from the agreement on revision of the Common agricultural policy (CAP) signed on 18 November 2008 by the Community council of Agricultural Ministers. The future of milk quotas was one of the four issues crucial for Italy at Community negotiations. As a result of the agreement Italy has acquired an option to increase its quota on milk production by 5%, while for other EU members increase of only 1% per year for the following 5 years has been allowed. Italy may benefit from total increase of 5% from 1 April 2009, it will allow its producers to absorb production surpluses. In the new terms Italy has the opportunity to enhance quality, support certain sectors and some regions using the annual subsidy of EUR420[93] million (USD567 million). However, all undertaken measures in diary industry are in line with the CAP and aren't in breach of the WTO rules.

In order to define all taken and forthcoming initiatives to support the sectors of "the Made in Italy" a working table on textile clothing with participation of Minister, officials, enterprises and labour unions was called on 18 February 2009. Minister of Economic Development Claudio Scajola affirmed that for "the Made in Italy" for which the textile clothing represents a fundamental basis they have already made some specific interventions. They include the innovation programme "New technologies for the Made in Italy" of "Industry 2015" (with the allocation of EUR190 million (USD256.5 million) for innovation projects), aspecial programme for promoting abroad under the National institute of foreign commerce (Istituto nazionale per il Commercio con l'Estero, ICE), the credit support programme with EUR600 million (USD810 million) guarantee fund for small and medium enterprises, fiscal bonuses and cards system to support consumption of durable goods by the less propertied and large families.[94]

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[87] Scajola: approvato in Consiglio dei Ministri il decreto a sostegno dei settori industriali in crisi, Ministero dello sviluppo economico (Roma) 6 febbraio 2009. Date of Access: 8 February 2009. http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=129 and Provvedimento a sostegno settori industriali in crisi, Ministero dello sviluppo economico (Roma) 6 febbraio 2009. Date of Access: 7 February 2009. http://www.sviluppoeconomico.gov.it/pdf_upload/PROVVEDIMENTI-AUTO.pdf

[88] Agreement on subsidies and countervailing measures. WTO legal texts. Date of Access: 27 February 2009. http://www.wto.org/english/docs_e/legal_e/legal_e.htm

[89] Decreto-legge 5 febbraio 2009, n. 4, Governo Italiano. Date of Access: 8 February 2009. http://www.governo.it/GovernoInforma/Dossier/quote_latte_decreto/DECRETO_quotelatte.pdf

[90] Più quote latte per l'Italia, Dossier del 21 novembre 2008 aggiornato al 26 novembre 2008, Governo Italiano. Date of Access: 8 February 2009. http://www.governo.it/GovernoInforma/Dossier/quote_latte/index.html

[91] The sum was calculated at the exchange rate USD1.35 = EUR1 on 20 March 2009.

[92] Decreto legge sulle "quote latte", Dossier del 30 gennaio 2009, Governo Italiano. Date of Access: 8 February 2009. http://www.governo.it/GovernoInforma/Dossier/quote_latte_decreto/index.html

[93] Più quote latte per l'Italia, Dossier del 21 novembre 2008 aggiornato al 26 novembre 2008, Governo Italiano. Date of Access: 8 February 2009. http://www.governo.it/GovernoInforma/Dossier/quote_latte/index.html

[94] Giovedi 26 il tavolo tecnico sul tessile-abbigliamento, comunicato stampa del Ministero dello Sviluppo Economico (Roma) 18 febbraio 2009. Date of Access: 5 March 2009. http://www.sviluppoeconomico.gov.it/pdf_upload/comunicati/phpXjL0kp.pdf

Italian fashion industry with EUR70 billion (USD94.5 billion) of sales and 50% of export provides employment to 800 thousand workers and contains about 30 thousand retailers. The government has the intention to support the main sector for the "Made in Italy" and for the whole Italian economy and to encourage these interventions as soon as possible as it does in the other sectors.[95] For that purpose on 19 March 2009 a round table on fashion industry was held. The undertaken measures include: tax credits for making samples and collections, ad hoc decision for innovation projects to be financed from the Fund for Innovation Technologies, measures to promote certificated products in terms of eco-compatibility and security.[96] The measures undertaken are in conformity with the WTO norms, because they all are aimed substantially at implementing innovation programmes in the sectors of the Made in Italy.

A set of measures was directed at supporting small and medium enterprises in all sectors. In Liquidity Day, the day of collaboration between government, enterprises and banks, for defining solutions to confront the economic crisis, Minister of Economic Development Claudio Scajola declared that the government would like to reinforce the central guarantee fund for small and medium enterprises (SME) raising the credit ceiling and enlarging it for small producers. He added that they were trying to raise the ceiling for each credit from EUR500,000 to 1.5 million (USD675,000 to 2.025 million) and enclose the guarantee of the government to the central guarantee fund of the Ministry to achieve zero risk.[97]

In February Minister of Economic Development Claudio Scajola signed decree that established the "Round table on initiatives for SME" to fulfill the "Small Business Act", a proposal package of the European Commission to improve and relaunch the work of small enterprises, from credit opportunities to administrative simplification, from fiscal interventions to technological innovations, from energy efficiency to environment, from supporting investments to training, up to facilitation of SME' participation in the government orders. There are 5 million SME in Italy.[98] "Round table on initiatives for SME is an international place for coordinating and monitoring, in accordance with Europe, immediate and concrete interventions to support small enterprises that suffer particularly from the effects of the international economic crisis," Claudio Scajola said.[99] The round table was held on 18 March with participation of Presidents of all SME' industries and representatives of the Council Presidency, Ministers of Economy, Environment, Regions and Community policy, Chamber of Commerce and banking system. It was decided to enhance the Guarantee Fund for enterprises from EUR1.3 up to 1.5 billion (USD1.755 to 2.025 billion) and to increase the credit ceiling for each single enterprise from EUR500,000 to 1.5 million. It was signed also a Protocol of Intention between credit

[95] Moda: Scajola, entro meta marzo primi interventi a sostegno settore, Minisero dello Sviluppo Economico (Roma) 27 febbraio 2009. Date of Access: 5 March 2009. http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=160 or http://www.sviluppoeconomico.gov.it/pdf_upload/comunicati/phpB3XGEm.pdf

[96] Al via le misure per salvaguardare il settore Moda, Ministero dello Sviluppo Economico (Roma) 19 marzo 2009. Date of Access: 22 March 2009. http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=194

[97] Il Ministro Scajola: portare il tetto Fondo di Garanzia Pmi a 1.5 milioni, Ministero dello Sviluppo Economico (Roma) 5 febbraio 2009. Date of Access: 5 March 2009. http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=165

[98] Il Ministro Scajola al Tavolo per le Piccole e Medie imprese, Ministero dello Sviluppo Economico (Roma) 18 marzo 2009. Date of Access: 22 March 2009. http://www.sviluppoeconomico.gov.it/primopiano/dettaglio_primopiano.php?sezione=primopiano&tema_dir=tema2&id_primopiano=186

[99] Istituito il Tavolo di iniziativa per le piccole e medie imprese, comunicato stampa del Ministero dello Sviluppo Economico (Roma) 20 febbraio 2009. Date of Access: 5 March 2009. http://www.sviluppoeconomico.gov.it/pdf_upload/comunicati/phpGMKbDN.pdf

institution and associations of handicraft enterprises for credit access and support to the sector of the handicraft enterprises.[100]

This provision doesn't breach the WTO norms, the WTO Agreement on subsidies and countervailing measures, in particular. There are objective criteria[101] (SME) which allow to assess all above mentioned measures as non-specific (Agreement on subsidies and countervailing measures, Article 2, pt. 1(b)) and therefore non-violating the G20 commitment.

Italy has introduced certain aid pogrammes and measures to support the main industries, automobile, fashion and dairy industries, also to support SME but has remained within the WTO provisions. Minister Claudio Scajola declared that Italian government "invests only into enterprises which invest into quality and environment"[102]. Consequently, Italy has refrained from raising new barriers to investment or to trade in goods and services and hasn't implemented WTO inconsistent measures to stimulate exports. Thus, Italy has been awarded a score of +1 for the maintenance of the G20 commitment.

Analyst: Anna Vekshina

Japan: +1

There were no facts of Japan's breach of any G20 commitment condition. The Japanese government tried to adhere to anti-protectionist measures in trade. At a meeting in Washington, US President Barack Obama and Japanese Prime Minister Taro Aso agreed to work together to stimulate economic demand and fight protectionism.[103]

Taking into account the current severe conditions for those trying to procure foreign funds, the government of Japan has decided to lend foreign currencies from the reserves to the Japan Bank for International Cooperation (JBIC) as a temporary, extraordinary measure.[104] Japan's foreign exchange reserves of USD1 trillion has funded the USD5 billion provided to JBIC.

Toyota is in talks to borrow a little over USD2 billion from the state-backed Japan Bank for International Cooperation (JBIC) for its U.S. operations. If a deal is reached, Toyota will be the first Japanese automaker to apply for assistance from the new emergency fund, which is tapping USD5 billion from the Japanese government to lend to Japanese corporations that operate internationally.[105] No details have been decided yet. But analysts argue that Toyota Moto Corp. would be interested in such a deal only if the government-backed loans are to be at lower rates of interest than other sources.[106] So, it will have to be justified further if it is an export subsidy. Toyota's European arm is planning to request funding from the European Investment Bank to finance research and development into clean technologies.[107] This is consistent with provisions of WTO rules.

Meanwhile, Japan has complied with a commitment and gets a score of +1.

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[100] Interventi a favore delle piccolo imprese, Dossier del 6 ottobre2008 aggiornato al 19 marzo 2009, Governo italiano (Roma) 19 marzo 2009. Date of Access: 22 March 2009.
http://www.governo.it/GovernoInforma/Dossier/valorizzazione_piccole_imprese/index.html

[101] Agreement on subsidies and countervailing measures. WTO legal texts. Date of Access: 27 February 2009.
http://www.wto.org/english/docs_e/legal_e/legal_e.htm

[102] Industria 2015: 200 milioni di incentive per progetti di Efficienza energetica, comunicato stampa del Ministero dello Sviluppo Economico(Roma) 21 gennaio 2009. Date of Access: 6 March 2009.
http://www.sviluppoeconomico.gov.it/pdf_upload/comunicati/phphQEXda.pdf

[103] BBC News (February 24, 2009), "US and Japan make economy pledge".

[104] Business Week (March 3, 2009), " Auto Bailout: Et Tu, Toyota?".

[105] Business Week (March 3, 2009), "Auto Bailout: Et Tu, Toyota?"

[106] Now Toyota wants a government loan. Business Week. 2 March 2009.
http://www.businessweek.com/autos/autobeat/archives/2009/03/now_toyota_need.html

[107] Auto Bailout: Et Tu, Toyota? Business Week. 3 March 2009.
http://www.businessweek.com/globalbiz/content/mar2009/gb2009033_969062.htm?campaign_id=rss_as

Mexico: +1

During the period of monitoring no measures aimed at raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO inconsistent measures have been registered. The government of Mexico has undertaken a substantial number of measures to stabilize national economy. Supportive fiscal measures amounted to 1% of GDP[108]. Stabilization measures were targeted to support financial markets and financial sector, small and medium-sized enterprises, infrastructure investments including extra investment in roads, railways and oil wells, employment raise with welfare benefits or temporary jobs to the unemployed.

With respect to **financial markets and financial sector support** the Mexican Government established a programme of interest-rate swaps for up to Peso50 billion (USD3.5 bilion)[109] to facilitate banks' liability management, enabling them to swap long-term fixed-rate instruments for short-term variable-rate paper. It also eased the constraints on investments by Sociedades de Inversión Especializadas en Fondos para el Retiro (Siefores, pension funds) to permit them to invest greater sums in housing and infrastructure projects.[110]

To support investments flows Mexican government has provided Peso30 billion (USD2.12 billion) to be channeled through Banobras, a state development bank, and a further Peso125 billion (USD8.84 billion) through the National Infrastructure Fund over three years to boost investment in housing, agricultural, healthcare and transport infrastructure. These include funds to support several mass transportation projects of which there are six targeted for 2009 which amount to Peso17.5 billion (USD1.23 billion). Peso22.3 billion (USD1.58 billion) has been allocated for agricultural projects, notably irrigation and other initiatives aimed at boosting competitiveness.[111]

To stimulate SME the government of Mexico has boosted purchasing programme with guaranteed payment terms and announced plans to increase SME participation in government procurement to 20% by end-2009.[112]

To raise **employment** Mexican President Felipe Calderón on 7 January 2009 announced the second package of measures to boost growth and generate employment. As part of this new multi-billion-dollar plan, the so-called National Agreement on the Family Economy and Employment, his administration will spend Peso2 billion (USD141 million) to protect the jobs of workers at companies that have had to temporarily suspend production because of the crisis, freeze petrol prices for a year, reduce household gas prices by 10%, expand unemployment benefits and start infrastructure projects aimed at creating temporary jobs.[113] The fiscal measures might save up to 150,000 jobs.[114] These measures are built in automatic stabilizators used by other countries and do not breach the commitment.

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[108]Damage control. Economist.22 January 2009. http://www.economist.com/displayStory.cfm?story_id=12974119
[109] The sum is calculated at the exchange rate USD1 = MXN14.4 as for 20 March 2009.
[110] Crisis management in Mexico. Economist. 12 November 2008. http://www.economist.com/displayStory.cfm?story_id=12587590
[111] Crisis management in Mexico. Economist. 12 November 2008. http://www.economist.com/displayStory.cfm?story_id=12587590
[112] Crisis management in Mexico. Economist. 12 November 2008. http://www.economist.com/displayStory.cfm?story_id=12587590
113 Felipe Calderón and Barack Obama meet. Economist. 13 January 2009. http://www.economist.com/displayStory.cfm?story_id=12923445
[114] Damage control. Economist.22 January 2009. http://www.economist.com/displayStory.cfm?story_id=12974119

As part of its programme to facilitate foreign trade, during 2009-2013 Mexico announced that it will reduce tariffs on about 80%of manufactured good imports from countries with which it has no preferential trade agreement.[115]

The above mentioned facts indicate substantial measures undertaken by Mexican government to stimulate national economy at the time of financial and economic crisis. None of the evidence so far confirms measures in breach with the commitment. Thus, Mexico is given a score of +1.

Analysts: Ekaterina Gorbunova and Yuriy Zaytsev

Russia: 0

Russian government officials reiterated G20 leaders' commitment to "refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO inconsistent measures to stimulate exports". Russian Proposals to the London Summit (April 2009) confirm support to the decision by the Washington Summit and measures to counter financial protectionism.[116] On 13 March 2009 BRIC Finance Ministers called for avoiding protectionism of all kinds and a prompt and successful conclusion of the Doha round, with and ambitious, comprehensive and balanced result.[117] At the opening ceremony of the World Economic Forum (WEF) Russian Prime Minister said that Russia shared the principles not to create barriers hindering global trade and capital flows.[118]

At the same time Russian officials admitted that some protectionism is inevitable during the crisis. At the same session of the WEF Russian Prime Minister said: "We are increasing import duties on some ready-made equipment to promote Russian manufacturers".[119] According to Deputy Prime Minister S.Ivanov Russian producers will not retain their position without rational state protectionism.[120]

Speaking about support measures for domestic producers Russian President said that such measures should be reasonable, sufficient and undertaken depending on the particular situation on the market.[121] Russian Prime minister said that protective measures would not violate Russia's international commitments.[122]

Customs duties change policy has been actively used by the Russian Government to mitigate the consequences of the economic crisis. From February 2009 the Commission of the Russian Government on protective measures in foreign trade and customs duty policy has been active.[123] According to Russian Economic Development Minister 28 resolutions on changing

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[115] Report to the TPRB from the director-general on the financial and economic crisis and trade-related developments. 23 January 2009. http://www.tradeobservatory.org/library.cfm?refid=105042

[116] Russian Proposals to the London Summit (April 2009). President of Russia. Official Web Portal. 16 March 2009. http://www.kremlin.ru/eng/text/docs/2009/03/213995.shtml

[117] BRIC Finance Ministers` Communiqué. Ministry of Finance of the Russian Federation. Official Site. 13 March, 2009. http://minfin.ru/ru/press/press_releases/index.php?id4=7173

[118] Prime Minister Vladimir Putin's speech at the opening ceremony of the World Economic Forum. Prime Minister of the Russian Federation. Official Website. 28 January 2009. http://premier.gov.ru/eng/visits/world/95/1921.html

[119] Prime Minister Vladimir Putin answers questions from the audience at the opening plenary meeting of the Davos forum. Prime Minister of the Russian Federation. Official Website. 28 January 2009. http://premier.gov.ru/eng/visits/world/95/1922.html

[120] Deputy Prime Minister S.B.Ivanov held a session of the Commission on export control. 8 November 2008. Government of the Russian Federation. Official Web Portal. http://www.government.ru/content/governmentactivity/insiderfgovernment/archive/2008/12/08/1387904.htm

[121] Press Conference on the Results of the APEC Summit. President of Russia. Official Web Portal. 24 November 2008. http://www.kremlin.ru/eng/speeches/2008/11/24/1409_type82915_209638.shtml

[122] Speech at United Russia's 10th congress. Prime Minister of the Russian Federation. Official Website. 20 November 2008. http://premier.gov.ru/eng/events/1212.html

[123] First deputy Prime minister V.A.Zubkov held a session of the Commission of the Russian Government on protective measures in foreign trade and customs duty policy. Government of the Russian Federation. Official Web

customs duties have been made from the end of November 2008 to 27 January 2009 and another six are drafting. Measures to change customs duties for 300 commodities are being drafted.[124]

Several trade barriers have been lifted or reduced, leading to further trade liberalization.

In metallurgical sector on 20 January 2009 export duties on nickel and copper cathodes were abolished.[125] Russian Economic Development Minister said: «Given the current production cost and the fall in world nickel prices, production becomes unprofitable if we keep export duties. Abolishing them will give the company additional resources».[126]

In oil and gas industries seeking to maintain the current oil production level Russian Government has cut the period of monitoring oil prices for calculating the oil export duty to one month. The customs duty has been lowered to $192 from $496 per metric ton.[127] The customs duties for hydrocarbon gases export have been zeroed.[128]

In aircraft industry from 14 March 2009 import duties on certain types of aircraft were abolished for 9 months.[129]

Russia continued harmonization of its law system with WTO provisions. For instance, the federal law «On state registration of aircraft» was published on 17 March 2009. It has streamlined procedures of aircraft registration.130

A lot of temporary (9 months period) WTO provisions-consistent measures of tariff policy have been introduced. According to Article 7 of the WTO Agreement on Safeguards, a country may apply a safeguard measures of temporary nature for period of time that does not exceed four years. These measures are also consistent with the Russian commitments undertaken during the process of Russia's accession to the WTO.

In engineering industry on 12 January 2009 for 9 months import customs duties for certain types of vehicles were raised.[131] On 14 February 2009 import customs duty for combine harvesters at the rate of 15% of customs price (but not less than EUR120 for 1 kilowatt of engine power) was introduced for 9 months.[132] On 4 April 2009 import customs duties for certain types of special vehicles (concrete mixers, fire engines, etc.) were raised for 9 months.[133] Import

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Portal. 29 January 2009.
http://www.government.ru/content/governmentactivity/insiderfgovernment/archive/2009/01/29/8639033.htm

[124] Prime Minister Vladimir Putin held a meeting of the Government Presidium. Prime Minister of the Russian Federation. Official Website. 27 January 2009. http://premier.gov.ru/eng/events/1906.html

[125] Government Resolution of 21 January 2009 N 25. Government of the Russian Federation. Official Web Portal. http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/01/21/4620783.htm

[126] Prime Minister Vladimir Putin held a meeting with Economic Development Minister Elvira Nabiullina and Norilsk Nickel (GMKN) CEO Vladimir Strzhalkovsky. Prime Minister of the Russian Federation. Official Website. 21 January 2009. http://premier.gov.ru/eng/events/1766.html

[127] List of Anti-Crisis Measures Being Implemented by the Russian Government and the Central Bank of Russia. Prime Minister of the Russian Federation. Official Website. http://premier.gov.ru/eng/crisis2/

[128] Taken Measures. Customs Regulation Measures to Protect and Support Main Sectors of the Economy. RSPP Committee on Trade Policy and WTO.
http://www.rgwto.com/upload/contents/426/2%20%20Принятые%20меры.doc

[129] Government Resolution of 31 December 2008 N 1093. http://www.rg.ru/2009/01/14/tt-suda-dok.html

[130] Federal law of 14 March 2009. N 31-ФЗ. http://document.kremlin.ru/doc.asp?ID=051291

[131] Government Resolution of 5 December 2008 N 903
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2008/12/05/9693415.htm

[132] Government Resolution of 5 December 2008 N 903
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2008/12/05/9693415.htm

[133] Government Resolution of 26 February 2009 N 174
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/02/26/9478266.htm

customs duty for certain types of electric motors at the rate of 10% of customs price has been introduced for 9 months.[134]

In agriculture on 6 March 2009 import customs duty for dairy butter and some other milk products at the rate of 15% of customs price (but not less than EUR0.35 for 1kilogram) was introduced for 9 months.[135] On 6 March 2009 import customs duty for soy-bean schrot at the rate of 5% of customs price was introduced for 9 months.[136]

In metallurgical sector on 14 February 2009 import customs duty for certain types of rolled metal and pipes were raised from 5 to 15-20% of customs price for 9 months.[137] On 18 April 2009 import customs duty for certain types of pipes will be raised from 5 to 15% of customs price for 9 months.[138]

Some of the measures need further assessment to estimate their consistency with the WTO provisions. Especially given that Russia is not WTO member and pre-WTO rules are significantly more flexible than those for WTO members.

In engineering industry on 12 January 2009 import customs duties for used vehicles were raised. Terms for different classes of used vehicles have been reduced from 7 to 5 years.[139] Since this measure doesn't discriminate foreign producers, it doesn't breach the WTO provisions. On 14 January 2009 new import customs duties for certain types of machines and equipment were introduced.[140]

In agriculture from 15 February to 15 May 2009 seasonal import customs duty for rice will be raised from EUR0.07 to EUR0.16 for 1 kilogram.[141] The tariff quota for fowl and pork for 2009 has been reduced. Above the quota import customs duty for fowl has been raised from 60 to 80% (lower limit size has been raised from EUR0.48 to EUR0.7 for 1 kilogram). Above the quota import customs duty for pork has been raised from 60 to 75% (lower limit size has been raised from EUR1 to EUR1.5 for 1 kilogram).[142] Changes have been made after consultations with the concerned partners.

Import customs duty on electrodes has been introduced at the rate of 5% of customs price.[143]

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[134] Taken Measures. Customs Regulation Measures to Protect and Support Main Sectors of the Economy. RSPP Committee on Trade Policy and WTO.
http://www.rgwto.com/upload/contents/426/2%20%20Принятые%20меры.doc

[135] Government Resolution of 31 January 2009 N 71
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/01/31/2874873.htm

[136] Government Resolution of 31 January 2009 N 70
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/01/31/5753443.htm

[137] Government Resolution of 9 January 2009 г. N 9
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/01/09/8817408.htm

[138] Government Resolution of 10 February 2009 N 99
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/02/10/2720454.htm

[139] Government Resolution of 10 December 2008 N 943
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2008/12/10/2039149.htm

[140] Government Resolution of 9 January 2009 N 8
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/01/09/1402857.htm

[141] Government Resolution of 14 February 2009 N 179
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/02/14/5508234.htm

[142] Government Resolution of 8 December 2008 N 918
http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2008/12/08/202906.htm

[143] First deputy Prime minister V.A.Zubkov held a session of the Commission of the Russian Government on protective measures in foreign trade and customs duty policy. Government of the Russian Federation. Official Web Portal. 26 December 2008.
http://www.government.ru/content/rfgovernment/rfgovernmentvicechairman/chronicle%5Fzubkov/archive/2008/12/26/4946864.htm

On 1 January 2009 export duties for timber were raised up to 10-25% of customs price. From 1 January 2010 export duties will be raised up to 80% of customs price.[144] Bound rates on timber are being negotiated since Russia is in process of accession to the WTO, therefore these changes can't be definitively assessed.

To stimulate demand and economic activity government has increased subsidies.

In engineering industry credit line to leasing companies for the lease of Russian-made automobiles for a period of not less than 3 years at a rate not exceeding the Bank of Russia refinancing rate has been opened. USD29.6 million will be allocated for subsidising 2/3 of the refinancing rate under 3-year consumer loans for the purchase of Russian-made cars by natural persons.[145] Russian state company Rosagroleasing has been enabled to implement projects to lease domestically produced technology, equipment and transport vehicles to Russian consumers (additional capitalisation of Rosselkhozbank (USD1.3 billion), Rosagroleasing (USD740 million)).[146] This falls within the general trend. Subsidies proposed for the auto industry have proliferated and total some USD48 billion worldwide, mostly (USD42.7 billion) in high-income countries. That includes a U.S. direct subsidy of USD17.4 billion to its big three automakers and other subsidies provided by Canada, France, Germany, United Kingdom, China, Argentina, Brazil, Sweden and Italy.[147]

In agriculture decisions have been taken to subsidise 100% of the Central Bank's refinance rate on loans for individual agricultural branches (meat and dairy livestock breeding), with allocations amounting to USD207 million. Another USD296 million has been approved for the compensation of 80% of the Central Bank's refinance rate on loans issued to the other agribusinesses by Russian lending organisations.[148] The Government will also subsidise the interest rate on some types of investment and short-term loans of fishing companies used to modernise and retool their vessels as well as for material and technical supplies and equipment (USD31.7 million).[149]

In other industries the size of state support to exports has been increased to USD177.5 million. The decisions on financial support are being implemented. Since the beginning of 2009, 24 Russian exporters have received over USD43.8 million of compensations for part of their costs on interest on the loans they borrowed from Russian lending organisations.[150]

Some of the measures create preferences to the national suppliers.

Changes have been made in state procurement legislation. Amendments to the federal law «On placement of orders for goods and services delivery for state and municipal needs» entered into force on 1 March 2009. These changes give certain preferences to national producers. The Russian Government establishes terms of access to goods originated from a foreign state or group of states, works, services carried out by foreign persons for procurement purposes in one of the below cases:

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[144] Government Resolution of 24 December 2008 N 982. http://www.rg.ru/2008/12/31/stavki-les-dok.html

[145] Anti-Crisis Programme of the Government of the Russian Federation for 2009. Prime Minister of the Russian Federation. Official Website. http://premier.gov.ru/eng/anticrisis/

[146] Anti-Crisis Programme of the Government of the Russian Federation for 2009. Prime Minister of the Russian Federation. Official Website. http://premier.gov.ru/eng/anticrisis/

[147] Richard Newfarmer and Elisa Gamberoni. Trade Protection: Incipient but Worrisome Trends. World Bank. 2 March 2009. http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1126812419270/Trade_Note_37.pdf

[148] Anti-Crisis Programme of the Government of the Russian Federation for 2009. Prime Minister of the Russian Federation. Official Website. http://premier.gov.ru/eng/anticrisis/

[149] Anti-Crisis Programme of the Government of the Russian Federation for 2009. Prime Minister of the Russian Federation. Official Website. http://premier.gov.ru/eng/anticrisis/

[150] Anti-Crisis Programme of the Government of the Russian Federation for 2009. Prime Minister of the Russian Federation. Official Website. http://premier.gov.ru/eng/anticrisis/

1) If national regime towards Russian goods, services and works is not established in a foreign country;

2) If in procurement goods, services, works originating from Russia enjoy privileges.[151]

Order of the Russian Economic Development Ministry has given preferences to national producers setting 15% price advantage till 31 December 2010.[152]

In engineering industry Russian Prime Minister proposed to establish a special leasing company under the federal target programme to modernise the country's transport system. A total of USD1.2 billion will be transferred to that company from several different sources for acquisitions of Russian-made vehicles.[153] Russian Prime Minister has put forward a programme to replace the municipal public transport fleet. USD887.6 million will be used to purchase Russian vehicles.[154] Budget allocations for government procurement of automotive engineering in 2009 have been increased by USD355 million.[155]

These measures breach the principle of national treatment and Article 3 of the Agreement on Government Procurement.[156] It should be noted that accession to this agreement is not mandatory for the WTO members. Russia does not sign onto agreement.

In agriculture on 4 May 2009 import customs duties for certain types of milk products will be raised from 5 to 15 % of customs price (but not less than EUR0.18 for 1 kilogram).[157]

The current state of play in assessment indicates that a lot of measures have been implemented. Russia has raised new barriers to trade in goods and services, but hasn't implemented WTO inconsistent measures to stimulate exports. Thus the score is 0.

Analyst: Mark Rakhmangulov

Saudi Arabia

A recent assessment by the World Bank released March 17, 2009 applauded Saudi Arabia for having not introduced any trade reducing measures since the fall of 2008.[158]

Analysis by the University of Toronto G20 Research Group

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151 Federal law of 30 December 2008 N 308-ФЗ. http://document.kremlin.ru/doc.asp?ID=050051

152 Order of the Economic Development Ministry of the Russian Federation of 5 December 2008 N 427. http://merit.consultant.ru/doc.asp?ID=9796

153 Prime Minister Vladimir Putin held a meeting on additional measures to stabilise and rehabilitate the country's auto industry. Prime Minister of the Russian Federation. Official Website. 19 December 2008. http://premier.gov.ru/eng/visits/ru/90/1499.html

154 Prime Minister Vladimir Putin held a meeting on additional measures to stabilise and rehabilitate the country's auto industry. Prime Minister of the Russian Federation. Official Website. 19 December 2008. http://premier.gov.ru/eng/visits/ru/90/1499.html

155 Order of the Government of the Russian Federation of 9 February 2009 N 139-р. http://www.rg.ru/2009/02/13/avto-dok.html

156 Agreement on Government Procurement. http://www.wto.org/english/docs_e/legal_e/gpr-94_01_e.htm

157 Government Resolution of 26 February 2009 N 173 http://www.government.ru/content/governmentactivity/rfgovernmentdecisions/archive/2009/02/26/385859.htm

158 Protectionist Measures Show Worrisome Rise Since Beginning of Financial Crisis. World Bank. March 17, 2009. http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22105847~pagePK:64257043~piPK:437376~theSitePK:4607,00.html; World Bank cites recent protectionist measures. March 16, 2009. http://www.emportal.rs/en/news/region/82300.html

South Africa: +1

During the period of monitoring South Africa has not undertaken any measures to stimulate export inconsistent with the WTO rules. No facts of raising new barriers to investment or to trade in goods and services have been registered.

The Government of South Africa has tried to adhere to the WTO rules. The Presidency's Deputy Head: Policy Coordination and Advisory Services Alan Hirsch underlined that Government of South Africa intends to avoid doing anything beyond the spirit or the framework of the WTO. He also underlined that the 'buy local' clauses of the Framework for South Africa's Response to the international economic crisis do not contradict the rules of the international trading system.[159] The fact of adherence to WTO rules was also demonstrated by the Government of South Africa with a mandate to **International Trade Administration Commission** of South Africa to initiate fast-tracking investigations and recommendations to address import surges, dumping and short-term crisis of vulnerable sectors.[160]

In order to react to South Africa's economy downturn, potential implications for incomes, employment, and investment, the Government of South Africa has decided to make a bold intervention in the form of a broad stimulus package as signaled in the recent budget. According to the Minister of Finance of South Africa Trevor Manuel there are 5 priorities of 2009 budget spending plan: **protecting the poor**, **creating employment**, **investing in infrastructure**, **promoting competitiveness and fiscal sustainability**.[161]

The largest adjustments to spending plans went to **poverty reduction**: R25 billion (USD2.6 billion)[162] was added to the budgets of provinces, mainly for education and health care, and R13 billion (USD1.3 billion) for social assistance grants and their administration. In this budget a further R6.4 billion (USD0.65 billion) was added for public transport, roads and rail networks, R4.1 billion (USD0.4 billion) for school buildings, clinics and other provincial infrastructure projects, and R5.3 billion (USD0.54 billion) for municipal infrastructure and bulk water systems.[163]

To eliminate macroeconomic and regulatory barriers the government of South Africa has allocated R1.6 billion (0.7 billion USD) to **industrial development, investment facilitation, which included small enterprise support programmes**. A further R1 billion (USD0.1 billion) has been allocated for electricity demand management, together with tax incentives for investment in energy efficient technologies. The new automotive production and a development programme included a production subsidy of R870 million (USD90 million) over the next three years. Substantial sum of R787 billion (USD81 billion) has been announced to infrastructure investments plans which are a cornerstone of development contract with business, organized labour and social partners.[164]

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[159] The Presidency outlines the approach being taken to SA stimulus framework. Engineering news. 6 March 2009. http://www.engineeringnews.co.za/article/confidence-building-2009-03-06

[160] Framework for South Africa's response to the international economic crisis. 19 February 2009 http://www.info.gov.za/view/DownloadFileAction?id=96381

[161] Budget Speech. Minister of Finance Trevor A. Manuel. 11 February 2009. http://www.finance.gov.za/documents/national%20budget/2009/speech/speech.pdf

[162] The sum in USD was calculated at the rate of exchange 1 USD = 9.7388 Rand according to data of the South African Reserve Bank http://www.reservebank.co.za/

[163] Budget Speech. Minister of Finance Trevor A. Manuel. 11 February 2009. http://www.finance.gov.za/documents/national%20budget/2009/speech/speech.pdf

[164] Budget Speech. Minister of Finance Trevor A. Manuel. 11 February 2009. http://www.finance.gov.za/documents/national%20budget/2009/speech/speech.pdf

To support **agricultural sector** R1.2 billion (USD0.1 billion) has been allocated to targeted rural infrastructure projects within the comprehensive agricultural support programme, and R1.8 billion (USD0.19 billion) went to rural development and small farmer support.[165]

The Government of South Africa has also supported **car industry**. Tax relief to encourage consumers to scrap their old cars is one of the measures being considered by the department of trade and industry of South Africa to assist the automobile industry.

This measure had been discussed in South Africa before the economic downturn, because the government wanted to get newer, more environmentally friendly vehicles on the roads.[166] Nevertheless it can't be considered inconsistent with WTO rules, because it is directed to stimulate innovations in strategic industries and falls under the Article 8, pt. 2 (a) of the Agreement on subsidies and countervailing measures and refer to non-actionable subsidies.[167]

The Government of South Africa has undertaken important measures to intensify cooperation **in trade and investments** with such countries as Saudi Arabia, Mauritania and USA.

An important milestone was achieved by a joint commission of South Africa and Saudi Arabia in Johannesburg on 24 February 2009 with launching of a business council aimed to increase trade and investment facilities of both countries. The South Africa-Saudi Arabia Joint Commission has amongst others agreed on the followings: **increasing the volume of trade** by using all possible means to facilitate the entry of products to each other's markets; **increasing investment flows** between the two countries by concluding a Memorandum of Understanding (MoU); working together on initiatives to address food security.[168]

A MoU on Economic Co-operation between the two countries signed on 5 February 2009 by the Minister of Trade and Industry of South Africa Mandisi Mpahlwa and Mauritian Minister of Foreign Affairs, Regional Integration and International Trade Arvin Boolell outlined a bilateral strategy to achieve mutual economic growth and development through **outward-investment facilitation, infrastructure development and trade liberalisation**. As stipulated in the MoU the two countries agree to "vigorously promote investment and intensify efforts to promote trade between the two countries, with a view to expanding the volume of trade and reducing the trade imbalance, which is currently in favour of South Africa".[169]

With regard to South Africa's participation in regional alliances, such as Southern African Development Community, it can be noted that its actions are less intensive than in bilateral cooperation. The Government of South Africa has refrained and still refrains from joining the region-to-region Economic Partnership Agreement (EPA) with the EU, because of a series of disagreements on some of the key provisions of the text.[170]

Within **import control measures** South Africa has prohibited import of some categories of goods to South Africa except by virtue of an import permit. The permit shall be valid for clearance for a period of 12 months from the date of issue or for such shorter period of time as

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[165] Budget Speech. Minister of Finance Trevor A. Manuel. 11 February 2009. http://www.finance.gov.za/documents/national%20budget/2009/speech/speech.pdf

[166] Owners of old cars to win if tax relief asses. Business Report. 5 March, 2009 http://www.busrep.co.za/index.php?fArticleId=4872893&fSectionId=552&fSetId=662

[167] Agreement on subsidies and countervailing measures. WTO legal texts. Date of Access: 27 February 2009. http://www.wto.org/english/docs_e/legal_e/legal_e.htm

[168] South Africa and Saudi Arabia launch a Business Council. Department for Trade and Industry of Republic of South Africa. 24 February 2009. http://www.thedti.gov.za/article/articleview.asp?current=1&arttypeid=1&artid=1789

[169] South Africa and Mauritius sign MoU on Economic Co-operation. The Department of Trade and Industry of South Africa. 9 February 2009. http://www.thedti.gov.za/article/articleview.asp?current=1&arttypeid=1&artid=1779

[170] Fact sheet on the interim Economic Partnership Agreements. SADC Group. European Commission. January 2009.

indicated in the permit.[171] However it can't be assessed as WTO rules inconsistent measure, as the actual import is not restricted and introduction of certain requirements on imported goods through licenses is the legitimate right of WTO member countries.

It is difficult to make a fully valid assessment because of the lack of sufficient information. But taking into consideration consistency of measures undertaken so far to support national economy with WTO rules and absence of new barriers to investment or to trade, compliance with the commitment may be assessed at a score of +1.

Analyst: Yuriy Zaytsev

South Korea

The government is considering providing auto parts suppliers with liquidity and corporate tax exemptions, as well as cutting taxes and other charges on purchases of motor vehicles.[172]

Analysis by the University of Toronto G20 Research Group

Turkey

No data

United Kingdom: +1

The UK Government has undertaken three types of measures[173]. As other G20 economies the UK carried out banks recapitalisation to prevent the banking system pumping blood to economy from collapsing. Second action has been a monetary and fiscal stimulus for the economy. The Bank of England has moved to cut interest rates, to help borrowers in the housing market and companies needing funds to continue to invest increased investment in our infrastructure. The government have raised the pension, increased child benefit, cut VAT, lowered taxes by raising tax allowances, and have taken targeted action to try and prevent the short-term impact of the recession from having long lasting effects on productivity and confidence, new support for those losing their jobs to find a new job or a new skill quickly, while helping people suffering a large drop in income to avoid repossessions. The third element of recovery plan is the credit stimulus to remove the obstacles to lending, a GBP21 billion (USD30.2 billion)[174] support package for businesses with a turnover of up to GBP500 million (USD720 million), a wider set of measures focused on increasing the amount of lending available to mortgage borrowers and to the larger businesses who plan to invest and create jobs.

So these are the three cornerstones of stability and recovery plan for the UK national economic security: a stabilisation of the banking system; the monetary and fiscal stimuli; and a programme to support the expansion of new bank lending.

By now the UK fiscal stimulus amounts to 3.4 per cent of the economy[175]. According to the HM Treasury[176] a range of measures designed to support lending, help businesses and protect jobs have been undertaken.

The Government has authorised the Bank of England to create a new £50bn fund (Asset Purchase facility) to purchase up to GBP50 billion (USD72 billion) of high quality private sector

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[171] № R.206. Department for Trade and Industry. International Trade Administration Commission for South Africa. Import Control. 27 February 2007. http://www.itac.org.za/documents/Notice%20DTI.pdf

[172] Report to the TPRB from the director-general on the financial and economic crisis and trade-related developments. 23 January 2009. http://www.tradeobservatory.org/library.cfm?refid=105042

[173] Speech on Global economic crisis. Transcript of speech given by the Prime Minister at the Foreign Press Association in London, Monday 26 January 2009. http://www.number10.gov.uk/Page18153

[174] GBP1 = USD1.44. http://www.federalreserve.gov/releases/h10/hist/dat00_uk.txt

[175] Alistair Darling Satement to the House of Commons on the G20 Finance Ministers' Meeting. 16 March 2009 http://www.hm-treasury.gov.uk/statement_chx_160309.htm

[176] Statement to the House of Commons on Bank Lending. 19 January 2009. http://www.hm-treasury.gov.uk/statement_chx_190109.htm

assets. The facility aims to enable larger companies to get the funding they need at a lower cost and complement the measures to support small and medium businesses.

The operating remit of this scheme is set by the Government, but it is run on an independent basis by the Bank of England.

As part of the Government's additional measures to encourage lending by financial institutions, the Government extended the drawdown window of the Credit guarantee scheme (CGS) from 9 April 2009 to 31 December 2009, subject to state aid approval. This aims to support orderly issuance of debt guaranteed under the CGS. The scheme final maturity date is 9 April 2014. During the drawdown window, banks can issue new debt – and once it has been issued, they can keep rolling it over after the window closes (all of it until 13 April 2012 and up to one-third of the total until 9 April 2014).

Guarantee scheme for asset backed securities. The Government announced[177] an extension of the credit guarantee scheme and a new guarantee scheme for asset backed securities to improve banks' access to wholesale funding markets, UK banks and building societies eligible to participate in the CGS will be able to access the new scheme subject to fulfilling the scheme's conditions. Banks and building societies accessing the scheme will follow international standards and best practice on underwriting, disclosure, reporting and valuation. The Government will set conforming criteria to ensure that only transparent structures and high quality assets are eligible. The scheme will commence in April 2009, subject to state aid approval.

According to the data from the report Road to the London Summit published by Prime Minister Gordon Brown on 18 February[178], the plan for getting the global economy back on track through a new global deal, the UK government total capital investment by that date amounted to USD52.2 billion, higher then any other country of the G20 except the US (USD317.5 billion).[179]

Automotive industry

On 27 January 2009 the UK Government announced a package of measures aimed at freeing up lending of more than GBP2 billion (USD2.88 billion) for the automotive industry[180]. The elements of support that have been announced include:

• Guarantees to unlock loans of up to GBP1.3 billion (USD1.87 billion) European Investment Bank (EIB) guarantees for investment in lower carbon initiatives.

• Loans or loan guarantees to support of up to GBP1 billion (USD1.44 billion) of lending for lower carbon initiatives for non-EIB backed projects.

• Increased funding for training of employees under 'Train to Gain'.

• Mervyn Davies, the Trade and Investment Minister, tasked to draw up a plan for improving access to finance for manufacturers' finance arms.

The measures provide for plans to agree with the temporary framework with the European Commission to provide loan guarantees to UK automotive manufacturers and large UK automotive suppliers. These will be targeted at initiatives to reduce emissions and energy consumption.

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[177] HM Treasury Statement on financial intervention to support lending in the economy. 19 January 2009. http://www.hm-treasury.gov.uk/press_05_09.htm

[178] Road to the London Summit. http://www.londonsummit.gov.uk/resources/en/PDF/road-to-london-summit

[179] Road to the London Summit. P. 57. http://www.londonsummit.gov.uk/resources/en/PDF/road-to-london-summit

[180] A package of measures aimed at freeing up lending of more than £2bn for the automotive industry announced by the UK Government. http://nds.coi.gov.uk/environment/fullDetail.asp?ReleaseID=390928&NewsAreaID=2&NavigatedFromDepartment=True

The UK Government has also taken a series of actions to unblock bank lending to SME and mid-sized companies. The assistance will apply to projects over GBP5 billion (USD7.2 billion) from UK based vehicle manufacturers and automotive parts suppliers with an annual turnover of GBP25 million (USD36 billion) or more.

Applications will be assessed on a case-by-case basis. The Government announced commitment that the scheme:

- Offers value for money to taxpayer;
- Enables to green Britain's economic recovery;
- Delivers significant innovation in processes or technologies for the long-term;
- Supports jobs and skills in Britain;

The assessment criteria will be finalised when they are cleared with the European Union, but are likely to include;

- Compliance with State aid rules;
- Viability of companies;
- Tied to R&D or capital expenditure within the UK;
- Evidence of having exhausted private sector sources;
- Repayable within 2 years.

The scheme will help ensure that major new low-carbon investment projects in the UK automotive sector are not abandoned or located outside of the UK because companies are temporarily unable to access sufficient funding from traditional sources of finance.

The package is supplemented by a commitment from the Department of Innovation, Universities and Skills that automotive employers will be able to access high quality skills support - and funding to help pay for training - through the Train to Gain service. If there is the demand from the industry, the Department of Innovation, Universities and Skills Secretary will boost the funding to support new training to GBP100 million (USD144 million) from its present GBP65 million (USD93.6 million). This offers real help to people – including workers in SME in the automotive supply chain.

The GBP50 million (USD72 million) million Economic Challenge Investment Fund announced separately by the Higher Education Funding Council aims to create new opportunities for automotive employers looking to tap into academic expertise in improving business performance.

UK Secretary of State for Business, Enterprise and Regulatory Reform Peter Mandelson also invited Regional Development Agencies to work with the Technology Strategy Board to bring forward a further step change in programmes for research and development into cleaner engines, lighter cars, plug-in hybrids and components for electric vehicles, building on the GBP110 million (USD158.4 million) of support for research and development that was announced in September 2008.

The Prime Minister's Spokesman asked if the funding for the new green Land Rover was simply a disguised bailout said this was funded under the EU General Block Exemption regulation Grant for Business Investment Scheme, which was separate from the GBP2.3 billion (USD3.3 billion) Automotive Assistance Programme that we announced a few weeks ago. Asked if the Prime Minister recognised concern that the GBP2.3 billion (USD3.3 billion) scheme didn't address the principle risk of companies going under and losing staff, the PMS said that we had a separate working capital scheme and we were dealing with funding issues that related to banks and their finances. The support was very much targeted on ensuring that our car industry could compete in future markets.[181] Thus the investment is targeted at innovations and environment technologies introduction and is not in breach WTO rules.

Small and Medium Business support

The Government package of measures designed to address the cash flow, credit and investment needs of small and medium businesses[182], builds upon the commitments outlined in November 2008 Pre Budget Report, consists of loan guarantees and a new Enterprise Fund aimed at helping companies struggling to access finance for working capital and investment.[183]

The Government measures include:

• A GBP10 billion (USD14.4 billion) Working Capital Scheme, securing up to GBP20 billion (USD28.8 billion) of short term bank lending to companies with a turnover of up to GBP500 million (USD720 million);

• An Enterprise Finance Guarantee Scheme, securing up to GBP1.3 billion (USD1.87 billion) of additional bank loans to small firms with a turnover of up to GBP25 million (USD36 million);

• A GBP75 million (USD108 million) Capital for Enterprise Fund (GBP50 million (USD72 million) from Government augmented by GBP25 million (USD36 million) from the banks) to invest in small businesses which need equity;

The Working Capital Scheme is a response to the constraint on bank credit available for lending to ordinary-risk businesses with a turnover of up to GBP500 million (USD720 million) a year.

The Government will provide banks with guarantees covering 50%of the risk on existing and new working capital portfolios worth up to GBP20 billion (USD28.8 billion).

The guarantee will secure up to GBP20 billion (USD28.8 billion) of working capital credit lines for companies - ensuring they are safe from reduction or withdrawal. The guarantee will be available through Barclays, Clydesdale/Yorkshire Bank, HBOS, HSBC, Lloyds TSB, RBS/Natwest and Northern Bank. It will become available from other lenders if they wish to apply. The measures are not WTO inconsistent as they are not specific to particular industry.

So far none of the measures undertaken by the UK Government have been noncompliant with the commitment. The UK compliance performance is therefore scored as +1.

Analyst: Marina Larionova

United States: 0

The US government has undertaken substantial measures to support national banking sector, automobile industry, mortgage market.

On 17 February American President Barack Obama signed into law the American Recovery and Reinvestment Act. It provides USD787 billion economic stimulus package. Inserted into it "Buy American" provision requires all public works projects funded by the stimulus package to use only U.S. made iron, steel and other manufactured goods in a manner consistent with U.S. obligations under international agreements. The U.S. has made commitments under the WTO to provide trading partners with access to government procurement contracts. Countries such as

[181] Afternoon press briefing from 11 March 2009. Wednesday 11 March 2009. http://www.number10.gov.uk/Page18586

[182] Department for Business, Enterprise & Regulatory Reform http://www.berr.gov.uk

[183] Real Help with Finance a package of measures designed to address the cash flow, credit and investment needs of small and medium businesses. http://nds.coi.gov.uk/environment/fullDetail.asp?ReleaseID=389537&NewsAreaID=2&NavigatedFromDepartment=True
The online portal for the package can be found at: http://www.businesslink.gov.uk/realhelp/finance

China, Brazil, India and Russia do not have such procurement deals with the U.S. and thus would not gain access to their market.184 The US Congress criticized that this clause would dilute the bill's impact and invite other countries to keep American goods out of their stimulus programs. Opponents argue that 'Buy American' measure allows the cost of a project to be increased by as much as 25 % over what it would be if imported materials were allowed.185 Thus the US Government has raised a barrier to trade in goods and services. However, the US didn't violate the commitment, as a clause was inserted into the bill ensuring that the Buy American provision doesn't apply to those countries which have signed the WTO's Agreement on Government Procurement.

On 24 February 2009 President Barack Obama announced that the government was removing previous tax breaks available to companies outsourcing to low-cost foreign countries. This measure is being labeled protectionist by many in India who see it as a threat to the country's large IT sector.[186]

The Federal government has also subsidized **automobile industry**. It approved soft loans of USD17.4 billion for General Motors, Ford, and Chrysler.[187] On 17 February 2009 General Motors and Chrysler asked for an addition USD22 billion.[188] Chrysler has received an initial USD4 billion emergency loan from the USA government. "This initial loan will allow the company to continue an orderly restructuring," Chrysler Chief Executive Bob Nardelli said in a statement.[189] Ford Motor Co. has not sought government loans but has asked for a USD9 billion line of credit it could tap, if business conditions worsen beyond its projections.[190] General Motors Corp. received USD4 billion in emergency loans from the federal government. Its affiliated finance firm GMAC also received USD6 billion in loan funding. U.S. government has provided USD150 billion for green technology research.

Within the set of supportive measures for mortgage market the USA Government has announced USD75 billion to tackle the foreclosure crisis in an effort to prevent up to 9 million Americans from losing their homes. The government, which seized the mortgage finance companies last fall, said it would absorb up to USD200 billion in losses at each company. The initiative is designed to help up to 5 million borrowers refinance – if their mortgages are owned or guaranteed by Fannie Mae or Freddie Mac. It also provides incentive payments to mortgage lenders in an effort to convince them to help up to 4 million borrowers on the verge of foreclosure.[191]

To support banking sector U.S. government has utilized USD350 billion of the approved in October 2008 USD700 billion Troubled Asset Relief Fund to shore up deteriorating finances of the nations' banks through capital injections into 300 banks.[192] The new Financial Stability Plan will include:[193] Financial Stability Trust; Public-Private Investment Fund (USD500 billion - USD1 trillion); Consumer and Business Lending Initiative (up to USD1 trillion); Transparency and Accountability Agenda – Including Dividend Limitation; Affordable Housing Support and Foreclosure Prevention Plan.

The USA has undertaken substantial measures to support national producers, banking sector and automobile industry. Simultaneously it has undertaken protectionist measures raising

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184 Guardian.co.uk. (February 12, 2009), "Buy America Amended".
185 Reuters (February 16, 2009), "Business groups scold Congress on 'Buy American'.
186 The Economic Times (February 25, 2009), "Tax break withdrawal reeks of protectionism, India Inc to US." http://economictimes.indiatimes.com/Tax-break-withdrawal-reeks-of-protectionism-India-Inc-to-US-/articleshow/4191288.cms
187 Gamberoni and Newfarmer. op cit. p. 50.
188 Reuters (March 9, 2009), op cit.
189 Reuters (January 3, 2009), "Chrysler given $4bn US government loan".
190 Reuters (January 3, 2009), "Chrysler given $4bn US government loan".
191 The Globe and Mail (February 18, 2009), "Obama unveils $75-billion mortgage-relief plan".
192 The New York Times (February 7, 2009), "New Plan to Help Banks Sell Bad Assets".
193 US Government Official Website (February 10, 2009), "Fact Sheet Financial Stability Plan".

new trade barriers. Though these measures are directed towards countries which are not parties of the WTO Agreement on Public Procurement, given that they are members of the G20, USA has partially breached the clause of the commitment. Thus, so far, USA's compliance is assessed at a score of 0.

Analysis by the University of Toronto G20 Research Group

European Union: +1

The European Union and the member states have undertaken a wide range of measures provided for by the "European Economic Recovery Plan" as put forward by the Commission in November 2008 and approved by the European Council on 11 and 12 December 2008[194] in the equivalent of about 1.5% of the GDP of the European Union (a figure amounting to around EUR200 billion). The plan provides a common framework for the efforts made by Member States and by the European Union.[195] The size of the fiscal effort was enhanced to 3.3% of the EU GDP or over EUR400 billion (USD540 billion) to generate new investment, boost demand, create jobs at the spring European summit on 19-20 March 2009.[196]

The European member states repeatedly emphasized commitment to the pledge made in the G20 summit in Washington. Thus at the meeting of the leaders of Germany, UK, France, Italy, Spain and the Netherlands, in Berlin on 22 February the leaders of the six largest economies of the EU agreed that: "Free trade and openness to cross-border investment are important preconditions for ensuring that economic momentum is sustainable and regained on a global scale. The first priority is to achieve a breakthrough in the Doha Round of WTO negotiations in the coming months to safeguard the global economy against protectionism. At the London Summit leaders should send a powerful message to this effect. Given the current difficult state of the global economy, all countries have a duty to resist protectionist tendencies and to work towards a tangible further opening of world trade. We commit ourselves today not to take any action violating this principle and support the WTO in its efforts to establish a monitoring system. We also undertake to address the trade finance shortage which significantly impedes international trade".[197]

Limitations of aid to financial institutions in the recapitalization process were advised by the Commission to as safeguards against undue distortion of the competitions.[198]

The spring summit again reiterated the Member states commitment to free and fair trade as a key element for global recovery.[199]

Having said that, the fact sheet of measure to address the crisis and restore the financial and economic stability include reintroduction of export refunds for dairy products[200], a series of

[194] Communication from the Commission to the European Council. A European Recovery Plan. Brussels, 26 November 2008. COM(2008) 800 final http://ec.europa.eu/commission_barroso/president/pdf/Comm_20081126.pdf

[195] Presidency Conclusions. Brussels European Council. 11 and 12 December 2008. Brussels, 13 February 2009 17271/1/08. REV 1.CONCL 5 http://consilium.europa.eu/uedocs/NewsWord/en/ec/104692.doc

[196] Presidency Conclusions. Brussels European Council. Annex 1 Agreed language with a View to the G20 summit in London. Brussels, 20 March 200917271/1/08 REV 1 CONCL 1 http://www.consilium.europa.eu/uedocs/NewsWord/en/ec/106809.doc

[197] The outcome of the European Council G20 preparatory meeting on 19-20 March in Brussels. Chair's Summary: http://www.bundesregierung.de/nn_6538/Content/EN/Pressemitteilungen/BPA/2009/2009-02-22-chair-summary.html

[198] Communication from the Commission. The Recapitalization of the financial institutions in the current financial crisis: limitations of aid to the minimum necessary and safeguards against undue distortion of the competitions. Brussels, 5.12.2008. C (2008) 8259 final.

[199] Presidency Conclusions. Brussels European Council. Para 18 and Annex 1. Agreed language with a View to the G20 summit in London. Brussels, 20 March 200917271/1/08 REV 1 CONCL 1 http://www.consilium.europa.eu/uedocs/NewsWord/en/ec/106809.doc

[200] EU reintroduces export refunds for dairy products. 23/01/2009 http://ec.europa.eu/agriculture/newsroom/en/322.htm and Reintroduction of export refunds for dairy products.

antidumping measures[201] and adoption of Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis,[202] as well as EU framework for support to automotive industry.[203]

Agriculture

At the request from the Polish delegation, supported by the Lithuanian delegation[204] export refunds and modification of intervention measures in the milk sector were introduced by the Commission for the first time since June 2007[205], it is planned that additional measures will be submitted to the next Management Committee. The decision was taken in response to the serious situation on the EU dairy market, caused by a sharp fall in producer prices. Export refunds aim allows EU exporters to continue to be present on the world market. For skimmed milk powder (SMP), bids were accepted for a total of 5,612 tonnes at a maximum refund of EUR200 (USD270) per tonne (out of total bids for 15,172 tonnes). For butter (82% fat), bids were accepted for 2,299 tonnes at a maximum refund of EUR500 (USD675) per tonne (out of total bids for 9,566 tonnes). For butter oil, bids were accepted for 80 tonnes at a maximum refund of EUR580 (USD783) per tonne (out of total bids for 980 tonnes). At the same time, lower rates were fixed for the standing refunds (the refund rates at which exports can be carried between regular tenders). The rates were EUR170 per tonne for skimmed milk power (SMP), EUR450 (USD607.5) per tonne for butter, EUR260 (USD351) per tonne for whole milk powder, and EUR220 (USD297) per tonne for cheeses.

The EU pledges that the rates respect the limits on subsidised exports set by the World Trade Organisation. The measure is temporary and intended only apply for as long as market conditions so dictate.[206]

The Council Conclusions on Safety of imported agricultural and agri-food products and compliance with Community rules made by Council in December[207] suggest measures to improve the Community system of import controls, such as: tightening up health checks on imports of certain foodstuffs of plant origin, on the basis of new or known risks; increasing number of FVO inspections in third countries and in Member States concerning sanitary and phytosanitary safety of imports and concerning controls performed at authorised Community points of entry; build up scientific methodologies for risk assessments. The Conclusions do not breach the WTO provisions, but may eventually present technical and phytosanitary barriers to agricultural imports.

Agriculture and Fisheries 2909th meeting of the Council. Brussels, 28 November 200816171/08 (Presse 339). Press release. Council of the European Union http://www.consilium.europa.eu/uedocs/NewsWord/en/agricult/104467.doc

[201] Agriculture and Fisheries 2917th meeting of the Council. Brussels, 18 and 19 December 1691/1//08 REV 1 (Presse 361) Press release. Council of the European Union. http://www.consilium.europa.eu/uedocs/NewsWord/en/agricult/104997.doc

[202] Communication from the Commission — Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis. Official Journal of the European Union (2009/C 16/01) 22 January 2009 http://ec.europa.eu/competition/state_aid/legislation/horizontal.html

[203]Communication from the Commission - "Responding to the crisis in the European automotive industry" /* COM/2009/0104 final */ http://ec.europa.eu/economy_finance/focuson/focuson13254_en.htm

[204] Agriculture and Fisheries 2909th meeting of the Council. Brussels, 28 November 200816171/08 (Presse 339). Press release. Council of the European Union. http://www.consilium.europa.eu/uedocs/NewsWord/en/agricult/104467.doc

[205] Agriculture and Fisheries 2918th meeting of the Council. Brussels, 19 January 2009 5471/09 (Presse 13) Press release. Council of the European Union. Situation on the milk market – Request from the Latvian, Polish and Slovakian delegations. (16298/08)

[206] EU reintroduces export refunds for dairy products. 23/01/2009 http://ec.europa.eu/agriculture/newsroom/en/322.htm

[207] Agriculture and Fisheries 2917th meeting of the Council. Brussels, 18and 19 December 1691/1//08 REV 1 (Presse 361) Press release. Council of the European Union. http://www.consilium.europa.eu/uedocs/NewsWord/en/agricult/104997.doc

The Agriculture and Fisheries Council[208] adopted Regulations on anti-dumping measures against goods from India and China: imposing a definitive countervailing duty on imports of cotton-type bed linen originating from India *(16374/08)*, imposing a definitive countervailing duty on imports of certain graphite electrode systems originating in India *(16379/08)*, imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain prepared or preserved citrus fruits (namely mandarins, etc.) originating from the People's Republic of China *(16885/08)*. The anti-dumping processes had been launched before the compliance period, and can not be considered as non complaint with the commitment.

State Aid

Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis provide that certain categories of State aid are justified, for a limited period, to remedy those difficulties and declare them compatible with the common market on the basis of Article 87(3) (b) of the Treaty[209]. The Commission posits that, beyond emergency support for the financial system, the current global crisis requires exceptional policy responses. It considers necessary to temporarily allow the granting of a limited amount of aid, provided all the following conditions are met:

(a) the aid does not exceed a cash grant of EUR500,000 (USD675,000) per undertaking; all figures used must be gross, that is, before any deduction of tax or other charge; where aid is awarded in a form other than a grant, the aid amount is the gross grant equivalent of the aid;

(b) the aid is granted in the form of a scheme;

(c) the aid is granted to firms which were not in difficulty (17) on 1 July 2008; it may be granted to firms that were not in difficulty at that date but entered in difficulty thereafter as a result of the global financial and economic crisis;

(d) the aid scheme does not apply to firms active in the fisheries sector;

(e) the aid is not export aid or aid favouring domestic over imported products;

(f) the aid is granted no later than 31 December 2010;

(g) prior to granting the aid, the Member State obtains a declaration from the undertaking concerned, in written or electronic form, about any other *de minimis* aid and aid pursuant to this measure received during the current fiscal year and checks that the aid will not raise the total amount of aid received by the undertaking during the period from 1 January 2008 to 31 December 2010, to a level above the ceiling of EUR500,000 (USD675,000).

The aid can be provided in the form of guarantees:

- for SME, Member States grant a reduction of up to 25% of the annual premium to be paid for new guarantees granted in accordance with the safe-harbour provisions of the Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees (20);
- for large companies, Member States also grant a reduction of up to 15 % of the annual premium for new guarantees calculated on the basis of the same safe-harbour provisions;

Aid can also be extended for the production of green products and risk capital measures.

[208] Agriculture and Fisheries 2917th meeting of the Council. Brussels, 18and 19 December 1691/1//08 REV 1 (Presse 361) Press release. Council of the European Union. http://www.consilium.europa.eu/uedocs/NewsWord/en/agricult/104997.doc
[209] Communication from the Commission — Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis. Official Journal of the European Union (2009/C 16/01) 22.1.2009 http://ec.europa.eu/competition/state_aid/legislation/horizontal.html

Example of approved aid schemes include authorization of the German loan programme intended to provide liquidity for undertakings affected by the current credit squeeze. It provides for interest rate reductions on loans to finance investments and working capital of up to EUR50 million (USD67.5 million) to be granted to undertakings with a turnover of less than EUR 500 million(USD675 million). The programme will be administered by the Kreditanstalt für Wiederaufbau (KfW), the main public development bank in Germany, in close cooperation with the undertakings' own bankers. The second measure, a Federal framework scheme ("Bundesregelung Kleinbeihilfen") allows economic policy actors at Federal, regional, and local level to provide aid of up to EUR500,000 (USD675,000) per undertaking to firms in need. These are the first cases to be approved under the Commission's new temporary framework providing Member States with additional possibilities to tackle the effects of the credit squeeze on the real economy.[210]

The European Commission has also authorised, under EC Treaty state aid rules, the first in a series of aid measures for businesses adopted by France to tackle the economic crisis. The scheme will allow state, regional or local authorities and certain public bodies to grant aid of up to EUR500.000 (USD675,000) in 2009 and 2010 to businesses which find themselves in difficulty as a result of the current economic crisis or are experiencing financing problems because of the credit squeeze.[211]

Portugal scheme for aid was authorized according to Competition Commissioner Neelie Kroes who said: "to help alleviate the difficulties faced by Portuguese businesses affected by the current situation without giving rise to any undue distortions of competition".[212]

The measures are not WTO inconsistent, as they comply with the Article 8 of the WTO Agreement on the subsidies and countervailing measure. The full list is long and regularly supplemented on a daily basis.[213]

Automotive industry

Decisions on support to the automotive industry[214] authorized subsidised loans, subsidised guarantees and subsidised loans for the production of "green" products including cars. It is stressed that aid granted on the basis of these frameworks fully respect internal market rules in order to avoid distortions and fragmentation. This framework only applies to companies whose difficulties do not pre-date the crisis. The support includes the European Investment Bank (EIB) increase in the amount of loans planned to the automobile sector through the new European Clean Transport Facility to an annual amount of EUR4 billion (USD5.4) in 2009 and in 2010. Loans granted to automotive industries will also draw on horizontal programmes, in particular those targeting SME' convergence or safety. The EIB is expected to approve EUR3.8 billion (USD 5.13 billion) worth of automotive sector projects in March, while the additional projects in the pipeline add up to a total of EUR6.8 billion (USD 9.18 billion).

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[210] The European Commission has approved, under EC Treaty state aid rules, two German real economy crisis measures.
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/2063&format=HTML&aged=0&language=EN&guiLanguage=en

[211] State aid: Commission authorises France to introduce temporary aid scheme for businesses up to a maximum of €500 000. IP/09/72 Brussels, 19 January 2009
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/72&format=HTML&aged=0&language=EN&guiLanguage=en

[212] State aid: Commission authorises Portuguese scheme for aid of up to €500 000
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/71&format=HTML&aged=0&language=EN&guiLanguage=en

[213] http://ec.europa.eu/competition/state_aid/what_is_new/news.html

[214] Communication from the Commission: "Responding to the crisis in the European automotive industry.
http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/com_2009_0104.pdf

These efforts will be backed up by a research partnership between the public and private sector, on the mobility of the future, with an estimated total value of EUR1 billion (USD1.35 billion). To boost demand for new vehicles "scrapping schemes" are authorized.[215]

The Commission has also proposed an increase of advance payments from the European Social Fund (ESF), and simplification of the criteria. This can be used to support to implementing measures to retain jobs and combat unemployment in the automotive industry, such as: i) supporting short-time workers by financing training and a part of wage and non-wage labour costs; ii) supporting company and sector restructuring; iii) financing retraining; iv) anticipating change requirements and matching skills.

The wide range of **"traditional" State aid instruments** available to Member States for supporting their industries can also be used for promoting research and innovation, environmental development and restructuring.[216]

This aid has to be notified to the Commission for its approval. In particular, the car industry can benefit from the following categories of State aid:

Environmental aid

- Aid to companies which improve the environmental performance in their production process;
- Aid for environmental studies;
- Aid for the acquisition of new green transport vehicle under certain conditions;
- Aid for energy saving;
- Aid for sustainable biofuels (which indirectly benefits car manufacturers developing motors using biofuels).

Aid for Research & Development & Innovation (R&D&I)

- Aid for research and development projects for cars, including for the development of green technology;
- Aid for the loan of highly qualified personnel (can be used to improve the automotive value chain);
- Aid for technical feasibility studies;
- Aid for process and organisational innovation in services;
- Aid for innovation clusters which can help car manufacturers to invest in open research and testing Infrastructures.

Regional aid

In disadvantaged regions, Member States can grant car sector investment aid for setting up a new establishment, extending an existing establishment, diversifying the establishment's output into new products or introducing fundamental change in the overall production process.

Aid in the form of risk capital

- Aid to risk capital investors or venture capital funds for their risk capital investments;
- Fiscal incentives to investment funds and/or their managers or investors;

[215] Communication from the Commission: "Responding to the crisis in the European automotive industry. Annex 3: Guidelines for Scrapping Schemes.
http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/com_2009_104/annex_3.pdf
[216] Communication from the Commission: "Responding to the crisis in the European automotive industry. Annex 2: Inventory of State aid instruments.
http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/com_2009_104/annex_2.pdf

- Constitution of investment funds ("venture capital funds").

Rescue and restructuring aid

A company in difficulty can receive state aid in order to restructure its operations if it can prove that such aid will help it to be viable in the long-term. If any urgent assistance is necessary, Member State can, before preparing a comprehensive restructuring plan, grant to a car sector company either a loan or a state guarantee on commercial loan for duration of six months. By granting such aid, Member States gain time which allows the company to prepare a restructuring plan or, if the difficulties were overcame, to repay the aid or stop using the state guarantee.

"Small amounts" of aid

Aid up to EUR500,000 (USD675,000) per company for the next two years, to relieve them from current difficulties.

State guarantees

State guarantees for loans in the form of a reduction of the premium to be paid. The Commission will (i) authorise a two years reduction of up to 15% of the annual premium to be paid for new guarantees for large car sector companies and up to 25% for SME operating in the car sector and (ii) will allow these companies to apply a premium fixed in the communication for other eight years. The maximum loan amount must not exceed the total annual wage bill of the beneficiary. The state guarantee may not exceed 90% of the loan but may cover both investment and working capital loans.

Subsidised loans

State Aid in the form of subsidised interest rates applicable to all types of loans.

Subsidised loans for green products

State aid in the form of subsidized loans for the production of green products.

Improving access of the risk capital for SME

Under the Temporary Framework a Member State can grant increase of the tranche of finance from EUR1.5 million (USD2.03 million) per SME to EUR2.5 million (USD3.38 million) per SME. At the same time, the level of private participation is lowered from 50% to 30% (equally in and outside assisted areas).

Though the EU has undertaken a wide range of measures none of the measure so far can be assessed as actionable under the WTO provisions, thus the EU score for the commitment compliance is +1.

Analyst: Marina Larionova