



communiqué

N°:
No.: 48

APRIL 12, 1985

WEIGHING THE COSTS AND BENEFITS OF PROTECTION

On April 9, 1985, the Organisation for Economic Co-operation and Development (OECD) issued the following press release concerning a study on the costs and benefits of protection.

Paris, 9th April 1985

WEIGHING THE COSTS AND BENEFITS OF PROTECTION

World trade faces lower tariff barriers today than at any time in the past, but non tariff barriers such as quantitative restrictions, have spread significantly over the last decade. It is in this context that OECD Ministers in 1982 invited the Secretary-General to carry out a study on the costs and benefits of protection. The key findings of the study, of which the summary and conclusions have just been published, are as follows:

- Protection has not proved an efficient means of sustaining employment. Even in the protected sectors, import controls have rarely 'saved' more than 2 or 3 percent of jobs -- often at the expense of employment opportunities in other industries.

- Protection has increased the average consumer price of protected goods by as much as 10 percent, and on specific items -- for instance, jeans -- much more. Worst affected by these price increases are low income households, which, in clothing for example, depend most heavily on low cost items imported from developing countries.

- There is little evidence that protected industries can or do use the 'breathing space' provided by protection to restructure. In fact, protection -- notably 'voluntary' export restraints -- has transferred large profits to foreign producers, allowing them to increase their competitive edge.

- The spread of protection imposes particular costs on the developing countries, for whom sustained growth of exports is critical to keeping indebtedness within manageable limits. But uncertainty about the future of trade regimes also depresses business confidence and investment in the OECD countries.

- The full study will be published shortly. In addition to assessing and synthesising the available research on trade barriers and their overall effects, on trade flows, employment, structural adjustment and prices, it provides detailed case studies of the steel, textiles and clothing, automobile and consumer electronics industries.