
***CONSTANT PROTECTIONISM IN THE FINANCIAL MELTDOWN:
ARE NATIONAL STIMULUS PACKAGES NEW FORMS OF
PROTECTION ALONGSIDE CURRENCY DEVALUATION?***

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ABSTRACT:

Deriving from research of the two North American economies, the study investigated the nature and makeup of various stimulus policies enacted by the respective governments in response to the recent financial crisis. Specific attention was given to identifying the most significant industry recipients of stimulus offerings. World Trade Organization (WTO) dispute histories for the American and Canadian economies were investigated to find parallels between recent fiscal stimulus offerings amongst various industry beneficiaries and past instances of international trade disputes. Evidence of national stimulus packages being new sources of protection for traditional recipients was discovered. American WTO disputes targeting important stimulus recipients during the crisis period underlined international identification of that country's fiscal policies as protectionist in several economic sectors. Periods of American Dollar depreciation are thought to have exacerbated recent international reactions. No such marked parallel in recent disputes was found for Canada, though it is believed that clear Canadian Dollar appreciation over the past two years is the explanatory factor for this reserved international reaction. Stimulus in conjunction with depreciation, it would seem have been accepted to a lesser degree than stimulus alone. Central, however, is the finding that stimulus packages for both nations were found to focus on industries historically inclined on protectionism.

RÉSUMÉ:

Émanant de la recherche sur les deux économies Nord-Américaines, l'étude a investigué la composition de plusieurs projets de stimule fiscal de ces deux nations en réponse à la crise financière récente. Plus précisément, la recherche a visé les industries et secteurs économiques les plus affectés par les offres de stimule des gouvernements Canadien et Américain. L'histoire des disputes précédentes à l'Organisation Mondiale du Commerce (OMC) du Canada et des États-Unis a été investigué afin de pouvoir identifier des parallèles entre les bénéficiers des stimules contemporains et des tendances de protectionisme chez ces deux économies dans le passé. Des preuves significantes de nouvelles sources de protection des industries nationaux ont été découvertes. Plusieurs disputes dans l'OMC contre les industries Américaines qui ont reçu des niveau de stimule importantes pendant la crise ont souligné le caractère protectioniste des project fiscaux proposés par ce pays. La dévaluation en valeur du Dollar Américain est presumée d'être la cause des réactions négatives internationaux. Le stimule Canadien n'a pas crée une reaction internationale aussi marquée mais l'appréciation soulignée du Dollar Canadien pendant les deux dernières années est presumée d'être la raison de ce restraint des partenaires d'échange international du Canada. L'application des stimules économiques en conjonction avec une chute de valeur de la monnaie nationale n'a pas donc été acceptée au même niveau que les stimules seulement. Néanmoins, et au centre de cette investigation, les projects de stimules fiscaux proposés par les deux économies ont été démasquées pour être des nouvelles sources de protection pour des récipients historiquement protectionnistes.

TABLE OF CONTENTS:

<u>INTRODUCTION</u>	1
<i>CONSTANT PROTECTIONISM</i>	2
<i>TODAY’S CRISIS AND THE PAST: A BRIEF UNDERSTANDING</i>	3
<i>THE CURRENT FINANCIAL CRISIS, STIMULUS AND TRADE</i>	11
<i>CURRENCY DEVALUATION</i>	17
 <u>CASE STUDY ANALYSIS AND METHODOLOGY:</u> <u>CANADA AND THE UNITED STATES OF AMERICA</u>	 19
 <u>CASE STUDY: UNITED STATES OF AMERICA</u>	 21
<i>TARP AND FINANCIAL INDUSTRY HELP VERSUS STIMULUS:</i> <i>UNDERSTANDING THE DIFFERENCE</i>	22
<i>THE US ECONOMIC STIMULUS OFFERINGS: A CLOSER</i> <i>LOOK</i>	29
<i>THE AMERICA REINVESTMENT AND RECOVERY ACT OF 2009</i>	30
<i>CONSTANT PROTECTIONISM AND THE US STIMULUS: HAS</i> <i>THE MONEY GONE TOWARDS PREVIOUS RECIPIENTS OF</i> <i>GOVERNMENT PROTECTION?</i>	41
<i>US CURRENCY MOVEMENTS: PREDATORY DEPRECIATION</i> <i>IN TIMES OF NEED?</i>	52
<i>CONCLUSIONS: THE US BAILOUTS AND STIMULUS AND</i> <i>CONSTANT PROTECTIONISM</i>	57

<u>CASE STUDY: CANADA</u>	59
<i>Canada's Recovering Economy</i>	61
<i>Canada's Stimulus: The Canada Economic Action Plan at Work</i>	64
<i>Canada's Stimulus: Constant Protectionism and Potential Effects on International Trade</i>	66
<i>Tax Incentives for Business and Industry</i>	67
<i>Economic Action Plan Industry and Business Stimulus Allocation: Who has it Benefitted?</i>	63
<i>Economic Action Plan: Tariff Relief</i>	77
<i>Canada's Stimulus: New Source of Traditional Protectionism</i>	77
<i>Currency Fluctuations During the Crisis</i>	82
<i>Conclusions: The Canada Economic Action Plan and Constant Protectionism</i>	84
<u>RESEARCH ANALYSIS CONCLUSIONS AND DISCUSSION</u> ...	87
<i>POTENTIAL CRITICISMS</i>	87
<i>RESEARCH CONTRIBUTIONS</i>	92
<i>PARTING REMARKS: THE NEW FACE OF CRISIS-ERA PROTECTIONISM</i>	95
<u>BIBLIOGRAPHY</u>	97

TABLES AND FIGURES

INTRODUCTION

<i>FIGURE 1.1: GLOBAL PRE-CRISIS INDUSTRIAL PRODUCTION.</i>	5
<i>FIGURE 1.2: FORECASTED GLOBAL GROWTH.</i>	5
<i>FIGURE 1.3: GLOBAL INFLATION FORECAST.</i>	6
<i>TABLE 1.1: AGGREGATE WTO DISPUTE CASES IN RECENT YEARS.</i>	14
<i>FIGURE 1.4 WORLD TRADE LEVELS DURING THE RECENT CRISIS.</i>	15
<i>TABLE 1.5 : SIZE OF FISCAL PACKAGES (REVENUE AND SPENDING MEASURES): 2008–2010.</i>	16

CASE STUDY: UNITED STATES OF AMERICA

<i>TABLE 2.1 BREAKDOWN OF THE TROUBLED ASSET RELIEF PROGRAM: INVESTMENT/INCOME/REVENUE AS OF MARCH 20, 2011.</i>	27
<i>TABLE 2.2: US GOVERNMENT PLEDGED ALLOCATION OF STIMULUS MONEY IN DIFFERENT PROJECTS DESIGNED TO SAVE OR CREATE JOBS AND PROVIDE ECONOMIC BOOST.</i>	30
<i>TABLE 2.3: ARRA INVESTMENT BREAKDOWN BY CATEGORY.</i>	31
<i>TABLE 2.4: EXPECTED JOB CREATION BY THE OBAMA ADMINISTRATION BY INDUSTRY THROUGH THE ARRA.</i>	39
<i>TABLE 2.5 US ARRA STIMULUS ALLOCATIONS BY AGENCY.</i>	40
<i>TABLE 2.6: SELECT WTO DISPUTE CASES BROUGHT AGAINST THE UNITED STATES SINCE 1995.</i>	42

TABLE 2.7: SELECT WTO DISPUTE CASES INITIATED BY THE UNITED STATES SINCE 1995.	46
---	-----------

FIGURE 2.1: THREE YEAR HISTORY OF THE US DOLLAR VERSUS THE EURO.	56
---	-----------

FIGURE 2.2: THREE YEAR HISTORY OF THE UK POUND STERLING VERSUS THE AMERICAN DOLLAR.	56
--	-----------

CASE STUDY: CANADA

TABLE 3.1: BREAKDOWN OF CANADIAN STIMULUS PROJECTS.	60
--	-----------

FIGURE 3.1: EVOLUTION FO REAL GDP SINCE PRE -RECESSION PEAKS.	63
--	-----------

FIGURE 3.2: CHANGE IN TOTAL EMPLOYMENT, JUNE 2009 TO SEPTEMBER 2010.	63
---	-----------

FIGURE 3.3: UNEMPLOYMENT RATES	64
---------------------------------------	-----------

TABLE 3.2: JOB CREATION THROUGH ECONOMIC ACTIONS PLAN AS OF DECEMBER 2010.	64
---	-----------

TABLE 3.3: CANADIAN STIMULUS PACKAGE: RELATIVE BREAKDOWN OF PLEDGED FUNDS BY CATEGORY.	66
---	-----------

FIGURE 3.4 CANADA’S STIMULUS PACKAGE: TAX INCENTIVES FOR BUSINESS.	69
---	-----------

TABLE 3.4: CANADIAN STIMULUS PACKAGE: SUPPORTING INDUSTRIES AND COMMUNITIES.	75
---	-----------

TABLE 3.5: WTO DISPUTE CASES BROUGHT AGAINST CANADA SINCE 1995.	80
--	-----------

TABLE 3.6: SELECT WTO DISPUTE CASES BROUGHT FORWARD BY CANADA SINCE 1995.	81
--	-----------

FIGURE 3.5: A THREE YEAR HISTORY OF THE CANADIAN DOLLARS VERSUS THE AMERICAN GREENBACK.	84
--	-----------

INTRODUCTION

The world economy is an unstable mess. America remains embattled in the cleanup of the sub-prime fiasco. The European Union struggles to maintain a unified financial front and uphold its currency in the aftermath of Greek unrest, bailouts of ballast members and new Eurozone partners. In rather stark contrast, Canada, a close trade partner of many developed nations, seems to be faring rather well. In all this, little is being said about the effects on trade policy at a time when protectionist tendencies should logically be most enflamed and lobbyists most vocal in the lofty halls of senates and parliaments. This, perhaps, is because nothing much great is going on at all. Protectionist walls have not been erected, international trade is not at a standstill and the WTO dockets are not overflowing with files of blatant trade discrimination. Why is this so and why have we not seen more direct protectionism and WTO disputes during the recent crisis period? The following study aims to address this very puzzle through a direct analysis of the American and Canadian stimulus offerings since the onset of the crisis. It investigates whether or not the large national stimuli packages proposed by two key members of the G-20, two developed nations which could afford such luxuries under the auspices of national security, have acted as novel sources of protection unique from previously known avenues of protection as currency manipulation and traditional trade barriers.

As the above suggests, the study will focus on the actions and decisions of countries economically strong enough to be able to pump rapid and sizeable

amounts of money into their national industries. Specifically, the research is conducted as a case study targeting the two large North American members of the G-20 which have made significant stimulus contributions in the 2008-2011 period, namely, Canada and America.

CONSTANT PROTECTIONISM

To begin, a clear understanding of what is being investigated is essential. As such, consideration of what is meant by the idea of constant protectionism in the contemporary political economic landscape is paramount. Much akin in theory to Kennan's vision of an unstoppable, ever-flowing river of Soviet threat to American political outlooks in the 1950's, so too have different and evolving forms of economic protectionism been compared to a penetrating tide, able to seep into the cracks of any national regulation or GATT/WTO ruling. Trade scholars have for long touted the verity of this observed law of evolving and constant protectionism. In essence, as a response to the relative rigidity and the self-binding aspect of WTO/GATT regulations and individual trade agreements, governments, most often at the behest of interested parties, find roundabout ways of receiving the trade protection they desire but cannot have under pre-existing conditions. In most practical terms, in trade, when one door closes, lobbyists find ways of exerting pressures on politicians to then formulate policies which provide shelter to affected industries through other means. Now, while the self-imposed flexibility of WTO rules has often set the stage for these new venues and types of protectionism to arise, they are quite often difficult to pinpoint and assess without

sufficient legal capacity and economic incentive. The current financial fiasco along with national reactions to it has presented all political economic observers with something starkly different, both in its novelty and sheer size. That is what makes this crisis, the extent and targets of the adopted stimuli packages and the relative silence in the international arena about their fairness, and perhaps unfairness, all the more interesting and worthy of analysis.

TODAY'S CRISIS AND THE PAST: A BRIEF UNDERSTANDING

While the current analysis will shy far away from any significant discussion or speculation as to the specificities of the causes of the recent international financial meltdown, it is, however, quite necessary to quickly present some of the political economic *paysage* from which the actions of the nations being observed have emanated.

The meeting of G-20 deputies in London between January 31 and February 1, 2009 underlined, rather bluntly that “*the global economy is in the midst of a deep downturn, as an adverse feedback loop between the real and financial sectors is taking its toll*”¹. In addition, despite efforts to stop the deluge, “*severe financial market stress persists notwithstanding continued policy efforts...The advanced economies as a group are facing their sharpest contraction in the post-war era, while activity is slowing abruptly in emerging economies*”². Rooted in the failure of the United States’ financial markets and the resultant

¹ IMF. Note by the Staff of the International Monetary Fund “Group of Twenty: Meeting of the Deputies January 31-February 1, 2009”. London, UK. February (2009): 2.

² Ibid., p. 4.

crippling of labour markets, the crisis grew and shifted, very rapidly trickling into a veritable torrent of failures. Given the information at hand a handful of months after the initial shocks, IMF observers suggested that aggregate world GDP growth would shrink substantially, from 3 ½ percent in 2008, to a meager ½ percent in 2009, and negative growth of some 2 percent projected for the most advanced economies, with eventual and gradual recovery expected for 2010 onwards³. Figures 1.1 and 1.2 display the IMF's rather somber forecasts, while Figure 1.3 shows the forecast progression of global inflation, and consequently, as the two are interrelated, the interest rate. Despite these gloomy projections and the quickness with which the crisis spread not only to other developed nations but to emerging markets, however, recovery and future prosperity were thought to be possible. As the general tone of the IMF's report suggests, while a full-blown economic implosion had been averted and recovery could be expected much remained to be done as *“more aggressive and concerted policy actions are urgently needed to resolve the crisis and establish a durable turnaround in global activity”*⁴.

Following the initial shock and awe of the rather quick international economic deceleration, many governments saw the need to act. Faced with this sudden dearth of economic activity and dropping employment, some chose to attempt to alleviate any initial and lasting deleterious effects through injection of

³ Ibid., p. 8.

⁴ Ibid., p. 2.

FIGURE 1.1: GLOBAL PRE-CRISIS INDUSTRIAL PRODUCTION⁵

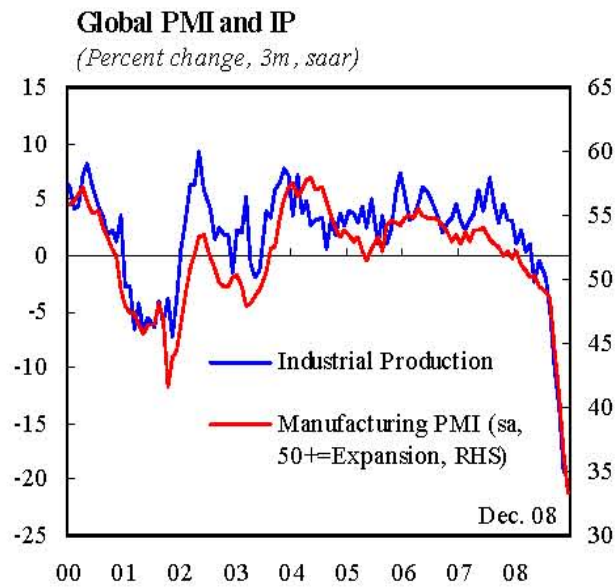


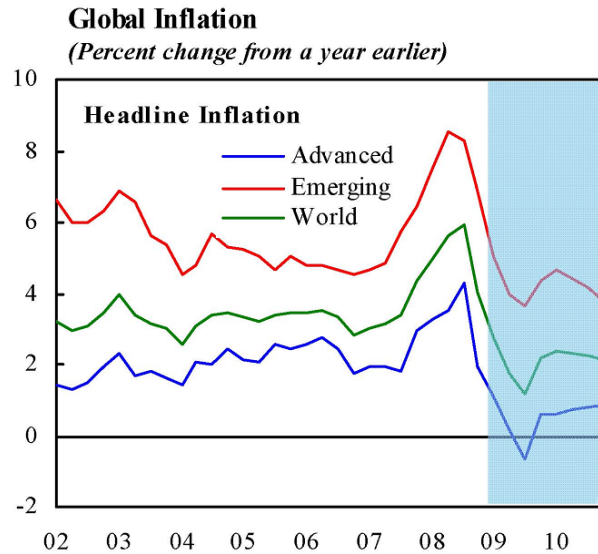
FIGURE 1.2: FORECASTED GLOBAL GROWTH⁶



⁵ Ibid., p. 4

⁶ Ibid.

FIGURE 1.3: GLOBAL INFLATION FORECAST⁷



quick liquidity. As the IMF underlined, while such liquidity was in dire need in general in the global economy,

“stimulus should inter alia include direct support for the housing sector, steps to improving public infrastructure, including operation and maintenance, and boosting transfers to state and local governments to avoid pro-cyclical cut backs”⁸.

While the idea of giving an upper hand to some necessary national industries, or even infant industries during times of economic duress is not at all a novel one, an across the board stimulus plan, initiated by the United States and coordinated between many countries is something quite apart. As noted in a study by the IMF’s Fiscal Affairs Department released in November 2009, stimulus plans were quickly enacted with differing degrees of emphasis on different economic objectives varying among the G-20, centered on public consumption and transfers, tax cuts on consumption, labour, capital, and investment, as well as a

⁷ Ibid., p. 10 . Prepared by staff of the IMF’s Research Department, with input from the Fiscal Affairs and Monetary and Capital Markets Departments.

⁸ Ibid., pp. 25

collection of other country-specific revenue measures⁹. In the past, such coordinated plans have not been exacted to nearly this degree, leaving the international community with few, if any instances of political economic precedent. What does come to mind from the last century, as far as far reaching crises go, are the two examples of the Great Depression and that of the more recent Asian Crisis of the late 1990's¹⁰.

As a rule of thumb, it is not too difficult to ascertain why a government may wish to prop up an industry through subsidies, or even a whole economy should a drastic enough case require it. Breaking existing trade agreements by supporting one industry or injecting liquidity into the whole economy can be explained along a number of reasons from national economic security, the preservation of national economic competitiveness vis-à-vis other economies or simply the efficacy of lobbyists and the “capturability” of politicians in dire economic times. All these may have played a role in the initiation of recent stimuli, though governments, remembering lessons from the Great Depression, have attempted to stay clear of predatory trade measures in the current context, fearing a contemporary return to Smoot-Hawley era realities, rife with the ominous threat of retaliation in the aftermath of any protectionist decisions¹¹.

⁹ IMF, Fiscal Affairs Department. “The State of Public Finances Cross-Country Fiscal Monitor: November 2009”. Authorized for distribution by Carlo Cottarelli. November 3, (2009): 9-10. Accessed May 1, 2011. www.imf.org/external/pubs/ft/spn/2009/spn0925/pdf

¹⁰ Interesting and pertinent positions are taken in the following discussions: Reinhart, Carmen. “Reflections on the International Dimensions and Policy Lessons of the US Subprime Crisis”. In *The First Global Financial Crisis of the 21st Century*, edited by Andrew Felton and Carmen Reinhart. Centre for Economic Policy Research (CEPR), (June 2008): 55-61. Reinhart, Carmen M., and Kenneth S. Rogoff, “Is the 2007 U.S. Subprime Crisis So Different? An International Historical Comparison.” *American Economic Review* Vol. 98 No. 2, (2008): 339-344.

¹¹ A review of Charles Kindleberger’s work on the subject is suggested. Two key works are the following:

Looking to the past, historically significant financial crises have underscored three critical and interrelated realities of the current crisis. Firstly, a hallmark of many financial crises, contagion seems to have been a clear element in the way the crisis spread from one nation to another, and most notably amongst the most developed starting with the initial wavering of the US markets followed closely by Europe and Asian overseas partners. This is in line with past analysis of crisis under the guise of the financial-panic view explored, in part, by Koo and Kiser in their analysis of the South Korean crisis¹². It is echoed by previous researched by Radelet and Sachs¹³, Marshall¹⁴, and Chang and Velasco¹⁵. Secondly and closely associated to the first point, the crisis further illustrated the true extent of the interconnectedness of the world economy, perhaps to an even greater degree than advocated in the past by Rodrik¹⁶. Afterall, without a pre-established lattice of interaction amongst markets, contagion would have had little legroom in a similar scenario of financial turmoil seeping out of a key economy to its neighbours and contemporaries. In turn, the last crucial element of the crisis,

(from the previous page)

Kindelberger, Charles. *The World In Depression 1929-39*. Berkeley: University of California Press, 1973.

Kindleberger, Charles. *Manias, Panics, and Crashes*, New York: Basic Books, 1978.

¹² Koo, Jahyeong and Sherry L. Kiser. 2001. "Recovery from a Financial Crisis: The Case of South Korea". Economic and Financial Review Fourth Quarter 2001, Federal Reserve Bank of Dallas. 2001.

¹³ Radelet, Steven, and Jeffrey Sachs, "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects" Brookings Paper, Vol. 28, no. 1. (1998): 1-74. See also: Kaminsky, Graciela, Carmen Reinhart, and Carlos Vegh, "The Unholy Trinity of Financial Contagion", *Journal of Economic Perspectives* 17, (2003): 51-74.

¹⁴ Marshall, David, "Understanding the Asian Crisis: Systemic Risk as Coordination Failure," *Economic Perspective*, Fed. Reserve Bank of Chicago, 3rd quarter 1998, Chicago, (1998):13-28.

¹⁵ Chang, Roberto, and Andres Velasco, "Liquidity Crises in Emerging Markets: Theory and Policy," NBER Macroeconomics Annual 1999, Vol 14. Cambridge, Mass (MIT). 2000.

¹⁶ Rodrik, Dani. "How Far Will International Economic Integration Go?" *Journal of Economic Perspectives* vol 14 , no 1 (2000): 177-186.

the way in which countries responded, seems to suggest a cohesive project on the part of those affected, with apparent regard to both their individual economies and the welfare of the global one as well. Far from a trickle down effect from the United States on downwards to smaller economies, this was a concerted effort. Consequently, the rapidity with which nations responded to the initial shock, and indeed, the very fact that they chose to shore their efforts rather than act as disjointed national entities, makes this recent financial debacle a stand alone figure among other historic cases. Drawing from past experience and knowledge of the US struggles of the 1920's and 1930's, as expounded, among others, by Romer on the consequence, the direct role and the need for sustained aggregate demand stimulus to ensure recovery and end the Great Depression, governments recognized the need to quickly prop up their economies¹⁷.

Nevertheless, in their reactions, even the richest members of the G-20 have had varying levels of real returns for their significant investments. Stimulus packages rolled out by these nations and specifically Canada and the US have been different to an extent, underlining the specificities of each economy's needs, their national vulnerabilities and expectations at the time of implementation. This, too, will be addressed in the study, but it is first important to outline some basics

¹⁷ Romer, Christina D. "What Ended the Great Depression?" *The Journal of Economic History*, Vol. 52, No. 4. (1992): 757-784.

Romer, Christina D., "Lessons from the Great Depression for Economic Recovery in 2009". *Revista de Economía Institucional*, Vol. 11, No. 21, 2nd Semester of 2009. December 1, (2009). Available in Spanish at SSRN: <http://ssrn.com/abstract=1535520>

The two works cited above concentrate, respectively, on the beneficial role of US government stimulus spending to help recover from the Great Depression, as well as a need for the current crisis to be handled through large and continuing stimulus packages as opposed to quick one-time injections, even when interest rates are near zero. The former work finds that nearly all of the recovery observed up to 1942 was due to monetary expansion. The latter work extends the knowledge gained from past analysis of American experience to the present international debacle. Further analysis has been undertaken in the past by Bernanke, Eichengreen and Kindelberger, to name three stand-out contributors to this body of knowledge.

tenets of the fiscal packages put into place by governments thus far. Specifically, variation in composition of stimuli has been observed over five broad categories: (i) tax cuts, both personal and corporate, (ii) increased infrastructure spending, (iii) protection of vulnerable or at-risk societal groups, (iv) financial support for small and medium-sized businesses, (v) as well as longer-term policy measures such as green incentives. Levels of stimulus in relation to national GDP have also varied, but wavered for the most part around ½ percent in 2008, 1 ½ percent in 2009 and 1 ¼ percent in 2010¹⁸. As previously outlined by Mishkin in analysis of past financial crises, central banks took up a familiar position and played a key role as necessary lenders-of-last resorts to industries far removed from the financial sector during this meltdown¹⁹.

Tax breaks offered by G-20 stimulus packages have varied in exact composition, but, as reported by the IMF, have followed some general trends. Nearly half of the member states have undertaken cuts to personal income tax, including Canada, Germany, The United Kingdom as well as the United States. A near third has also cut levels of corporate taxes, including Canada. Large investment into infrastructure has been announced by members, most notably changes to or the outright creation of transportation networks. This has come in the form of direct central government spending or through local capital transfers. In an effort to help vulnerable or liquidity-constrained groups and individuals,

¹⁸ IMF Survey Report: February 6, 2009. Accessed May 1, 2011, <http://www.imf.org/external/pubs/ft/survey/so/2009/pol020709a.htm>

¹⁹ Mishkin, Frederic S. "Anatomy of a financial crisis". *Journal of Evolutionary Economics*. (1992) 2: 115-130.

G-20 nations have undertaken a variety of steps ranging from raising unemployment benefits (Canada, Russia, the United Kingdom, and the United States), direct cash transfers (Canada, Korea, Japan), support to children and families (Australia, Germany), increased fiscal aid to pensioners (Australia, Canada), to extending concessional loans to low-income citizens (Saudi Arabia). Support for small and medium-sized businesses has focused on vulnerable or strategic sectors such as construction. Canada's home renovation credit, recently extended by the Harper government is a prime example of the last element. Finally, some, as Canada and the United States, have addressed long term policy goals as the environment and health care services²⁰.

THE CURRENT FINANCIAL CRISIS, STIMULUS AND TRADE

Returning to the central question posed of this analysis and to meaningfully tie in the last two short sections above, why have nations sought the self-professed shelter of stimulus plans? Simply stated, it is believed that stimuli packages, for those who could afford them, have been a new source of protectionism and recovery. Strikingly, during this crisis, this form of protectionism has been readily accepted by other economies as necessary, and has been used by many for political gain. The financial crisis experienced by most has pointed to marked stress fissures in the global economy and left nations scrambling to develop different strategies for managing losses. While the differing efficacy of such measures remains to be observed in the coming years,

²⁰ IMF Survey Report: February 6, 2009. Accessed May 1, 2011, <http://www.imf.org/external/pubs/ft/survey/so/2009/pol020709a.htm>

what is clear even in the short run, is that these economic jolts have not been the quick-fix silver bullet solution that they were initially touted to be. Nonetheless, as some nations were more financially stable and better able to inject quick liquidity into their national economies than others, investigation of their makeup and effects for the privileged few who could afford them is of clear import.

Critical to the central assumption of constant protectionism through stimulus is the reason for the apparent stagnancy in the amount of direct trade protectionism during this demanding time. The three most plausible scenarios suggest that (i) nations have for some unapparent reason chosen to ignore trade violations against them and not voiced their discontent, (ii) secondly, and equally unlikely, that trade in a dire time has not prompted any underhanded tactics whatsoever, or, in this author's opinion the most credible scenario, that (iii) protectionism has found a type of foothold in the stimuli packages of various nations, increasing the relative gains of traditional recipients and speaking to the "capturability" of politicians at times when votes are expensive commodities. This presents a novel venue for protectionism and lobbying specifically in times of financial stress, one which may have passed with little true opposition under a cloak of national financial security, somewhat akin to WTO escape clauses or safeguards though greatly differing in its widely accepted application. The fourth possible scenario, namely that of the crisis and stimuli having had no effect on trade or GDP levels, or that its relative exogeneity has affected all parties to the same degree seems outright implausible given the global experience of the past three years and thus cannot be considered.

Bown underscores a marked and continuous rise in specific protectionist measures as antidumping and safeguards in the years since 2007. He is, however, equally quick to note that this relative rise in specific types of violations affects a rather small sector of the world economy and often niche industries of the very country in question²¹. In the big picture, governments have not resorted to import-restricting trade remedies to alleviate national problems, though he personally advocates the use of safeguards in times of international financial stress as the go-to pressure release valve for governments. Furthermore, as Kee, Neagu and Nicita have suggested in a recent study, world trade levels have not diminished significantly during this period of crisis due to a surge of national protectionism. As their analysis posits, after accounting for anti-dumping duties during the period, recent changes in trade policy can explain at most 2% of drop in global trade levels in the period²². Low demand seems to make up the brunt of the explanation.

Indeed, as the IMF has signaled, following a sudden drop of 17.5% in world trade between September 2008 and January 2009 with the deepening of the crisis, levels had started to recover by mid-2009²³. IMF data summarizing transport services and merchandise, as well as aggregate numbers, is presented in

²¹ Bown, Chad P., "The Global Resort to Antidumping, Safeguards, and other Trade Remedies Amidst the Economic Crisis" in *Effective Crisis Response and Openness: Implications for the Trading System*, edited by Simon J. Evenett, Bernard M. Hoekman and Oliver Cattaneo. Centre for Economic Policy Research, December 2009: 91-119.

²² Hiau Looi Kee Cristina Neagu Alessandro Nicita. "Is Protectionism on the Rise? Assessing National Trade Policies during the Crisis of 2008". The World Bank Development Research Group on Trade and Integration Team. January 29, 2011: 1-16.

²³ Gregory, Rob, Christian Henn, Brad McDonald, and Mika Saito. "Trade and the Crisis: Protect or Recover" IMF Staff Position Note 10-07. Authorized for distribution by Reza Moghadam (April 16, 2010). Accessed May 2, 2011.
<http://www.imf.org/external/pubs/ft/spn/2010/spn1007.pdf>

Figure 1.4. In itself, this is an impressive turnaround, given, as Araújo and Martins find, that prior to September 2008 fewer than 5% of all OECD nations showed negative export growth while nearly all experienced at least a 10% decline in the following months²⁴. How did this rebound occur without a corollary rise in trade violations at the WTO, especially, as many nations, through years of liberalization, have lowered their tariffs below WTO tariff ceilings agreed on in the Uruguay Round²⁵? To further illustrate, Table 1.1 outlines a very brief history of the number of WTO disputes in recent years, showing no significant rise in disputes over the past three years. It is not out of place to be intrigued as to the role that stimuli packages and currency fluctuations played at this very time.

TABLE 1.1: AGGREGATE WTO DISPUTE CASES IN RECENT YEARS²⁶

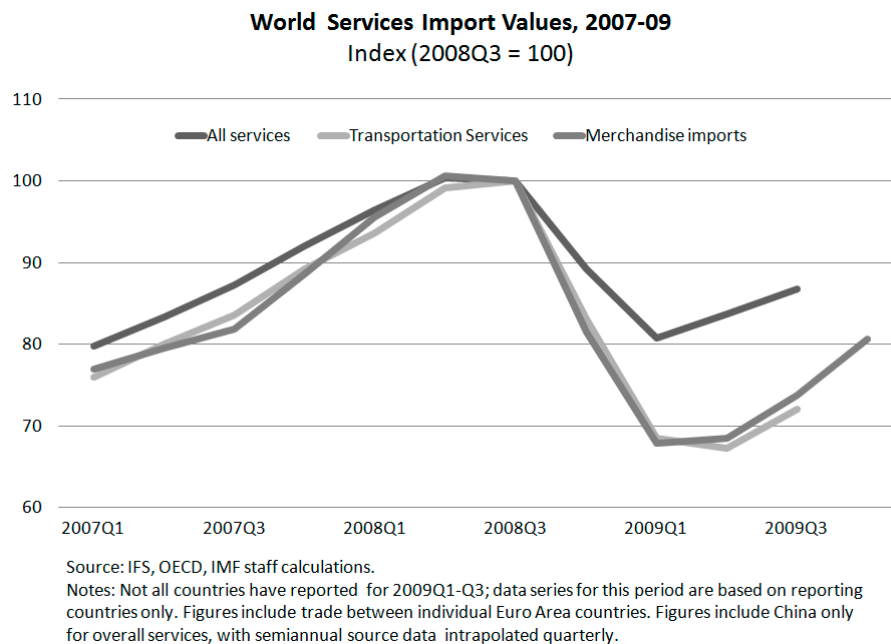
2007	13
2008	19
2009	14
2010	17
2011	5 (TO DATE)

²⁴ Araújo, S., and J. Oliveira Martins, “The Great Synchronization: What do high-frequency data statistics tell us about the trade collapse?” OECD Statistics Directorate, WPTGS (16-18 November 2009). Accessed May 3, 2011. <http://www.oecd.org/dataoecd/55/29/44197756.pdf>

²⁵ Gregory, Rob, Christian Henn, Brad McDonald, and Mika Saito. “Trade and the Crisis: Protect or Recover” IMF Staff Position Note 10-07. Authorized for distribution by Reza Moghadam (April 16, 2010). Accessed May 2, 2011. <http://www.imf.org/external/pubs/ft/spn/2010/spn1007.pdf>

²⁶ WTO. Data regarding chronology of disputes. Last accessed June 8, 2011. http://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm.

FIGURE 1.4 WORLD TRADE LEVELS DURING THE RECENT CRISIS²⁷



Not all nations have, however, used fiscal stimuli to the same extent. Sometimes this has come out of choice but mostly due to inability to come up with means of large injections. Thus, not all nations have received benefits and stood to gain, or at least lose less, during the period. In essence, mostly the developed have had this privilege. In an analysis of the American fiscal packages and the 2009 American Recovery and Reinvestment Act, Evenett identifies the significant economic jolt that stimuli packages have had internationally and the potential for protectionist backlashes due to their implementation, though, due to the time of his analysis, with inconclusive findings²⁸. Advocating for more openness and international cooperation on stimuli, Jenny also suggests that

²⁷ Gregory, Rob, Christian Henn, Brad McDonald, and Mika Saito. "Trade and the Crisis: Protect or Recover". International Monetary Fund. Strategy, Policy, and Review Department. April 16, 2010.

²⁸ Evenett, Simon. "The Implementation of the U.S. Stimulus Package: A Preliminary Assessment of the Consequences for International Commerce" in *Effective Crisis Response and Openness: Implications for the Trading System*, edited by Simon J. Evenett, Bernard M. Hoekman and Oliver Cattaneo. Centre for Economic Policy Research December (2009): 143-158.

stimuli packages can become sources of new protectionism in the coming years if left unchecked²⁹. Furthermore, as Aggarwal and Evenett point out, times of need point to economic losers, and stimuli packages can turn into unforeseen policy “can of worms” in that dealing out benefits to some will be seen a precedent to deal out even more to others. While it was much too early for their mid-2009 study to show significant support for stimuli protectionism, they do suggest the striking fact that stimulus has often gone to traditional recipients of protection³⁰. And yet, stimuli packages, their scope and breadth have not been much challenged by trade partners and have seemingly been accepted as a necessary evil at a time when greater evils abound. Table 1.5 outlines the stimulus packages offered by some in the developed world as reported by the OECD in May 2009.

TABLE 1.5 : SIZE OF FISCAL PACKAGES (REVENUE AND SPENDING MEASURES): 2008–2010³¹

(ABSOLUTE \$US MILLION)	
UNITED STATES	804070
GERMANY	107789
JAPAN	99992
CANADA	61551
SPAIN	56754
AUSTRALIA	45673
KOREA	42667
UNITED KINGDOM	38003
FRANCE	18568

²⁹ Jenny, Frederic. “Responses to the Economic and Financial Crisis: Wither Competition?” in *Effective Crisis Response and Openness: Implications for the Trading System*, edited by Simon J. Evenett, Bernard M. Hoekman and Oliver Cattaneo. Centre for Economic Policy Research December (2009): 217-248.

³⁰ Aggarwal, Vinod and Simon Evenett, “Have Long-Established Patterns of Protectionism Changed During this Crisis? A Sectoral Perspective” in *Broken Promises: a G-20 Summit Report by Global Trade Alert*. Edited by Simon Evenett. Centre for Economic Policy Research. (2009): 125-132.

³¹ OECD. “Policy Responses to the Economic Crisis: Investing in Innovation for Long-Term Growth”. Directorate for Science, Technology, and Industry (June 2009): 1-37. Accessed April 20, 2011. <http://www.oecd.org/dataoecd/59/45/42983414.pdf>

Further statistics for the G-20 specifically, are available in: Prasad, Eswar and Isaac Sorkin, “Assessing the G-20 Economic Stimulus Plans: A Deeper Look”. Brookings Institute. Washington D.C. (March 2009): 1-5.

**TABLE 1.5 : SIZE OF FISCAL PACKAGES (REVENUE AND SPENDING MEASURES):
2008–2010 (CONTINUED)**

(ABSOLUTE \$US MILLION)

NETHERLANDS	13367
SWEDEN	13109
DENMARK	8668
FINLAND	8575
BELGIUM	8016
CZECH REPUBLIC	6500
NEW ZEALAND	5404
POLAND	5145
AUSTRIA	4600
SWITZERLAND	2486
LUXEMBOURG	1968
PORTUGAL	1963
SLOVAK REPUBLIC	35

CURRENCY DEVALUATION

While the main focus of the proposed study are stimuli packages, their makeup and redistribution in the national economies of Canada and the United States, a parallel assessment of currency fluctuations for the two case studies will be necessary to see if monetary policies are being used in unison with traditional and untraditional trade tactics. Following Eichengreen and Sach's findings on depreciation and the 1930's, it is feasible to imagine that devaluation and currency variation may be legitimate and non-destabilizing forces of recovery³². The trick, as will be shown in a comparison of the Canadian and American experiences is how to balance it with stimulus policies. In addition, as currency devaluations can map onto comparative trade advantages, they can become sources of, however, inadvertent protectionism for national industry. This is particularly true now when most developed economies have lowered interest rates to historically unprecedented levels in the hopes of incubating growth. Aside from

³² Eichengreen, Barry and Jeffrey Sachs, "Exchange Rates and Economic Recovery in the 1930s". *The Journal of Economic History*, Vol. 45, No. 4 (Dec., 1985): 925-946.

currency controls, there really is not that much wiggle-room left. Weber and Wyplosz show, writing in mid-2009, that while contagion has been restrained to all but one region and many currencies have devalued against the dollar, many of these currency movements have been affects of market forces rather than competitive devaluations³³. Nonetheless, regardless of origin, such movements leave some trade partners between a rock and a hard place, struggling to compete against foreign devaluation. To boost such recent analysis, the general trend of USD devaluation against a basket of currencies proposes that perhaps more volatility has been introduced into the international system in the past year and a half, meriting further research as to its effects on trade. This study hopes to shed light on recent currency movements, their extent and implications for trade for the two nations in question. It should, however, be kept in mind that devaluation does not necessarily and automatically map onto a increase in trade and unfair advantages. As the American case is showing, potential for devaluation and simply buying fewer imports is also possible, without the inherent need for trade surpluses. As such, while currency seems to be a part of the contemporary trade picture, the merits of a central focus on stimuli packages remain intact and are, indeed, strengthened.

³³ Weber, Sebastian and Charles Wyplosz. "Exchange Rates During the Crisis" in *Effective Crisis Response and Openness: Implications for the Trading System*, edited by Simon J. Evenett, Bernard M. Hoekman and Oliver Cattaneo. Centre for Economic Policy Research (December 2009): 159-182

See also:

Eichengreen, Barry. "Competitive Devaluation to the Rescue" in: *The Guardian* (March 18 2009). Accessed on March 25, 2011, Available at: <http://www.guardian.co.uk/commentisfree/2009/mar/17/g20-globalrecession>

CASE STUDY ANALYSIS AND METHODOLOGY: CANADA AND THE UNITED STATES OF AMERICA

The present study employed a case study model in its approach to the crisis-period experience of two Anglophone North American G-20 nations: Canada and The United States. The choice of cases was a conscious one, aimed at researching the two large two North American economies in order to pinpoint any crisis trends being exhibited by key global actors and leaders at the WTO. In this, the United States and Canada are prime examples, and respectively represent the largest and fourth largest crisis stimulus packages proposed by the international community³⁴. The choice of Anglophone countries as opposed to any other economies was with the intent of being able to gather and properly assess available information in a language familiar to the author. Canada and America fit all of the above criteria quite aptly. Though the inclusion of all G-20 nations, or even a smaller sub-set of these nations for that matter, would have been more ideal for the intent of the work and was initially aimed for, large amounts of missing and unavailable data with respect to stimulus allocation for some key members would have rendered a fruitful analysis impossible to achieve. Furthermore, the inclusion of additional nations may have created logistical problems and may have resulted in research with “a little to say about a lot of cases”, rather than a more specific and refined investigation as yielded with two key cases representing two key world economies. As such, the study focused on the largest economies for which data was more readily available, with the added

³⁴ Only Germany (second largest) and Japan (third largest) have pumped more money into their economies than Canada, though due to disclosure and language barriers, efficient data was not readily available.

benefit of the central assumption that larger economies could have a larger and more influential effect on the rest of world trade. The actions of the US and Canada, would have more potential than those of smaller, weaker economies to create new venues or pathways of protectionism, ones which can leave lasting impressions on world trade for both the developed and developing in the future. Standard sources of protectionism were also investigated and any WTO disputes against the nations in question were scrutinized. However, as noted above in the introduction in Table 1.1, given the relatively small amount of cases, especially for Canada, study of new cases did not and was not expected to yield significant results or great insight as to the developments and contemporary trends in world trade practices or processes. In lieu of using current or potential cases as the main and questionable substance of the study, a thorough analysis of all past disputes involving Canada and the United States, whether as complainant or respondent, were cross-reference for the industries involved to determine if any overlap with stimulus aid recipients existed. Finally, in addition to investigating the make-up of individual stimulus packages, the study prepared analysis of currency fluctuations over the course of the past three years of the crisis in order to underline any potential economic advantages or disadvantage reaped through currency manipulation.

CASE STUDY: UNITED STATES OF AMERICA

Vilified as the direct source of the wavering world economy over the last three years, the United States of America has been the largest contributor of stimulus to its national economy of any one nation and, indeed, out of any regional groupings including the European Union. In total, as a response to the slumping employment market, the near collapse of the housing market, personal bankruptcy and the potential demise of vital national economic interests and industries, the United States' government pledged over \$1.2 trillion, including the largest injection of \$787 billion in 2009 as part of the ARRA, the American Recovery and Reinvestment Act, of which, as reported by the US government, \$655.4 billion has been reported to have been handed out to date under three broad categories: (i) personal and business tax benefits, (ii) contracts, grants and loans and (iii) entitlements³⁵. Given the size and diversity of the American economy, these three general stimulus targets have encompassed many different individual federal and state initiatives spotlighting various economic sectors. In-depth analysis of each ARRA category as well as the other US stimulus offerings enacted since the onset of the crisis starting with the Economic Stimulus Act of 2008, with focus on industry recipients will be supplied in detail below. WTO dispute information will then be cross-referenced to find instances of continuing protection for these industries. However, before assessing the relative makeup as

³⁵US Government. Recovery Accountability and Transparency Board. Accessed May 21, 2011. <http://www.recovery.gov/Transparency/fundingoverview/Pages/fundingbreakdown.aspx>

well as the potential industry and trade impact of the American plan, it is important to separate the facts and the intended targets of the mainly financial Wall Street bailout, named the Trouble Asset Relief Program, or simply TARP, and the direct focus of the present discussion, the various economic stimulus offerings, comprising of several different initiatives including the ARRA. It should, however, be noted that in the case of the US some of the TARP or bailout money did go to industries and sectors outside of finance as vehicle production and thus, industries which are of great interest for the present study. Prior to analyzing these instances of continued protectionism through the economic stimulus and direct industry bailout offerings, it is important to understand what has set stimulus apart from the first bailouts proposed by the Bush Administration. The following sections specify the differences between the two with respect to recipients and intended aims.

TARP AND FINANCIAL INDUSTRY HELP VERSUS STIMULUS: UNDERSTANDING THE DIFFERENCE

Stemming from the disastrous consequences of the sub-prime mortgage market and derivatives market investment by key American financial institutions, the international crisis was marked by the apparent domino-like tumbling of highly recognized firms. The crisis, fueled by these risky decisions began to take a truly ominous shape in late February 2007, as Federal Home Loan Mortgage Corporation, known as Freddie Mac, stated that it would no longer purchase

dangerous derivatives or their underlying sub-prime mortgages. What followed was a gradual depreciation of financial markets and key economic indicators leading to an eventual widespread meltdown. On August 6, 2007, American Home Mortgage Investment Corporation, the tenth largest lender in America, filed for Chapter 11 bankruptcy protection, marking the first of the major failures, sending financial markets plunging throughout the course of the rest of the year. Soon, fueled by losses outside of America, troubled firms as Northern Rock took their turn on the crisis' chopping block. As a general financial collapse loomed nearer in early 2008, President George W. Bush signed the Economic Stimulus Act of 2008 (Public Law 110-185) on February 13, 2008, pledging much needed funds for the ailing US economy. Providing limited results and indeed limited funds, however, the first enactment of American stimulus did little to assuage the oncoming tide of financial failures most aptly exemplified by the now infamous images of meetings between CEO's of the nine largest remaining firms, President Bush and Secretary Paulson. As consequence to the continuing deterioration of the finance industry, after lengthy debate and political partisan posturing Congress passed, and the President signed into law, the Troubled Asset Relief Program (TARP) on October 3, 2008, establishing a \$700 billion fund. This was followed by several acquisitions by the US government of securities from ailing firms under the Capital Purchase Program starting on October 28, 2008. Finally, following further foot-dragging by the US Congress, President Obama enacted the American Recovery and Reinvestment Act of 2009 on February 17, 2009.

Naturally, this is a simplified version of the chronology, but for the benefit of the present discussion it serves as a good general timeline of events, mapping out the timing of stimulus and bailout offerings on the part of the US government over the course of two Administrations³⁶.

Looking to the specifics of the two policies, the TARP and the stimulus, while both represent efforts to prop up the national economy, differ significantly in scope. As its very name may suggest, the Troubled Asset Relief Program, was aimed squarely at restoring liquidity to the failing financial markets. As the crisis situation was incredibly fluid with few concrete expectations and prognostications, the policy originally pledged up to \$700 billion assured by the government and comprised of nine key categories. Firstly, in order to prevent the demise of the American International Group (AIG), \$70 billion were guaranteed. This came in the form of \$40 billion worth of preferred shares which were converted to non-cumulative shares that more closely resemble common stock. The US Treasury subsequently offered a further \$30 billion in preferred shares for up to 5 years, in return for a 10% dividend³⁷. In addition, \$12.5 billion was put towards the Asset Guarantee Program for Citigroup and Bank of America loans in

³⁶ The above Information was compiled using the following two sources:
Federal Reserve Bank of St. Louis. "The Financial Crisis: A Timeline of Events and Policy Actions". Accessed April 23, 2011. <http://timeline.stlouisfed.org/index.cfm?=&timeline>
Guillen, Mauro, "The Global Economic & Financial Crisis: A Timeline". The Lauder Institute, Wharton, University of Pennsylvania. Accessed May 4, 2011.
<http://lauder.wharton.upenn.edu/pdf/Chronology> Economic Financial Crisis.pdf

³⁷ CNN. "CNNMoney.com's bailout tracker". Accessed on May 2, 2011.
<http://money.cnn.com/news/stories/supplement/economy/bailouttracker/>

This convenient explanation of the US Government's fiscal injections and investments, however, represents data up to November 2009. Subsequent statistics provided by the US Treasury were used for all calculations, graphs and tables.

order to backstop potential losses to the US government from the two institutions. \$5 billion were originally pledged to help auto parts suppliers stay afloat by guaranteeing debt owed to them for shipped products, and providing financing to continue operations as part of the Auto Supplier Support Program. The Automotive industry received another significant boost through the Automotive Industry Financing Program, where \$80.1 billion were guaranteed to provide capital on a case-by-case basis to systemically significant auto and auto-financing companies that posed significant risk of failure. \$218 billion was, at first, committed for investment by the Government in banks as part of the Capital Purchase Program to prop up capital reserves and encourage lending in return for dividend payments and stricter executive compensation requirements. The Capital Purchase Program (CCP) was, in essence, a direct bailout of banks and encompassed several hundred institutions across the nation³⁸. The Consumer and Business Lending Initiative committed \$70 billion dollars to programs to support private lending purchases of toxic assets and backing SBA loans. It also assigned funds to backstop potential future losses to US government from purchases of mortgage-backed securities and other securities backed by consumer loans. The Making Homes Affordable initiative originally pledged \$50 billion to foreclosure prevention aimed to aid as many as 9 million borrowers by altering or refinancing loans. The Public-Private Investment Program originally guaranteed \$100 billion, using taxpayer funds in partnership with private investment that was to buy up at

³⁸ While the full list of institutions affected by the CCP would be awkward to present, some major recipients of the program were Citigroup Inc., JP Morgan Chase & Co, Bank of America Corp., Morgan Stanley and Goldman Sachs.

least \$500 billion of toxic assets from financial institutions. Finally, the Targeted Investment Program was to provide \$40 billion in emergency funding to Citigroup and Bank of America, in addition to the previous \$25 billion capital investment.

As noted above, the fluid characteristics of the crisis ultimately meant that not all of the original commitments were necessary, and not all programs were undertaken to the degree first contemplated. As such, Table 2.1 reviews the major components of the TARP, summarizing total pledged commitments as well as the actual levels of investment to date as disclosed by the U.S. Treasury as part of the Daily TARP Update. In July 2010, the Obama Administration and Congress capped the amount that could be invested under TARP at \$475 billion, down a third from the original \$700 billion. In total, \$388 billion had been invested, with \$204 billion having been repaid. The TARP ended on September 30, 2010 when Congress decided not to extend the original two year mandate. On October 3, 2010, authority to make new investments under TARP expired. As an emergency fiscal policy, the TARP is reported by the Office of Financial Stability of the US Treasury to have saved 8.5 million jobs, and, taking into account repayments and income returns to the Government, will cost in the vicinity of \$28 billion dollars, a mere fraction of the \$700 billion first predicted³⁹.

³⁹U.S. Department of the Treasury. "Program Results: What You Haven't Heard About TARP". Accessed on May 20, 2011. <http://www.treasury.gov/initiatives/financial-stability/results/Pages/index.aspx>

TABLE 2.1 BREAKDOWN OF THE TROUBLED ASSET RELIEF PROGRAM: INVESTMENT/INCOME/REVENUE AS OF MARCH 20, 2011⁴⁰

		Principal/Investment					
(*Dollars in Billions*)		Obligated	Disbursed	Repayments	Write-offs	Realized Loss ¹	Outstanding
Bank Support Programs							
Capital Purchase Program (CPP)⁴							
Preferred & Other Securities		\$ 179.54	\$ 179.54	\$ 154.76	\$ 2.58	\$ 0.02	\$ 22.18
Preferred & Other Securities - Exchanges From CPP to CDCI		\$ 0.36	\$ 0.36	\$ 0.36	\$ -	\$ -	\$ -
Citigroup Common		\$ 25.00	\$ 25.00	\$ 25.00	\$ -	\$ -	\$ -
Targeted Investment Program (TIP)							
Bank Of America		\$ 20.00	\$ 20.00	\$ 20.00	\$ -	\$ -	\$ -
Citigroup		\$ 20.00	\$ 20.00	\$ 20.00	\$ -	\$ -	\$ -
Asset Guarantee Program (AGP)							
Bank Of America		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Citigroup ⁵		\$ 5.00	\$ -	\$ -	\$ -	\$ -	\$ -
Community Development Capital Initiative (CDCI)⁶							
Exchanges From CPP to CDCI		\$ 0.36	\$ 0.36	\$ -	\$ -	\$ -	\$ -
Not From Exchanges		\$ 0.21	\$ 0.21	\$ -	\$ -	\$ -	\$ 0.57
Bank Program Totals⁷		\$ 250.46	\$ 245.10	\$ 219.76	\$ 2.58	\$ 0.02	\$ 22.75
Credit Market Programs							
Public-Private Investment Program (PPIP)							
Equity		\$ 7.51	\$ 5.61	\$ 0.16	\$ -	\$ -	\$ 5.45
Debt		\$ 14.90	\$ 10.92	\$ 0.88	\$ -	\$ -	\$ 10.04
Term Asset Backed Securities Lending Facility		\$ 4.30	\$ 0.10	\$ -	\$ -	\$ -	\$ 0.10
Purchase SBA 7(a) Securities (SBA)		\$ 0.37	\$ 0.37	\$ 0.02	\$ -	\$ -	\$ 0.35
Credit Market Program Totals		\$ 27.07	\$ 17.00	\$ 1.06	\$ -	\$ -	\$ 15.94
Other Programs							
American International Group (AIG)⁸							
Common		\$ 47.54	\$ 47.54	\$ -	\$ -	\$ -	\$ 47.54
Preferred		\$ 22.29	\$ 20.29	\$ 8.99	\$ -	\$ -	\$ 11.30
AIG Totals		\$ 69.84	\$ 67.84	\$ 8.99	\$ -	\$ -	\$ 58.84
Automotive Industry Financing Program (AIFP)							
GM ⁹		\$ 51.03	\$ 51.03	\$ 23.18	\$ -	\$ 4.44	\$ 23.42
Chrysler		\$ 14.43	\$ 12.37	\$ 3.85	\$ 1.60	\$ -	\$ 6.92
Ally (GMAC)		\$ 16.29	\$ 16.29	\$ 2.54	\$ -	\$ -	\$ 13.75
AIFP Totals		\$ 81.76	\$ 79.69	\$ 29.57	\$ 1.60	\$ 4.44	\$ 44.08
Other Programs Totals		\$ 151.59	\$ 147.53	\$ 38.56	\$ 1.60	\$ 4.44	\$ 102.93
Treasury Housing Programs Under TARP							
Making Homes Affordable		\$ 29.90	\$ 1.23				
HFA Hardest-Hit Fund		\$ 7.60	\$ 0.41				
FHA Refinance¹⁰		\$ 8.12	\$ 0.05				
Housing Totals		\$ 45.61	\$ 1.70				
Grand Totals		\$ 474.75	\$ 411.33	\$ 259.38	\$ 4.18	\$ 4.46	\$ 141.62

⁴⁰ United States Treasury. Daily TARP Update. Accessed March 20, 2011. [www.treasury.gov/initiatives/financial-stability/briefing-room/reports/tarp-daily-summary-report/TARP Cash Summary/Daily TARP Update - 05.20.2011.pdf](http://www.treasury.gov/initiatives/financial-stability/briefing-room/reports/tarp-daily-summary-report/TARP%20Cash%20Summary/Daily%20TARP%20Update%20-%2005.20.2011.pdf). Due to restraints of space, after much effort, this is the only way to present the above and below sections of the table.

TABLE 2.1 BREAKDOWN OF THE TROUBLED ASSET RELIEF PROGRAM: INVESTMENT/INCOME/REVENUE AS OF MARCH 20, 2011⁴¹

		Income/Revenue					
(*Dollars in Billions*)		Dividends ²	Interest ²	Gain / Other Income ¹	Warrants Sold ¹	Total Income	Total Cash Back ³
Bank Support Programs							
<u>Capital Purchase Program (CPP)⁴</u>							
Preferred & Other Securities		\$ 10.02	\$ -	\$ -	\$ 7.40	\$ 17.41	\$ 172.17
Preferred & Other Securities - Exchanges From CPP to CDCI		\$ 0.03	\$ -	\$ -	\$ 0.01	\$ 0.03	\$ 0.03
Citigroup Common		\$ 0.93	\$ -	\$ 6.85	\$ 0.05	\$ 7.84	\$ 32.84
<u>Targeted Investment Program (TIP)</u>							
Bank Of America		\$ 1.44	\$ -	\$ -	\$ 1.24	\$ 2.67	\$ 22.67
Citigroup		\$ 1.57	\$ -	\$ -	\$ 0.19	\$ 1.76	\$ 21.76
<u>Asset Guarantee Program (AGP)</u>							
Bank Of America		\$ -	\$ -	\$ 0.28	\$ -	\$ 0.28	\$ 0.28
Citigroup ⁵		\$ 0.44	\$ -	\$ 2.25	\$ 0.07	\$ 2.76	\$ 2.76
<u>Community Development Capital Initiative (CDCI)⁶</u>							
Exchanges From CPP to CDCI		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Not From Exchanges		\$ 0.01	\$ -	\$ -	\$ -	\$ 0.01	\$ 0.01
Bank Program Totals ⁷		\$ 14.43	\$ -	\$ 9.37	\$ 8.95	\$ 32.76	\$ 252.52
Credit Market Programs							
<u>Public-Private Investment Program (PPIP)</u>							
Equity		\$ 0.68	\$ -	\$ 0.00	\$ -	\$ 0.68	\$ 0.83
Debt		\$ -	\$ 0.14	\$ -	\$ -	\$ 0.14	\$ 1.02
<u>Term Asset Backed Securities Lending Facility</u>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Purchase SBA 7(a) Securities (SBA)</u>		\$ -	\$ 0.01	\$ 0.00	\$ -	\$ 0.01	\$ 0.02
Credit Market Program Totals		\$ 0.68	\$ 0.14	\$ 0.00	\$ -	\$ 0.82	\$ 1.88
Other Programs							
<u>American International Group (AIG)⁸</u>							
Common		\$ -	\$ -	\$ 0.06	\$ -	\$ 0.06	\$ 0.06
Preferred		\$ 0.15	\$ -	\$ -	\$ -	\$ 0.15	\$ 9.15
AIG Totals		\$ 0.15	\$ -	\$ 0.06	\$ -	\$ 0.21	\$ 9.20
<u>Automotive Industry Financing Program (AIFP)</u>							
GM ⁹		\$ -	\$ 0.77	\$ 0.10	\$ -	\$ 0.86	\$ 24.04
Chrysler		\$ -	\$ 0.71	\$ 0.06	\$ -	\$ 0.77	\$ 4.62
Ally (GMAC)		\$ 2.34	\$ -	\$ 0.13	\$ -	\$ 2.46	\$ 5.00
AIFP Totals		\$ 2.34	\$ 1.47	\$ 0.29	\$ -	\$ 4.09	\$ 33.66
Other Programs Totals		\$ 2.49	\$ 1.47	\$ 0.34	\$ -	\$ 4.30	\$ 42.86
Treasury Housing Programs Under TARP							
Making Homes Affordable							
HFA Hardest-Hit Fund							
FHA Refinance ¹⁰							
Housing Totals							
Grand Totals		\$ 17.60	\$ 1.62	\$ 9.72	\$ 8.95	\$ 37.88	\$ 297.26

⁴¹Ibid.

THE US ECONOMIC STIMULUS OFFERINGS: A CLOSER LOOK

While the financial sector received significant compensation in order to survive a crisis it itself had handily created, the meltdown quickly spread to other sectors of the US economy, requiring a subsequent bailout of the automotive industry. Financial backing and direct bailouts were not options for the rest of economy, however, leaving industries, small businesses and individuals in dire need of fiscal injections to save jobs and boost demand. As such, recovery necessitated a collection of government policies to address the different needs of various economic actors. In consequence, the US stimulus was quite an impressive policy when compared to that of all other nations in the G-20, both in scope and size. In the general sense, and with the exception of clear and significant aid being given to the automotive and financial sector, the stimulus has shared some parallels with G-20 contemporaries focusing on reducing taxes and aiding individuals and the business community through targeted measures. Nonetheless, America's emphasis on industries as commerce, automotive production, healthcare and energy present a rather unique case. Table 2.2 outlines the broad makeup of America's economic stimulus components since 2008. The following section will deal with up to date analysis of the ARRA as presented by the US Government and Treasury. For the purposes of focusing on recipients of protection, the study refrains from direct analysis of projects intended to aid groups and individuals and will instead set its sights solely on policies enacted with the specific aim of boosting business and industry through subsidy and job creation.

TABLE 2.2: US GOVERNMENT PLEDGED ALLOCATION OF STIMULUS MONEY IN DIFFERENT PROJECTS DESIGNED TO SAVE OR CREATE JOBS AND BOOST DOMESTIC CONSUMPTION⁴²

STIMULUS INITIATIVE	BILLIONS OF DOLLARS PLEDGED
ARRA	787.2
<i>(Tax relief)</i>	288
<i>(Stimulus)</i>	499.2
ECONOMIC STIMULUS ACT OF 2008	168
<i>(Rebates for individuals)</i>	117
<i>(Tax breaks for businesses)⁴³</i>	51
STUDENT LOAN GUARANTEES	195
ADVANCED TECHNOLOGY VEHICLES MANUFACTURING PROGRAM	25
CAR ALLOWANCE REBATE SYSTEM (“CASH FOR CLUNKERS”)	8
UNEMPLOYMENT BENEFIT EXTENSION	8
TOTAL FUNDS COMMITTED TO DATE	1,191
TOTAL FUNDS INVESTED	863.4

THE AMERICA REINVESTMENT AND RECOVERY ACT OF 2009

Following the initial slow economic response of the limited stimulus policies targeting individuals in 2008 the Obama Administration proposed a multifaceted stimulus with the double objective of job creation and boosting

⁴² Derived from analysis of data available at www.recovery.gov and <http://money.cnn.com> . Accessed on May 21, 2011. All data and statistics referring to the ARRA is derived from the official Government website. US Government. Recovery Accountability and Transparency Board. Accessed May 21, 2011.

www.recovery.gov/Transparency/fundingoverview/Pages/fundingbreakdown.aspx

⁴³ Aside from other tax incentives, part of the Economic Stimulus Act of 2008, outlined in Section 103, allowed an increase from 30% to 50% (the amount of the adjusted basis of certain depreciable property (e.g., equipment and computer software)) that may be claimed as a deductible expense in 2008 by businesses.

demand for US consumption. The result was the ARRA, the American Reinvestment and Recovery Act of 2009, the largest countercyclical fiscal expansion in American history. Comprising of three broad program areas targeting what the Government identified as (i) lowering the tax burden for business and individuals, (ii) the creation and guarantee of contracts, grants and loans, as well as (iii) entitlements, to date, \$655.4 of the original \$787.2 pledge has been invested under the various stimulus headings. Table 2.3 gives a breakdown of aggregate funds allocated to the three separate categories of the ARRA as officially reported by the US Government through the Recovery.gov website featuring outlines of each category's fiscal initiatives⁴⁴. The various measures focused on the recovery of the business and industry communities included in the ARRA are discussed below.

TABLE 2.3: ARRA INVESTMENT BREAKDOWN BY CATEGORY⁴⁵

TYPE OF ASSET ALLOCATION	BILLIONS OF DOLLARS
TAX BENEFITS	259.9
<i>INDIVIDUAL TAX CREDITS</i>	<i>122.5</i>
<i>MAKING WORK PAY</i>	<i>89.3</i>
<i>TAX INCENTIVES FOR BUSINESSES</i>	<i>33.4</i>
<i>ENERGY INCENTIVES</i>	<i>9.3</i>
<i>COBRA</i>	<i>3.7</i>
<i>MANUFACTURING AND ECONOMIC RECOVERY,</i>	
<i>INFRASTRUCTURE REFINANCING AND OTHER</i>	<i>2.1</i>

⁴⁴ All information gathered through the sub-category links accessed on May 21, 2011 and available at www.recovery.gov/Transparency/fundingoverview/Pages/fundingbreakdown.aspx

⁴⁵ www.recovery.gov. These figures represent up to date official US Government data presented for public disclosure online. Data is updated regularly and in instances, daily, as in the case of the US Treasury. All data presented is accurate as of May 23, 2011 and represents all disclosures compiled by the US Government up to the March 31, 2011 period.

TABLE 2.3: ARRA INVESTMENT BREAKDOWN BY CATEGORY (CONTINUED)

TYPE OF ASSET ALLOCATION	BILLIONS OF DOLLARS
CONTRACTS, GRANTS AND LOAN	202.2
<i>EDUCATION</i>	<i>78.8</i>
<i>TRANSPORTATION</i>	<i>27.2</i>
<i>ENERGY AND ENVIRONMENT</i>	<i>23.1</i>
<i>INFRASTRUCTURE</i>	<i>19.1</i>
<i>HOUSING</i>	<i>14.8</i>
<i>HEALTH</i>	<i>12.7</i>
<i>RESEARCH AND DEVELOPMENT / SCIENCE</i>	<i>8.7</i>
<i>FAMILY</i>	<i>4.6</i>
<i>JOB TRAINING / UNEMPLOYMENT</i>	<i>3.8</i>
<i>PUBLIC SAFETY</i>	<i>3.6</i>
<i>OTHER</i>	<i>4.7</i>
ENTITLEMENTS	183.3
<i>MEDICAID GRANTS TO STATES</i>	<i>84.1</i>
<i>UNEMPLOYMENT INSURANCE PROGRAMS</i>	<i>60.0</i>
<i>FAMILY SERVICES</i>	<i>25.6</i>
<i>ECONOMIC RECOVERY PAYMENTS</i>	<i>13.8</i>
<i>AGRICULTURAL DISASTER RELIEF FUND</i>	<i>0.8</i>
TOTAL FUNDS ALLOCATED TO DATE	655.4
TOTAL FUNDS ORIGINALLY PLEDGED/AVAILABLE	787.2

To date, of the \$288 billion originally allocated by the Government to tax benefits under the ARRA, some \$260 billion dollars have been handed out, representing 90 per cent of the original pledge. The six main targets of the recent US tax relief, presented in Table 2.3, have run the gamut of projects aimed at individuals and business and industry. Turning to the benefits offered to the business and industry sector in particular, several programs stand out. A special allowance for businesses for certain properties and machinery acquired in 2009 was extended in the order of \$24.8 billion. With respect to programs directed at the energy industry, while most of the \$9.3 billion allocated went to the

Residential Energy Credit, \$300 million went to the Residential Credit for Alternative Energy, \$150 million towards the Credit for Electricity Produced from Certain Renewable Resources, \$110 million to the Extension of Commuter Transit Benefits / Transit Passes, \$74 million towards Business Credits for Renewable Energy Properties, \$62 million to the Electric Motor Vehicles Credit, and \$35 million for Increased Credit for Alternative Fuel Vehicles Refueling Properties. A large part of this section of the stimulus went towards the COBRA health care program, totaling a \$3.7 billion injection to the health care industry. Finally, under the tax benefits heading of the stimulus, while most of the \$2.1 billion dedicated to manufacturing, economic recovery as well as infrastructure refinancing was centered around different issues of municipal and construction bonds, funds relevant to industries were issued in the sum of \$330 million to the Credit for Investment in Advanced Energy Facilities and an additional \$120 million towards Health Coverage Improvement⁴⁶.

Shifting to the Contracts, Grants and Loans Programs of the ARRA, of the \$275 billion first pledged \$202.2 billion has been invested. Business and industry has been represented through various initiatives under this guise. The transportation industry received a total of \$27.24 billion for various projects including \$19.7 billion to the Federal Highway Administration of the Department of Transportation for highway infrastructure investment, \$1.3 billion to the Federal Railroad Administration for capital grants to the National Railroad Passenger Corporation, \$1.05 billion to the Federal Aviation Administration for

⁴⁶ US Government. Recovery Accountability and Transparency Board. Accessed May 21, 2011. www.recovery.gov/Transparency/fundingoverview/Pages/fundingbreakdown.aspx

grants and aid for airports and \$113 million to the Federal Railroad Administration for capital assistance for high speed rail corridors. Aside from the Transportation sector, funds for the Energy sector were presented in the degree of \$23.09 billion. Of the energy sector incentives some of the more notable and sizeable contracts, grants and loans have been allocated to renewable energies and green technology. \$7.2 billion was allocated to the Department of Energy's Energy Efficiency and Renewable Energy program, \$3.8 billion to the Defense Environmental Clean-up, \$1.2 billion to the Office of Emergency Operations for electricity delivery and energy reliability, \$582 million to the Bonneville Power Marketing Administration, \$314 million to non-defense environmental clean-up and \$299 million to the Office of Nuclear Security. In addition to initiatives in the Energy sector, several projects have targeted the EPA (Environmental Protection Agency) as well as the Department of the Interior, including \$136 million to US Fish and Wildlife Service, \$39 million to aquaculture assistance, \$93 million towards construction, \$77 million to assistance for new shipyards, \$101 for new geological surveys and several National Parks Services incentives. Under the infrastructure heading, the Government invested \$19.1 billion, of which the largest projects went to the EPA, the US Army, Forestry (\$440 million) and the USDA, The US Air Force, The US Navy and the Army Corps of Engineers. As suggested by Table 2.3, of the \$224 billion pledged by the Government to entitlements under the ARRA, \$183.3 billion or some 82 per cent has been invested, the majority of which was allocated to groups and individuals, focusing on unemployment benefits, Medicaid grants, veterans and families. The major

industry recipient was agriculture, with the USDA receiving some \$817 million for the Agriculture Disaster Relief Fund⁴⁷.

In addition to the above, the ARRA specified a stimulus allocation to the Office of Energy Efficiency and Renewable Energy (EERE) in the area of \$16.8 billion to the implementation of the Buy American Provision of the stimulus. One of the most hotly debated elements of the 2009 stimulus due to its protectionist leanings, this provision specified that, unless one of three listed exceptions applied (non-availability of comparable American products, unreasonable cost in the creation of like American products, or simply inconsistency with the public interest), and permission was granted through official Government approval, none of the funds appropriated or otherwise made available by the Act could be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all the iron, steel, and manufactured goods used were produced in the United States⁴⁸. While it is difficult to pinpoint the exact amount of stimulus money which made its way to the steel industry from this provision, its relative impact can be seen through a proxy of the amount of jobs it created. Without question this, along with other stimulus projects and programs helped to achieve the intended aim of the stimulus; the creation of jobs and heightened demand for US products. With this in mind, it is equally useful to use jobs creation statistics as a relative proxy for funds and gains made by other industries as well. In total, aside from allowing recent growth in US GDP levels,

⁴⁷ US Government. Recovery Accountability and Transparency Board. Accessed May 21, 2011. www.recovery.gov/Transparency/fundingoverview/Pages/fundingbreakdown.aspx

⁴⁸ U.S. Department of Energy. ARRA Information: Buy American Provision. Accessed April 21, 2011. http://www1.eere.energy.gov/recovery/buy_american_provision/html

as reported by the sixth edition of the Economic Impact of the ARRA Quarterly Report up to the end of the fourth quarter of 2010, the ARRA is attributed with having created or saved between 2.5 and 3.6 million American jobs⁴⁹. While it is hard to fully isolate what jobs were created by the stimulus in each industry, estimates of jobs to be created by the ARRA released by the White House do seem to map onto the high side estimates of the official findings of the latest March 18, 2011 report. Table 2.4 outlines jobs expected to have been created by the ARRA leading up to the end of 2010 as reported by the President's Council of Economic Advisors in January 2009. It should, however be underlined that these estimates included part-time as well as government jobs and were estimates extended over three years.

Recent work by the US Department of Labor and the US Bureau of Labor Statistics suggests that industries hit hardest by the crisis over the late-2007 to 2009 period, and those which experienced the most significant relative percentage drop in employment have been the construction (19.8 %), manufacturing (14.6%), the goods producing sector (16.2%) and professional and business services (8.9%), with, in total, some 7.5 million non-farm jobs lost, closely tied to the weakening housing market⁵⁰. Underlining the significant nature of the employment contraction, the numbers presented by the study show that they remain significant even when compared with job losses experienced in recessions

⁴⁹ Council of Economic Advisers (CEA). "The Economic Impact of the American Recovery and Reinvestment Act of 2009 Sixth Quarterly Report". (March 18, 2011): 1-24. Accessed May 14, 2011. <http://www.whitehouse.gov/sites/default/files/microsites/20110318-cea-arra-report.pdf>.

⁵⁰ Goodman, Christopher J. and Steven M. Mance, "Employment Loss and the 2007-09 Recession: An Overview", in *The 2007-09 Recession and Employment*, Monthly Labor Review Vol. 134, Number 3, U.S. Department of Labor and U.S. Bureau of Labor Statistics (April 2011): 6.

and depressions dating back to the Great Depression⁵¹. Looking to some industries in particular, construction employment fell to the lowest levels since March 1998, losing about 1.5 million (the above 19.8%), with the most marked drop coming in the last 9 months of the recession during which 1 million layoffs occurred⁵². Manufacturing lost some 2 million jobs, dragging the industry's employment to the lowest levels observed since 1941⁵³. Most of the industry in general lost out during the crisis, though sections, such as aerospace did see short bursts of improvement. Mining observed a 7.3% drop due mostly to the marked drop in commodity prices, specifically the drop in world oil prices, with a great share of the losses occurring in southern US states, most notably Texas⁵⁴. The retail trade was hit harder than during any other recession, posting a 6.7% loss, which was consistent with the average 6.6% loss of jobs in private industry employment⁵⁵. The financial industry, another key recipient of bailout funds, lost some 473,000 jobs or 5.8% during the period due to the problems created in its industry directly, as well as the trickle-down effects of a very weak housing

⁵¹ Ibid., p 6, 11.

⁵² Hadi, Adam, "Construction employment peaks before the recession and falls sharply throughout it" in *The 2007–09 Recession and Employment*, Monthly Labor Review Vol. 134, Number 3, U.S. Department of Labor and U.S. Bureau of Labor Statistics (April 2011): 22.

⁵³ Barker, Megan M. "Manufacturing employment hard hit during the 2007–09 recession", in *The 2007–09 Recession and Employment*, Monthly Labor Review Vol. 134, Number 3, U.S. Department of Labor and U.S. Bureau of Labor Statistics (April 2011): 28, 33.

This comparison with 1941 numbers, however, also reflect the significant losses of some 3 million jobs lost over the 2000-2003 period.

⁵⁴ Davidson, Brian, "Mining employment trends of 2007–09: a question of prices", in *The 2007–09 Recession and Employment*, Monthly Labor Review Vol. 134, Number 3, U.S. Department of Labor and U.S. Bureau of Labor Statistics (April 2011): 19-21.

⁵⁵ McCall, Michael, "Deep drop in retail trade employment during the 2007–09 recession" in *The 2007–09 Recession and Employment*, Monthly Labor Review Vol. 134, Number 3, U.S. Department of Labor and U.S. Bureau of Labor Statistics (April 2011): 45

market⁵⁶. Some growth is reported by the recent study during the 2007-2009 period, as employment in Government rose by some 0.8% in the 18 month period studied, while jobs in the utilities sector rose 0.6%. The Health Care industry was the only clear winner, having created some 428,000 jobs during the 18 month period reviewed by the study⁵⁷. Importantly for the purposes of the current research, this coincides with the fact that the health care industry was one of the most significantly aided industries through the various stimulus offerings and Obama's COBRA. While these most recent numbers only represent fully analyzed data up to end of 2009, they are quite revealing, most especially when broken down into categories within each industry. An in-depth analysis of these individual industries and their sub-components is available through the April 2011 study from the US Department of Labor and US Bureau of Labor Statistics, though it will remain out of the present discussion. Job losses suffered in these industries, as shown above, have often been correlated to significant funds injected into these very industries, suggesting stimulus has focused on those hardest hit, and those most exposed to foreign competition. Following the Bureau of Labor Statistics' study's assessment up to the end of 2009, as posited by the sixth edition of the ARRA assessment, prepared by the Council of Economic Advisor, the US Government reports that since the start of 2010 to the end of that

⁵⁶ Prassas, George, "Employment in financial activities: double billed by housing and financial crises" in *The 2007-09 Recession and Employment*, Monthly Labor Review Vol. 134, Number 3, U.S. Department of Labor and U.S. Bureau of Labor Statistics (April 2011):40

⁵⁷ Wood, Catherine A., "Employment in health care: a crutch for the ailing economy during the 2007-09 recession", in *The 2007-09 Recession and Employment*, Monthly Labor Review Vol. 134, Number 3, U.S. Department of Labor and U.S. Bureau of Labor Statistics (April 2011): 13

year's fourth quarter, 1.1 million jobs of private payroll employment were created⁵⁸.

TABLE 2.4: EXPECTED JOB CREATION BY THE OBAMA ADMINISTRATION BY INDUSTRY THROUGH THE ARRA⁵⁹

INDUSTRY	NUMBER OF JOBS
MINING	26,000
CONSTRUCTION	678,000
MANUFACTURING	408,000
WHOLESALE TRADE	158,000
RETAIL TRADE	604,000
INFORMATION	50,000
FINANCIAL ACTIVITIES	214,000
PROFESSIONAL AND BUSINESS SERVICES	345,000
EDUCATION AND HEALTH SERVICES	240,000
LEISURE AND HOSPITALITY	499,000
OTHER SERVICES	99,000
UTILITIES	11,000
TRANSPORTATION AND WAREHOUSING	98,000
GOVERNMENT	244,000
TOTAL	3,675,000

Finally, given the relative size of the US stimulus and the vast amount of projects, industries and recipients involved, it is quite challenging to separate exactly how much each individual sector has received and even more unfeasible to try to and assess any one industry in a study as this. Consequently, it is most useful to use a proxy for industry investment by following which exact US Government agencies and departments have received and doled out funds, under the logical assumption

⁵⁸ Council of Economic Advisers (CEA). "The Economic Impact of the American Recovery and Reinvestment Act of 2009 Sixth Quarterly Report". (March 18, 2011): 2. Accessed May 14, 2011. <http://www.whitehouse.gov/sites/default/files/microsites/20110318-cea-arra-report.pdf>

⁵⁹ Romer, Christina and Jared Bernstein. "The Job Impact of the American Recovery and Reinvestment Plan", Council of Economic Advisors, (January 10 2009): 1-14. Accessed May 15, 2011. http://otrans.3cdn.net/45593e8ecbd339d074_l3m6bt1te.pdf

Information represents calculations based on observations and calculations by Mark Zandi. While these estimates do map onto the high side of jobs numbers reported in the Sixth edition of the Report, they aptly underline the relative industry targets of the ARRA.

that the funds allocated by each agency represent funds directly dispersed to the industry associated with that specific Government body. Table 2.5 Summarizes the twenty top US agencies and departments involved in the stimulus, and the corresponding industries they support, with respect to the total amount of funds allocated and paid out as reported by the US Government as of May 13, 2011. All other agencies and departments received less than one billion dollars and may be viewed directly through Government disclosure online. The ensuing section uses all data gathered regarding aid given to various industries in the bailout and stimulus offerings with respect to past WTO trade disputes.

TABLE 2.5 US ARRA STIMULUS ALLOCATIONS BY AGENCY⁶⁰

AGENCY	FUNDS ANNOUNCED	FUNDS AVAILABLE	FUNDS PAID
1. DEPARTMENT OF HEALTH AND HUMAN SERVICES	\$56,392,147,870	\$117,448,384,801	\$108,532,496,968
2. DEPARTMENT OF EDUCATION	\$97,389,382,025	\$97,287,545,826	\$79,021,371,935
3. DEPARTMENT OF LABOR	\$8,146,182,891	\$66,489,449,600	\$64,176,346,428
4. DEPARTMENT OF TRANSPORTATION	\$44,807,454,740	\$45,504,856,456	\$28,202,497,512
5. DEPARTMENT OF AGRICULTURE	\$28,720,726,245	\$30,920,715,168	\$26,056,365,785
6. DEPARTMENT OF ENERGY	\$35,215,014,200	\$34,270,330,831	\$15,217,249,743
7. SOCIAL SECURITY ADMINISTRATION	\$13,777,554,491	\$14,139,190,299	\$13,741,929,763

⁶⁰ US Government. Recovery Accountability and Transparency Board. "Which agencies have paid out the most money". Accessed May 13, 2011, 2011.
www.recovery.gov/pages/TextView.aspx?data=allAgenciesDesc

TABLE 2.5 US ARRA STIMULUS ALLOCATIONS BY AGENCY (CONTINUED)

AGENCY	FUNDS ANNOUNCED	FUNDS AVAILABLE	FUNDS PAID
8. DEPARTMENT OF THE TREASURY	\$11,118,312,197	\$12,993,136,384	\$11,679,409,968
9. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	\$13,130,602,731	\$13,561,194,698	\$9,760,659,134
10. ENVIRONMENTAL PROTECTION AGENCY	\$6,808,840,727	\$7,141,567,485	\$5,794,449,873
11. DEPARTMENT OF DEFENSE- MILITARY	\$6,865,000,000	\$6,844,502,844	\$4,633,395,841
12. CORPS OF ENGINEERS: CIVIL WORKS	\$4,141,057,768	\$4,776,799,650	\$3,520,683,109
13. DEPARTMENT OF JUSTICE	\$4,014,479,131	\$3,991,756,246	\$2,644,830,110
14. GENERAL SERVICES ADMINISTRATION	\$5,705,697,466	\$6,303,233,943	\$2,394,545,038
15. DEPARTMENT OF COMMERCE	\$4,450,635,860	\$6,806,608,681	\$2,287,163,762
16. DEPARTMENT OF THE INTERIOR	\$3,056,905,435	\$3,191,875,146	\$2,107,556,191
17. DEPARTMENT OF VETERANS AFFAIRS	\$1,549,038,325	\$1,820,392,734	\$1,356,175,155
18. NATIONAL SCIENCE FOUNDATION	\$14,700,000	\$2,997,505,731	\$1,169,543,740
19. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	\$1,000,000,000	\$1,047,273,347	\$929,269,907
20. DEPARTMENT OF HOMELAND SECURITY	\$2,118,771,715	\$2,227,789,340	\$926,594,149

CONSTANT PROTECTIONISM AND THE US STIMULUS: HAS THE MONEY GONE TOWARDS PREVIOUS RECIPIENTS OF GOVERNMENT PROTECTION?

The United States has been involved in a large number of disputes, as complainant (97 cases), respondent or defendant (113 cases), as well as a third party observer (86 cases) since the inception of the WTO. As the body of different

cases involving the United States is quite expansive, the current study narrowed down all disputes involving the US as respondent and complainant into relevant categories in order to examine instances of using the stimulus as a new venue of protectionism. This was done using past WTO disputes as proxies for past protectionism under the logic that international trade disputes have arisen because of perceived unfairness in a given industry or sector. Dispute information was cross-referenced and compared to the bailout and stimulus offerings of the United States' Government during the recent crisis period. Table 2.6 summarizes all WTO disputes involving the United States as a respondent or defendant to foreign claims of unfair trade practices. Disputes are arranged by industry type. Table 2.7 summarizes disputes relevant to industries included in the stimulus and bailouts where the United States was a complainant, having itself been subject to what its exporting industries perceived as unfair treatment in the international trade arena.

TABLE 2.6: SELECT WTO DISPUTE CASES BROUGHT AGAINST THE UNITED STATES SINCE 1995⁶¹

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND COMPLAINANT
<u>ENERGY : (5 DISPUTES)</u>	
DISPUTE DS2	STANDARDS FOR REFORMULATED AND CONVENTIONAL GASOLINE: VENEZUELA
DISPUTE DS4	STANDARDS FOR REFORMULATED AND CONVENTIONAL GASOLINE: BRAZIL
DISPUTE DS268	SUNSET REVIEWS OF ANTI-DUMPING MEASURES ON OIL COUNTRY TUBULAR GOODS FROM ARGENTINA: ARGENTINA
DISPUTE DS282	ANTI-DUMPING MEASURES ON OIL COUNTRY TUBULAR GOODS (OCTG) FROM MEXICO: MEXICO

⁶¹ WTO. United States of America and the WTO. Accessed on May 7, 2011.
http://www.wto.org/english/thewto_e/countries_e/usa_e.htm

TABLE 2.6: SELECT WTO DISPUTE CASES BROUGHT AGAINST THE UNITED STATES SINCE 1995 (CONTINUED)

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND COMPLAINANT
DISPUTE DS346	ANTI-DUMPING ADMINISTRATIVE REVIEW ON OIL COUNTRY TUBULAR GOODS FROM ARGENTINA: ARGENTINA
<u>AEROSPACE: (2 DISPUTES)</u>	
DISPUTE DS317	MEASURES AFFECTING TRADE IN LARGE CIVIL AIRCRAFT: EU
DISPUTE DS353	MEASURES AFFECTING TRADE IN LARGE CIVIL AIRCRAFT SECOND COMPLAINT: EU
<u>FISHING: (9 DISPUTES)</u>	
DISPUTE DS58	IMPORT PROHIBITION OF CERTAIN SHRIMP AND SHRIMP PRODUCTS: INDIA, PAKISTAN, MALAYSIA, THAILAND
DISPUTE DS61	IMPORT PROHIBITION OF CERTAIN SHRIMP AND SHRIMP PRODUCTS: PHILIPPINES
DISPUTE DS97	COUNTERVAILING DUTY INVESTIGATION OF IMPORTS OF SALMON FROM CHILE: CHILE
DISPUTE DS324	PROVISIONAL ANTI-DUMPING MEASURES ON SHRIMP FROM THAILAND: THAILAND
DISPUTE DS335	ANTI-DUMPING MEASURE ON SHRIMP FROM ECUADOR: ECUADOR
DISPUTE DS343	MEASURES RELATING TO SHRIMP FROM THAILAND: THAILAND
DISPUTE DS381	MEASURES CONCERNING THE IMPORTATION, MARKETING AND SALE OF TUNA AND TUNA PRODUCTS: MEXICO
DISPUTE DS404	ANTI-DUMPING MEASURES ON CERTAIN SHRIMP FROM VIET NAM: VIETNAM
DISPUTE DS422	ANTI-DUMPING MEASURES ON CERTAIN FROZEN WARMWATER SHRIMP FROM CHINA: CHINA
<u>STEEL INDUSTRY: (25 DISPUTES)</u>	
DISPUTE DS138	IMPOSITION OF COUNTERVAILING DUTIES ON CERTAIN HOT-ROLLED LEAD AND BISMUTH CARBON STEEL PRODUCTS ORIGINATING IN THE UNITED KINGDOM: EU
DISPUTE DS179	ANTI-DUMPING MEASURES ON STAINLESS STEEL PLATE IN COILS AND STAINLESS STEEL SHEET AND STRIP FROM KOREA: REPUBLIC OF KOREA
DISPUTE DS184	ANTI-DUMPING MEASURES ON CERTAIN HOT-ROLLED STEEL PRODUCTS FROM JAPAN: JAPAN
DISPUTE DS202	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF CIRCULAR WELDED CARBON QUALITY LINE PIPE FROM KOREA: REPUBLIC OF KOREA
DISPUTE DS206	ANTI-DUMPING AND COUNTERVAILING MEASURES ON STEEL PLATE FROM INDIA: INDIA
DISPUTE DS213	COUNTERVAILING DUTIES ON CERTAIN CORROSION-RESISTANT CARBON STEEL FLAT PRODUCTS FROM GERMANY: EU

TABLE 2.6: SELECT WTO DISPUTE CASES BROUGHT AGAINST THE UNITED STATES SINCE 1995 (CONTINUED)

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND COMPLAINANT
DISPUTE DS214	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF STEEL WIRE ROD AND CIRCULAR WELDED QUALITY LINE PIPE: EU
DISPUTE DS218	COUNTERVAILING DUTIES ON CERTAIN CARBON STEEL PRODUCTS FROM BRAZIL: BRAZIL
DISPUTE DS225	ANTI-DUMPING DUTIES ON SEAMLESS PIPE FROM ITALY: EU
DISPUTE DS244	SUNSET REVIEW OF ANTI-DUMPING DUTIES ON CORROSION-RESISTANT CARBON STEEL FLAT PRODUCTS FROM JAPAN: JAPAN
DISPUTE DS248	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF CERTAIN STEEL PRODUCTS: EU
DISPUTE DS249	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF CERTAIN STEEL PRODUCTS: JAPAN
DISPUTE DS251	SAFEGUARD MEASURES ON IMPORTS OF CERTAIN STEEL PRODUCTS: KOREA
DISPUTE DS252	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF STEEL PRODUCTS: CHINA
DISPUTE DS253	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF CERTAIN STEEL PRODUCTS: SWITZERLAND
DISPUTE DS258	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF CERTAIN STEEL PRODUCTS: NEW ZEALAND
DISPUTE DS259	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF CERTAIN STEEL PRODUCTS: BRAZIL
DISPUTE DS262	SUNSET REVIEWS OF ANTI-DUMPING AND COUNTERVAILING DUTIES ON CERTAIN STEEL PRODUCTS FROM FRANCE AND GERMANY: EU
DISPUTE DS274	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF CERTAIN STEEL PRODUCTS: CHINESE TAIPEI
DISPUTE DS280	COUNTERVAILING DUTIES ON STEEL PLATE FROM MEXICO: MEXICO
DISPUTE DS325	ANTI-DUMPING DETERMINATIONS REGARDING STAINLESS STEEL FROM MEXICO: MEXICO
DISPUTE DS344	FINAL ANTI-DUMPING MEASURES ON STAINLESS STEEL FROM MEXICO: MEXICO
DISPUTE DS420	ANTI-DUMPING MEASURES ON CORROSION-RESISTANT CARBON STEEL FLAT PRODUCTS FROM KOREA: REPUBLIC OF KOREA
DISPUTE DS424	ANTI-DUMPING MEASURES ON IMPORTS OF STAINLESS STEEL SHEET AND STRIP IN COILS FROM ITALY: EU
<u>FORESTRY: (6 DISPUTES)</u>	
DISPUTE DS236	PRELIMINARY DETERMINATIONS WITH RESPECT TO CERTAIN SOFTWOOD LUMBER FROM CANADA: CANADA
DISPUTE DS247	PROVISIONAL ANTI-DUMPING MEASURE ON IMPORTS OF CERTAIN SOFTWOOD LUMBER FROM CANADA: CANADA

TABLE 2.6: SELECT WTO DISPUTE CASES BROUGHT AGAINST THE UNITED STATES SINCE 1995 (CONTINUED)

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND COMPLAINANT
DISPUTE DS257	FINAL COUNTERVAILING DUTY DETERMINATION WITH RESPECT TO CERTAIN SOFTWOOD LUMBER FROM CANADA: CANADA
DISPUTE DS264	FINAL DUMPING DETERMINATION ON SOFTWOOD LUMBER FROM CANADA: CANADA
DISPUTE DS277	INVESTIGATION OF THE INTERNATIONAL TRADE COMMISSION IN SOFTWOOD LUMBER FROM CANADA: CANADA
DISPUTE DS311	REVIEWS OF COUNTERVAILING DUTY ON SOFTWOOD LUMBER FROM CANADA: CANADA
<u>AGRICULTURE: (19 DISPUTES)</u>	
DISPUTE DS24	RESTRICTIONS ON IMPORTS OF COTTON AND MAN-MADE FIBRE UNDERWEAR: COSTA RICA
DISPUTE DS49	ANTI-DUMPING INVESTIGATION REGARDING IMPORTS OF FRESH OR CHILLED TOMATOES FROM MEXICO: MEXICO
DISPUTE DS63	ANTI-DUMPING MEASURES ON IMPORTS OF SOLID UREA FROM THE FORMER GERMAN DEMOCRATIC REPUBLIC: EU
DISPUTE DS100	MEASURES AFFECTING IMPORTS OF POULTRY PRODUCTS: EU
DISPUTE DS111	TARIFF RATE QUOTA FOR IMPORTS OF GROUNDNUTS: ARGENTINA
DISPUTE DS144	CERTAIN MEASURES AFFECTING THE IMPORT OF CATTLE, SWINE AND GRAIN FROM CANADA: CANADA
DISPUTE DS166	DEFINITIVE SAFEGUARD MEASURES ON IMPORTS OF WHEAT GLUTEN FROM THE EUROPEAN COMMUNITIES: EU
DISPUTE DS167	COUNTERVAILING DUTY INVESTIGATION WITH RESPECT TO LIVE CATTLE FROM CANADA: CANADA
DISPUTE DS177	SAFEGUARD MEASURE ON IMPORTS OF FRESH, CHILLED OR FROZEN LAMB FROM NEW ZEALAND: NEW ZEALAND
DISPUTE DS178	SAFEGUARD MEASURE ON IMPORTS OF FRESH, CHILLED OR FROZEN LAMB FROM AUSTRALIA: AUSTRALIA
DISPUTE DS180	RECLASSIFICATION OF CERTAIN SUGAR SYRUPS: CANADA
DISPUTE DS192	TRANSITIONAL SAFEGUARD MEASURE ON COMBED COTTON YARN FROM PAKISTAN: PAKISTAN
DISPUTE DS250	EQUALIZING EXCISE TAX IMPOSED BY FLORIDA ON PROCESSED ORANGE AND GRAPEFRUIT PRODUCTS: BRAZIL
DISPUTE DS267	SUBSIDIES ON UPLAND COTTON: BRAZIL
DISPUTE DS310	DETERMINATION OF THE INTERNATIONAL TRADE COMMISSION IN HARD RED SPRING WHEAT FROM CANADA: CANADA

TABLE 2.6: SELECT WTO DISPUTE CASES BROUGHT AGAINST THE UNITED STATES SINCE 1995 (CONTINUED)

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND COMPLAINANT
DISPUTE DS357	SUBSIDIES AND OTHER DOMESTIC SUPPORT FOR CORN AND OTHER AGRICULTURAL PRODUCTS: CANADA
DISPUTE DS365	DOMESTIC SUPPORT AND EXPORT CREDIT GUARANTEES FOR AGRICULTURAL PRODUCTS: BRAZIL
DISPUTE DS392	CERTAIN MEASURES AFFECTING IMPORTS OF POULTRY FROM CHINA: CHINA
DISPUTE DS382	ANTI-DUMPING ADMINISTRATIVE REVIEWS AND OTHER MEASURES RELATED TO IMPORTS OF CERTAIN ORANGE JUICE FROM BRAZIL: BRAZIL
<u>AUTOMOTIVE: (2 DISPUTES)</u>	
DISPUTE DS6	IMPOSITION OF IMPORT DUTIES ON AUTOMOBILES FROM JAPAN UNDER SECTIONS 301 AND 304 OF THE TRADE ACT OF 1974: JAPAN
DISPUTE DS399	MEASURES AFFECTING IMPORTS OF CERTAIN PASSENGER VEHICLE AND LIGHT TRUCK TIRES FROM CHINA: CHINA

TABLE 2.7: SELECT WTO DISPUTE CASES INITIATED BY THE UNITED STATES SINCE 1995⁶²

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND RESPONDENT
<u>FISHING INDUSTRY: (1 DISPUTE)</u>	
DISPUTE DS21	MEASURES AFFECTING THE IMPORTATION OF SALMONIDS: AUSTRALIA
<u>STEEL INDUSTRY: (2 DISPUTES)</u>	
DISPUTE DS260	PROVISIONAL SAFEGUARD MEASURES ON IMPORTS OF CERTAIN STEEL PRODUCTS: EU
DISPUTE DS414	COUNTERVAILING AND ANTI-DUMPING DUTIES ON GRAIN ORIENTED FLAT-ROLLED ELECTRICAL STEEL FROM THE UNITED STATES: CHINA
<u>AUTOMOTIVE: (8 DISPUTES)</u>	
DISPUTE DS52	CERTAIN MEASURES AFFECTING TRADE AND INVESTMENT IN THE AUTOMOTIVE SECTOR: BRAZIL

⁶² WTO. United States of America and the WTO. Accessed on May 7, 2011.
http://www.wto.org/english/thewto_e/countries_e/usa_e.htm

TABLE 2.7: SELECT WTO DISPUTE CASES INITIATED BY THE UNITED STATES SINCE 1995 (CONTINUED)

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND RESPONDENT
DISPUTE DS59	CERTAIN MEASURES AFFECTING THE AUTOMOBILE INDUSTRY: INDONESIA
DISPUTE DS65	CERTAIN MEASURES AFFECTING TRADE AND INVESTMENT IN THE AUTOMOTIVE SECTOR: BRAZIL
DISPUTE DS106	SUBSIDIES PROVIDED TO PRODUCERS AND EXPORTERS OF AUTOMOTIVE LEATHER: AUSTRALIA
DISPUTE DS126	SUBSIDIES PROVIDED TO PRODUCERS AND EXPORTERS OF AUTOMOTIVE LEATHER: AUSTRALIA
DISPUTE DS175	MEASURES AFFECTING TRADE AND INVESTMENT IN THE MOTOR VEHICLE SECTOR: INDIA
DISPUTE DS195	MEASURES AFFECTING TRADE AND INVESTMENT IN THE MOTOR VEHICLE SECTOR: PHILIPPINES
DISPUTE DS340	MEASURES AFFECTING IMPORTS OF AUTOMOBILE PARTS: CHINA
<u>AEROSPACE: (4 DISPUTES)</u>	
DISPUTE DS172	MEASURES RELATING TO THE DEVELOPMENT OF A FLIGHT MANAGEMENT SYSTEM: EU
DISPUTE DS173	MEASURES RELATING TO THE DEVELOPMENT OF A FLIGHT MANAGEMENT SYSTEM: FRANCE
DISPUTE DS316	MEASURES AFFECTING TRADE IN LARGE CIVIL AIRCRAFT: EU
DISPUTE DS347	MEASURES AFFECTING TRADE IN LARGE CIVIL AIRCRAFT (SECOND COMPLAINT): EU
<u>AGRICULTURE: (28 DISPUTES)</u>	
DISPUTE DS3	MEASURES CONCERNING THE TESTING AND INSPECTION OF AGRICULTURAL PRODUCTS: REPUBLIC OF KOREA
DISPUTE DS13	DUTIES ON IMPORTS OF GRAINS: EU
DISPUTE DS16	REGIME FOR THE IMPORTATION, SALE AND DISTRIBUTION OF BANANAS: EU
DISPUTE DS26	MEASURES CONCERNING MEAT AND MEAT PRODUCTS (HORMONES): EU
DISPUTE DS27	REGIME FOR THE IMPORTATION, SALE AND DISTRIBUTION OF BANANAS: EU
DISPUTE DS35	EXPORT SUBSIDIES IN RESPECT OF AGRICULTURAL PRODUCTS: HUNGARY
DISPUTE DS36	PATENT PROTECTION FOR PHARMACEUTICAL AND AGRICULTURAL CHEMICAL PRODUCTS: PAKISTAN
DISPUTE DS41	MEASURES CONCERNING INSPECTION OF AGRICULTURAL PRODUCTS: KOREA
DISPUTE DS50	PATENT PROTECTION FOR PHARMACEUTICAL AND AGRICULTURAL CHEMICAL PRODUCTS: INDIA

TABLE 2.7: SELECT WTO DISPUTE CASES INITIATED BY THE UNITED STATES SINCE 1995 (CONTINUED)

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND RESPONDENT
DISPUTE DS74	MEASURES AFFECTING PORK AND POULTRY: PHILIPPINES
DISPUTE DS76	MEASURES AFFECTING AGRICULTURAL PRODUCTS: JAPAN
DISPUTE DS101	ANTI-DUMPING INVESTIGATION OF HIGH-FRUCTOSE CORN SYRUP (HFCS) FROM THE UNITED STATES: MEXICO
DISPUTE DS102	MEASURES AFFECTING PORK AND POULTRY: PHILIPPINES
DISPUTE DS103	MEASURES AFFECTING THE IMPORTATION OF MILK AND EXPORTATION OF DAIRY PRODUCTS: CANADA
DISPUTE DS132	ANTI-DUMPING INVESTIGATION OF HIGH-FRUCTOSE CORN SYRUP (HFCS) FROM THE UNITED STATES: MEXICO
DISPUTE DS158	REGIME FOR THE IMPORTATION, SALE AND DISTRIBUTION OF BANANAS: EU
DISPUTE DS161	MEASURES AFFECTING IMPORTS OF FRESH, CHILLED AND FROZEN BEEF: KOREA
DISPUTE DS171	PATENT PROTECTION FOR PHARMACEUTICALS AND TEST DATA PROTECTION FOR AGRICULTURAL CHEMICALS: ARGENTINA
DISPUTE DS174	PROTECTION OF TRADEMARKS AND GEOGRAPHICAL INDICATIONS FOR AGRICULTURAL PRODUCTS AND FOODSTUFFS: EU
DISPUTE DS203	MEASURES AFFECTING TRADE IN LIVE SWINE: MEXICO
DISPUTE DS223	TARIFF-RATE QUOTA ON CORN GLUTEN FEED FROM THE UNITED STATES: EU
DISPUTE DS245	MEASURES AFFECTING THE IMPORTATION OF APPLES: JAPAN
DISPUTE DS275	IMPORT LICENSING MEASURES ON CERTAIN AGRICULTURAL PRODUCTS: VENEZUELA
DISPUTE DS276	MEASURES RELATING TO EXPORTS OF WHEAT AND TREATMENT OF IMPORTED GRAIN: CANADA
DISPUTE DS295	DEFINITIVE ANTI-DUMPING MEASURES ON BEEF AND RICE: MEXICO
DISPUTE DS334	MEASURES AFFECTING THE IMPORTATION OF RICE: TURKEY
DISPUTE DS338	PROVISIONAL ANTI-DUMPING AND COUNTERVAILING ON GRAIN CORN FROM THE UNITED STATES: CANADA
DISPUTE DS389	CERTAIN MEASURES AFFECTING POULTRY MEAT AND POULTRY MEAT PRODUCTS FROM THE UNITED STATES: EU

In itself, the above WTO dispute information is useful in shedding light on which industries the US has historically been involved in regarding granting protection. This is most clear in those disputes where the US was a defendant or respondent against the claims of other nations, but is equally underlined in the cases brought forward by the US to protect what it sees as its vital interests. In this, it seems quite obvious that a handful of industries have dominated US positions at the WTO and, by extension, world trade. The energy sector, agriculture as a general category, the steel industry, fishing as well as forestry seem to have been disproportionately represented in US trade disputes where the US has been seen as the perpetrator of illegal trade actions. Collectively, the above industries represent 66 of a total of 113 disputes with the US as a respondent, or some 58 per cent, of which the steel and agriculture industries dominate with 25 and 19 disputes, respectively. The aerospace and the automotive industries, while not leaders in the number of disputes category where the US has been a defendant, do, nonetheless show up more significantly in disputes where the US has been a complainant, marking 4 and 8 disputes where the US has been harmed, respectively. Of the 97 cases where the US has been the complainant, agriculture along with the automotive industry dispute have been disproportionately high, with 28 and 8 disputes, respectively. Taken as a group, agriculture, the automotive sector, aerospace, steel and fishing, represent 43 cases, or 44 per cent of the 97 total observations, though, admittedly, the steel and fishing industry do not stand out as outliers in the number of observed cases. Nonetheless, the above disputes do represent trends of continued and continuing

protectionist trade practices and the clear interest of sustaining, by the United States, of several key national economic sectors exposed to international competition. Finally, of the 86 dispute cases involving the United States as interested observer, or indirectly affected third party, a large selection of cases have dealt with these specific industry areas, including a preponderance of agriculture, automobile industry, fishing and aerospace disputes⁶³. As these disputes entail indirect US involvement, they remain out of the scope of the present analysis, though they do help to underline the significance of these industries to the US, as they show US interest and desire to understand the details of trade in these areas and, perhaps, what previously used tactics to use to maneuver around potential future disputes.

Comparing these observations to the industries which received significant aid from US Government agencies and department through the TARP and ARRA yields some striking parallels. Referring to the funds allocated through the TARP, it is clear that, aside from the rather unique and historically and geographically unprecedented bailout of banks and financial institutions, the automotive industry received significant and highly visible aid to prevent the total failure of the industry along with mass employment lay-offs in that and associated industries to a degree far greater than was experienced. This allowed American car producers, their subsidiaries and correlated industries to emerge intact, if still ailing, from the crisis and permitted GM and Chrysler to emerge from bankruptcy. The American

⁶³ WTO website: Country member information. Accessed May 20, 2011. available at: <http://www.wto.org>

Data regarding third party status is available in full description at the WTO website. It has not been fully presented here, as these are not official disputes involving the US directly.

Reinvestment and Recovery Act of 2009 carried on, though to a much smaller degree, with funds to the automotive sector, mostly through the various green energy initiatives and funds allocated to correlated sectors. As the above analysis has shown, however, the brunt of the ARRA's funds have gone to different industry targets, the largest recipients being the health care industry, the energy sector, agriculture and, through the various projects necessitating US steel, to the steel industry. Referring back to Table 2.5, a clear advantage, in terms of comparative funds allocated, was supplied to a selection of agencies and government departments representing industries which have played a predominant role in recent trade disputes at the WTO. This includes the Department of Energy (Energy Industry, including all recent green energy incentives), the Department of the Interior (Fishing industry, including aquaculture) and the Department of Agriculture (encompassing all disputes including livestock, crops and agricultural products and technologies). All large scale Government infrastructure and construction projects, such as those headed by the Army, Navy and Army Corps of Engineers, have directly benefited the steel industry, one of the major industry contenders in past trade disputes with America's trading partners and direct competitors in the sector. Review of all past WTO disputes has not yielded significant insight into recipients as the Aerospace sector or forestry, aside from concentrated disputes with Brazil and Canada, respectively. The financial industry, though a clear beneficiary of the bailouts and government loans, has not been implicated in enough international trade disputes and thus must remain out of the scope of potential recipients of "constant protectionism".

In a final striking finding, analysis of recent WTO disputes further underlines the validity of the above, in that of the 14 disputes initiated since the beginning of the crisis in mid-2008, 3 complaints against the United States have squarely targeted the steel industry (disputes DS424, DS420 and DS402), 1 dispute has been brought up against the automobile industry (dispute DS399), 3 disputes have taken aim at the fishing and aquaculture industries (disputes DS381, DS422 and DS404), with another 3 being claims of unfair trade practices in the agriculture sector (disputes DS382, DS386 and DS392). In all, 10 of the 14 crisis-time disputes have targeted those industries directly implicated in significant stimulus funds, a fact suggestive that other nations have seen these acts as unfair to free global trade and directly detrimental to those US trade partners with vested interest in these industries⁶⁴.

US CURRENCY MOVEMENTS: PREDATORY DEPRECIATION IN TIMES OF NEED?

The relative position of the US Dollar vis-à-vis other currencies, over the course of the last three years, the crucial years of the crisis, including the initial downturn and slow recovery, has not been one of constant and clear appreciation or depreciation. Though, in general, the Dollar did fall in value against currencies as the Pound Sterling, the Euro and the Canadian Dollar, this did not, however, translate into trade surpluses, or even significant increases in export. Hampered by greatly diminished global demand, the US export industry was not greatly

⁶⁴ WTO. United States of America and the WTO. Accessed on May 7, 2011.
http://www.wto.org/english/thewto_e/countries_e/usa_e.htm

aided by the Dollar's downwards movement in 2009 and 2010 and despite these movements, the US has not been one of the nations cited by the WTO as having depreciated aggressively to reap benefits abroad. In addition, the international community has not voiced its displeasure at US actions and the dollar's wavering, as opposed to continuing demands for China to appreciate the unjustified low levels of the Yuan. Figures 2.1 and 2.2 present the jagged movements of the Greenback versus two key international currencies, the Euro as well as the UK Pound Sterling.

Looking to the currency levels depicted by these figures, it should first be noted that, as underlined in Figure 2.1, leading up to the crisis, the US greenback was on a route of rather steady and constant appreciation against the Euro. The situation changed dramatically towards the end 2008, with a sudden drop in value of the Dollar. In conjunction with the above analysis of the crisis' chronology, it is clear that this coincided with the first fiscal injection into the US economy by the Bush administration, and most especially the help offered through the initial pledges of the TARP in late 2008. The swift and unanticipated inflow of money from the US Government, along with international hesitations regarding the US economy drove the Dollar down versus the Euro initially, though as the crisis spread across the Atlantic to Europe and it became clear that European stimulus could not be avoided, the dollar seemed to have regained ground at the very beginning of the first quarter of 2009. This was quite short-lived, however, and more of a monetary hiccup, as the Dollar soon returned to its crisis-initiated depreciation for the next three quarters, starting to gain value against its European

counterpart only in late fall of 2009. Importantly for the current study, as the previous timeline of the crisis shows, this second systematic drop started to occur in February 2009, in direct parallel with the Obama Administration's creation of the American Reinvestment and Recovery Act of 2009. The Dollar then followed a path of appreciation until the last quarter of that fiscal year. Importantly, and quite interesting for the present study, the end of the clear depreciation of the Dollar against a basket of international currencies in the last quarter of 2010 also directly coincided with the end of the TARP and Congress' decision to scrap any further investment under this crisis-era stimulus policy. The US Dollar then appreciated markedly against foreign currencies briefly but, following the end of 2010, the US Dollar followed a general trend of depreciation as the economy and job numbers struggled. Again, an important and suggestive parallel exists in that this was also a period when no new stimulus packages were being offered to the US economy from the Government. This up and down movement is mirrored in the relationship of the dollar with the Pound Sterling as well as the Canadian Dollar. As shown by Figure 2.2, up to the beginning of the financial meltdown and the first fiscal stimulus offerings, the Pound was losing ground to the Dollar and subsequently followed a path quite similar to that of the movements of the Euro versus the Dollar. Given these irregular trends of appreciation and depreciation, the economic realities and exigencies of the recent crisis, it is difficult and potentially false to fully classify any dollar depreciation as predatory or created with the aim of undermining trade partners. Nonetheless, and quite pertinent to the present discussion, some of these shifts coincided not only with

US Government decisions regarding economic stimulus, but also with international reaction at the WTO through dispute initiation. As noted above, 14 disputes have been filed since mid-2008. Specifically following the initial announcement of the TARP on October 8, 2008, 7 separate WTO disputes were filed against the United States (DS381, DS382, DS383, DS384, DS386, DS392 and DS399) in the period shortly following the policy. These disputes differ in their content and in the origin of complainants issuing them and while they may be coincidental in nature and based on historical precedent, their timing and their relative concentration around the time of US policy decisions is quite suggestive of a negative international reaction to these policies and governmental decisions. During the period of appreciation between the end of 2009 and mid 2010, only three disputes were filed (DS402, DS404 and DS406), and while DS404 and DS406 did clearly occur during short periods of temporary depreciation, they took place during what was, nonetheless, a general steady swing of appreciation, and may have been only lulls in the overall movement of the currency. One more dispute (DS420) occurring in January 2011, also when the US Dollar was declining. This is a fascinating finding as it suggests that not only were American disputes correlated to the stimulus but also, indicatively, to monetary choices.

FIGURE 2.1: THREE YEAR HISTORY OF THE US DOLLAR VERSUS THE EURO⁶⁵



FIGURE 2.2: THREE YEAR HISTORY OF THE UK POUND STERLING VERSUS THE AMERICAN DOLLAR⁶⁶



⁶⁵ ADVFN. Currency History: 3 year history of the US Dollar versus the Euro. Accessed May 16, 2011. <http://ca.advfn.com/p.php?pid=qkchart&symbol=fx^usdeur>. For a chart showing the US dollar versus the Canadian Dollar please refer to the ensuing Canadian case.

⁶⁶ Ibid. This figure represents the three year movement of the Pound versus the Dollar, or the inverse of the Dollar versus the Pound. Nonetheless, it clearly shows the relative movements of these two important currencies.

CONCLUSIONS: THE US BAILOUTS AND STIMULUS AND CONSTANT PROTECTIONISM

To return to the original objectives of the present research, it is of clear importance to identify whether or not the actions of TARP, the initial stimulus offerings and the ARRA have constituted a turn to past tendencies of protectionism, despite the US Governments vociferous condemnation of such practices, and, more specifically, whether or not the intended targets have been new recipients of protection or simply been the regular beneficiaries of funds, receiving additional benefits thanks to coordinated lobbying and a determination by the US Government to protect that which it deems of vital national interest. During the past three years of crisis, 10 of 14 WTO disputes have targeted industries affected by direct stimulus, with the period since the end of the TARP and the end of new stimulus offerings being announced (September 2010) displaying only 4 new dispute filings. Scanning the US dispute history yields a mixed finding, suggesting that some industries as the steel, energy and agriculture have been clear recipients of continued or constant protectionism through funds directly allocated by agencies and department. Others as the fishing, forestry and aerospace sectors have received significant funds and have, in the past, been implicated in protectionist actions at the WTO, though not to the extent as energy, steel and agriculture. As such, it is difficult to pass judgment on constant protectionism in these three specific economic sectors, though the limited WTO dispute history, especially in the fishing sector, does suggest that these are industries which regularly receive protection from the US government and have in the present crisis. Further investigation of fishing, aerospace and forest is clearly

warranted in future research. Combined with marked past precedent of WTO disputes in the stimulus affected areas, analysis of most recently initiated WTO disagreements strongly suggest correlation between the United States' stimulus offerings in various economic sectors and international perception of these industries being unjustly protected. New protectionist venues during crisis time seem to have been created in complement or substitution to traditional offenses. The fact that 10 of 14 arguments announced by various US trading partners against the US since the beginning of this financial crisis have been centered around industries as agriculture, steel and the automotive sectors, direct recipients of measures included in the US fiscal bailouts and subsequent injections is, in itself, striking. Finally, turning to the role of the US Dollar during the crisis, it seems that currency movements played a significant role in direct conjunction with the timing of stimulus offerings, and by consequence, the disputes which arose in affected areas. Specifically, periods of US Dollar depreciation have coincided with some of the stimulus policies enacted by the past two administrations, and, specifically, with several trade complaints by international exporters against their US counterparts. Judging by the international reaction to the two parallel processes and policies proposed by America, it is suggestive that both currency manipulation and stimulus acted as complementary forms of protection.

CASE STUDY: CANADA

Shifting the scope slightly northward of the marble halls of Washington D.C. to Ottawa's Parliament Hill, the experience with the current crisis, its onset, as well as its continuing aftermath has been somewhat different for America's northern neighbour. The Canadian stimulus, named the Canada Economic Action Plan, comprises of some \$60 billion injected into the economy since 2009. Since the beginning of the crisis and the adoption of the Economic Action Plan, seven printed editions have been presented by the government for public perusal and inspection. The current study used the seventh and latest edition of the Canada Economic Action Plan as readily available at the official government website.

The Economic Action Plan is reported by the current Canadian Government to have had, up to now, an average of 1.3% GDP boost per quarter since the second fiscal quarter of 2009⁶⁷. In its first year, the Plan delivered nearly \$32 billion of stimulus, with the remaining \$28 billion implemented in the second year. In the broad sense, more than 26,000 projects have been begun or have already been completed, with the package running the full gamut of policy measures aimed at boosting the nation's economic output and revamping the employment market⁶⁸. Table 3.1 examines the relative makeup of the projects proposed by the Canadian Government.

⁶⁷ Government of Canada, Public Works and Government Services of Canada. "The Canada Economic Action Plan". Last Accessed May 18, 2011. Available in full text at: www.actionplan.gc.ca. (January 31, 2011): 7

⁶⁸ Ibid.

Canada's stimulus package encompasses several categories of economic aid. In this, Canada's stimulus holds true to the initial recommendations of the IMF following the onset of the meltdown, proposing a panoply of policies ranging from incentives to individuals through cash supplements, direct personal tax incentives, community and infrastructure considerations, construction projects and the implementation of a national home reconstruction credit plan, University investment, Green projects all the way to tax breaks for large corporate entities. The following sections will investigate how the money injected by Canada into its economy has been allocated, and whether or not traditionally protectionist industries received any special attention? Before delving headlong into the issue of stimulus allocation and potential protectionist measures within this Plan, however, it is important to recognize Canada's place as WTO member and the relative state of the economy during the crisis.

TABLE 3.1: *BREAKDOWN OF CANADIAN STIMULUS PROJECTS*⁶⁹

TYPE OF PROJECT	NUMBER OF INITIATIVES
PROVINCIAL, TERRITORIAL AND MUNICIPAL PROJECTS (INCLUDING 4,000 INFRASTRUCTURE STIMULUS FUND PROJECTS AND OVER 1,900 RECREATIONAL INFRASTRUCTURE CANADA PROJECTS)	7,800
SOCIAL HOUSING AND FIRST NATIONS HOUSING PROJECTS	12,000
COLLEGES AND UNIVERSITIES INFRASTRUCTURE	500
SMALL CRAFT HARBOUR IMPROVEMENT PROJECTS	272
COMMUNITY ADJUSTMENT FUND PROJECTS	1,850
CULTURAL INFRASTRUCTURE PROJECTS	140
FEDERAL LABORATORY MODERNIZATION PROJECTS	200

⁶⁹ Ibid., p. 13. As the Canada Economic Action Plan document states, these values may vary slightly, with some figures being more general estimates rather than concrete numbers of individual projects.

TABLE 3.1: *BREAKDOWN OF CANADIAN STIMULUS PROJECTS (CONTINUED)*

TYPE OF PROJECT	NUMBER OF INITIATIVES
NATIONAL PARKS AND NATIONAL HISTORIC SITES UPGRADE PROJECTS	220
RENOVATION AND REPAIR OF FEDERAL BUILDINGS	2,000
FIRST NATIONS INFRASTRUCTURE PROJECTS	95
IMPROVEMENT OF CROWN-OWNED BUILDING ACCESSIBILITY	300

CANADA'S RECOVERING ECONOMY

Canada's economy is faring rather well, and has done so throughout the entirety of the crisis period. When compared against the collective experience of its neighbours and contemporaries, it is clear that despite being America's closest and largest trade partner, Canada has not suffered to nearly the same degree as its southerly neighbour. Financial markets as well as the banking sector have outperformed G-20 contemporaries and have handily weathered the meltdown's storm to emerge as one of the leading global economies. In fact, as the latest edition of the Plan stresses, for three consecutive years the World Economic Forum has positioned Canada first out of over 130 countries on its "soundness of banks" criteria⁷⁰. Private domestic demand is back up to pre-crisis levels and a balanced budget is expected by the Harper Government by 2015⁷¹. In addition, an examination of the recovery of GDP along with aggregate gains and losses in national labour markets yields perhaps the most insightful and interesting comparison between Canada and other developed economies. With regards to

⁷⁰ Ibid., p. 137.

⁷¹ Ibid., p. 24.

GDP, after an initial shrinking of the economy in late 2009, Canada's economy has rebounded markedly. Figure 3.1 shows the evolution of GDP since pre-recession peaks for the G-7. Canada is reported as the only nation in the Group to have been able to actually improve on pre-2008 levels⁷².

Moving to considerations of national employment, Figure 3.2 underlines the discrepancies between Canada and the six other economies of the G-7 and underscores Canada's artful handling of the meltdown. In real number terms, the Canadian labour market, after an initial retraction, had begun to recover and created 400,000 more jobs by September 2010 when compared to official base July 2009 employment numbers, offsetting nearly all recession losses, with significant increases in both part-time and full-time positions. This was the most significant job recoup amongst all G-7 nations⁷³. What is of further interest to the current discussion, and of clear import to the question of the efficacy and fairness of the stimulus, is the relative industry breakdown of these newly created jobs. Tables 3.2 outline the estimates of the Canadian Governments' appraisal of number and types of jobs created in the recent crisis period strictly through the Canada Economic Action Plan. Figure 3.3 maps out Canada's jobless rate with respect to the United States as reported up to the November 2010.

⁷² Ibid., p. 24

⁷³ Ibid., p. 16-17.

FIGURE 3.1: EVOLUTION OF REAL GDP SINCE PRE-RECESSION PEAKS⁷⁴

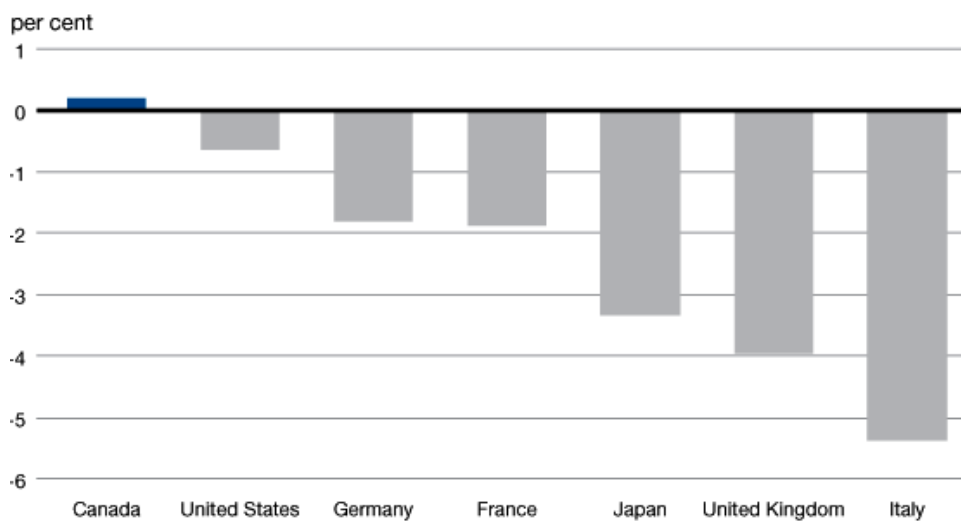
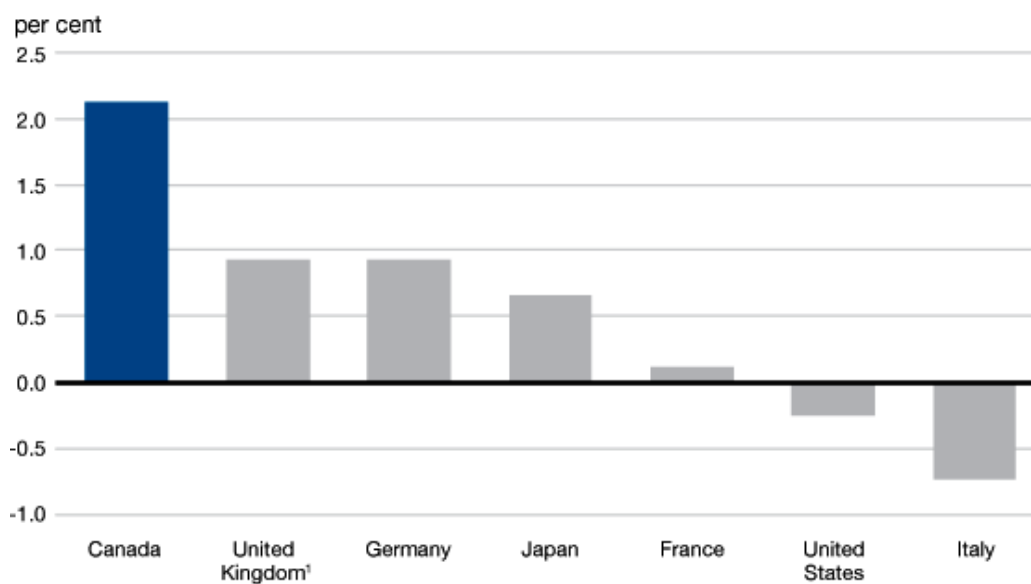


FIGURE 3.2: CHANGE IN TOTAL EMPLOYMENT, JUNE 2009 TO SEPTEMBER 2010⁷⁵



⁷⁴ Ibid., p. 19.

⁷⁵ Ibid., p. 18.

FIGURE 3.3: UNEMPLOYMENT RATES⁷⁶

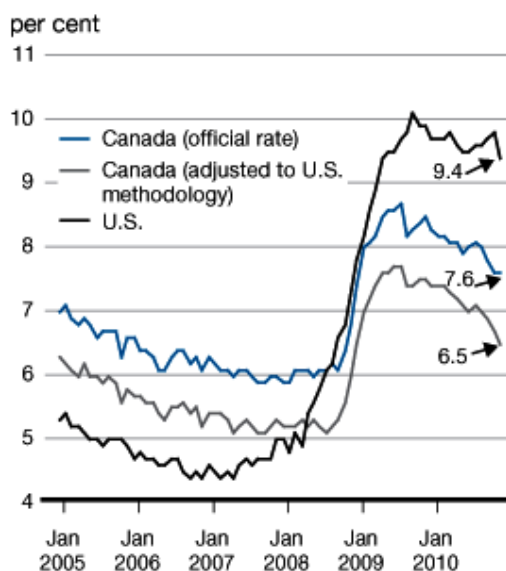


TABLE 3.2: JOB CREATION THROUGH ECONOMIC ACTIONS PLAN AS OF DECEMBER 2010⁷⁷

INDUSTRY TYPE	NUMBER OF JOBS CREATED
PRIMARY AND UTILITIES	5,000
CONSTRUCTION	53,000
MANUFACTURING	37,000
SERVICES	127,000
TOTAL	222,000

CANADA'S STIMULUS: THE CANADA ECONOMIC ACTION PLAN AT WORK

Canada's success during the crisis and the relative strength of recovery have clearly been linked to the effectiveness of the stimulus plan. Nonetheless,

⁷⁶ Ibid., p. 18.

⁷⁷ Ibid., p. 153.

this important injection of liquidity and economic demand on the part of the Government has not been a blanket or “garbage can” approach; it has had specific targets and intended recipients. Broadly speaking, the stimulus has been segmented into six general categories. Specifically, as reported by the Plan they are: (i) reducing the tax burden for Canadians, (ii) helping the unemployed, (iii) building infrastructure with aims to create jobs in construction, (iv) advancing Canada’s knowledge economy and creating better jobs, (v) supporting industries and communities and (vi) improving access to financing and strengthening Canada’s financial system⁷⁸. Table 3.3 summarizes the general expenditures on each stimulus category. As the sixth category of the Plan focuses on improvement and potential changes to the financial realities within the country, no statistics corresponding to direct government spending are available. Nonetheless, it should be mentioned that interest rates, though still low, have slowly begun to creep back up, and the Canada Economic Recovery Plan, in its first phase pledged some \$200 billion, if needed, to support lending to Canadian households and businesses through the Extraordinary Financing Framework⁷⁹. Table 3.4 outlines the far-reaching implications and objectives of the Canada Economic Action Plan. However, since the explicit intent of the current research is not to dissect the Plan, but rather to investigate any potential effects it may have had on traditionally protectionist and government subsidized industries specifically, further analysis of the fifth category, namely, Supporting Industries and Communities, will be necessary.

⁷⁸ Ibid., p. 29.

⁷⁹ Ibid., p. 137.

TABLE 3.3: CANADIAN STIMULUS PACKAGE: RELATIVE BREAKDOWN OF PLEDGED FUNDS BY CATEGORY⁸⁰

	2009–10	2010–11	
	<u>DOLLARS SPENT</u>	<u>STIMULUS VALUE</u>	<u>TOTAL</u>
	(MILLIONS OF DOLLARS- CASH BASIS)		
REDUCING THE TAX BURDEN FOR CANADIANS	3,020	3,180	6,200
HELPING THE UNEMPLOYED	3,348	4,924	8,271
BUILDING INFRASTRUCTURE TO CREATE JOBS	6,031	8,792	14,822
ADVANCING CANADA’S KNOWLEDGE ECONOMY AND CREATING BETTER JOBS	1,550	2,271	3,821
SUPPORTING INDUSTRIES AND COMMUNITIES	10,979	2,261	13,241
TOTAL FEDERAL STIMULUS MEASURES	24,928	21,427	46,355
ASSUMED PROVINCIAL AND TERRITORIAL ACTIONS	7,092	6,968	14,030
TOTAL ECONOMIC ACTION PLAN STIMULUS	31,989	28,395	60,384

CANADA’S STIMULUS: CONSTANT PROTECTIONISM AND POTENTIAL EFFECTS ON INTERNATIONAL TRADE

As suggested above, the most fruitful insights for the present investigation should derive from an analysis of what support business and industry has had over the past three years. To facilitate the following discussion, Table 3.4 details all the major industry recipients of stimulus as well as the progression of funds committed up to 2011. Before analyzing aid to industry through direct allocation

⁸⁰ Ibid., p. 12

Totals may not add due to rounding. Includes estimated values for tax reduction measures. Revisions to 2009–10 values reflect improved labour market conditions, leading to a downward revision to projected EI costs for the year as a whole. The cost estimate for the Home Renovation Tax Credit based on 2009 tax return information is approximately 25 per cent lower than the cost originally projected when the measure was implemented in Budget 2009. As a result of the extension of four infrastructure programs, some funds originally planned for 2010–11 will be expended in 2011–12.

of funds, however, it is important to look at the tax code incentives that the Economic Action Plan has brought forth.

TAX INCENTIVES FOR BUSINESS AND INDUSTRY

In addition to an injection of direct capital, Canada's Government has made steps toward creating a more favorable environment for future business investment through the extension of tax benefits to businesses and corporations over the course of the crisis, with initial steps taken in September 2008. Consequently, it will be helpful for the current discussion to mention the Plan's beneficial policies for business. In this, Canada has followed through on initial pledges in early 2008 to lower corporate taxes and incentivize business owners. Figure 3.4 illustrates the recent changes in Canada's relative marginal tax rate on new business investment vis-à-vis other G-7 members as well as the OECD average. The graphic underscores Canada's competitive advantage alongside other highly developed nations. Specifically, the Economic Action Plan has introduced substantial, broad-based tax reductions for businesses that have lowered and continue to lower the federal general corporate income tax rate from 22.12 per cent (including the corporate surtax) in 2007 to 16.5 per cent in 2011 and 15 per cent by 2012. It should further be underlined that this last statistic includes the economic benefits reaped by businesses since the elimination of the corporate surtax in 2008 for all corporations, national and extra-national⁸¹. This last element has gone hand in hand with the 2007 introduction of a financial incentive encouraging provinces to eliminate provincial general capital taxes and

⁸¹ Ibid., p. 41.

to phase out or replace their capital taxes on financial institutions with a minimum set tax. All provincial general capital taxes are to be eliminated by 2012⁸².

Apart from the general lowering of the tax rate, several other important incentives have been proposed by the Economic Action Plan. In 2008, the government introduced a reduction of the federal income tax rate for qualifying small businesses on income to 11 per cent from the previous 12 per cent⁸³. Support for mineral exploration activity across the nation received a significant boost with the extension of the temporary Mineral Exploration Tax Credit to March 31, 2010⁸⁴. In addition, the government instituted a temporary 100-per-cent capital cost allowance (CCA) rate for businesses for the purchase of computers acquired after January 27, 2009 and before February 1, 2011⁸⁵. Another temporary 50-per-cent straight-line accelerated capital cost allowance rate for investments in manufacturing or processing machinery and equipment was extended to include investments undertaken by firms in 2010 and 2011. In total, including all recent measures in the Economic Action Plan, the Canadian Government has introduced business tax relief summing up to around \$60 billion over 2008–09 and the following five fiscal years⁸⁶.

⁸² Ibid.

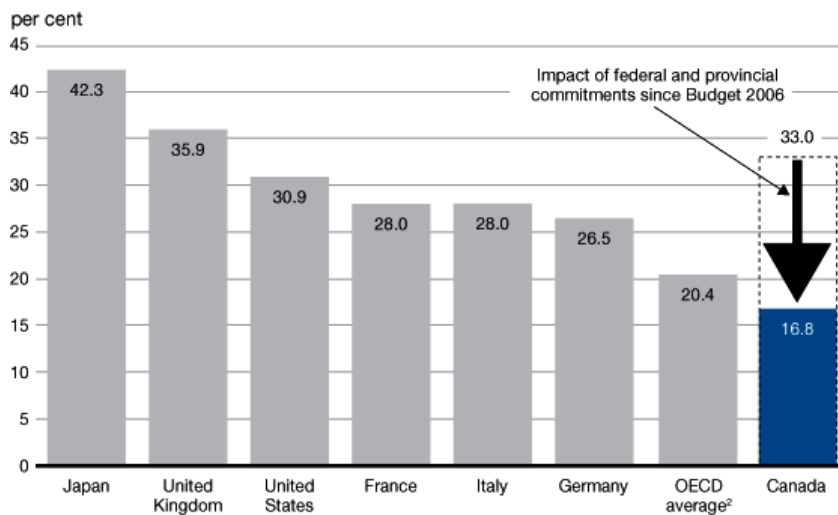
⁸³ Ibid., p. 43.

⁸⁴ Ibid., p. 41.

⁸⁵ Ibid., p. 40.

⁸⁶ Ibid., p. 41.

FIGURE 3.4 CANADA’S STIMULUS PACKAGE: TAX INCENTIVES FOR BUSINESS THROUGH MARGINAL EFFECTIVE TAX RATE, 2012⁸⁷



ECONOMIC ACTION PLAN INDUSTRY AND BUSINESS STIMULUS ALLOCATION: WHO HAS IT BENEFITTED?

Table 3.4 illustrates the summative effect of Canada’s stimulus on several national industries affected by changes in international trade patterns. As such, it is rather straightforward to point to singular targets which have been touched by the influx of government spending and fund allocation in recent years. By consequence, the following section will deal with six sectors of the economy and direct Economic Action Plan recipients: (i) the automotive industry, (ii) forestry, (iii) mining, (iv) shipbuilding, (v) small and medium businesses and finally, (vi) tourism.

As elaborated by the Economic Action Plan,

“in addition to providing targeted relief, Canada’s Economic Action Plan is helping industries bolster their competitiveness and position themselves for long-term success, both within Canada and in the global economy. Ensuring the long-term prosperity of Canadian businesses will strengthen Canada’s position on the world stage and help to create new

⁸⁷ Ibid., p 44.

opportunities and high-quality jobs for Canadians in all regions of the country”⁸⁸.

Indeed, the aim of job creation and preservation, most especially in the Province of Ontario, lead the Canadian and Ontario Governments to quickly inject significant funds into the ailing automotive industry in late 2009 as the threat of a collapse in the sector loomed large. Chrysler and General Motors were propped up, with \$10.8 billion committed to General Motors by Canada and Ontario, and \$3.7 billion committed to Chrysler by Canada and Ontario, of which \$2.9 billion has been drawn upon to date⁸⁹. As a result, General Motors emerged from bankruptcy protection on July 10, 2009, exactly one month after the pledge of funds, and Canada and Ontario received, in addition to a \$430 million preferred share package, a combined 11.7-per-cent ownership stake in the restructured GM. Subsequent selling off of these shares has reduced the Government’s ownership down to 8.98 per cent. As a response to the initial bailout, the Canadian and Ontario governments received a 2 per cent stake in Chrysler⁹⁰. In this sector, at least, there is no question as to whether the injection of capital has helped bolster production, and indeed, its very survival.

In an effort to avoid significant losses to the Canadian economy in general and most certainly great losses to the industry itself following slumps in the US construction sector and the near collapse of US housing markets, the Canadian government has infused the forestry sector with much needed funding. \$170 million have been allocated to support market diversification and innovation

⁸⁸ Ibid., p. 113.

⁸⁹ Ibid., p. 118.

⁹⁰ Ibid.

initiatives, including research and demonstration projects of new forestry tools and products as well as initiatives to help companies market innovative products internationally. In June 2009 the Government announced the creation of a \$1-billion program to support environmental improvements for the pulp and paper industry, named the The Pulp and Paper Green Transformation Program. It is designed to allow pulp and paper mills across the nation to reduce greenhouse gas emissions, help Canada become a competitive leader in the production of renewable energy from biomass, as well as to continue to create and sustain jobs⁹¹. \$44 billion in financial services to Canadian forestry companies has been made available through the Export Development Canada project since 2008 while over the same time period, the Business Development Bank of Canada has provided over \$420 million in loans to Canadian forestry firms⁹². This strong response to an industry often enthralled in cross-border trade disputes with the US greatly underlines the aim, scope and consequence of the Economic Action Plan on another traditionally protected industry.

Shifting to the mining sector, it is once again clear that another vital component of Canada's economy and a key part of its international competitive advantage in raw materials and commodities received a noteworthy contribution from the Government over the course of the crisis period. Targeting new exploration and development, Canada's Economic Action Plan extended a temporary 15 per cent Mineral Exploration Tax Credit for all firms in the industry regardless of size. The Government's credit was introduced in 2009 and

⁹¹ Ibid., p. 119-20.

⁹² Ibid., p.120

incorporates all contracts and agreements entered into between April 1, 2009 and March 31, 2010⁹³. Some \$70 million dollars were doled out as part of this particular policy. While this may not seem a large injection of funds in comparison to what was offered to other industries, a key component of the benefits reaped by the mining industry has come from infrastructure and construction projects which have improved existing transportation networks and have built unpaved roads opening up sections of unexplored and untapped mineral deposits in the country's interior and the north. In its entirety, the Government pledged some \$15 billion for infrastructure improvement to federal, provincial and municipal projects, of which, among others, \$356 million has gone to improve the railway system, \$54 million to improvements to the TransCanada, and \$13 million for the Alaska Highway⁹⁴. Such investment will provide the mining industry with improved access to existing transport and will reduce future handling costs.

Agriculture has not been overlooked by the Canada's stimulus. \$79 million has been allocated to the Agriculture Flexibility Fund to help commodity producers deal with the downturn⁹⁵. The Slaughter Improvement Program, a program focused on improving cattle processing plants has provided, to date, around \$54 million for 18 projects. The 2010 budget provided an additional \$10 million in funding, and it is expected that \$22 million will be spent in 2010–11. The remaining \$9 million in funding allocated for this fiscal year will be spent in

⁹³ Ibid., p. 128.

⁹⁴ Ibid., p. 93-4.

⁹⁵ Ibid., p. 123

2011–12⁹⁶. Since the inception of the Canadian Agricultural Loans Act in the summer of 2009, 3,567 loans, totaling \$192 million, have been granted, 288 of which have been registered to beginning farmers for a total of \$26 million and 65 for amounts greater than \$250,000 each⁹⁷. In addition to these measures, the Government has provided targeted assistance to producers affected by the economic downturn through the Advance Payments Program. Aimed at providing short-term cash flow to agriculture producers, the program has issued \$2.7 billion in advances to producers in 2008–09 and \$2.0 billion in 2009–10, of which \$2.0 billion and \$1.6 billion were interest-free, respectively⁹⁸. Several commodity groups have been granted stays of default, which allow the producers additional time to repay advances⁹⁹.

Shipbuilding, a rather geographically concentrated industry and one whose product costs and big ticket items have clearly been affected by decreased demand has received a \$175 million boost, in the form of funds presented to the Canadian Coast Guard to purchase and upgrade existing equipment. The Plan, has, in turn provided capital for 98 new boats as well as to repair and refit 40 existing large vessels¹⁰⁰. As reported in the Plan, the Canadian Government confirms that as of November 30, 2010, \$119 million had been spent on various projects, including the construction of 50 new small craft and over \$61 million in repair and refit

⁹⁶ Ibid., p. 123.

⁹⁷ Ibid., p. 123.

⁹⁸ Ibid., p. 123.

⁹⁹ Ibid., 123.

¹⁰⁰ Ibid., p. 126.

projects for large Coast Guard vessels. The remaining \$56 million is to be spent by the end of the 2010–11 fiscal year¹⁰¹.

Finally, while not outlined in Table 3.4, Ottawa has pledged extensive funds for the aerospace and fisheries sectors. \$110 million has been pledged over three years to the Canadian Space Agency to support Canada's continued leadership in the design and construction of space robotics including the Canadarm. An additional \$200 million over the course of four fiscal years will be provided for the Strategic Aerospace and Defence Initiative first established in 2007. The Joint Strike Fighter Program, Canada's acquisition of F-35 aircraft, is reported by the Government as having huge potential future benefits for the sector, with an estimated \$12 billion in potential industrial opportunities for work on the aircraft platform. Furthermore, \$5 billion in direct and indirect industrial and regional opportunities is expected to be derived for the aerospace sector following the Canadian Forces' acquisition of C-17 *Globemaster* aircraft, C-130J *Hercules* tactical transport aircraft and CH-47F *Chinook* helicopters¹⁰². Fisheries has received a total of some \$254 million, of which, \$22 million was allocated for regulatory initiatives in support of the aquaculture sector, \$200 million in fiscal support destined for small craft harbours with the intent of accelerating the repair and maintenance of core commercial fishing harbours, \$25 million for the creation of the Pangnirtung harbour in Nunavut and \$7 million for the

¹⁰¹ Ibid.

¹⁰² Ibid., p. 119.

establishment of a Catch Certification Office (CCO) to expand market access for Canadian fisheries¹⁰³.

TABLE 3.4: CANADIAN STIMULUS PACKAGE: SUPPORTING INDUSTRIES AND COMMUNITIES¹⁰⁴

	2009–10	2010–11	
	DOLLARS SPENT	STIMULUS VALUE	STIMULUS COMMITTED
	(MILLIONS OF DOLLARS—CASH BASIS)		
SUPPORT FOR THE AUTOMOTIVE SECTOR	9,155	—	—
SUPPORT FOR INDUSTRIES			
FORESTRY			
FORESTRY (MARKETING AND INNOVATION)	59	108	88
AGRICULTURE			
AGRICULTURE FLEXIBILITY PROGRAM	6	73	64
INVESTMENTS IN CATTLE PROCESSING PLANTS	8	22	22
MINERAL EXPLORATION			
EXTENDING THE MINERAL EXPLORATION TAX CREDIT	70	-15	-15
SMALL BUSINESSES			
REDUCING TAXES FOR SMALL BUSINESSES	45	80	80
INDUSTRIAL RESEARCH ASSISTANCE PROGRAM	98	100	100
CANADA YOUTH BUSINESS FOUNDATION	10	—	—
CANADA BUSINESS NETWORKS	14	15	15
TOURISM			
CANADIAN TOURISM COMMISSION	20	20	20
MARQUEE TOURISM EVENTS	48	50	50
PARKS CANADA ³	67	81	81
SHIPBUILDING			
SHIPBUILDING	82	93	93
CULTURE			
CULTURAL INFRASTRUCTURE	30	30	26

¹⁰³ Ibid., p. 129.

¹⁰⁴ Ibid., p. 132-133. Totals may not add due to rounding. The stimulus value reflects projected cash expenditures.

CANADA PRIZES FOR THE ARTS AND CREATIVITY	—	25	—
CANADA ARTS TRAINING FUND	6	13	12
COMMUNITY NEWSPAPERS AND MAGAZINES	14	15	15
CANADA MEDIA FUND	100	100	100
TAX AND TARIFF RELIEF			
TEMPORARY 100-PER-CENT CAPITAL COST ALLOWANCE RATE FOR COMPUTERS	340	355	355
TARIFF RELIEF ON MACHINERY AND EQUIPMENT	76	81	81
<u>SUBTOTAL—SUPPORT FOR INDUSTRIES</u>	<u>1,093</u>	<u>1,246</u>	<u>1,187</u>
SUPPORT FOR COMMUNITIES			
HELPING ALL REGIONS PROSPER			
COMMUNITY ADJUSTMENT FUND	417	578	567
FEDERAL ECONOMIC DEVELOPMENT AGENCY FOR SOUTHERN ONTARIO	128	208	118
EASTERN ONTARIO DEVELOPMENT PROGRAM	10	10	9
STRENGTHENING ECONOMIC DEVELOPMENT IN THE NORTH	3	14	14
STRATEGIC INVESTMENTS IN NORTHERN ECONOMIC DEVELOPMENT	10	20	12
PROMOTING ENERGY DEVELOPMENT IN CANADA'S NORTH	28	—	—
STRENGTHENING PARTNERSHIPS WITH ABORIGINAL CANADIANS			
FIRST NATIONS AND INUIT HEALTH PROGRAMS	131	170	170
FIRST NATIONS CHILD AND FAMILY SERVICES	4	16	16
<u>SUBTOTAL—SUPPORT FOR COMMUNITIES</u>	<u>731</u>	<u>1,015</u>	<u>906</u>
TOTAL—SUPPORTING INDUSTRIES AND COMMUNITIES	10,979	2,261	2,093

ECONOMIC ACTION PLAN: TARIFF RELIEF

Interestingly enough, and perhaps a preemptive reaction to potential negative international reception of the extent and scope of the stimulus plan, Canada has pledged to tear down some traditional barriers to trade. As such, the Economic Action Plan furthers the country's competitive edge by eliminating all remaining tariffs on imports for industrial manufacturing. The first installment of the policy, one focused primarily on machinery and equipment, was implemented in the 2009 Budget and provided some \$88 million per year in average duty savings. The second installment, abolishing all remaining tariffs on industrial inputs, was enacted in 2010 and is expected to provide around \$300 million in additional annual savings. Canada is quickly moving towards the creation of a tariff-free zone for industrial manufacturers and is the first nation in the G-20 to have taken such steps¹⁰⁵. With the abolishment of tariffs, few substitutions to traditional trade offenses exist, suggesting the current stimulus offerings may have become a crisis-era substitution to regular avenues of Canadian protection.

CANADA'S STIMULUS: NEW SOURCE OF TRADITIONAL PROTECTIONISM

Canada has rolled out a significant stimulus package totaling slightly more than \$60 billion, representing the fourth largest stimulus worldwide by any one country, following the United States, Germany and Japan. As elaborated above, the general economic targets of the stimulus have been diverse, with several

¹⁰⁵ Ibid., pp. 131

important industry recipients from 2009 to the present. Has this, however, signaled a turn to a new type of protectionism during times of economic duress, or are the targeted industries brand new venues for government intervention and aid? To answer using the above stimulus analysis, it is now necessary to assess Canada's history of disputes in the WTO.

As a full-standing member of the WTO since its inception on January 1, 1995, Canada has been involved in a sizeable number of trade disputes, as a respondent, as a complainant as well as an interested observer. Specifically, it has brought forward 33 cases to dispute settlement of potential discrimination against its own industries and has been a third party observer in 71 separate cases. As a respondent to claims by other nations of improper trade practices, Canada has been a defendant on 16 different occasions. Table 3.5 summarizes all cases brought against Canada since the beginning of the WTO. Table 3.6 outlines key cases at the WTO where Canada has been a complainant in issues related to the specific stimulus recipient industries discussed above.

Canada's position as respondent in its sixteen cases has underlined the country's determination to protect national interests, its recognition of the affected industries as vital, as well as the reciprocal identification by other nations of Canada's actions as unfair and protectionist trade practices. Looking through the body of disputes where Canada has been cited as an offender, Table 3.6 underlines the striking fact that several of the disputes have encompassed industries and sectors directly subsidized by the recent stimulus. Without delving into too much detail into any one dispute, it is important to recognize the

preponderance of cases occurring in agriculture (disputes DS103, DS113, DS276, DS321 and DS338), aerospace engineering and development (disputes DS70, DS71, and DS222), and the automotive sector (disputes DS139 and DS142).

Canada's position as complainant in these cases demonstrates that these industries and in turn the Canadian Government, following industry pressure and lobbying, believe to have been discriminated against. It is interesting to note that several of the industry recipients of funds from the Economic Action Plan which were identified above have been hurt by protectionist measures on the part of trade partners in the past. Looking through the WTO's dispute settlement statistics available for Canada, we see precedence of harm being inflicted on the Canadian fishing industry, including dispute DS7 (DS7) regarding the importation and definition of scallops and DS18 regarding the importation of Canadian salmon. Shifting to the forestry industry, Canada has raised issues with American and European treatment of Canadian lumber in the following cases: (i) DS257 regarding softwood lumber, (ii) DS137, regarding measures affecting imports of wood by the EU of conifers from Canada, (iii) DS236 regarding preliminary determinations with respect to certain softwood lumber from Canada to the US, (iv) DS247, regarding provisional anti-dumping measures by the US on imports of certain softwood lumber from Canada, as well as (v) DS257, regarding final countervailing duty determination by the US with respect to certain softwood lumber from Canada. In addition, several cases of perceived discrimination of agricultural products have been filed. They are the following: (i) DS48, regarding measures taken by the EU concerning meat and meat products treated with

hormones, (ii) DS9, regarding European duties on imports of Canadian cereals, (iii) DS35, regarding export subsidies of agricultural products, (iv) DS144, regarding certain measures affecting the import of cattle, swine and grain from Canada to the US, (v) DS167, regarding a countervailing duty investigation with respect to live cattle imported to the US from Canada, and (vi) DS391, regarding Korean measures affecting the importation of bovine meat and meat products from Canada. Looking to the automotive sector, the greatest recipient of stimulus funds to date, Canada filed DS342 against China, regarding measures affecting imports of automobile parts. Finally, the aerospace sector filed DS46 regarding the export financing program for Brazilian Embraer aircraft¹⁰⁶.

TABLE 3.5: WTO DISPUTE CASES BROUGHT AGAINST CANADA SINCE 1995¹⁰⁷

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND COMPLAINANT
DISPUTE DS31	CERTAIN MEASURES CONCERNING PERIODICALS: USA
DISPUTE DS70	MEASURES AFFECTING THE EXPORT OF CIVILIAN AIRCRAFT: BRAZIL
DISPUTE DS71	MEASURES AFFECTING THE EXPORT OF CIVILIAN AIRCRAFT: BRAZIL
DISPUTE DS103	MEASURES AFFECTING THE IMPORTATION OF MILK AND THE EXPORTATION OF DAIRY PRODUCTS: USA
DISPUTE DS113	MEASURES AFFECTING DAIRY EXPORTS: NEW ZEALAND
DISPUTE DS114	PATENT PROTECTION OF PHARMACEUTICAL PRODUCTS: EU
DISPUTE DS117	MEASURES AFFECTING FILM DISTRIBUTION SERVICES: EU
DISPUTE DS139	CERTAIN MEASURES AFFECTING THE AUTOMOTIVE INDUSTRY: JAPAN
DISPUTE DS142	CERTAIN MEASURES AFFECTING THE AUTOMOTIVE INDUSTRY: EU
DISPUTE DS170	TERM OF PATENT PROTECTION: USA
DISPUTE DS222	EXPORT CREDITS AND LOAN GUARANTEES FOR REGIONAL AIRCRAFT: BRAZIL
DISPUTE DS276	MEASURES RELATING TO EXPORTS OF WHEAT AND TREATMENT OF IMPORTED GRAIN: USA

¹⁰⁶WTO. Canada and the WTO. Accessed on May 15, 2011.
http://www.wto.org/english/thewto_e/countries_e/canada_e.htm

¹⁰⁷ Ibid.

DISPUTE DS321	CONTINUED SUSPENSION OF OBLIGATIONS IN THE EC HORMONES DISPUTE: EU
DISPUTE DS338	PROVISIONAL ANTI-DUMPING AND COUNTERVAILING DUTIES ON GRAIN CORN FROM THE UNITED STATES: USA
DISPUTE DS354	TAX EXEMPTIONS AND REDUCTIONS FOR WINE AND BEER: EU
DISPUTE DS412	CERTAIN MEASURES AFFECTING THE RENEWABLE ENERGY GENERATION SECTOR: JAPAN

TABLE 3.6: SELECT WTO DISPUTE CASES BROUGHT FORWARD BY CANADA SINCE 1995¹⁰⁸

DISPUTE REFERENCE NUMBER	DISPUTE TYPE AND RESPONDENT
<u>FISHING INDUSTRY:</u>	
DISPUTE DS7	TRADE DESCRIPTION OF SCALLOPS: EU
DISPUTE DS18	MEASURES AFFECTING IMPORTATION OF SALMON: AUSTRALIA
<u>AEROSPACE:</u>	
DISPUTE DS46	EXPORT FINANCING PROGRAMME FOR AIRCRAFT: BRAZIL
<u>FORESTRY:</u>	
DISPUTE DS137	MEASURES AFFECTING IMPORTS OF WOOD OF CONIFERS FROM CANADA: EU
DISPUTE DS236	PRELIMINARY DETERMINATIONS WITH RESPECT TO CERTAIN LUMBER FROM CANADA: US
DISPUTE DS247	PROVISIONAL ANTI-DUMPING MEASURE ON IMPORTS OF SOFTWOOD LUMBER FROM CANADA: US
DISPUTE DS257	FINAL COUNTERVAILING DUTY DETERMINATION WITH RESPECT TO CERTAIN SOFTWOOD LUMBER FROM CANADA: US
DISPUTE DS264	FINAL DUMPING DETERMINATION ON SOFTWOOD LUMBER FROM CANADA: US
DISPUTE DS277	INVESTIGATION OF THE INTERNATIONAL TRADE COMMISSION IN SOFTWOOD LUMBER FROM CANADA: US
DISPUTE DS311	REVIEWS OF COUNTERVAILING DUTY ON SOFTWOOD LUMBER FROM CANADA: US
<u>AGRICULTURE:</u>	
DISPUTE DS9	DUTIES ON IMPORTS OF CEREALS: EU
DISPUTE DS35	EXPORT SUBSIDIES IN RESPECT OF AGRICULTURAL PRODUCTS: HUNGARY
DISPUTE DS48	MEASURES CONCERNING MEAT AND MEAT PRODUCTS (HORMONES): EU
DISPUTE DS144	CERTAIN MEASURES AFFECTING THE IMPORT OF CATTLE, SWINE AND GRAIN FROM CANADA: US
DISPUTE DS153	PATENT PROTECTION FOR PHARMACEUTICAL AND AGRICULTURAL CHEMICAL PRODUCTS: EU
DISPUTE DS167	COUNTERVAILING DUTY INVESTIGATION WITH RESPECT TO LIVE CATTLE FROM CANADA: US

¹⁰⁸ Ibid.

TABLE 3.6: SELECT WTO DISPUTE CASES BROUGHT FORWARD BY CANADA SINCE 1995 (CONTINUED)

<u>DISPUTE REFERENCE NUMBER</u>	<u>DISPUTE TYPE AND RESPONDENT</u>
DISPUTE DS310	DETERMINATION OF THE INTERNATIONAL TRADE COMMISSION IN HARD RED SPRING WHEAT FROM CANADA: US
DISPUTE DS357	SUBSIDIES AND OTHER DOMESTIC SUPPORT FOR CORN AND OTHER AGRICULTURAL PRODUCTS: US
DISPUTE DS384	CERTAIN COUNTRY OF ORIGIN LABELLING (COOL) REQUIREMENTS (BEEF AND PORK): US
DISPUTE DS391	MEASURES AFFECTING THE IMPORTATION OF BOVINE MEAT AND MEAT PRODUCTS FROM CANADA: KOREA
<u>AUTOMOTIVE:</u>	
DISPUTE DS342	MEASURES AFFECTING IMPORTS OF AUTOMOBILE PARTS: CHINA

CURRENCY FLUCTUATIONS DURING THE CRISIS

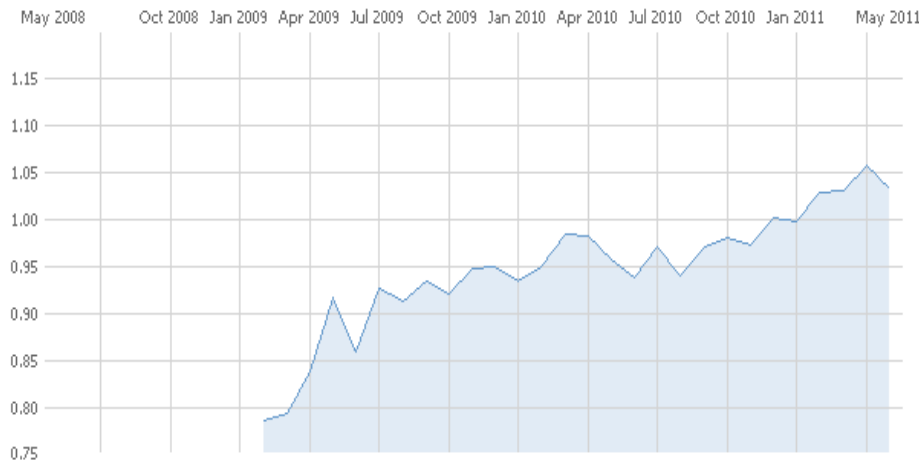
Tracking the performance of the Canadian Dollar versus that of the US sheds interesting light as to the potential role of the stimulus. Figure 3.5 outlines the progression of the value of the Canadian currency against the US Dollar over the period of the meltdown up to today. The general, easily observable trend is one of marked appreciation, leading the Canadian Loonie from its lows on March 9, 2008 where it stood at the 0.7692 cent mark back up to parity and several cents above it in the most recent period¹⁰⁹. Currency movements, however, cannot all be equated to monetary choices committed in a policy vacuum on the part of one nation's government. This is especially true when comparing different sized economies where changes in the observed currency rates are more likely caused by the actions of US actors and relative depreciation of the greenback versus a basket of currencies, not only that of Canada. Nonetheless, whatever the reason for the relative strength of the Canadian Dollar, despite initial drops in commodity

¹⁰⁹Bank of Canada. Exchange Rates. Accessed May 10, 2011.
<http://www.bankofcanada.ca/rates/exchange/>

values, what is of note for the current discussion is the impact this shift may have had on trade. As such, it is clear that a rise in a currency's value would hinder the ability of a country to export its products internationally on the same level as before an appreciation. Indeed, without government intervention as the Economic Action Plan, Canadian exporters would have had an even more difficult time of handling the crisis. It seems the presence of the stimulus was well warranted and certainly well received by its direct recipients given the monetary realities. Furthermore, since the onset of the crisis, while money has been directly injected to counteract the effects of a strong currency, only one WTO dispute (DS412) concerning subsidies and countervailing measures was brought forward against Canada¹¹⁰. This may suggest that the funds injected into the Canadian economy by the Government, while protectionist in nature, may have been counteracted by the rise of the dollar, perhaps nullifying their effect in the eyes of international trade partners in competition with those industries receiving funds from the stimulus offerings. As opposed to the experience of America, the smaller Canadian economy and appreciation of the currency may have made the role of the stimulus less visible internationally and thus less likely to draw protectionist retaliation abroad. In sum, it would suggest that the Canadian stimulus, shielded by the rise of the Canadian Dollar was not a nearly as fervently internationally recognized substitution to traditional trade offenses and may, for this very reason, have been better accepted by trade partners when compared to America's stimulus and currency depreciation.

¹¹⁰WTO. Canada and the WTO. Accessed on May 15, 2011.
http://www.wto.org/english/thewto_e/countries_e/canada_e.htm

FIGURE 3.5: A THREE YEAR HISTORY OF THE CANADIAN DOLLARS VERSUS THE AMERICAN GREENBACK¹¹¹



CONCLUSIONS: THE CANADA ECONOMIC ACTION PLAN AND CONSTANT PROTECTIONISM

Returning to the original intent of the present research, it is important to identify whether or not the actions of Canada through the Economic Action Plan have constituted a turn to protectionism and, more specifically, whether or not the intended targets have been novel recipients or “first-time losers”, adversely affected by the crisis, or if they have simply been the regular beneficiaries of funds. In this, it would seem quite apparent that the steps taken by the Canadian Government to help ailing industries have been ones to protect traditionally protected and nationally vital sectors. An analysis of the types of case brought against Canada by other WTO members reveals that 11 out of the body of 16 cases have centered on industries directly subsidized by the recent stimulus

¹¹¹ MSN Money. Canadian Dollar Versus US Dollar Statistics: 3 Year History. Accessed May 1, 2011.
<http://moneycentral.msn.com/investor/charts/chartdl.aspx?symbol=/CADUS&&CP=0&PT=8>

package. Moving over categories from WTO respondent to complainant, the very fact that 21 out of a total of 33 cases where Canada has been a complainant have occurred in industries also targeted by the stimulus would suggest that these are vital economic concerns, concerns which are worth protecting through stimulus and important enough to pursue at the WTO. Furthermore, analysis of Canada's actions at the WTO yields interesting findings as no direct action by other nations has been taken in response to the proposed stimulus. Indeed, only one complaint has been filed against Canada since the onset of the crisis in mid-2008, centered on the renewable energy sector. This in itself is striking as it seems that Canada's trade partners have either refrained from bringing up potential trade disputes in these times of austerity, likely in fear of their own stimuli packages being pointed to as protectionist measures, or, something equally interesting, they have let the issue slide, so to speak, hoping that as world recovery hastens, nations as Canada will return to full free-trade policies and shy away from direct national subsidies. In either case and in brief conclusion, it looks as if, indeed, the Economic Action Plan has shadowed much of Canada's past dealings in trade, underscores the relative import of these industries for the Canadian economy in the past two and a half decades and represents a crisis period turn to protecting Canada's most precious and vulnerable economic sectors. The Canadian industries most affected by the Economic Action Plan are, therefore, indeed those most often enthralled in international trade disputes at the WTO. To address the issue of the Canadian Dollar's appreciation versus its major trading partner, as the currency has risen significantly in value during this time, predatory devaluations appear to have

played no part in Canada's recovery and its protection of affected sectors. Nonetheless, as the sole WTO dispute against Canada since the onset of the crisis suggests, they may have played a significant role in counteracting potential negative international reception and retaliation at the WTO against the country's industries most affected by the crisis and the associated Government stimulus. Finally, the near dearth of disputes during the crisis may signal that stimulus packages have acted as substitutions or complements to traditional trade protectionism, albeit ones which, due to the appreciation of the currency, have not been as noticeable and pursued at the WTO.

RESEARCH ANALYSIS CONCLUSIONS AND DISCUSSION

POTENTIAL CRITICISMS:

While the above research and analysis of the two North American case studies presents rather striking findings as to whether or not we are seeing the new face of crisis-era protectionism, several questions and potential shortcomings of the research approach remain and should be considered. One of the critical potential questions is why other nations, most especially those whose industries have been adversely affected by the crisis and particularly by the choices of trading partners as the United States and Canada, have not raised the alarm against the injection of capital by these nations. As explained at the beginning of this analysis, WTO dockets have not been swamped by cases of rampant protectionism, and, in fact, have not strayed far from past yearly averages. Only one complaint has been filed during the crisis period against Canada, focused on the renewable energy sector, though this reaction could be closely tied to the potential dampening effects of the relative rise of the Canadian Dollar versus the currencies of international trading partners. As evidenced above, much more support of a negative international reaction exists in the case of the US, with 14 individual disputes having taken aim at the world's largest economy in the past three years. Importantly, 10 of these disputes have, in fact, been directed against the major recipient industries of stimulus and bailout money in the last two years. However, as rulings in these cases are still pending, and have been extended in some instances, it is not yet entirely clear whether the United States' stimulus contributions to these industries will be ruled by the WTO as protectionist or not,

and whether these complaints have a solid footing. Nonetheless, the very fact that these disputes have been initiated and taken past the stage of simple complaining in the international arena to official WTO dispute status remains a striking development in the international response to US stimulus and the calculated way in which they have focused on certain American economic sectors.

As suggested in the introduction, there are two main possible explanations for this rather odd and even counter-intuitive sluggish reaction to the significant stimuli offered by most of the G-20. Firstly, we have the potential explanation that funds which were part of the stimuli simply were not allocated in a manner consistent with the idea of protectionism. This would stipulate that the funds did not go to traditionally protectionist industries and recipients who, in the past, have received government protection and, in turn, that none of the proposed fiscal stimuli have had any parallels with discriminatory tactics of the past. This, in light of the above findings seems diametrically opposed to the US and Canadian experience and seems rather weak as an explanatory argument. Secondly, and more plausibly, as many nations have undertaken some form of fiscal measure akin to that of the US and Canada, perhaps biting one's tongue and waiting out the crisis, despite the clear disadvantage posed to economies unable to inject money to where it may be needed, is a less hard pill to swallow than the potential repercussions of protectionist retaliatory walls being erected by key G-20 members in response. More directly, the argument would suggest that if weaker economies, such as the developing world, choose to pursue strong trade partners as the US and Canada, their actions may end in direct retaliation, a process

comparatively much more burdensome for poorer WTO members. It would result in very costly dispute settlements processes and losses to important singular national industries which, in many developing nations represent greater percentages of GDP than in large diverse economies as most of the large members of the G-20. In short, the probable losses may be grossly outweighed by the potential short term benefits. If this is the case, and this is the assumption of the current research, protectionism has found a type of foothold and legitimacy in crisis period stimuli packages, increasing the relative “capturability” of politicians in dire times when votes and political survival are hard commodities to come by. Much as the US banks were seen as “too big to fail”, perhaps some leniency in times of strife is allowable to those who choose to bend the rules, if a large portion of other states is bending them as well. Nonetheless, the recent reactions to the US stimulus suggest that some countries have begun to recognize the stimulus injections as counter productive to free trade and detrimental and protectionist acts against their own corresponding national industries. In either possible explanatory scenario, the recent global developments underscore the relevance of the current study and present governments with insight as to potential future reactions in dire times, and most importantly, what they may be allowed to get away with, so to speak, when times of economic need do arise.

Acknowledging the current research’s possible shortcomings could bring up three main criticisms. They are the following: (i) case study choice, its limited number and the relative applicability of the study’s findings and conclusions to other economies, (ii) the credibility of the disclosure of information and the

primary research material used and (iii) the use, in the case of the US, of proxy measurements of fund dispersal to industries based on Government agency and department stimuli allocation. To address the first potential problem, the case study choice was deliberate, aimed at focusing on countries for which data would be readily available in English and where a focus on the continent where the crisis originated could be carried out. The two cases limited the study to North America and, as such, certainly limit the amount of pertinent extrapolation possible of these findings to other G-20 nations. In an ideal research setting, a full analysis of all G-20 would have been warranted to be fully able to identify trends across developed economies, but lack of clear data regarding industry fund allocation for many of the nations initially investigated rendered the analysis impossible or, at best, interspersed with flagrant omissions in observable and reliable data. Furthermore, limitations on the size of the study would have forced a very brief analysis of each participant economy, resulting in a scholarly questionable research which may have been forced to gloss over some of the material in significantly reduced detail than was presented for the two case studies above. Without the presence of such data, however, universally applicable conclusions relevant to all nations regarding crisis era protection is unfeasible and the study is forced to reserve judgment on the stimulus packages of other G-20 members at this time. Nonetheless, as this was not the initial intent of the study, the research cannot be dismissed or faulted for this omission.

The second potential issue, namely the credibility of the information regarding stimulus allocation and the primary research material used presents an

altogether different challenge. As such, in order to avoid the use of any questionable data, and by consequence questionable analysis and final results, official disclosures from the US and Canadian Governments were used as the primary sources. Consultation of government budgets, government websites and official government bodies was conducted, in addition to analysis of official reports as the regular quarterly update of the Canada Economic Action Plan. As few regulatory bodies tracking the stimuli exist which are not partisan in nature or meant as attacks on the respective governments in power exist currently, it was believed that these were the most reputable usable sources from reputable political systems not usually associated with underhanded tactics or corruption. Nonetheless, it is always conceivable that disclosure of information by the US and Canadian Governments and agencies was skewed in favour of the Obama Administration and the Harper Government with lenient definitions of job creation and sometimes somewhat unclear pathways of stimulus funding. While these concerns are valid, they were, once again, taken into consideration and care was made to limit any potential methodological weakness in data acquisition, relying on up to date official public disclosure without falling prey to the partisan posturing and nay-saying which was rampant most especially in the case of the United States. Little question of validity should exist regarding data concerning past trade disputes, as all records and statistics derive from the official WTO website. GATT disputes, were omitted from the study simply in order to allow the research to focus on the most contemporary trade issues facing the Canadian and the American economies.

Thirdly and finally, in reference to tracking what specific industries received funds in the United States' stimulus of 2009, it is possible that using the proxy of funds dispersed by various agencies and departments for an understanding of which industries were targeted in the stimulus may be viewed as problematic. The clear limitation of using a proxy measurement for industry fund allocation was recognized early on in the research stage and, admittedly, is not an ideal indication of exactly where and how much money was invested. Given the significant size of the US stimulus, however, when compared to any nation and indeed almost all nations put together combined with the fact that few recipients were and are as easily identifiable as the American automotive or financial industries, it would have simply been unfeasible to decipher and track every dollar of the many thousands of projects spread out over the country's fifty states. Furthermore, as no other direct and reliable straightforward measurement of funds to industries was found through official sources, it was a necessary and rather unavoidable research choice. Nonetheless, the study and the conclusions obtained stand by this choice in methodology employed in attempting to efficiently track US industry stimulus contributions.

RESEARCH CONTRIBUTIONS:

First and foremost, the current study is a direct and novel contribution to our understanding of what types of stimuli packages the United States' and Canada have seen as necessary and desirable for their respective economies. The industries highlighted by the two packages, and in the case of the United States,

also the financial and automotive industry bailouts, are those which have been shown to be most prone to weakness and possible failure during times of economic duress and diminished national and international demand. In consequence, these are the national industries which may be expected to receive continuing support as the crisis winds down, and those which are natural fits for protection in future crises, whether as significant as the recent meltdown or not. Furthermore, recent stimulus contributions can yield insight to the origins of continuing and unchallenged protectionism should the current fiscal decisions become economic trends and continue to dampen world trade levels past the crisis stage. Finally, and critically, the study points to the relative acceptability of some crisis era decisions versus others. Specifically, while the US adopted both stimuli and several periods of strong currency depreciation in combination, Canada's stimulus of its industries was eased into and introduced alongside continued and gradual appreciation. In itself, this observation suggests that differing dynamics of stimulus packages may rub different economies in different ways, and, by consequence, may be perceived differently during crisis times by trade partners. It seems that protecting through stimulus alone may be accepted, as was the case with Canada, but protecting while devaluating is simply a step too far. Crisis era policies can, therefore, be viewed with some leniency, but they are, it would appear, not entirely given a carte blanche.

Secondly, the above findings shed important light on the relative "capturability" of politicians and the relative strength of lobbyists for the various industries involved in Canadian and American stimuli packages, not the least of

which being the automotive, energy, agriculture and financial industries, to name but a few of the key beneficiaries. While many sectors of these two North American economies did receive funds, some, as was established have been “more than equal” recipients, suggesting one of two fundamental things. Firstly, that either all of these key national industries are seen as “too big to fail” to use current crisis lingo or, secondly and perhaps more appropriately, that these very recipients have developed a clear advantage over their contemporaries in the amount of direct access they have to key political decision makers, and by consequence, how much influence they wield over the decision-making and legislative processes themselves. Simply put, those with traditions of strong lobbies, and as corollary, a tradition of being recognized internationally as protectionist at the WTO, have been more successful in securing funds than those industries with weak representation on Capital Hill and in Ottawa’s Parliament.

Thirdly, as alluded above, the current research is of significance for future decision making during economic crises for governments and political parties. In the broadest sense, stemming from analysis of WTO dispute initiation, it suggests that little retaliation or even much debate can arise in the international community or at the WTO from the injection of funds to national industries as long as this injection occurs under the umbrella of these funds being invested at critical economic junctures. If countries are able to tie their stimulus agendas closely to the idea that they are inevitable or fundamentally unavoidable for the survival of the national economy, they may pass without a hitch and without raising much contempt from those trading partners directly affected by them. Now, while

protecting one's vital interest and supporting key industries is, admittedly not entirely a novel thing at the WTO, the sheer economic scope and breadth of recent encompassing stimuli is something quite apart from what we have seen at any period in history, and certainly in the history of those most developed nations of the G-20. Consequently, the current fiscal injections are quite unique in nature, though it is still too early to tell if the proposed stimuli will lead to greater future protectionism on the part of Canada or the United States or if retaliatory protectionism and further WTO disputes targeting stimulus industries will yet arise from these recent decisions.

PARTING REMARKS: THE NEW FACE OF CRISIS-ERA PROTECTIONISM

The world economy is still struggling to recover from an unprecedented global crisis. North America, the birthplace of the recent fiasco has seen great slumps in several industries directly tied to international trade. Stimulus packages have helped, to different degrees, through targeted measures and industry support. Protectionism, while not yet a rampant problem, has begun to creep into WTO debates. Recent, though unconcluded, disputes involving the US suggest a growing negative reaction to the propping up of that country's industries, while the absence of Canadian disputes focused on stimulus receiving industries suggests a different dynamic in this nation. Differences in the size of the stimulus, as well as the size of the two case study economies most likely have something to do with this and retaliation, on a smaller level, may be expected for Canada as well. As pointed to above, as opposed to the US, the role of the appreciation of

the Canadian Dollar may have dampened negative responses to the Canadian stimulus, slowing down or even entirely quelling any international disapproval of the Canadian Government's injection of funds to affected sectors. Hopefully, as any worthy analysis should, the present study will bring forward several new questions regarding crisis-era stimulus choices and political economics in the broad sense. For the moment, clear evidence points to the stimulus packages of the Canada and the United States as being crutches for vital national industries and interests, most especially those with a history and precedent of protectionist tendencies. While the stimulus packages do not seem to be direct substitutes to traditional protectionist measures which have been used in the past, their novel use in conjunction with currency movements have aided the Canadian and the American economies to emerge largely intact and continue to attempt slow, gradual growth following a marked stumble. Nonetheless, though there is light at the end of the tunnel offered by these stimuli, nations implementing them must ensure, through self-control, that they are not the lights of a fast approaching and dangerous protectionist train.

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