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EXPLAINING THE RESILIENCE OF FREE TRADE: THE ‘SMOOT-HAWLEY’ MYTH AND THE CRISIS

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ABSTRACT

Despite the onset of the current economic crisis there has been no significant move towards protectionism amongst most of the world's economies. Although rational institutionalist explanations point to the role played by the constraining rules of the World Trade Organisation, countries have largely remained open in areas where they have not legally bound their liberalisation. While accounts emphasising the increasing interdependence of global supply chains have some merit, I show that such explanations do not tell the full story, as integration into the global economy is not always associated with support for free trade during the crisis. In response, I develop a constructivist argument which highlights how particular ideas about the global trading system have become rooted in policymaking discourse, mediating the response of policy elites to protectionist pressures and temptations. Trade policymakers and a group of leading economists have constructed an ideational imperative for continued openness (and for concluding the Doha Round, albeit less successfully) by drawing on a questionable reading of economic history (the Smoot-Hawley myth); by continually stressing protectionism's role as one of the causes of the Great Depression non-liberal responses

to the current crisis have been all but ruled out by all except those willing to question the received wisdom.

KEYWORDS

Trade; World Trade Organisation; constructivism; protectionism; Great Depression; Financial Crisis.

INTRODUCTION

The Global Financial Crisis of 2008, and the ensuing economic recession, have had a considerable effect on world trade volumes. After almost a decade of practically uninterrupted increases in world merchandise and commercial services exports, these collapsed in 2009 by 22.3 and 9.1 per cent respectively on the previous year. Despite a recovery over 2010-11, exports have stagnated in 2012 (WTO, 2013a; see Figure 1). What is most significant from a political economy perspective is that the crisis slump in output has not been accompanied by a significant increase in trade barriers, despite much talk of the rise of ‘creeping’ ‘behind-the-border’ protectionism (e.g. Capling and Higgott, 2009; Erixon and Sally, 2010). Tariff levels have remained fairly stable, while the impact of a seemingly increasing number of non-tariff barriers (NTBs) such as quotas, import licensing or subsidies has also been limited (Gawande *et al.*, 2011: 15-18). Such developments surprised many of those who study trade policy from the perspective of standard public choice models. These accounts usually involve a pluralist view of state-society relations in which the state is the fighting ground for a large number of competing interests (see Grossman and Helpman, 1994). Due to collective action problems (Olson, 1965), protectionists are often seen to be more likely to mobilise and shape policy than the ‘winners’ from liberalisation, due to the concentrated

and more immediate nature of the losses incurred and the greater diffusion of the benefits. Such theories would thus postulate increased domestic demand for protection in times of economic downturn and high unemployment – as reduced demand in the domestic economy increases the adjustment costs resulting from imports (see, for example, Hanson, 1998: 57-8) – leading some authors to expect greater protectionism than actually materialised. In this vein, and echoing the views of others (see, for example, Kee *et al.*, 2010: 1; Erixon and Sally, 2010: 12), Kishore Gawande *et al.* (2011: 2) noted that ‘[s]trikingly, despite the trade collapse, the 2008 crisis and its recessionary aftermath did not fuel protectionism’.

[insert Figure 1 about here]

One possible explanation for this state of affairs is offered by what could be termed a ‘rational institutionalist’ literature in the field of International Political Economy (IPE). This focuses on the role played by the wider global trading system. The argument is that international trading institutions – especially the World Trade Organisation (WTO) and its system of judicialised dispute-settlement – have legally ‘locked-in’ trade liberalisation, incentivising compliance with global trading rules. This explanation has also been commonly invoked in recent years to justify the conclusion of the current Doha Round of multilateral trade talks. The idea is that Doha would allow for additional policy binding to guard against the threat of protectionism (Hoekman *et al.*, 2010). In this article, however, I show that such explanations overlook the fact that most countries have remained open in areas where they have not legally bound their liberalisation.

For their part, even when endogenous trade policy models have accorded a greater role to pro-liberalisation interest groups, this only partially accounts for the resilience of free trade. The argument here is that where trade liberalisation is undertaken on the basis of reciprocity, as in the WTO (e.g. Gilligan, 1997), the pressure exerted by those interested in liberalisation can offset the influence of protectionists. Applied to the current crisis the point is that given increasingly interconnected global supply chains the domestic demand for protection is outweighed by the interests of importers and exporters in avoiding retaliatory measures (Cattaneo *et al.*, 2010; Gawande *et al.*, 2011). While there is considerable merit to such an argument in terms of explaining why demand for protection was not as significant as may have been expected, it does not tell the full story. The maintenance of free trade was more widespread than the variable of global market integration might have suggested. Moreover, Argentina – a country strongly dependent on its export earnings and thus sensitive to retaliation from its trading partners – has bucked the general trend and introduced very visible and wide-ranging import restrictions since the start of the crisis.

As a result, I argue that we need to complement such explanations with a perspective that focuses on the role of ideas in mediating elite responses to the crisis. More specifically, I develop a constructivist argument which emphasises how particular ideas about the global trading system have become rooted in policymaking discourse, with those bucking the trend choosing to reject the dominant view. Trade policymakers and a group of leading economists have contributed to constructing an ideational imperative for continued openness (and for concluding the Doha Round, albeit less successfully in this latter case given its continued stagnation) by drawing on a questionable reading of economic history (what I refer to as the Smoot-Hawley myth); by continually stressing

protectionism's role as one of the causes of the Great Depression non-liberal responses to the current crisis have been all but ruled out by all except those willing to question the received wisdom. My aim in developing this argument is two-fold. For one, I challenge the dominant discourse about the WTO found in scholarly circles, which uncritically accepts the institution's role in providing the supposed 'public good' of free trade. Secondly, I show how ideas, long neglected in the study of trade decision-making, are crucial determinants of policy outcomes. In particular I suggest that we need to challenge the power inherent in a *contestable* reading of economic history. This serves to limit policy debates on international trade and entrench a limited range of responses, with my research pointing to the additional policy space that Argentina crafted for itself by explicitly rejecting the dominant discourse.

The remainder of this article is structured as follows. In the second section I review rational institutionalist explanations of free trade during the crisis, finding that their emphasis on the legally constraining effect of institutions cannot explain why most countries did not raise tariffs, use trade defence measures or introduce meaningful non-tariff barriers (NTBs) to trade when they had the leeway to do so. Similarly, while endogenous trade theory – with its emphasis on the role of global supply chains in mitigating the likelihood of protectionist pressures – does offer some insights, it is not a sufficient explanation of developments since the beginning of the crisis; integration into the global marketplace does not neatly correlate with support for free trade. In the third section, I therefore outline a constructivist account of trade policy which emphasises the importance of discourses of external constraint, in particular the so-called Smoot-Hawley myth. In the fourth I trace how this idea – that the Great Depression was in large part caused and/or exacerbated by protectionism in the 1930s – has been invoked

since the collapse of Lehman brothers in September 2008 by diverse actors within the international trading system (in particular amongst the G20 and within the WTO). Combined with a consistent exaggeration of the extent of protectionism in public discourse, this has significantly contributed to rendering a protectionist response to the crisis unthinkable while strengthening the discursive armoury of those pushing for a conclusion to the Doha Round. In the fifth section I then underscore the importance of this myth by considering the case of Argentina, which chose to implement meaningful barriers to trade following the start of the crisis while articulating an alternative vision of trade-led development. I conclude in the final section, offering some thoughts on the importance of challenging the Smoot-Hawley myth.

FREE TRADE DURING THE CRISIS

One possible explanation for the resilience of free trade during the crisis is found in the standard neoliberal institutionalist literature that has been written about the WTO in IPE. The theoretical foundations for this approach are taken from Robert Keohane (1984), whose main point of contention was that international institutions (or ‘regimes’) could mitigate the effects of international anarchy even in the absence of a hegemon. Thus, Judith Goldstein *et al.* (2007) underscore how the General Agreement on Tariffs and Trade (GATT) and its successor, the WTO, have increased trade by emphasising their role in providing ‘institutional standing’ (establishing ‘rights and obligations’, even for non-members) and ‘institutional embeddedness’ (the fact that the GATT/WTO were/are embedded in a wider network of trade agreements and thus had/have effects beyond their membership). Adding to this literature, Edward Mansfield and Eric Reinhardt (2008) highlight how trade agreements – both preferential and multilateral – reduce volatility in international trade flows by committing members to pursuing free

trade policies. This, they emphasise, increases trade flows between members of such institutions which ‘constrain member-states from introducing new trade barriers [...] [and, among other things,] foster policy transparency and convergence in expectations, standards and policy instruments’ (Mansfield and Reinhardt 2008: 622). The wider IPE literature on the role of international trading institutions similarly emphasises the importance of a rules-based regime in constraining the policy options available to policymakers, particularly in the face of the WTO’s judicialised dispute settlement mechanism (e.g. Howse and Nicolaïdis, 2003; Barton *et al.*, 2012). As Lisa Martin and Beth Simmons (1998: 746) highlight, international institutions ‘lock in a particular equilibrium, providing stability’. In this manner, trade regimes are seen to skew the preferences of states towards cooperation by providing an appropriate institutional environment to overcome coordination or time-inconsistency problems (Bagwell and Staiger, 1999; Maggi and Rodríguez-Clare, 1998) and by providing for transparency mechanisms to monitor compliance (Abbott, 2000; Collins-Williams and Wolfe, 2010).

Scholars have applied such arguments to the current context in order to justify the conclusion of the Doha Round of multilateral trading talks. Thus, economists such as Bernard Hoekman *et al.* (2010: 505) argue that ‘[t]he Doha Round must be concluded not because it will produce dramatic liberalisation but because it will create greater security of market access’. Several IPE scholars have agreed with these conclusions, stressing the importance of concluding the Round as a means of resisting ‘murky protectionism’ in the form of NTBs which are subject to far less extensive legal constraints than tariffs (Caplign and Higgott, 2009: 314; for a similar argument, see also Collins-Williams and Wolfe, 2010). The theme is echoed in a related economic literature. This has sought to underscore the value of tariff and policy bindings – in

other words, legally enshrined commitments not to raise tariffs or introduce other trade restrictive measures – in reducing trade volatility and trade protection. It has thus formalised some of the arguments raised in the IPE literature regarding the importance of international trading institutions (see, amongst others, Francois and Martin, 2004; Cadot *et al.*, 2008; Sala *et al.*, 2010; Bachetta and Piermantini, 2011).

Here lies the Achilles heel of such approaches when it comes to explaining the current resilience of free trade. As Table 1 highlights, the difference between average *applied* MFN tariffs and average *bound* tariffs (‘water’ or binding overhang) has remained fairly constant for practically all economies that had such wiggle room in the first place over the period of the crisis (predominantly developing countries). Moreover, several countries have maintained consistently high ‘water’ levels. In the absence of a multilateral trade agreement, this implies that countries have not made use of the considerable legal wiggle room that they have had to raise tariffs.

While tariffs have clearly not significantly increased, a number of commentators have pointed to the rise of ‘behind-the-border’ protectionism – where even greater discretion is afforded to WTO members than for ‘traditional’ protectionism in tariffs (e.g. Erixon and Sally, 2010: 13-15; Capling and Higgott, 2009). This appears to be confirmed by data from the Global Trade Alert (GTA) database, which counts the total number of trade restrictions imposed from November 2008 onwards. GTA data showed that up until June 2012 only 36 per cent of measures introduced by states were tariffs (including trade defence), with the single largest proportion of measures (27 per cent) being bail out/state aid measures (Evenett, 2011: 28; Evenett, 2012: 37). There are, however, grounds to conclude that the picture being painted by some of a threat from ‘creeping

protectionism' (Erixon and Sally, 2010) is exaggerated. Despite what appears to be an increase in the number of NTBs introduced by states since the start of the crisis – a trend that cannot be entirely verified as no comprehensive data on NTBs before the crisis exists (Gawande *et al.* 2011: 17) – this has hardly been sustained. Data from the GTA database itself suggests that the number of new trade restrictions (including tariffs) imposed every quarter seems to be on declining trend after a spike in early 2009 (see Figure 2). More significantly, the GTA counting exercise overstates the extent of protectionism by simply aggregated the total *number* of restrictions, failing to determine the extent of their effect on trade flows (the only assessment being made as to their effect is whether they are discriminatory or not).

In support of this argument there is data to suggest that the impact of these measures has actually been quite limited. An IMF study found that protectionist measures of any kind implemented up to April 2010 – which covers the spike identified in the GTA report for the imposition of discriminatory trade measures (see Figure 2) – only lead to a contraction of global trade of 0.2 per cent (Henn and McDonald, 2011: 33-4). Indeed, if we turn to the trade barriers established by the Group of 20 (G20) leading economies – who have often been depicted as the main culprits of 'crisis-era protectionism' (see, for example, Evenett, 2012) – the findings are that trade barriers have affected very few products (see also Henn and McDonald, 2011: 5): the cumulative percentage of G20 imports affected by any form of import restriction put in place from October 2008 until Mid-May 2012 has been reported as 3.8 per cent (WTO *et al.*, 2012: 10).¹ All in all, this data is hardly indicative of the major resurgence of protectionism via NTBs often attributed to the G20. Combined with the findings in Table 1 relating the stability of tariffs, such developments challenge the neoliberal institutionalist and economic

accounts which attribute a legally constraining role to institutions; free trade has been surprisingly resilient despite the (relative) absence of legal constraints.

[insert Table 1 about here]

[insert Figure 2 about here]

One possible (and still rationalist) explanation for this state of affairs is offered by a group of economists in a study published by the World Bank in October 2011. Noting a similar pattern to that depicted in Table 1 of consistently high ‘water’ in the tariff rates of a significant number of countries, Gawande and his colleagues (2011: 28) argue that while institutional constraints have had some effect, the determining factor has been ‘the position of domestic and foreign exporters in the global supply chain [...] [which] exert[ed] countervailing pressure against protectionism’ (for a similar argument, see also Cattaneo *et al.*, 2010). In other words, the increasing degree of vertical specialisation in global production – which has fragmented production chains – has meant that downstream producers and exporters have had the political and economic clout to lobby successfully for continued trade openness against the pressure of import-competing firms. Such an explanation, which draws on endogenous trade theory and its emphasis on the balance of domestic interests, bears some similarity to those emphasising the deterrent effects of retaliatory protectionism (e.g. Gawande and Hansen, 1999) as well as to ‘Listian’ political economy arguments (e.g. Chang, 2002; Weiss, 2005). In both cases, a higher level of economic development could be expected to make a country more susceptible to support free trade – either because it is sufficiently competitive (as in the Listian approach) or because its integration into the global economy means that it is fearful of tit-for-tat market closures. This fits with

Gawande *et al.*'s (2011) choice of tariff data, which is drawn from seven emerging economies (Argentina, Brazil, China, India, Mexico, Turkey and South Africa). Moreover, the increased prominence of pro-liberalisation interests in global trade helps to explain why demand for protectionism during the crisis was not as significant as may have been expected – as is suggested by the comparatively low incidence of trade defence measures in most of the world, which are usually initiated by interest group action (Bown, 2012).

Nevertheless, such an explanation is still incomplete. The data compiled in Table 1 shows that the phenomenon of stable 'high water' levels is not unique to emerging economies that are members of the G20, but rather also characterises developing countries at all levels of the spectrum (from LDCs to upper-middle income countries; see Table 1). In a similar vein, while the evidence suggests that the impact of NTBs has been generally quite limited (see above), it also shows that this is especially so for less developed economies (especially in Sub-Saharan Africa), which account for a very small proportion of those measures that have been adopted (Evenett, 2010, 2012). Given that the absence of meaningful protectionism during the crisis has been incredibly widespread, it may be said that the level of integration into the global marketplace is not a sufficient indicator of support for free trade. Underscoring this finding, Argentina (one of the countries featured in Gawande *et al.*'s study) has gone against the general trend, restricting a wide range of imports since the beginning of the crisis through the use of import licensing and other measures despite its reliance on export earnings and resultant vulnerability to retaliatory action.

This is not to say that the authors of the above study are fundamentally wrong in pointing to the changing nature of the domestic politics of trade liberalisation wrought by globalised supply chains. Indeed, there is evidence that to suggest that pro-liberalisation interest groups have gained significant influence in trade policymaking, such that the process need not necessarily privilege protectionist interests as in the standard public choice literature. Recent studies have pointed not only to the importance of exporter interests (e.g. Dür, 2010), but also to the role of importers in pushing for trade liberalisation (e.g. Heron, 2007; De Bièvre and Eckhardt, 2011) – echoing the arguments made by Gawande and his colleagues. Rather, what the findings in this section suggest – that free trade policies have been maintained by economies at all levels of development (which are integrated to varying degrees into the global marketplace) but also flouted by Argentina, where the balance of rationally-determined interests supposedly lies elsewhere – is that we need to complement such explanations with an approach that takes on board the neglected dimension of ideas. In other words, ideas determine whether political elites perceive and act upon protectionist pressures or temptations. While they may have rendered such a reaction unthinkable in most of the world, exceptions to the general rule can be explained with reference to the adoption of different policy ideas.

DECONSTRUCTING TRADE DISCOURSE: THE BICYCLE METAPHOR AND THE SMOOT-HAWLEY MYTH

My aim in this third section is to map out a constructivist approach to explaining the resilience of free trade during the crisis, pointing to the important role of ideas in structuring social reality. Using the term constructivism evokes a tradition in International Relations (IR) theory mostly associated with the writings of Alexander

Wendt (1999) or John Ruggie (1982). In this vein, scholars have recently sought to reconceptualise the international trade regime in terms of an ‘intersubjective communication among participants’ (Wolfe, 2005: 340; see also Lang, 2006, 2007). Such a perspective is useful to the extent that it recasts international institutions as being constituted by ideas. However, it also inherits Wendt’s (1999: 130-1, 136) ‘rump materialism’ and embraces important aspects of the neo-neo synthesis, most importantly its central problématique of explaining inter-state cooperation (for a similar critique, see Hay, 2002: 199-200).

I therefore recast constructivism as an ontologically-consistent framework based on the premise that ideas *do matter all the way down* (in contrast to Wendt). Moreover, rather than being constituted at the level of state interaction, it is agents themselves which construct social reality. But what is social construction? Quoting Ian Hacking (1999: 6-12), Colin Hay’s (2002: 201) argument is that X is socially constructed when:

- In the present state of affairs, X is taken for granted; X appears to be inevitable.
- X need not have existed, or need not be as it is. X, or X as it is present, is not determined by the nature of things; it is not inevitable.

This leaves me with an intuitive ontological position on which to base the constructivism in this article: the belief that social and political reality is *constructed* by agents through ideas rather than being *fixed* by particular material constraints, as in rationalist accounts. This is not to say that material factors do not exist or matter, but rather that, in a social context, what is decisive is *how* they are interpreted by relevant actors. Thus, although there may be material constraints to action, what is ultimately the

determining factor is how an actor responds to these. This is what according to Emanuel Adler (1997) could be called the ‘middle ground’ between rationalism – where ideas are best adjunct to material forces – and ‘interpretivist’ approaches (such as post-structuralism or the Frankfurt School) – where it is only ideas that matter. Making the case for such a constructivism, Adler (1997: 324) argues that ‘collective understandings, such as norms, endow physical objects with purpose and therefore help constitute reality’. This shows how (as I have suggested above) constructivism can complement the insights of endogenous trade theory, with ideas mediating and defusing the way policy elites respond to domestic (interest group) pressure.

Applying this framework to the present case, my aim is to move beyond focusing on the rationally given interests of states within the international trade regime (as in the neoliberal institutionalist literature) or on its ideational constitution via ‘intersubjective communication among participants’ in a Wendtian sense. Instead, I focus on the process of social construction as it applies beyond the constitution of the international trading system. That is, of course, not to say that international institutions themselves are not social constructions – as the Wendt and Ruggie-inspired literature is right to suggest. But I go beyond the study of these institutions (which are themselves obviously important venues for the articulation of ideas) to the study of particular ideas as expressed by agents and their impact on social and political outcomes. Indeed, Stephen Bell (2012: 7-8) – who also makes the case for an agent-centred constructivism – argues that we should not simply ‘conflate’ institutions with ideas, as the former ‘have properties that help structure thought and behavior at one remove from the immediacy of thought or action by agents at any given point in time’. One final reason for moving beyond Wendtian constructivism is that, as Hay (2002: 201) suggests, one is making an

important normative claim in arguing that something is socially constructed (in that one is envisaging preferable alternatives to current circumstances). In this vein, my aim in this article is to be 'critical' and move beyond the 'problem-solving' (to use Cox's [1981] terminology) *problématique* of the neo-neo synthesis inherited by Wendt, whose normative orientation is towards sustaining the current order of inter-state cooperation.

This suggests that it may be fruitful to consider a literature that has concerned itself with the discursive construction of globalisation as an economic constraint. This takes as its point of departure the debate between advocates of the 'hyperglobalisation thesis' and its skeptics. Rather than accepting the parameters of this rationalist argument – that is to say, entering into a debate over whether globalisation is an empirically verifiable *material* process that restricts the choices facing political actors – such writers adopt the constructivist view that it is the ideas that agents hold (and invoke) about 'globalisation' that are key (see, among others, Rosamond, 1999, 2002; Hay and Rosamond, 2002; Hay and Smith, 2010; Watson and Hay, 2003). In a seminal article, Colin Hay and Ben Rosamond (2002: 148, emphasis in the original) quite effectively condense the central argument of this approach, noting that 'policymakers acting on the basis of assumptions consistent with the hyperglobalisation thesis may well serve, in so doing, to bring about outcomes consistent with that thesis, *irrespective of its veracity* and, indeed, *irrespective of its perceived veracity*.' The perceived material rationality of the hyperglobalisation thesis becomes meaningful in shaping outcomes only because it is treated by them as though it were a *real*, material constraint rather than just a (contestable) economic framework. The key to understanding this process is a study of what this literature terms 'globalisation discourse'. Here discourse is defined as 'a broad[...] matrix of social practices that gives meaning to the way that people understand themselves and their

behaviour. [...] More precisely, a discourse makes “real” that which *it* prescribes as meaningful’ (George, 1994: 29-30, emphasis in the original). Analysing discourse thus becomes the study of the process of social construction, focusing on the nexus between power and knowledge. Such a framework stresses the fact that power is being exercised when such discourses are invoked, borrowing from the critical approach of Robert Cox (1981). The power of such rhetorics thus resides in that they present a (politically) contingent phenomenon as immutable (economic) fact. Moreover, it also underscores the often ‘coercive’ nature of ideas that some have claimed has often been absent from political analysis. The argument is that regardless of whether a particular set of ideas has been internalised by one’s political opponents, these ‘can prove critical to success in political contests’ by ‘leav[ing] their opponents without access to the rhetorical materials needed to craft a socially sustainable rebuttal’ (Krebs and Jackson, 2007: 36).

Whereas much work on discourses of economic constraint has focused on the invocation of *current* processes as constraining policy choices – e.g. globalisation or indeed the necessity to meet competitiveness objectives (Siles-Brügge, 2011; Menz, 2009) – what is interesting in the case of trade policy is that similar discourses have often had a *historical* dimension. In other words, rather than just stressing the inevitability of contemporaneous process, such discourses have drawn on a contestable historical interpretation to draw an analogy to the present. One such discourse is highlighted by Susan Strange (1985: esp. 239-42), who seeks to expose it as a ‘myth’. This is the idea, common among liberal economists and scholars of IPE, that the global Great Depression of the 1930s was, if not caused by trade protection, certainly exacerbated by it as countries short-sightedly pursued ‘beggar-thy-neighbour’ policies. These, so the conventional argument goes, led to a significant decline in world trade in

manufactures with dire consequences for the global economy. It could be termed the ‘Smoot-Hawley myth’, in ‘honour’ of the two United States (US) legislators who attached their names to the infamous protectionist bill passed by the Congress in 1930 and which is often depicted as the catalyst for subsequent protectionism. Strange challenges this myth by invoking the evidence collected by several economic historians, arguing that the collapse of world trade and the rise of protectionism was a *symptom* rather than a *cause* of worldwide economic collapse. To this effect she cites not only the perhaps more heterodox development economist Arthur Lewis (1949) but also one of the doyens of the realist school of IPE Charles Kindleberger (1973), both of whom argued that tariffs had a ‘minimal’ effect on ‘the volume of world trade or to its direction’ (Strange, 1985: 239-40). One other influential ‘myth’ that Strange (1985: 241-2) tackles is what she refers to as the ‘bicycle theory’, the idea that ‘if you do not keep up the momentum of trade liberalization [of multilateral trade rounds], disaster will follow’.

This particular discourse has also been critiqued more recently by Rorden Wilkinson (2009, 2012), although he uses the term ‘metaphor’ to convey the manner in which such ideas are used to inculcate a discursive ‘common sense’. Wilkinson’s aim, not unlike Strange’s, is to expose this metaphor as false. But more importantly than that, he also seeks to explore ‘the way in which the discourse has been deployed as a means of reframing trade negotiations in such a way that the likelihood of their continuation and ultimate conclusion increases’ (Wilkinson, 2009: 597). These ideas are thus powerful instruments used by trade policymaking elites – in particular those with close ties to the US – in order to further their interest in concluding the Doha Round of multilateral trade talks. Although Strange (1985: 234) also acknowledges a strategic dimension in her

discussion of ‘crisis discourse’ – in that it serves those with a ‘vested professional or ideological interest in it’ to warn of its imminent collapse – her underlying argument is that ‘the system of rules which people (still, alas) refer to as a regime is of little moment’. The Smoot-Hawley myth and the bicycle theory, in her views, are *red herrings*, which distract from the underlying features of the global political economy. In this article, unsurprisingly, I take a view closer to Wilkinson’s approach in highlighting the power that such ideas hold, whether we see them as instruments or repositories of political power.

From the discussion above, we arrive at two particular discourses that may be of particular relevance today in legitimating free trade outcomes in the face of protectionist pressures: the Smoot-Hawley myth – which attributes the cause of the Great Depression to trade protectionism – and the bicycle metaphor – which argues that sustained multilateral liberalisation is necessary to avoid a descent into protectionism. To a large extent both discourses are, of course, entwined. The argument expounded in the conventional economic/IPE literature on value of concluding the Doha Round in terms of its ability to *bind* current levels of trade openness in the context of an economic recession (e.g. Hoekman *et al.*, 2010) clearly resonates on both counts. Wilkinson (2009: 602-6) indeed writes of a ‘crisis discourse’ which underpins the bicycle metaphor – taking hold during the postwar period – and which drew on the memory of Smoot-Hawley to spur liberalisation against domestic and international pressure. In this article, however, I choose to differentiate between both for two interrelated reasons. From a more abstract, analytical perspective it makes sense to draw distinctions between both discourses as they have served different functions and have originated in different discursive contexts. Thus, the Smoot-Hawley myth had its origins in the

immediate aftermath of the Great Depression in US trade policymaking circles; as Goldstein (1988: 187) notes of this myth, which she herself accepts as fact, '[t]he failure of the Smoot-Hawley tariff of 1929-30 to deal with economic decline set up a policymaking crisis. The delegitimization of protectionism forced the political community to search for an alternative theoretical approach to explain past errors and provide guidelines for future behavior'. The bicycle metaphor, for its part, had its origins in the 1970s 'after serious impediments to further liberalization began to emerge' in the form of an increasingly intricate GATT and negotiating agenda, and given the economic crises of the period (Wilkinson, 2009: 605). Secondly, and applying this analytical insight to the puzzle at hand – why free trade has been so resilient since the start of the crisis – it makes sense in this article to focus on the latter form of discourse. Indeed, the fact that protectionism has not been brought about despite the advent of the crisis *and* despite the stagnation of the Doha Round – bicycle metaphor *notwithstanding* – suggest why this latter discourse may have become more prevalent in recent years (see also Wilkinson, 2012: 4). In this vein, Amin Samman (2012: 219-21) has highlighted how the Smoot-Hawley myth has become an important part of the global narration of the crisis.

My aim in this article is thus to map the Smoot-Hawley myth in contemporary discussions of trade policy and to begin to consider its wider effect on participants in international trade discussions. Clearly, this raises questions as to whether such discourses are being invoked *strategically* or simply being internalised by actors, as this has some bearing on the nature of ideas (in other words, they may be either instruments used to exercise power or repositories of power, or both). This is beset by what Hay and Rosamond (2002: 165) term and 'inherent' and 'intractable' dilemma in the study of

public discourses. The problem, in a nutshell, is that one cannot determine from an actor's pronouncement per se whether a particular idea is being invoked strategically (as they could be simply repeating an idea they have internalised) or whether it has been internalised (as they could also be reciting the idea for strategic purposes). Whereas some authors have carried out in-depth empirical work to determine the strategic use of discourse (e.g. Hay and Smith, 2010; Siles-Brügge, 2011), this is unfortunately beyond the scope of this article. Moreover, it is clear that the idea itself has had an effect on the behaviour of actors even if we cannot – at least at this stage – entirely disentangle the strategic invocation of such ideas from internalisation effects. Indeed, as Ronald Krebs and Patrick Jackson (2007: 41-8) show, in situations of 'rhetorical coercion' the isolation or ruling out of alternative accounts is itself very significant in shaping political action and outcomes, even if we cannot be sure of the underlying beliefs (and motives) of actors.

Before turning to the empirical discussion in this article, it is worth underscoring why the term 'myth' is used to refer to the central discourse under consideration. Firstly, it is intended to convey the power associated with a particular historical narrative (as highlighted above). Indeed, there is a large literature that has pointed to the importance of such 'myths' in the constitution of nation-states and other polities (e.g. Anderson, 1991; Archard, 1995; Bell, 2003; Della Sala, 2010). Such authors have often sought to portray myths as serving 'cognitive', 'emotive' and 'practical' purposes (Bottici and Challand, 2006: 322; see also Archard, 1995: 472). Myths, in other words, 'are mapping devices through which we look at the world, feel about it and therefore also act within it as a social group' (Bottici and Challand, 2006: 321). Crucially, this literature has suggested that such myths are not only not falsifiable (Sorel, 1990), but rather that it is

not useful to equate myth with falsehood as in much popular discourse (see, in particular, Bell, 2008: 151). Instead, what is being suggested is that their veracity (or not) is incidental to the power they hold over actors who lack the rhetorical means of challenging them. This latter insight is a very useful one which I draw on in this article.

However, I do make a significant departure from the treatment of myth in this literature by using it to problematise a particular understanding of the history of global trade; in other words, what I am suggesting is that the term myth be used to point to the at best contested, at worst dubious content of a particular discourse. As the passage from Hacking (1999) quoted from above highlights, it is important – in underscoring the constructed nature of social reality – to highlight how ‘X need not have existed’. In other words, to paint something as a social construction requires one to formulate alternatives. Moreover, in doing so, one is engaged in a ‘critical’ exercise of challenging dominant understandings. Whereas there is no space here to completely deconstruct the Smoot-Hawley myth, there are clear grounds to challenge the accuracy of its historical interpretation. While some economists have sought to argue that the macroeconomic effect of tariffs during the Great Depression was significant (leading, among other things to escalating tariff wars) (e.g. Crucini and Kahn, 1996), the consensus among economists and economic historians has been to challenge this interpretation, despite its prevalence in public discourse (as Strange’s article suggested, see above). As perhaps one of the foremost exponents of this view, Douglas Irwin (1998: 333) has calculated that Smoot-Hawley only increased tariffs by an average of around 20 per cent. His conclusion is that while deflationary price shocks may have been significant, ‘Smoot-Hawley itself appears to have been a very small direct shock to trade and therefore, it is likely, to the economy at large’ (Irwin, 1998: 333; see also Irwin, 2011: Ch 2; Irwin,

2012: 15-16). Moreover, it only ‘played a modest role in the spread of protectionism and the collapse of world trade in the early 1930s’ (Irwin, 2012: 18), while the incidence of other measures such as quotas and exchange controls during this period was driven by instability in the financial system rather than protectionist pressures.² Similar conclusions are mirrored in a number of other econometric studies (e.g. Eichengreen, 1986; Hayford and Pasurka, 1991). In sum, using the term *myth* serves to highlight the power that this *contestable* idea ultimately holds in the international trading system.

THE SMOOT-HAWLEY MYTH IN ACTION (2008-2012)

The Smooth-Hawley myth has played a key role in legitimating free trade policies following the Financial Crisis, with near universal acceptance among leading world economic decision-makers in the G20 leading economies (with the notable exception of Argentina, see below) and WTO. What is interesting is that prior to the crisis, such actors invoked very different ideas about the multilateral trading system. The communiqué from the 2006 G20 summit in Melbourne, for instance, appeared to echo the bicycle metaphor when it stressed that ‘[t]he success of the Doha Development Round is essential to securing freer, more open trade, reducing the risk of economic and financial instability and achieving faster economic growth [etc...].’ (G20, 2006: 1). In a similar vein, Pascal Lamy’s interventions as Secretary General during the period immediately preceding the crisis (2005-7) tended to exclusively invoke the bicycle metaphor (e.g. Lamy, 2005a,b, 2006, 2007).

The discourse, however, was to change among policymakers, especially following the collapse of the Lehman Brothers investment bank – widely seen to be the point at which

the brewing subprime mortgage crisis in the US escalated to become a worldwide financial meltdown (Germain, 2010: 70-2). Among the G20, metaphorical *alarm bells* were rung as early as November 2008 (only two months after the collapse of Lehman) when the leaders of the world's leading economies met for their first summit in Washington, DC.³ Among the issues on the agenda was the issue of 'committing to an open global economy'. The final summit communiqué was very explicit in this regard, with G20 members

underscor[ing] the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty. In this regard, within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports (G20, 2008).

This statement is quite significant for two reasons. First of all, rejecting protectionism was argued to be of 'critical importance [...] in times of financial uncertainty', clearly echoing the experience Great Depression of the 1930s, which itself had roots in the financial turmoil experienced at the time. In this vein, Table 2 shows how the Smoot-Hawley discourse has become a common feature of G20 summit declarations. There has been at least an implicit reference to protectionism in the context of the Depression in most of the leaders' communiqués, with a clear correlation (as implied by the Smoot-Hawley myth and its interpretation of economic history) being drawn between trade protection and economic stagnation or collapse. Moreover, some of the references have been quite explicit. Thus, at the London summit, leaders agreed that they '[would] not

repeat the historic mistakes of protectionism’ (G20, 2009a). Secondly, the excerpt from the Washington summit communiqué cited above contained a formal commitment from policymakers – from practically the beginning of the worldwide economic recession we should not forget – to not implement new trade barriers. This ‘standstill pledge’ would be extended until the end of 2010 at the London G20 summit in April 2009. It was then reaffirmed at Pittsburgh (September 2009) and subsequently extended until the end of 2013 at Toronto (June 2010), with this extension of the pledge being reaffirmed at Seoul (November 2010) and Cannes (November 2011) and again extended at Los Cabos (June 2012) until 2014. Moreover, at London the standstill pledge was expanded to include a commitment to ‘rollback’: G20 members undertook to ‘rectify promptly any such measures’ that they imposed (G20, 2009a).

[insert Table 2 about here]

These pledges would appear, at first sight, to substantiate an institutionalist argument about the resilience of free trade. Not only were these a form of international cooperation but they also entailed *quasi-legal* pre-commitments to liberal trade policies that were to be monitored by the WTO, the OECD and UNCTAD (as agreed at the London G20 summit). However, although Terry Collins-Williams and Robert Wolfe (2010: 551) credit this ‘[e]nhanced monitoring and surveillance of emergency measures [as] [...] central to the international effort to mitigate the effects of the financial crisis’, their own paper reports that the WTO’s overall monitoring record is patchy at best. This is, in large part, due to the reliance on self-reporting, with only those bodies within the WTO having clearly defined reporting arrangements yielding promising outcomes (Collins-Williams and Wolfe, 2011: 572-4). This problem also besets the specific

reporting arrangements for the G20 pledge, as they are governed by nothing more than a undertaking to ‘notify promptly the WTO of any such measures’ (G20, 2009a). Indeed, Collins-Williams and Wolfe (2011: 577) note that these reports ‘are hampered by the failure of governments to notify more’. In this article I therefore suggest that what matters is not so much the quasi-legal pledge itself, and its role in shaping the rational expectations of actors, but rather the discursive context of which it is symptomatic, where free trade is seen as the only possible response to the crisis.

The G20 summits have been perhaps the most high profile instance of the prevalence of this discourse among trade policymaking circles. However, it is also commonplace in the statements of key WTO figures. First and foremost among them has been its current Director-General, Pascal Lamy. Following the collapse of Lehman brothers in September 2008, Lamy was to make a series of four speeches in quick succession (24 September, 27 October, 29 October and 3 November) in which he explicitly invoked the ‘Smoot-Hawley’ myth (Lamy 2008a,b,c,d). Thus, on 24 September Lamy (2008a), addressing the WTO Public Forum, was to stress that ‘one of the important lessons of the Great Depression, which we must not forget, is that “protectionism” and economic isolationism do not work’. On 27 October, the reference to the Smoot-Hawley myth was even more explicit in a speech Lamy was to give at Stanford University:

The notorious Smoot-Hawley Act sharply raised already high US tariffs, triggered retaliatory measures by trading partners and led to a two-thirds contraction in the value of global trade. This trade contraction deepened the Great Depression which pushed the US jobless rate to 25%. It also shaped the thinking of the visionaries who created the post-World War II system of

multilateralism. Never again would the world lurch toward blinkered beggarthy-neighbour trade policies that did so much to destabilise the world in the 1930s (Lamy, 2008b).

The same can be said of a speech he subsequently gave on 29 October, where Lamy (2008c) stressed how ‘Smoot-Hawley touched off a domino effect of retaliation and counter-retaliation among trading partners which provoked a severe contraction of international trade, depressed growth and rising unemployment [sic] around the industrial world’. Figure 3 suggests how references to the Great Depression – and by extension to the Smoot-Hawley myth – have become a consistent feature of the discourse of the Secretary-General since a peak in 2008 (there were a total of 8 references that year to the ‘Depression’ in his public speeches, all occurring after the collapse of Lehman in September), after not featuring whatsoever in his pronouncements in either 2006 or 2007.

[insert Figure 3 about here]

The Smoot-Hawley discourse has, at the same time, also been prominent in more day-to-day WTO discussions. Delegations in the WTO General Council were quick to invoke the spectre of the Great Depression after the crisis took on a global (and increasingly hysterical) dimension in the autumn of 2008. At the first General Council meeting held since the collapse of Lehman in October 2008, many delegations explicitly invoked the memory of Smoot-Hawley to call for the continued maintenance of free trade (WTO, 2008a). Several delegations were also keen to endorse the standstill and rollback commitments of the G20. At the May 2009 General Council meeting of the

WTO a number of members – largely from non-G20 developed and emerging economies – called on their fellow WTO members to also take on the G20 commitments, invoking the spectre of the Great Depression to legitimate their policy prescription (WTO, 2009a).⁴ In the subsequent discussion within the General Council, the initiative was widely welcomed with current G20 members and the Least Developed Country group (led by Tanzania), among others, stressing the importance of continued rejection of protectionism on the grounds that this threatened the recovery (WTO, 2009b).⁵

At an even lower level of policymaking, the trade policy review process of the WTO – whose aim is to review the trade policies of WTO members for consistency with the organisation’s rules and principles – has been the venue for the consistent repetition of this myth by delegations of both developed and developing nations. For instance, in reviewing the EU’s trade policy response to the crisis in September 2011, the St Lucian delegation was echoing the sentiments of very many other delegations when it highlighted that ‘the difficult lessons of the great depression have been learnt and that the EU has not engaged in wholesale tit-for-tat protectionism’ (WTO, 2011a: 53; see also WTO, 2010a: 17; WTO, 2010b: 1). Although the St Lucian delegation went on to subsequently criticise the EU for its system of agricultural subsidies under the Common Agricultural Policy (as did indeed other developing countries), this does not detract from the argument that the Smoot-Hawley discourse appears to be strongly embedded in trade policymakers discourse when discussing the on-going crisis. Thus, even though the Trade Policy Review process has often been derided by participants as largely a ‘talking shop’⁶ – simply leading to the reproduction of rehearsed policy positions and beset by the more general problem’s of WTO surveillance mechanisms (Collins-

Williams and Wolfe, 2010) – the fact remains that it is a venue for the repetition of a discourse of considerable staying power and near universal acceptance.

Exaggerating the threat of protectionism and the need to conclude Doha

One aspect of the Smoot-Hawley crisis discourse has been the fact that the extent of (and by extension, the threat posed by) global protectionism has been consistently exaggerated by a group of influential economists.⁷ Foremost among these have been Richard Baldwin and Simon Evenett (both of the Centre for Economic Policy Research [CEPR] and then also, respectively, of the Graduate Institute, Geneva, and of the University of St Gallen), who in December 2008 edited an ebook on *What World Leaders Must do to Halt the Spread of Protectionism* (published by VoxEU).⁸ This included contributions from the likes of Jagdish Bhagwati, Arvind Panagariya, Gary Hufbauer or Jeffrey Schott – all well-known advocates of the multilateral trading system and, more broadly, of free trade. The following excerpt from Baldwin's contribution is particularly significant, as it highlights not only the centrality of the Smoot-Hawley myth to these economists' discourse, but also the explicit purpose of their intervention – to restate the logical *necessity* of continued trade openness (this passage was also replicated, in an abridged form, on the back cover as a form of synopsis).

The futility of protectionism in a global recession is not a new lesson – every world leader knows the morality tale of protectionism in the Great Depression. But leaders find themselves in ageless 'two brain' situation. Their intuitive 'right brain' hears the cries of workers losing jobs and firm-owners losing money; protectionism feels like a natural reaction. Their logical 'left brain', however,

knows that protectionism in a global slowdown is a self-defeating tactic. The challenge facing world leaders is to find mechanisms that help them mutually commit to doing the right thing (Baldwin, 2008: 32).

The threat posed by protectionism was more explicitly addressed in another edited collection published shortly afterwards in March 2009 (again in ebook form, so as to encourage circulation, and again featuring contributions from leading trade economists), entitled *The Collapse of Global Trade, Murky Protectionism and the Crisis*. Its argument was that ‘[p]rotectionist forces have already emerged and will strengthen as the recession gets worse. [...] Governments’ crisis-fighting measures have spawned new, murkier forms of protection which discriminate against foreign firms, workers and investors often in subtle ways’ (Baldwin and Evenett, 2009: 1).

Baldwin and Evenett subsequently launched the ‘Global Trade Alert’ (GTA) website in June 2009 (accessible under <http://www.globaltradealert.org/>). Its ‘mission’ was to ‘provide information in real time on state measures taken during the current global economic downturn that are likely to discriminate against foreign countries’ (GTA, 2012). GTA also began publishing analysis of protectionist trends as so-called ‘GTA Reports’. This was ultimately a ‘naming and shaming’ exercise aimed at holding the G20 to their standstill (and future rollback) pledges, supplementing existing monitoring initiatives by the WTO, OECD and UNCTAD by rendering ‘murky protectionism’ transparent. But despite the fact that the GTA data itself seems to suggest (as highlighted above) that the number of trade restrictions imposed each quarter has been declining since an early 2009 peak (see Figure 2) the GTA reports have consistently stressed the failure of G20 countries to live up to their promises (Evenett, 2009a,b,

2011, 2012). In sum, it is clear that both the extent and the threat of protectionism has been exaggerated by leading academics (an opinion shared by a number of other economists, e.g. Calì, 2009; Suominen, 2009), with the Smoot-Hawley myth underpinning the crisis discourse of the G20 and of other leading economists.

To highlight the impact of such pronouncements among policymakers, one need only consider how recent WTO, OECD and UNCTAD G20 monitoring reports (carried out since the London summit to hold G20 countries to their ‘standstill’ and ‘rollback’ commitments) have painted a similarly grim picture. Reports from May 2010 and May 2011 called for vigilance in safeguarding an open trading system (WTO *et al.*, 2010, 2011). The most recent such report (from May 2012), however, struck a more alarmist tone. It was to note how ‘the past seven months have not witnessed any slowdown in the imposition of new trade restrictions’ (WTO *et al.*, 2012: 4) (see above and contrast this with the trend in Figure 2).⁹ Moreover, it claimed that ‘[t]he accumulation of trade restrictions has become a major concern’, with only 18 per cent of new restrictive measures removed (WTO *et al.*, 2012: 6), although later conceding in a footnote that ‘[t]his may well be an underestimation of the real rate of elimination, as very few G-20 delegations provided information on the termination of old measures’ (WTO *et al.*, 2012: 10). Unsurprisingly, Pascal Lamy did not pick up on the degree of uncertainty in the WTO, OECD and UNCTAD’s report’s data in a speech (on 7 June) shortly after its publication ahead of the Los Cabos G20 summit. Instead, he was to underscore how ‘[f]or the first time since the beginning of the crisis in 2008, [the monitoring] report is alarming’ (Lamy, 2012a).

By exaggerating the threat of protectionism and invoking the ghost of Smoot-Hawley, such policymakers have also sought to underscore the necessity of concluding the Doha Round. This has dovetailed with a particular scholarly narrative we already encountered in the second section, which has stressed the value of the Doha Round as a means of binding tariff levels and otherwise restricting the scope for protectionism (as perhaps best embodied by Hoekman *et al.*, 2010). Thus, while so far I have sought to treat them as distinct discourses for analytical purposes, it makes sense at this juncture to acknowledge that there is an important degree of overlap between the functions (and content) of Smoot-Hawley myth and the bicycle metaphor; stressing the need to avoid the ‘past mistakes’ of the Great Depression has reinforced the argument that the multilateral ‘juggernaut’ has to proceed apace. For example, in a speech given on 26 June, in the wake of acknowledging the increasing ‘protectionist threat’ facing the global trading system, Lamy (2012b) was to stress that

multilateralism is at a crossroads. [...] Either it advances in the spirit of shared values and enhanced cooperation, or we will face a retreat from multilateralism, at our own peril. A consensus for inaction would simply mean a consensus for more pain for all. We must, together, be bolder to cope with growing risks.

CHALLENGING SMOOT-HAWLEY: EXPLAINING (NON-)CONFORMITY

Few countries have been willing to openly challenge the ‘Smoot-Hawley’ myth – a fact reflected in the low incidence of protectionism following the advent of the crisis (see above). Some might point to peer pressure – rather than ideational factors – as the explanation for this development, although they are often seen as two sides of the same coin in constructivist IR/IPE literature (see, for example, Finnemore and Sikkink, 1998).

In this latter vein, I would contend that the rhetorical ‘coerciveness’ of the Smoot-Hawley myth (to use the terminology of Krebs and Jackson, 2007) – in other words, its power over actors regardless of whether these internalise them or not, given the lack of an alternative discourse – played a big role in allowing countries to pressure their peers into not adopting import-restricting measures. It therefore follows that where this discourse has been seriously contested peer pressure will be a lot less effective at constraining protectionism. In this section I will show how this is what occurred in the case of Argentina.

Argentina’s trade policy also underscores the limitations of using just endogenous trade theory to explain free trade since the start of the crisis, which is premised on the role of increasingly interconnected global supply chains (e.g. Cattaneo *et al.*, 2010; Gawande *et al.*, 2011). Indeed, in Table 1 I showed how tariffs have remained fairly stable for all economies irrespective of their level of integration into the global economy, while the incidence of any NTBs has been very low for non-G20 members and especially sub-Saharan Africa (see Evenett 2010). Argentina’s decision to introduce significant import restrictions during the crisis adds further grist to the mill as it is an emerging economy that is heavily reliant on export-led growth (see Grugel and Ruggirozzi, 2007) and would thus stand to lose considerably if its partners adopted retaliatory measures. While interest group politics cannot be ignored in studying Argentinean trade policy, the fact remains that Argentina’s policy is underpinned by an important set of ideas that have mediated elites’ response to the economic crisis (and domestic pressures) and shaped their attitude towards the global trading system. Given the limited space here (which precludes me from undertaking an in-depth study of several countries’ trade policies),

honing in on Argentinean non-conformity sheds light on the wider importance of the Smoot-Hawley myth.

Argentina has made increasing use (since 2008) of non-automatic import licensing and in January 2012 also introduced a policy of requiring companies to file affidavits for prior import authorisation by the government, with the issuing of such permits being delayed. Moreover, it has also put in place policies requiring importers to balance imports with exports, invest in Argentinean production facilities and increase local content. Such visible (and indeed onerous) measures soon attracted the attention of Argentina's peers at the WTO. In March 2012 the policies were roundly condemned in a statement issued by 14 delegations (including the US, EU, Japan, Mexico, Thailand, Turkey and a number of other G20 members) (ICTSD, 2012a). Criticism was again levelled against Argentina in June 2012 by the US (with concerns also raised by 11 other WTO delegations, including a number of G20 members) with Indonesia also coming under some fire for its import policies at the same meeting (ICTSD, 2012b). While Indonesia appeared somewhat conciliatory when criticised – stating that it was ‘reviewing some of these policies’ and agreeing to postpone the introduction of certain measures (ICTSD, 2012b) – Argentina has largely resisted pressure so far from its peers. Although it did announce in January 2013 that it was scrapping the policy of import pre-approval, it has maintained many of the other measures, even as formal disputes in the WTO challenging these – lodged by the US, EU and Japan – have reached the panel stage (ICTSD, 2013). In criticising Argentina its peers have drawn on the Smoot-Hawley myth's implied link between import protection and global economic collapse/stagnation; in the March 2012 statement condemning its policies, WTO delegations noted that ‘[i]n light of the shared goal of making every effort to sustain

global economic growth, Argentina's measures, which clearly limit the growth-enhancing prospects of trade, are particularly troubling' (cited in ICTSD, 2012a).

There are those who have argued that in recent years 'Argentina has gone in the opposite direction of most successful emerging countries, by refusing to integrate into international markets' (Gallo, 2012: 59). The reality is more nuanced, even if the neoliberal policies of the Menem era (1989-1999) – including deregulation of economic activity, privatisation, and trade liberalisation under the auspices of the fixed exchange rate Convertibility Plan – were thoroughly discredited in the wake of the Argentinean financial crisis (2000-2002) (Grugel and Riggirozzi, 2007: 92-4). However, rather than closing it off from the world, the alternative set of economic policies that emerged under the leadership of President Néstor Kirchner (2003-2007) – and have largely remained in place under his successor Cristina Fernández de Kirchner (Grugel and Riggirozzi, 2012: 12) – seek to carve out a role for the state in managing Argentina's integration in the global economy. Crucially, this model implies a strategy of state-led export promotion in the agricultural sector through an undervalued exchange rate (Grugel and Riggirozzi, 2007: 97-106; Richardson, 2009). In the light of the continuing vulnerability of Argentina to commodity price fluctuations (Grugel and Riggirozzi 2012: 15), the government has also pursued industrial policy as a means of diversifying its export earnings into the area of manufacturing. This has involved selective tariffs on manufactures, as well as subsidies and credit facilities, with the undervaluation of the Argentinean peso also contributing to boosting manufacturing exports (Wylde, 2013: 4-5).

A growing consensus among scholars studying Argentina appears to be that this set of policies are underpinned by a new policy paradigm, even if such authors have identified elements in this of Peronist import-substitution industrialisation (ISI) (1940s-1950s) and Menemist neoliberal policies. It is variously called neodevelopmentalism (or its Spanish language equivalent, *neodesarrollismo*) and post-neoliberalism (in the light of a pronounced trend amongst left-wing governments in Latin America to reject the prescriptions of the Washington Consensus) (Grugel and Riggirozzi, 2007, 2012; Wylde 2013). As argued by Jean Grugel and Pía Riggirozzi (2007: 87) this ‘has involved a more dynamic role for the state in the pursuit of growth and social stability’. Indeed, the policy of export promotion of agricultural commodities has played a key role in subsidising (through export taxes) social welfare programmes and promoting national economic development more broadly – with moves towards carving out a similar role for manufacturing exports (see above and Wylde 2013). My aim in this article is of course not to enter into debates about how to best characterise this emerging policy paradigm, but rather to underscore that it represents a departure from pure neoliberal precepts in trade (i.e. through selective protectionism in manufacturing). In this aspect it betrays a nostalgia for ISI (Grugel and Riggirozzi, 2007: 95). Of course, the policy itself has also been assisted by a favourable interest group coalition bringing together agricultural exporters, the manufacturing sector and trade unions and has been underpinned by an international commodity boom (Richardson, 2009; Etchemendy and Collier, 2007). However, this does not detract from the fact *neodesarrollismo* in Argentina – while facilitated by a particular constellation of interests and a favourable international context – did not simply arise from ‘a series of decisions made in reaction to events, or as opportunistic pragmatism’. Rather, it represents a policy paradigm for re-interpreting the role of the Argentinean state in economic development (Wylde,

2013: 25) and a set of ideas through which interest group politics and global market events have been mediated.

This becomes more apparent when we return to the specific subject matter of this article, the crisis, where Argentina's post-neoliberal paradigm has shaped its trade policy response. The crisis has led to increased fear of competition from Asian emerging economies – given the drop in demand in developed markets (Carranza, 2010: 5) – and was accompanied by on-going inflation, which has eroded the competitive advantage afforded by the previously undervalued exchange rate (Gallo, 2012: 59). In the face of pressure from its domestic industry for protection – the proportion of imports subject to trade defence measures, which are often initiated in response to interest group pressure, has increased by 36.9 per cent since the start of the crisis (Bown, 2012: 39) – Argentina introduced non-automatic import licensing on a myriad of industrial products as well as the aforementioned 'trade balancing' rules (ICTSD, 2012a; see also WTO *et al.*, 2012: 44-6). While some have dismissed this as a form of 'neo-mercantilist' trade policy aimed at improving the country's trade surplus (Gallo, 2012: 59), the lack of a similar trade policy response from most other economies appears to suggest that we need to turn to the realm of ideas to explain Argentina's response to the crisis.

More specifically, I contend that Argentinean policymakers' post-neoliberal paradigm of *neodesarrollismo* lead them to reject the Smoot-Hawley myth's policy prescriptions and see import protection as a legitimate policy instrument to protect their 'infant' manufacturing industries – particularly in the face of what they perceived to be an unjust trading system which privileges the interests of developed economies. In this vein, President Cristina Fernández de Kirchner not only defended Argentina's policy

measures as legitimate, but also accused developed countries of hypocrisy (thus implicitly underscoring the inequality of the global trading regime): ‘It’s as if there was a legal form of protectionism, the one that developed countries engage in, and a populist one when it involves emerging economies. [...] [Protectionism] is also being confused with the concept of patriotism and defense of our own interests’ (cited in ICTSD, 2012c). In another speech to the MERCOSUR summit in Brasilia in December 2012, the link between the rejection of the Smoot-Hawley myth’s prescription of unchallenged trade liberalisation and the logic of Argentinean *neodesarrollismo* was rendered even more apparent by the Argentinean President. Fernández de Kirchner also highlighted the imbalances in the global trading system that Argentinean policy was seeking to remedy:

For decades the terms of trade between our region and developed countries were stacked against us. Now the terms of trade have been favourable for the past decade. But this has not been the work of the Holy Spirit [...] [W]e have achieved this thanks to public policies and to projects which have prioritised growth with inclusion [...] and which have abandoned the neoliberal policies that the Washington Consensus had imposed on the region (author’s translation from Fernández de Kirchner, 2012).

One should naturally not overstate the extent to which Fernández de Kirchner is rejecting ‘neoliberalism’, the Washington Consensus and its (‘imposed’) policy prescription of trade liberalisation. After all, Argentina’s proclaimed successes stem from a state-led policy of integration into the global economy. In this respect Argentina appears to have adopted a very similar developmental paradigm to other emerging powers, which have also sought to re-articulate a role for the state while adopting some

neoliberal policy prescriptions (see Ban and Blyth, 2013). This underscores my argument in this section (borrowed from a broader literature on Argentinean political economy) that, while not neglecting the important constellation of interests and global economic context that facilitate *neodesarrollismo* (see Richardson, 2009; Etchemendy and Collier, 2007), Argentinean trade policy has to be understood through the lens of particular policy ideas. This allows me to highlight how Argentina's nonconformity in the WTO should be understood in terms of its discursive rejection of the (otherwise coercive) logic of no alternative associated with current debates on global free trade. In other words, Argentina has been able and willing to articulate an alternative in the face of exercises of publicly 'naming and shaming' WTO members for their import policies during the crisis – exercises, one should not forget, that appear to carry considerable legitimacy by appealing to a shared narrative about the ultimate necessity of free trade (with the Smoot-Hawley myth lurking in the background). In sum, ideas play an important role in shaping (non-)conformity with peer pressure over the issue of free trade since the start of crisis.

CONCLUSION

In this article I began with a puzzle, how to explain the resilience of free trade despite the onset of the 2008 Financial Crisis and subsequent economic recession. I then challenged the dominant, rational institutionalist account of mainstream IPE scholars and economists, who (in large part) argued that the resilience of free trade is a product of the constraining role of the global trading regime embodied by the WTO. My argument was that it made little sense to point to policy 'lock-in' when most countries have had considerable legal leeway to raise tariffs and/or NTBs and appear not to have not done so to a significant degree. Endogenous trade policy models pointing to the

effects of increasingly interconnected supply chains only tell part of the story. While they may explain the reduced demand for protection following the start of the crisis, integration into the global marketplace did not always correlate with support for free trade, as the significant non-conformity of Argentina showed. As a result, I made a constructivist argument that pointed to the important role played by ideas, as articulated by distinct actors, in structuring social reality and mediating the response of elites to protectionist pressures and temptations – in particular so-called discourses of external constraint. I focused on the role of the so-called Smoot-Hawley myth – the idea that the Great Depression was caused and/or exacerbated by global protectionism in the 1930s that had been initiated in the US – in ruling out any non-liberal response to the Global Financial Crisis among most of the world’s trade policymaking elites (especially among the G20 and within the WTO). Moreover, the willingness of Argentinean policy elites to respond differently to the crisis by implementing very visible and wide ranging import barriers was strongly shaped by their explicit rejection of this logic of no alternative.

The conclusions I have reached in this article are still tentative and still in need of further refinement. However, I have been able to challenge the idea that it is largely the legal or other rational institutional mechanisms of the WTO which guarded against protectionism. In this vein, I have been able to advance the cause of those who critically argue that we need to take ideas more seriously in the study of the international trading system. Much as Wilkinson (2009: 614) bemoans that the crisis discourse ‘obscures the search for solutions to the problems that generate tensions in trade negotiations’, so too the Smoot-Hawley myth – a highly contested historical narrative – can be seen to constrain the debate on policy responses to the current economic crisis. My aim in this article has been to expose this discursive straightjacket for what it is: a *contestable*

social construction with considerable political impact. Combined with the, as we have seen, questionable idea that it is the WTO's rules-based system of rational incentives which has prevented the descent into protectionism, the Smoot-Hawley myth and its associated crisis discourse have resulted in a powerful ideational imperative for continued openness. They have also helped to exaggerate the threat of protectionism and underscored the need to conclude the Doha Round. The failure to achieve this latter objective (at least by the time of writing) is of course evidence of the limitations of my constructivist explanation emphasising rhetorical coercion through the Smoot-Hawley myth; these ideas have not (yet?) been sufficient to secure an agreement in the Doha Round even if they have played a key role in inhibiting non-liberal responses to the current crisis. What is particularly noteworthy here is that the Argentina's discursive rejection of the logic of Smoot-Hawley – highlighting the 'hypocrisy' of developed economies and imbalances in the global trading system – mirrors statements it (and other emerging economies) have consistently made in the Doha Round (see, for example, Narlikar, 2006). In this sense, it reflects the malaise of emerging powers with the current WTO system, as well as the potential for challenging the discourses of external constraint deployed in its defence.

However, it is fair to say that the Smoot-Hawley discourse – while not entirely unquestioned – still carries considerable legitimacy. This serves to obscure the need for a wider debate on how to respond to the crisis and how to shape the present Round of multilateral trade talks. In doing so, it entrenches the political economic interests of those who benefit from the current trading system's oft-remarked asymmetry (e.g. Payne, 2005; Wilkinson, 2006): delivering trade liberalisation and openness in those areas of interest to a number of developed economies while doing little in the way of

serving the interests of many developing countries. This is why it is important that future research builds on these insights and interrogates the *strategic* dimension to such ideas, that is to say, their instrumental use by policymaking elites. Indeed, the evidence considered above has suggested that such elites only turned to the Smoot-Hawley myth in late 2008 to legitimate trade openness and the conclusion of the Doha Round (and invoked the myth most strenuously during the most uncertain, early days of the crisis, see Figure 3); during the boom years of the mid-2000s it would appear to have been far more productive to invoke the bicycle metaphor to bring about such an outcome. Although the jury is still out on whether this will allow them to bring Doha to a close, the fact remains that in the crisis context free trade is widely seen as the only legitimate policy response, with those openly choosing not to conform facing widespread censure.

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NOTES

¹ As for the data aggregating the number of NTBs, this data is likely to exaggerate the extent of protectionism as it does not consider the actual effect of such discriminatory measures on imports. Thus,

even if we take the 3.8 per cent headline figure as given, of this, a proportion of these measures may well have only a very limited effect on trade flows. One final reason the actual figure of affected imports is likely to be significantly lower is that this data does not take into account that countries have since terminated trade protection measures.

² Turmoil in financial markets prompted countries to implement such policies in order to ‘protect’ their gold reserves and balance of payments position (Irwin, 2012: 32).

³ Previous G20 summits had been among Finance Ministers and Central Bank governors.

⁴ This submission was endorsed by Colombia, Costa Rica, Hong Kong, Malaysia, Mexico, New Zealand, Norway, Pakistan, Peru, Singapore, Switzerland, Turkey and Uruguay.

⁵ The only dissenting voice was that of the Cuban delegation.

⁶ Interviews with members of WTO delegations, Geneva, March 2010.

⁷ Samman (2012: 219-21) also points to the role of a related group of financial journalists in invoking Smoot-Hawley and the threat of protectionism.

⁸ VoxEU is a collaborative online portal set up by the CEPR – an economics think tank based in London – which also involves a series of other European economics research organisations and websites (VoxEU 2011).

⁹ Although Figure 2 only covers developments up until the third quarter of 2011 (given the availability of data), a figure published subsequently by GTA shows that this trend has been continuing, with the number of implemented measures falling below 30 in the second quarter of 2012 (Evenett 2012: 33, Figure 2.5).

NOTES ON CONTRIBUTOR

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TABLES

Table 1 Water in the tariffs of developing countries (all products, simple average), 2006-2010

	2006	2007	2008	2009	2010	2011	Binding coverage (% in 2010)
Developing G20 economies							
Argentina	20	20	20	19	19	18	100
Brazil	19	19	18	18	18	18	100
China	0	0	0	0	0	0	100
India	30*	36	36	36	36	N/A	74
Indonesia	30	30	N/A	30	30	30	96
Mexico	22	24	24	25	27	28	100
Saudi Arabia	7	7	7	6	N/A	7	100
South Africa	11	11	11	11	11	11	96
Turkey	19	18	19	N/A	19	19	50
Upper middle income countries (excluding G20 members)							
Albania	1	2	2	2	2	2	100
Antigua & Barbuda	49	49	49	49	N/A	48	98
Botswana	11	11	11	11	11	11	96
Chile	19	19	19	19	19	19	100
Colombia	30	30	30	30	30	34	100
Costa Rica	37*	37	36	38	38	38	100
Cuba	11	11	11	11	11	11	31
Dominica	49	49	N/A	N/A	N/A	49	95
Dominican Republic	26	N/A	28	N/A	N/A	N/A	100
Ecuador	10	10	10	11	11	12	100
Gabon	3*	4	4	4	N/A	4	100
Grenada	47	47	47	N/A	46	46	100
Jamaica	42	42	N/A	42	42	42	100
Jordan	5	6	6	6	6	6	100
Malaysia	17	16	17	16	N/A	17	84
Maldives	17	N/A	17	17	16	16	97
Mauritius	90	90	91	93	93	93	18
Namibia	11	11	11	11	11	11	96
Panama	16	16	16	16	N/A	16	100
Peru	20	20	24	24	24	26	100
St Kitts and Nevis	70	67	67	67	67	66	98
St Lucia	53	53	N/A	N/A	N/A	52	100
St Vincent & the Grenadines	53	53	N/A	N/A	N/A	53	100
Thailand	18	16	N/A	18	18	18	75
Tunisia	31	N/A	36	N/A	41	42	58
Uruguay	21	21	21	21	21	21	100

Lower middle income countries (excluding LDCs and G20 members)

Armenia	6	N/A	6	N/A	N/A	N/A	100
Belize	47	47	47	47	47	47	98
Bolivia	32	32	32	30	29	29	100
Cameroon	62*	62	62	62	N/A	62	13
Cape Verde	N/A	N/A	5	5	6	6	100
Congo	9	9	N/A	N/A	N/A	10	16
Cote d'Ivoire	-1	-1	-1	-1	-1	-1	33
Egypt	18*	20	20	19	N/A	20	99
El Salvador	31*	30	31	31	31	31	100
Fiji	32	N/A	30	30	29	24	51
Georgia	0	6	6	6	6	6	100
Ghana	N/A	80	80	80	80	N/A	14
Guatemala	37*	37	37	36	36	36	100
Guyana	46	N/A	46	N/A	46	46	100
Honduras	27*	27	27	26	N/A	26	100
Moldova	2	N/A	2	2	2	2	100
Mongolia	13	13	13	13	13	13	100
Morocco	17	18	20	23	23	27	100
Nicaragua	36*	36	N/A	35	35	35	100
Nigeria	106	N/A	106	108	107	107	19
Pakistan	46	46	46	46	46	46	99
Papua New Guinea	27	27	27	N/A	27	N/A	100
Paraguay	24	23	22	23	23	23	100
Philippines	19	19	19	19	19	20	67
Sri Lanka	19	19	19	19	20	20	38
Swaziland	11	11	8	11	11	11	96
Ukraine	-1	N/A	0	1	1	1	100
Vietnam	-5	-5	-5	-1	2	N/A	100

Least Developed Countries (LDCs)

Angola	52	52	52	52	N/A	52	100
Bangladesh	148	155	154	N/A	N/A	155	16
Benin	16	16	16	17	17	17	39
Burkina Faso	30	30	30	30	30	30	39
Burundi	56	56	56	N/A	55	55	22
Cambodia	5	5	5	N/A	N/A	10	100
Central African Republic	18	18	N/A	18	N/A	18	62
Chad	62*	62	N/A	62	N/A	62	14
DR Congo	84	84	84	81	85	N/A	100
Djibouti	13*	13	13	20	N/A	20	100
Gambia	N/A	83	83	84	89	89	14
Guinea	8*	8	8	9	9	N/A	39
Guinea Bissau	37	37	37	37	37	37	98
Haiti	16	16	16	16	14	4	89
Lesotho	71	71	71	71	71	71	100

Madagascar	14	15	15	16	16	16	30
Malawi	62	N/A	89	62	63	63	32
Mali	17	17	17	17	17	17	40
Mauritania	9	8	N/A	N/A	10	N/A	39
Mozambique	85	87	87	87	87	87	14
Myanmar	77	77	78	N/A	N/A	N/A	18
Nepal	12*	13	13	14	14	14	99
Niger	32	32	32	33	33	33	97
Rwanda	71	N/A	68	71	77	77	100
Senegal	18	18	18	18	18	18	100
Solomon Islands	65	69	69	N/A	69	69	100
Tanzania	107	107	107	107	108	108	13
Togo	68	68	68	68	68	68	14
Uganda	61	61	61	61	61	61	16
Zambia	93*	93	93	93	70	93	22

Sources: WTO (2006, 2008b, 2009c, 2010c, 2011b, 2012).

Notes: *Data is for 2005. Countries with data for fewer than two years are omitted, as are non-WTO members for the period concerned. Income groupings are by World Bank criteria for 2012 (World Bank, 2012), while the LDC grouping is arrived at by UN criteria. The ‘water in the tariffs’ was calculated by subtracting the average applied MFN tariff for all products from the average bound tariff rate.

Table 2 ‘Resisting protectionism’ and the Smoot-Hawley myth: G20 pronouncements on trade policy after the crisis

Summit	Title of heading	Text on protectionism under relevant heading
Washington, DC (November 2008)	‘Commitment to an Open Global Economy’	‘We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty.’
London (April 2009)	‘Resisting Protectionism and Promoting Global Trade and Investment’	‘World trade growth has underpinned rising prosperity for half a century. But it is now falling for the first time in 25 years. Falling demand is exacerbated by growing protectionist pressures and a withdrawal of trade credit. Reinvigorating world trade and investment is essential for restoring global growth. We will not repeat the historic mistakes of protectionism of previous eras’.
Pittsburgh (September 2009)	‘An Open Global Economy’	‘Continuing the revival in world trade and investment is essential to restoring global growth. It is imperative we stand together to fight against protectionism.’
Toronto (June 2010)	‘Fighting Protectionism and Promoting Trade and Investment’	‘While the global economic crisis led to the sharpest decline of trade in more than seventy years, G20 countries chose to keep markets open to the opportunities that trade and investment offer. It was the right choice.’
Seoul (November 2010)	‘Fighting Protectionism and Promoting Trade and Investment’	‘Recognizing the importance of free trade and investment for global recovery, we are committed to keeping markets open and liberalizing trade and investment as a means to promote economic progress for all and narrow the development gap. The importance of free trade and open markets is illustrated by the joint report of the OECD, ILO, World Bank and WTO on the benefits of trade liberalization for employment and growth. These trade and investment liberalization measures will help achieve the G20 Framework objectives for strong, sustainable and balanced growth, and must be complemented by our unwavering commitment to resist protectionism in all its forms.’
Cannes (November 2011)	‘Avoiding Protectionism and Reinforcing the Multilateral Trading System’	‘At this critical time for the global economy, it is important to underscore the merits of the multilateral trading system as a way to avoid protectionism and not turn inward.’
Los Cabos (June 2012)	‘Trade’	‘We are firmly committed to open trade and investment, expanding markets and resisting protectionism in all its forms, which are necessary conditions for sustained global economic recovery, jobs and development. We underline the importance of an open, predictable, rules-based, transparent multilateral trading system and are committed to ensure the centrality of the World Trade Organization (WTO).’

Sources: G20 (2008, 2009a,b, 2010a,b, 2011, 2012).