US Auto Industry Bailouts: Will Protectionist Potholes Put a Dent in Trade and Competitiveness?

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EXECUTIVE SUMMARY

In the wake of global recession, governments worldwide face increasing pressures to assist ailing domestic industries, especially companies deemed "too big to fail." The auto sector provides an excellent illustration of pitfalls inherent in attempting to rescue ailing domestic producers without breaching multilateral trade commitments. This paper analyzes how specific aspects of recent auto bailout programs may violate key provisions of the WTO Agreements and concludes that protectionist elements of such programs may distort markets, encourage proliferation of similar measures by key trading partners, lead to WTO consultation or dispute settlement, and actually inhibit the global competitiveness of domestic automakers.

Key Words: Global competition, WTO, Trade, Automotive industry, Bailouts, Financial crisis, Subsidies