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Opinion // Commentary

Commentary: Creative local strategies to blunt global protectionism

By Prasad Padmanabhan, For the Express-News June 8, 2020

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1of2A transport crate carrying Brahman bulls is loaded into the Boeing 747 plane that will export them to Vietnam at George Bush Intercontinental Airport in 2017. Jobs rely on these types of exports, but global protectionism threatens employment and trade in Texas. Photo: Godofredo A. Vasquez /Staff file photo



2of2Prasad PadmanabhanPhoto: /

San Antonio received \$9.2 billion in export revenue in 2017, which supported almost 28,000 jobs in the state, according to the Office of the U.S. Trade Representative. Texas has enjoyed an annual 6 percent export growth rate since 2002 — almost double the national average of 3.6 percent, according to the Federal Reserve Bank of Dallas.

But the COVID-19 pandemic is creating job losses globally and locally, and is leading countries to introduce legislation to replace imports with domestic production or restrict exports of key medical products.

On a broader scale, protectionist actions can have unanticipated negative economic impacts. But Texas and San Antonio businesses are embracing adaptive strategies to overcome economic hurdles.

What begins as justifiable protectionism of critical supplies can spread far more broadly. The Center for Strategic and International Studies shared that Sweden, Denmark, Germany, China and Brazil, among other countries, have adopted policies to restrict exports of critical medical products during the pandemic. A World Trade Organization report indicated that global trade is expected to decrease 13 percent to 32 percent in 2020 due to COVID-19.

This, of course, will affect workers and consumers.

Nationalism begets retaliatory nationalism and can hurt countries practicing protectionism. Protectionist policies replace one set of jobs with another, and customers may suffer because they are now paying higher prices for goods while receiving restricted product variety.

According to the World Trade Organization, both world trade and GDP figures have increased by 26 percent between 2008 and 2018. Products manufactured abroad are priced lower domestically because costs of production are cheaper overseas. In addition, many products require components or climates not available locally. For instance, wheat generally requires colder climates. Rare earth minerals — critical to cellphones and other electronic products — are only available in a few countries.

Texas exporters arguably stand to lose more than most in the U.S. from protectionist actions by foreign importers.

Since manufactured goods comprised 78.5 percent of Texas exports in 2018, tariffs on imported goods needed to produce finished products in the U.S. have provided an unwelcome edge to foreign competitors of finished goods. This trend comes at a time when economies can least afford heightened competition.

While we may create jobs domestically by buying local, remember that we export many products to other countries as well. According to the Office of the U.S. Trade Representative, Texas exported approximately \$315.9 billion worth of goods to the world, accounting for 17.9 percent of the state's gross domestic product in 2018, which supported about a million jobs in the state.

In a postpandemic era, experts predict individual firms will adjust their product offerings and the sourcing of components to offer the best possible products at the lowest possible price. Local media have reported on how some San Antonio entrepreneurs are changing their business models to find success. For instance, Dorcol Distilling & Brewing Co. is now selling beer inside H-E-B stores instead of hosting on-site happy hours. Al's Gourmet Nuts has shifted to online ordering of products, while the San Antonio Ballet School began offering classes online.

Small and medium-size enterprises accounted for 39.3 percent of Texas exports in 2016. Hence, governments should also continue to offer new product development and export assistance to this important group while simultaneously working to reduce tariffs on imported goods.

Finally, since extended global supply chains have been stretched or broken by the pandemic, a smart strategy is to source both exports and imports to countries closer to home.

While protectionist policies can prolong these miseries, creative strategies that continue to connect us globally can help save lives and sustain jobs.

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