

Economic Crisis and Protectionism Policies: The Case of the EU Countries

Serap Durusoy

University of Abant İzzet Baysal
Department of Economics
Gölköy/Bolu (Turkey)

Edgardo Sica

University of Foggia
Department of Economics
Largo Papa Giovanni Paolo II,1,71100 /Foggia (Italy)

Zeynep Beyhan

University of Abant İzzet Baysal
Department of Economics
Gölköy/Bolu (Turkey)

Abstract

The crisis in the US mortgage market that started on the last quarter of 2007 has produced a long term crisis in the EU real economy, resulting in the bankrupt of many companies and banks, high levels of unemployment and public debt, and a general decline in GDP. In this framework, many EU countries have adopted a number of protective measures against non-EU third parties with the aim to hinder the negative effects of the crisis by supporting their national economies. Overall, the number of protectionist measures adopted by EU countries amounts approximately to 700 since 2008 and include importation and exportation quotas and tariff along with new protectionist strategies, like invisible trade obstacles and stand by credits by governments to strategic sectors. This paper reviews the protectionist policies (in foreign trade, in finance and capital market in monetary market, in labor market) adopted in the EU focusing, in particular, on some relevant examples from UK, Germany, France, and Italy. On the whole, such protectionist measures seem not to represent an effective way to deal with the ongoing crisis and could originate a risky rebound effect over other economies as already happened during the 1929 Great Depression.

Keywords: Protectionism Policies; EU countries; Economic Crisis

1. Introduction

The ongoing process of globalization, the increasing integration of economic markets at international level, and the decline of geographical boundaries to trade have driven countries to protect progressively liberal economic markets. Despite the free trade exists since before the globalization process, it gained specific importance after 1970s, when the process of financial liberation started. Indeed, nowadays, one of the primary aims of many countries is to create the favourable conditions to erase any possible barrier to international trade and the number of bilateral and/or regional Free Trade Agreements has correspondingly increased. However, during economic crises when countries undergo decreases in the GDP level along with rises of the unemployment rate, even some strongest supporters of the free trade promote a number of arguments in favour of protectionist policies, especially in immature economies which could be not ready for global competition. As it should be known, protectionism represents a foreign policy which defends native producers against any kind of foreign threat. Thus, the problematic of free trade *versus* protectionism, which has exhibited both supporters and opponents at anytime, still represents a crucial problem for policy makers.

However, when globalization was not so widespread and free trade did not represent an important topic yet, the implementation of protectionist policies was much easier than today.

From an economic historical perspective, protectionist policies can be dated back to mercantilist era when, in 1567, France adopted protective tariffs to protect Lyon silk against foreign silk. In 1840s, Germany implemented a protective policy by creating the German Tariff Union (Zollverein) which removed tariffs among German nations and established a joint commerce strategy against foreign countries.

In the twenty years between the first and the second world wars, autarchy and protectionism gained momentum and many European countries, led by England, protected their economies by adopting strong quota to importation. In particular, during the 1929 Great Depression, US government implemented excessively high customs taxes to protect baby industries as well as to prevent unemployment rate to grow up further. Nowadays many countries are following similar strategies by enforcing importation quotas and tariffs in order to hinder the negative effects of the current economic crisis. As a matter of fact the crisis in the American mortgage market that started on the last quarter of 2007 has produced a long term crisis also in the EU economy, resulting in companies and banks bankrupt, high levels of unemployment rate and public debt, and a general decline in countries' GDP, especially in Greece, Portugal, Italy, and France who had an important role in the EU formation. In such a situation, many EU countries have adopted a number of protective measures to deal with the negative effects of the crisis.

2. Economic Crisis and the Reflex of Protectionist Policies in the EU: An Overview

Protectionism is a foreign trade policy based on the opinions which suggest that domestic manufacturers should be protected against foreign competition. Among conventional protection means, the first things that come to mind are tariff means and customs duties. The main reason for applying customs duties is to conserve the domestic market of the country. However, the precautions taken in this direction cause the commercial balances to collapse when applied by the countries with mutual commercial relations for retaliation purposes. According to Efere (2002) and Robert (2001), a government applies protectionist policies by national security-defence thesis, infant-child industry thesis, strategic trade policy, inequality of conditions, child labor argument, protection of environment in order not to go through a new and deeper crisis. The global crisis out-broken in 2007 raised concerns about drawing an analogy between the 1929 Crisis and predicting that this crisis would last for many years and hence, increase protectionism.

Thus, due to the stillness observed in many developed and developing country economies after the global crisis, it was hard for the financial structure to subsist and a decrease was observed in global trade flows. Especially by the expansion of the destructive effect on finance and real industry and its damage to European economies, protectionism in the EU economy which generally presents an outward-oriented economy, has also increased. The EU Committee took precautions to restrain trade directed to certain third countries outside the association and was criticized by these countries. Countries willing to discard the negative effects of the crisis on their economies have applied protectionist methods which the history of economy is familiar with, such as import quotas, tariff precautions; as well as new protectionist precautions such as export quotas, invisible trade obstacles, standby credits given by the state to strategic industries, exchange rate policies (Love; Lattimore, 2009). Global capitalism and its relation network within has played a dominant role as well as protectionist precautions, and has started to corrode the efforts of world economy intended to ease and liberalize trade for over sixty years. Especially in search of solutions for global crisis, there were certain precaution packages intended for the big companies which create employment by supporting real industries in many countries, to remain standing. Therefore, constraints against free trade and for protectionism in worker section gained strength after the increase of unemployment rates in the industries suffered from the crisis in parallel with the deepening of the economic crisis. Consequently, content of these precaution packages has brought a new worldwide protectionism discussion with it (TÜRMOB, 2009). Today, when we consider the opinion of Chen (2009) who argues that international trade carries on in connection with multiple trade system, it is possible to see that the protectionist approach which defends not to allow free trade, to restrain cross-border trade and to protect the domestic manufacturer against foreign competition (Bhagwati, 2009), poses a risk of a dangerous virus (Kalaycı, 2011).

When the World economy is examined, it is possible to see that the development of free trade is highly painful. Because, protectionism concept in contrast with free trade concept has become a shield to be used during hard times, even for the countries that are most supportive of free trade. With their own supporters and opposites in every period, free trade versus protectionism problematic has been an old problem of economy.

In this context, the history of struggle between free trade and protectionism may go back a long way as the history of modern economy, or even older. The process of economy separating from philosophy and becoming a branch of social sciences is generally assumed to start on 1776, when the masterpiece named “Wealth of Nations” of Adam Smith was published. However, free trade and protectionism discussions go back a long way to the periods during which Mercantilist (16th – 17th century) and Physiocrat (18th century) opinions were common (Adda, 2002:42-56).

The first country to apply protectionism by imposing customs duties in order to protect and develop Lyon silk against foreign competition is France in 1567. In 1840s, Germany which is now in the position of the locomotive of Europe, which is strictly opposed to protectionism but in fact applies protectionist policies in order to protect its strategic industries, has also protected its economy in order to develop its industry. With the formation of German Customs Union (Zollverein) which was founded by Frederic List who founded the German Historical School and defended that temporary customs protections must be applied in order for the national industry to survive, customs duties among German states were repealed and protectionist policies were applied with a common trade strategy towards outside (Tuncer,1994). During the period of 20 years between the World War I and II, protectionist policies gained speed and the Wall Street Crash of 1929 had significant effects on this increasing protectionist trend. As it is seen, the struggle between free trade and protectionism has transformed into a problematic which subsists in all times in essence (Acar, 2010).

However, it is possible to mention the effects of two negative developments which cause protectionist policies to regain significance in recent years.

- 1- Declining of the efforts made in order to expand international free trade. World trade negotiations provided great achievements in terms of providing freedom in developed and developing countries especially in industrial products until 1990s, however it came to a standstill after the deal of Uruguay Round in 1994. Failure to conclude the Doha Development Round despite more than seven years have passed since its start in 2001 reveals a rather pessimistic view in terms of world trade before crisis.
- 2- The great disruption in income distribution as a result of the globalisation process that has been going on since 1990s until today. Despite the disruption in income distribution caused by globalization, extreme social reactions have not been emerged yet. In the end, even the slice of cake obtained by middle and low income families have decreased compared to the slice obtained by the rich, reactions against globalization were limited since the real income of these families have increased in time even a little. However, these reactions have rapidly increased today by the increase of global economic depression risk and caused social explosions (Yılmaz, 2009:3).

While it was expected from the packages applied after the crisis not only to be an option against liberal economy, but also to be effective in the medium term, many EU countries have applied protectionism and attempted to eliminate the social effects of the crisis in short term. Certain protectionist precautions being reawaken in these countries which are the inventors of market economy, has caused globalization and crisis dialectics.

In fact, foreign trade history of European countries have shown diversity and depth due to the protectionist experiences. Despite the organizations with many member countries such as EU defend free trade in their declarations, it is seen that their policies are the opposite of this. As a matter of fact, in the report published by WTO (World Trade Organization) covering the years 2005-2008, it was stated that EU member countries ranked among the top in the list involving the countries applying trade delaying – compensating customs duties even before the effect of 2008 Mortgage Crisis upon the markets (European Central Bank). Post-crisis Protectionism in the EU reveals itself in 4 basic levels.

2.1. Protectionism in Foreign Trade

Its first outbreak from the viewpoint that eluding crisis is the palliative solution became a main topic with certain articles added during the negotiation phase in the Senate in April, to the economic support package signed by President Obama in February. In these articles, purchase of iron and steel within the frame of economic support was constraint by the purchase of iron and steel produced in the USA only. Even though they were loosened later, these articles took place in the law signed by Obama and entered into force.

In fact, developing and industrialized countries use different techniques in order to protect their domestic industries.

As seen below in Table 1 developed countries mainly use subventions and provide financial support for domestic companies. On the other hand, developing countries do not have a budget enough cover subvention costs nor funds enough to cover the debts of domestic companies. Therefore, developing countries tend to increase tariffs and actualize other non-financial protection precautions (Dadush, 2009).

Table1: Protectionist Measures Applied in Developing Countries and Developed Countries

	Developing Countries	Developed Countries
Import Taxes	%49	—
Subsidy and Other Support Package	%31	% 100
Non -Tariff Barrier	% 11	—
Import Ban	%9	—

Kaynak: Gamberoni E. and New farmer R., Trade Protection: Incipient but Worrisome Trends, World Bank International Trade Department Trade Notes, No. 37, (2 March 2009), s.1.

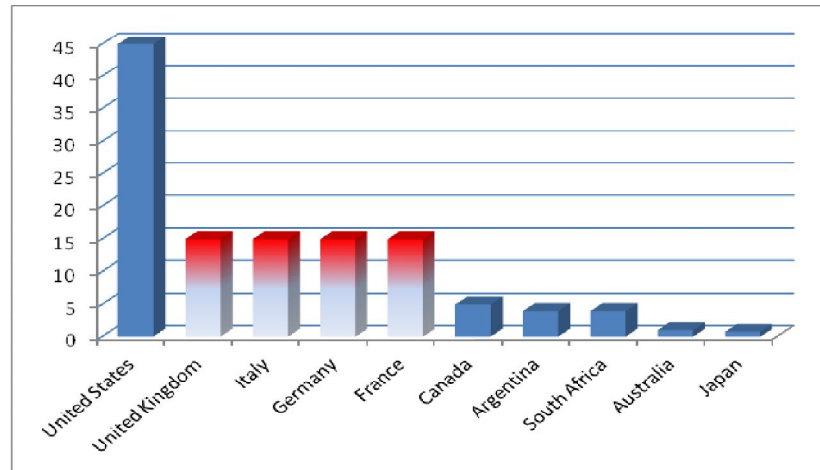
In fact world trade rules already allows the countries to apply precautions such as customs duties when a sudden interruption occurring in import inputs causes trouble to domestic companies. On the other hand, while it is not possible to increase customs tariff above a certain level due to the commitments made to WTO, countries apply precautions such as non-tariff limitations, import quotas and subvention of export in various ways. Apart from customs tariffs, politic implementations restraining international goods and service flows from normal development progress under free trade rules are defined as “non-tariff obstacles”. Unlike tariffs, non-tariff obstacles may vary greatly in time since they are not conclusive and are widely depending on administrative decisions. With such obstacles, WTO (World Trade Organization) rules may be violated (Rodrik, 2011:223) and an increasing risk and uncertainty occurs on import and export.

On the other hand, protectionism tends to rise both in developed and developing countries as seen in Table 1. However, it is observed that protectionism precautions implemented by developed countries vary while the new protectionism precautions implemented by developing countries are mainly consist of protections aimed at import and trade.

As a matter of fact, it was stated in the researches made by the EU committee that the number of precautions implemented against international trade by G-20 countries since 2008 is 424. This development has put the economy in a restriction risk that is possible to last a long time. 111 new trade restrictions were implemented in the first quarter of 2008, and the same amount of new protectionist precautions were implemented in the second and third quarters of 2009 (Evenett, 2010/a:2). Also, even though the world trade has started to recover, 100-120 new differential precautions were implemented every trimester from 2009 until November 2010 (Evenett, 2010/b:21). Total number of precautions implemented from the G-20 summit in November 2008 until January 2010 was 493 (Evenett, 2010/c:23). Rapid increase in protectionism precautions is highly important for developed and developing countries.

In this context, the most implemented method for imported goods in order not to ignore World Trade Organization rules is consisting of non-tariff obstacles as seen in Figure 1 and Figure 2. Protectionism precautions are traditionally implemented in order to protect domestic manufacturers against foreign competition. Today, mostly non-tariff precautions are common since it is not possible to raise customs walls. Organization of ‘domestic goods’ campaigns in order to promote the use of domestic goods may be an example. Non-tariff obstacles that become increasingly evident with the global crisis are confronting the exporter in many ways. For example, a new and highly controversial law in the USA that entered into force on November 12, 2008, USA Consumer Product Safety Improvement Act (CPSIA) is one of these regulations (TURKAK).

As it is seen on Figure 1, 4 important European countries like France, Germany, Italy and England are the ones that followed the USA on the list of countries that imposed most tariffs in number and in the ratio under the name of compensatory customs duty which damage their trade partner. After them there were important commercial countries like Canada, Australia, Japan on the list (European Central Bank, 2010).

Figure 1: Countries that Imposed Compensatory Customs Duty the Years between 2005-2008

Source: European Central Bank: Occasional Paper Series (2010), Protectionist Responses to the Crisis.

However, the adoption of protectionist policies gained momentum after 2008 when the financial crisis in the US bond market produced a domino effect over the real economy of many EU countries (Evenett, 2013a). To struggle against the negative effects of the crisis, they imposed traditional protectionist policies to non-EU third parties, like importation quotas and tariff measures, along with new protectionist strategies, like exportation quotas, invisible trade obstacles, standby credits by governments to strategic sectors, and exchange rate policies (Love and Lattimore, 2009). Overall, the number of protectionist measures taken by EU countries from 2008 amounted to 688 and involved mainly France, Germany, Italy, Luxembourg, Spain, and UK (Table 2).

Table 2: State Measures Taken during the Global Downturn and Likely to affect Foreign Trade (November 2008 to December 2009)

	Number of measures taken (1) +(2)	Trade-liberalising or protectionist neutral measures (1)	Protectionist measures (already implemented or announced) (2)	Number of sectors affected by implemented protectionist measures (3)	Number of trading partners affected by implemented protectionist measures (4)
G8	207	21	186	51	179
G20	446	56	390	58	196
of which:					
Brazil	32	10	22	11	34
China	27	3	24	23	138
Korea	0	0	0	0	0
India	51	5	46	14	141
Japan	10	0	10	9	98
Mexico	14	5	9	23	32
Russia	58	10	48	25	132
Saudi Arabia	7	1	6	4	3
US	54	2	52	20	120
European Union (average) of which:	27	3	24	7	85
France	27	4	23	14	118
Germany	43	4	39	21	116
Italy	31	3	28	8	93
Luxembourg	22	3	19	4	74
Spain	29	3	26	13	108
UK	30	3	27	6	122

Source: European Central Bank (2010)

In particular, most leading EU countries have employed the shield of protectionism for their strategic sectors by applying compensatory customs duty towards non-EU countries (European Central Bank, 2010). A significant example of protectionist measures adopted in the EU comes from the biofuel market. When in 2008, thanks to the US government aids, the US biodiesel started to be sold very cheaply in the EU market (in some cases even cheaper than the vegetable oils that it is made of), the European Council decided to apply antidumping taxes from 213 to 409 Euros per ton to biodiesel imported from the US for the next 5 years. A similar measure was adopted also against biodiesel imported from Argentina and Indonesia. Another emblematic example of protectionist policies comes from the antidumping taxes imposed to a number of goods imported from China, such as screws, bolts, candles, steel wires, and especially solar panels. On August 2013, taxes increased from 11 to 47 per cent, causing thus a lost of about 21 billion Euros in the Chinese economy only in the solar panels sector (Evenett, 2013b).

Looking at the number of protectionist policies adopted after 2008, it is worth noting that EU industry mainly affected the agricultural goods and gardening sector (with 233 protectionist measures adopted), followed by the basic chemical sector (225), and transportation equipment sector (193) (Table 3)

Table 3: Top 20 EU sectors Most Affected by Discriminatory Measures since November 2008

Affected Sector	Number of discriminatory(red) ¹ measures affecting commercial interests in this sector	Number of discriminatory (red) implemented measures affecting specified sector and still in force	Number of jurisdictions implementing measures affecting specified sector and classified as red	Number of pending measures specified sector
Products of agriculture, horticulture and market gardening	233	179	80	116
Basic chemicals	225	198	65	123
Transport equipment	193	163	72	83
Special purpose machinery	182	157	64	67
Basic metals	179	162	65	120
Meat, fish,fruit,vegetables,ails, and fats	153	118	72	86
General purpose machinery	141	125	56	64
Financial intermediation services and auxiliary services	140	98	41	51
Fabricated metal products, except machinery and equipment	138	128	56	71
Live animals and animal products	133	104	64	54
Grain mill products, starches and starch products; other food products	122	90	63	71
Other chemical products man-made fibres	118	104	60	56
Yarn and thread woven and tufted textile fabrics	115	103	60	52
Glass and glass products and other non-metallic products n.e.c.	107	96	65	66
Rubber and plastics products	106	99	58	53
Electrical machinery and apparatus	101	91	56	56
Furniture; other transportable goods n.e.c.	99	86	59	44
Textile articles other than apparel	94	83	67	44
Knitted or crocheted fabrics ; wearing apparel	94	84	63	36
Audio, television and communication equipment and apparatus	83	74	53	38

Source: Evenett (2013b)

The most relevant compensatory custom duties adopted in the EU have been the trade defence policies (484), followed by the bailout/state aid measures (476), and by the tariff measures (232) (Table 4). By contrast, the most effective policies have been the export subsidies (which affected 198 EU commercial partners), followed by the bailout/state aid measures (194), and the export taxes or restrictions (183). In this framework, it is worth noting the role played by the public procurement restrictions which were approved by the European Parliament at the beginning of 2014. Such measure prohibits non-EU third parties to participate in the EU countries' public procurement over 5 million Euros, unless the market access is mutual. Although the number of public procurement restrictions adopted amounts so far only to 46, they affected 137 EU commercial partners, in particular Canada, US, Korea, and Mexico.

Table 4: The Most used ten Compensatory Customs Duties that Have Negative Effects on EU Foreign Trade Partners- Year 2013

		Number of almost certainly discriminatory measures imposed since November 2008	Number of discriminatory measures imposed and still in force)	Number of jurisdictions that imposed these discriminatory measures since November 2008	Number of jurisdictions harmed by these discriminatory measures since November 2008
1	Trade defence measure (AD)	484	442	63	90
2	Bailout/ state aid measure	476	339	53	194
3	Tariff measure	232	182	74	167
4	Non tariff barrier (not otherwise specified)	164	154	69	167
5	Export taxes or restriction	113	78	63	183
6	Investment measure	98	96	41	106
7	Migration measure	85	78	34	145
8	Export subsidy	53	48	48	198
9	Import ban	47	42	29	100
10	Public procurement	46	45	21	137

Source: adapted from Evenett (2013b)

2.2. Protectionism in Finance and Capital Markets

After the global crisis, the tendency towards protectionism has increased in capital and finance markets as well as product market. Funds flowing into the developing economies have started to regress rapidly starting from 2007. France and England stipulated the banks that have obtained capital or loan support to use this fund by allocating them domestically or to only use them in foreign operations of national companies. Stipulation of France for French automotive companies to close their factories in foreign countries, especially in Middle and East Europe, and to move them to France in exchange for the financial support to be given by the government is another representation of protectionist tendencies. Switzerland has attempted to gain indirect favors by not including the loans given to domestic companies in certain capital ratios. This issue was made a preliminary requirement for banks using TARP (crisis program for financial institutions implemented by the USA Government in 2008 – Troubled Asset Relief Program) funds. It is beyond doubt that the most dangerous protectionism model is financial protectionism.

Many banks that are in a rather national approach, especially big and important banks in New York, London, Frankfurt and Tokyo, have returned to their own countries after government aids. Especially certain banks were forced to invest in their countries by their governments (Hufbauer and; Stephenson, 2009:2).

International banks ceasing their activities in foreign countries have caused loan crisis while inducing discussions on recovery plans for real industries that have difficulty in finding funds. In this context, it is said that the results of financial protectionism will constitute an important test in political, economic and legal terms especially for the EU, and it must be noticed that the failure of integration in banking industry will pose substantial damages to the EU. It was stated many times by the ECB that protectionist pressures are posing serious threats for the EU and especially for Eurozone. In this point, this question must be considered: "Are we really experiencing financial protectionism, or are the banks limiting their loans?" European Centre for International Political Economy stated that both issues are in question. According to Sally, certain banks are implementing financial protectionism taking advantage of financial crisis. Another threat emerging from financial protectionism is the government aids turning towards industries other than banking industry. Thus, The strategic and protectionist-oriented support to national companies was adopted also in Italy. The huge amount of help (46,301,000 Euros) provided in 2008 from the Italian government to the FIAT national automobile company was heavily criticised by the other EU countries since it is expected to affect negatively other EU companies in the same sector (Kroes, 2009). Another protectionist measure adopted by the Italian government as a consequence of the 2008 crisis was the joint venture investment between Fondo Strategico Italiano and Qatar Holding that created the new company named 'IQ Made in Italy'. Such new company operates in the fields of food and food distribution, fashion, furniture and design, tourism, life style and entertainment and is expected to reach 2 billion Euros of investment in 4 years. Since Fondo Strategico Italiano S.P.A is funded by the Cassa Depositi e Prestiti (CDP) which is owned for 80.1 per cent by the Italian government and for 18.4 per cent by the Italian banks, the investments made by this company can be considered as indirectly aided by the Italian government.(FONDO STRATEGICO ITALIANO). Moreover, Italy not giving loss maker airlines company Alitalia to foreign countries are among the examples of protectionist implements (EURACTIVE). Similarly, Sweden preparing a recovery package for automotive industry; France providing support of 6 billion Euro for automobile producers and requesting not to move their employment and production outside in return;(United Nations Publications, 2010) In this scope, the threat of financial protectionism mostly exists in Eastern and Southern European countries. The greatest concern in these countries is the possibility of banks to withdraw their capitals. Especially former communist countries are noticed as the regions in which this concern is experienced the most. Such that, it was detected that local aids were made in order not to lose their funds to International banks

2.3. Protectionism in Monetary Markets (Currency Wars)

In global economy post-crisis recovery process has varied across countries, especially it has caused downside threats to proceed in growth of EU economies. Because of this weak growth scene in the Eurozone, continuation of problems in banking sector, deflation risk due to low inflation rates and vulnerability of economic recovery, ECB (European Central Bank) had to implement financial precautions in order to keep the region away from possible long-term deflation risk such as Japan and to prevent general decrease of consumer prices in common money region. ECB, who held on to the interest weapon just as FED, has aimed to prevent the slowdown in economic activities by contributing to growth by increasing production, ensuring private banks to incur debts from European Central Bank with lower costs and increasing the amount of money in circulation. In the presence of these economic conditions, ECB Board of Management has declared its new economic policy precautions with interest reduction being in the first place, in the press conference it conducted after the meeting on June 5, 2014. The package included loosening money policy, supporting the credit flow into real economy and implementing non-traditional precautions, if required. With these precautions taken by ECB, it is seen that it has implemented a program similar to the financial expansion implemented by American Central Bank FED during the previous period. It was especially expected to increase liquidity in European markets, provide long-term sources for the banks to increase their credits, revive demand and positively affect consumption and investment expenses. In this scope, precautions package contains a series of LTRO (Long Term Refinancing Operation), asset backed security procedures, reduction of ECB interest rates, implementation of fixed rate and fully reserved tenders in order to promote credits given to household and private sectors apart from finance industry.

With this new Targeted Long Term Liquidity Operation, public and real industry companies apart from mortgages are allowed to provide credits from ECB 3 times the credits they provide. ECB also has decided to intensify its works towards direct purchases from asset backed financial products in order to strengthen its money policy transfer mechanism.

The most anticipated declaration of ECB is certainly on interest rates. ECB has implemented an interest deduction, and declared that it has reduced policy interest from 0,25 percent to 0,15 percent and deposit interest under zero by reducing it to -0,10 percent with a decrease of 10 points, effective from June 11, 2014. Therefore ECB has become the first leading central bank in history which implemented a negative interest rate. Also, the precautions taken in order to eliminate the risk of deflation due to the decrease of consumer inflation to 0,5 percent levels which is ideally considered to be around 2 percent in Eurozone, has aimed to return the inflation to a level around 2 percent. In the program, it was aimed for the growth for 2014 to be 1 percent, inflation to be 0,7 percent, the growth for 2015 to be 1,7 percent, inflation to be 1,1 percent, the growth for 2016 to be 1 percent, inflation to be 1,4 percent. After these decisions taken by ECB, the expectation for positive developments in the market caused a disappointment with the inflation data obtained in July. There upon, growth and inflation figures were revised, growth estimate was reduced from 1% to 0.9% and inflation estimate was reduced from 0.7% to 0.6%. However, upon the inflation rate being -0.3 percent and unemployment rate continuing to decrease in January and reducing from 11.3 percent to 11.2 percent, ECB has decided to implement its asset purchase program in March which it first brought forward in 2012 and declared in January 2015. Also, ECB's money policy meeting has issued a decision to fix the interests at 0.05 percent.

As a matter of fact, Switzerland was expecting such policy from ECB and gave up its policy to fix its currency against Euro. On the other hand, despite countries such as Germany and Netherlands were intensely against ECB to obtain bonds by issuing money since it would require them to undertake the load of weaker Eurozone countries, ECB has started to purchase assets on March 9.

ECB has declared that within the program it declared, bonds may be obtained from countries within the recovery program such as Greece and South Cyprus, however it would be depending on stricter conditions. ECB has been purchasing assets worth 60 billion Euro from public and private industries each month from March 2015, and the program is expected to last at least until the end of September 2016.

2.4. Protectionism in Labor Markets

In addition to globalization and increasing competition in the world, adverse effects brought by global crisis has caused a relatively tougher environment which requires being qualified in the labor market. In this context, due to the unemployment rate rapidly increasing to a record level, precautions for protecting local employment were also implemented. (Ozansoy,2009)

As a matter of fact, in the years when the crisis was emerging and newly starting to affect markets of the EU countries, unemployment rate of 7.1% in 2008 has shown a rapid increase and has risen to levels such as 9% in 2009 and 9.6% in 2010 (EUROSTAT, a). As seen in Table 5 below, when the course of unemployment occurred in the EU countries is discussed as trimesters starting from 2012 and general unemployment rate of the EU countries is examined, the unemployment rate that was 10.1% in the first quarter of 2012 was increased to 10.7% in the last quarter of the year. Unemployment that increased in 2013 is still at high levels despite it has tended to decrease in the last quarter of 2014 and recorded as 10%. On the other hand, when the unemployment data from Greece and Spain, where the heavy loss due to the crisis was the most, is examined, it is seen that this figure is much higher compared to other EU member countries. As a matter of fact, it was recorded that the unemployment rate in Greece that was 21.9% in the first quarter of 2012 has increased to almost 28% in the third quarter of 2013. In Spain, unemployment rate was around 27% in the first quarter of 2013.

Table 5: Unemployment Rates in Between 2012 and 2014years

Countries	2012				2013				2014			
	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂	Q ₃	Q ₄
Eu Countries²	%10.1	%10.4	%10.5	%10.7	%10.9	%10.9	%10.8	%10.7	%10.5	%10.3	%10.1	%10
Italy	%9.6	%10.4	%10.6	%11.2	%11.7	%12.1	%12.3	%12.6	%12.7	%12.5	%12.9	%13
Spain	%24	%24.4	%25	%26	%27	%26	%26	%26	%26	%24	%24	%23.7
France	%9.5	%9.7	%9.8	%10.1	%10.3	%10.3	%10.3	%10.1	%10.1	%10.1	%10.3	%10.4
Greece	%21.9	%23.9	%25.5	%26.2	%26.8	%27.6	%27.9	%27.6	%27.1	%26.9	%26.2	%25.9
Uk	%8.3	%8.1	%7.9	%7.8	%7.8	%7.8	%7.7	%7.2	%6.9	%6.5	%6.1	%5.8
Ireland	%15.03	%14.8	%14.6	%14.2	%13.8	%13.5	%12.7	%12.2	%11.9	%11.7	%11.2	%10.7
PORTUGAL	%14.9	%15	%15.8	%16.9	%17.5	%16.4	%15.6	%15.3	%15.1	%13.9	%13.1	%13.5

Source: www.tradingeconomics.com

In 2015, general unemployment rate of the EU in February as 9.8% was tending to decrease compared to previous months, however it can be said that it is still around high levels (EUROSTAT, b).

As a result of this increase in unemployment rate and workforce loss due to economic crisis, benefiting from limited sources has turned into a social competition area; therefore competition on limited public sources in parallel with the tension among social groups has increased. Especially the behaviour towards third world citizens who are perceived as potential rivals for labor market has become rougher. Such that, fear of workers, who work in limited employment areas for losing their jobs to immigrants or other third world citizens, has gradually increased. Mostly non-resident workers were fired and residents were chosen in new employments rather than foreign workers (Hufbauer and Stephenson, 2009:3). However, in this sense it is possible for extreme nationalist and racist behaviors to sabotage cultural integration especially within the EU – protests directed to foreign workers as well as tougher policies for immigration and immigrants in the political wing are drawing attention as the greatest supporters of this situation (Archer, 2009:3). Naturally, these fears cause anti-immigrant protests to emerge in the society. For instance; British refinery workers protesting employment of Portuguese and Italian workers in a refinery project in England have shouted slogans as “British jobs for British workers” in the strike they went on in February 2009. Unions continuously emphasize on issue that foreign workers would not work in Britain is an indicator of increasing protectionist tendencies. On the other hand, it was declared that 300 contracted Italian and Portuguese workers will work in a Project to be undertaken by French-invested “Total” Petroleum Company in England, and this was reacted against by British workers (Baytar, 2011). During the period in which the effects of the crisis was heavily felt, this approach of French-invested petroleum company Total was caused major protests in England (Crumley, 2009). British workers who wanted to meet Gordon Brown, former chairman of the labor party and prime minister of the period, have increased their pressures by requesting him to keep his promise for employment of British workers in British jobs in a meeting conducted in 2007, then the French company has decided to employ British workers (Baytar, 2011).

Similar to England, another major protest was made by Irish workers who reached against employment of Polish workers in construction industry in Ireland. After the acceptance of Poland as a EU member in 2004, approximately 300.000 Polish workers flocked to Ireland due to the explosion in Irish construction industry. With the 2008 crisis, thousands of Polish workers had to return to their country with the collapse of Irish real estate market; however the reaction has increased against Polish workers who did not choose this way and stayed in Ireland, and thus caused domestic-foreign worker competition between Irish and Polish workers during the crisis that caused firings. In parallel with this, continuation of energy industry strikes in England through the first months of 2009 was interpreted as a sign that period opening employment market to foreign workers in Europe has come to an end (Deutschewelle, 2009).

Also, the perception became evident towards the development of possibility for immigrants to benefit from the rights and privileges of the host country (Noi, 2007:115) and to take advantage of social funds by obtaining government aid without making any contribution (Freudenstein, 2011:48 not included in references).

²The European Union, having 27 member states in 2012, rised up to 28 the number of their members, by Croatia's joining the in European Union on 1th July. According to Table 5, the data of unemployment rates in 2012 were calculated by being averaged of unemployment datas of 27 EU member-states.

In this case, it is stated that the pressure to immigration has increased while the labor market gets smaller in Europe as the world, and tougher methods are implemented in order to keep the people away from immigrant-receiving countries; therefore immigrants are becoming the target of social exclusion (Yılmaz, 2009).

The problem of unemployment that has increased in the EU countries since the crisis has increased the concerns for the future and constituted the most important reason behind the increase in protectionist precautions such as employing domestic workers. As it is seen, the cost of adaptation to re-arrangements of financial crisis upon worldwide work distribution and the related structural change was picked up by immigrant working class and the poor in the society almost in every country. In addition, it became harder to implement policies in order to protect the workforce in the national level independent from foreign markets (Koray, 2005:340).

3. Conclusion

The fast spreading crisis in the real market originating from the US mortgage market has implied demolishing effects in the EU economy and therefore many EU countries turned to protectionist policies to prevent the negative effects of the crisis. Although the rules of protectionism are defined by the World Trade Organization (WTO) by means of agreements, protectionism can take different measures such as non-tariff barriers, invisible trade barriers, exchange rate policies, government supporting measures, etc. In particular, many EU countries have adopted specific laws to limit or even forbid foreign companies from buying national prominent companies. Overall, the EU countries have implemented so far approximately 700 protectionist measures since 2008 as a pragmatic way of dealing with the consequences of the economic crisis. It is worth nothing that supranational organizations like WTO and the International Monetary Fund (IMF), which play a significant role in the world economy, are increasingly warning EU countries about the possible rebound effects of the protectionist measures adopted as already happened in the past. Indeed, protectionist policies can affect social welfare and the usage of resources in multiple ways and do not represent a tool for the full solution of the ongoing crisis.

References

- Adda, J. (2002).Ekonominin Küreselleşmesi, Çev.İneci S, İstanbul: İletişim Yayınları.
- Acar, M.(2010). İktisadın Ezeli Sorunsalı: Serbest Ticaret mi? Korumacılıkmı? Retrieved from <http://www.muhasibetr.com/makaleler/007/,07.010.2010>, Accessed Date September 10,2012.
- Archer, T.(2009). Immigration in Europe at a Time of Economic Hardship. The Finnish Institute of International Affairs, BriefingPaper 27, 13 February.
- Baytar, R. (2011) .Küresel Kriz Sürecinde Artan Korumacı Önlemlerin Gelişmekte Olan ÜlkelereYansımaları. İstanbul Ticaret ÜniversitesiSosyal Bilimler Dergisi, Sayı:19 Bahar,pp.269-289. Retrieved from <http://acikerisim.iticu.edu.tr:8080/xmlui/handle/11467/602> .Accessed Date June 05, 2014.
- Crumley, B.(2009) .Protectionism on the Rise in Europe? Retrieved from <http://content.time.com/time/world/article/0,8599,1876944,00.html>. Accessed Date May 10,2014.
- Dadush, U.(2009).Resurgent Protectionism: Risks and Possible Remedies. Carnegie, Policy Outlook. Retrieved from <http://carnegieendowment.org/2009/03/10/resurgent-protectionism-risks-and-possible-remedies>.Accessed Date March 20, 2014.
- Efere, P. (2002). Trade& Protectionism. International Business, Trans-Atlantic College, London.Retrieved from <http://www.bayelsa.org.uk/pdf/bsup-international-business-trade-and-protectionism.pdf> (01/12/2010).Accessed Date September 08, 2014.
- Deutsche welle. (2009). İngiltere’de Kriz Büyüyor. Retrieved from <http://www.dw.de/ingilterede-kriz-b%C3%BCy%C3%BCyor/a-4022914-1> Accessed Date May 14, 2013.
- EURACTIVE.Retrieved from www.euractiv.com.tr/ticaret-ve-sanayi/link-dossier/ab-ve-korumacilik-000067. Accessed Date September 20, 2012.
- European Central Bank. (2010) .Occasional Paper Series. Protectionist Responses to the Crisis Global Trends and Implications.Retrieved from <https://www.ecb.europa.eu/pub/pdf/scpops/ecbocp110.pdf>.Accessed Date, September 5, 2015.
- EUROSTATa.Retrieved from [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Unemployment_rate,2003-13_\(%25\)_YB15.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Unemployment_rate,2003-13_(%25)_YB15.png), a, Accessed Date April 04, 2015.

EUROSTAT b. Retrieved from

http://ec.europa.eu/eurostat/statistics-explained/images/c/cd/Unemployment_rates%2C_seasonally_adjusted%2C_February_2015.png), b, Accessed Date March 20, 2015.

Evenett, S., (edt.). (2010/a). Will Stabilisation Limit Protectionism? The 4th GTA Report – A Focus on the Gulf Region, CEPR Publishing. Retrieved from <http://globaltradealert.org/gta-analysis/will-stabilisation-limit-protectionism-4th-gta-report?top-ad>, Accessed Date September 03, 2014.

Evenett, S. (2010/b). The Global Overview: Has Stabilisation Affected The Land Landscape of Crisis-Era Protectionism, Evenett S.,(edt.), Will Stabilisation Limit Protectionism? The 4th GTA Report – A Focus on the Gulf Region, (17–30), CEPR Publishing. Retrieved from http://www.globaltradealert.org/sites/default/files/evenett_gta4.pdf. Accessed Date September 28, 2014.

Evenett, S., (edt.). (2010/c). Tensions Contained...For Now: The 8th GTA Report, CEPR Publishing, November. Retrieved from http://www.globaltradealert.org/sites/default/files/GTA8_0.pdf. Accessed Date July 19, 2014.

FONDO STRATEGICO ITALIANO/Retrieved from <http://www.fondostrategico.it/en/media/press-releases/fsi-and-qatar-holding-sign-jv-to-invest-up-to-2-billion-in-made-in-italy.html>. Accessed Date May 20, 2014.

Freudenstein, R. The Rise of Populism in Europe: Which Answers? Schuman Report on Europe: State of the Union 2011, Der. Thierry Chopin ve Michel Foucher (Paris: Robert Schuman Foundation for Springer Verlag, 2011), 48.

Gamberoni E. & Newfarmer R. (2009). Trade Protection: Incipient but Worrying Trends, World Bank International Trade Department Trade Notes, No. 37, 2 March, s.1. Retrieved from http://siteresources.worldbank.org/NEWS/Resources/Trade_Note_37.pdf. Accessed Date March 15, 2015.

Hufbauerand, G. & Stephenson, S. (2009). Trade Policy in a time of Crisis Suggestion, for Development Countries CEPR Policy Insight, No33, May. Retrieved From http://www.cepr.org/sites/default/files/policy_insights/PolicyInsight33.pdf. Accessed Date September 12, 2014.

Kalaycı, İ. (2011). 2008 Küresel Finans Krizi Sonrasında Dış Ticarete Korumacılık: Paradigma Kayması mı?, Maliye Dergisi, Sayı 161, Temmuz -Aralık 2011. Retrieved from http://dergiler.sgb.gov.tr/calismalar/maliye_dergisi/yayinlar/md/161/005.pdf. Accessed Date 06 February, 2015.

Koray M. (2005). Avrupa Toplum Modeli: Sosyal Bütünleşme Mümkün mü?. İstanbul: İmge Yayınları, s. 340.

Kroes, N. (2009). State aid N 635/2008 – Italy – LIP – Fiat Sicily” European Commission Brussel.

Love, P., Lattimore, R. (2009). Protectionism? Tariffs and Other Barriers to Trade. International Trade: Free, Fair and Open? OECD Publishing. Retrieved from

<http://www.oecd-ilibrary.org/docserver/download/0109121ec005.pdf?expires=1430253419&id=id&accname=guest&checksum=348A959F78D4B5B1653D5A11975DEEDA>. Accessed Date September 15, 2014.

Noi , A. (2007). Avrupa’da Yükselen Milliyetçilik, İstanbul, IQ Kültür Sanat Yayıncılık.

Ozansoy, A. (2009) .Küresel Krize Karşı Korumacılık Refleksleri. Retrieved from <http://www.ahmetozansoy.com/sdetay.asp?did=71,1499,b&title=kuresel-krize-karsi-korumacilik-refleksleri>. Accessed Date June 10, 2014.

Rodrik, D. (2011). Akıllı Küreselleşme, (ÇEV: Burcu Aksu). Ankara :Efil Yayınları.

Tuncer, S. (1994) .Yeni Korumacılık. İstanbul Sanayi Odası Dergisi, Vol:334.

TURKAK . Retrieved from www.turkak.org.tr/TURKAKSITE/DuyuruListe.aspx, Accessed Date 06 September, 2014.

TÜRMOB. (2009) .Korumacılık Eğilimleri Krizi Derinleştiriyor. Bilanço, Vol:149, Mart 2009, s.14-17.

UNITED NATIONS PUBLICATIONS (2010) International Trade After the Economic Crisis: Challenges and New Opportunities. Retrieved from http://unctad.org/en/Docs/ditctab20102_en.pdf, Accessed Date, 9, September, 2014

Yılmaz, K. (2009). Küresel Kriz, Durgunluk ve Artan Korumacılık Eğilimi, EAF Politika Notu 09-01 Mart. Retrieved from http://eaf.ku.edu.tr/sites/eaf.ku.edu.tr/files/eaf_pn0901.pdf. Accessed Date 08 July, 2014.