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# Executive Summary

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## **Revisiting contemporary protectionism on the basis of a far greater evidential base**

With the return to economic growth of many industrialised economies in either late 2009 or the first half of 2010, combined with sustained expansions in the emerging market economies, came the hope that protectionist pressures would ease in the world economy through 2010. If anything, the period since our last report was published in January 2010, has been one of the busiest for the Global Trade Alert team.

Nothing short of a mountain of evidence has been uncovered in recent months concerning state measures announced after the start of our reporting window, November 2008 (corresponding to the date of the first crisis-related G20 summit held in Washington DC.) A total of 247 new reports on implemented or announced and pending state measures have been added to the Global Trade Alert database since our last report was published, expanding the total number of reports to 960. This 40 per cent expansion in the GTA's database provides for a more comprehensive assessment of contemporary protectionism and, as will become clear, some of our previous findings have had to be revised accordingly.

The purpose of this fifth report of the Global Trade Alert is to provide an overview of the state measures taken during the current global economic downturn and nascent recovery<sup>1</sup> that might affect international commerce. The principal findings of the report are summarised below and a global overview of contemporary commercial policies is provided in chapter 2 of this report.

Like our two previous reports, this report also has a regional focus. This time our focus is on Sub-Saharan Africa, whose development significance is evident. What may be less well known is that Sub-Saharan African governments have not resorted to protectionism on the scale of industrialised countries and some developing country peers during the recent global economic downturn (see Map 1.1). Indeed, the contest for foreign direct investment (FDI) appears to be in full swing in Sub-Saharan Africa, with

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1 The recent downturn in business sentiment in Europe and the dislocation in the financial markets associated with the solvency of certain Eurozone governments are discussed in the next chapter. Should the world economy ultimately succumb to another bout of contraction then the past six months may well have been a lull before the storm, with attendant implications for the corporate demand for protection from foreign competition. The Global Trade Alert does not make macroeconomic forecasts, instead its team stands ready to monitor the potential cross-border implications of state measures taken over the coming months irrespective of macroeconomic conditions.

governments making repeated changes to tax, investment, and other policies to lure foreign firms to establish facilities.<sup>2</sup>

Sub-Saharan Africa is also the recipient of preferential access to the markets of many industrialised countries. This report contains two papers on the likely reforms to the United States and European Union trade preference regimes and their potential implications for Sub-Saharan Africa. These papers will, therefore, also be of interest to those following the West's policies towards Sub-Saharan Africa.

## **A contribution to policy dialogue through independent monitoring of state measures**

Global Trade Alert (GTA) has always operated on the assumption that in current circumstances the most practical approach to resisting protectionism is to combine peer pressure with high-quality, current information about state measures and their actual or potential effects on foreign commercial interests. Governments, the media, and civil society are the key sources of the former; the job of Global Trade Alert and other monitoring exercises is to provide the latter.

An assessment as to the extent and changes over time in protectionist dynamics is also provided for in this Report, by considering not just the quarter-by-quarter changes in the numbers of protectionist measures implemented but also the number of pending measures that have been announced and are expected to be implemented in the future. Information on the pending measures provides policymakers with an "early warning" of what is to come, a feature unique to the GTA's monitoring initiative.

## **Principal findings of the Fifth Report concerning crisis-era protectionism**

The substantial expansion in the GTA's database permitted a re-evaluation of the key aspects of crisis-era protectionism. Below is our latest assessment of these dynamics.

1. Since the first G20 crisis-related summit in November 2008, the governments of world have together implemented 496 beggar-thy-neighbour policy measures; that is, more than one for every *working* day. Add in another 86 implemented measures that are likely to have harmed some foreign commercial interests, the total reaches 582; that is, more than one for every *actual* day since the first G20 summit in November 2008.
  - a. Of those 247 new entries in the Global Trade Alert, 131 government measures been implemented that almost certainly discriminated against foreign commercial interests. The total number of implemented (almost) discriminatory measures in the Global Trade Alert database rose then to 496 measures, just over half of the total number of reports (960).

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2 Some of the best evidence for this sustained policy of openness can be found in the budget speeches of various finance ministers from Sub-Saharan Africa over the past two years.

- b. Since our last report was published in January 2010, the number of beggar-thy-neighbour measures reported (131) was less than three times the number of benign or liberalising measures reported (53). This ratio was considerably more favourable to market opening than in the previous GTA reports, and constitutes some good news.
2. Since the first G20 crisis-summit, bailouts and state aids are the most frequent source of discrimination against other nations' commercial interests. Thirty-one percent of all discriminatory measures were bailouts. By now 96 out of the 166 discriminatory state aid/bail out measures in the Global Trade Alert database are in sectors other than the financial sector; many governments have taken the opportunity of the crisis to bail out manufacturers and farmers.
3. Although there are a lot of anti-dumping, anti-subsidy and safeguard measures in the pipeline, they still account for only 99 of the 496 harmful measures implemented since November 2008. The large numbers of discriminatory measures reported in the Global Trade Alert database are, therefore, not driven by so-called unfair trade actions.
4. Relatively speaking tariff measures--the trade barrier most associated with the 1930s--continue to decline further in numerical importance. Tariff increases account for only one in eight of the total number of discriminatory state measures imposed in the current global economic downturn.
5. No doubt to the embarrassment of those who systematically talked down the incidence of protectionism during 2009, the evidence continues to mount as to the extent to which governments discriminated against foreign commercial interests.
  - a. Since our last report was compiled the GTA team has found evidence of more harmful state measures that were imposed in the last quarter of 2008 and the first half of 2009. This evidence forces us to revise upward by approximately 10 percent the number of beggar-thy-neighbour measures imposed in the first six months of 2009, to at least 115 measures per quarter.
6. By May 2010, no four-digit product line, no UN classified economic sector, and no jurisdiction has emerged unscathed by crisis-era protectionism.
7. Since November 2008 China's commercial interests have been hit 221 times by protectionist measures. Only if the 27 members of the European Union are counted together, does any other jurisdiction come close to absorbing comparable harm (the EU27 group being hit 206 times).
  - a. There have been substantial increases in the number of times certain jurisdictions' commercial interests have been harmed since the last GTA report was published in January 2010. Since that last report, everyone of the 10 ten targets have been hit by at least another 28 beggar-thy-neighbour policies. China has been hit by 60 more measures (the most again), followed by the EU 27 (53 more adverse measures) and the USA (38 more hits).
8. Despite taking their no-protectionism pledge the G20 members have imposed 316 beggar-thy-neighbour policies since November 2008. Since our last report was published in January 2010, a total of 96 more discriminatory measures implemented by G20 countries have been discovered, representing at least a 40 percent increase.

- a. The G20 countries also implemented 81 of the 107 benign or liberalising measures recorded in the GTA database. To their credit, 33 of the 41 benign or liberalising measures discovered since the last GTA report was published were implemented by G20 countries.
9. Unlike recent GTA reports, by May 2010 it was not longer the case that the Russian Federation was in the top 5 of offending nations on all four criteria (number of harmful measures implemented, tariff lines affected, sectors affected, or trading partners affected). Now, taken together, the EU 27 has this dubious distinction. See Table 1.1. below.
  - a. On all four metrics, Argentina, China, Indonesia, and Russian Federation are always in the top 10 worst offending nations.
  - b. The Russian Federation has the dubious distinction of raising trade barriers against the most tariff lines (40 percent of all product categories.) Still, Algeria takes the prize for measures that harm foreign commercial interests in the largest number of economic sectors; Indonesia for harming the most trading partners (165).
  - c. When nations are ranked by the number of trading partners their state measures have harmed, every one of the top-10 worst offenders has hurt the commercial interests of over 120 nations.
10. In the last GTA report it was stated that only five jurisdictions had taken discriminatory measures that affected more than a quarter of all the possible traded product categories; interestingly that number has now risen to nine.<sup>3</sup> Still, only six (or five if one does not count the EU 27 as a group) jurisdictions have taken measures that affect more than a third of all possible product categories. The latter demonstrates that the across-the-board measures seen in the 1930s have not been repeated in the recent global economic downturn.
11. Our expansion of the database confirms one long-standing GTA finding: Despite all the talk about measures to bolster green industries, innovation, and future growth poles of the economy, the great majority of the discrimination is in favour of domestic firms in smokestack, declining industries and in agriculture.
12. In January 2010 the GTA reported there were 188 suspicious protectionist measures in the pipeline<sup>4</sup>; by May 2010 that total has risen to 237. As in our previous reports, if every one of these measures were eventually implemented it would be equivalent just under half a year's more protectionism.

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3 The Russian Federation, Brazil, Ukraine, EU 27, Indonesia, China, Ecuador, Argentina, and India. See Table 2.5 in the next chapter for more details.

4 For the purposes of this report (and the last one) the protectionist pipeline is said to include all those state measures that (i) have been publicly announced, (ii) that have yet to be implemented and (iii) upon examination are likely to harm foreign commercial interests. Such measures are classified amber in the GTA database until implemented, whereupon their classification may change (depending on the details about the potential discriminatory impact available at the time of implementation.)

**Table 1.1** Which countries have inflicted the most harm?

Rank	Metric, Country in specified rank, Number			
	Ranked by number of (almost certainly) discriminatory measures imposed	Ranked by the number of tariff lines (product categories) affected by (almost certainly) discriminatory measures	Ranked by the number of sectors affected by (almost certainly) discriminatory measures	Ranked by the number of trading partners affected by (almost certainly) discriminatory measures
1.	EU 27 (140)	Russian Federation (487)	Algeria (54)	Indonesia (165)
2.	Russian Federation (48)	Brazil (440)	EU 27 (52)	EU 27 (163)
3.	Argentina (37)	Ukraine (389)	Indonesia (31)	China (152)
4.	Germany (28)	EU 27 (371)	Ecuador (30)	Argentina (145)
5.	India (27)	Indonesia (346)	China (26)	India (144)
6.	UK (22)	China (335)	Russian Federation (25)	Russian Federation (137)
7.	Indonesia (20)	Ecuador (316)	Mexico (24)	Belgium (132)
8.	China (19)	Argentina (299)	Argentina	UK (128)
9.	Italy (18)	India (282)	Belarus (23)	Germany (124)
10.	Austria (17)	Belgium (203)	Belgium	France (121)

*Note:* There is no single metric to evaluate harm. Different policy measures affect different numbers of products, economic sectors, and trading partners. GTA reports four measures of harm. The EU27 refers to the sum of all of the measures taken by the 27 national governments of the European Union and the measures taken by the European Commission. To be included in this total a state measure must have involved discrimination against the commercial interests of another state, including potentially another member of the European Union.

## **How GTA built its extensive database on contemporary protectionism**

Since GTA was launched on 8 June 2009 just under 1000 state initiatives have been investigated by our independent team of trade policy analysts located around the globe. These initiatives vary from packages of wide-ranging public measures, with many implications for trade and investment policy instruments, to temporary tariff increases on single product lines. GTA's goal is to provide the most comprehensive online database of state measures taken since the first crisis-related G20 summit in November 2008 that might affect foreign commercial interests. The latter are broadly conceived by the GTA team to include not just trade flows and foreign investments but also intellectual property rights and migrant workers deployed abroad. It is through careful, multi-faceted investigations of these initiatives that a rich evidential base was built, from which the contours of contemporary protectionism can be discerned. Users can access this evidence at the website: [www.globaltradealert.org](http://www.globaltradealert.org)

One of the most important steps in a GTA investigation is to establish whether the implementation of a state initiative has, or is likely, to alter the relative treatment of domestic and foreign commercial interests in the markets where the initiative's effects will be felt. In common parlance, GTA checks whether a state initiative tilts the playing field against foreign firms. GTA, therefore, does not opine on the WTO legality of a measure or whether a measure is "appropriate," "fair," "reasonable" or "crisis-related" (there being no agreed definitions of these terms.)

State initiatives that almost certainly (or certainly) introduce or change asymmetries of treatment to the detriment of some foreign commercial interests are deemed by the Global Trade Alert to be contrary to the no-protectionism pledges made at the November 2008 G20 summit in Washington, DC, and London summit in April 2009. In this Executive Summary, the phrases discriminatory and protectionist are used synonymously.

Without attempts to carefully enumerate the different types of state measures used and their various effects, any assessment of contemporary protectionism is likely to overlook key trends and is of diminished value to policymakers. That is why GTA goes beyond providing an assessment of the discriminatory impact of state initiatives. Examination of the tariff lines, sectors, and trading partners that are likely to be affected by each state initiative are carefully conducted so as to provide some indication of a public initiative's impact in what is still a relatively interdependent global economy even though, strictly speaking, there may be some circumstances where some form of discrimination is needed to attain a non-protectionist government objective.

No doubt purists will argue that a complete understanding of the consequences of crisis-era protectionism requires a detailed economic analysis of each state initiative. Such analyses could indeed be very useful, indeed the GTA team is and would gladly cooperate with experts interested in conducting such studies. But, leaving aside the question of resources and the availability of all the necessary data, quite frankly it is utopian to believe that just under 1000 such analyses could be conducted in the timeframe necessary to influence policymaking. In short, we should not make the perfect the enemy of the very good. GTA's investigations go a long way towards indicating the scale of an initiative's effects by making extensive use of publicly available trade, investment, migration, and other data. Still, the GTA team welcomes suggestions that will result in further improvements in the coverage and assessment of state initiatives.

Note: See Evenett (2009a) for an overview of the GTA's methodology and Evenett (2009b) for a discussion of the concerns some have raised about the GTA's approach.

## Mapping crisis-era protectionism

Sometimes averages and totals obscure interesting variation across countries. To counter this, and to facilitate comparisons across jurisdictions, in each report of the Global Trade Alert several world maps will be included. These maps are reproduced at the end of this Executive Summary. Map 1.1 shows how many almost certainly discriminatory measures have been implemented by each jurisdiction since November 2008. There is considerable variation across countries. Almost every major trading nation has implemented 10 or more such measures since the first G-20 crisis meeting. In contrast, with the exception of Nigeria, every African nation has implemented less than 10 discriminatory measures.

Some government initiatives affect very few trading partners, others many. Map 1.2. reports the total number of trading partners that - on the basis of existing flows of goods, investments, and people across borders - are likely to have been harmed by the implementation of a government's discriminatory measures. More than a dozen national governments have already taken measures that harm 100 or more of their trading partners. Maps 1.3. and 1.4. report the number of product categories (4 digit tariff lines) and economic sectors affected by the discriminatory measures that have been put in place since the first crisis-related G-20 summit in November 2008.

Maps were also generated for the number of times that each jurisdiction's commercial interests have been harmed by other countries' discriminatory measures. The number of countries whose state measures have adversely affected a given jurisdiction's commercial interests is reported in Map 1.5. Map 1.6 shows how many times a jurisdiction's commercial interests have been harmed by the discriminatory state measures taken by other governments.

Given the enduring interest in whether the G-20 member states have lived up to their no-protectionism pledge, Map 1.7. may be of particular interest. This map demonstrates the almost global reach of the harm done when G-20 governments violated their own no-protectionism pledges.

Map 1.8. shows that the overwhelming majority of nations will find their countries' commercial interests harmed if the discriminatory measures in the pipeline are actually implemented. Forward-looking trade policymakers may find this map and the related information in the Global Trade Alert database helpful in identifying those pending foreign measures whose implementation could be usefully influenced.

## The organisation and contents of the remainder of this Report

The rest of this Report is organised as follows. The large number of state measures investigated by the GTA team provide the evidential base from which trends in contemporary protectionism can be assessed. Next an account of the protectionist dynamics worldwide is provided, drawing on the substantial expansion in the GTA's database since our last report was published in January 2010. This global perspective is complemented by seven papers on contemporary commercial policy challenges facing Sub-Saharan Africa. Three of these papers specifically address African trade relations with leading trading partners, namely, China, the European Union, and the United States. Finally, for each nation in Sub-Saharan Africa information is presented

on the extent to which its commercial interests have been harmed by the actions of other countries. Symmetrically, information is presented on the extent to which each nation's state measures have affected other trading partners.

## References

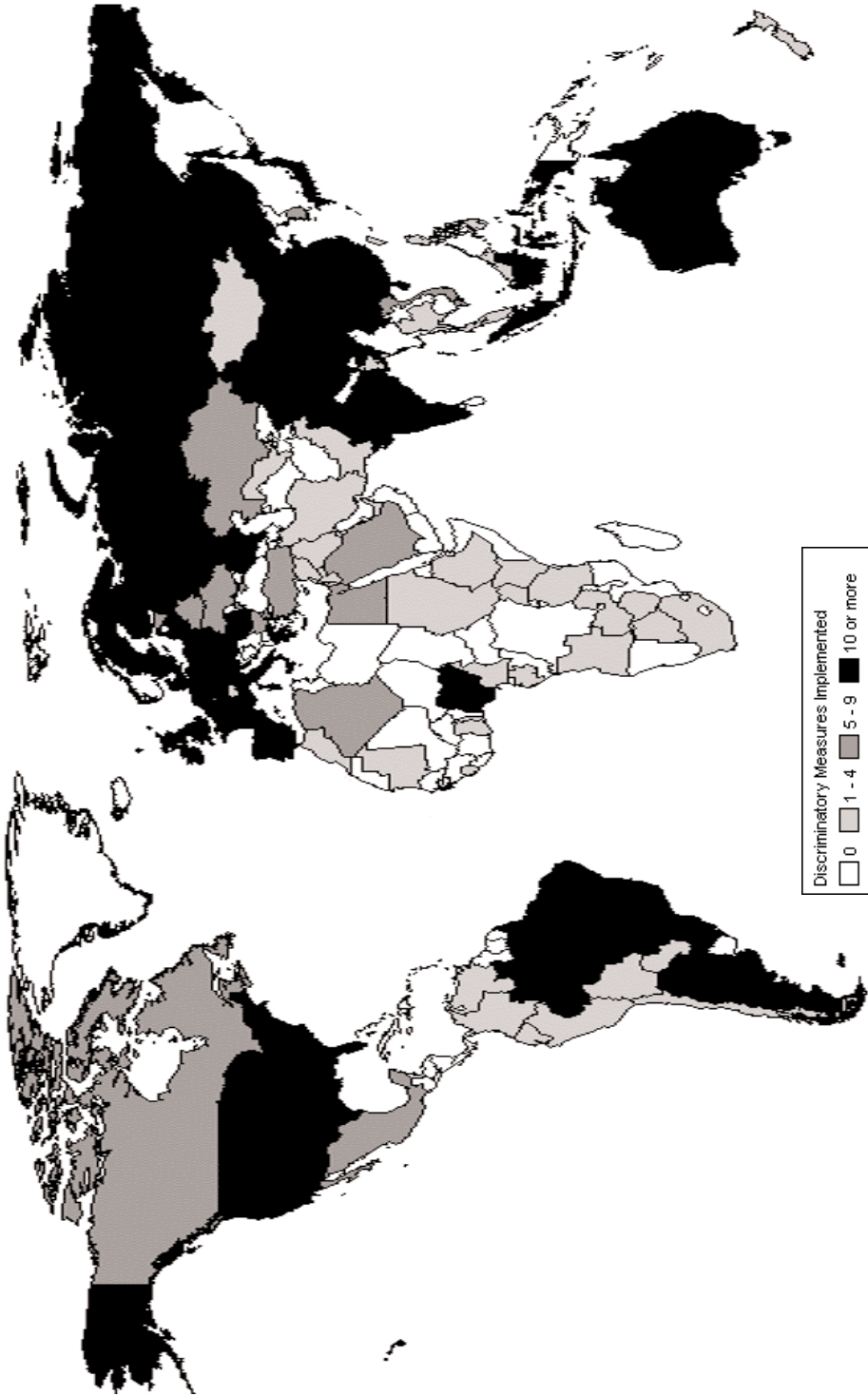
- Evenett (2009a). Simon J. Evenett. "What can be learned from crisis-era protectionism? An Initial Assessment." *Business & Politics*. October.
- Evenett (2009b). Simon J. Evenett. "Crisis-era protectionism one year after the Washington G20 meeting: A GTA update, some new analysis, and a few words of caution." In Richard E. Baldwin (ed.). *The Great Trade Collapse: Causes, Consequences and Prospects*. VoxEU.org publication. December 2009.

## About the author

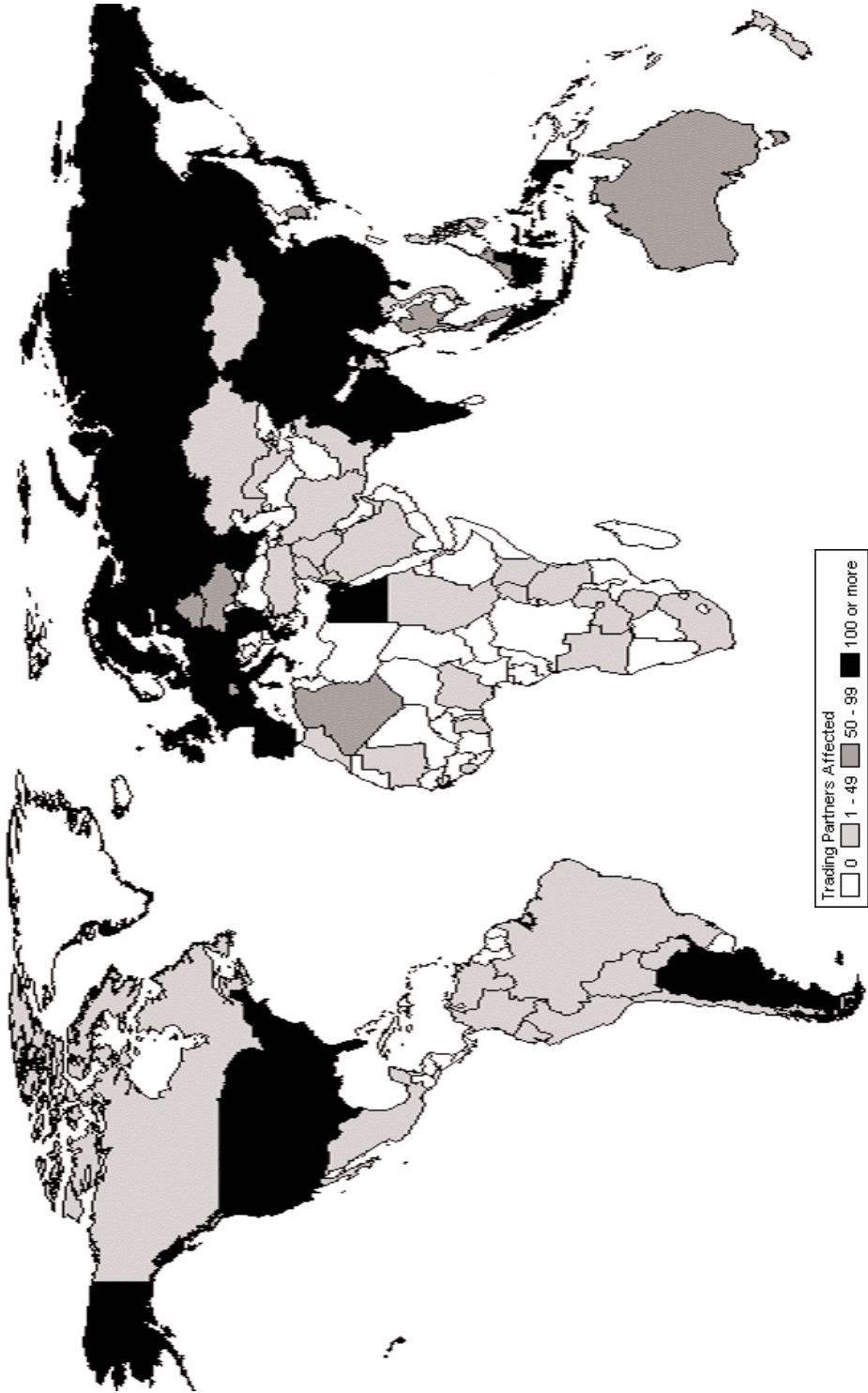
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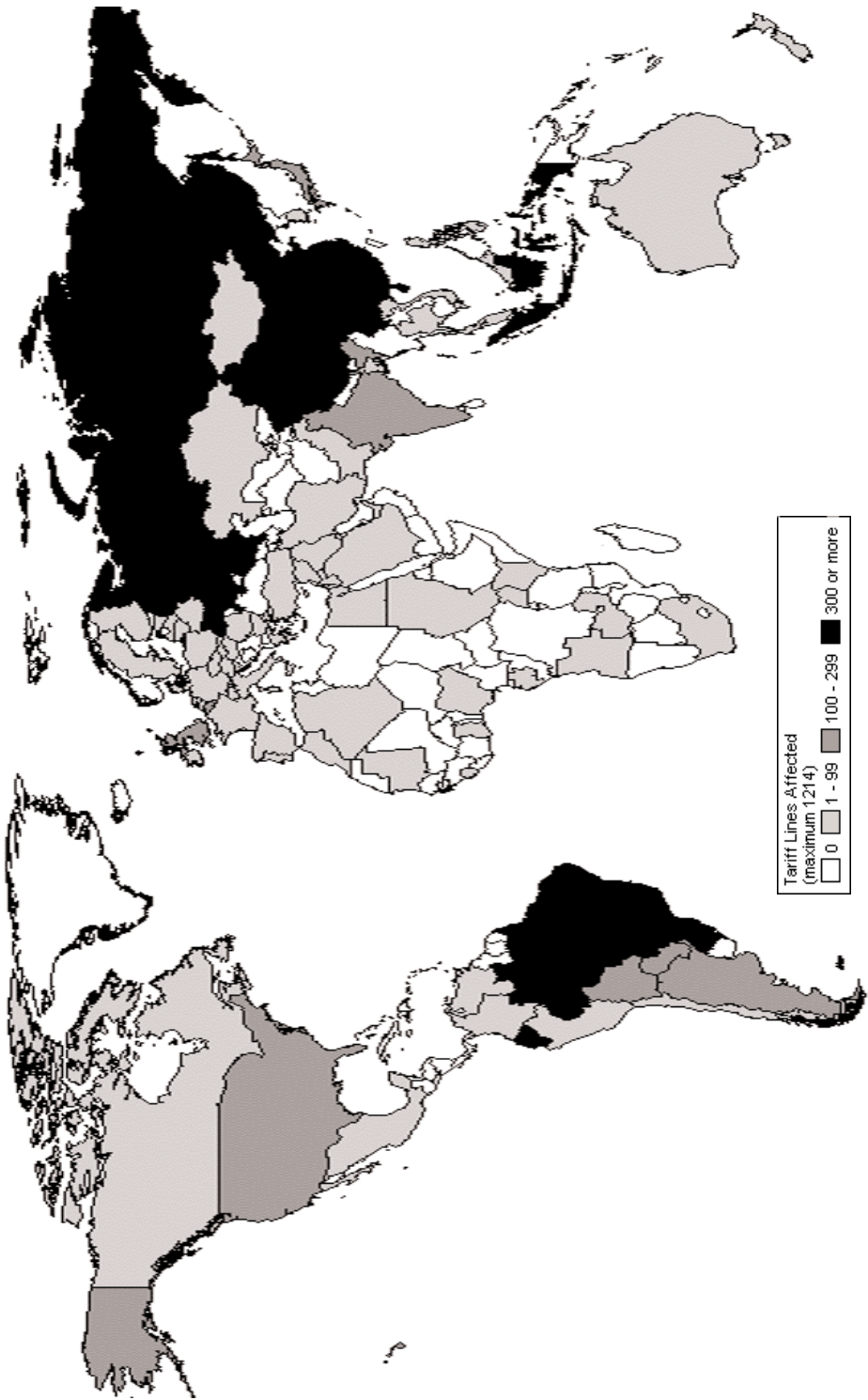
Map 1.1 Number of discriminatory measures implemented by each jurisdiction since the first G20 crisis related summit



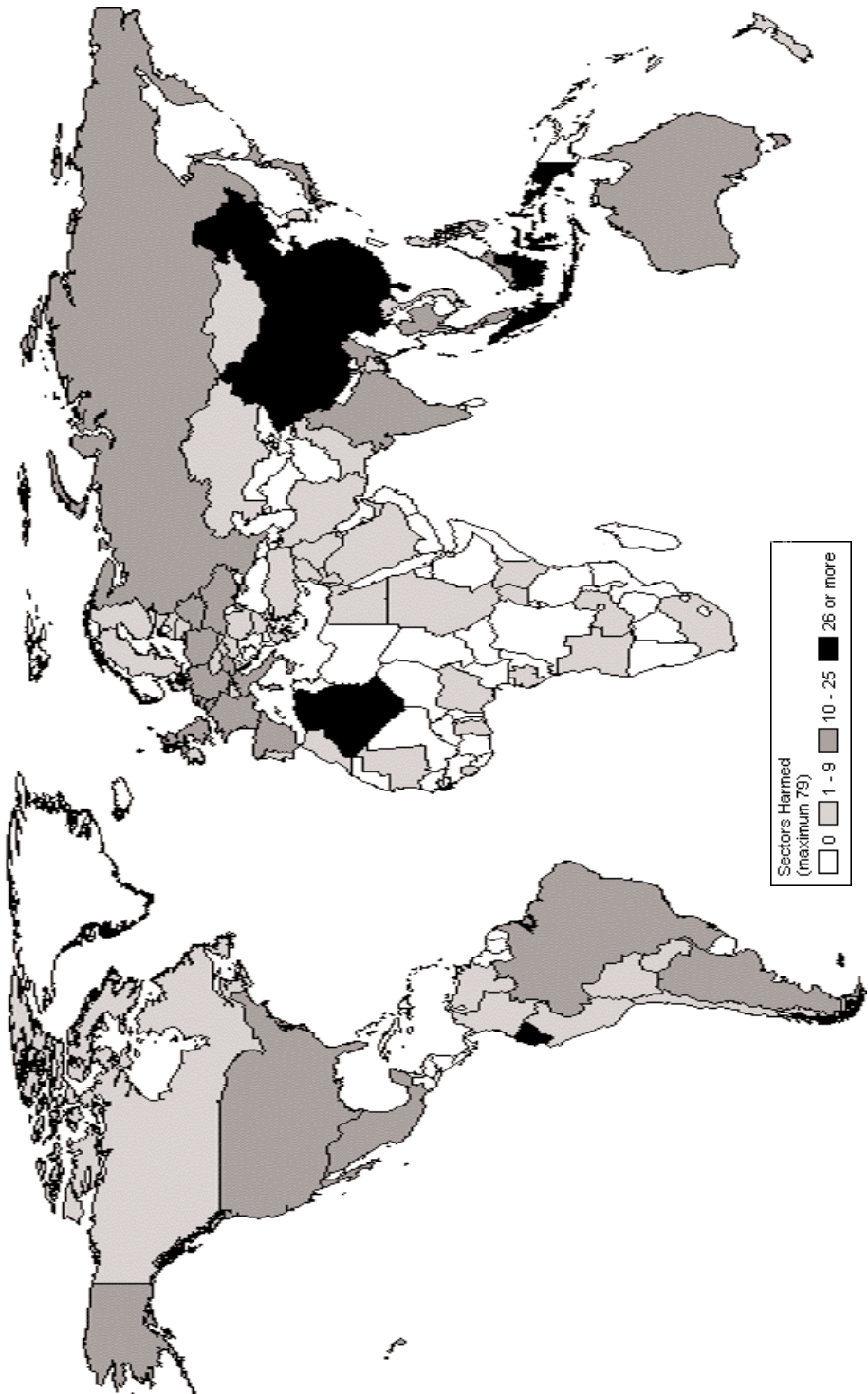
Map 1.2 Number of trading partners harmed by each jurisdiction's discriminatory measures



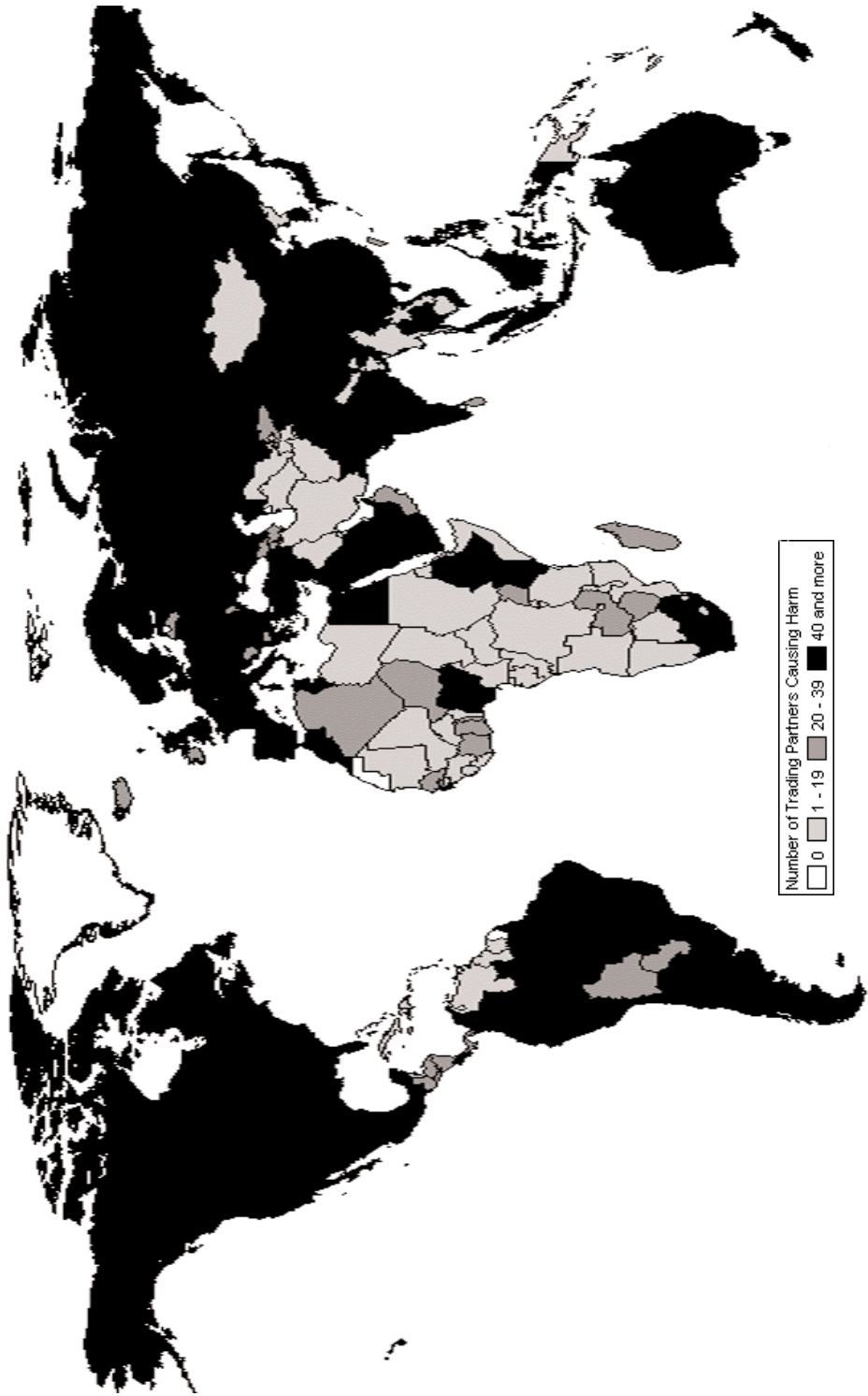
Map 1.3 Number of (4 digit) tariff lines harmed by each jurisdiction's discriminatory measures



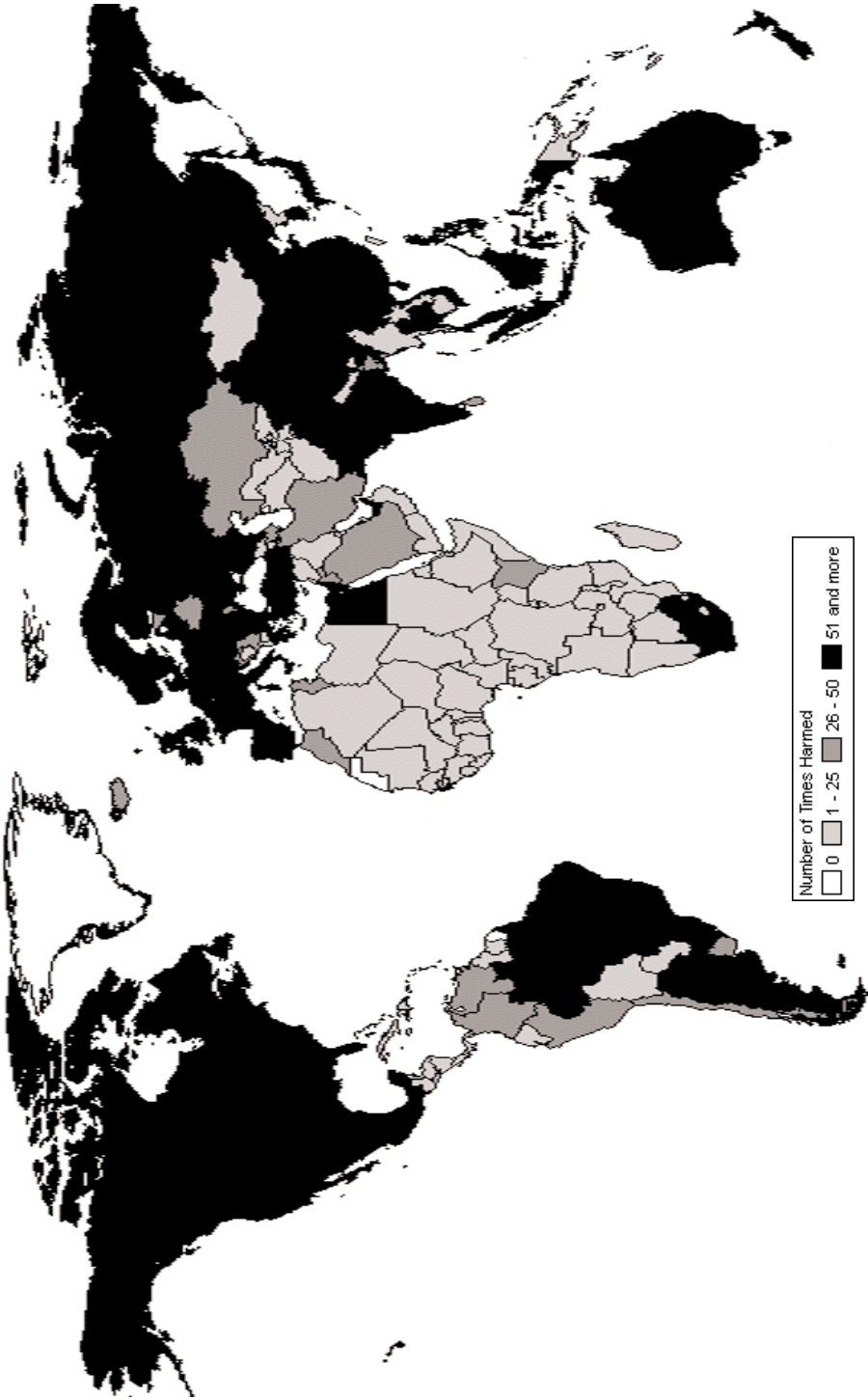
Map 1.4 Number of sectors harmed by each jurisdiction's discriminatory measures



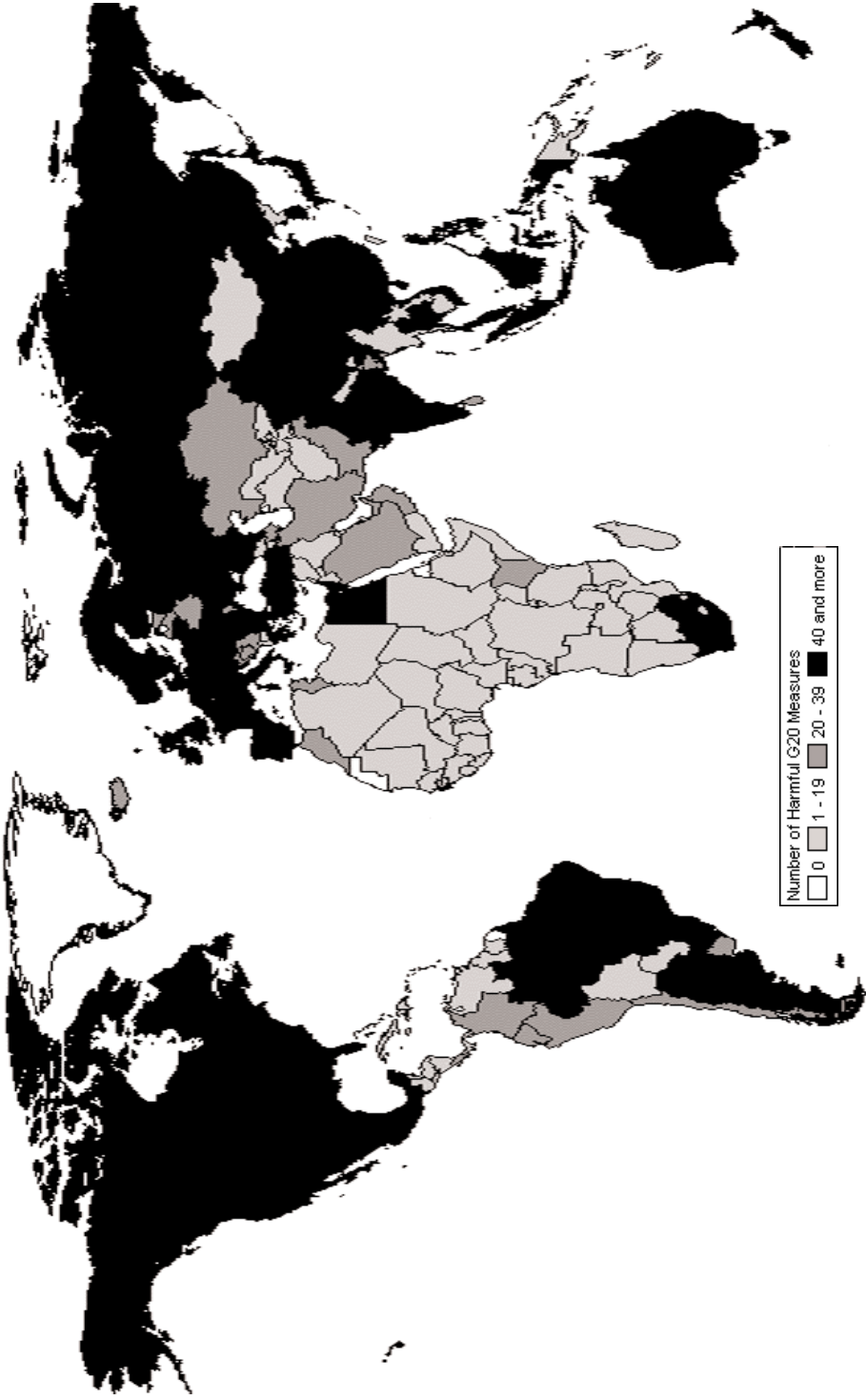
Map 1.5 Number of trading partners affecting a jurisdiction's commercial interests



Map 1.6 Number of times a jurisdiction's commercial interests are harmed by trading partners



Map 1.7 Number of harmful measures implemented by G20 countries affecting each jurisdiction



Map 1.8 Number of pending discriminatory measures likely to harm a jurisdiction

