
4 ‘Jumbo’ Discriminatory Measures and the Trade Coverage of Crisis-Era Protectionism

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In this chapter a conservative methodology is used to identify those crisis-era state measures that are likely to adversely affect both a large number of trading partners and a sizeable amount of international trade. Identifying such “jumbo” measures serves two policy-relevant purposes. First, it helps trade officials sort through the many crisis-era measures, finding those measures that are possibly the most trade-distorting, which in turn could become the focus of an international, potentially G20 led, unwinding process. Secondly, where confidence in the underlying calculations permits, the total trade covered by these jumbo measures provides an alternative, minimum benchmark for the potential impact of crisis-era protectionism.

1. Introduction

If the evidence collected in the Global Trade Alert’s database demonstrates anything, surely it is that governments have sought to discriminate against foreign commercial interests during the current global economic downturn in a wide variety of ways. Sorting out which of those state measures is most harmful--and therefore, the highest priority for potential reversal--is not an easy task. Moreover, there is only so far that the intelligent counting of measures can go. In a perfect world, economic estimates of the welfare effects of each and every measure would be conducted, enabling measures to be ranked and revealing the full scale of harm done by contemporary protectionism. Between intelligent counting and systematic estimation, however, are intermediate indicators that may (or may not) be correlated with the harm done to foreign commercial interests by governments.

In this chapter some intermediate indicators are proposed with the purpose of identifying those state measures that are more likely to have imposed substantial harm to the world trading system. These indicators are based on objective criteria, allowing the procedure here to be replicated by others using publicly-available information. The outcome--the identification of 22 of the 1050+ GTA measures

as “jumbo discriminatory measures”--may also provide a useful place to start in discussions on the unwinding of crisis-era measures or, as they are sometimes referred to, trade-related “exit strategies.” Furthermore, the total amount of international commerce associated with the “jumbo” measures will provide a useful minimum benchmark for estimates of the total trade affected by crisis-era protectionism.¹

The use of indicators, such as the trade potentially covered by a state measure, is necessarily qualified by the fact that such indicators’ magnitude may not be correlated with the ultimate amount of welfare loss. Still, many seem to prefer trade coverage numbers to counts of measures, or at least to complement the latter with the former. Even so, care is needed in computing trade coverage in a manner that best meets the informational needs of policymakers and other decision-makers.

For example, if the purpose of computing trade coverage numbers is to reveal something about the overall reach or scope of crisis-era beggar-thy-neighbour policies, then a focus on a certain class of state measures may be misleading. In the current crisis, as the GTA database has repeatedly shown, as far as counts are concerned the most prevalent form of discrimination involves bailouts and subsidies. These measures might actually stabilise or increase trade, and not reduce trade as is the case with standard trade policy instruments, such as tariffs and quotas. In which case, how useful is a calculation of the total trade coverage of import-restricting measures as an indicator of the total trade coverage of all crisis-era protectionism? Finding that the former is very small may reveal little about the latter.²

An alternative approach, based on the identified jumbo measures, is taken here. The trade covered by each jumbo measure is calculated, and where confidence in such estimates is high, added up to reveal an estimate of the total trade covered. As will become clear, the methodology adopted here is so conservative that the resulting estimate will almost uncertainly underestimate the total amount of trade affected by crisis-era protectionism. Yet, our estimate is much larger than those reported by certain international organisations. Ultimately, our results lead us to question whether the trade affected by discrimination during the crisis

1 In principle one might learn something from the state measures that are designated “jumbo.” The GTA database does not contain only those measures that are trade-reducing; nor is the GTA confined to state measures covered by the body of WTO accords, both multilateral and plurilateral. Moreover, one might learn something about the extent to which WTO rules have altered protectionist dynamics through the crisis. For example, it would be difficult to argue that WTO rules “have held protectionism in check” if there are many jumbo measures with substantial trade coverage that involve policy instruments subject to strict WTO rules. Alternatively, if there are many jumbo measures with substantial trade coverage that involve policy instruments not covered, weakly covered, or barely covered by WTO accords, then an interim conclusion could be that protectionist pressure has been channelled towards less regulated policies within the world economy. The latter finding does not imply that international trade rules are always weak, rather that an incomplete set of rules will leave open the possibility of protectionist pressure being displaced from one set of government policies to another, much like squeezing a balloon may redistribute air rather than bursting it.

2 The most recent report of the WTO secretariat, published on 14 June 2010, follows exactly this approach. They estimate that the total trade covered by the trade-restricting measures implemented between 1 November 2009 and May 2010 is equal to approximately 0.44 percent of total world imports. Paragraph 47 of that report specifically refers to “new import restricting measures.”

was really as small as some have implied and, therefore, whether higher priority needs to be given to discouraging protectionism in the months and years ahead.³

The rest of this chapter is organised as follows. Next a replicable method is proposed to identify jumbo discriminatory measures. Commentary then follows on the results generated. Section three argues that our procedure is conservative in many respects and that far more eye-catching results would have been possible under alternative procedures. The policy implications of our findings are discussed in section four.

2. Identifying “jumbo” measures

The purpose of this section is to describe and comment upon a method used to identify those state measures taken during the global economic downturn that are likely to have harmed a large number of trade partners and affected a significant amount of international trade. If thresholds for “large” and “significant” were universally agreed, this would of course be a less contentious exercise. Alas this is not the case and a certain degree of arbitrariness is inevitable in the construction of any approach taken.

A jumbo measure is defined as one that meets the following criteria:

- a) The measure is classified “red” in the Global Trade Alert database⁴; that is, the measure “almost certainly” discriminates against foreign commercial interests and has been implemented.
- b) In 2008 the measure would have covered more than a *de minimus*⁵ amount of goods trade with at least 15 G20 members.
- c) The measure is not a subsidy or bailout to the financial sector.
- d) If the measure is a subsidy or bailout to a non-financial sector, then the total value of the outlay by the implementing government was at least US\$1 billion.
- e) In 2008 the measure would have covered more than US\$10 billion in international trade.

The above criteria ensure that a state measure cannot be considered a jumbo measure if there was much doubt about the discriminatory impact of the measure in question (then the GTA team would have classified the measure as “amber”.) Moreover, financial bailouts were set aside, not least because their impact on international trade is not easy to discern. Three *de minimus* requirements (contained in conditions b), d), and e)) will remove the smaller measures; this is not an exercise in trawling for minnows.

Detailed trade data for the largest possible number of countries is available for 2008 and the UN COMTRADE database is used. As the 2008 data preceded the trade collapse in the 2009, this data probably provides a more accurate account

3 Acute readers will, of course, have spotted that even if the trade-related impact of discrimination is not high, it does not follow that the harm done by other forms of cross-border discrimination is tiny as well. A comprehensive view would require estimates (or indicators) of the total harm done by cross-border discrimination to foreign investors, owners of intellectual property, and migrant workers as well.

4 Therefore, measures implemented before 1 November 2008 are excluded.

5 Taken to be US\$1 million.

of the “ordinary level of trade” that would have been affected by the imposition of the state measure in question. The description of many of the state measures considered did not provide for detailed disaggregated product codes, so the 4-digit classification were used to identify both affected trade partners, the trade covered, and whether *de minimus* thresholds have been met.

This procedure identifies 22 state measures, which are listed in Table 1. Various indicators of the scale of each measure are presented in addition to the number of G20 members affected and total trade covered and include the overall number of trading partners affected, the percentage of the implementing country’s tariff lines (at the 4-digit level) affected by the measure in question, taking account of the fact that each country need not import or export every product; the percentage of total national imports or exports potentially covered by a measure.

It is noteworthy that all but three of these jumbo measures have been implemented by G20 countries, which might make any coordinated initiative to remove or reduce these measures easier to organise. As much by accident than anything else, the G20 has almost all of those responsible for “jumbo discriminatory measures” sitting around the summit table.

Inspecting the types of measures in Table 4.1 it becomes clear that few jumbo measures are traditional tariff measures.⁶ However, just because there are no contemporary counterparts to the Smoot-Hawley tariff does not mean that across-the-board discriminatory measures are confined to the history books. In fact, most of the jumbo state measures are discriminatory policies for which existing multilateral rules are weak (for example, public procurement, export restraints) or non-existent (competitive devaluations⁷). One implication of this finding is that across-the-board corporate pressure for relief from imports and associated competitive pressures are being channelled into policies that are not subject to binding international trade rules. In which case, it might be better to think of existing WTO rules not in terms of reducing discrimination but as influencing ultimately the form of the discrimination. This outcome is a consequence of the WTO rules being incomplete, rather than anything else.

Where we have particular doubts is in our calculations of the trade covered by the five state measures that involve some form of discriminatory public procurement. Unfortunately the UN COMTRADE dataset does not differentiate between purchases by the state and by individuals. As a result the total value of imports of a particular good may well overstate the change in the amount of foreign goods purchased by the government once discrimination is imposed. For this reason, we excluded the five jumbo measures with public procurement elements from our calculations of the total trade covered by jumbo measures. This is too restrictive as surely some state purchasers will shift from foreign firms to domestic rivals.

⁶ Nonetheless, many of the measures in Table 1 have been reported in WTO surveillance reports as well.

⁷ The GTA database only includes those competitive devaluations where a senior public official has argued that one purpose of the devaluation was to shift the conditions of competition in favour of domestic firms. This avoids the GTA team having to make potentially arbitrary judgements about what devaluations were not market-led. Of course, the GTA’s approach here is a conservative one in the sense that some competitive devaluations that are not described in beggar-thy-neighbour terms by state officials are omitted from the GTA database. A less conservative approach might well result in more crisis-era devaluations being listed as jumbo discriminatory measures.

Moreover, we noted that two of the Indian pro-export measures (jumbo measures 14, 15) have the same product coverage and so only counted one of them towards the total trade covered by jumbo measures. Therefore, only data on 16 out of the 22 jumbo measures were used to compute the total trade coverage.⁸ For reasons given above and below, the total estimate of US\$1.6 trillion is an underestimate of the actual trade covered by crisis-era protectionism. Still, US\$1.6 trillion represents more than 10 percent of the total value of world imports in 2008.

3. Why our procedure and associated estimates are conservative

There are several reasons why the procedure followed here may be regarded as conservative or cautious. First, a measure cannot become a jumbo measure unless it is first in the Global Trade Alert's database. While at present the latter does contain over 1050 measures, the GTA had to choose a starting date for its investigations and measures announced before that starting date are excluded by definition. The GTA evaluates measures announced on or after 1 November 2008, coinciding with the month of the first crisis-related G20 meeting. This cut-off point is significant for before November 2008 there were more Chinese tax-related incentives to promote exports that cut across many sectors. Had the trade associated with those earlier tax measures been included, it would not be surprising if much of the then-second largest trading nation's exports would be included in the total trade covered by discriminatory measures.⁹

Some may object to the exclusion of financial bailouts from our approach. (There was, after all, a lot of concern expressed about the effect of so-called financial protectionism expressed before the London Summit in April 2009.) Even so this objection would, if anything, potentially expand the set of jumbo measures. As would a more liberal definition for including competitive devaluations.

It turns out that our requirement that a jumbo measure affect 15 or more G20 measures is particularly restrictive. Some might object that, while large, the G20 account for only ten percent of the number of trading nations. What about defining jumbo measures with other permutations of trading partner and tariff line coverage? Table 4.2 reports the number of jumbo measures that would result from using other cut-offs for trading partner and tariff line coverage. Only if one could justify thresholds affecting more than 100 trading partners or a joint

8 Had all data on all 22 measures been used to compute the total value of trade covered, the sum would have been over US\$2.3 trillion, approximately 50 percent more than our reported estimate.

9 There is a more fundamental objection when computing the trade coverage associated with export-promoting measures. If country Y subsidised the exports of apples by 10 percent then the method used here would involve calculating the trade covered as the total value of country Y's exports of apples to destinations (where trade exceeded the de minimus threshold of US\$1 million.) In reality, foreign exporters of apples that directly compete with country Y's apples are affected too. Consistent with our conservative approach, we do not include this knock-on effect even though that is precisely what other country's policymakers would be concerned about. Given the number of export incentives and subsidy measures in Table 1, this consideration alone is likely to have lead us to grossly underestimate the amount of trade covered by our jumbo measures.

threshold of affecting more than 75 trading partners *and* 75 tariff lines would a more restrictive set of jumbo measures be generated than that used here.

Others might object that requiring US\$10 billion of trade is too restrictive. Relaxing that requirement to US\$1 billion, holding everything else fixed, only increases the number of jumbo measures by eight. (Details of those eight measures are available upon request.)

The foregoing remarks demonstrate that many of the design choices made in this study have probably constrained the set of jumbo measures identified and, therefore, resulted in an underestimate of the trade covered by wide-ranging crisis-era discriminatory measures. Even with the set of jumbo measures identified, we have probably gone too far by excluding entirely some measures from the calculation of trade covered.¹⁰ Taken together, these design choices almost certainly bias downwards the calculation of the total amount of trade covered by the jumbo measures identified here.

4 Implications for policymaking

Of the beggar-thy-neighbour state measures taken since the first crisis-related G-20 summit in November 2008, nearly 650 have yet to be reversed. Which ones really matter? The purpose of this paper has been to propose a replicable, data-based method for identifying those beggar-thy-neighbour measures likely to have wide-ranging and possibly systemic effects on international trade. We have been explicit about the choices made here in large part to stimulate discussion about alternatives. Indeed, we will gladly share the GTA database to facilitate the development and comparison of alternative strategies to sort through the growing number of discriminatory state measures.

A total of 22 so-called jumbo measures were identified here and then analysed. A number of implications for policy have been alluded to, not least the finding that existing WTO accords may have done much to channel cross-sectoral protectionist pressures into policy instruments less well covered by multilateral trade accords. This is not the same as contending that the WTO rules have held the line on protectionism..

Our identification of 22 jumbo measures also allows for an alternative means for shedding light on the total amount of trade affected by crisis-era beggar-thy-neighbour policies. Rather than focus on a specific class (or classes) of trade policy instrument, which may or may not be representative of the overall set of crisis-era discriminatory measures, we computed a conservative estimate of the trade coverage of the jumbo measures. This estimate, equivalent to ten percent of world imports, will almost certainly be less than the true trade coverage of crisis-era protectionism. Rather than speculate on how large this estimate would be with more liberal assumptions, perhaps it better to conclude by remarking that this level of trade coverage makes crisis-era protectionism a trillion dollar phenomenon worthy of greater attention from policymakers.

¹⁰ Recall, the five public procurement measures identified as jumbo measures are likely to have some effect on international trade flows, even though we omitted them from our most conservative estimate.

Table 4.1 The list of jumbo discriminatory measures, presented in descending order of trade covered

No.	Implementing jurisdiction: Title of measure	Tariff lines affected	Percentage of total tariff lines	Trading partners affected	G20 members affected	Implementer is G20 member?	Total trade value (2008, US\$ bn) potentially affected	Share of relevant national trade flow	Trade flow used to compute last column	Included in conservative estimate of trade coverage?
1.	China: Export tax rebates.	243	22.17%	155	17		412.0	28.80%	Total exports	
2.	United States of America: Buy American provisions in stimulus package	113	9.63%	106	16		337.8	15.60%	Total imports	No
3.	China: Implementation of State Council Opinions on imported goods	80	7.64%	61	15		243.2	21.47%	Total imports	No
4.	Russia and Belarus: Increase in export tariffs on crude oil and oil products	5	0.90%	78	15		243.0	48.51%	Sum of total exports for Russia and Belarus	
5.	UK: Temporary aid for the production of green products	121	10.65%	98	18		161.1	25.49%	Total imports	
6.	China: Adjustment of import tariffs policy on key technical equipment	82	7.83%	52	15		112.4	9.92%	Total imports	
7.	Venezuela: Devaluation of the Bolivar	784	100.00%	71	17	No	108.6	82.97%	Total imports plus total exports	
8.	Kazakhstan: Announced 25% devaluation of the national currency.	716	100.00%	96	19	No	106.5	97.76%	Total imports plus total exports	
9.	Nigeria: Deliberate devaluation of the Naira	561	100.00%	105	19	No	104.8	95.26%	Total imports plus total exports	

No.	Implementing jurisdiction: Title of measure	Tariff lines affected	Percentage of total tariff lines	Trading partners affected	G20 members affected	Implementer is G20 member?	Total trade value (2008, US\$ bn) potentially affected	Share of relevant national trade flow	Trade flow used to compute last column	Included in conservative estimate of trade coverage?
10.	Russia: The programme of the anti-crisis measures of the Russian Government - 2009	120	12.33%	95	18		70.0	26.21%	Total imports	
11.	Japan: State endorsement of private initiative to raise food self-sufficiency	130	11.67%	110	15		53.4	7.00%	Total imports	
12.	Brazil: New credit line for exports of consumer goods	196	25.49%	131	18		50.6	25.55%	Total exports	
13.	Russia: Subsidized loans to producers of certain type of machineries	87	8.94%	62	15		48.4	18.14%	Total imports	
14.	India: Extension of service tax refund for exporters	146	17.40%	122	18		45.0	24.73%	Total exports	
15.	India: Pre- and post-shipment export credit	146	17.40%	122	18		45.0	24.73%	Total exports	No
16.	Indonesia: Import tariff increases on certain products that compete with locally manufactured products	216	24.00%	92	17		33.7	26.04%	Total imports	
17.	Indonesia, Malaysia, and Thailand: Limiting rubber exports to 915,000 tons during 2009.	26	3.48%	105	18		26.3	5.14%	Sum of total exports for all 3 implementers.	
18.	Argentina: Extension of tax exemptions for locally produced capital goods	194	24.84%	63	17		25.0	43.49%	Total imports	No

No.	Implementing jurisdiction: Title of measure	Tariff lines affected	Percentage of total tariff lines	Trading partners affected	G20 members affected	Implementer is G20 member?	Total trade value (2008, US\$ bn) potentially affected	Share of relevant national trade flow	Trade flow used to compute last column	Included in conservative estimate of trade coverage?
19.	Russia: Public procurement price advantage to domestic producers	180	18.50%	89	17		23.0	8.62%	Total imports	No
20.	Russia: Preferences to domestic producers in amendments to Government Procurement Law	174	17.88%	88	17		21.8	8.17%	Total imports	
21.	Russia: Temporary import tariff introduction on certain type of machinery	26	2.67%	57	16		20.6	7.71%	Total imports	
22.	France: More restrictive public procurement rules for construction work tenders	24	2.08%	60	15		12.3	1.76%	Total imports	No

Estimates of total trade covered by jumbo measures.

- 1) (Most conservative estimate): All five public procurement measures (where the total import numbers include sales to the private sector) and one of the Indian export promotion measures (see measures 14 or 15) are excluded from the calculation. The total trade coverage of the remaining jumbo measures is US\$1.618.1 trillion, or 10.45% of total world imports in 2008.
- 2) (Least conservative estimate): The total trade coverage of the all the jumbo measures listed above is US\$2.304 trillion, or 14.77% of total world imports in 2008.

Table 4.2 The list of jumbo discriminatory measures, presented in descending order of trade covered

Conditions: In the GTA database, classified “red,” and...	Total number of jumbo measures.	Total number of jumbo measures implemented by G20 members
Affects at least 50 trading partners	53	38
Affects at least 75 trading partners	27	20
Affects at least 100 trading partners	11	9
Affects at least 50 tariff lines	33	20
Affects at least 75 tariff lines	27	16
Affects at least 100 tariff lines	23	13
Affects at least 50 tariff lines and at least 50 tariff lines	23	16
Affects at least 75 tariff lines and at least 75 tariff lines	14	10
Affects at least 100 tariff lines and at least 100 tariff lines	7	6

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