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## 2 Did G20 Members Hold the Line Against Beggar-thy-Neighbour Policies after the Pittsburgh Summit? The Record Since September 2009

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“We will fight protectionism,” pledged G20 Leaders in their Statement released at the end of the Pittsburgh Summit on 25-26 September 2009. The leaders provided more details in a section titled “An Open Economy,” amongst others, reaffirming their commitments made in previous summits not to raise trade and investment barriers.<sup>1</sup> The questions naturally arise: What have the G20 Leaders delivered? and So What?

The latter question is surprisingly important given the heavy emphasis in G20 deliberations on non-binding accords and inter-governmentalism. If this approach to global economic governance “delivers” it stands in contrast to the many deficiencies associated with negotiating binding accords and relying on supranational institutions. The willingness of governments, then, to take on domestic commercial interests when implementing the no-protectionism pledge may reveal much about the credibility of the G20 as a place to do business on other commercially-sensitive matters.

Assessing what the G20 Leaders have delivered is somewhat different from assessing whether the G20 Leaders have delivered, the latter requiring a benchmark of “normal” or “pre-crisis” behaviour. As we have discussed performance compared one such benchmark in other writings and previous GTA reports<sup>2</sup>, the focus here is on what the G20 Leaders may have delivered. Those Leaders’ claimed at the London Summit, for example, to have learned “the lessons of history,” specifically the 1930s. If the lesson they learned was each not to take enough beggar-thy-neighbour measures so that it triggered escalating retaliation between trading partners that would eventually shut down much international

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<sup>1</sup> <http://www.pittsburghsummit.gov/mediacenter/129639.htm>

<sup>2</sup> Readers may recall that one leading trade expert asserted that in a normal year four per cent of tariff lines were affected by protectionism or discrimination. The GTA database readily reveals which nations have implemented policy changes that in total cover more than four percent of their tariff lines. Every major trading nation, except Canada, breached this threshold, suggesting that the crisis-era discrimination against foreign commercial interests was hardly normal.

trade, then arguably their behaviour this time around is consistent with that lesson. However, there are other alternatives: perhaps the lesson they learned from history was to eschew the more transparent forms of trade protectionism, namely, tariffs and quotas and resort to more “murkier” forms of protectionism? Information from the GTA database can reveal what G20 governments and others have been up to since the Pittsburgh summit.

Between the Pittsburgh and Toronto summits, the amount of information collected by the GTA team more than doubled. Now the GTA database contains over 1000 records of state measures that, upon announcement, might have had implications for foreign commercial interests. Of the 775 measures that have been implemented, 554 almost certainly discriminated against foreign commercial interests (see Table 2.1). The G20 governments were responsible for 337 of those discriminatory measures, over 60 percent of the world total (see Tables 2.2. and 2.3.) Interestingly, this percentage has remained unchanged since the Pittsburgh summit, and is one of several indicators that the G20’s behaviour does not appear to have changed much through 2009 and into 2010.

There is some good news, however. Since the Pittsburgh summit the G20 have been responsible for over 80 percent of the state measures that either liberalise markets, make trade policy more transparent, or that ultimately decide against imposing discriminatory measures (all of which are coded green in the GTA database). It would be wrong, therefore, to paint the G20’s contribution as entirely negative. Closer inspection, however, reveals that certain countries have probably contributed more than others in this respect. Canada recently, and earlier in the crisis Mexico, announced plans to reduce large numbers of tariffs on imported goods. Outside of the G20, our previous (fifth) report highlighted the trade and investment policy liberalisation of the Sub-Saharan African countries during the crisis.

Table 2.4 highlights what is at stake for many G20 members by reporting the number of times their commercial interests have been harmed by other trading partners. At the time of our pre-Pittsburgh report China’s commercial interests had been harmed by other governments 99 times; in the run up to Toronto that number has nearly trebled to 283. The USA, Germany, France, the UK, and Italy have all seen their commercial interests harmed over 100 times more since the Pittsburgh summit. These hits represent lost orders, less job security, fewer jobs, and forgone investment. These losses have occurred despite the G20 pledges; in countries undergoing fiscal retrenchment, where exports are now the most promising means of escape from economic downturns, governments may not longer be able to tolerate the rate of harm to their commercial interests experienced under the current G20’s trade regime. Circumstances for many countries have changed, so may expectations of G20 pledges.

Resort to discrimination against foreign commercial interests varies a lot across nations, including across the G20. The GTA reports four indicators of harm done by a nation’s policies and the top 10 worst offenders on each metric are listed in Table 2.5. Some countries (Argentina, China, Ethiopia, India, Indonesia, Germany, Nigeria, Russia, and Venezuela) recur on the list. The EU27 refers to the combined impact of all the actions taken by the European Commission and

the 27 Member States. Together, the EU27 appear in the top 5 worst offenders on all four metrics, a dubious privilege shared by no other trading entity or nation. It should be noted, however, that most of the harm done by the EU27 grouping result from measures taken by the EU member states and not by the European Commission. Like the rest of the world, within the EU there is considerable variation in the resort to state measures that harm foreign commercial interests. Not every government, then, seems under the same pressure to hold the line against protectionism; greater attention should be given to holding to account those governments that violate the G20 pledges.

The types of discrimination that governments resort to has been markedly different from that in the 1930s, as Table 2.6 makes clear. Since the Pittsburgh summit all governments (not just the G20) have imposed three times as many discriminatory state aid (subsidy) packages than tariff increases. (Likewise, the ratio of so-called trade defense measures to tariff increases is two-to-one.) Add in resort to export taxes and restrictions and public procurement measures, and the mix of measures taken varies considerably from that in the 1930s. Many of these measures are complex in organisation, whose details are not immediately revealed by governments, and may not necessarily be trade-reducing, even though they are trade-distorting. Arguably, these features have made it harder to intelligently compare and count state measures (although the GTA team contends that some forms of counting can be legitimately undertaken).

Worse, since so many of our analytical tools for estimating trade policy are based on tariffs, the heavy recent use of non-tariff measures (in particular subsidies, which have a completely different economic logic) has made it even harder for commentators to estimate and discuss the impact of measures during the current crisis. The ensuing silence inevitably favours those who resort to such murky protectionism in the first place. For this reason, the GTA has preferred to layout whatever assumptions are necessary to analyse or count measures and be criticised for our approach, rather than let fear of criticism--or inherent conservatism--allow governments to get away with violating pledges to keep borders open.

The murkiness of much contemporary protectionism has another very important implication for judging the G20's and other governments' commitments to eschew protectionism, namely, reporting lags are inevitable and that monitoring exercises should not confine themselves to narrow time windows. Updates on prior results should be demanded often by users. Figures 2.1 and 2.2 bear out these points. As Figure 2.1 shows, in preparing each report the GTA team tends to find additional information about harmful measures undertaken in earlier quarters. Sometimes this leads to a substantial upward revision in the amount of discrimination felt by the world's exporters, investors, migrants, and the like. In updating our database since mid-May 2010, just a month ago, a substantial number of harmful measures were found in the last quarter of 2009 and first quarter of 2010. The policy significance of this finding is that there is precious little evidence of a fall of in protectionism as the then global economic recovery began. Here we join others in noting that governments are playing with

fire as their resort to discrimination may well dampen the prospects for export-led growth.

The other advantage of periodically looking back is to reevaluate just how bad matters were in prior years. Readers may recall that 2009 began with strong fears that a relapse into 1930s-style protectionism might happen again. The evidence provided by the GTA before the Pittsburgh Summit, reproduced in part in Figure 2.2., pointing to between 70-80 harmful measures a quarter in the first half of 2009 was seen as bearing out those fears and the need for restraint. Now we know that matters in the first half of 2009 were much worse: in fact, between 110-120 harmful measures were implemented in each quarter. Worse, the third and fourth quarters of 2009 saw 100-110 such measures implemented per quarter, suggesting that protectionism momentum has barely subsided. Some critics called the GTA “alarmist” for arguing on the basis of available 2009 data that there was a “protectionist juggernaut” underway; subsequent data revisions bear out our initial concerns. As far as open markets were concerned, 2009 was a terrible year. Much of the discrimination put in place then has yet to be removed and is, as noted above, less conventional in nature.

In sum, the case for vigilance and for sharp warnings on protectionist dynamics in 2009 were in retrospect warranted. The case for continuing vigilance – especially if many nations are entering an era of fiscal restraints – is now even stronger. The task before policymakers is not just to resist the temptations of future protectionism but also to find the means to unwind the substantial amount of discrimination introduced into the world economy in 2009. The task before policymakers in the run up to, at, and after the Toronto G20 meeting is therefore harder than before, not least because the fear of another depression no longer keeps decisionmakers awake at night.

**Table 2.1** Total number of state measures reported in the GTA database

Statistic	This report (June 2010)		Increase from previous G20 meeting (2nd GTA report)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	1051	732	623	451
Total number of measures coded green	175	140	121	94
Total number of measures coded amber	322	149	140	79
Total number of measures coded red	554	443	357	275

How does the GTA colour code measures?

Color code	Criteria
Red	(i) The measure has been implemented and almost certainly discriminates against foreign commercial interests.
Amber	(i) The measure has been implemented and may involve discrimination against foreign commercial interests; OR (ii) The measure has been announced or is under consideration and would (if implemented) almost certainly involve discrimination against foreign commercial interests
Green	(i) The measure has been announced and involves liberalization on a non-discriminatory (i.e., most favored nation) basis; OR (ii) The measure has been implemented and is found (upon investigation) not to be discriminatory; OR (iii) The measure has been implemented, involves no further discrimination, and improves the transparency of a jurisdiction's trade-related policies.

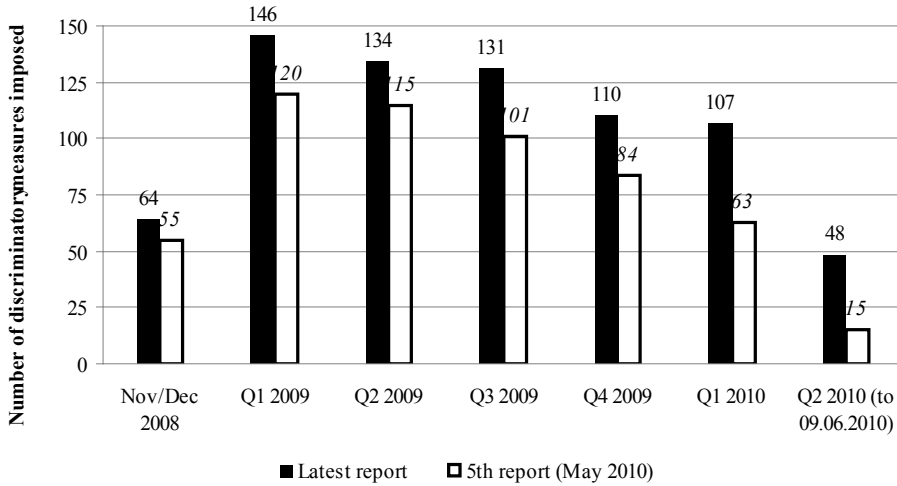
**Table 2.2** Measures implemented since first crisis-related G20 summit in November 2008, totals for all jurisdictions and change since last report

Statistic	This report (June 2010)		Increase from previous G20 meeting (2nd GTA report)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	775	609	495	378
Total number of measures coded green	135	108	95	72
Total number of measures coded amber	91	61	43	31
Total number of measures coded red	554	443	357	275
Total number of 4-digit tariff lines affected by almost certainly discriminatory measures	1214	1214	57	73
Total number of 2-digit sectors affected by almost certainly discriminatory measures	67	67	4	4
Total number of trading partners affected by almost certainly discriminatory measures	233	233	16	30

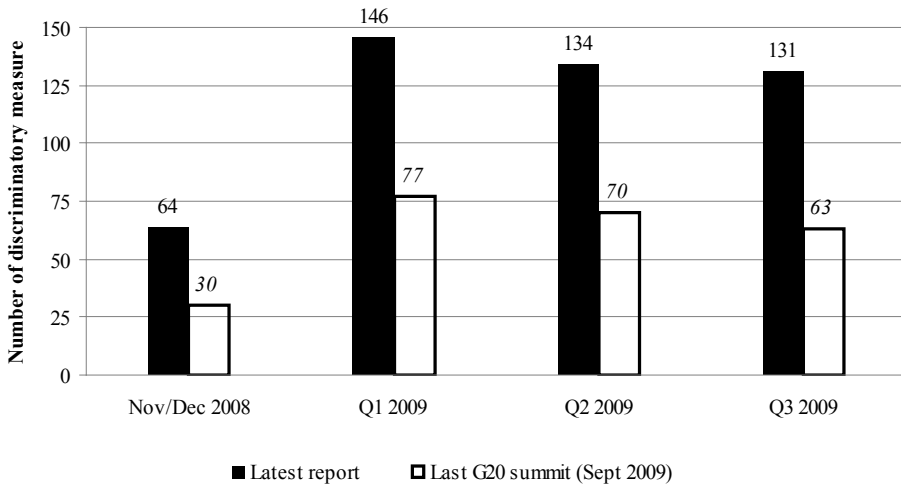
**Table 2.3** Measures implemented by G20 countries in the year since the first crisis-related G20 summit in November 2008, totals for all G20 jurisdictions and change since last report

Statistic	This report (June 2010)		Increase from previous G20 meeting (2nd GTA report)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	676	423	504	290
Total number of measures coded green	110	85	83	61
Total number of measures coded amber	229	97	205	86
Total number of measures coded red	337	241	216	143
Total number of 4-digit tariff lines affected by almost certainly discriminatory measures	1004	998	78	77
Total number of 2-digit sectors affected by almost certainly discriminatory measures	63	63	5	5
Total number of trading partners affected by almost certainly discriminatory measures	208	207	2	14

**Figure 2.1** Q4 2009 and Q1 2010 are on track to match the same protectionist pace as the first half of 2009, when concerns about protectionism were at their highest.



**Figure 2.2** The record for 2009 now looks much worse than it did at the last G20 meeting; documenting “murky protectionism” takes time.



*Note:* In Figures 2.1 and 2.2, a harmful measure is taken to be one which has been implemented since November 2008 and is almost certainly discriminatory (coded red) or likely to be discriminatory (coded amber).

**Table 2.4** Top 10 biggest targets of discriminatory measures

Target	Number of discriminatory measures imposed on target		Number of trading partners imposing discriminatory measures		Number of pending measures, which if implemented, would harm target too	
	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)
China	282	183	78	22	125	48
EU27	266	na	77	na	80	na
USA	213	127	68	19	46	27
Germany	204	120	51	21	56	26
France	188	110	53	24	46	22
UK	181	109	50	21	44	24
Italy	175	105	46	21	50	27
Belgium	170	92	46	18	42	21
Japan	168	90	63	17	47	24
Netherlands	163	92	47	19	42	24

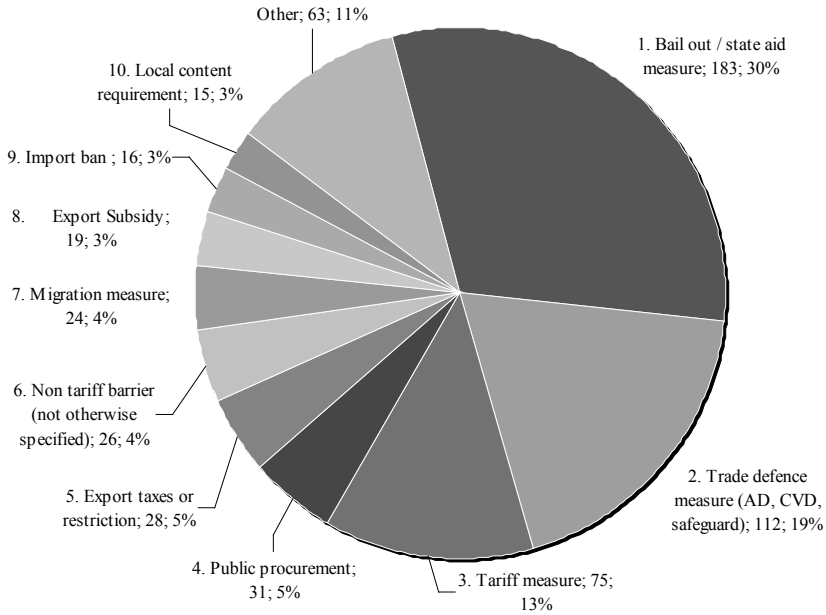
Note: Unfortunately when our second report was prepared data on the total number of times the EU 27 nations were harmed was not collected, hence frustrating direct comparisons between early June 2010 and early September 2009. Data on EU 27 was reported from the third report on due to requests from users. Moreover, individual member state information in this table may indicate the extent how often some European trading nations have been harmed since the Pittsburgh summit.

**Table 2.5** Which countries have inflicted the most harm?

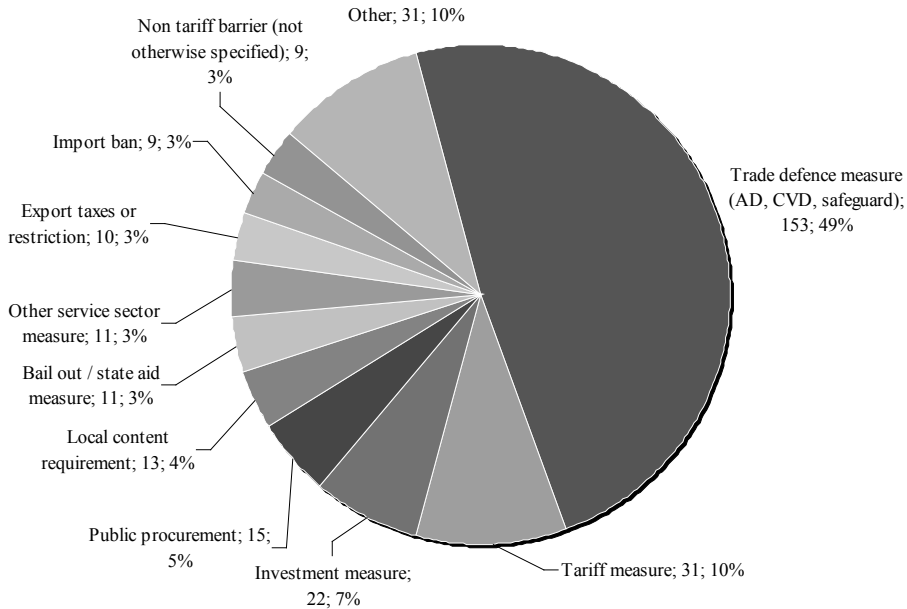
Rank	Metric, Country in specified rank, Number			
	Ranked by number of (almost certainly) discriminatory measures imposed	Ranked by the number of tariff lines (product categories) affected by (almost certainly) discriminatory measures	Ranked by the number of sectors affected by (almost certainly) discriminatory measures	Ranked by the number of trading partners affected by (almost certainly) discriminatory measures
1.	EU27 (146)	Venezuela (784)	EU27 (55)	EU27 (168)
2.	Russian Federation (73)	Kazakhstan (719)	Algeria (54)	Argentina (161)
3.	Argentina (41)	Nigeria (599)	Nigeria (45)	China (161)
4.	India (31)	EU27 (437)	Venezuela (38)	Indonesia (152)
5.	Germany (29)	Russian Federation (421)	Kazakhstan (36)	Russian Federation (142)
6.	UK (24)	India (347) Indonesia (347)	Russian Federation (34)	Finland (132) Germany (132) South Africa (132)
7.	Indonesia (22)		Ethiopia (32)	
8.	China (19)	Ethiopia (345)	Indonesia (32)	
9.	Italy (19)	Argentina (336)	India (31)	Belgium (131) Brazil (131)
10.	Austria (17)	China (335)	Germany (27)	

*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.

**Figure 2.3** Top 10 implemented measures used to discriminate against foreign commercial interests since the first G20 crisis meeting.



**Figure 2.4** Top 10 pending measures that target foreign commercial interests.



**Table 2.6** Ten most used state measures to discriminate against foreign commercial interests since the first G20 crisis meeting (Ranked by number of discriminatory measures imposed)

State measure	Number of discriminatory (red) measures imposed.		Number of measures implemented (red, amber, or green).		Number of jurisdictions that imposed these discriminatory measures.		Number of jurisdictions harmed by these discriminatory measures.	
	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)	This report (June 2010)	Increase from previous G20 meeting (2nd GTA report)
Bail out / state aid measure	183	121	195	129	44	9	185	35
Trade defence measure (AD, CVD, safeguard)	112	84	167	117	54	14	73	-28
Tariff measure	75	44	152	92	31	16	141	28
Export taxes or restriction	31	25	46	32	43	34	184	38
Public procurement	28	16	33	17	18	7	133	0
Non tariff barrier (not otherwise specified)	26	15	39	22	16	9	129	20
Migration measure	24	17	34	24	19	12	95	64
Export subsidy	19	10	24	13	37	6	152	8
Import ban	16	10	21	15	14	9	86	52
Local content requirement	15	na	18	na	11	na	124	na

Note: The fall in the number of jurisdictions harmed by trade defense measures reflects a more conservative assessment of the impact of certain safeguard actions.

**Table 2.7** Top 20 sectors most affected by discriminatory measures.

CPC code, Affected Sector	Number of discriminatory (red) measures affecting commercial interests in this sector	Number of implemented measures affecting specified sector	Number of jurisdictions implementing measures affecting specified sector and classified as red	Number of pending measures affecting specified sector
81 (Financial intermediation services and auxiliary services therefor)	74	80	26	4
41 (Basic metals)	66	97	54	33
49 (Transport equipment)	63	99	51	25
44 (Special purpose machinery)	56	95	28	13
01 (Products of agriculture, horticulture and market gardening)	54	82	35	16
34 (Basic chemicals)	49	81	19	42
42 (Fabricated metal products, except machinery and equipment)	46	68	24	26
21 (Meat, fish, fruit, vegetables, oils and fats)	45	64	30	13
23 (Grain mill products, starches and starch products; other food products)	41	63	49	12
02 (Live animals and animal products)	39	54	47	8
22 (Dairy products)	36	49	43	7
27 (Textile articles other than apparel)	33	56	24	15
38 (Furniture; other transportable goods n.e.c.)	33	49	20	9
43 (General purpose machinery)	33	59	19	12
35 (Other chemical products; man-made fibres)	32	60	18	17
36 (Rubber and plastics products)	30	49	20	16
46 (Electrical machinery and apparatus)	29	50	18	10
26 (Yarn and thread; woven and tufted textile fabrics)	28	58	19	10
28 (Knitted or crocheted fabrics; wearing apparel)	28	48	20	11
47 ( Radio, television and communication equipment and apparatus)	28	49	18	4