
1 Executive Summary

Simon J. Evenett

University of St. Gallen and CEPR

1. Tensions contained, for now

As the chart on the cover of this Report shows, October 2010 saw a resurgence of media coverage of protectionism. Concerns that unheeded complaints about the Chinese exchange rate regime would ultimately provoke other countries to resort to competitive devaluations and more traditional forms of trade protectionism came to the fore. Protectionism had not received this much media attention since the first quarter of 2009.

The high profile given to this matter in the recent weeks is no coincidence. For sure, the U.S. Congress has debated this matter in the past and American officials have sought to raise this matter with their Chinese counterparts. However, by insisting that this matter be discussed at a preparatory G20 meeting of Finance Ministers and Central Bankers, the U.S. government ensured the matter would receive substantial attention in policy, media, and other circles.

The suspicion that other countries, including Korea (the G20 hosts), Japan, and Switzerland amongst others, had been motivated by commercial considerations when they intervened in the foreign currency markets raised fears that a (albeit sizeable) bilateral dispute might be taking on systemic dimensions. That, plus the unhappy precedents of rival competitive devaluations in the 1930s and the prospect of monetary policy easing in the United States in the near term, further contributed to the profile given to protectionism in its different forms in the past few weeks.

Fortunately some accommodation between the Chinese and American government appears to have been struck in the run up to the G20 summit in Seoul. Part of that accommodation seems to involve shifting the focus away from the value of bilateral exchange rates to current account imbalances, which are influenced by a number of policy measures.¹ The details of this accommodation are not publicly available. Whether each party will keep their end of the bargain is another matter. The outcomes of the U.S. midterm elections adds a further potentially disruptive factor. Still tensions, which were pretty raw at certain points, appear to have been contained and one important threat to open markets put at bay.

Although very public outbreaks of protectionism have been avoided, there is still the concern that less transparent – or murkier – forms of protectionism

¹ Many of the contributors to Claessens, Evenett, and Hoekman (2010) identify different contributing factors to current levels of global imbalances.

GTA: Contributing 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.

The Global Trade Alert was formally launched on 8 June 2009 in London, UK. The GTA’s database contains reports on state measures whose implementation might affect the treatment of foreign commercial interests. State measures announced on or after 1 November 2008 are eligible for inclusion in the GTA database. GTA is implemented by a team of part-time trade policy experts from all over the world. These experts investigate state measures, seeking to document them with official sources, and identify affected products, sectors, and trading partners. Reports on state measures are submitted to the GTA’s Evaluation Group and, if approved, a measure is published on the GTA’s website.

GTA has a group of eminent persons as advisors. They not only provide valuable advice but also stand as guardians of the independence of this initiative from any external influence.

In its first year of existence over 7,500 users have returned to the website 15 times or more. The reports of GTA have been mentioned in over 200 newspapers and media outlets. Leading business persons, political leaders, and analysts have referred to GTA in their speeches. This is the eighth GTA report. Other reports are available at: www.globaltradealert.org.

could have been used to target countries with aberrant exchange rate regimes or large current account surpluses. As the global overview chapter makes clear, the latest data from the GTA does not find unusually active targeting of such countries in recent months. The number of times that China and Germany’s foreign commercial interests have been hit in recent months is at a lower rate than before. Overall, then, the so-called currency war (as the Brazilian Finance Minister termed it) has not translated into an outbreak of protectionism, murky or otherwise.

Still, many have rightfully called for greater vigilance on the part of senior policymakers. The solution for global imbalances lies elsewhere. But such solutions require a willingness to alter domestic policies, often against the interests of certain entrenched groups. Continued stalemate in domestic reform initiatives comes at a price. The status quo is not a viable alternative, for as we have seen the pressure for adjustment will be eventually channelled into ways

that threaten the open trading system. The U.S.-Chinese accommodation has merely bought time. It remains for senior policymakers to chart a medium term strategy to narrow current account imbalances.

2. Assessing G20 leadership on trade

While praise is due for containing currency-related protectionist tensions, this should not overshadow the fact that the governments around the world continue to progressively close their markets to international competition. As demonstrated in the global overview chapter, the accelerated rate of implementing protectionist measures – that was established in the first quarter of 2009 – continues. More evidence reinforces the fact that between 100-120 state measures are implemented every quarter by governments worldwide that discriminate against foreign commercial interests. As world trade recovered in early 2010, there is no evidence of a corresponding slowdown in protectionism.

The G20 continues to contribute the lion's share of worldwide protectionism. Since the G20 summit in Toronto, Canada, in June 2010, in total the G20 governments have implemented 111 measures that harm foreign commercial interests. For the first time, the total number of harmful measures implemented by G20 governments during the crisis and subsequent recovery has exceeded 500 (511 to be precise.) The crossing of this dubious threshold casts further doubt on the quality of G20 Leadership on protectionism.

In fact, arguably matters are worse as many non-G20 countries have engaged in a burst of tariff-cutting over the summer of 2010 and in recent months. As the global overview chapters makes clear, the GTA team found 100 tariff measures have been implemented since the Toronto summit and only a quarter of them are almost certainly protectionist. Most of the tariff cuts are by developing countries in equipment, parts, and components – suggesting that arguments for opening borders can still persuade policymakers. It seems there is plenty some of the non-invitees to the Seoul Summit could teach the invited!

Of course, there is variation across the G20 in their willingness to resist protectionism. Table 1.1. below reproduces our list of the top 10 most protectionist jurisdictions, evaluated on four different metrics. Once again, certain medium and large sized emerging markets and European nations dominate these negative rankings. Most – but certainly not all – of these worst offending nations are G20 members.

Table 1.1. Which countries have inflicted the most harm? Certain emerging markets and European nations.

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 (166)	Viet Nam (926)	Algeria (67)	Argentina (174)
2.	Russian Federation (85)	Venezuela (785)	EU27 (57)	EU27 (168)
3.	Argentina (52)	Kazakhstan (723)	Nigeria (45)	China (160)
4.	India (47)	Nigeria (599)	Venezuela (38)	Indonesia (151)
5.	Germany (35)	Algeria (476)	Viet Nam (38)	Viet Nam (148)
6.	Brazil (32)	EU27 (467)	Germany (36)	India (145)
7.	UK (31)	Russian Federation (426)	Kazakhstan (36)	Russian Federation (143)
8.	Spain (25)	Argentina (396)	Russian Federation (36)	Finland (132)
9.	Indonesia (24)	India (365)	Ethiopia (32)	Germany (132)
10.	Italy (24)	Indonesia (347)	India (32)	South Africa (132)

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 Korean hosts of the forthcoming G20 summit – apparently with the support of other governments – is seeking a consensus to alter the mix of support offered to developing countries.² The proposal in question calls for more emphasis on trade and investment assistance – to foster the business environment in developing countries – and less on direct financial aid.

Given the G20's greater interest in development policy and its linkages to trade, a chapter was prepared for this Report that examined the effects on the most vulnerable developing countries of the state measures implemented by the G20 governments during the crisis and recovery phase. Table 1.2. summarises the main findings. Worldwide, 141 government measures have hurt the traders and migrant workers of the Least Developed Countries. The G20 countries are responsible for 101 of those harmful measures – and it is the developing country members of the G20 that have harmed their poorer brethren the most. Further

² "South Korea presses for policy shift over aid," *Financial Times*, 5 November 2010.

analysis (see chapter 2) revealed that India has harmed LDC commercial interests no less than 21 times, much more than any other G20 member.

Any G20 initiative on trade and development ought, at a minimum, to revise the implementation of the government measures so that they do not harm the Least Developed Countries. “Do No Harm” would succinctly describe such an initiative. Otherwise, the Seoul G20 summit risks introducing yet more incoherence into trade and development policy – reviving long-standing concerns that many what governments give with one hand (aid and other support) they take away with the other (protectionism.)

Just because a currency-induced trade war has been averted does not excuse G20 governments from their sustained, lower-profile steps that disengage their economies from world markets. Together the G20 has repeatedly failed to deliver on their No Protectionism pledges. To this poor track record, they now propose to make reforms to trade and development policies. The harm done by the G20 members – in particular, India, Argentina, and Russia – to the commercial interests of the most vulnerable developing countries on Earth exemplifies the incoherence at the core of the G20’s deliberations. Do No Harm would be a far better basis upon which to launch an initiative to promote prosperity in the Least Developed Countries.

Table 1.2. Do no harm? Summary statistics of those responsible for harm done to LDCs.

Class of countries	Total number of harmful measures implemented by this class against LDCs
Worldwide (including LDCs)	141
G20 members	101
Non-OECD members	108
G20 Non-OECD members	70
LDCs	4

Note: Harmful measures are taken to be implemented measures classified as red or amber. Therefore, these totals do not include potentially harmful measures that have been announced but have not yet been implemented.

Source: Global Trade Alert, data extracted 1 November 2010.

3. 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

How GTA built its extensive database on contemporary protectionism

Since GTA was launched on 8 June 2009 over 1300 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

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 reaffirmed at subsequent G20 Summits. 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 over 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.

measures since the first G-20 crisis meeting. In contrast, with the exceptions of Nigeria and South Africa, 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. While the two measures tend to be positively correlated, Mexico and Germany stand out as nations that have discriminated against relatively few tariff lines and still affected a large number of sectors.

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. This Map indicates that approximately a dozen countries have seen their commercial interests harmed 120 times or more by government measures taken since November 2008. 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. Currently, a total of 21 countries have been adversely affected by a G-20 member's measures 100 times or more. This number has increased from 15 such countries since September 2010 when the last report was published.

4. The organisation and contents of the remainder of this Report

The rest of this Report is organised as follows. The next chapter of this report provides a global overview of the resort to discrimination against foreign commercial interests since November 2008, the month when the first G20 pledge on protectionism was made. Three developments over the Summer and Autumn of 2010 are given particular attention.

Given the Korean hosts' apparent interest in trade and development matters, this report contains a chapter describing the frequency of the harm done to the commercial interests of the Least Developed Countries (LDCs.) The governments responsible for causing this harm are identified and the likely impact on the LDCs discussed.

Similar to our other pre-G20 summit reports, this Report contains summary statistics on the harm caused to foreign commercial interests by each G20

member. Moreover, comparable statistics concerning the harm done by others to each G20 member's commercial interests are presented as well. The GTA reports are unique in providing such a detailed, country by country breakdowns of protectionist behaviour and harm. It is hoped that this information will promote accountability and facilitate assessments of what governments commit to do (at G20 summit meetings, for example) and what they actually do when the media spotlight is less intense.

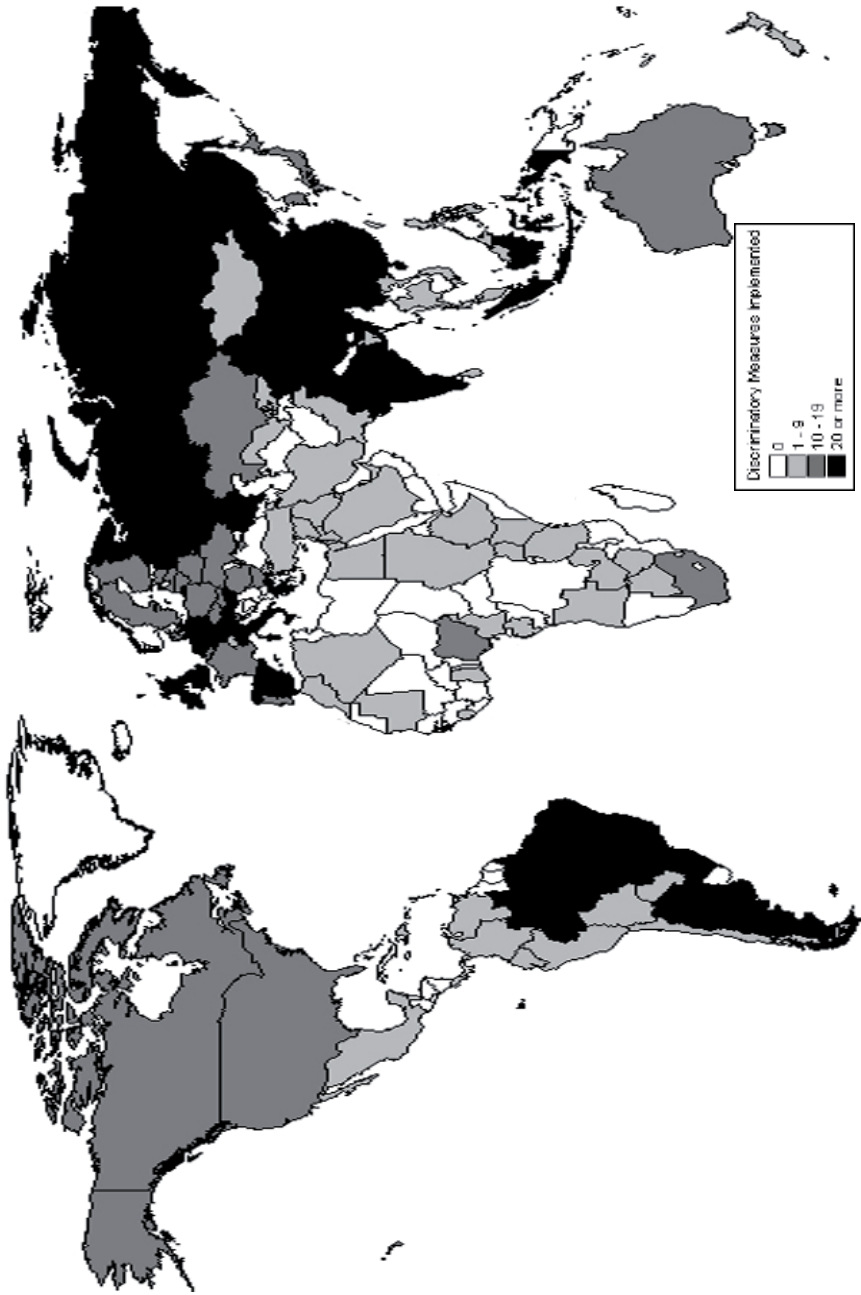
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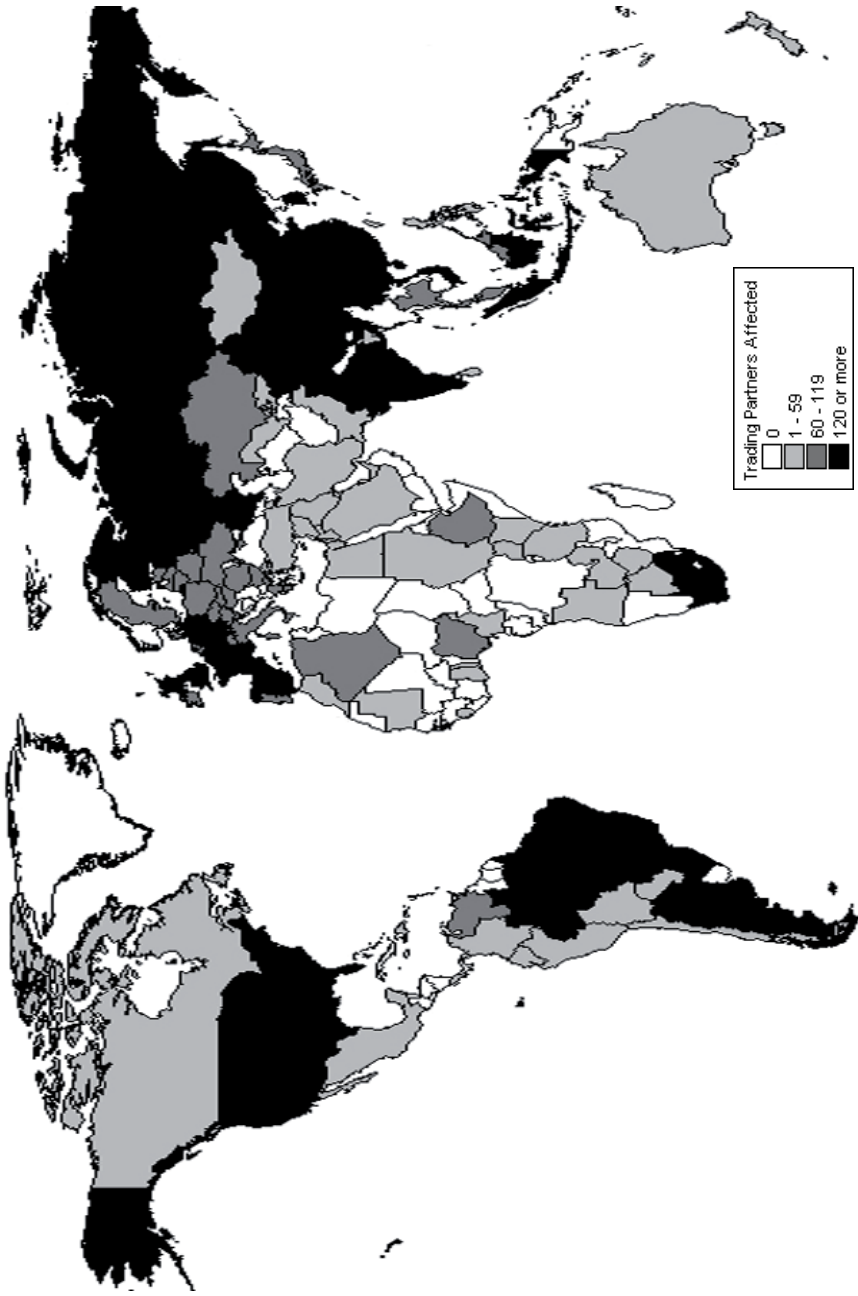
Simon J. Evenett is Professor of International Trade and Economic Development, University of St. Gallen, Switzerland; Co-Director of the International Trade and Regional Economics Programme, CEPR; and Coordinator of Global Trade Alert.

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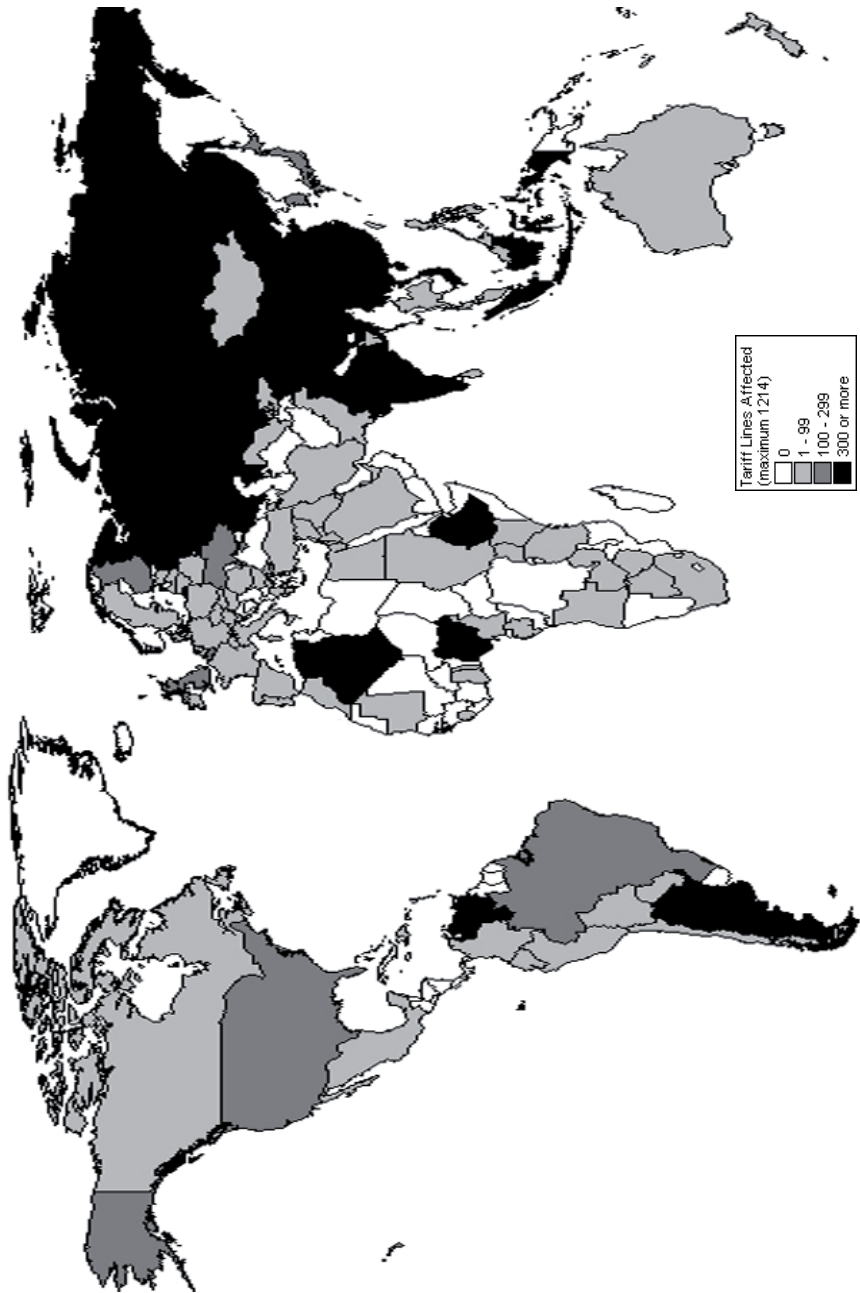
Map 1.1 Number of discriminatory measures implemented since the first G20 crisis related summit, ignoring measures in the pipeline



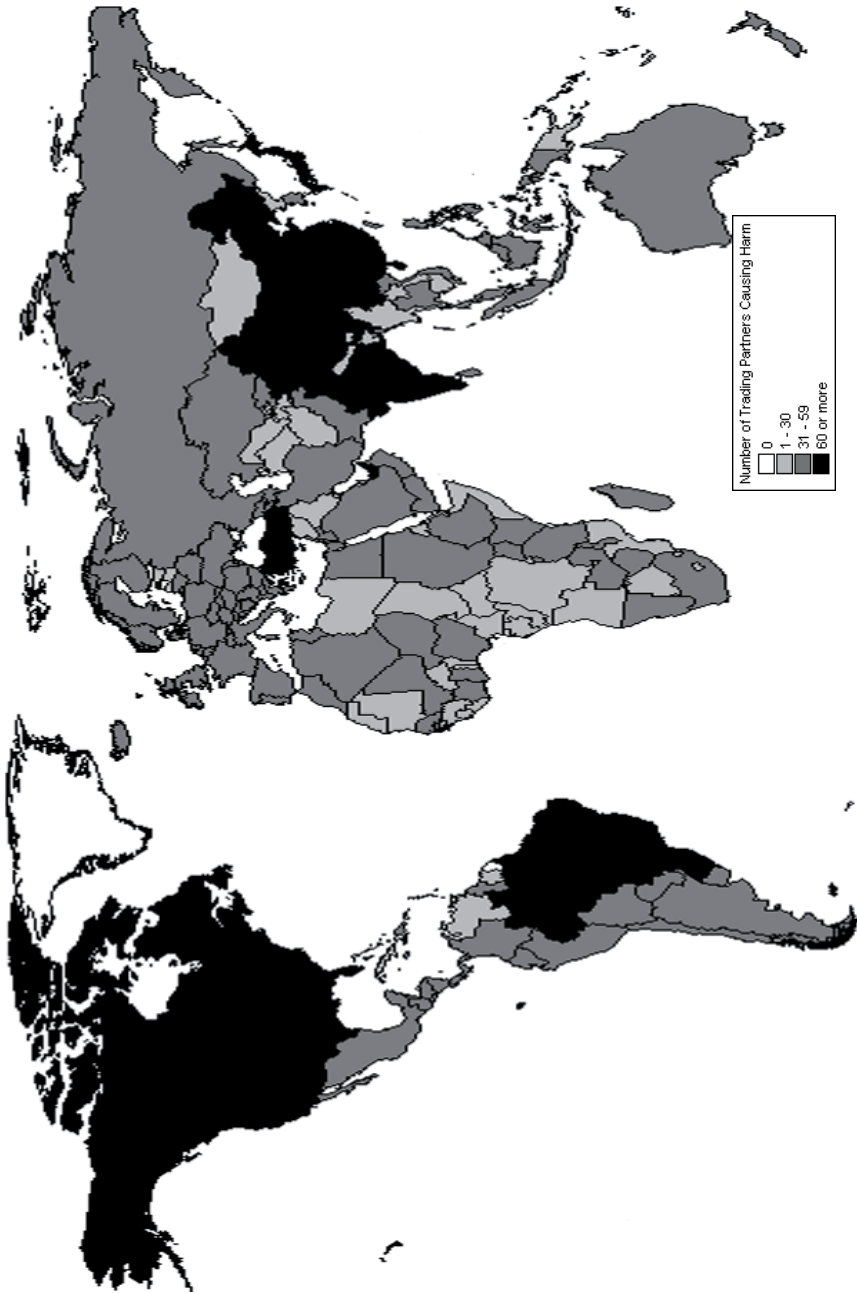
Map 1.2 Number of trading partners harmed by each jurisdiction's discriminatory measures



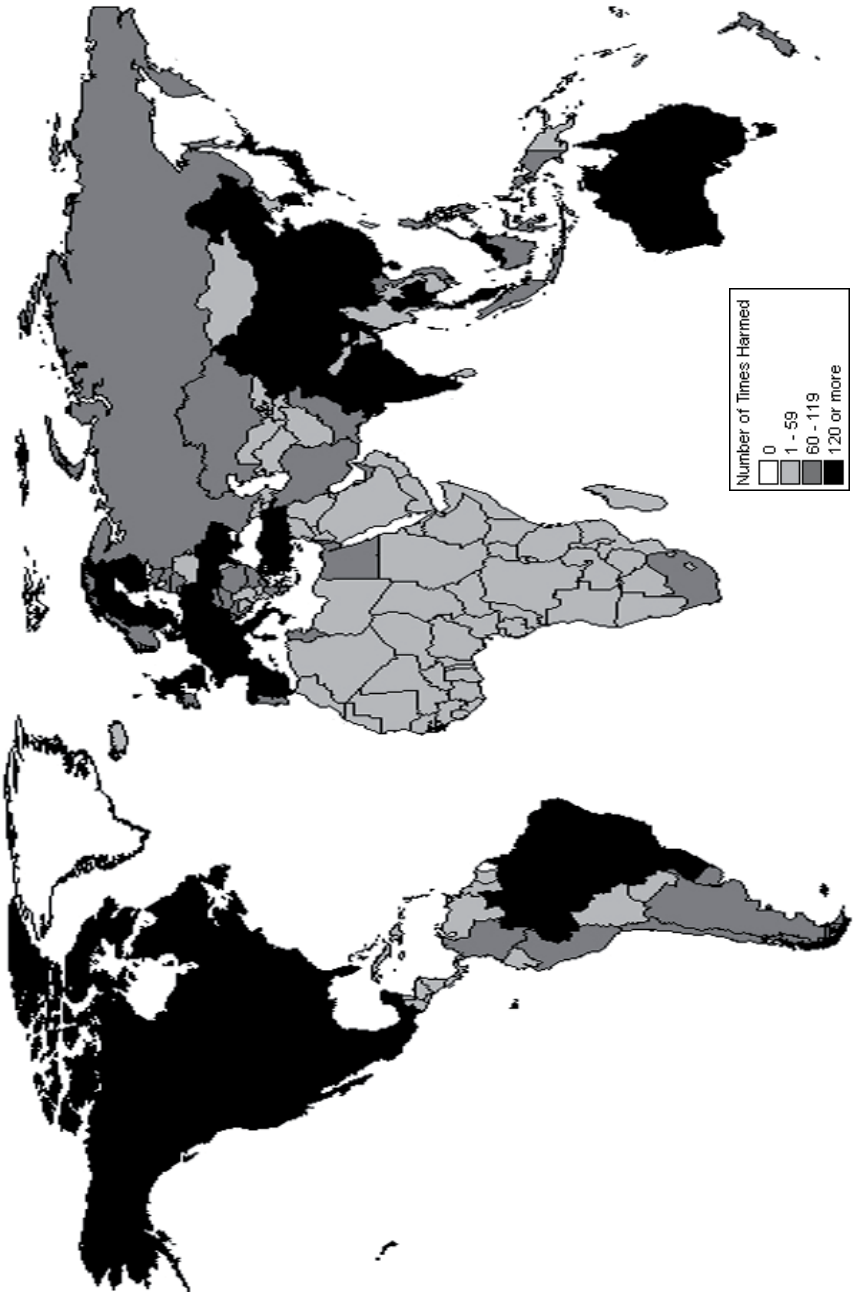
Map 1.3 Number of (4 digit) tariff lines harmed by each jurisdiction's discriminatory measures



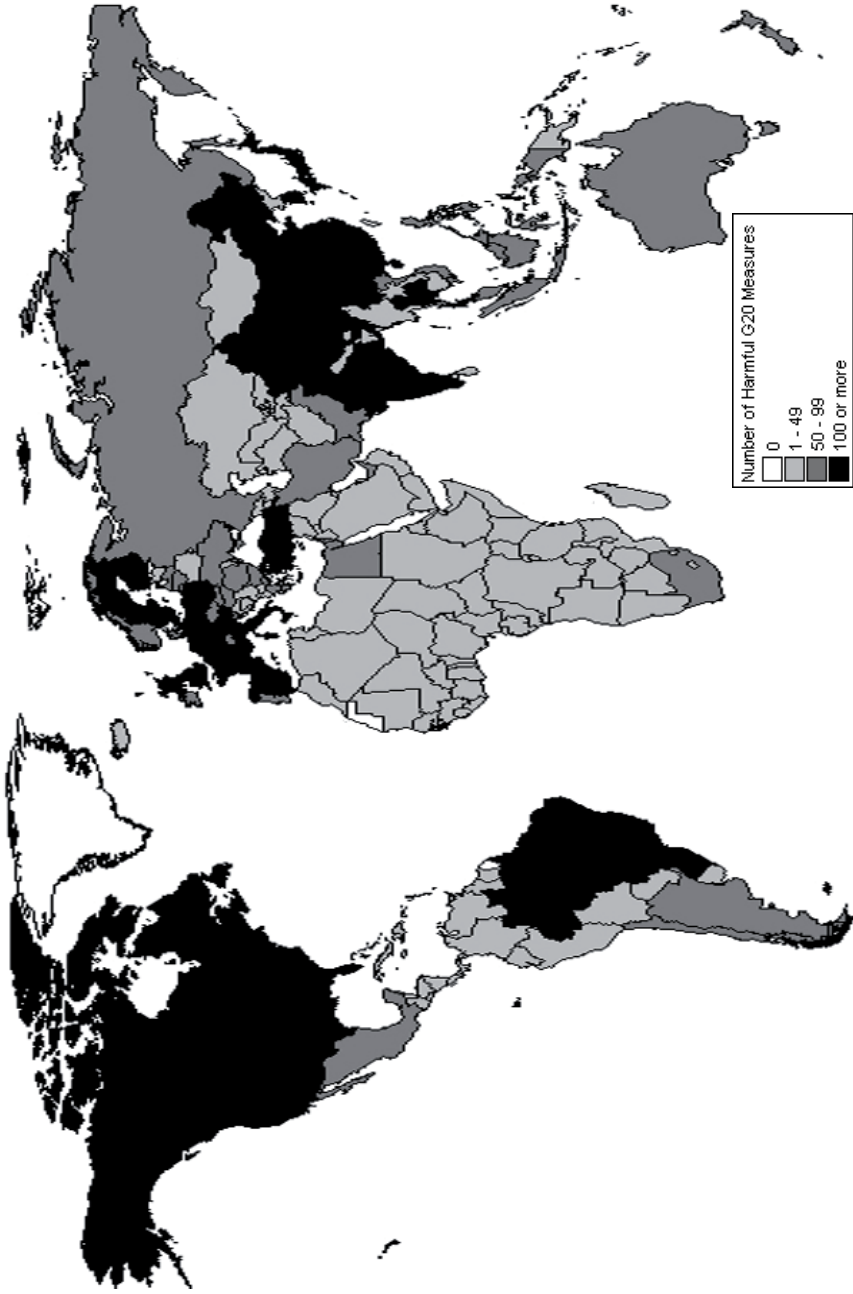
Map 1.5 Number of trading partners affecting a jurisdiction's commercial interests



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

