
The Global Overview: Has Stabilisation Affected The Landscape of Crisis-Era Protectionism?

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The latest set of macroeconomic data from the International Monetary Fund suggest that many economies stabilised and began to recover in the second half of 2009 (IMF 2010). Merchandise exports are thought to have rebounded in the third quarter of 2009 too (IMF 2010, OECD 2010).¹ For sure there is considerable variation across economies; for some, this stabilisation marks the end of the beginning, for others it is the beginning of the end of the global economic crisis.

According to the IMF, the ongoing recovery is entirely due to policy responses:

"Driving the global rebound was the extraordinary amount of policy stimulus. Monetary policy has been highly expansionary, with interest rates down to record low levels in most advanced and in many emerging economies, while central bank balance sheets expanded to unprecedented levels in key advanced economies. Fiscal policy has also provided major stimulus in response to the deep downturn. Meanwhile, public support of the financial sector has been crucial in breaking the negative feedback loop between the financial and real sectors. At the same time, there are still few indicators that autonomous (not-policy-induced) private demand is taking hold, at least in advanced economies" (IMF 2010, pages 1-3).

The significance of this macroeconomic and financial market intervention for commercial policymaking is that the wide range of tools available to policymakers over the past year or so has diminished the resort to protectionism during this crisis (Eichengreen and Irwin 2009). If this logic holds true in 2010 then certain recent developments bode ill for the near term. Those developments include statements by leading central bankers to begin unwinding their support for the financial sector in the coming year and the growing pressure on governments from central banks, the bond markets, and in some nations elements of the electorate, to cut budget deficits, including limiting spending on bailouts and other subsidies.

Limitations on available alternative policy tools in 2010 may mean that pressures to "create" or "save" jobs and firms may manifest themselves in discrimination against foreign commercial interests. Consequently, if finance ministers and central bankers poorly design and execute their "exit strategies" then this year we'll probably find out whether the macroeconomic flexibility-cum-protectionism nexus cuts both ways.

A distinct but related matter is whether the stabilisation of national economies has begun to affect the propensity of governments to discriminate against foreign com-

¹ Having said this, the available data for the fourth quarter of 2009 casts doubt on the sustainability of the export rebound witnessed in the third quarter of 2009 (see the information presented in *The Economist* 2010).

mercial interests and the form that that discrimination takes. With many more reports submitted by the GTA team in the past two months, this matter can now be examined in some detail and the purpose of this global overview is to do just that. The principal finding to date is that macroeconomic stabilisation has not been coupled with governments eschewing protectionism; nor have other established patterns of crisis-era protectionism altered much as economic prospects have improved.

This chapter will draw upon the findings of 713 completed investigations of state measures, conducted by the GTA team², which might have implications for foreign commercial interests.. Information about those investigations, including a description of a state measure and identification of the products, sectors, and trading partners likely to have been, or likely to be, affected by the implementation of a state measure, are reported on the www.globaltradealert.org website. Interested readers are referred to the detailed account in Evenett (2009) of the methodology employed by the GTA team.³

To focus ideas, in what follows the main findings from the GTA database are summarised, followed by the tables and figures that contain the raw data to substantiate each finding. Each finding described below is linked to at least one of those tables and figures. Readers are encouraged to augment the following account of contemporary protectionism with the comments made in and maps reproduced at the end of the Executive Summary of this Report.

The GTA's third Report was issued in mid-December 2009 and covered state measures announced from November 2008 to the end of November 2009. In terms of coverage this Report shares the same starting date as its predecessor; however, it includes reports through to 21 January 2010. Where instructive, comparisons between this Report's findings and its predecessor are noted. **Table 2.1** reveals that this fourth Report contains 103 more investigations than its predecessor - and, it should be noted that some of these investigations refer to state measures that were implemented before the end of November 2009.

Governments keep closing borders despite macroeconomic stabilisation

The fourth quarter of 2009 is said to be when many economies stabilised and began to recover. Since the beginning of the fourth quarter in 2009 over 60 state measures have been implemented by governments worldwide that almost certainly or are likely to discriminate against foreign commercial interests. Whatever comfort has been afforded by macroeconomic stabilisation has not lead governments to eschew protectionism. See **Figure 2.2**.

Since our last report was published in December 2009, the number of beggar-thy-neighbour measures discovered (69) was nearly four times the number of benign or liberalising measures (18). Compared to our previous report, the average number of implemented, discriminatory measures reported per day has actually risen slightly--but so has the comparable average for benign measures. See **Table 2.1**.

2 The GTA database includes reports on state measures that might have implications for foreign commercial interests, the latter being defined broadly to include trade flows, foreign investments, migrant populations, and intellectual property rights deployed abroad. To be included in the database a key decision about a measure must have been taken after the first crisis-related G20 summit meeting in Washington DC in November 2008.

3 Section 2 of Evenett (2009) contains the description of the GTA's methodology.

Overall, since the first G20 crisis-related summit in November 2008, the governments of the world have together implemented 305 beggar-thy-neighbour policy measures. Add in another 62 implemented measures that are likely to have harmed some foreign commercial interests, and the total reaches 367. **See Tables 2.1. and 2.2.**

Despite taking their no-protectionist pledge the G20 members have imposed 220 beggar-thy-neighbour policies since November 2008, an increase of 36 such policies over our previous report. The G20 countries also implemented 11 of the 14 benign or liberalising measures newly recorded in the GTA database. **See Tables 2.2 and 2.3.**

Typically, since the first G20 summit in November 2008, every other day a G20 government has broken the no-protectionism pledge. This propensity has not fallen with macroeconomic stabilisation. **See Table 2.3.**

While together the G20 governments were responsible for less than two-thirds of all state measures implemented worldwide since November 2008, over the same time-frame the G20 were collectively responsible for over three-quarters of beggar-thy-neighbour measures implemented worldwide. **See Tables 2.3 and Figure 2.1.**

Reporting lags cloud the picture; with every report the protectionism uncovered in 2009 looks worse and worse

In terms of raw numbers, there appears to be a reduction in the total number of 'almost certainly' and 'probably discriminatory' measures imposed in the second half of 2009 compared to the first half. Significant care is needed in interpreting this finding. **See Figure 2.2.**

Since our last report was compiled the GTA has found evidence of more harmful state measures that were imposed in the last quarter of 2008 and during 2009. A clear pattern emerges of quarter-by-quarter upward revisions in the number of discriminatory measures investigated by the GTA team. **See Figure 2.2.**

Previously the GTA reported that conservatively estimated, on average 85 discriminatory measures were imposed each quarter in 2009. For the first three quarters of 2009 the comparable rate is now estimated to be 100. Overall, the record for 2009 is much worse than previously thought; some initial assessments of protectionism in 2009 may have inadvertently overlooked the non-transparent nature of much crisis-era discrimination against foreign commercial interests.

Already 56 implemented state measures likely to harm foreign commercial interests have been identified in the fourth quarter of 2009, stacking the odds against ultimately finding that stabilisation led to lesser resort to protectionism. **See Figure 2.2.**

The protectionism-in-the-pipeline has not shrunk

Last time we reported that there were 188 suspicious protectionist measures in the pipeline⁴; now that total has risen to 198. If every one of these measures was eventually implemented it would be equivalent, at 2009 rates, to just over half a year's more protectionism. **See Figure 2.2.**

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.)

By now the top 10 most hit trading nations have each been harmed by over 100 beggar-thy-neighbour measures

Since the first G20 summit in November 2008 China's commercial interests have been hit 160 times by foreign protectionist measures, the most of any trading nation. Only if the 27 members of the European Union are counted together, does any other jurisdiction come close to absorbing comparable harm (the EU 27 group being hit 152 times). **See Table 2.4.**

Other than China, the top 10 target jurisdictions hit by the most number of harmful foreign measures are all industrialised countries. Each of the top 10 targets has seen their commercial interests harmed by foreign state measures over 100 times during this crisis; a threshold crossed for the first time in this report. **See Table 2.4.**

Sixty-one trading partners have imposed measures harmful to Chinese commercial interests. Only the USA and Japan come close in terms of suffering at the hands of so many trading partners. **See Table 2.4.**

Which nations have inflicted the most harm?

Because protectionist acts can affect different numbers of products, sectors, and trading partners, there is no single metric to identify the worst offending nations. The GTA reports four indicators of harm.⁵ Still, whether it is the number of harmful measures implemented, tariff lines affected, sectors affected, or trading partners affected, the Russian Federation remains in the top 5 worst offending nations. **See Table 2.5.**

On all four metrics, China is always in the top 10 worst offending nations. If the EU member states are counted as one, they too always appear in the top 10. (Compared to the previous report, Indonesia no longer retains this dubious distinction.) **See Table 2.5.**

For three of the four indicators of harm, Germany and the United Kingdom are always in the top 10 worst offending nations. (In the last report India shared this dubious distinction too; not now.) **See Table 2.5.**

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; taken together the European Union for harming the most trading partners (149). **See Table 2.5.**

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 100 nations. Given the conservative methodology used to identify the harmed jurisdictions⁶, this finding indicates the scale of the adverse impact of many governments' crisis-era state measures. **See Table 2.5.**

A repeat of the 1930s protectionism has - to date - been avoided

The fact that only 5 jurisdictions have taken measures that affect more than a quarter of all product categories demonstrates that the across-the-board measures seen in

⁵ Comparisons of the rankings of countries on the basis of these four rankings shows a remarkably high degree of correlation.

⁶ In short, identification here is on the basis of an existing non-trivial trade, investment, or other commercial flow, not indicators of potential harm.

the 1930s has not been repeated in the past year. Of course, how appropriate it is to compare the protectionism undertaken in the past 15 months with that imposed over a decade is another matter. **See Table 2.5.**

Which types of beggar-thy-neighbour policies are used the most?

In the year since the first G20 crisis-summit, bailouts and state aids are the most frequent source of discrimination against other nations' commercial interests. With the forty discriminatory bailouts identified since the publication of the Third Report, the percentage of all discriminatory measures that were bailouts has risen to 37%. Less than half of those bailouts relate to the financial sector; it is a mistake to associate the discriminatory bailouts of the past year solely with banks and insurance companies and the preservation of financial stability.⁷ **See Table 2.6. and Figure 2.3.**

The implementation of discriminatory trade defence instruments is the second most common form of protectionism--although increasingly a distant second. Still, given that a large number of trade remedy investigations are ongoing, in the next 12 months it would not be surprising if the difference between the top two most used measures narrows. **See Table 2.6. and Figure 2.4.**

Since our last report was published, bailouts, trade defence measures, public procurement measures, and migration measures account for the overwhelming majority of new discriminatory state measures that the GTA team has investigated. **See Table 2.6.**

Tariff increases still account for only one in seven of the total number of discriminatory state measures imposed in the current global economic downturn. This calls into question how representative of contemporary protectionism the much-studied, easy-to-measure, and typically transparent tariff increase actually is. **See Table 2.6. and Figure 2.3.**

Export taxes or restrictions, bailouts, export subsidies, 'buy national' policies, tariff measures, plus a rag-bag of non-tariff barriers imposed since November 2008 are each conservatively estimated to have harmed over 100 countries' commercial interests. **See Table 2.6.**

Which sectors are most affected by protectionism?

Setting state measures that benefit the financial sector to one side, like its predecessor this Report too confirms a finding in the second GTA report. Namely, 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. **See Table 2.7.**

Looking ahead, the basic metals and basic chemical sectors could be affected by over 30 pending measures. Should this come to pass, then over the next year or so both sectors may match the financial sector as the principal sectors most affected by contemporary era protectionism. **See Table 2.7.**

⁷ This latter finding can be confirmed by going on to the "Advanced Search" page of the GTA website and searching for the bailout measures that do not affect sector 81, namely, financial intermediation services and auxiliary services thereof.

References

- The Economist* (2010). "World Trade. Fading Trading." 30 January 2010, page 85.
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- IMF (2010). International Monetary Fund. "A Policy-Driven, Multispeed Recovery," World Economic Outlook Update. Washington, DC. 26 January 2010.
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Table 2.1 Total number of state measures reported in the GTA database

Statistic	This report (January 2010)		Increase from previous report (December 2009)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	713	476	103	91
Total number of measures coded green	88	78	18	17
Total number of measures coded amber	260	99	14	9
Total number of measures coded red	365	299	71	65

How does the GTA colour code measures?

Colour 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 (January 2010)		Increase from previous report (December 2009)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	493	396	88	77
Total number of measures coded green	66	60	14	13
Total number of measures coded amber	62	37	6	1
Total number of measures coded red	305	299	69	63
Total number of 4-digit tariff lines affected by almost certainly discriminatory measures	1214	1214	0	0
Total number of 2-digit sectors affected by almost certainly discriminatory measures	79	79	0	0
Total number of trading partners affected by almost certainly discriminatory measures	233	233	0	0

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 (January 2010)		Increase from previous report (December 2009)	
	Total	Total except unfair trade and safeguards investigations	Total	Total except unfair trade and safeguards investigations
Total number of measures in GTA database	306	221	53	42
Total number of measures coded green	48	43	11	11
Total number of measures coded amber	38	17	6	1
Total number of measures coded red	220	161	36	31
Total number of 4-digit tariff lines affected by almost certainly discriminatory measures	978	968	1	1
Total number of 2-digit sectors affected by almost certainly discriminatory measures	58	58	0	0
Total number of trading partners affected by almost certainly discriminatory measures	196	196	0	0

Figure 2.1. The G20 members implement a higher share of beggar-thy-neighbor policies than other countries.

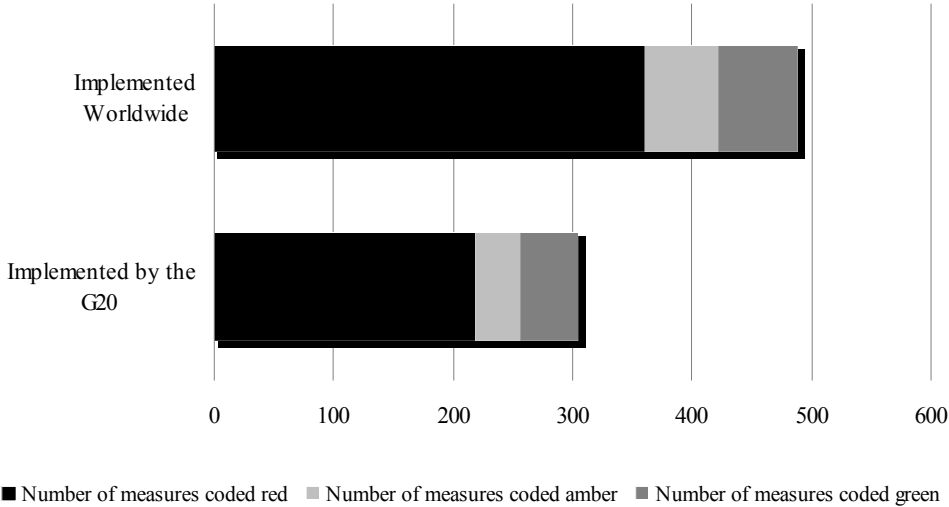
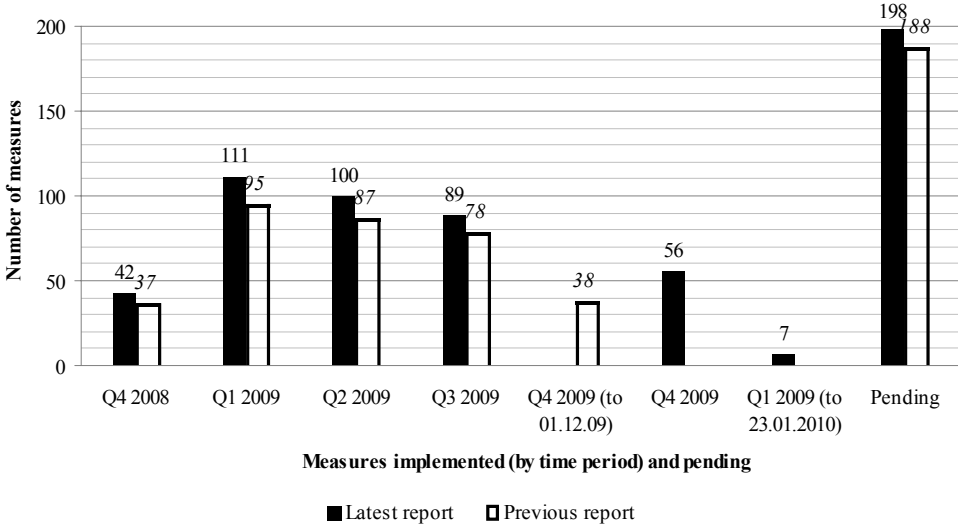


Figure 2.2. If the measures in the pipeline are implemented, the number of harmful measures will rise by more than half



In Figure 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 (January 2010)	Increase from last report (December 2009)	This report (January 2010)	Increase from last report (December 2009)	This report (January 2010)	Increase from last report (December 2009)
China	160	14	61	3	111	2
EU27	152	12	43	4	57	2
USA	127	9	51	2	31	1
Germany	123	8	36	2	42	1
France	111	5	36	2	34	1
Belgium	104	5	33	2	31	0
Japan	102	3	49	1	31	0
UK	102	8	34	3	28	0
Netherlands	101	4	35	2	27	1
Italy	100	7	32	2	36	0

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 (123)	Russian Federation (486)	Algeria (54)	EU27 (149)
2.	Russian Federation (42)	Ukraine (388)	EU27 (35)	India (141)
3.	Argentina (25)	China (331)	Ecuador (30)	China (138)
4.	Germany (24)	Ecuador (316)	Indonesia (25)	Russian Federation (132)
5.	UK (19)	Indonesia (315)	Russian Federation (25)	Argentina (129)
6.	Italy (15)	EU27 (231)	Mexico (24)	Indonesia (124)
7.	China (13)	India (210)	Belarus (23)	UK (122)
8.	Hungary (13)	Japan (134)	China (23)	USA (120)
9.	Spain (13)	UK (132)	Ukraine (23)	France (118)
10.	Brazil (12)	USA (124)	Germany (21)	Germany (116)

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.

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 (January 2010)	Increase from last report (December 2009)	This report (January 2010)	Increase from last report (December 2009)	This report (January 2010)	Increase from last report (December 2009)	This report (January 2010)	Increase from report (December 2009)
Bail out / state aid measure	141	40	144	38	41	2	177	1
Trade defence measure (AD, CVD, safeguard)	67	5	98	11	48	1	58	n.a.
Tariff measure	47	3	93	10	21	2	122	0
Public procurement	21	7	25	7	15	4	133	0
Export subsidy	14	0	16	0	33	0	145	1
Non tariff barrier (unspecified)	13	1	22	2	9	1	109	0
Migration measure	12	5	17	7	12	5	46	15
Sanitary and Phytosanitary Measure	111	0	12	0	9	0	23	0
Export taxes or restriction	10	2	18	2	11	1	147	0
Import ban	10	3	9	1	8	2	42	0

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

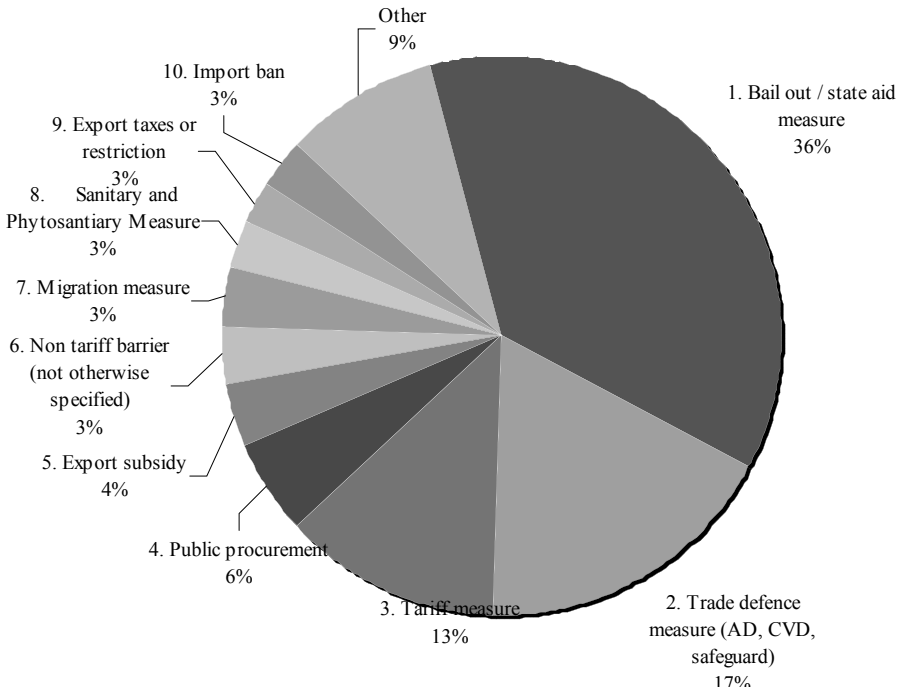


Figure 2.4 Top 10 pending measures that target foreign commercial interests.

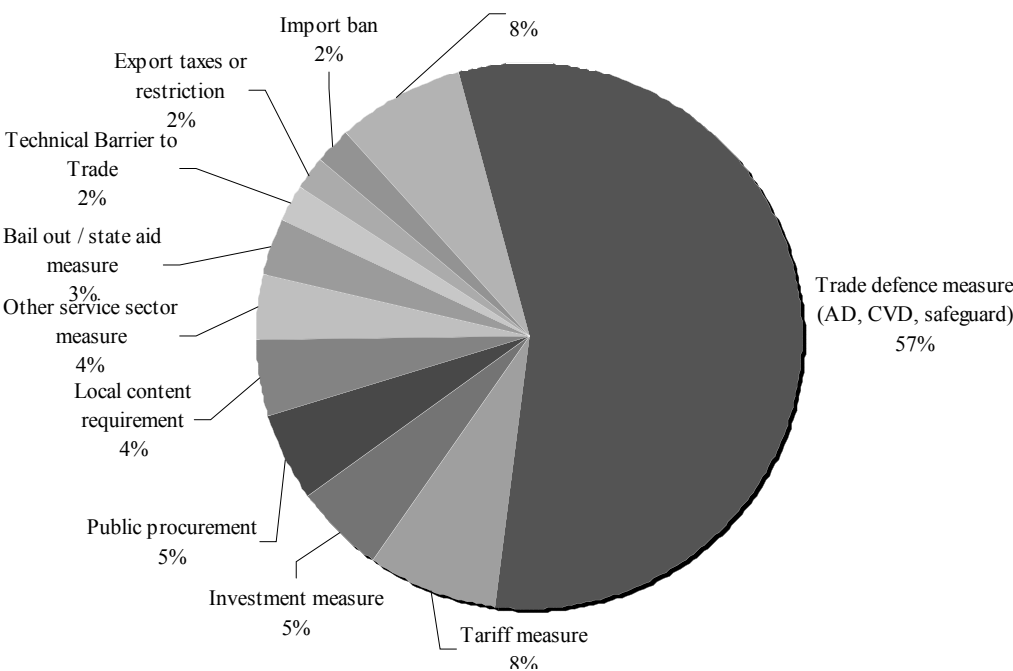


Table 2.7 Top 20 sectors most affected by discriminatory measures

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)	60	64	20	2
44 (Special purpose machinery)	36	59	20	13
41 (Basic metals)	33	52	41	33
49 (Transport equipment)	32	52	15	18
21 (Meat, fish, fruit, vegetables, oils and fats)	30	44	19	8
42 (Fabricated metal products, except machinery and equipment)	29	45	16	19
01 (Products of agriculture, horticulture and market gardening)	28	39	21	11
23 (Grain mill products, starches and starch products; other food products)	28	42	43	12
34 (Basic chemicals)	25	43	12	33
22 (Dairy products)	24	30	40	8
02 (Live animals and animal products)	22	30	44	6
38 (Furniture; other transportable goods n.e.c.)	22	30	15	7
27 (Textile articles other than apparel)	21	33	14	11
36 (Rubber and plastics products)	19	30	16	10
47 (Radio, television and communication equipment and apparatus)	19	30	10	4
43 (General purpose machinery)	18	31	11	9
28 (Knitted or crocheted fabrics; wearing apparel)	17	28	12	4
46 (Electrical machinery and apparatus)	17	25	12	8
29 (Leather and leather products; footwear)	16	25	12	3
37 (Glass and glass products and other non-metallic products n.e.c.)	16	27	13	19