
Executive Summary

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After contracting sharply in the first half of 2009 many economies stabilised and some even began to recover in the last quarter of 2009. Using information compiled through to late January 2010 this, the fourth, report of the Global Trade Alert examines whether macroeconomic stabilisation has altered governments' resort to protectionism. Has economic recovery advanced enough so that national policymakers now feel little or no pressure to restrict international commerce? Or is the recovery so nascent that governments continue to discriminate against foreign commercial interests, much as they did during the darker days of 2009? The answers to these questions will partly determine what contribution exports and the world trading system is likely to play in fostering growth during 2010.

This Report is published in February 2010 to coincide with the Jeddah Economic Forum. State measures announced and implemented from November 2008 fall within the remit of the GTA. Consequently, this Report sheds light on the extent, nature, and possible harm done by discriminatory state measures taken since global financial markets and subsequently the global economy went into free fall. In contrast to our previous report, where particular attention was given to developments in the Asia-Pacific region, in this report commercial policy developments and prospects in the Gulf region are assessed.

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.

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.

Principal findings of the Fourth Report

The first three findings speak to the potential impact of the macroeconomic stabili-

sation of late 2009 on very recent protectionist trends--it being understood that should the global recovery strengthen in 2010, then these findings may have to be revisited.

1. **Stabilisation certainly hasn't ended protectionism.** Since the beginning of the fourth quarter on 2009 a substantial number (63) of beggar-thy-neighbour policies have been implemented.¹ Given reporting lags, this rate of protectionism is not out of line with that experienced in 2009.
2. **The types of protectionism used the most haven't changed as economies stabilised.** Bailouts of manufacturing and financial firms as well as trade defense measures account for a large fraction of beggar-thy-neighbour state measures implemented since the fourth quarter of 2009 began.
3. **If anything, G-20 governments have been responsible for a higher share of protectionist measures since stabilisation began.** Since the crisis began that share had been running at seven-tenths, for the discriminatory measures introduced during and since the fourth quarter of 2009 that share is now close to four-fifths.

Analysis of the GTA database revealed the following two significant findings concerning the scope of crisis-era protectionism.

4. **The extent of anti-foreigner discrimination in 2009 is much higher than originally reported. Any suggestion that 2009 was a benign, low protectionism era should be dismissed.** As reporting and investigative lags have been overcome, the number of beggar-thy-neighbour measures implemented in 2009 is now higher than originally thought. For example, in our second report (published only five months ago) we stated that 77 such measures were implemented in the first quarter of 2009. Now we calculate that 111 such measures were in fact implemented during the same quarter, a 44 percent increase. (Similar percentage increases apply to the measures implemented in the second and third quarters of 2009.) **A conservative estimate is that in total governments resorted to protectionism measures roughly 100 times a quarter before the macroeconomic stabilisation of late 2009; a depressing centenary of lost commercial opportunities, career setbacks, and investment losses.** In short, resort to protectionism in 2009 was much larger than estimates at the time suggested; a point to bear in mind when interpreting any contemporary estimates presented in 2010.
5. **Since the first G-20 Ministerial meeting in November 2008, the ten traders most affected by foreign protectionism have each suffered more than one hundred hits to their commercial interests.** With the updating of the GTA's database for this Report another depressing centenary was passed. Each of the trading partners most often hit by foreign protectionism has suffered over 100 blows to their commercial policy interests. The considerable press attention given to protectionism against China should not be read to imply that other large trading nations have emerged unscathed from foreign protectionism. What separates China from those other trading nations is, in this respect, merely a matter of degree.

¹ The measures taken referred to here are state measures whose implementation on or after 1 October 2009 has almost certainly discriminated against or likely discriminated against foreign commercial interests.

How GTA built its extensive database on contemporary protectionism

Since GTA was launched on 8 June 2009 over 600 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.global-tradealert.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 elsewhere. 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 700 such analyses could be conducted in the timeframe necessary to influence policy-making. In short, we should not make the perfect the enemy of the very good. GTA's investigations go a long way towards indicating the scale of an initiative's effects by making extensive use of publicly available trade, investment, migration, and other data. Still, the GTA team welcomes suggestions that will result in further improvements in the coverage and assessment of state initiatives.

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

Mapping Crisis-Era Protectionism

Sometimes averages and totals obscure interesting variation across countries. To counter this in each report of the Global Trade Alert several maps have been generated. 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. While a number of Sub-Saharan African countries have implemented no such measures, almost every major trading nation has implemented 10 or more such measures since the first G-20 crisis meeting.

Map 1.2. shows that the overwhelming majority of nations will find their countries' commercial interests harmed if the discriminatory measures in the pipeline are actually implemented. China, Indonesia, Japan, the United States, and several European nations could be harmed by over 30 pending measures, providing one indication of the stake that some have in keeping borders open during 2010.

Some government initiatives affect very few trading partners, others many. Map 1.3. 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. Eleven national governments have already taken measures that harm 100 or more of their trading partners. Maps 1.4. and 1.5. report the number of product categories (4 digit tariff lines) and economic sectors affected by the discriminatory measures that have been put in place since the first crisis-related G-20 summit in November 2008.

Maps were also generated for the number of times that each jurisdiction's commercial interests have been harmed by other countries' discriminatory measures. Given the enduring interest in whether the G-20 member states have lived up to their no-protectionism pledge, Map 1.6. may be of particular interest. This map demonstrates the almost global reach of the harm done when G-20 governments thought it wise to violate their own no-protectionism pledge. No one can claim that the damage done by the G-20 members was confined to themselves.

Maps 1.7. and 1.8. provide more evidence against the propositions that contemporary protectionism is confined to a small number of implementing jurisdictions, that the harm is confined to a small number of jurisdictions, and that essentially the problem is localised. Taken together, these maps shed light on both the victims and perpetrators of crisis-era discrimination against overseas commercial interests.

The organisation and contents of the remainder of this Report

The rest of this Report is organised as follows. The large number of state measures investigated by the GTA team provide the evidential base from which trends in contemporary protectionism can be assessed. Next an account of the protectionist dynamics worldwide is provided, with a particular focus on developments from the fourth quarter of 2009 (when economic stabilisation and recovery was said to take hold in many economies.) This global perspective is complemented by five papers on contemporary commercial policy challenges facing the Gulf region. These points provide a useful reminder that the opportunities and threats created by crisis-era protec-

tionism can be heavily dependent on inherited economic structures and resources and long-standing diplomatic and geopolitical considerations. Finally, for each nation in the Gulf region information is presented on the extent to which its commercial interests have been harmed by the actions of other countries. Symmetrically, information is presented on the extent to which each nation's state measures have affected other trading partners.

References

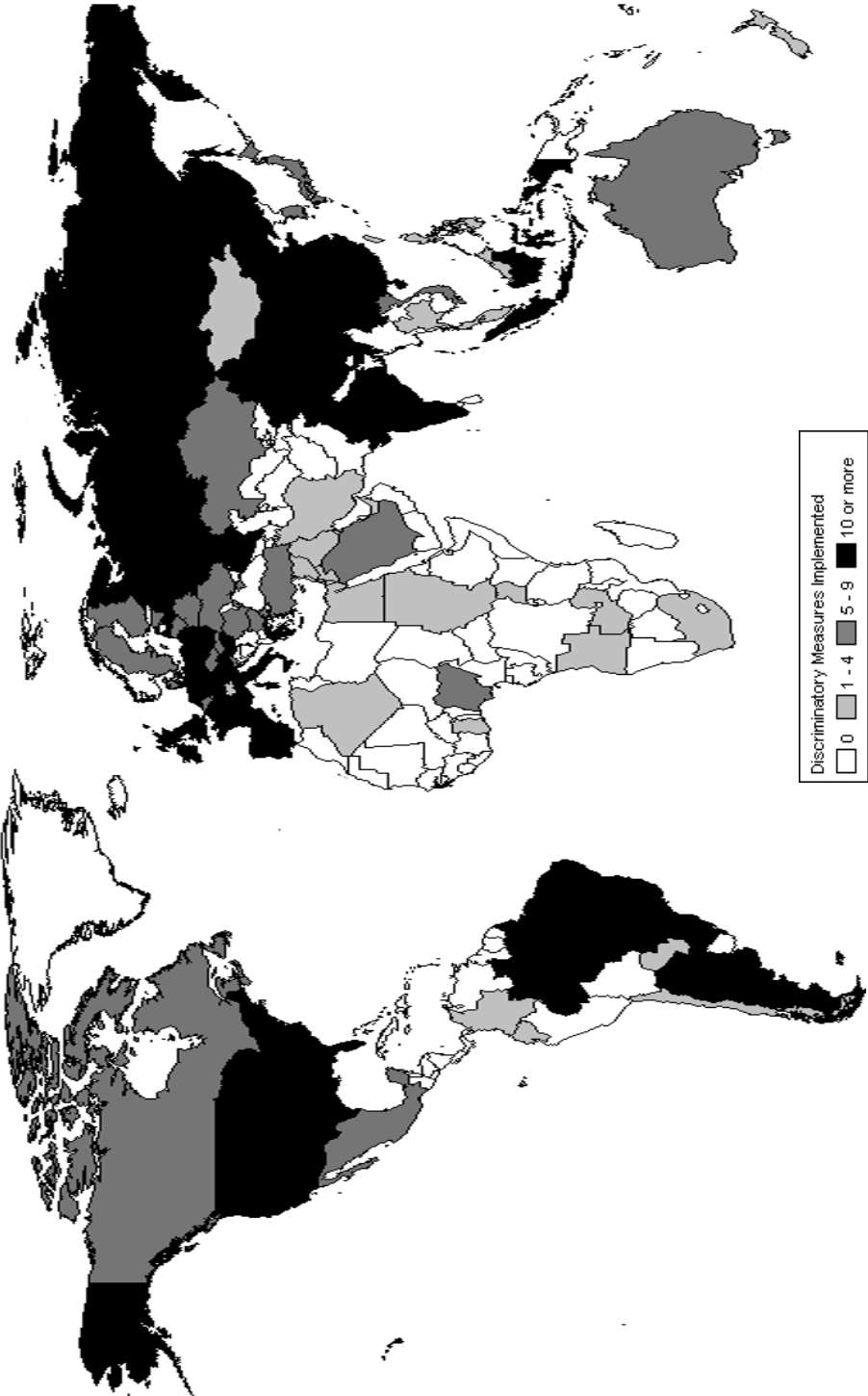
- Evenett (2009a). Simon J. Evenett. "What can be learned from crisis-era protectionism? An Initial Assessment." *Business & Politics*. October.
- Evenett (2009b). Simon J. Evenett. "Crisis-era protectionism one year after the Washington G20 meeting: A GTA update, *some new analysis, and a few words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

About the author

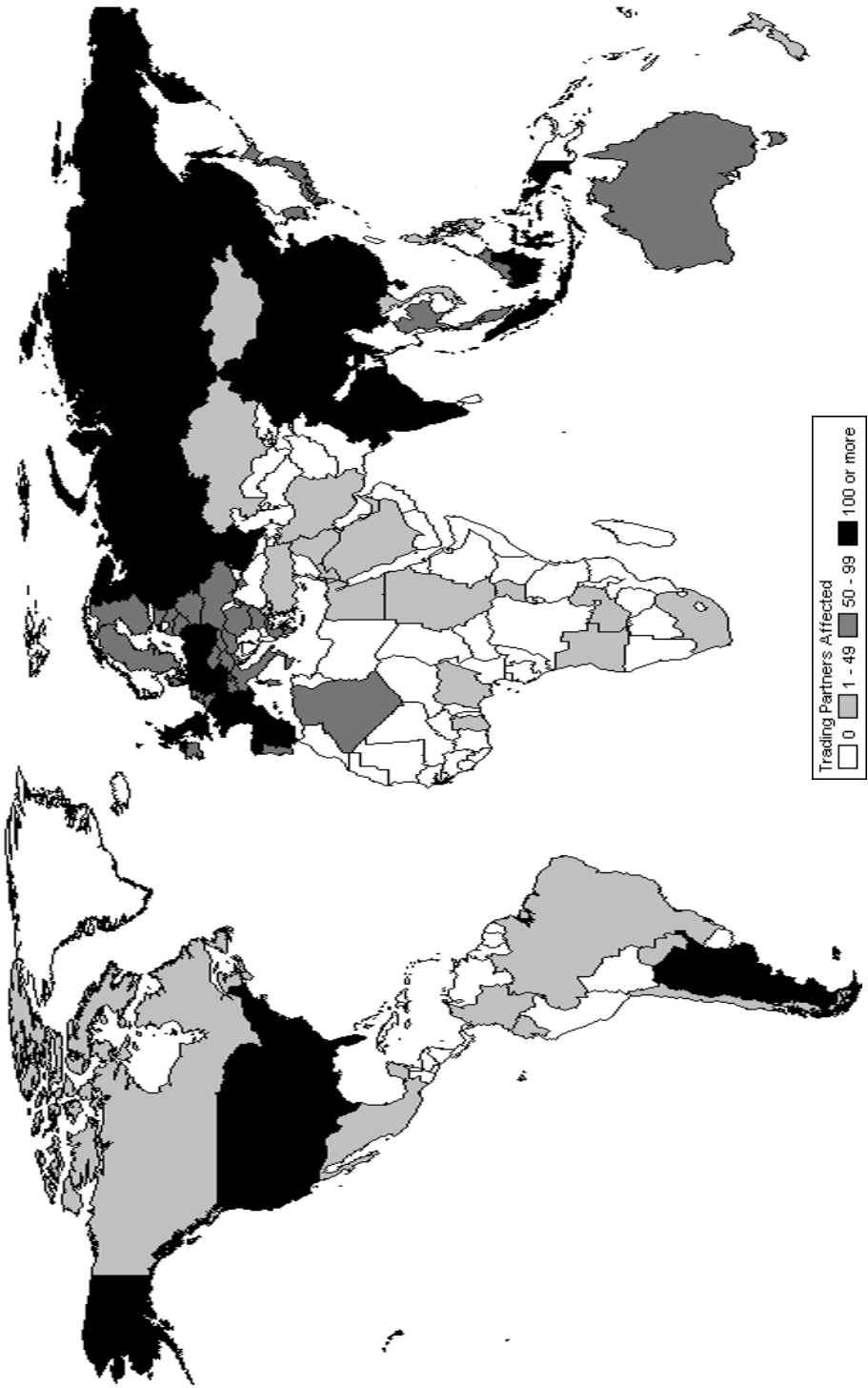
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30 January 2010

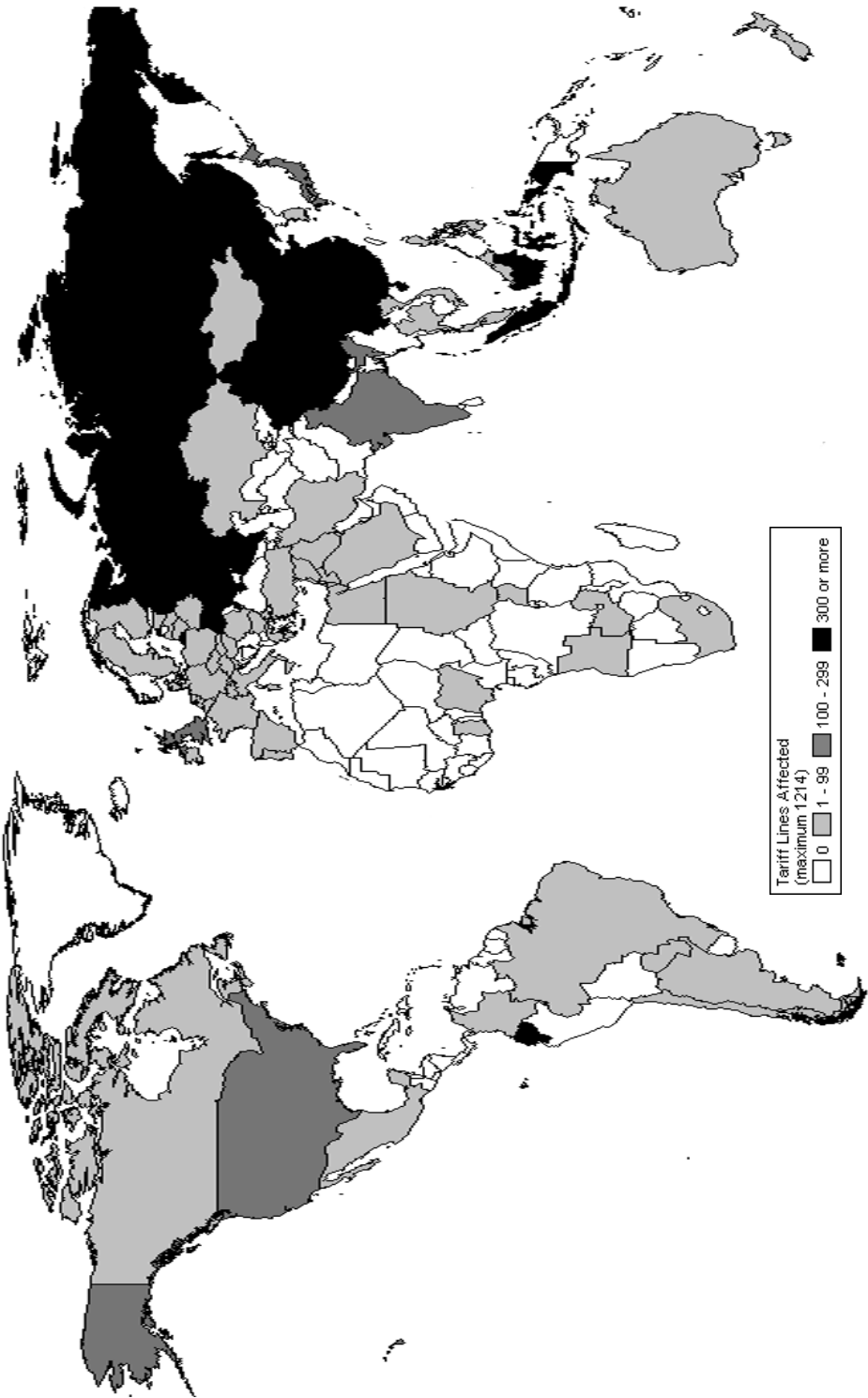
6 **Map 1.1** Number of discriminatory measures implemented by each jurisdiction since the first G20 crisis related summit



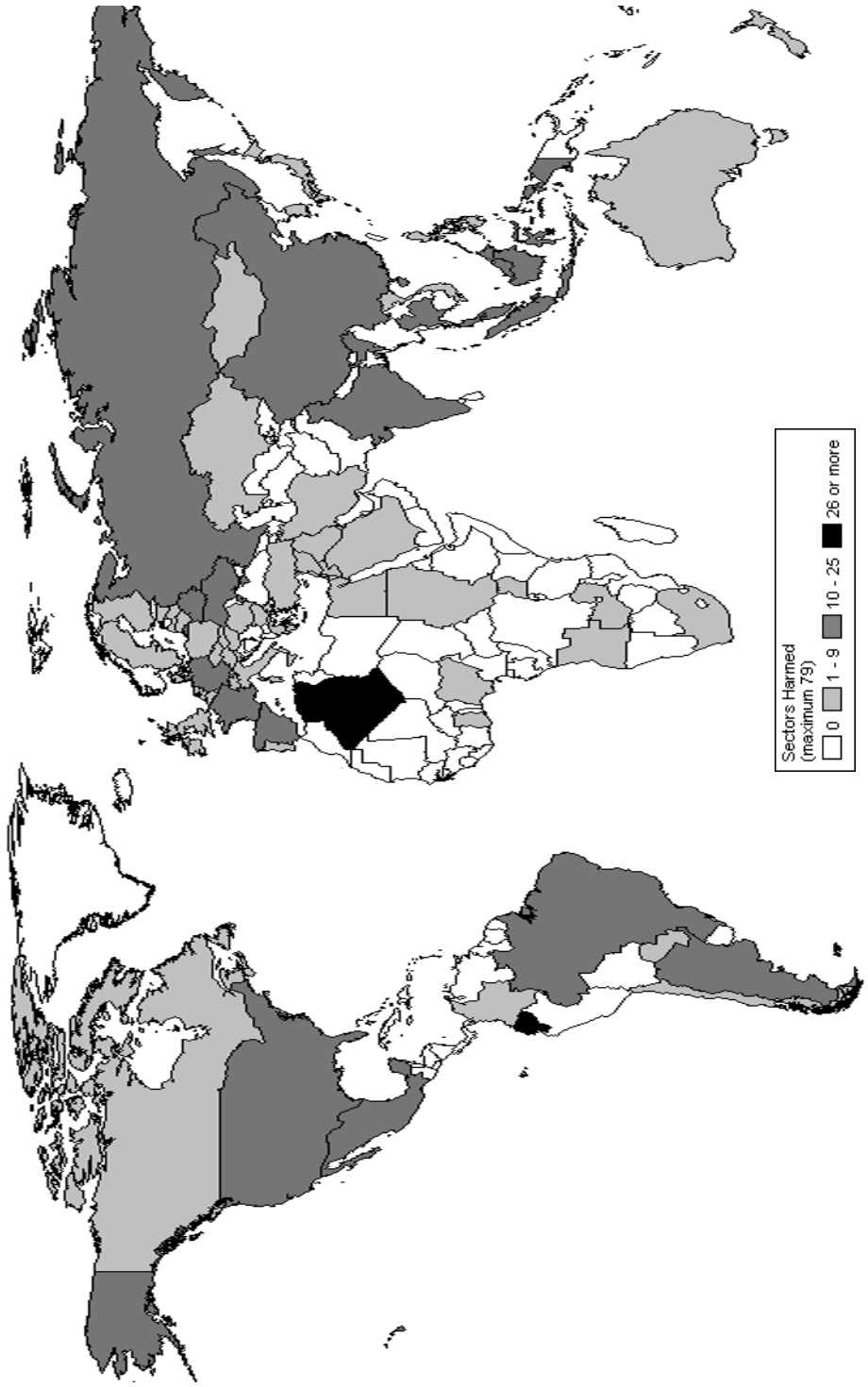
Map 1.2 Number of trading partners harmed by each jurisdiction's discriminatory measures



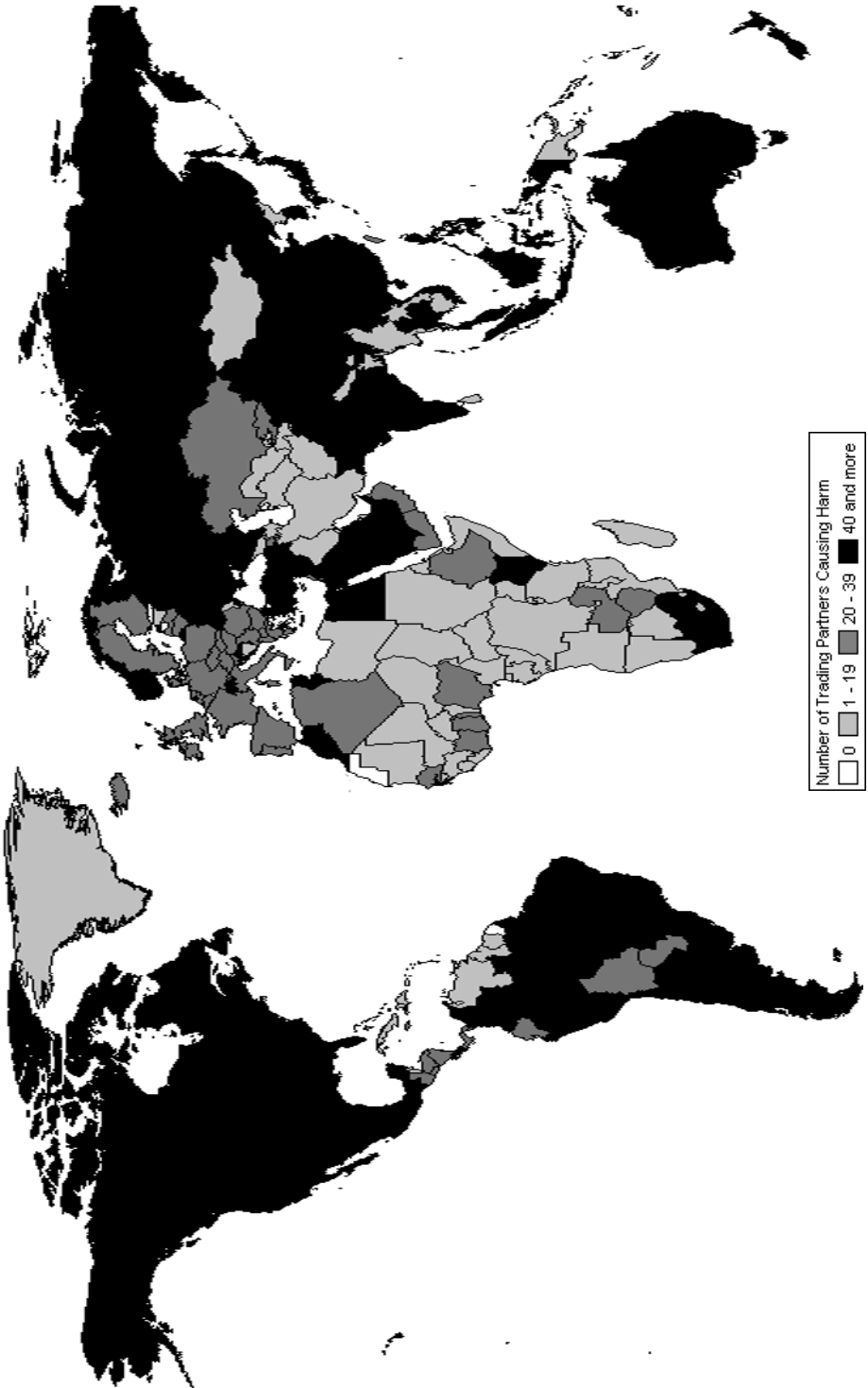
Map 1.3 Number of (4 digit) tariff lines harmed by each jurisdiction's discriminatory measures



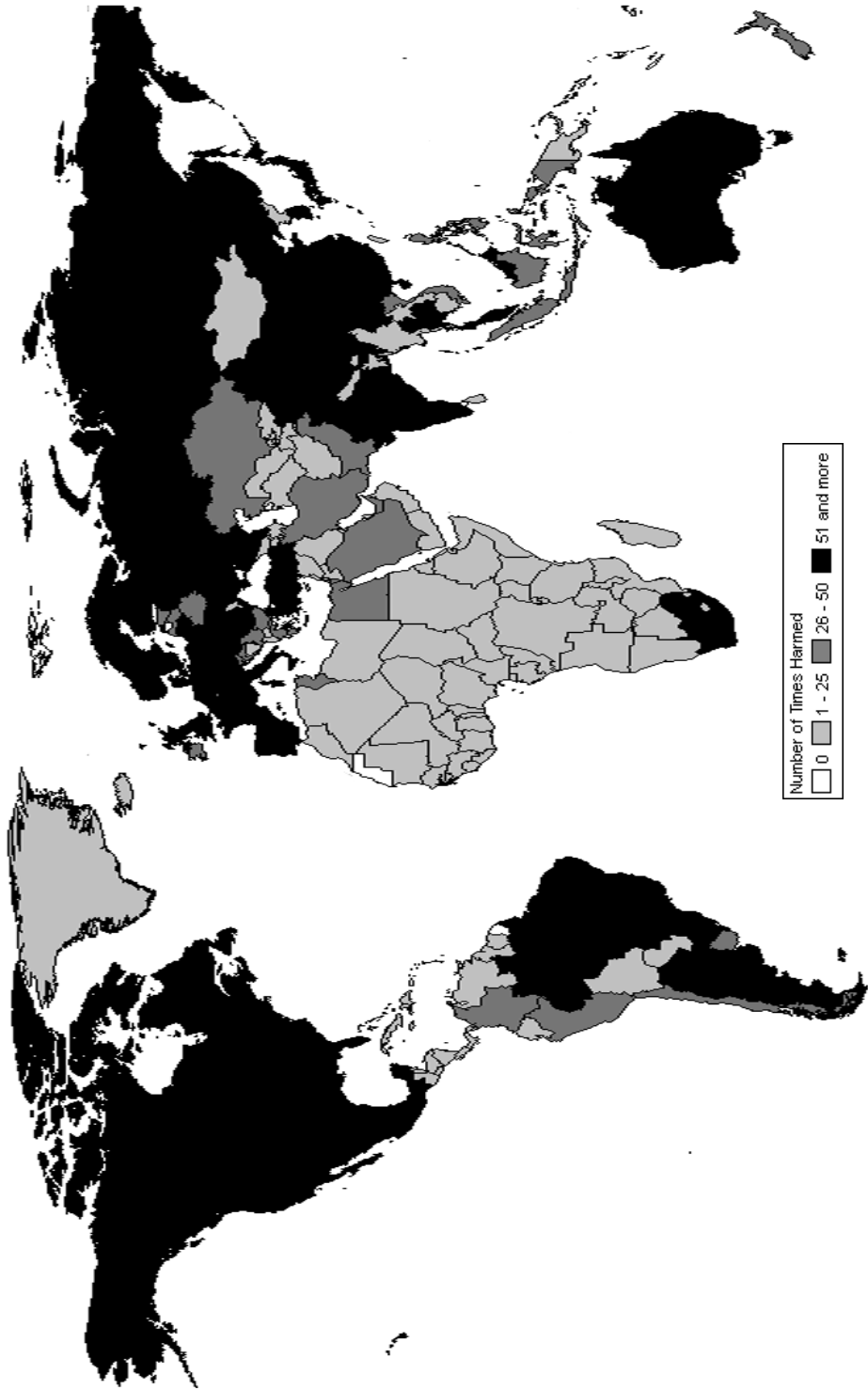
Map 1.4 Number of sectors harmed by each jurisdiction's discriminatory measures



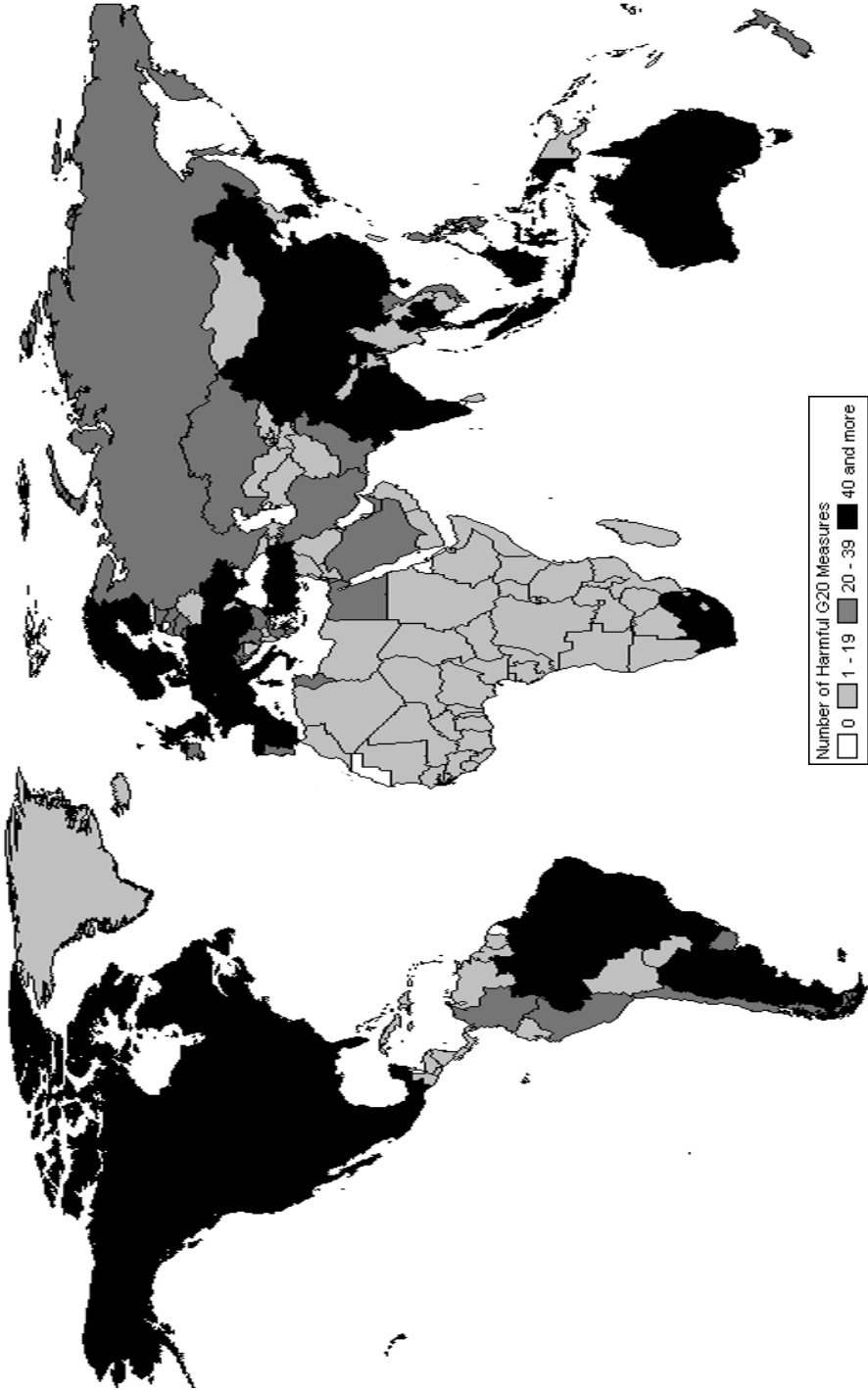
Map 1.5 Number of trading partners affecting a jurisdiction's commercial interests



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



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



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

