



Asia-Pacific Research and Training Network on Trade

Working Paper Series, No. 97, March 2011

Features of post-crisis protectionism in Asia and the Pacific

By

*Martin Wermelinger**

The author is Ph.D. candidate in Economics at the University of St. Gallen, Switzerland, and member of the Global Trade Alert. Parts of this paper will also be published as chapter 3 “Post-crisis protectionism in the region”, Asia-Pacific Trade and Investment Report 2011, ESCAP. The technical support of the United Nations Economic and Social Commission for Asia and the Pacific is gratefully acknowledged. The opinion, figures and estimates are the responsibility of the authors and should not be considered as reflecting the views or carrying the approval of the United Nations, ARTNeT, the University of St. Gallen or Global Trade Alert. Author would like to thank to Mia Mikic for helpful comments. Any errors are the responsibility of the authors. Contact author at: martin.wermelinger@unisg.ch

The Asia-Pacific Research and Training Network on Trade (ARTNeT) is aimed at building regional trade policy and facilitation research capacity in developing countries. The ARTNeT Working Paper Series disseminates the findings of work in progress to encourage the exchange of ideas about trade issues. An objective of the series is to get the findings out quickly, even if the presentations are less than fully polished. ARTNeT working papers are available online at www.artnetontrade.org. All material in the working papers may be freely quoted or reprinted, but acknowledgment is requested, together with a copy of the publication containing the quotation or reprint. The use of the working papers for any commercial purpose, including resale, is prohibited.

Table of Contents

Executive Summary	3
1. Multilateral trading system tested	4
2. Protectionism does not weaken substantially	7
3. Behind-the-border state intervention is still a prevalent trade policy tool	10
4. The manufacturing sector is harmed most often	12
5. “Green” clauses are used most often in the Asia-Pacific region	14
References.....	16
Appendix.....	17

List of Figures

Figure 1. Remaining policy space for tariff intervention in selected Asia-Pacific economies	6
Figure 2. Decline in discrimination and ratios of discriminatory to liberalizing measures	8
Figure 3. Higher GDP growth in Asia-Pacific countries is associated with lower ratios of discriminatory to liberalizing measures	9
Figure 4. Asia-Pacific economies have recently been targeted less often by harmful measures	10
Figure 5. Changes in protectionism, quarter-by-quarter	11
Figure 6. Which sector groups are targeted most often?.....	13
Figure 7. Most frequent use of “green” clauses, by region.....	15

Executive Summary

This paper provides an overview of developments in implementation of protectionist measures relevant for Asia-Pacific economies in the period associated with recovery after the Global Economic Crisis of 2008/2009. At the very start of the Global Economic Crisis, there was a real fear that the sharp collapse in exports and production in many countries would lead to repeat of the damaging trade wars from the 1930s. Fortunately, that never happened although the level of activity of governments in discussing additional or new protectionist measures as well as in implementing some measures has increased. Multilateral trading system has been credited for this obvious restraint in using tariffs as a measure of intervention during the crisis and in the recovery period. However, the same could not be said in connection to many non-tariff and behind the border barriers which were introduced during that time. Following a status report on protectionism in Evenett and Wermelinger (2010), this paper continues with monitoring features of protectionism relevant for Asia-Pacific economies in the post-crisis period.

The paper finds that the Asia-Pacific region contributed to around 40% of all harmful measures in the observed period. According to four indicators of harm done by a country's discriminatory policies, the data reveals further that Asia-Pacific countries are well represented among the top 10 ranked countries instigating discriminatory policies. However it is also found that the region at the same time adopts liberalizing measures and the ration of discriminatory to liberalising measures is falling.

China is still the most frequent target of contemporary protectionism and received 402 hits to its commercial interests abroad since November 2008. Despite the worldwide decline in implemented measures during the last 12 months compared to the crisis period 2009, China is hit 40% more often than a year ago. All other top 10 target jurisdictions are industrialized countries, including Japan and the Republic of Korea. Emerging economies from Asia and the Pacific which are on the list of top 20 target jurisdictions include India, Thailand, Turkey and Malaysia.

Asia and the Pacific is found to be involved in "murky" protectionism. In fact it is shown that the region implements relatively less transparent trade policies than the rest of the world. At the same time, it suffers on average by more than 10 percentage points less from "murky" forms of protectionism than the rest of the world.

In terms of sectors, it appears that the manufacturing sector, in particular machinery and equipment, is targeted most often. Almost 50% of all measures implemented by countries in the region target the machinery and equipment industry. The data also shows that protectionism in agriculture and related industries is existent, but also that contemporary protectionism in agriculture did not asymmetrically affect the Asia-Pacific region. Moreover, it can be reported that bailouts of banks and other financial institutes were used relatively less by countries of the region and these countries were also less affected by such measures than the rest of the world.

The paper also explores protection related to "green" agendas and finds that the Asia-Pacific region used "green" clauses most often - both by introducing new discrimination against commercial interests of their trading partners and by liberalising trade or introducing beneficial effects for the partner countries.

1. Multilateral trading system tested

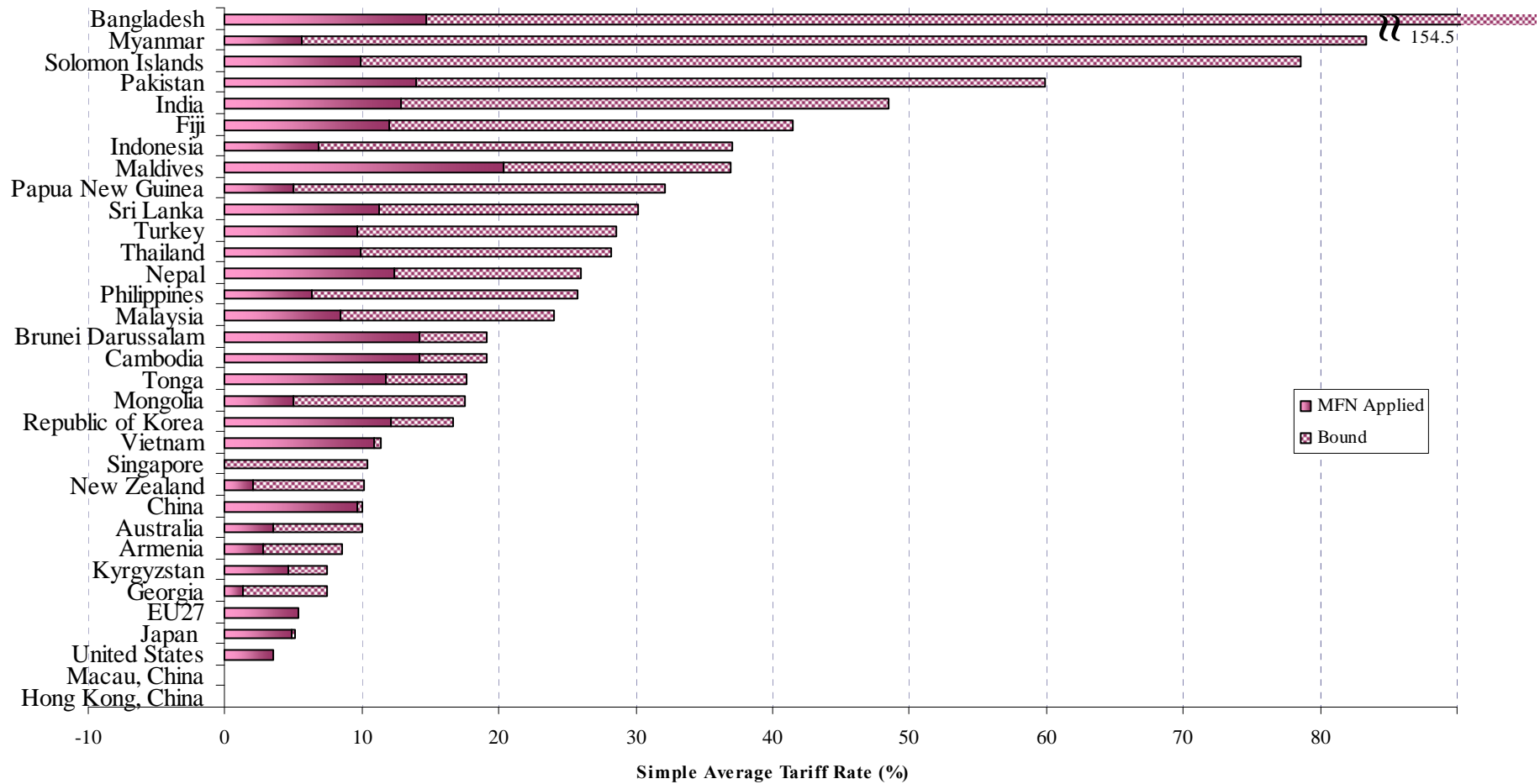
One of the functions of the multilateral trading system initiated by the General Agreement on Tariffs and Trade (GATT) in 1947 and expanded through the establishment of the WTO, has been to guard the values of the negotiated level of liberalization by inserting the rules preventing its members to use protectionist policies at free will even when they believe that such policies would be advantageous to their own economies. As analyzed in greater details in APTIR (2009), there are other important benefits from being the members of the WTO, but this protection against unilaterally introduced protectionism from other members gets to be most appreciated during times of economic slowdown when the pressures and demands for additional or more intense use of trade barriers rises. At the very start of the Global economic crisis in 2008/2009, there was a real fear that the sharp collapse in exports and production in many countries would lead to repeat of the damaging trade wars from the 1930s. Fortunately, that never happened although the level of activity of governments in discussing additional or new protectionist measures as well as in implementing some measures has increased. More recently, Pascal Lamy commented that while protectionism became “the dog that hasn’t barked” during the crisis, the risk of rising protectionism is not eliminated; in fact the continued unemployment rise, deepening debt and other financial problems and other shocks to national economies all keep the danger of igniting protectionist reactions real (as reported by Elliot in the Guardian on 27 January 2011). The UNCTAD/OECD/WTO report (published in May 2011) on G20 trade and investment measures in fact states that G20 governments have put in place more new trade restrictive measures during recent months than in previous periods since the crisis and G20’s restraint to resist protectionism appears to be under increasing pressure (UNCTAD/OECD/WTO, 2011).

The reason why the multilateral trading system was able to guard the overall level of low(er) tariffs achieved at through eight multilateral negotiation rounds, is that members commit to not raise the national level of tariff protection above the one that they “bound” during the multilateral negotiations. Thus the bound MFN tariff levels become the ceiling tariffs for the products for which these bindings exist. The eight rounds of tariff negotiations succeeded in reducing significantly the average level of bound MFN rate, but the problem, at least in Asia and the Pacific, remains at the extend of imports covered by bound tariffs. For example, while an unweighted average of the bound tariffs for the selected Asia-Pacific economies (figure 1) is 28.1% (Figure 1), these bindings cover on average 87.8% of imports. These averages hide the fact that the range of bound tariffs varies a lot, from less than 5% to over 169%, and similarly while a number of countries bind 100% of imported products, there are still economies covering only half or even just 15% of imports (see also Annex tables). The lower the binding coverage, the more flexibility the country has in introducing whatever level of applied import tariff for the products that do not have bound tariff.

Historically, being the region of dynamic traders who also need to import to be able to export, the applied import tariffs in most of Asia-Pacific economies on average were never very high. In the peak crisis year, 2009, the applied MFN rate averaged for the countries shown in figure 1 to 8.1%, with only one country, then LDC, being associated with an average of MFN applied rates of just over 20% and most other having average rates less than 10%. Notwithstanding this low applied MFN rate, there is still a “policy space” left to more than triple level of tariff protection from the current levels. In other words, the “dog could start barking anytime” and it is just a strong restraint of the owners to prevent this to happen.

APTIR (2009 and 2010) reported on the evolution of use of discriminatory trade measures since the set-in of the crisis in November 2008. While initially almost all countries, including the developed members of the G20 group, reached for new or higher trade barriers, with the recovery in 2010 fewer such instances have been recorded. Understanding the type, height, duration of implementation and similar of the measures which were introduced is extremely helpful in understanding the design of trade policy and its effectiveness. The analysis in the continuation of this chapter moves in that direction.

Figure 1. Remaining policy space for tariff intervention in selected Asia-Pacific economies



Source: WTO, *Tariff Profiles 2010*, Geneva, 2010.

2. Protectionism does not weaken substantially

Despite economic recovery during 2010, there was no halt in introducing the new discriminatory measures. Since reporting in APTIR 2010 (based on September 2010 GTA data), there was a 30% increase in number of discriminatory measures bringing the total number to 823 of such measures being implemented globally since November 2008.¹ Notwithstanding this worrisome stock of implemented measures, there is some good news as to protectionism dynamics: figure 1 plots the number of harmful measures implemented per quarter by economies in the Asia-Pacific region and elsewhere. Contemporary protectionism was a real concern during the crisis year and up to the first quarter of 2010: almost 70% of all recorded discriminatory interventions were introduced during that period. Economic and trade recovery also brought significant abatement of protectionism. Only 46 harmful measures were implemented in the first quarter of 2011 which is just one-third of the number of such measures implemented in the peak crisis quarter of 2009. This reducing trend is even more important as some trade experts and global leaders were concerned that the 2010 debt crisis, spread through a number of developed economies, could trigger another wave of protectionist actions around the globe. Data presented here does not provide evidence to support such concerns (at least up to early 2011). It should be noted, however, that many state interventions become apparent several (sometimes up to 12) months after the actual implementation. Therefore, the (now reported) decline over time could also reflect reporting challenges rather than improved government behaviour (see Evenett and Wermelinger, 2010, for more explanations). Moreover, the big stock of discriminatory measures is still in place and has yet to be removed, while more than 250 measures have been announced and may be implemented in the months ahead.

The Asia-Pacific region contributed to around 40% of all harmful measures in the observed period (see figure 2). According to four indicators of harm done by a country's discriminatory policies,² the data reveals further that Asia-Pacific countries are well represented among the top 10 ranked countries instigating discriminatory policies.³ Compared to APTIR 2010, India, Indonesia, Kazakhstan and the Russian Federation still appear on this list under at least two indicators, but newcomers to the top 10 list and reported directly under three indicators are China and Viet Nam. It is further important to state that much of the harm done to the commercial interests of Asia-Pacific countries is inflicted by countries within the region (see Evenett and Wermelinger, 2010).

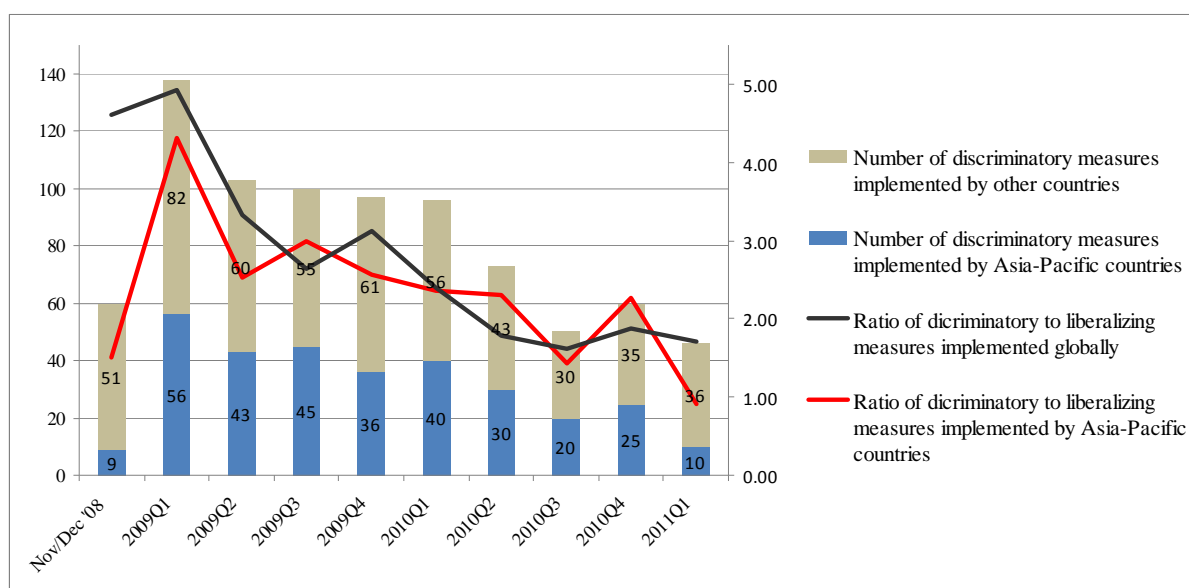
Rather than just looking at the discrimination side of state interventions, it is important to investigate the interaction of both discriminatory and liberalising measures over time (see figure 2). Globally, measures that harm commercial interests of trading partners still outnumber measures with beneficial effects by almost 3 to 1. This ratio reached its peak (5.0) in the first quarter of 2009 and has been declining ever since. During the most recent period the ratio of discriminatory to liberalising measures is almost balanced at 1.5. A similar trend is observed for measures implemented by Asia-Pacific countries. The improvement of these ratios with the economic recovery becomes even more apparent in figure 3: higher GDP growth rates in Asia-Pacific countries are associated with smaller ratios of discriminatory to liberalising measures.

¹ Data for state interventions come from the Global Trade Alert website (<http://www.globaltradealert.org>) and was downloaded in April 2011.

² These indicators are (1) number of (almost certainly) discriminatory measures imposed, (2) number of tariff lines (product categories) affected by (almost certainly) discriminatory measures, (3) number of sectors affected by (almost certainly) discriminatory measures, and (4) number of trading partners affected by (almost certainly) discriminatory measures.

³ See appendix table A1.

Figure 2. Decline in discrimination and ratios of discriminatory to liberalizing measures



Source: Global Trade Alert, April 2011

Asia-Pacific commercial interests are targeted less often by harmful measures over time (see figure 4). The comparison of figure 2 and 4 illustrates that the decline in protectionism against the region is very similar to what was happening with the protectionism at the global level. In particular, around two-thirds of the globally implemented and harmful measures attack countries in the Asia-Pacific region each quarter. Figure 4 reports further that the quarterly ratios of discriminatory to liberalising measures that target the region also show a parallel development with the ratios of measures implemented globally. However, the Asia-Pacific region has in each quarter benefited relatively more from liberalisations than the world on average; the line for the ratios of measures targeting the region runs below the line for the ratios of measures implemented globally.

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_7969

