Purpose of this presentation

- Using the evidence in the *Europe Fettered* study, I am going to make the following case:
  1. Extra-EU exports have stagnated—something has gone wrong since global trade bounced back in 2010.
  2. Even without 1930s tariff increases, over 3,200 foreign trade distortions favour foreign exporters over their EU rivals.
  3. EU export growth to third markets (and inside the Single Market) is slower when EU firms are exposed to relatively more trade distortions than Chinese, Japanese, and US rivals. Relative exposure determined relative performance.
  4. Foreign fiscal export incentives hold back EU exports most.
  5. Export incentives reshuffle—need not reduce—global trade.
  6. Growing export subsidies are an systemic concern.
So that I am not misunderstood—I am not making any of these arguments

1. That a global trade meltdown of the scale of the 1930s happened.
2. That protectionism caused the global economic crisis.
3. That WTO rules have utterly failed.
4. That there have been widespread violations of WTO rules.
5. That the G20 process on trade has been utterly useless.
6. That official monitoring of protectionism is useless.
7. That the EU and member states have been angels and have never imposed trade distortions since the start of the global economic crisis.
8. That trade distortions have become a concern only since President Trump was elected.
9. That China and the large emerging markets are “the problem” and that everything else is OK.
Context: Extra-EU Exports Have Stagnated

Simon J. Evenett and Johannes Fritz
January 2018
Pre-crisis Extra-EU Export growth could not be sustained
Eurozone export volumes recovered slowest
Eurostat data—although different—shows export price stagnation too.

Eurostat data provide a different perspective on extra-EU export prices – even so, they have stagnated since 2012.

[Graph showing unit value of exports for EU28 and Euro area (19 countries) from 2005 to 2016.]
Which Trade Distortions Matter?

Simon J. Evenett and Johannes Fritz
January 2018
Traditional view: importer’s market access policies matter

Base/Comparator exporters are China, Japan, and USA.
But bailouts/state aid to import-competing firms matter too

Base/Comparator exporters are China, Japan, and USA.
Own and rival export incentives can affect relative performance

Base/Comparator exporters are China, Japan, and USA.
Third party export incentives can affect differential export performance too.

- **Other exporters**
- **EU exporter relative to Base exporter**
- **Base/Comparator exporters** are China, Japan, and USA.

**Traditional market access barrier**

**Importer**

- **Bailed out non-exporting firms**
The impact of these trade distortions differs

1. Instructive to recall the different effects of import restrictions (like tariffs) and export incentives (such as tax breaks for exporters).

2. Export incentives have a different impact on trade and buyers:
   – Buyers might gain in short run from lower prices and greater variety.
   – Competing, unsubsidised rivals lose market share.
   – Total observed trade in relevant products can increase
   – In sum, trade can be reshuffled not necessarily reduced.

3. Bottom line: Equating trade distortions with reductions in trade—and equating trade distortions with trade restrictions—is wrong (it’s a legacy of thinking about protectionism solely in 1930s terms).
Example: Which Trade Distortions Mattered for Extra-EU Exports?

Simon J. Evenett and Johannes Fritz
January 2018
What is the Global Trade Alert?

- Goal: Support better public policy, corporate, and social decision making on commercial policy by providing the best available source of information on trade distortions and trade reforms implemented since November 2008.
- Documented over 13,500 government policy interventions.
- IMF stated in 2016: GTA “has the most comprehensive coverage of all types of trade-discriminatory and trade liberalizing measures.”
- Reports of government acts viewed over 7.7 million times on old website.
- Covered in major media outlets all over the world.
- Used in speeches by political and corporate leaders as well as heads of international organisations.
- Referred to in 1,310 studies and reports.
- Run from the University of St. Gallen, Switzerland.
Three policy instruments alone account for nearly 60% of the foreign state intervention detrimental to EU commercial interests

<table>
<thead>
<tr>
<th>MAST chapter (where applicable)</th>
<th>Discriminatory policy instrument by UN MAST chapter</th>
<th>Number of times used against EU commercial interests since November 2008</th>
<th>Percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import tariff measures</td>
<td>718</td>
<td></td>
<td>21.61</td>
</tr>
<tr>
<td>L</td>
<td>Subsidies (except export subsidies)</td>
<td>709</td>
<td>21.34</td>
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<tr>
<td>P</td>
<td>Export measures</td>
<td>608</td>
<td>18.30</td>
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<tr>
<td>M</td>
<td>Government procurement</td>
<td>417</td>
<td>12.55</td>
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<td>D</td>
<td>Contingent trade protection</td>
<td>276</td>
<td>8.31</td>
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<td>E</td>
<td>Non-automatic licensing, quotas</td>
<td>171</td>
<td>5.15</td>
</tr>
<tr>
<td>I</td>
<td>Trade-related investment measures</td>
<td>126</td>
<td>3.79</td>
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<tr>
<td></td>
<td>Migration measures</td>
<td>94</td>
<td>2.83</td>
</tr>
<tr>
<td></td>
<td>Instrument unclassified</td>
<td>88</td>
<td>2.65</td>
</tr>
<tr>
<td>F</td>
<td>FDI measures</td>
<td>58</td>
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<tr>
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<td>Price control measures</td>
<td>29</td>
<td>0.87</td>
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<tr>
<td>G</td>
<td>Finance measures</td>
<td>9</td>
<td>0.27</td>
</tr>
<tr>
<td>B</td>
<td>Technical barriers to trade</td>
<td>8</td>
<td>0.24</td>
</tr>
<tr>
<td>A</td>
<td>Sanitary and phytosanitary measure</td>
<td>7</td>
<td>0.21</td>
</tr>
<tr>
<td></td>
<td>Capital control measures</td>
<td>3</td>
<td>0.09</td>
</tr>
<tr>
<td>N</td>
<td>Intellectual Property</td>
<td>2</td>
<td>0.06</td>
</tr>
</tbody>
</table>
Subsidies—of different types—affect the most Extra-EU exports
Don’t buy arguments that little Extra-EU exports are affected by trade distortions
How much was Extra-EU exports held back by?

Simon J. Evenett and Johannes Fritz
January 2018
Trade distortions had a big impact on the EU export performance gap with China.
Discussion of policy significance

Simon J. Evenett and Johannes Fritz
January 2018
A positive precedent: Voluntary export restraints in the 1980s

5Ls: Look, Learn, Liaise, Legislate, Litigate
Top 10 users of fiscal export incentives, ranked by share of exports eligible

<table>
<thead>
<tr>
<th>Exporter</th>
<th>Share of exports eligible for fiscal incentives in 2016</th>
<th>Share of exports eligible for fiscal incentives in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>73.60%</td>
<td>74.13%</td>
</tr>
<tr>
<td>China</td>
<td>73.11%</td>
<td>73.26%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>32.41%</td>
<td>62.65%</td>
</tr>
<tr>
<td>Brazil</td>
<td>57.48%</td>
<td>57.32%</td>
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<tr>
<td>Australia</td>
<td>23.22%</td>
<td>23.16%</td>
</tr>
<tr>
<td>Argentina</td>
<td>18.29%</td>
<td>22.38%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>15.58%</td>
<td>15.54%</td>
</tr>
<tr>
<td>Colombia</td>
<td>13.92%</td>
<td>13.89%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>6.55%</td>
<td>6.53%</td>
</tr>
<tr>
<td>South Africa</td>
<td>3.77%</td>
<td>3.76%</td>
</tr>
</tbody>
</table>
Implications for WTO deliberations

1. Export competition has been tackled by WTO members before—in agriculture.

2. EU not only affected: Our study implies that China, Japan, and USA affected too.
   - A prior study by us showed LDC exports affected.
   - Third party studies shows impact of increased tax rebates on exports.
   - Exposure of G20 countries to export incentives documented by us as well (in publicly available reports).

3. Resist the temptation to copy trading partners’ export incentives; instead, build a coalition among WTO members in favour of tougher rules on export incentives, especially those delivered through national tax systems.
   - Suggestions for coalition formation.
The growing scale of crisis-era trade distortions faced by G20 exporters

Recall: 10% of G20 exports exceeded $900 billion in 2016.
A growing share of G20 exports compete against more and more trade distortions.
G20 Pledge in 2008: “We will refrain from…implementing World Trade Organization (WTO) inconsistent measures to stimulate exports.”

![Graph showing the share of G20 exports facing trade distortions in foreign markets associated with various policies from 2009 to 2016.]

- **Share of G20 exports facing a trade distortion in a foreign market associated with...**
  - Subsidies (except export subsidies)
  - Government procurement
  - Export incentives
  - Import tariff increases

- **Values**:
  - 2009: 0.34
  - 2010: 0.43
  - 2011: 0.50
  - 2012: 0.57
  - 2013: 0.59
  - 2014: 0.59
  - 2015: 0.60
  - 2016: 0.63