
4 Monitoring Crisis-Era Protectionism: Comparing the Findings of the WTO and GTA

Introduction

The purpose of this chapter is to compare the findings of the WTO and Global Trade Alert GTA reporting on crisis-era changes in policies likely to impact the many aspects of cross-border commerce in the 21st century. Since the types of government policy monitored by both organisations overlap but are not the same, here the WTO's design choice is used to compare the amount of policy changes found by the WTO and GTA. The goal, then, is to develop the closest possible legitimate comparison (an 'apples-and-apples' comparison as opposed to an 'apples-and-oranges' comparison). Such a comparison will serve many purposes, not least to inform those who may have found confusing the different findings presented in these organisation's reports on protectionism.

This chapter is organised as follows. The next section summarises the relevant features of the WTO's approach to monitoring crisis-era trade policy developments. Then, taking the WTO's design choices as given, the findings of the WTO and GTA are compared. Concluding remarks follow.

WTO reporting on G20 trade measures

The WTO began monitoring crisis-era trade policy developments following a request from the leaders of the G20 nations. To date the WTO has published 12 reports, the latest of which was made publicly available last week, specifically on 5 November 2014. Some of these reports have garnered significant coverage in international media, not least because of the claim made that the trade restrictive measures undertaken by the G20 countries cover a tiny percentage of world trade. This finding in particular has been used by governments and some analysts to argue that protectionism has been contained since the onset of the global economic crisis (or as many refer to it, the Great Recession).

In addition to these reports, the WTO has created and made publicly available a Trade Monitoring Database from which data on the policy responses of G20 countries can be extracted.¹ The WTO has also summarised information on these trade policy responses in an Excel file that includes worksheets for each G20

¹ This database can be accessed at <http://tmdb.wto.org/>.

member.² The file contains 2,042 entries of policy changes by the G20 countries.³ In this file, the WTO organises the trade measures reported for each G20 member into the following categories: “measures facilitating trade”, “trade remedy measures” and “other trade and trade-related measures.”

In the body of the WTO reports, particular attention is given to what the WTO refers to as “trade restrictive” measures.⁴ Such measures are classified into four groups labelled “trade remedy”, “import”, “export” and “other.” The WTO then calculates for “import-restrictive” measures (which presumably include fewer trade measures than the “trade restrictive” category) the share of world imports and G20 imports covered by such measures.

In the latest WTO report, the G20 members were found to have implemented 93 trade-restrictive measures between mid-May 2014 and mid-October 2014. The import-restrictive measures implemented by the G20 nations during that period were found to cover 0.6% of world imports and 0.8% of the total imports of the G20 nations.

The WTO Trade Monitoring Database does include some entries where the policy change goes beyond trade restrictive measures. Inspection of the database reveals that local content requirements, public procurement initiatives that discriminate against foreign bidders for state contracts, and certain trade-related financial incentives have been recorded by the WTO. However, in its latest report the WTO notes in its Executive Summary that:

“...adequate information on behind-the-border measures, including regulatory measures and subsidies is still lacking. Non-tariff measures applied by a number of G20 countries have been the subject of recent debate in various WTO bodies. Some consider that these types of measures have become more prominent in recent years, compared to conventional border measures, and therefore the need to increase the quality of information available is paramount. To deliver on this and enhance our understanding of the operation and effects of non-tariff barriers to trade, G20 members should look to provide greater transparency in this area” (WTO, 2014, p. 4).

The latest WTO report presents information, in an easy-to-read table, on the number of trade-restrictive measures found in each of its last eight reports, which cover a period from mid-October 2010 to mid-October 2014. Previous versions of the WTO’s trade monitoring report have been consulted and it appears that the total number of trade restrictive measures imposed by the G20 in a given reporting period have not been revised in subsequent reports.⁵ This implies that if a G20 measure from a particular reporting period is discovered after that

2 The latest version of that Excel file can be downloaded from http://www.wto.org/english/news_e/news14_e/trdev_05nov14_e.htm.

3 Table 4.2 (see below) provides the breakdown of this total across G20 member and type of policy instrument.

4 See Table 2 of WTO (2014), page 17.

5 Compare, for example, Table 2 of the November 2014 report (on page 17) with Table 2 of the June 2014 report (on page 16).

period, it is not included in the totals reported in subsequent WTO reports on trade policy developments.⁶

The authors of the latest WTO report are aware of the consequences of under-reporting so-called behind-the-border policy changes for the interpretation of the protectionist record since the onset of the global economic crisis, as the following remark makes clear:

“It should be noted that, as suggested by several commentators, governments may have resorted to alternative forms of protection, particularly in the form of industrial policy and other types of behind-the-border measures, and that the data gathered for purposes of the G20 monitoring may not fully capture such measures” (WTO, 2014, p. 21).

Nevertheless, the conclusion of the latest WTO report, as expressed in its Executive Summary, is that

“Overall, this report supports the conclusion that despite the continuing increase in the stock of new trade-restrictive measures recorded since 2008, the trade policy reaction to the 2008 global economic and financial crisis has been more muted than expected based on previous crises. This shows that the multilateral trading system has acted as an effective backstop against protectionism” (WTO, 2014, p. 4).

Taking the WTO’s approach to reporting data on trade policy developments, the remainder of this chapter is devoted to comparing the findings of the WTO’s reports with those of Global Trade Alert.

Comparing the incidence of protectionism found by the WTO and GTA

The first comparison performed concerns the number of trade-restrictive measures found during the period mid-October 2010 to mid-October 2014.⁷ This period covers the eight most recent WTO reports. The GTA database contains

⁶ In this regard the following remarks by WTO Deputy Director-General Agah, made when presenting the findings of the June 2014 report on trade policy developments, on the process employed by the WTO Secretariat and the role played by WTO members in the information verification process are telling:

“As has been the case in the past, information on the measures included in this report has been collected from inputs submitted by Members and Observers, as well as from other official and public sources. I am pleased to note that the rate of reply to the DG’s initial request for information for this report is up slightly from last year’s edition and now stands at 37% of the membership. The WTO Secretariat has drawn on these replies, as well as on a variety of other public and official sources, to collect information to be included in the report. All recorded country-specific information on trade measures was sent for verification to the delegations concerned. Requests for verification of information were sent to 50 delegations (counting the EU as one) and 56% of them provided replies in time for the finalization of the report. This represents a welcome ten per cent increase compared to the last report. As with previous reports, where it has not been possible to confirm the information, this is noted in the annexes.”

Mr Agah’s remarks can be accessed at http://www.wto.org/english/news_e/news14_e/ddgra_10jul14_e.htm.

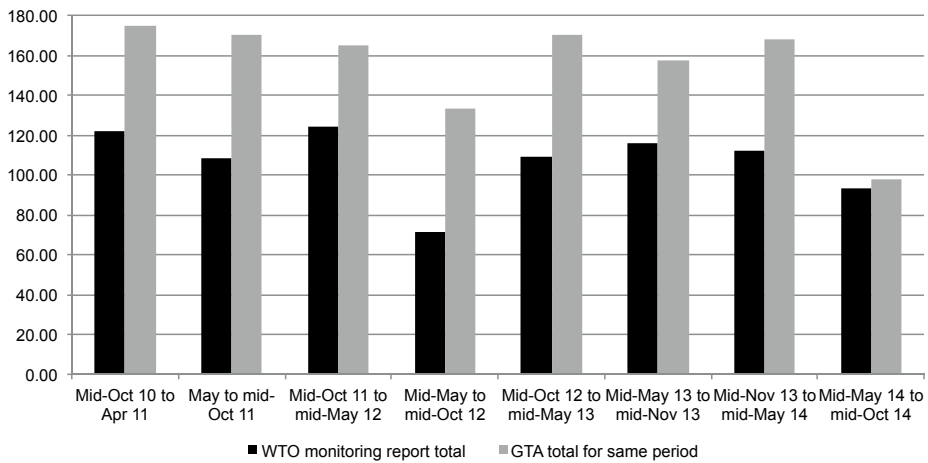
⁷ To be precise, from 16 October 2010 to 15 October 2014.

the date a government measure comes into force and so only those measures that came into force during this four-year period are used to compute the totals for GTA that follow. This has the disadvantage that measures that have been announced but do not yet affect the relative treatment of domestic commercial interests vis-à-vis their foreign rivals do not count towards the GTA totals, but may well count towards the WTO totals. However, the fact that GTA continues to collect information on measures from earlier reporting periods implies that the GTA totals below reflect what was known in mid-October 2014 about policies implemented during the previous four years.

The WTO does not provide an explicit definition of what it takes to be “trade-restrictive” measures. The Excel file published along with the WTO reports definitely includes trade remedy measures (or “trade defence”, as they are referred to in the GTA reports). For the purpose of constructing the comparable totals in the GTA database for the period mid-October 2010 and mid-October 2014, “trade-restrictive” measures were taken to include only the following policy instruments: trade defence measures that resulted preliminary or final duties being imposed, tariff increases, import bans, more restrictive tariff-rate quotas, tighter import quotas, export taxes and restrictions, and measures to promote local content. The latter measures constitute the “other” category, the remaining measures being sorted as appropriate into the “trade remedies”, “import” and “export” categories. Given that the WTO’s Excel file includes some public procurement measures and subsidies, then restricting the definition of “other” only to local content is particularly conservative. The latter restriction may bias the GTA totals downwards.

Figure 4.1 shows the total number of trade-restrictive measures reported by the WTO in its eight most recent reports and the comparable totals from the GTA database in each of the reporting periods. In the most recent reporting period, the WTO found 93 trade-restrictive measures whereas GTA found a total of 98 such measures had been implemented. In earlier reporting periods, however, the total number of trade-restrictive measures found by GTA is substantially higher than that reported by the WTO. Over the entire four-year period, the WTO found 855 trade restrictive measures whereas GTA found 1,235. GTA found 44% more trade restrictive measures than those recorded in WTO reports.

Figure 4.1. Total number of “trade restrictive” measures found during October 2010–October 2014 by the WTO and the GTA



It is also possible to compare the WTO and GTA’s reporting across categories of trade-restrictive measure, as shown in Table 4.1. In each of the four categories, GTA reported more measures. Only in the case of export taxes and restrictions did GTA find slightly more measures than the WTO. In contrast in the “other” category, which as noted earlier is defined in a more restrictive manner by GTA, the total number of measures found by the GTA exceeded those by the WTO by a margin exceeding four to one.

Rather than compare the total number of “trade-restrictive” measures recorded between October 2010 and October 2014, given that the Excel file circulated with the WTO’s report includes measures since 2008 breaking the information reported down by year, by jurisdiction, and into three types of trade measure, other comparisons are possible. Specifically, the WTO’s Excel file assigns each reported measure to “measures facilitating trade”, “trade remedies” or “other trade and trade-related measures.” It is evident from consulting this Excel file that the “trade remedies” grouping includes trade defence investigations that resulted in duties being imposed as well as those that did not, plus the termination of trade defence duties. Consequently, the “trade remedies” grouping does not only include policy changes that restrict trade.

Table 4.1. Resort to protectionism reported by the WTO and GTA during October 2010–October 2014, by WTO category of trade restrictive measures

WTO reporting period	Trade remedy		Category of trade restrictive measure				Other		Total for a given reporting period	
	Total in WTO report	GTA total for same type of measure	Total in WTO report	Import	Export	Total in WTO report	GTA total for same type of measure*	Total in WTO report	GTA total for same type of measure	
Mid-Oct 10 to Apr 11	53	72	52	68	11	6	19	122	175	
May 11 to mid-Oct 11	44	84	36	51	19	9	17	108	172	
Mid-Oct 11 to mid-May 12	66	82	39	53	11	8	20	124	165	
Mid-May 12 to mid-Oct 12	46	73	20	40	4	1	16	71	133	
Mid-Oct 12 to mid-May 13	67	69	29	63	7	6	27	109	168	
Mid-May 13 to mid-Nov 13	70	68	36	51	8	2	24	116	156	
Mid-Nov 13 to mid-May 14	66	84	25	46	17	4	23	112	168	
Mid-May 14 to mid-Oct 14	54	42	25	28	9	5	21	93	98	
<i>Total</i>	<i>466</i>	<i>574</i>	<i>262</i>	<i>400</i>	<i>86</i>	<i>41</i>	<i>167</i>	<i>855</i>	<i>1235</i>	

Note: *GTA count here only includes implemented measures encouraging use of local content.

Table 4.2. The policy mix of G20 members found in the WTO Trade Monitoring Database and in the GTA

G20 member	Total number of measures in each database		Coverage of liberalising measures				Coverage of trade remedies				Coverage of other measures		
	WTO	GTA	GTA coverage as a percent of WTO coverage	Total number of measures in Annex I of WTO Report	Total number of implemented liberalising measures in GTA database	GTA coverage as a percent of WTO coverage	Total number of measures in Annex II of WTO Report	Total number of trade defence measures in GTA database	GTA coverage as a percent of WTO coverage	Total number of measures in Annex III of WTO Report	Total number of implemented protectionist measures (other than trade defence) in GTA database	GTA coverage as a percent of WTO coverage	Total number of implemented protectionist measures (other than trade defence) in GTA database
Argentina	163	362	222%	8	35	438%	76	83	109%	79	241	305%	241
Australia	74	120	162%	2	14	700%	67	60	90%	5	41	820%	41
Brazil	267	464	174%	108	189	175%	108	124	115%	51	151	296%	151
Canada	68	137	201%	17	24	141%	48	45	94%	3	43	1433%	43
China	139	232	167%	28	61	218%	61	65	107%	50	97	194%	97
EU*	181	198	109%	4	42	1050%	159	112	70%	18	41	228%	41
India	310	586	189%	58	144	248%	171	192	112%	81	247	305%	247
Indonesia	131	189	144%	17	38	224%	45	44	98%	69	98	142%	98
Japan	9	109	1211%	4	9	225%	5	10	200%	0	86	n.a.	86
Korea	40	89	223%	15	26	173%	21	22	105%	4	34	850%	34
Mexico	91	95	104%	21	18	86%	62	58	94%	8	17	213%	17
Russia	218	546	250%	88	127	144%	26	44	169%	104	343	330%	343
Saudi Arabia	7	24	343%	3	3	100%	2	0	0%	2	18	900%	18

G20 member	Total number of measures in each database		Coverage of liberalising measures			Coverage of trade remedies			Coverage of other measures			
	WTO	GTA	GTA coverage as a percent of WTO coverage	Total number of measures in Annex I of WTO Report	Total number of implemented liberalising measures in GTA database	GTA coverage as a percent of WTO coverage	Total number of measures in Annex II of WTO Report	Total number of trade defence measures in GTA database	GTA coverage as a percent of WTO coverage	Total number of measures in Annex III of WTO Report	Total number of implemented protectionist measures (other than trade defence) in GTA database	GTA coverage as a percent of WTO coverage
South Africa	94	142	151%	21	47	224%	45	36	80%	28	54	193%
Turkey	86	124	144%	10	10	100%	53	95	179%	2	18	900%
USA	164	419	255%	3	35	1167%	149	184	123%	12	86	717%
All G20 countries*	2042	3449	169%	407	821	202%	1098	1174	107%	516	1771	343%

Note: *Totals for the GTA reported here refer to measures taken by European Commission only and not actions undertaken by the EU member states independently.

The first comparison performed was between the total number of measures of all types found in the WTO's Excel file and those in the GTA database, giving an indication of the coverage of one source relative to the other. For each G20 member and across all G20 members, the totals for each source and GTA's total expressed as a percentage of the WTO total are reported in columns 2 to 4 of Table 4.2. For no G20 member was the number of entries in the GTA database less than that in the WTO source. On average there were 69% more entries on G20 members in the GTA database than in the WTO source. There is a substantial difference in the degree to which the number of GTA entries exceeds that of the WTO, with Mexico at low end (where GTA has only 4% more measures) and Japan at the upper end (where GTA has more than 12 times as many recorded measures as the WTO).

To compare the total number of "measures facilitating trade" recorded by the WTO, data from GTA was assembled on all of the measures in the GTA database that improved the relative treatment of foreign commercial interests, improved the transparency of national commercial policies, or were neutral towards foreign commercial interests. For each G20 member in the WTO's Excel file, the total number of entries in the WTO's file was compared with the total number of measures in the GTA database that meet the above criteria and the relevant data is reported in columns 5 to 7 of Table 4.2. Both data sources report the same very small (three) number of liberalising measures by Saudi Arabia. At the other extreme, the GTA reports 11 times more liberalising measures by the US than the WTO source. On average, GTA reports more than twice as many liberalising measures for the G20 members than the WTO.

The next comparison concerns the number of "trade remedies" in each database. Columns 8 to 10 of Table 4.2 record the number of such remedies recorded in each source. Here the WTO and GTA databases report approximately the same total number of trade remedy measures. At first glance, GTA reports fewer trade remedy measures than the WTO for Australia, Canada, the EU, Indonesia, Mexico, Saudi Arabia and South Africa.

Only in the case of EU and South Africa is the discrepancy sizeable and, upon further investigation of the WTO Excel file, it was found that the WTO totals were increased by the inclusion of numerous records of the termination of duties on trade remedies often first imposed before the global economic crisis. The GTA includes only three such terminations in its database for the entire G20, corresponding to cases where duties were withdrawn early (and, therefore, may constitute an unexpected improvement in the relative treatment of certain foreign firms.) One of those three terminations in the GTA database relates to South Africa, none relates to the EU. In fact, 66 of the 159 recorded entries in the WTO source on trade remedy actions taken by the EU relate to the termination of duties. If those measures are excluded, then the GTA total again exceeds that of the WTO.

The final comparison is between the number of "other" measures in the WTO source and those in the GTA database. The measures listed in the WTO source cover a wide range of policy interventions and no definition is provided. Inspection of the WTO source reveals that "other" measures do not include

trade remedies. Perhaps the least arbitrary approach, therefore, is to compare the catch-all “other” category with the records in the GTA database that relate to implemented state measures that discriminate against foreign commercial interests and that are not trade remedies. This comparison may be stacked against GTA, as the WTO source may contain non-implemented protectionist measures as well as liberalising measures that are not trade-related, whereas the GTA totals will not. The final three columns of Table 4.2 present this comparison across the sources for each G20 nation. For no G20 country is the number of recorded measures in the WTO source larger than in the GTA database. On average, GTA includes more than three times as many reports on such policies as the WTO source.

In this section, comparisons were presented between the coverage of the GTA database and that found in WTO reports (where the headline numbers focus on trade-restrictive measures) and in an Excel file of WTO records that is made available with the publication of WTO reports on G20 trade measures (a file containing a broader range of policy instruments than those plausibly considered trade restrictive.) With a few exceptions, the coverage of GTA along every other dimension is not just greater, it is much more extensive. Given that the financial resources used to support GTA are modest, this begs the question as to what other factors could be responsible for the lower number of reports found in official reports, even when the focus is on a narrow set of trade-restrictive measures.

Implications for policy

Some have concluded – and some may have found it convenient to conclude – on the basis of the information contained in the WTO’s periodic reports on trade measures taken by the G20 that protectionism has been limited since the onset of the global economic crisis. If its reports are anything to go by, the WTO Secretariat has reached this conclusion. But how satisfactory is the evidential basis to support this significant finding?

The WTO Secretariat notes in its latest report that, in its view, information on many policies that tilt the playing field against foreign commercial interests is not available and, rather than taking steps to collect this data on a systematic basis, it calls upon G20 members to be more transparent in their policymaking. Leaving aside doubts that the G20 members would actively report on their own murky protectionism, it is difficult to reconcile the WTO’s concerns about the paucity of potentially relevant information about policies taken by the G20 with the loudly proclaimed conclusions that protectionism has been contained and that it only affects a tiny share of cross-border commerce. Moreover, the fact that the latter calculations are based on a very narrow set of policies could mislead policymakers, analysts and journalists.

The evidence presented in this chapter, however, suggests that there are concerns about the official monitoring of trade measures by the G20; that is, that the coverage of the WTO’s monitoring effort falls short along almost every dimension of that of an alternative surveillance initiative. Even when the closest

possible comparisons are made – confining comparisons to the same jurisdictions, the same time periods and, as far as is possible, similar policy instruments – the WTO’s monitoring of policy measures falls short at this critical moment for the world trading system.

In this chapter, statistics summarising the frequency with which G20 governments have resorted to protectionism and to measures that liberalise cross-border commerce were compiled from the WTO’s and GTA’s monitoring initiatives. Earlier in the crisis, Wolfe (2010) attempted to compare the extent of reporting by the WTO and GTA, coming out in favour of the former. The findings of this chapter point in the opposite direction: over the longer run, the GTA has recorded many more commerce-liberalising as well as protectionist measures taken by G20 nations.

Since neither GTA nor the WTO reports the impact of crisis-era policy changes, a comparison on that basis is not possible – and no doubt could be the subject of future research. Furthermore, while the WTO does compute the trade covered by a limited range of import restrictions, GTA does not, thereby making comprehensive comparisons on this basis impossible. The estimates of trade coverage using the GTA database have tended to focus on the impact of state-provided financial incentives almost certainly affecting trade (see Evenett and Fritz, 2011a,b; Evenett et al., 2012), and those estimates dwarf the highly publicised trade coverage findings of the WTO Secretariat. Still, a clean (comparing apples-to-apples) and up-to-date comparison of the trade coverage of protectionist measures found by both initiatives has yet to be conducted.

The question arises as to why the WTO’s monitoring has fallen short of that of an independent alternative. Several explanations can be set aside. First, as noted above, it is not a matter of scope, as GTA finds more measures when attention is confined to the jurisdictions and trade-restrictive measures of the WTO’s choosing.

Second, it is unlikely to be a matter of resources, as the annual ongoing costs of running GTA are modest. Third, GTA does not have privileged access to information on public policy choices. If anything, the WTO has an advantage here in that its membership is supposed to make notifications on many policy changes and the Trade Policy Review Mechanism (TPRM) receives a lot of information on national policy choice.

Furthermore, once account is taken of the fact that GTA updates its website often, that those updates are made publicly available and therefore can be seen by the WTO Secretariat, then the latter could have used the official sources identified by GTA as one of the starting points for its investigations. In contrast, the WTO updates its publicly available database infrequently (only twice this year, for example). The WTO Secretariat could have built upon, and augmented from its own sources, the findings of GTA, leading plausibly to the expectation that official monitoring of protectionism should report a higher number of measures than the independent alternative. Yet, the opposite has in fact happened. Attention shifts, then, to other reasons for the WTO’s limited reporting on crisis-era protectionism.

The incentives and constraints on the WTO Secretariat in monitoring the actions of its own member governments in the context of a global economic crisis are worth further exploration. Given that the IMF and other international organisations seek to monitor their respective members, then there may be lessons to learn from their experiences. If limits exist, then these could inform the benchmarks against which the performance of official and independent monitors could be judged.

In sum, strengthening the WTO's monitoring function with more resources, a higher internal profile and the like are obvious policy recommendations that follow from the comparison presented here. However, just as turkeys don't vote for Christmas, what is the incentive for the monitored to bolster the monitor? It is a worrying thought that protectionism might have to get much worse before G20 members and other states see the need to strengthen the transparency functions of the WTO.

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