



# Global Trade Plateaus

The 19th Global Trade Alert Report

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GLOBAL  
TRADE  
ALERT

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# TABLE OF CONTENTS

Recent perspectives on protectionism and world trade	4
Executive Summary	7
World trade plateaus	9
Broader-based retrenchment of global trade during 2015	14
Trade tensions flashpoint: steel	17
The quiet return of local content requirements	21
Protectionism ratchets up during the global trade plateau	25
Which G20 nations distort commerce most often?	29
Which countries have been hit the most and by whom?	32
Which harmful policy instruments have been used the most?	35
What's new in the Global Trade Alert database?	38
What is the Global Trade Alert?	39
Acknowledgements	39
Annex: Construction of a representative disaggregated global trade dataset from the monthly UN COMTRADE data releases	40

## Hold their feet to the fire: The track record of each G20 member

Argentina	44	Japan	84
Australia	48	Mexico	88
Brazil	52	Russia	92
Canada	56	Saudi Arabia	96
China	60	South Africa	100
France	64	South Korea	104
Germany	68	Turkey	108
India	72	United Kingdom	112
Indonesia	76	United States	116
Italy	80		

# RECENT PRIVATE SECTOR PERSPECTIVES ON PROTECTIONISM AND WORLD TRADE

**“To be honest I see protectionism around the world rising rather than more liberalization.”**

Carsten Spohr, CEO, Lufthansa

**“I wish for a week that we could shut down trade and then, you know, Boeing, Microsoft, Hollywood, pharma would resize their R&D departments for a couple of weeks for fun. And then two weeks later people would go ‘Holy smokes, that was not a very good deal’.”**

Bill Gates, former CEO, Microsoft

**“We’re at a critical juncture in the history of commerce. There has never been more trade policy activity, never more momentum. Never more need to get trade agreements, starting with TPP, over the finish line. Reality says we must think and act beyond the rhetoric of protectionism and fear.”**

David Abney, CEO, UPS

**“Sadly, the experience of many industries exporting to Europe is that the rhetoric on trade does not match the reality. Whether you speak to American food exporters, Argentine biodiesel manufacturers, African farmers, or the Malaysian palm oil producers that I represent, a similar depressing narrative emerges. Protectionism is the dominant force in Europe.”**

Dr Yusof Basiron, CEO, Malaysian Palm Oil Council

**“From a global business perspective international cooperation is more vital than ever. The UK must not turn its back on global economic integration and trade. The anti-trade sentiment that we have seen in recent months must not dominate the post-Brexit debate. The UK may be headed out of the European Union, but it must move into the world. Openness not protectionism must be a central part of the response to the Brexit vote.”**

John Danilovich, Secretary General, International Chamber of Commerce.

**“Both Switzerland and the U.S. have traditionally been strong believers in openness and free trade. It has been proven over and over again that open, free trade is good for everybody, for companies, but also the consumers, countries and society at large. By contrast, protectionism adds cost and unpredictable risk. And protectionism protects only a few and can come in many forms..”**

Paul Bulcke, CEO, Nestlé SA

**“I hear fearful voices calling for building walls and distancing people they label as others, for blocking free expression, for slowing immigration, reducing trade and, in some cases around the world, even cutting access to the internet.”**

Mark Zuckerberg, CEO, Facebook

**“The emerging new trend is that some advanced countries are leaning towards protectionism, as the global economy is deteriorating.”**

Kwon Oh-Joon, CEO, POSCO, South Korea

# RECENT OFFICIAL PERSPECTIVES ON PROTECTIONISM AND WORLD TRADE

**“[We] emphasized the importance of pushing back against either protectionism or competitive currency devaluations, or the kinds of beggar-thy-neighbor strategies that all too often end up leaving everybody worse off.”**

President Obama summarising deliberations at the recent G7 summit in Japan

**“Today, we Asians are witnessing, on an almost daily basis, fierce political assaults on the tools and policies that have helped lift hundreds of millions of our citizens out of poverty. Indeed, this year, free trade appears to be the scapegoat of choice among the world’s assorted populists and demagogues.”**

Ranil Wickremesinghe, Prime Minister, Sri Lanka

**“This is a fraught time for global trade. In many countries, trade is under siege, raising the spectre of protectionism. Alongside the anti-trade rhetoric, there is the notion that we have reached ‘peak trade’ or that globalisation has ground to a halt.”**

Roberto Azevedo, Director-General, World Trade Organization

**“We must focus on getting more for our hydrocarbon resources by promoting value addition and investment through sustainable policies in local content. A common approach to local content will ensure that the whole of Africa benefits from economies of scale associated with our vast resources.”**

Yemi Osinbajo, Vice President, Nigeria

**“When the middle class are anxious about their economic realities in their future, it’s easy to get trapped in demagoguery and protectionism.”**

Justin Trudeau, Prime Minister, Canada

**“Even if inequality on a global, cross-country scale has been declining, it is no wonder that perceptions abound that the cards are stacked against the common man – and woman – in favor of elites. These frustrations are leading people to question established institutions and international norms. To some, the answer is to look inward, to somehow unwind these linkages, to close borders and retreat into protectionism. As history has told us – time and again – this would be a tragic course. The answer to the reality of our interconnected world is not fragmentation. It is cooperation.”**

Christine Lagarde, Managing Director, International Monetary Fund

**“I can tell you that developing economies being protectionist is much less worrisome (than) when (in) the most developed countries you hear noises of protectionism. Trade is one area where every country watches its interests and that’s a freedom we allow to each other.”**

Arun Jaitley, Finance Minister, India

**“I have led calls for the speeding up of trade defence investigations. And I have repeatedly supported tariffs on unfairly traded steel. All have led to a significant drop in Chinese imports. I’m not a fan of tariffs and duties. I certainly don’t believe in protectionism. But I’m even less keen on unfair trading.”**

Sajid Javid, Business Secretary, United Kingdom



# EXECUTIVE SUMMARY

For over 18 months officials have fretted about a global trade slowdown. The term “slowdown” gives the impression of world trade losing momentum, but growing nonetheless. The sense of the global pie getting larger has the soothing implication that one nation’s export gains don’t come at the expense of another’s. Using what is widely regarded as the best available data on global trade dynamics, this report shows that these rosy impressions should be set aside. We demonstrate that:

- World export volumes reached a plateau at the start of January 2015. The standard measure of world trade isn’t slowing down – it is not growing at all.
- Both industrialised countries’ and emerging markets’ trade volumes have plateaued.
- Except during global recessions, a plateau lasting 15 months is practically unheard of since the Berlin Wall fell.
- In 2015 the best available data on world export volumes diverges markedly from that reported by the WTO, IMF, and World Bank and probably explains why analysts at these organisations have missed this profound change in global trade dynamics.

Given how unusual world trade flows were in 2015, a detailed product-level dataset of the value of trade was specially constructed for this report. Analysis of this dataset revealed that:

- Falling commodity prices could not have accounted for the majority of the fall in the value of global trade in 2015. In fact, raw materials trade recovered partially in the fourth quarter of 2015.
- The total value of capital goods trade fell in the first half of 2015 and then plateaued. Same for consumer goods.
- Meanwhile parts and components trade fell in value throughout 2015.
- The pain is spreading – in our last report we showed that 28 product groups each accounted for 0.5% or more of the fall in the value of world trade. That number has now risen to 38.
- The product groups that contributed more to the fall in the value of world trade in 2015 faced policies skewed towards trade restrictions and away from subsidies and export incentives.

Digging deeper into trade policy dynamics during 2015, we found that:

- Resort to protectionism in 2015 is 50% up on that seen in 2014.
- Policy initiatives harming foreign commercial interests in 2015 outnumbered trade liberalisation three-to-one.
- Since 2010 between 50 and 100 protectionist measures were implemented in the first four months of each year. In 2016 the total had exceeded 150.
- G20 members were responsible for 81% of protectionist measures implemented in 2015.

Before world trade plateaued duties for dumping, subsidisation, and import surges were used most—during the plateau trade-distorting bailouts and financial assistance were number one. Since global trade plateaued another trade restriction – export taxes – were used less and requirements on investors to source locally imposed more often. In short, the policy mix used by governments appears to have shifted once trade plateaued, suggesting trade policy dynamics have evolved as well.

This report also includes a chapter on the high-profile trade policy tensions in the steel sector. Last year and this steel sector interventions have been under the spotlight. However, our report shows that protectionism in this sector has been ratcheting up since 2010 and, while so much attention is focused on tariffs targeting dumped steel, in fact, state incentives to promote steel exports are a far larger systemic problem.

In contrast to high-profile steel, our report also includes a chapter on the quiet spread of old and newer forms of local content requirements. This development is remarkable in light of the widely-held view that these measures were banned over 20 years ago in a WTO accord. Nevertheless, they have made a comeback and we draw out the key lessons from the growing body of analysis of the adverse trade, foreign direct investment, and welfare impact of rules that force firms to source locally.

Multinational firms are adjusting to the new reality of ever-more fragmented markets. As the CEO of General Electric recently put it: “A localization strategy can’t be shut down by protectionist politics.” Many more firms have announced plans to “localize production.” Since political leaders won’t rein in protectionism, pragmatic business people are adjusting – often by substituting foreign direct investment for trade.

Either finding – of a global trade growth coming to a halt or a sharp increase in beggar-thy-neighbour activity – ought to worry policymakers. That they coincide prompts questions of linkage. In this report we don't claim to have shown definitively what is causing what – after all, multiple factors likely trade and policy decisions and the data available to check won't be published for years.

Analysts have the luxury of waiting for data to mount up before taking a stand – decision-makers in the public sector and private sector do not. As a result, going forward an even more important concern is that a negative feedback loop develops where zero trade growth fuels resort to even more zero-sum trade policies which, in turn, discourages cross-border supply of national markets.

In a world where global commerce isn't growing any more, governments may conclude that securing larger slices of the world market ultimately requires tilting the commercial landscape against foreign firms. Parallel contests for talent, foreign direct investment, research and development hubs, and intellectual property would intensify. This could, in turn, precipitate a 21st century variant of mercantilism that, unlike its predecessors in earlier centuries, affects more types of global commerce.



# CHAPTER 2

## WORLD TRADE PLATEAUS

“Under normal conditions – that is, excluding wars and depressions – trade growth exceeds production growth” wrote Douglas Irwin, a leading economic historian of international trade.<sup>1</sup> For many, rising trade-to-GDP ratios indicate further integration of national markets, which is thought to result in a range of benefits. On this view, trade growing slower than income is bad news.

The purpose of this chapter is to show that, since the beginning of 2015, the volume of world trade has, at best, plateaued and that a no-growth phase of this length is unusual. The finding is not that growth has proceeded at a slower tempo – for 15 months world export volumes have not grown at all.

We will also argue that leading analyses of the “global trade slowdown” have failed to uncover its root causes, focusing instead on intermediate, proximate causes (such as falling investment expenditures, shortening international supply chains, and Chinese rebalancing).

Lastly, we argue that the temptation to resort to zero-sum thinking is greater when the size of the global trade pie is no longer growing and, as we document elsewhere in this report, this has coincided with the sharp increase in beggar-thy-neighbour activity since the beginning of 2015.<sup>2</sup>

### Volumes plateau

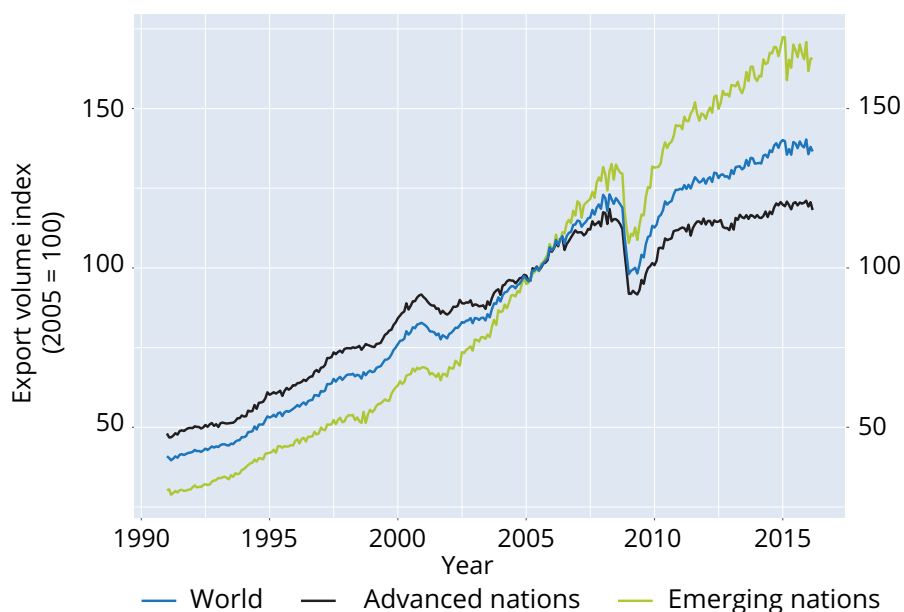
To prevent volatile commodity and other export prices unduly colouring assessments of global trade dynamics, analysts tend to examine the evolution of the volume of world trade. The Netherlands Bureau of Economic Policy Analysis (CPB) collects high frequency data on world trade flows and industrial production,

tracking reports by national statistical agencies across much of the world. Their World Trade Monitor is a well regarded source of data on the world trade volumes, with data going back to 1991.

Figure 2.1 plots the evolution of the volume of exports worldwide, of the “advanced” economies, and “emerging” nations from January 1991 to March 2016.<sup>3</sup> Export volumes clearly fell in the recession following the “dot com” boom and during the Great Recession. Of more recent interest, however, is the evidence that the volume of world exports has been stuck in the same range since the beginning of 2015. The same is true of the advanced economies. If anything, the volume of emerging market exports has fallen from January 2015 to March 2016 (at an annualised rate of 5.6%). All in all, world trade has plateaued. World trade is not growing at a slower rate – it is not growing at all.

**FIGURE 2.1**

World trade plateaued around the start of 2015.



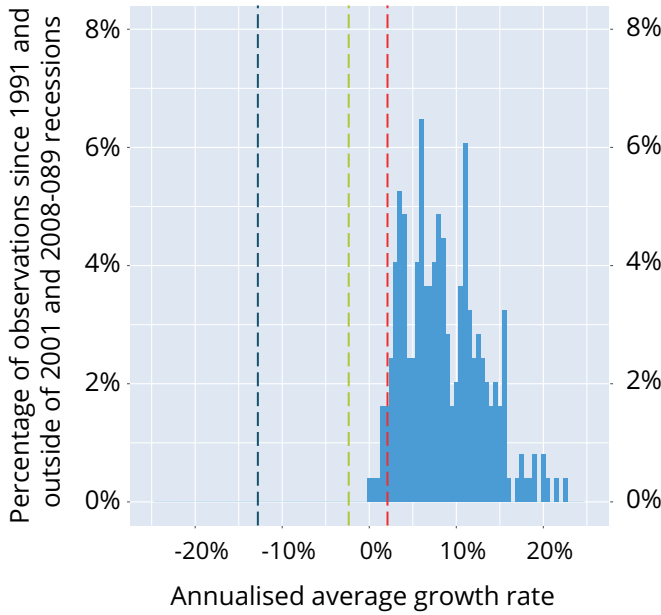
<sup>1</sup> Irwin (2015).

<sup>2</sup> This is not to imply that changing government policy must be the only root cause.

<sup>3</sup> Since the preparation of this report began the CPB has published data for April 2016. The latest data does not fundamentally alter the findings of this report as world export volumes did not move outside the range established since January 2015. However, the April 2016 data for export volumes from the advanced economies show usually strong growth. In the 100 months since January 2008 on only five occasions has the change in the April 2016 export volume index for the advanced economies been exceeded, raising the possibility that that the latest data is an outlier. Moreover, future revisions of this data may occur, again diminishing how much weight should be put on any one month's numbers.

**FIGURE 2.2**

The recent plateau in trade is highly unusual given the trade dynamics observed since January 1991.



### A temporary pause?

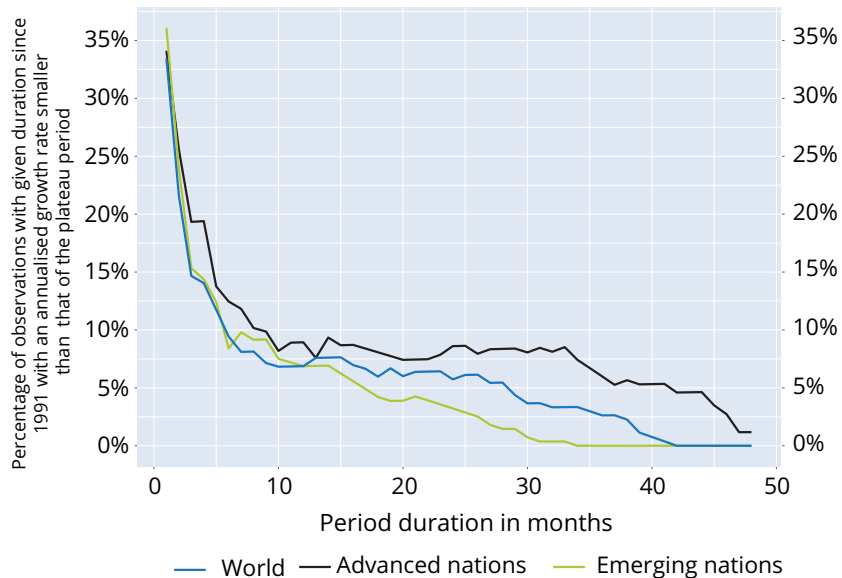
Some may be tempted to dismiss the plateau as a temporary pause. So how unusual has the volume of world export growth been from January 2015 to March 2016? To answer that question, we computed, for every consecutive 15 month period since January 1991, the level change in export volume. The distribution is plotted in Figure 2.2.

We have also identified (with the dark blue dashed line) the comparable change during the Great Recession, (in green) the level change witnessed during the recession of the early 2000s, and (in red) the most recent period, when world trade plateaued. Periods of no growth in export volumes rarely occur. Periods of negative export volume growth are associated with recessions, as Irwin noted.<sup>4</sup> That the mass of the distribution lies to the right of the level change in world export volumes seen since January 2015 indicates just how unusual current global trade dynamics are.

Another objection is that we have focused on a 15-month period. After how many months does recent export volume growth look unusual, especially given any noise in the underlying data? To examine this matter, we proceeded as follows. First, for the world and the advanced and emerging markets separately, we calculated the annualised rate of export volume change from January 2015 to March 2016. Using monthly data going back to January 1991, we computed for these three groups of countries the percentage of one-month periods where the annualised growth rate of export volumes fell below the rate seen during the current global trade plateau. We repeated this exercise for every monthly duration from two to 48 months. The findings are plotted in Figure 2.3.

**FIGURE 2.3**

Since 1991 there have been few monthly spells generating as little export volume growth as seen since January 2015.



<sup>4</sup> Indeed for some stagnant world export volumes are an indicator of global recessionary risks. We do not take a position on this important matter.

**TABLE 2.1**

Marked differences in reported global trade volume growth in 2015.

Year	Actual data or expected rate of global trade volume growth?	Rate of growth published by the WB	Rate of growth published by the IMF	Rate of growth published by the WTO	Rate computed from CPB data	
					January to January	Quarter one to Quarter one
2013	Data	3.3	3.4	2.4	2.2	2.0
2014	Data	3.8	3.5	2.8	3.3	3.2
2015	Expected (except CPB)	3.1	2.8	2.8	-1.9	-0.6

Sources: WB: Global Economic Prospects June 2016; IMF: World Economic Outlook April 2016; WTO: Report on G20 Trade Measures June 2016; CPB World Trade Monitor March 2016 dataset.

For the world and emerging market grouping, once more six months have elapsed with recent export volume growth then that growth rate is worse than 90% of all recorded six month-growth phases since 1991. For advanced economies, once nine months of export volume data is as bad as the recent period, then the growth performance is worse than 90% of all recorded nine month phases since 1991. That the current plateau has lasted even longer – 15 months – highlights how unusual it is when compared to the global trade dynamics witnessed over the past quarter of a century.

With every additional month of data confirming a global trade plateau, the odds lengthen that current global trade dynamics are a temporary pause, a soon-to-be-reversed cyclical phenomenon, or a statistical freak.

### Why hasn't the plateau been spotted before?

If it takes only six to nine months to spot unusual export volume dynamics, why wasn't the recent plateau identified earlier? We raised some concerns in our last report (published in November 2015), but at that time only six months of CPB export volume data for 2015 was available. Other analysts and leading international organisations have focused on what they refer to as the "global trade slowdown" – the tendency for the ratio of the rate of global trade growth to global GDP growth to fall. A plateau differs from a slowdown in that trade volume growth is zero in the former and can still be positive in the latter.

There may be data-related reasons why some continue to refer to current trade dynamics as a global trade slowdown. In Table 2.1 we assemble data on the published world trade

volume growth rates for 2013, 2014, and estimates for 2015 from the World Bank (WB), International Monetary Fund (IMF), World Trade Organization (WTO), and CPB. Since the CPB reports monthly numbers, we computed the annual growth rates in two ways: from January in a given year to the January in the preceding year, and from the first quarter in a given year to the first quarter in the previous year.<sup>5</sup>

In the years before 2015, each agency reported growth in world trade volumes. However, in 2015 the CPB's indices imply world trade volumes have fallen (if only slightly),<sup>6</sup> whereas the other agencies do not. Of course, the next step is to understand why. However, this is impossible because only the CPB publishes its methodology and notifies users of changes to that methodology.<sup>7</sup>

An important concern in computing trade volumes are the corrections made for the changes in the prices of traded goods – and to users this is a "black box."<sup>8</sup> Seen another way, the leading international economic organisations may be missing important changes in global trade dynamics as a result of the manner in which they correct for changes in the prices of traded goods. Public and private decision-makers, who must act in real time, are not being served well by current practice.

We give weight to the CPB data because they are well regarded. Indeed, a working paper from the IMF published last year stated that the World Trade Monitor indices are "currently considered the benchmark indicator for world trade" (Barhoumi and Ferrara 2015). The WTO noted in one of its monitoring reports that "[m]onthly indices from the Netherlands Bureau of Economic Policy Analysis (CPB) provide a timely indication of current trends in the volume of world trade" (WTO 2011). In fact, the WTO has repeatedly

5 Readers concerned about noise in the monthly CPB data may want to give greater weight to the quarter-on-quarter calculations..

6 Our choice of the term global trade "plateau" rather than global trade "contraction" is thus conservative.

7 As the CPB did recently on 23 June 2016.

8 The WTO accounted for its 2015 forecast in the following manner: "The preliminary figure of 2.8% for world trade growth in 2015 refers to the average of merchandise exports and imports in volume terms, i.e. adjusted to account for differences in inflation and exchange rates across countries," see [https://www.wto.org/english/news\\_e/pres16\\_e/pr768\\_e.htm](https://www.wto.org/english/news_e/pres16_e/pr768_e.htm)

cited CPB statistics in monitoring reports on global trade developments in 2009, 2010, 2011, 2012, and 2015.

Other recently published data support the conclusion that global trade has, at best, plateaued. The RWI/ISL Container Throughput Index, which purports to track data on container use in 81 ports handling more than three-fifths of the containers worldwide, reported that its index for May 2016 had fallen further and offered the following comment: “This is the lowest value computed for the index since the end of 2013 and suggests a continuous weakness of the development of the world trade in goods.”<sup>9</sup>

Looking forward, optimism about volume increases is confined to a minority of shippers. On 20 June 2016, the Journal of Commerce reported on the latest survey of shippers by Drewry Maritime Research, noting “Nearly half of the 51 shippers who responded to the survey said they expect traffic for the third-quarter peak season to be the same as last year while 35 percent anticipate lower volumes. Only 18 percent of the shippers in the survey predicted increased traffic for container shipping’s “busy” period.”<sup>10</sup> The report went on to note that some shipping lines were already reducing the capacity that will be made available during the traditional pre-Christmas peak, reflecting falling demand from customers.

In sum, the global trade plateau may well have been overlooked because of reliance by the leading international economic organisations on certain global trade volume data, the construction of which is difficult to understand. As we have seen, a credible, widely-used alternative data source provides a markedly different picture for global trade since 2015. Furthermore, that picture aligns with other evidence presented by analysts and companies heavily involved in transporting goods. Moreover, plateaus in trade volume of this length are unlikely to be statistical freaks. We can no longer discount the possibility that global trade growth has ground to a halt.

## Why a global trade plateau matters

Some experts won’t be worried by a global trade plateau. After all, trade is merely the result of locational differences in production and consumption and why must such mismatches grow over time? No less an authority than Paul Krugman has argued:

“The point is that it’s entirely reasonable to believe that the big factors driving globalization were one-time changes that are receding in the rear-view mirror, so that we should expect the share of trade in GDP to plateau – and that this doesn’t represent any kind of problem. In fact, it’s conceivable that things like rising fuel costs and automation (which makes labor costs less central) will lead to some “reshoring” of manufacturing to advanced countries, and a corresponding decline in the trade share.

“Ever-growing trade relative to GDP isn’t a natural law, it’s just something that happened to result from the policies and technologies of the past few generations. We should be neither amazed nor disturbed if it stops happening” (Krugman 2013).

The problem with arguments of this type is just because benign factors could result in a global trade plateau does not mean those factors have caused the current plateau.

A global trade plateau might equally arise if the cumulative effect of national policy choices held back potential trade volume growth generated by other factors.<sup>11</sup> Yet, as the growing literature on the “global trade slowdown” has revealed, after an era of highlighting the contribution of trade reform to trade growth, curiously, many analysts have not been prepared to apply their logic in reverse and consider the possibility that recent beggar-thy-neighbour policy might have altered global trade dynamics.<sup>1</sup>

Instead, the literature has tended to focus on unhelpful distinctions between types of factors (cyclical – where the not-so-subtle implication is that these are temporary factors that can be ignored – and structural) and on proximate causes of the slowdown. The recent Global Economic Prospects report from the World Bank notes “Global merchandise trade remains subdued, reflecting rebalancing in China and weaker demand from commodity exporters” (World Bank 2016). Freund (2016) has taken a different tack arguing “Trade is caught in the tempest because trade relies heavily on investment... Put simply, imports fall especially sharply when investment declines.”

9 Statement taken from the RWI/ISL website: <https://www.isl.org/en/news/rwi-isl-container-throughput-index-global-trade-declining-further>.

10 <http://www.joc.com/maritime-news/container-lines/container-lines-face-%E2%80%98peak-season-blues%E2%80%99-20160620.html>

11 There is no presumption here that trade must grow at a certain rate faster than global output. As Irwin (2015) has observed the relationship between both rates of growth over time has varied across epochs.

12 One study that purports to examine the effect of trade restrictions on global trade growth is Constantinescu, Mattoo, and Ruta (2015). Unfortunately, data limitations resulted in the authors considering a narrow subset of beggar-thy-neighbour policy instruments whose coverage of global trade has been known for some time to be very small.

Neither of these explanations gets to the heart of the matter. There could be benign drivers of Chinese rebalancing and their could be less benign factors – the fall in sourcing from abroad by firms based in China could, for example, reflect greater resort to local content requirements. While many analysts appear to overlooked the spread of these requirements in recent years, as Chapter 5 of this report notes, business appears to have been more attentive to developments on the ground.

Low levels of investment are a consequence of corporate decision-making and can be influenced by many factors – including domestic and foreign economic policy uncertainty, to which greater export incentives, refusals to cut back capacity by bailed out foreign rivals, and aggressive foreign industrial policies contribute. Arguments that government spending increases result in less imports also beg questions as to the effect of buy national public purchasing policies.

The central problem with the leading explanations of the “global trade slowdown” is that they do not reveal the root causes of changing global trade dynamics. If matters are worse now and global trade growth has ground to a halt then getting to the bottom of these matters assumes greater urgency. The test should be whether any evidence convincingly demonstrates no adverse public policy impact on global trade dynamics. Until such evidence is found, it would be imprudent to rule out the contribution of beggar-thy-neighbour policy.

Moreover, since the G20 group of nations appears to be keen on establishing a forward-looking indicator of global trade dynamics to inform traders and policymakers,<sup>13</sup> then its utility will turn partly on whether it is based on root causes rather than proximate causes.

In addition to potentially revealing policy-induced constraints on trade growth, a global trade plateau would be harmful if it reduced supply side benefits (in the form of technology transfer, imports-as-competitive discipline etc) and diminished aggregate demand growth. Here we concur with the arguments made by Hoekman (2015) and Constantinescu, Mattoo, and Ruta (2016).

We would make another argument and this concerns commercial policy formation during a global trade plateau. When global exports were growing – even if at a slow rate – higher export sales by a nation’s firms need not come directly at the expense of another nation’s firms. As a result, in principle, each nation’s economic growth could benefit from the extra exports made possible by a growing global pie.

If global trade has plateaued, then net gains by one nation’s exporters must come at the expense of another nation’s. A global trade plateau enhances the risk of trade tensions, especially in an era when governments of the major trading powers are putting in place so many incentives and financing to promote exports.<sup>14</sup> The risk is that a negative feedback loop could develop: policy may have contributed to the global trade plateau – and we cannot discount that future policy will be shaped by it.

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13 See the following report in the China Daily [http://europe.chinadaily.com.cn/business/2016-07/01/content\\_25931077.htm](http://europe.chinadaily.com.cn/business/2016-07/01/content_25931077.htm).

14 The scale of Least Developed countries and G20 exports affected by these incentives are shown in Evenett and Fritz (2015a,b).

# CHAPTER 3

## BROADER-BASED RETRENCHMENT OF GLOBAL TRADE DURING 2015

The purpose of this chapter is to demonstrate that the observed fall in the total value of world trade during 2015 involved more product categories than we found in our previous report. To come to this conclusion we have pieced together monthly UN trade flow data up to the end of 2015, taking account of the fact that national governments report such data with a lag and that both the importer and exporter observe each bilateral trade flow. A quick recap of the findings of our last report and its commercial and policy significance establishes the point of departure for this chapter.

One striking finding of our last report was that 78% of the observed fall in the value of global trade between October 2014 and July 2015 was accounted for by just 28 product categories. Each of these 28 products contributed more than 0.5% of the fall in the value of world trade over the period in question. The top three contributing product categories were oil-related; together they accounted for half of the total fall. We also showed that the products where trade fell the most were more frequently hit by import restrictions and where incumbent firms benefited less from subsidies and export incentives.

That at least half of the observed fall in world trade was accounted for by oil-related products led some commentators to conclude that it was “all” a commodity price story and, since such prices are so volatile, then there was no fundamental change in global trade dynamics. That 28 product categories accounted for so much of the global trade fall led others to conclude that protectionism was at work – rather than a global economic downturn –

because the contraction was so concentrated. Now that we have assembled the monthly disaggregated UN trade data through to the end of 2015 (a description of how we did that can be found in the Annex to this report), what does it reveal about the depth and breadth of the falling value of global trade?<sup>1</sup>

**FIGURE 3.1**

Processed goods trade fell in 2015, not just raw materials trade.



<sup>1</sup> As the data on the total value – rather than the total volume – of trade is available on a monthly basis from the United Nations, it is important to acknowledge that the focus of this chapter differs from that of the previous chapter. Here changes in the total US dollar value of trade are studied. These changes can be influenced by changes in the US dollar exchange rate, in export prices, and in export volumes. According to the WTO, the total value of global merchandise trade fell in US dollar terms by 13% in 2015 to \$16.5 trillion, see [https://www.wto.org/english/news\\_e/pres16\\_e/pr768\\_e.htm](https://www.wto.org/english/news_e/pres16_e/pr768_e.htm).

## Commodities aren't the only game in town

The United Nations distinguishes between trade in raw materials (essentially commodities) and trade in other goods, which are referred to as processed goods. Figure 3.1 reports for each month from January 2013 to December 2015 the annual growth rate for the preceding 12 months for total trade ("all products"), raw materials, and processed trade. Furthermore, the average growth rate of the goods in each category where trade expanded is reported (in green) as well as the average growth rate of goods where trade contracted (in red).

Several findings follow from analysing this monthly UN trade data. First, the fall in the total value of world trade is confirmed for 2015. In fact, the total value of global trade ("all products") began falling in the last quarter of 2014. Second,

during 2015 in no product category did the products whose trade was growing do much to offset the falling value of world trade in those products where trade contracted. Third, having grown barely at all since 2013, from the last quarter of 2014 raw materials trade began contracting sharply. Moreover, after the first quarter of 2015 the rate of contraction of raw materials trade started to attenuate. Fourth, processed goods trade also fell in value during 2015, ending the year almost 5% down. Claims that the falling global trade is a solely commodities-based phenomenon can be set aside.

## Broader based retrenchment in trade during 2015

The processed goods category can be further broken down into trade in capital goods, consumption goods, intermediate goods, and others. Figure 3.2 reproduces Figure 3.1 for these four types of non-commodity trade.



Intermediate goods used in supply chains and the like saw sustained falls in the total value of trade during 2015. In contrast, the rate of contraction of consumer and capital goods worsened until the middle of 2015, after which the rate of contraction stabilised. The contribution to global trade growth of those consumer and capital goods where trade did expand during 2015 was tiny. Almost all of the action was on the downside.

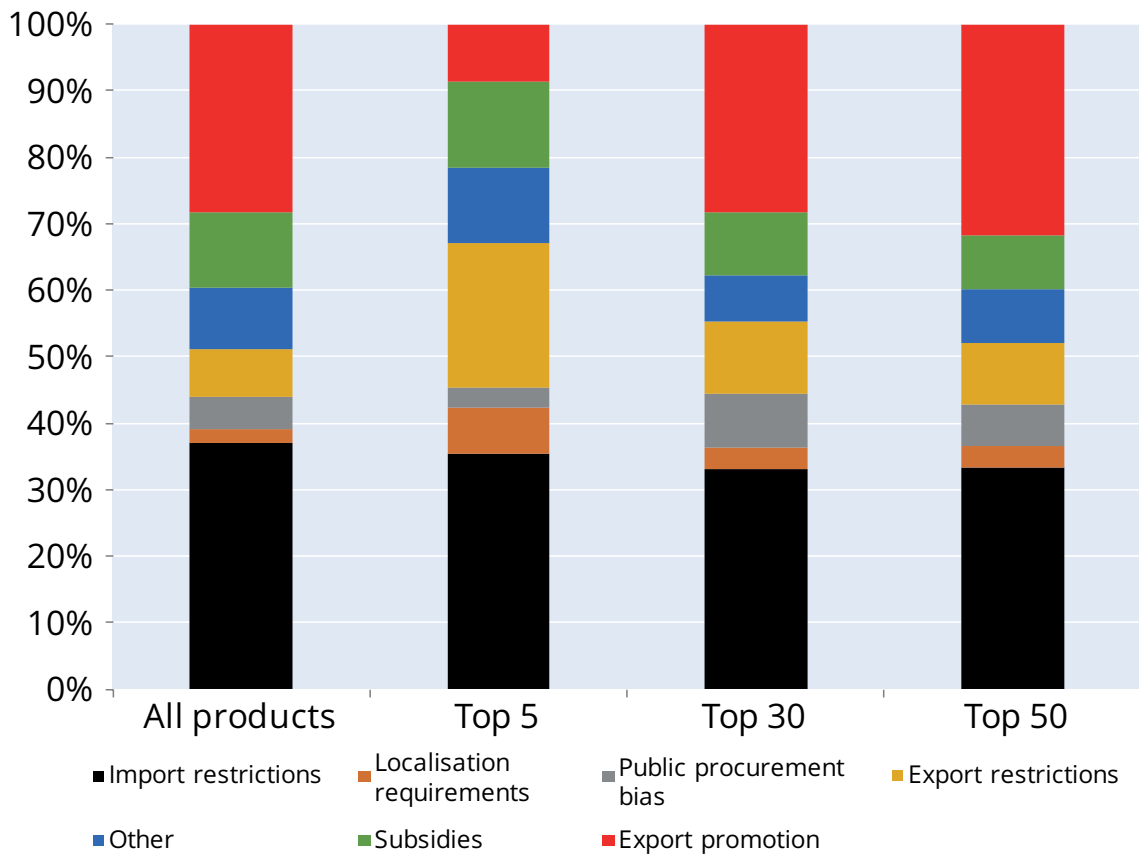
Further detailed analysis of trade in products revealed that during 2015, 38 product categories<sup>2</sup> accounted for 0.5% of more of the observed global trade fall. Together these 38 product types accounted for 67.4% of the observed global trade fall in 2015. The total biggest contributors were still oil-related and together they accounted for 37% of the observed global trade fall. Compared to the findings of our 18th report, the pain of trade retrenchment has spread with more product categories witnessing falling values of trade.<sup>3</sup>

<sup>2</sup> Technically, four digit product categories in the UN harmonised system.

<sup>3</sup> Another way of making the comparison is as follows. In our last report 28 product categories accounted for 78% of the observed fall in the total value of global trade. During 2015 the 65 product categories with the largest falls in trade value accounted for 78% of the total fall in global trade during that year.

**FIGURE 3.3**

Products where trade fell the most in 2015 faced proportionally more trade restrictions.



### Products most hit by trade restrictions witnessed larger trade falls in 2015

We next examined whether the policy mix differed across products according to how much their trade contracted. Using data on trade distortions in the Global Trade Database, we identified the policies that affected trade in each good that were in effect in 2015. We then compared the policy mix across all products together and the top 5, 30, and 50 products whose trade contracted the most in 2015. The findings are reproduced in Figure 3.3.

In each stacked column in that Figure, the bottom four policy instruments restrict trade and the two policies at the top of each stacked column are ones that are likely to stabilise or expand trade. The shares of policies that restrict trade are larger for the top 5, 30, and 50 products whose trade

contracted the most in 2015 compared to the world average. The products whose trade fell the most tended to be hit more by local content requirements. The five products responsible for the largest contributions to falling world trade benefited markedly less frequently from subsidies and incentives to export. Overall, policy tended to be more restrictive of trade in the very products whose cross-border transactions contracted the most.

These findings do not imply that policy drove all of the differences in product trade witnessed during 2015. However, these findings do caution against going to the other extreme and ruling out any adverse policy contribution to last year's fall in the total value of global trade.



# CHAPTER 4

## TRADE TENSIONS FLASHPOINT: STEEL

Some crisis-era beggar-thy-neighbour activities have flown successfully below the radar screen. Some have not. Developments in the steel sector are probably the most prominent example of overt trade policy tensions during the past 18 months, drawing the attention of senior ministers and even heads of government. Related matters have been discussed in the European Council, at the recent summit of G7 leaders in Japan, and in bilateral meetings with Chinese leaders and officials.

The purpose here is to provide an overview of trade-related policy interventions implemented in the steel sector, paying particular attention to trade defence and safeguard actions, which have gotten much attention. To put developments since 1 January 2015 in perspective, a comparison with earlier crisis-era intervention is presented as are estimates of the trade coverage of various trade distortions. Such evidence sheds light on the policy responses engendered in part by the global excess capacity in the steel sector.

The principal findings are:

- The number of discriminatory policy interventions implemented in 2015 was 118, exceeding the totals for the two worst years of the crisis-era to date (2009 and 2013).
- Around 80% of policy interventions in the steel sector in recent years discriminate against foreign commercial interests.
- The mix of discriminatory policy measures used varied in recent years: the share associated with trade defence duties fell in 2015 compared to 2014, but surged again in Q1 2016. Import tariffs were relatively more prevalent in 2015 as were export incentives.
- Despite the fall in the share associated with trade defence duties, a large number of trade defence and safeguard investigations were initiated in Q3 and Q4 2015 and in Q1 2016, implying that a sizeable number of duties could be implemented during 2016.

- Over time, the share of discriminatory measures associated with public procurement has fallen from above 40% in 2009 and 2010 to just over a quarter in 2015 and below 10% in Q1 2016.
- The share of world exports facing different policy distortions to trade varies widely. Despite the high frequency of their use, both public procurement and trade defence measures affect far less trade than incentives to export and other subsidies.

This update is based on new information gathered by the Global Trade Alert (GTA) team through to the end of April 2016.

### Policy mix tilted heavily towards harmful measures

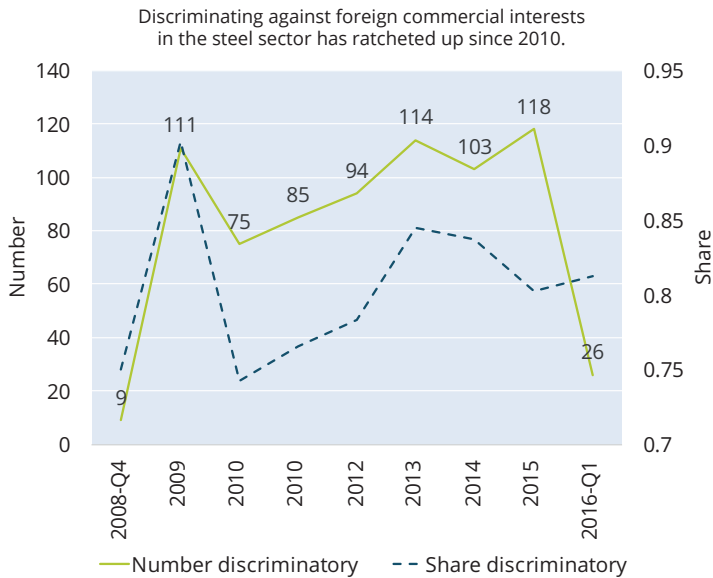
Since November 2008, when the GTA's reporting began, a total of 740 measures have been documented that discriminate against foreign commercial interests in the steel sector. The number of such harmful measures outnumber the liberalising measures by 4.5-to-one.<sup>1</sup> Unless specified otherwise, the data collected here refers to worldwide totals.

When world trade contracted in 2009 a total of 111 discriminatory measures were imposed on the steel sector. That total fell to 75 in 2010 but has subsequently risen over time (see Figure 4.1). During 2015 a total of 118 public policy measures were implemented that discriminated against foreign commercial interests. By 1 May 2016 a total of 26 discriminatory measures had been documented for Q1 2016 alone. These totals of measures implemented do not include protectionism that is in the pipeline.

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<sup>1</sup> Import liberalisation does not happen often in the steel sector. In Q1 2016 five tariff cuts on imported steel were documented.

**FIGURE 4.1**



### Discriminatory policy mix since the global economic crisis began

In Figure 4.2 data on the mix of discriminatory measures implemented in the steel sector from 2009 through to Q1 2016 is presented. In every year, import tariff increases, trade defence duties, and public procurement favouritism account for two-thirds or more of the instances of discrimination in the steel sector. However, the proportion associated with public procurement favouritism is falling over time (from over 40% in 2009 and 2010 to below 10% in Q1 2016.)

With two exceptions, during the crisis years the percentage of discriminatory measures associated with import tariffs or

trade defence measures is between 40% and 50%. In 2010, the year world trade in steel bounced back, the share of such import restrictions fell below 30%. In Q1 2016 the comparable share was around 60%.

Eight new incentives to export steel were introduced in 2015. As of 1 May 2016, none had been introduced in 2016.

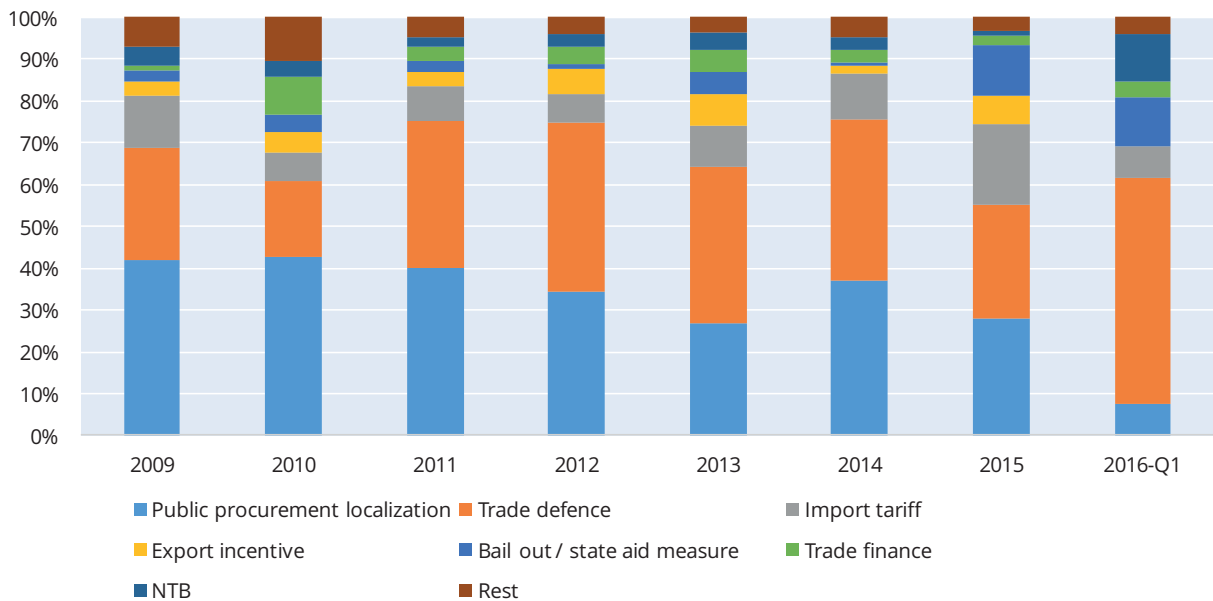
### Trade defence actions and safeguard investigations surged in 2015

During 2015 the spotlight was often on trade defence and safeguards investigations against steel imports. Table 4.1 reports totals for these investigations by quarter (from Q1 2015) and by type of policy instrument. A total of 47 trade defence and safeguard investigations were initiated worldwide during the second half of 2015. Another 15 investigations were started in Q1 2016.<sup>2</sup> The lion's share of these investigations related to allegedly dumped imports. In fact, since Q3 2015 there have been four times as many antidumping investigations launched than safeguards or anti-subsidy inquiries.

The increase in the number of trade defence and safeguard investigations started in Q3 and Q4 2015 probably accounts for the growth in the number of provisional and definitive duties implemented in Q1 2016. Of the 18 sets of duties implemented in Q1 2016, 13 relate to anti-dumping investigations.

**FIGURE 4.2**

Since 2009 policies that discourage imports account for at least two-thirds of protectionism in the steel sector.



<sup>2</sup> Since Q1 2015, 25 out of 54 anti-dumping investigations have been initiated by non-OECD governments. Four out of the 10 antidumping investigations initiated in Q1 2016 were started by non-OECD governments.

**TABLE 4.1**

The second half of 2015 saw many more investigations into unfair trade and import surges in steel.

Quarter	All trade defence			Anti-dumping			Safeguards			Counter-vailing duties			Anti-circumvention			
	Initiations	Provisional duties	Definitive duties	Duty renewals	Initiations	Provisional duties	Definitive duties	Initiations	Provisional duties	Definitive duties	Duty renewals	Initiations	Provisional duties	Definitive duties	Duty renewals	
2015-Q1	8	3	5	5	7	3	3	4	0	0	1	1	0	1	0	0
2015-Q2	12	2	7	6	7	2	4	5	0	0	3	0	0	0	1	0
2015-Q3	29	5	6	1	20	4	4	1	3	1	1	0	5	0	0	1
2015-Q4	18	3	5	5	10	3	4	5	4	0	0	0	3	0	1	0
2016-Q1	15	9	9	3	10	8	5	1	2	1	1	1	2	0	1	2

**TABLE 4.2**

Import restrictions may be the most commonly used measure, but other policy interventions likely affect much more steel trade

Policy Instrument	Share of world steel trade facing given trade distortion in year...									
	2009	2010	2011	2012	2013	2014	2015			
By at least one of the instruments listed below	50%	80%	82%	83%	87%	89%	91%			
Export incentive	44%	77%	78%	80%	84%	86%	88%			
Bail out / state aid measure	1%	8%	12%	13%	14%	14%	19%			
Public procurement localisation	7%	9%	10%	10%	10%	10%	11%			
Localisation requirement	0%	0%	0%	0%	0%	5%	8%			
Trade defence measure	2%	3%	3%	5%	6%	6%	8%			
Import tariff	2%	2%	1%	2%	3%	5%	7%			
Non tariff barrier	1%	2%	2%	2%	2%	3%	3%			
Trade finance	0%	1%	2%	2%	2%	2%	2%			
Export taxes or restriction	0%	0%	1%	1%	1%	1%	1%			
Public procurement, nes	1%	1%	1%	1%	1%	1%	1%			

Note: Only those policy instruments where the share of world steel trade affected exceeds 0.5% during any year since 2009 were included in this table.

The jump in the number of anti-dumping investigations initiated in Q3 2015 is reflected in estimates of the imported steel in the 4-digit product lines under investigation. In that quarter, nearly \$15.7bn of imports were subject to new investigations. The comparable totals fell to \$7.6bn and \$3.2bn in Q4 2015 and Q1 2016, respectively.<sup>3</sup>

## Which beggar-thy-neighbour acts really matter in steel? Trade coverage evidence

Measures that are high profile and are reported extensively in the press need not necessarily affect that much trade. After all, many trade defence actions are surgical in nature – targeting specific products from a certain trading partner. The total amount of trade that is potentially restricted by anti-dumping actions taken in a year may, in fact, be relatively small.

To shed light on this matter, following the update of the GTA database we computed the share of world exports of steel facing each type of discriminatory measure. The nature of the government measure dictates which trade flows are potentially affected. For example, an across-the-board import tariff increase on a particular type of steel will affect imports of that type of steel into the implementing country no matter the foreign source.

Where a measure targets a specific trading partner, then only the trade flow with that partner counts towards the trade coverage. For bailouts and non-export subsidies the trade covered are taken to be all of the imports of steel into the country giving the fiscal incentive. For general export incentives, the trade covered is taken to be the exports of other countries that happen to compete with the subsidised export in third markets.

Table 4.2 summarises the trade coverage calculations. In 2009 half of world steel trade was affected by discriminatory measures that had been implemented since November 2008, when the GTA's reporting began. By 2015, 91% of world steel trade faced at least one trade distortion – much of the growth happening in 2009 and 2010 with the initial crisis response. Importantly, to the best of our knowledge these crisis responses have not been unwound.

Even though the large number of trade defence investigations implemented in 2015 has received plenty of attention, by 2015 only 8% of world steel trade faced trade defence or safeguard duties. Still, that percentage rose from 6% in 2014, which in proportional terms is a sizeable increase. Import tariffs and trade defence measures cover approximately the same share of world steel trade.

Requirements to “buy local” steel and bailouts or (non-export-related) subsidies to steel producers have grown – in trade coverage terms – over time. We estimate that in 2015 the former covered 11% of world steel trade and the latter 19%. Bailouts of steel firms in two OECD nations plus tax incentives in a large emerging market account for the jump in the trade coverage in 2015. Such fiscal incentives may induce foreign firms to shave their prices in response.

By the far the largest trade coverage ratios relate to export incentives. The crisis era has seen an expansion in the number of countries offering such incentives to firms to ship steel abroad. By 2010, 77% of world steel trade involved was either subsidised in this manner or competed with a rival in a foreign market that was incentivised to export. Over the following five years that percentage has risen by more than 10% to 88%.

These findings are a reminder that the changes in national tax systems (which can give rise to the fiscal incentives to export) are likely to affect much more steel trade than some of the high profile trade frictions reported in recent months. This finding should not be misinterpreted, however: trade coverage and trade impact need not be of the same magnitude. Arguably, both are of interest to decision-makers in assessing policy priorities.

## Any alternative to more trade restrictions?

The first quarter of this year saw 26 more discriminatory measures implemented. If this rate is sustained throughout the year – and given the widely-reported trade tensions there is little to suggest that this assumption should be discounted – then 2016 is likely to witness as many harmful measures implemented as in 2015.<sup>4</sup> The trend towards more harmful interventions over time – seen since 2010 – would continue.

Most of the interventions envisaged are various types of import restriction. This must be a cause for concern as it induces risk premia for firms, disrupts supply chains dependent on steel, and will likely harm the competitiveness of downstream buyers.

However, if the trade coverage numbers are any guide then the primary policy concern is with export incentives. Bailouts and subsidies come second and “buy local” provisions in public procurement third. Traditional import restrictions – trade defence and tariff increases – while not trivial – cover less steel trade. From the global perspective, would direct challenges of these export incentives in WTO dispute settlement be preferable to resort to trade defence measures that effectively deflect steel imports to third markets? Or does the fear of counter-suits blunt the force of the WTO's so-called “jewel in the crown”?

<sup>3</sup> Estimates available upon request.

<sup>4</sup> This is particularly so once reporting lags, which are likely to have depressed the reported total for Q1 2016, are taken into account.

# CHAPTER 5

## THE QUIET RETURN OF LOCAL CONTENT REQUIREMENTS<sup>1</sup>

Generals often devote too much energy refighting the wars of yesteryear. Data collection on commercially-relevant trade policies suffers from the same defect. When the global economic crisis hit, as far as trade policy was concerned, the spotlight focused principally on tariffs, and since they were not hiked across-the-board by any major trading nation, many observers of the world trading system relaxed. Meanwhile, many policymakers – keen to favour domestic production and perhaps be seen to “defend” jobs – found ways to sharpen less well-monitored protectionist tools.

Being practical companies will react to emergent protectionism, even if policymakers cannot bring themselves to rein it in. A recent high-profile example highlighted this fact. This example is all the more compelling as it relates to a policy instrument that many had thought banned nearly 25 years ago in the Uruguay Round multilateral trade agreements, namely, local content requirements. The quiet return of these requirements not only highlights the ability of protectionism to morph from crisis to crisis but also the growing failure of what are still politely referred to as “binding multilateral trade disciplines.”

In this chapter first we summarise the evidence from a range of sources on the prevalence and effects of contemporary local content requirements. Then, the CEO of General Electric Jeff Immelt’s recent account of the profound impact of localisation requirements and other protectionism on his firm’s corporate strategy is recounted. The adverse implications of that strategy change for the future growth of trade flows is discussed, linking the evidence presented in this chapter to the theme of this report.

### The proliferation of localisation requirements

In addition to classic local content requirements that mandate certain percentages of goods and services be produced or sourced locally, governments at the national and sub-national level have added new twists (Hufbauer et al. 2013; Stone et al 2015), including to:

- Condition tax, tariff, and price concessions on local procurement;
- Condition bailouts, government contracts, and export financing on local sourcing;
- Tailor import licensing procedures to encourage domestic purchases;
- Reserve certain lines of business for domestic firms;
- Require that data must be stored and analysed locally;
- Require that products be tested locally.

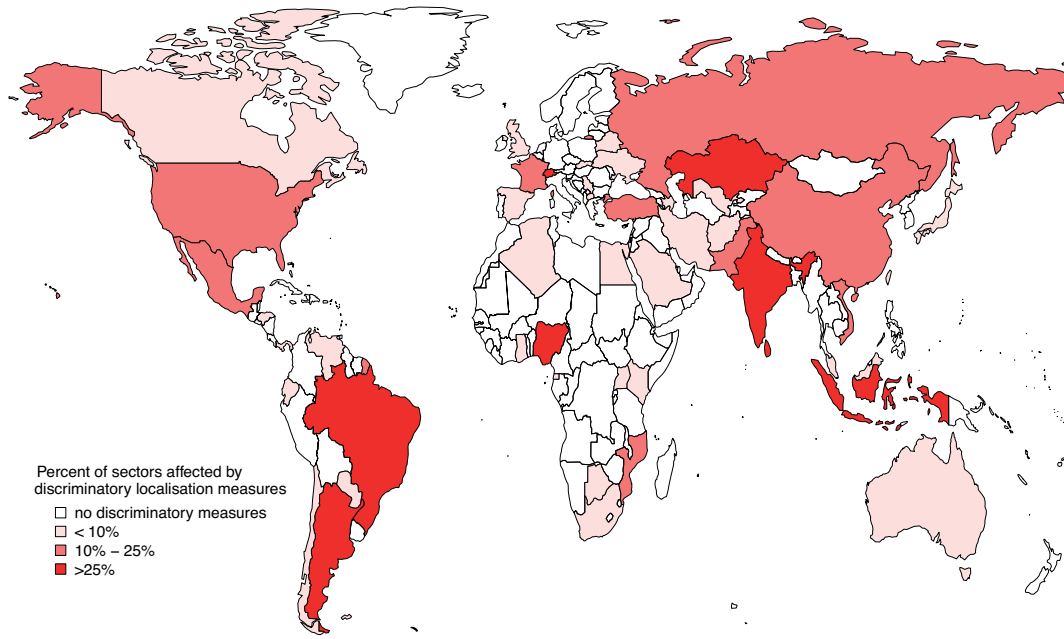
As a result of these policy innovations, many analysts now refer to the broader category of “localisation measures” (LMs). Several attempts have been made to document how often governments have resorted LMs since the onset of the global financial crisis. Hufbauer et al (2013) documented 117 LMs; Stone et al (2015) found 146 LMs. The European Centre for International Political Economy (ECIPE) documented numerous data-related LMs in Brazil, China, the European Union, India, Indonesia, Korea, and Vietnam (Bauer et al 2014). Worldwide, ECIPE has now identified 82 LMs relating specifically to data localisation.

Meanwhile, the Global Trade Alert team has identified 343 LMs implemented since November 2008. In addition, another 371 state purchasing regulations or decisions were found to require some form of local sourcing. The range of economic activities affected is not trivial as shown by Maps 5.1 and 5.2, which report the percentage of 2-digit sectors where LMs have been imposed since the crisis began.

<sup>1</sup> This chapter is an abridged version of a VoxEU column that was co-authored by Karan Bhatia, Simon Evenett, and Gary Hufbauer. We thank Evenett’s co-authors for their cooperation and note that the opinions expressed here are those of Simon Evenett and Johannes Fritz. The original column is available at <http://www.voxeu.org/article/why-general-electric-localising-production>

### MAP 5.1

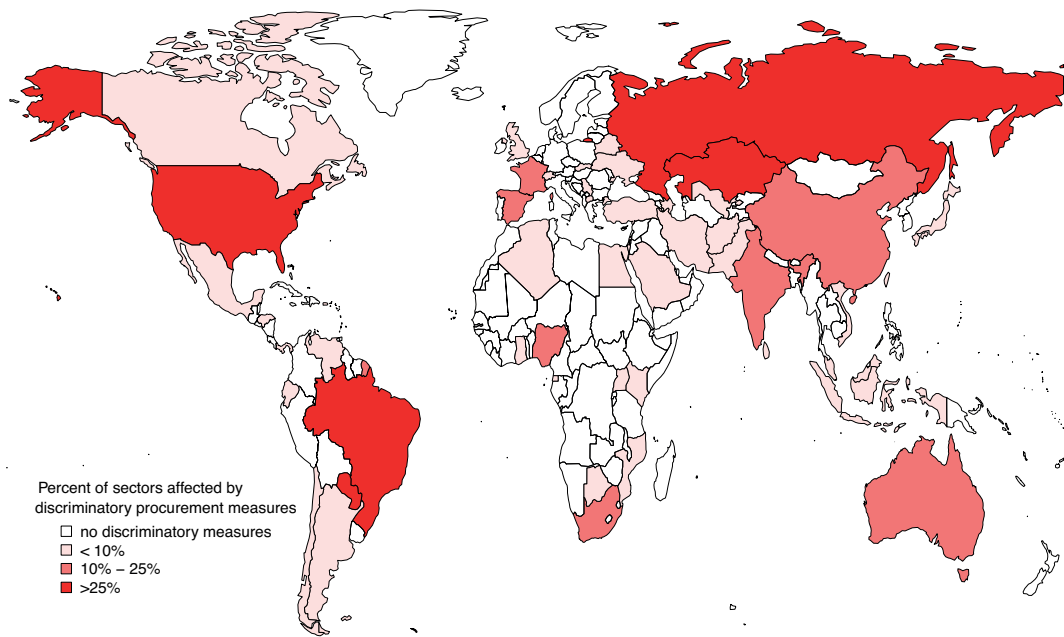
Since the global economic crisis began localisation measures have been implemented in every continent.



Source: Global Trade Alert, June 2016.

### MAP 5.2

Localisation rules in government procurement rules have spread too.



Source: Global Trade Alert, June 2016.

Non-government procurement-related localisation measures are particularly concentrated in chapters 85 and 87 of the UN Harmonised System. These chapters refer to trade in electrical machinery and equipment including telecommunications equipment, and vehicles (other than trains). Of the 11 four-digit product lines hit by 10 or more LMs since the crisis began, 10 are in these two chapters. In 2014, total trade in these 11 four-digit product lines exceeded \$2.1 trillion or 11.5% of world trade.

With respect to LMs associated with government procurement, Stone et al (2015) calculated the value of government purchases associated with 22 measures that discourage foreign sourcing implemented by 11 countries. Taking account of the fact that some measures are expected to last several years, they calculate that \$423 billion of state purchases are likely to be affected.

In addition to documenting the scale of localisation measures, research has generated estimates of their adverse effects. Hufbauer et al. (2013) conservatively estimate that the 117 LMs they documented reduced trade by \$93 billion. Stone et al. (2015) estimate that 11 LMs that sought to “displace” imports did so by \$10 billion, with the percentage of imports affected varying widely across the cases studied.

A large number of LMs have been implemented as part of government initiatives to promote “green” growth. OECD (2015) contains an econometric analysis of domestic and cross-border investment flows in wind and solar-PV power generation in 64 nations over the years 2000-2011. The impact of various policy interventions by 20 jurisdictions, including Feed-In-Tariffs (FITs) (which can involve LMs), was then estimated. The OECD (2015) analysts concluded:

*“... LCR policies in destination countries do not show a significant effect on volumes nor likelihood of investment; nevertheless, when the LCR are combined with FITs in destination countries, we see a significant and negative effect of LCRs for cross-border investment, and this result holds in the worldwide sample”* (page 71).

With respect to data-related localisation measures, Bauer et al. (2014) use GTAP (a computable general equilibrium model) to assess the effect of legislation proposed or enacted in seven jurisdictions. In the EU, for example, data-related LMs that have already been enacted were estimated to lower GDP by 0.4%. A “full data localisation” scenario would reduce EU welfare by 1.1%, which may not seem a lot until it is appreciated just how slowly the EU economy has been growing in recent years. Capital expenditure in the EU would fall by 3.9% as a result of enacting existing legislation and that figure would worsen to 5.1% with full data localisation. The welfare of the EU28 would fall by \$80 billion under the former scenario and by \$193 billion under the latter.

Overall, the evidence is mounting as to the adverse trade-, investment-, and welfare-related costs of the spread of localisation measures during the crisis era. Given the prevalence and likely effects of localisation measures, it is not so surprising that firms have begun to react to the growing fragmentation of world markets.

## GE adjusts its global strategy in response to protectionism

From time to time a jolt induces reflection on larger developments affecting the world economy. Jeff Immelt’s speech<sup>2</sup> to the Stern School of Business, on 20 May 2016, is one of those jolts.

When Immelt joined GE in 1982, 80% of its revenue was earned in the United States; in 2015, 70% of group revenues were earned abroad. GE now operates 420 production facilities worldwide and has customers located in 180 countries. He argued in this speech that “[b]eing global has helped us become more efficient, more competitive.”

Circumstances have now changed, Immelt observed. “Globalization is being attacked as never before,” he said, noting the rise of populism and protectionism in every region of the world economy. With \$80 billion in overseas sales at stake, Immelt argued that GE – and indeed, every company – cannot ignore the growing headwinds. Specifically he argued:

*“In the face of a protectionist global environment, companies must navigate the world on their own. We must level the playing field, without government engagement. This requires dramatic transformation. Going forward: We will localize. In the future, sustainable growth will require a local capability inside a global footprint.”*

GE has already begun adjusting. Rather than produce locomotives at a single location in the US, Immelt noted “now we have multiple global sites that give us market access.” GE is pursuing similar strategies with its other manufacturing, services and software businesses. “A localization strategy can’t be shut down by protectionist politics”, he said.

As foreign investment shifts to serve local demands, “We will produce for the U.S. in the U.S., but our exports may decline. At the same time, we will localize production in big end-use markets like Saudi Arabia.” This strategy effectively substitutes foreign direct investment for trade, diminishing prospects for growth in the latter.

GE isn’t the only company to implement a localisation strategy. What distinguishes Immelt’s remarks is that he explicitly ties that strategy to protectionist policy shifts.

2 <http://www.gereports.com/the-world-i-see-immelts-advice-to-win-in-the-time-of-globalization/>

Governments have made numerous innovations to their policy tool boxes – of which localisation measures are a prominent example. The revival of interest in industrial policy is another case in point (Aggarwal and Evenett 2014). As Immelt made clear, so long as protectionism is not reined in through international accords and domestic restraint, then private firms will react by localising production, even when this is economically sub-optimal. Widespread localisation will weaken the link between trade and economic growth, limiting the potential for trade expansion to raise living standards.

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# CHAPTER 6

## PROTECTIONISM RATCHETS UP DURING THE GLOBAL TRADE PLATEAU

Government policies that erect barriers to trade, make trading across borders more uncertain, or that reduce the profitability of exporting are one factor that can hold back global trade growth. As shown in the last two chapters, in recent years governments have gone well beyond imposing tariff increases and deploy a wide range of initiatives that amount to treating domestic firms, or firms located in their country, better than foreign rivals.

The purpose of this chapter is to summarise the latest data on the resort to protectionism in 2015 and the first quarter of 2016. A brief summary of how our statistics are constructed can be found in Box 6.1.

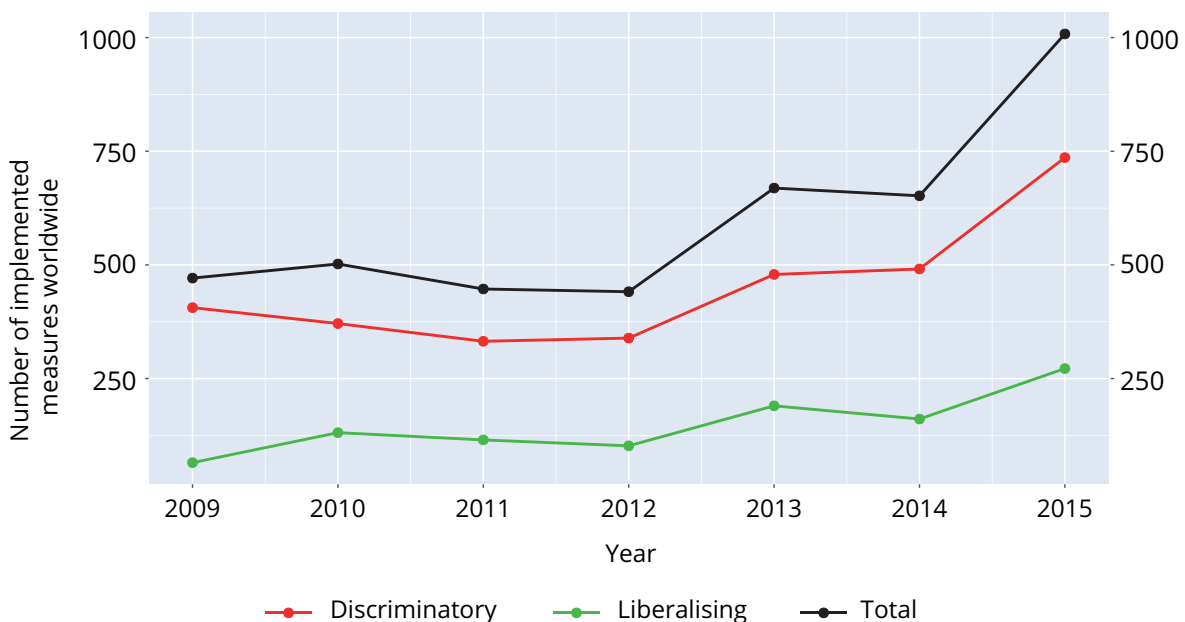
### Zero trade growth results in more zero-sum trade politics

One of our biggest concerns about a world in which trade is no longer growing is that governments will be more tempted to “steal” market share by resorting to beggar-thy-neighbour activity. The data collected for 2015 and for the first quarter of 2016 bear this out.

In comparing counts of policy intervention over time, it is important to correct for reporting lags. After all, by the end of April 2016, just over one quarter had passed since the end of 2015. Whereas, a total of 25 quarters had passed since the end of 2009. This fact alone is likely to result in more protectionism being found for 2009 than for 2015, giving the potentially misleading impression that protectionism has fallen over time and that developments in recent years are benign.

**FIGURE 6.1**

At comparable stages in the reporting cycle, resort to protectionism in 2015 is 50% higher than in 2014



## BOX 6.1 HOW OUR STATISTICS ARE CONSTRUCTED

The Global Trade Alert team tries to document as many government interventions as possible that alter the relative treatment of domestic and foreign commercial interests – both measures harmful and beneficial to foreign firms, investors, migrants, and owners of intellectual property.<sup>1</sup> Each announcement of policy change is treated separately. One might refer to this as a relative treatment test for each government measure.

The scope of the GTA's data collection is as follows: no customs territory is excluded a priori and any measure introduced since November 2008 (the month when the G20 heads of government met for the first time) can be considered. The GTA team systematically tracks news of government announcements on literally hundreds of government and other official websites.

From this information we compute counts of the total number of measures that distort or liberalise commerce (a) implemented by each nation (b) implemented each quarter or year (c) affecting each product and sector and (d) for each type of policy instrument.

Counts have weaknesses, to which we will return. But our approach has several advantages. First, it is grounded in documenting actual government policy change and as such provides information that is a global public good. Only with such documentation can more sophisticated analyses of commercial policy be conducted.

Second, counts can be produced in “real time” – or at least with relatively short lags – and such timeliness is valuable to public and private sector decision-makers. Moreover, those counts are updated automatically on our website<sup>2</sup> as more information becomes available. In contrast, considerable publication lags for data on trade flows,<sup>3</sup> output, and other control variables make full-fledged analyses of the impact of protectionism and trade reform impossible in the short run.

Counts, however, need not correlate with the scale of protectionism or its impact on international commerce and welfare. To partially remedy this we have developed methods that estimate the potential trade affected – or “covered” in the language of trade policy analysts – and the estimates presented in Chapter 4 of this report for the steel trade covered by different discriminatory policy instruments are an example.

Another concern with measure counts relates to differences in the manner in which governments make announcements. Some countries – such as the United States and the Russian Federation – tend to make separate announcements for each policy change. This will increase the counts reported in this chapter. Whereas other jurisdictions – notably the European Union – often bundle a group of similar measures together, such as the annual adjustments to the common external tariff.

Somewhat relatedly, resort to certain policy instruments are announced one intervention at a time. This helps account, for example, for the high numbers of trade defence cases and subsidies reported in this chapter. We bring these matters to the attention of readers so they can take account of them when assessing our findings.

To correct for such reporting lags, in Figure 6.1 we report the total number of liberalising and protectionist measures found in each year since 2009 that have been documented by 1 May of the following year. The results are striking: the number of discriminatory measures imposed in 2015 is 50% higher than in 2014. On this metric, resort to protectionism in 2015 was far higher than in 2009, the year when world leaders openly fretted about threats to the global trading system.

In 2015 the total number of liberalising measures rose too, but is outnumbered by discriminatory measures almost three-to-one. While most intervention was discriminatory, the number of liberalising measures cautions about making generalisations about government behaviour.

1 This is not the place to compare how many measures the GTA team has found compared to international organisations that monitor protectionism. For a direct comparison of that matter see chapter 12 of our last (the 18th) Report. A major difference in approach taken by the GTA and the WTO is that when information on earlier policy changes becomes available the former updates its totals whereas the latter does not.

2 [www.globaltradealert.org](http://www.globaltradealert.org)

3 As discussed in the annex to this report.

**FIGURE 6.2**

A bad start to 2016.

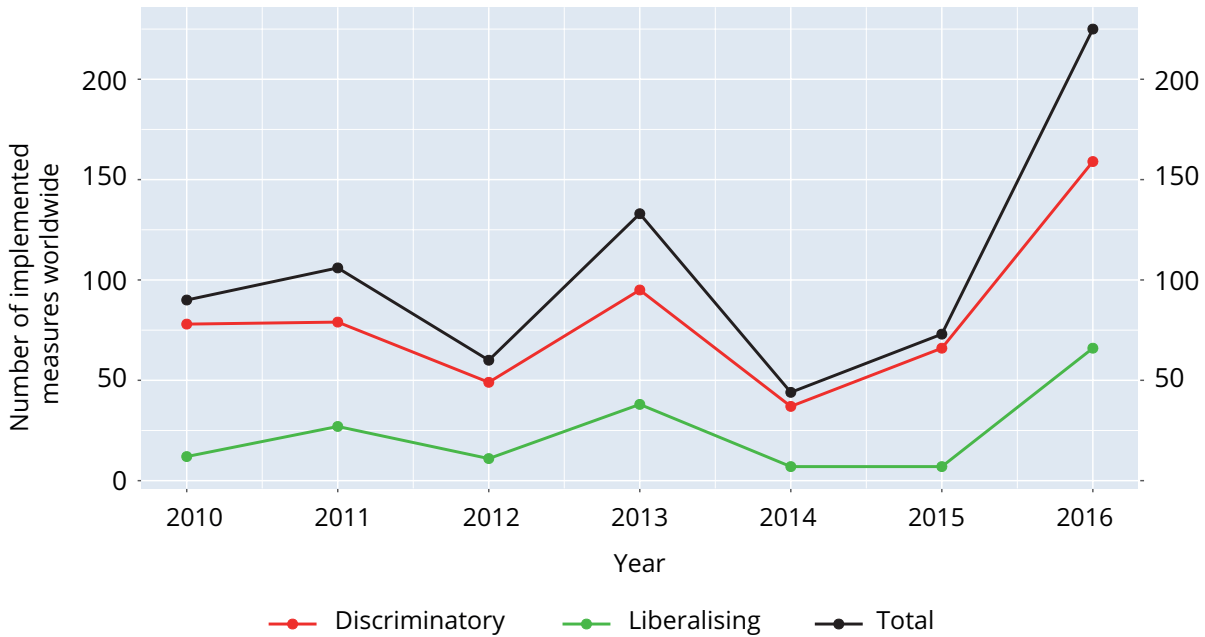


Figure 6.2 reports the number of protectionist and liberalising measures documented between 1 January and 1 May of a given year. Shortening the reporting period in this manner facilitates a comparison of 2016 with earlier years. The principal finding is that, as far as the level playing field is concerned, 2016 started off badly. By and large, in earlier years the number of protectionist measures found between 1 January and 1 May was in the range of 50 to 100. In 2016, over 150 discriminatory measures were found. Once again discriminatory measures exceeded liberalising measures by a wide margin.

### In 2015 four policy instruments account for 60% of trade distortions

Narrowing our focus to 2015, where due to reporting lags our sample is likely to be more representative than that of 2016, we find that bailouts, trade defence measures, import tariff increases, and localisation requirements accounted for three fifths of the discriminatory measures taken during the first 12 months of the global trade plateau.

Clearly, these measures affect trade in different ways. The latter three are outright trade restrictions. To the extent that bailouts and non-export-related subsidies discourage firms from reducing capacity, these measures need not reduce trade directly. However, to the extent to that such bailouts and subsidies imply that prices on world markets are lower than they would otherwise be or, given that money is fungible, result in beneficiary firms shaving their prices, then rival firms may be discouraged from competing with them. In

a similar vein, rival firms may be discouraged from bidding for contracts abroad if they suspect a firm has pockets made deeper by state largesse.

### The top 10 most protectionist nations in 2015 are all G20 members

Table 6.1 reports the countries responsible for implementing the most discriminatory measures in 2015. The United States and Russia top the list (but bear in mind the caveat mentioned in Box 6.1 about relying on counts here to gauge policy stance.)

**TABLE 6.1**

The 10 nations that discriminated most often against foreign commercial interests

Implementing nation	Rank	Number of harmful measures imposed in 2015	Share of world imports 2014
USA	1	90	13.45%
Russia	2	86	1.58%
India	3	67	2.55%
Brazil	4	42	1.26%
Indonesia	5	42	0.98%
Argentina	6	36	0.35%
Japan	7	36	4.52%
UK	8	36	3.85%
Italy	9	34	2.62%
Canada	10	27	2.57%

This table also bears out one longstanding findings of the Global Trade Alert – namely, that the G20 nations that are responsible for the lion’s share of global protectionism. In 2015, worldwide a total of 736 new discriminatory measures were implemented. Of that total, the G20 nations were responsible for 599 (or 81%). More information on resort to protectionism by the G20 nations can be found in the next chapter.

### Top 10 sectors hit most often account for a smaller share of world exports

Consistent with our findings in Chapter 3, it appears that the concentration of protectionism on a narrow set (of still commercially significant) economic activities diminished in 2015. The 10 sectors most affected by protectionism in 2015 accounted for a smaller share of world trade than reported in our 18th report. In the latter report, the ten most hit sectors in 2015 accounted for 45% of world trade. The latest data for 2015, summarised in Table 6.2, implies that with the 10 most hit sectors account for 40.6% of world trade.

Many more discriminatory measures were documented for basic metals (not surprising given the trade tensions in the steel sector), transport equipment, and agricultural products. The large electrical machinery and appliance sector (accounting for over 6% of world trade in 2014) dropped out of the top 10 and was replaced by the catch-all sector “Meat, fish, fruit, vegetables, oils and fats” (which accounts for just over 2% of world trade).

**TABLE 6.2**

The 10 sectors most hit by protectionism during 2015

Rank	Sector	Number of times hit in 2015	Percentage of world trade in 2014
1	Basic metals	143	5.36%
2	Transport equipment	107	7.53%
3	Agricultural products	100	2.20%
4	Fabricated metal products	94	1.42%
5	Special purpose machinery	90	5.32%
6	Basic chemicals	86	5.31%
7	Grain mill products and starches	69	1.51%
8	Other chemical products	65	4.97%
9	Meat, fish, fruit, vegetables, oils and fats	62	2.15%
10	General purpose machinery	62	4.87%
	All other sectors	835	59.36%

# CHAPTER 7

## WHICH G20 NATIONS DISTORT COMMERCE MOST OFTEN?

As the largest economies on Earth, where most of the world's spending power is concentrated, the G20 nations bear a special responsibility for keeping the world trading system open and for the conditions of competition in domestic and global markets. The temptation for governments of large economies to discriminate may be greater than for middle-sized and smaller trading nations – not least because of the view held by some that economic powerhouses should have successful global firms.

While each G20 country is bound by the terms of their WTO membership that does not mean that they have given up all discretion in the implementation of policies that can affect cross-border commerce. Many emerging markets, with the exception of China, can raise their tariffs significantly without breaking the legal limits.

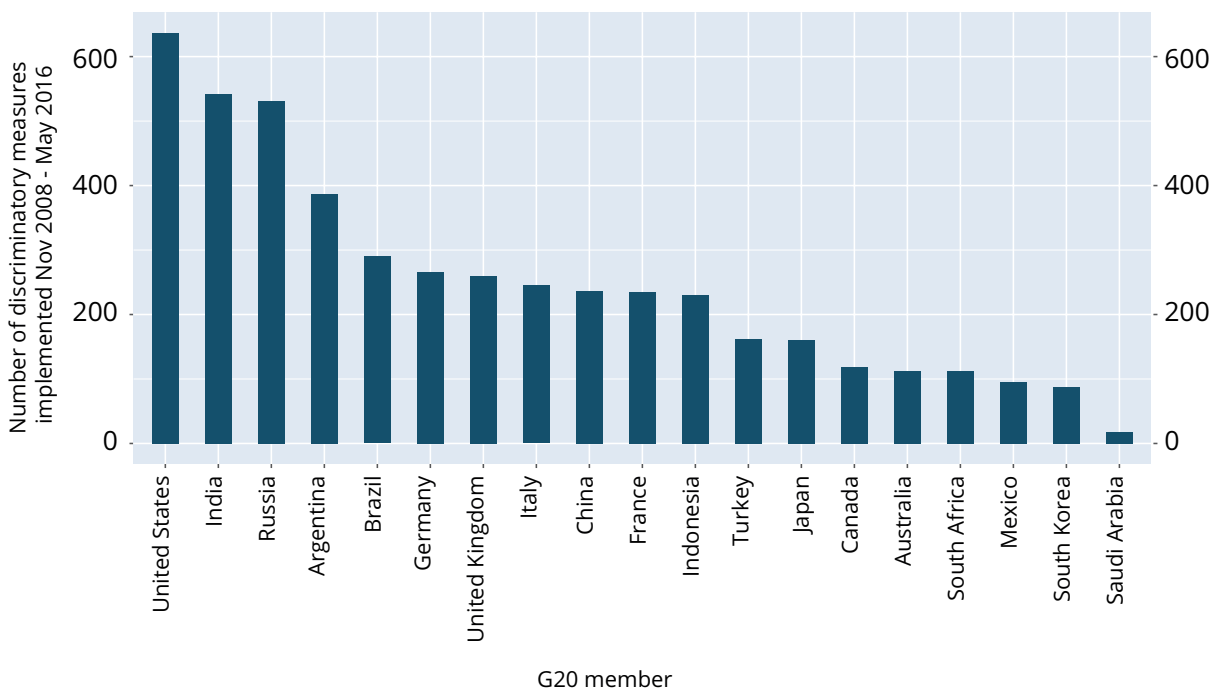
Industrial economies, in particular those with GSP regimes that offer preferences to developing countries, can unilaterally alter access to their markets (subject, of course, to certain rules). Moreover, irrespective of per capita income, the multilateral trade disciplines on a number of government

policies are not particularly restrictive – the areas of trade finance, export support, and government procurement being cases in point.

The combination of ample discretion, large market size, and the potential for harm to trading partners begs the empirical question: How often has each G20 member resorted to measures that discriminate against foreign commercial interests since the global economic crisis began?

The purpose of this chapter is to answer that question drawing upon the entries in the GTA website documented by the end of April 2016. The statistics presented here refer to the period from November 2008 to 1 May 2016, a total of seven and a half years. Since our 18th report was published in November 2015, 764 more measures implemented by G20 members were documented. This represents a 15.8% expansion in the number of documented measures in the GTA database that have been imposed by G20 governments.

**FIGURE 7.1**  
Protectionism by the G20: A Ranking



Before discussing the results further it would should be recalled that countries may differ in the degree to which they combine trade policy changes into government announcements. Some countries tend to bundle together such changes into omnibus announcements, others don't, and yet others mix both approaches. Moreover, some countries may not make available that much information about commercial policy changes on the internet, resulting in fewer measures being documented. Both considerations can influence the number of government announcements of policy changes that our team has been able to document, which is the metric employed in this chapter.

## Resort to protectionism varies a lot across the G20

Figure 7.1 ranks the G20 countries in descending order of the total number of protectionist measures they have implemented since November 2008. As in our 18th report, the G20 countries fall into three groups: those resorting frequently to protectionism, a middle group, and a group that appears to rarely resort to protectionism. However, there has been some reshuffling within, but not between, these groups.

The most frequent users of protectionism are the United States, India, Russia, and Argentina. Since November 2008, Argentina has imposed a measure that discriminates against foreign commercial interests every seven days. For the United States, on average, every four and a quarter days

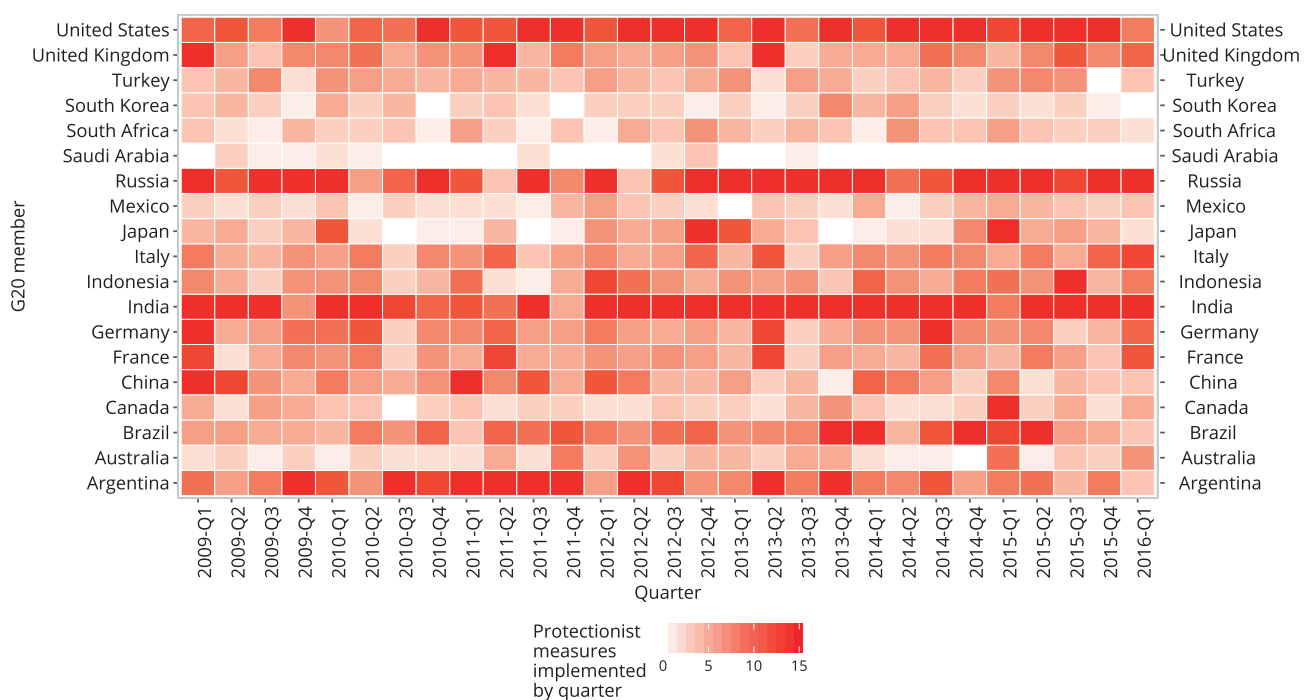
sees a new measure that harms some foreign commercial interest. Within the heavy users of discrimination the ranking has changed since our last report was published, with the United States jumping from third to first place, India falling from first to second place, and Russia falling from second to third place.

Brazil, Germany, the UK, Italy, China, France, and Indonesia form the second group of users of protectionism. These countries have each implemented since November 2008 between 230 and 290 measures that harm foreign commercial interests. On average, then, at least once a fortnight each of these countries implements a tariff increase, trade-distorting subsidy, local content requirement, or some other measure that distorts competition in domestic or global markets.

The remaining members of the G20 less frequently attempt to tilt the playing field in favour of domestic commercial interests, or at least fewer of those attempts can be documented satisfactorily. To the extent that the governments of this group of G20 nations actually chose to eschew beggar-thy-neighbour responses, this begs the question as to why other G20 members could not show a similar level of restraint. The relatively low users of protectionism include economies with quite different characteristics (income per head, distance from major hubs of global economic activity etc), suggesting further that resort to protectionism is a choice and is not predetermined.

**FIGURE 7.2**

Quarterly resort to protectionism by each G20 member



## Several G20 members resorted often to protectionism in Q1 2016

Examining the resort to protectionism over time by each G20 member highlights certain patterns. In Figure 7.2 the number of harmful measures implemented by each G20 member in each quarter since 2009 is portrayed in a tile diagram, where how red the tile is indicates a greater resort to protectionism. Given the data in Figure 7.1 it is not surprising that the tiles for the United States, Russia, India, and Argentina show more “heat” over time. Interestingly, the American and Russian tiles show steadier flows of protectionism over time as compared to India and Argentina.

As far as the resort to protectionism is concerned since global trade plateaued (that is, since Q1 2015), the United States, Russia, and India are joined by the United Kingdom, Italy, and Indonesia in group of countries where the redder tiles indicate greater resort to protectionism.

Looking along the columns of Figure 7.2, which relate to the five quarters associated with the global trade plateau, Q1 2016 stands out as the one where a larger number of G20 countries tried to shift market outcomes in favour of domestic firms. Still, during that quarter, as the last column of Figure 7.2 shows, there is considerable diversity among the G20 members in their resort to protectionism.

It should be added that if Q1 2016 is anything like other recently completed quarters then the total number of protectionist measures documented is likely to rise substantially as this year and next progresses. That there is so much “red” already in the Q1 2016 column should be a cause for concern, in particular in light of the G20’s self-proclaimed stand-still on protectionism.

# CHAPTER 8

## WHICH COUNTRIES HAVE BEEN HIT THE MOST AND BY WHOM?

Using whatever relevant international commercial data is available, the GTA team uses a conservative methodology to identify the nations whose commercial interests have been affected by a measure taken by a trading partner that tilts the level playing field. In this regard, it is important to realise that a single protectionist measure can harm a number of trading partners. Put another way, not all protectionist measures surgically target one trading partner.

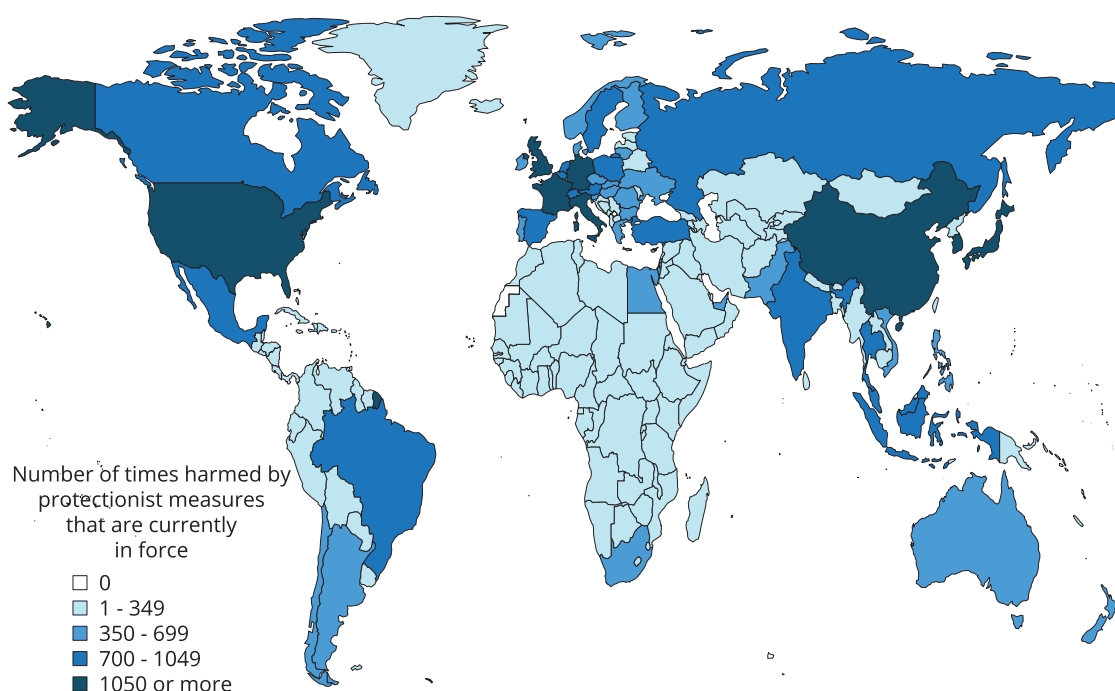
A consequence of this reality is that the number of times a nation's commercial interests have been harmed is often multiples of the number of protectionist measures that nation's government has imposed since the global crisis began. The purpose of this chapter is to highlight how frequently each nation's commercial interests have been harmed and to how often each G20 country has blighted every other G20 member's commercial interests.

Map 8.1 plots the number of times each nation's commercial interests have been harmed since November 2008 and where the measures in question are still in force. As such, this map shows the cumulative hits to a nation's commercial interests. Darker colours indicate more hits to national commercial interests. Of course, if protectionism were a temporary expedient confined to the fearful early days of the crisis which had been subsequently unwound, then this map should comprise mainly lighter shades of blue.

Not surprisingly the larger exporters and economic powers tend to get hit the most often, namely, China, France, Italy, Japan, Germany, the UK, and the United States. Each of these nation's commercial interests have been harmed over 1,050 times.

**MAP 8.1**

The global incidence of protectionism since November 2008.





In fact China, the President of this year's G20, has seen its commercial interests harmed 2,902 times since the onset of the crisis. Of those hits to its interests, in only 732 cases have the foreign policy instruments responsible been withdrawn subsequently. In contrast, foreign protectionism has harmed Argentina's commercial interests 712 times, of which 230 of sources of harm have been unwound by trading partners. Saudi Arabia's commercial interests have been harmed even fewer times, but that may be because putting curbs on imported oil (the Kingdom's largest export) rarely makes even political sense.

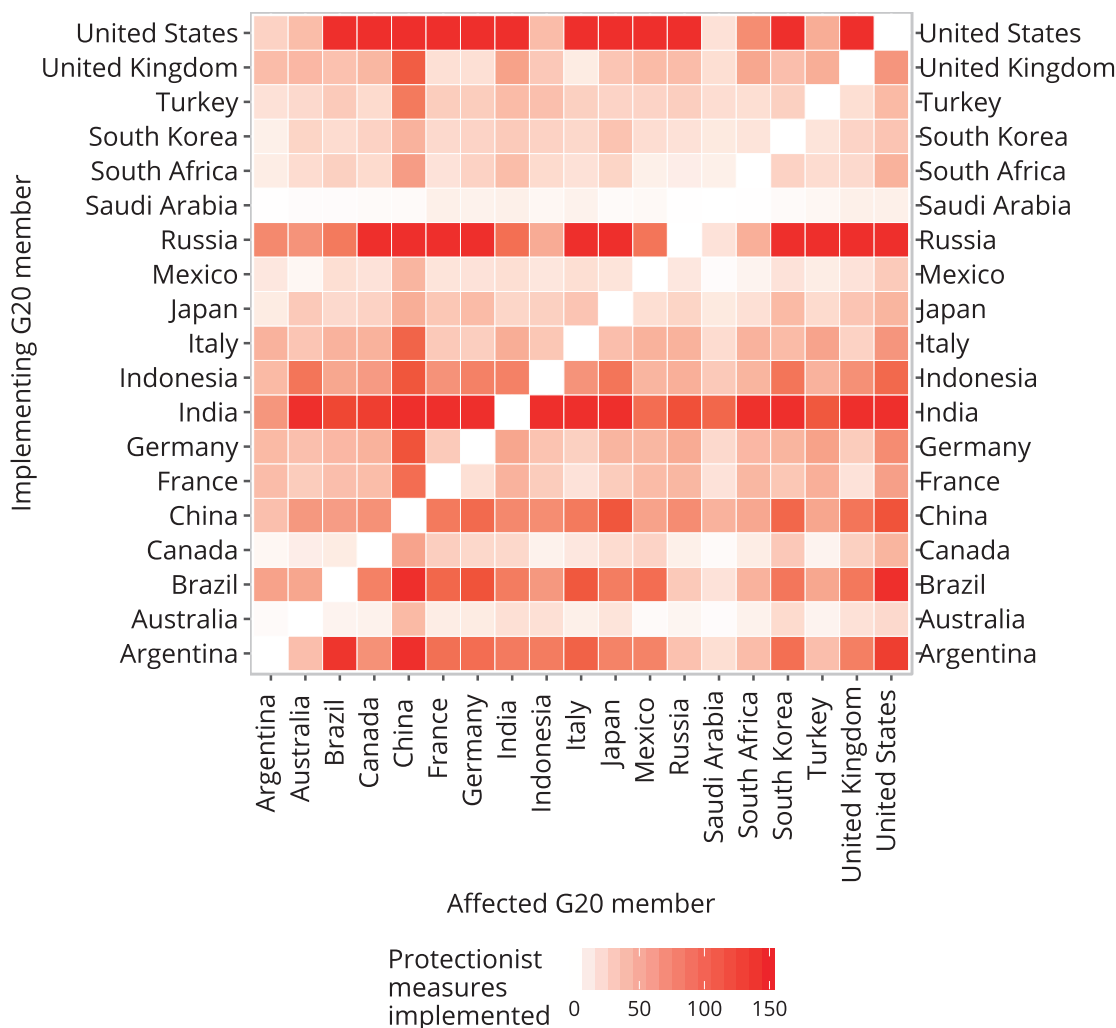
Since global trade plateaued at the beginning of 2015 the hits to commercial interests have continued to mount up. China's commercial interests have been harmed 484 times between January 2015 and 1 May 2016, implying a 20% expansion in the number of hits to China's exporters, investors, and

workers over this relatively short (16-month) period. Bearing in mind this period was 486 days long, our records literally imply that China's commercial interests have been harmed on a daily basis.

The exporters, investors, and overseas workers of other jurisdictions have witnessed a substantial number of hits to their interests since global trade plateaued. China's fellow BRICS were not spared; the interests of Brazil, India, Russia, and South Africa have been harmed 221, 277, 236, and 171 times since January 2015, respectively. The larger member states of the European Union and Japan have seen their economies hit around 300 times during the global trade plateau (in Germany's case the total number of hits was larger, 362.) The United States has suffered 334 hits since January 2015.

**FIGURE 8.1**

Beggaring thy neighbour: The frequency of harm done by each G20 member to its peers.



## G20 on G20 protectionism

Given the G20 comprises of the largest economies in the world one might have surmised that the threat of retaliation by one “big beast” against another “big beast” would subtly discourage the resort to protectionism. On this view, one would expect to see relatively few examples of G20 governments harming the interests of another member of this group. Figure 8.1 demonstrates that this is not the case. This figure shows how often each G20 member has harmed every other G20 member and the redder the tile the more frequent the harm.

Looking across the rows of this Figure, the across-the-board nature of US, Russian, and Indian protectionism becomes clear. In contrast, hits by EU members of the G20 against other EU members are, comparatively speaking, rarer.

The “retaliatory threat hypothesis” takes a particular knock when comparing the relatively few hits to Argentina’s and Russia’s commercial interests (as seen in the respective columns of Figure 8.2) as compared to the data presented in the last chapter that showed that these two nations were among the top four G20 countries in terms of resort to protectionism.<sup>1</sup>

That the vertical column associated with China contains so many darker red panels is a testament to the many G20 members that have, despite pledges to the contrary, taken measures against China’s commercial interests.

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<sup>1</sup> In defence of the “retaliatory threat” hypothesis is the finding that Saudi Arabia has rarely harmed the commercial interests of other G20 members and has rarely seen its interests harmed in turn. Before taking this argument too far it is worth bearing in mind that the GTA team has documented far fewer measures (good or bad) in Saudi Arabia than any other G20 member.

# CHAPTER 9

## WHICH HARMFUL POLICY INSTRUMENTS HAVE BEEN USED THE MOST?

Using the latest statistics on the resort to the different types of policy instruments that favour domestic commercial interests over their rivals, the goal of this chapter is identify the most popular forms of contemporary protectionism. Particular attention is given the resort to policy since world trade plateaued. Since the range of policy instruments covered by the GTA's monitoring is broader than that tracked by international public sector organisations we begin with a few remarks as to why a comprehensive approach makes more sense.

One implication of the many different types of cross-border commerce in the 21st century (trade, investment, flows of data and technology, staff, etc) is that the range of policy instruments that can harm foreign commercial interests is wider than many appear to realise. Furthermore, in tough economic times desperate governments have strong incentives to find new, often hidden and subtle, ways to favour domestic commercial interests.

It is for these reasons that the GTA chose not to confine our monitoring to a prescribed set of policy instruments. Instead, we apply a relative treatment test when evaluating a government measure – does the measure alter the treatment of domestic commercial interests vis-à-vis the foreign rivals they compete against?

Another point to bear in mind is that governments may try to tilt the commercial playing field in favour of national firms in foreign as well as domestic markets. Indeed, if a government provides an export incentive to firms in a specific sector and those firms export to many overseas markets, the amount of commerce potentially affected by this trade distortion could be very large. This is because the export incentive puts at a commercial disadvantage the exports from other countries that compete in the same third markets. It is for this reason that the GTA has also keeps a close eye on measures promoting exports.

Bailouts of, and subsidies to, domestic firms that face international competition are regarded rightly by leading

competition authorities (the European Commission in particular) as potentially distorting trade. As has been acknowledged in the relevant WTO's accord, subsidies can take many forms. State largesse need not only be in the form of direct payments to firms and monitoring should reflect this reality.

Often such subsidies either encourage production or discourage the reduction of otherwise underutilised capacity, both outcomes tend to depress prices and in turn discourage foreign firms from shipping goods to markets where they face subsidised rivals. Even the suspicion that a rival may have received a hidden subsidy can skew sales and investment strategies of foreign rivals.

Upon investigation some apparently innocuous subsidies have come with hidden protectionist strings attached, such as requirements not to hire foreign workers, to repatriate production, or to source from local firms. The devil is in the details and just because the stated reason given for awarding financial assistance seems reasonable – such as stabilising financial markets and preventing bank runs – it does not mean that, in fact, a subsidy is neutral towards foreign commercial interests.

### Trade-distorting subsidies now top the list of harmful policy instruments

For some time, we have reported that antidumping, anti-subsidy and safeguard measures taken together accounted for the most popular forms of crisis era protectionism. Of these three import restrictions, antidumping actions are by far the most common. Since many antidumping tariffs amount to surgical strikes against selected products from certain exporters, the amounts of trade involved has often been small. Some of the analysts and officials who have sought to downplay crisis-era protectionism have advanced the argument that the total amount of global trade affected cannot be that large as trade defence measures are the most prevalent form of protectionism.

It is noteworthy, then, that our latest statistics show that more trade-distorting state aids (the official European term for many forms of state-provided financial assistance) have been implemented since November 2008 than trade defence actions. A total of 1336 state aids have been documented so far, an increase of 132 over the totals presented in our last report (published in November 2015). For the top 10 most used forms of trade distortion, Figure 9.1 presents the total number of measures implemented since November 2008 in descending order.

In terms of total number of measures implemented, traditional trade restrictions (such as trade defence measures, import tariff increases, and export taxes and restrictions) are well represented in the top 10. However, so are state aids, trade finance measures (which all too often have protectionist strings attached), and fiscal incentives to export.

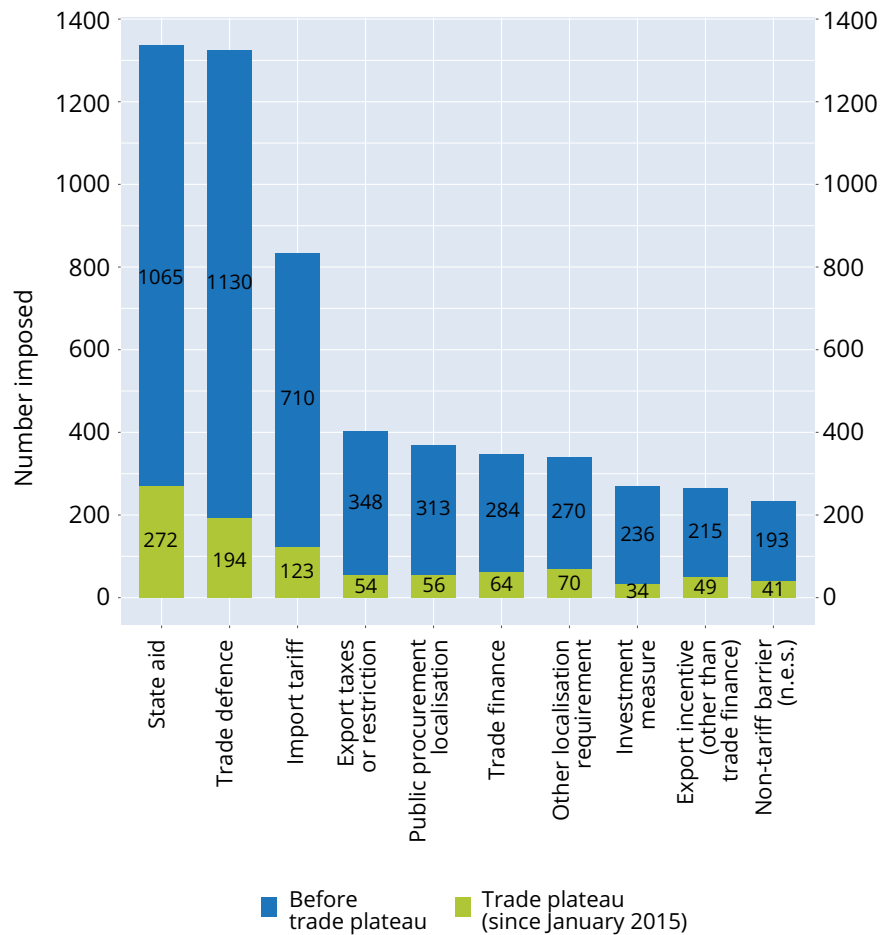
Public procurement measures requiring local sourcing of products and personnel and other local content requirements are also among the top 10 most used measures. Figure 9.1 shows the diversity of distortions to cross-border commercial flows that are used in the 21st century, implicitly highlighting the perils of focusing monitoring and discussions of contemporary protectionism on a limited set of government interventions.

### Shift in protectionist mix detected during the global trade plateau

When the distinction is made between harmful measures implemented before and during the global trade plateau, which has been represented graphically in the stacked column chart in Figure 9.1, other interesting observations arise. First, in earlier years more trade defence measures were implemented than state aids whereas the opposite is the case once global trade plateaued.

**FIGURE 9.1**

Top 10 most used harmful measures since the crisis began

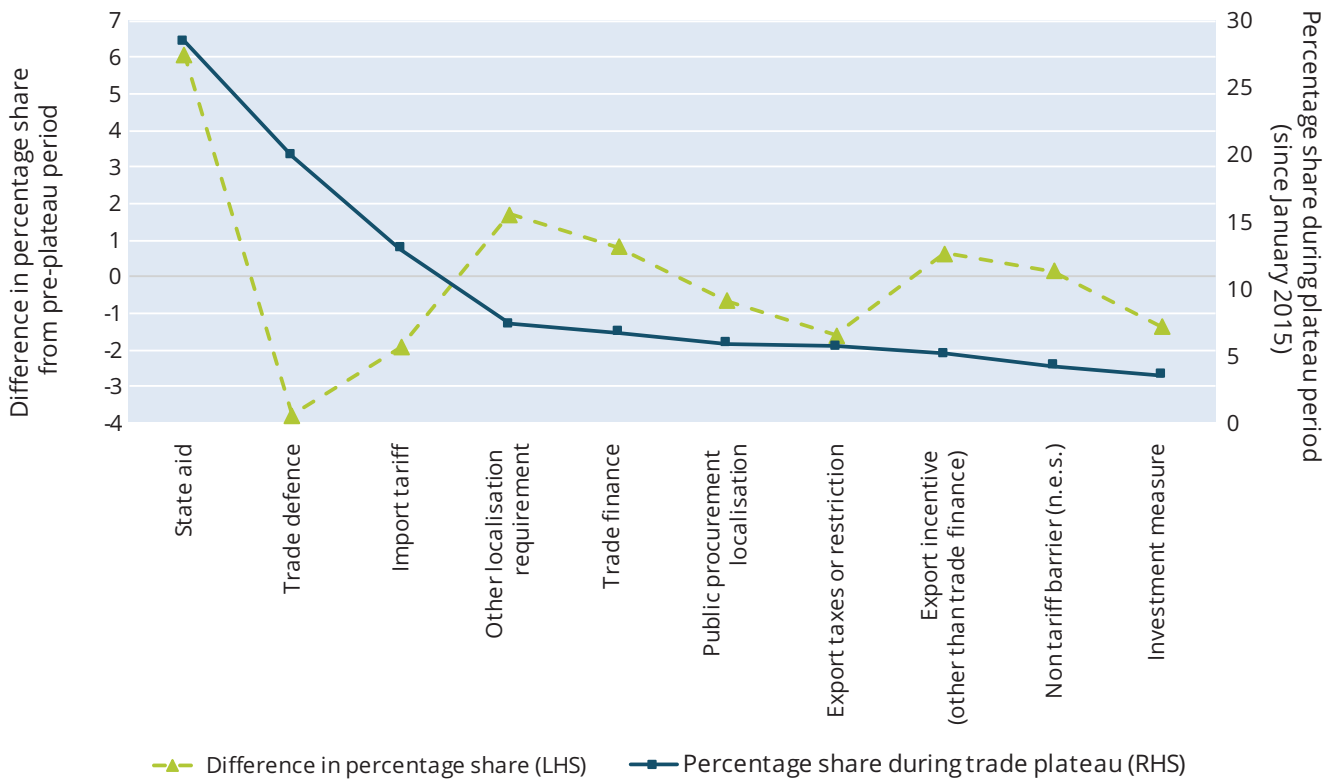


Second, the total number of measures encouraging local sourcing (through government contracts or otherwise) exceeds the total number of import tariff increases during the plateau period, which was not the case in earlier years. In fact, when comparing the pre-plateau and plateau periods, non-procurement-related localisation measures jump from seventh place to fourth place in the ranking of most used harmful measures.

Third, relatively fewer measures harmful to foreign direct investments were imposed during the plateau era. The opposite appears to be the case for export incentives.

**FIGURE 9.2**

Top 10 most used harmful measures since the crisis began



To sharpen the comparison of the policy mix employed before and during the plateau period, Figure 9.2 reports the percentage share of each of the top 10 most used trade distortions during the plateau period (on the right hand axis) well as the extent to which that percentage differs from the pre-plateau period (on the left hand axis.) A shift since global trade plateaued in harmful policy mix towards state aids and away from trade defence is apparent. The share of harmful measures that insist on local sourcing rises in the plateau period even though the percentage of localisation requirements in government procurement tenders has gone down slightly.

In sum it appears that, seen from a global perspective, changes are afoot in the mix of protectionist measures that governments are taking. This matter needs to be monitored carefully to see if the changes identified here persist or possibly even accelerate. As policy instruments differ in their effects – not least which markets they affect – a sustained shift in policy mix could have significant commercial and policy implications.

# CHAPTER 10

## WHAT'S NEW IN THE GLOBAL TRADE ALERT DATABASE?

Wherever possible, the entries in the GTA database are supported by official government sources. This requires scouring literally hundreds of government websites around the world, identifying potentially interesting government announcements, investigating them, identifying the policy instrument involved, the potentially affected trading partners, and writing up a report. This well-established process continues and has resulted in 1016 more entries in the GTA database being added between mid-October 2015 and 1 April 2016.

In total, at the time this report was prepared, the GTA database includes 8,681 reports on government announcements. Bearing in mind that many government announcements relate to several policy changes, the number of changes in trading conditions documented in this database is substantially larger.

The GTA continues to supplement its scouring of official websites with information gleaned on commercial policy changes from social media and from newspapers. The latter two provide leads that are then investigated, again with aim of finding an official source upon which to base the description of the policy measures announced.

As our experience using social media has grown, a feedback loop has developed whereby information on whether a prior lead resulted in the successful documentation of a measure has led to a refinement in machine-driven evaluation criteria of the potential value of new social media reports. This elemental “big data” process, therefore, evolves over time guided by team experience. In the years to come we will be developing further big data approaches to the identification, evaluation, and description of policy changes affecting global commerce.

From time to time the GTA comes across a trove of new information concerning government initiatives that could have altered the relative treatment of domestic and foreign commercial interests. We take the view that including as much relevant information as possible makes the GTA database more valuable to users. However, when a trove is discovered that involves many government announcements there is a risk that including it temporarily skews the number

of counts of discriminatory measures associated with the implementing jurisdiction.

During the most recent reporting period over 200 government procurement initiatives by the United States that restrict tenderers to buy certain products manufactured in that country were added to the database. The consequence has been that the counts of discriminatory measures associated with the United States has risen sharply. It is for this reason that we deliberately included a number of statements cautioning readers about how to interpret the count statistics in this report.

# 1,016

measures added to the GTA database during the data collection period for this report (mid-October 2015 to 1 May 2016).

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GTA database now includes 8,681 reports on government policy announcements. Of this total 5,775 government initiatives discriminated against some foreign commercial interest.

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A careful review of public procurement, trade finance, and local content requirement measures led to the creation of new categories of public procurement measures and reclassification of a number of measures that were initially classified as being associated with multiple policy instruments.

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Over 200 US government procurement initiatives mandating certain products be bought locally have been added to the GTA database.

We also note that the advanced search function on the GTA website allows users to extract information in a manner that enables them to compute different counts should they wish to exclude certain types of entry in the GTA database. Our view is that users of the GTA database are free to filter the database as they see fit and, beyond the important matters of quality control and the systematic application of the relative treatment test, that we should not unduly exclude policy announcements. Let the user decide.

A longer account of the data collection and assessment methods used by the GTA team can be found in section 3.1 of Evenett and Fritz (2015).

## Reference

Evenett, Simon J., and Johannes Fritz (2015). *Throwing Sand In The Wheels: How Foreign Trade Distortions Slowed LDC Export-Led Growth*. CEPR Press. 15 June.

# WHAT IS THE GLOBAL TRADE ALERT?

Global Trade Alert aims to provide information in real time on state measures taken during the global economic downturn that are likely to discriminate against foreign commerce. Global Trade Alert is:

**Independent:** GTA is a policy-oriented and research initiative of the Centre for Economic Policy Research (CEPR), an independent academic and policy research think-tank based in London, UK. Simon J. Evenett, the co-director of CEPR's International Trade and Regional Economics Programme, is the coordinator of the GTA.

**Comprehensive:** GTA complements and goes beyond the WTO, UNCTAD, and OECD's monitoring initiatives by identifying those trading partners likely to be harmed by state measures. The GTA considers a broader range of policy instruments than other monitoring initiatives.

**Accessible:** The GTA website allows policy-makers, exporters, the media, and analysts to search the posted government measures by implementing country, by trading partners harmed, and by sector. Third parties can report suspicious state measures and governments have the right to reply to any of their measures listed on the website.

**Transparent:** The GTA website represents a major step forward in transparency of national policies, reporting not only the measures taken but identifies the implementing country, trading partners likely harmed, and product lines and sectors affected.

**Timely:** The up-to-date information and informed commentary provided by Global Trade Alert will facilitate assessments of whether the G20 pledge not to "repeat the historic mistakes of protectionism of previous eras" is met, and the bite of multilateral trade rules.

For further information, visit [www.GlobalTradeAlert.org](http://www.GlobalTradeAlert.org)

# ACKNOWLEDGEMENTS

The foundation for these reports is the data that is collected by the GTA team on government policy announcements. The team's diligence and tenacity is impressive. Thank you, then, to Morgan Boeffard, Michael Füglistner, Craig van Grassek, Chintan Jadwani, Josse Jakobsen, Piotr Lukaszuk, Iva Mihaylova, and Adelina Selima.

After diligently tracking trade defence measures over a number of years Morgan Boeffard left the GTA team. He made a remarkable contribution and set very high standards. Michael Füglistner left the team having prepared reports on a wide range of matters. His documentation of the aggressive industrial policy measures in Brazil was particularly informative.

Johannes Fritz effectively managed the day-to-day operations of the GTA team, played a central role in the development of our soon-to-be upgraded website, and contributed analytical and strategic advice and inputs to a range of other GTA projects and initiatives. Anil Shamdasani helped turn the prose, data, and charts in this report into a more engaging publication.

The Global Trade Alert is a project of the Centre for Economic Policy Research (CEPR), whose leadership has provided both the support and autonomy to allow it to flourish. The University of St. Gallen has generously provided the financial support to allow this initiative to continue work into now its eighth year.

Simon J. Evenett, Coordinator

# ANNEX

## CONSTRUCTION OF A REPRESENTATIVE DISAGGREGATED GLOBAL TRADE DATASET FROM THE MONTHLY UN COMTRADE DATA RELEASES

### Availability of monthly trade data

The data used in Chapter 3 was taken from the monthly trade statistics of UN COMTRADE.<sup>1</sup> The UN started releasing this particular data in January 2010. The 51 countries which have reported between January 2010 and December 2015 provide the basis of the sample constructed here.<sup>2</sup> The data used in Chapter 3 are the import values of these countries.

Three statistics indicate how representative the monthly sample of 51 countries is:

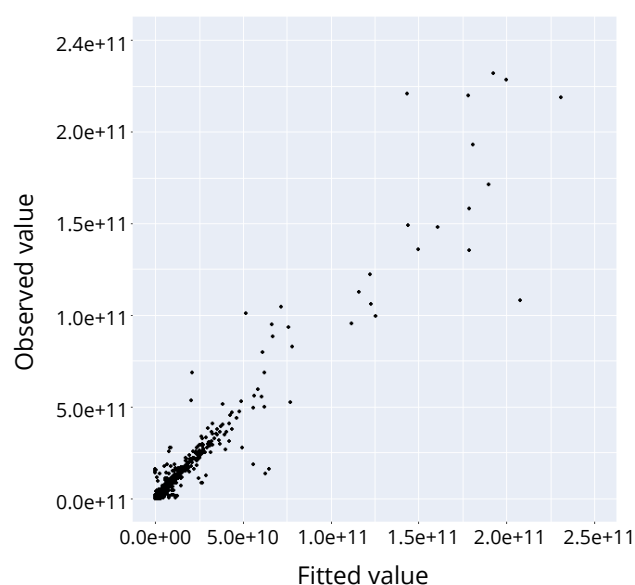
- The annual sum of the monthly statistics corresponds to 99.4 percent of the comparable totals reported in the annual UN COMTRADE database for the 51 countries for the years where annual data is available (2010-2014).
- The 51 countries accounted for 64 percent of world imports in the years 2010-2014 according to the annual UN COMTRADE database.
- The correlation between the imports for all countries and the imports of the 51 countries represented in the sample over the period 2010-2014 is 0.982.

### Estimation of missing G20 member imports

When the computations for this report were prepared in June 2016, complete import data for 12 G20 countries had not yet been released by the United Nations.

### Estimation method

Important G20 members are missing from the sample of 51 reporting countries.<sup>3</sup> To account for their trade dynamics, their import numbers were estimated from the export figures of the 51 reporting countries. The outcomes of different estimation methods were benchmarked against the annual import values of the missing G20 members as observed in the UN COMTRADE database for 2010-2014.<sup>4</sup>



1 The database is available online at <http://comtrade.un.org/monthly/Public/ReleaseInfo.aspx>.

2 A total of 42 out of these 51 countries have reported trade data for every month. These are Antigua and Barbuda, Armenia, Belgium, Bosnia Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Rep., Denmark, El Salvador, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Montenegro, Netherlands, Norway, Paraguay, Peru, Poland, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, TFPYR of Macedonia, Egypt, United Kingdom, and the United States of America. Countries for which one month is missing are Austria, Hong Kong, Ireland, Israel, New Zealand, Portugal, and Romania. For Chile and Guatemala, two months of trade data are missing. The missing months are scattered across the entire sample and do not appear to influence the results.

3 The G20 members that have not reported a full set of monthly trade statistics are: Argentina, Australia, Brazil, China, India, Indonesia, Republic of Korea, Russian Federation, Saudi Arabia, South Africa, and Turkey.

4 Besides the one presented in the text, the models estimated for this exercise are variations over ordinary least squares regression with the observed annual import values as the dependent variable and the annual total of monthly exports from the 51 reporting countries as the independent variables. The tested models included just those two variables plus exporter, importer and product interaction terms, and combinations thereof. All models were tested with and without a constant.



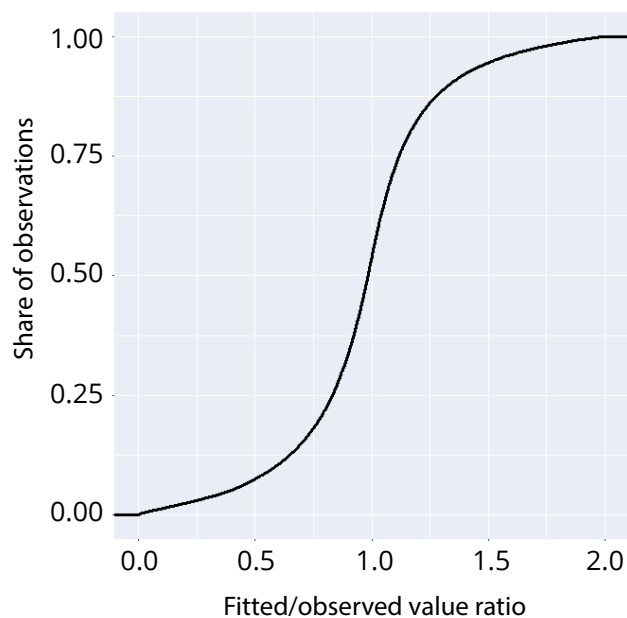
The most successful predictor for the missing G20 imports was the ratio of the sum of observed annual imports from 2010-2014 over total monthly exports of the 51 reporting countries.<sup>5</sup> This calculation was done at the product level e.g. one ratio of the sum of Brazil's observed annual imports of HS 8703 from 2010-2014 over the total monthly exports of this tariff line from all 51 reporting countries to Brazil found in the monthly sample for the same period.

This exercise yields approximately 14,000 computed coefficients – one for each importer-product combination in the sample (12 missing G20 members times approximately 1'200 products). To assess the performance of these coefficients, the annual trade implied by the monthly data was computed for each year separately and for each importer-exporter country pair. These computations were then compared to the respective actual import value in the annual UN COMTRADE database.

The following information concerning the relationship between the fitted and observed trade data for the years 2010 to 2014 is encouraging:

- The sum of all fitted values is identical to the sum of all observed values. So on aggregate, this estimation is exact.
- The correlation coefficient of the fitted values with the observed values is 0.96.
- The mean squared error of the manual estimate is only 30% of that of the best performing regression model.

Two graphs further illustrate this performance of this estimation method. The first graph is a plot of the values observed in the annual sample to those constructed by the



method above. The closer a dot is to the 45° line, the better the estimate (see the figure at the bottom of the last page).

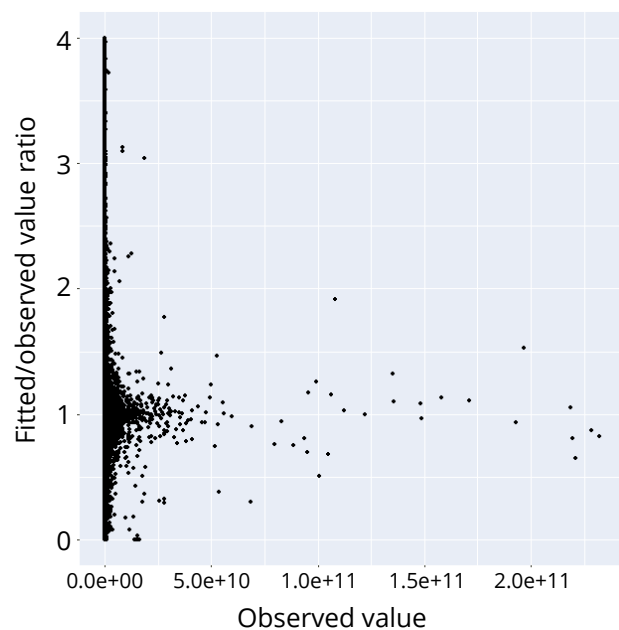
#### Characteristics of the sample including the estimated values

Three statistics describe the how representative of global trade flows is our sample of monthly data of trade from the 51 countries (whose imports were directly observed) and the 12 countries (whose imports were estimated):

- The annual sum of the monthly statistics corresponds to 100 percent of the trade figures reported in the annual UN COMTRADE database for the 51 countries plus the 12 G20 members for the years where annual data is available (2010-2014).
- The 63 countries in question accounted for 88 percent of world imports in the years 2010-2014 according to the annual UN COMTRADE database.
- The correlation between the imports for all countries and the imports of the 63 countries represented in the sample over the period 2010-2014 is 0.990.

The second figure depicts the cumulative distribution of the ratio of the fitted over the observed value. A value exceeding one implies that this method overestimates the imports of a given G20 member.

Finally, the third figure shows the distribution of estimated value over observed value ratio by the size of the observed import value. Compared to other tested methods, this estimation performs better particularly for the larger trade flows. Smaller trade flows are estimated with considerable imprecision in some cases.



<sup>5</sup> This simple method mimics a regression with importer-product interaction term. Due to the large number of parameters to be estimated, formal econometric estimation of such a regression did not converge.



# **HOLD THEIR FEET TO THE FIRE: THE TRACK RECORD OF EACH G20 MEMBER**

# ARGENTINA

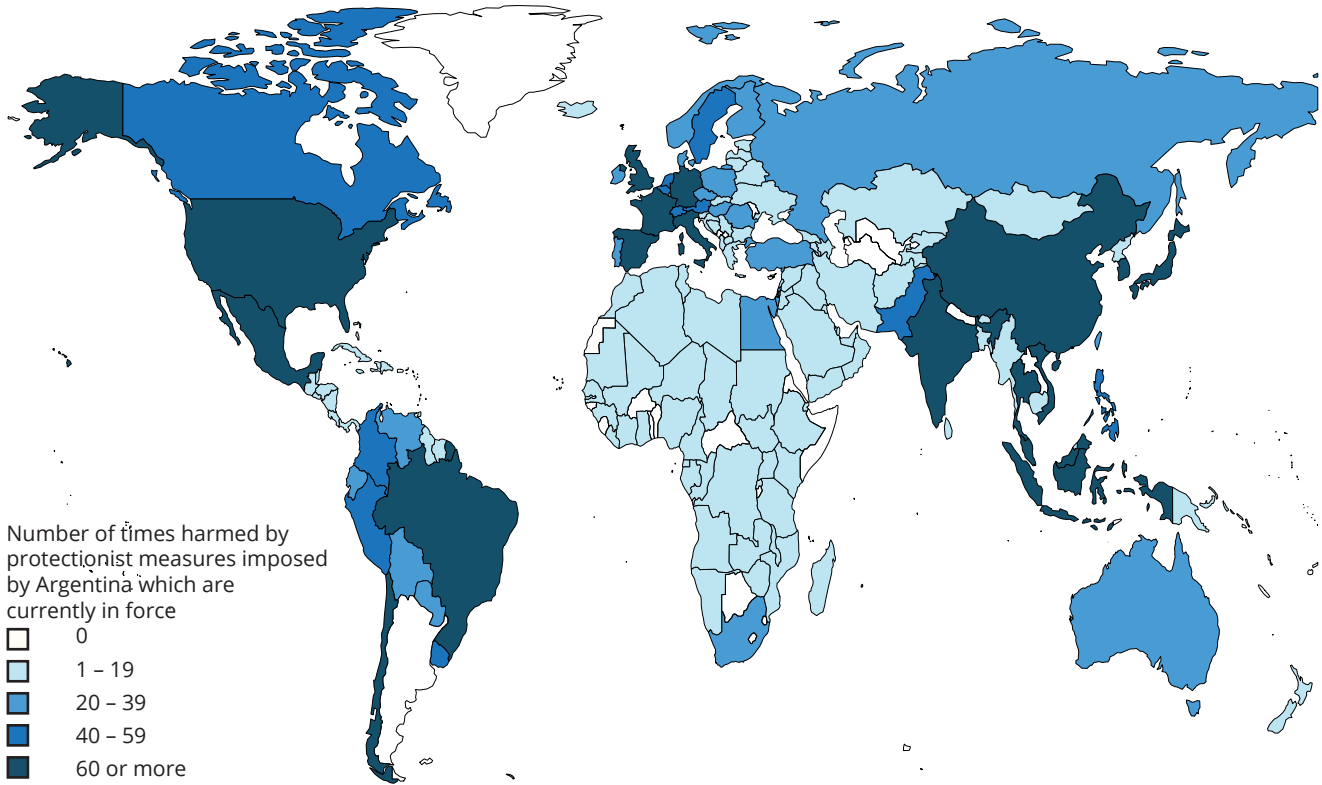
**0.37%** of world imports in 2014

**0.36%** of world exports in 2014

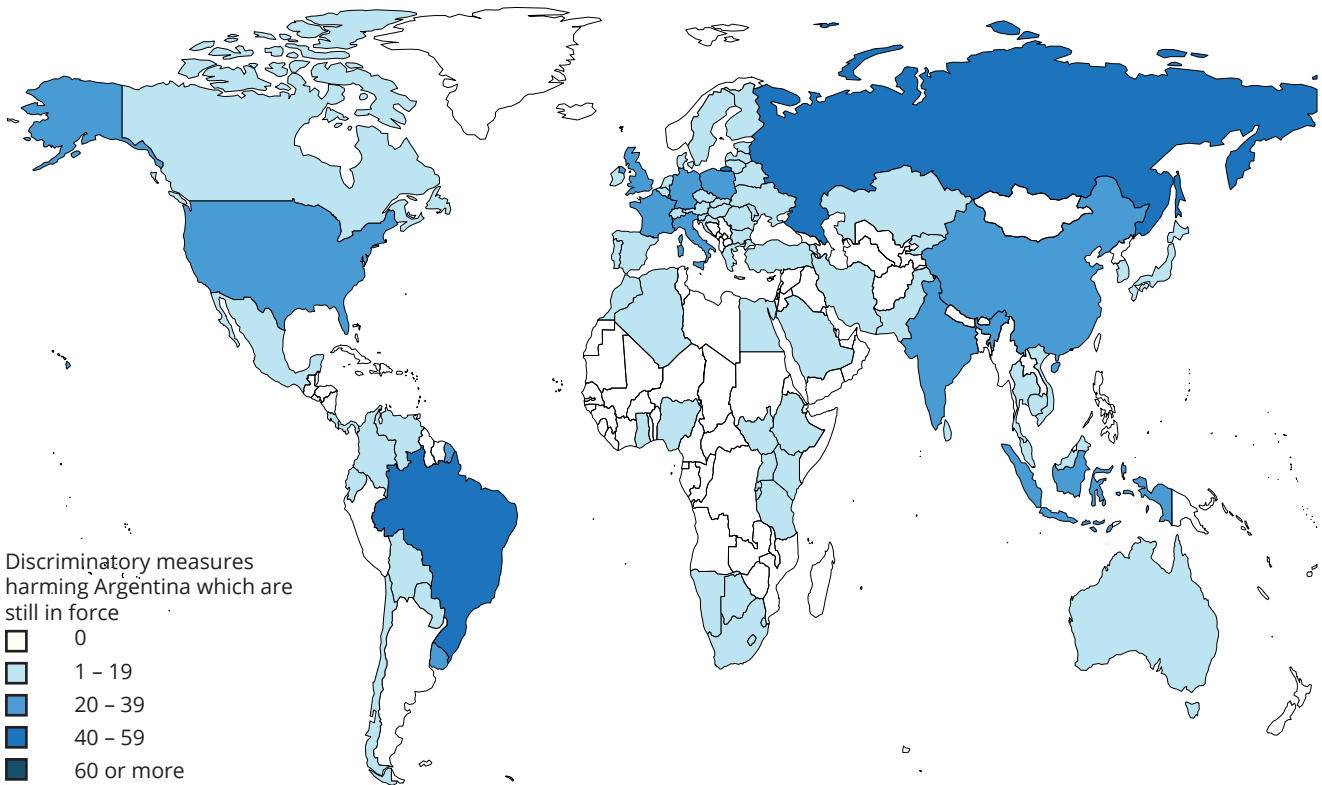
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF ARGENTINA'S IMPORTS</b>
Brazil	22.97%
China	17.30%
United States	14.28%
Germany	5.68%
Trinidad and Tobago	2.98%
Mexico	2.65%
Italy	2.63%
France	2.29%
Japan	2.22%
Russian Federation	2.17%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF ARGENTINA'S EXPORTS</b>
Brazil	22.34%
China	8.29%
United States	6.70%
Chile	4.60%
Germany	3.39%
India	3.18%
Algeria	3.05%
Paraguay	2.80%
Canada	2.78%
Spain	2.65%

## COUNTRIES HARMED BY ARGENTINA'S DISCRIMINATORY MEASURES

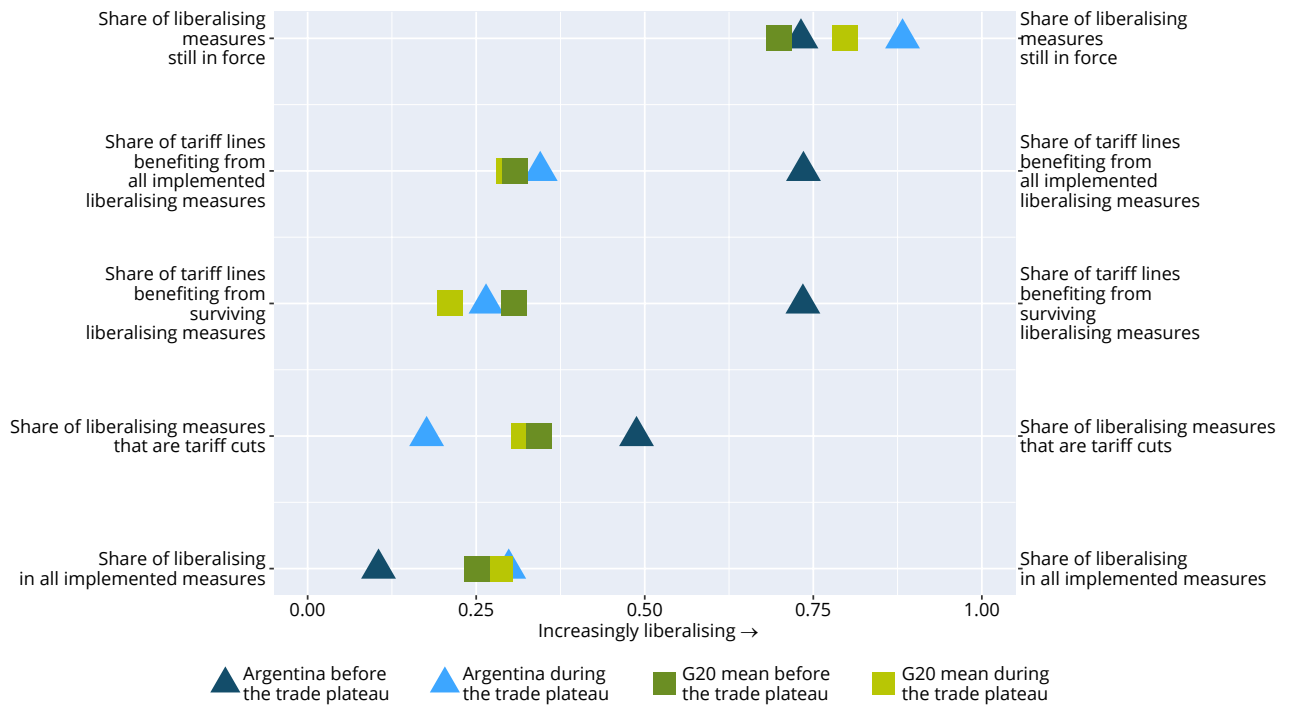


## DISCRIMINATORY MEASURES HARMING ARGENTINA'S INTERESTS



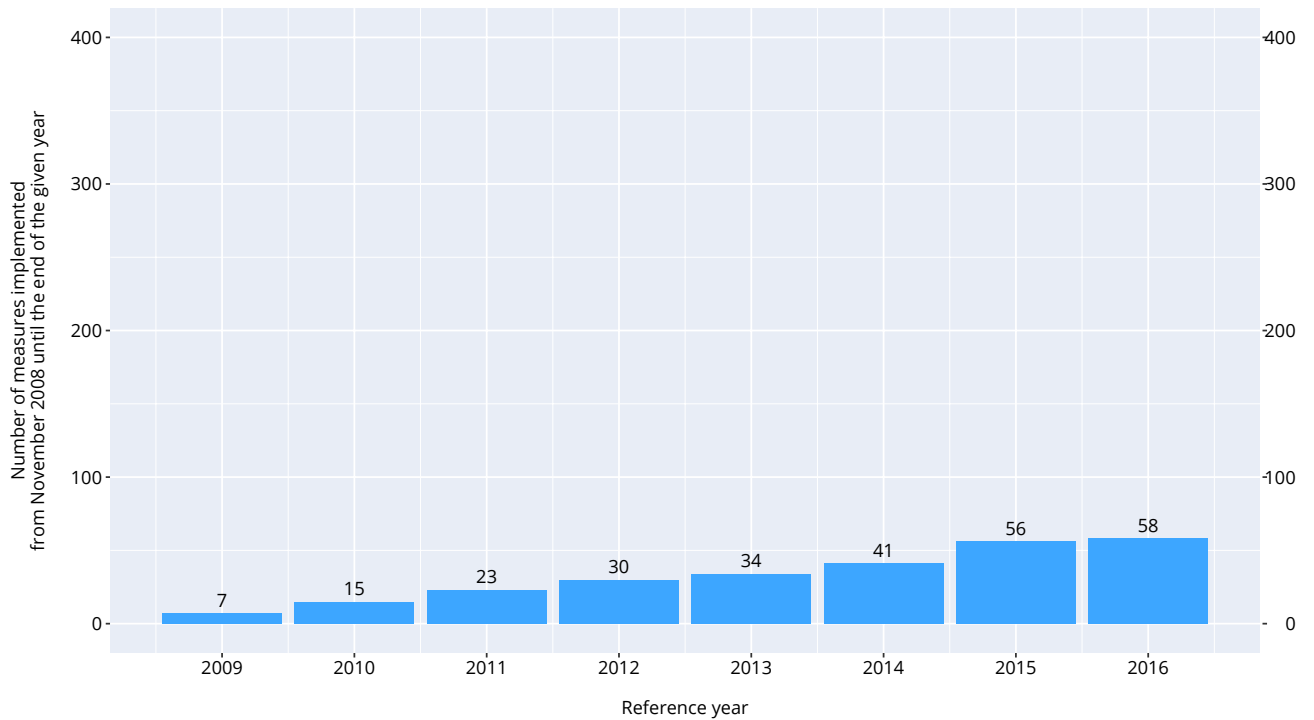
## ARGENTINA

### Track record of liberalisation



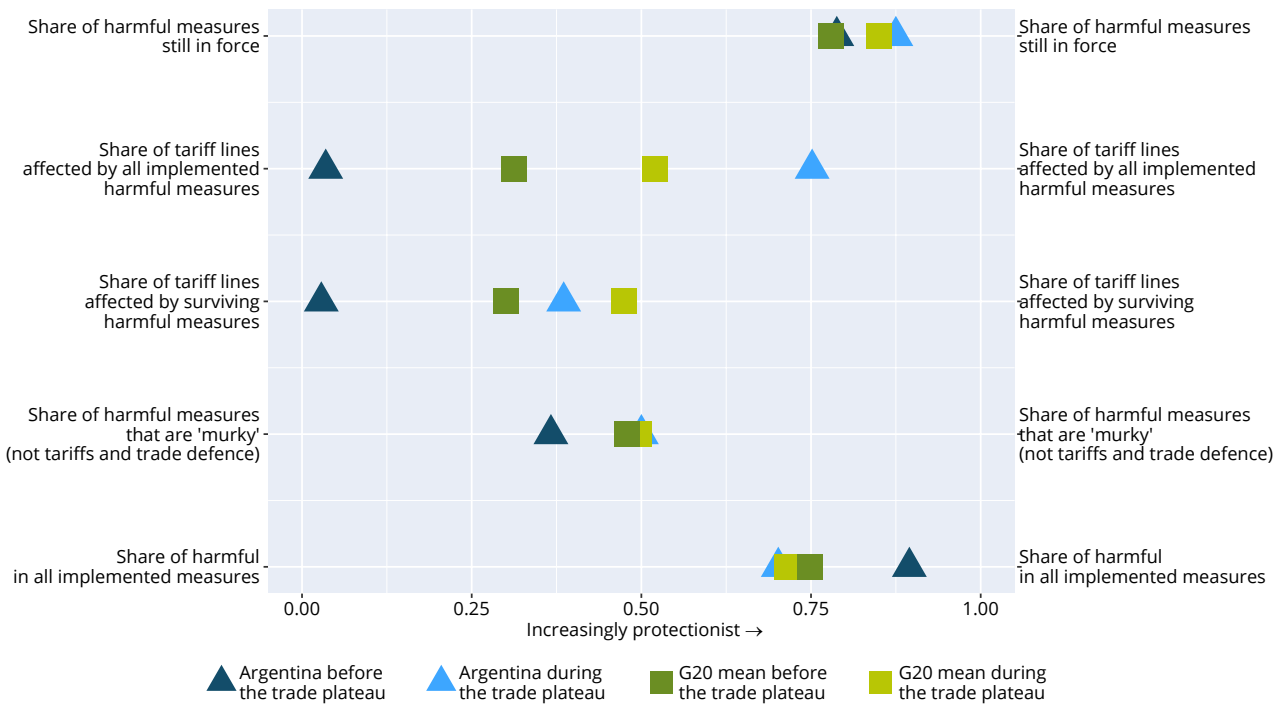
## ARGENTINA

### Number of liberalising measures imposed since November 2008



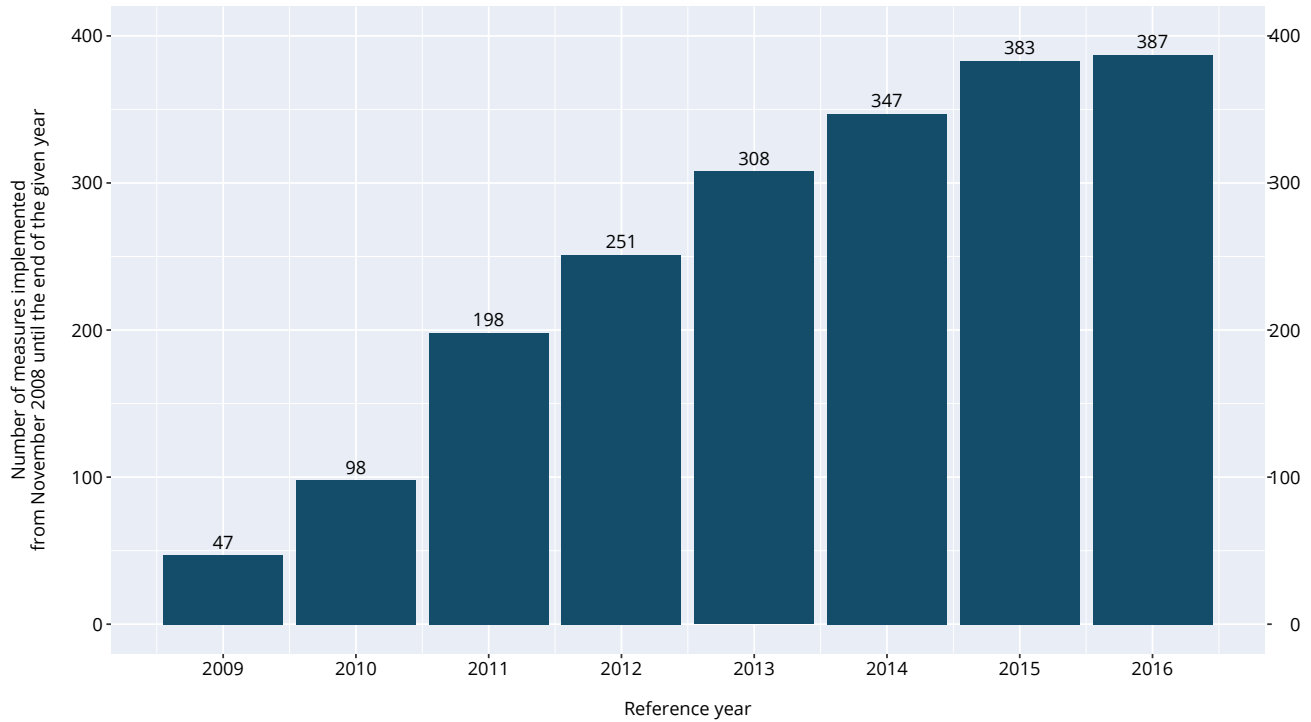
## ARGENTINA

### Track record of protectionism



## ARGENTINA

### Number of discriminatory measures imposed since November 2008



# AUSTRALIA

**1.30%** of world imports in 2014

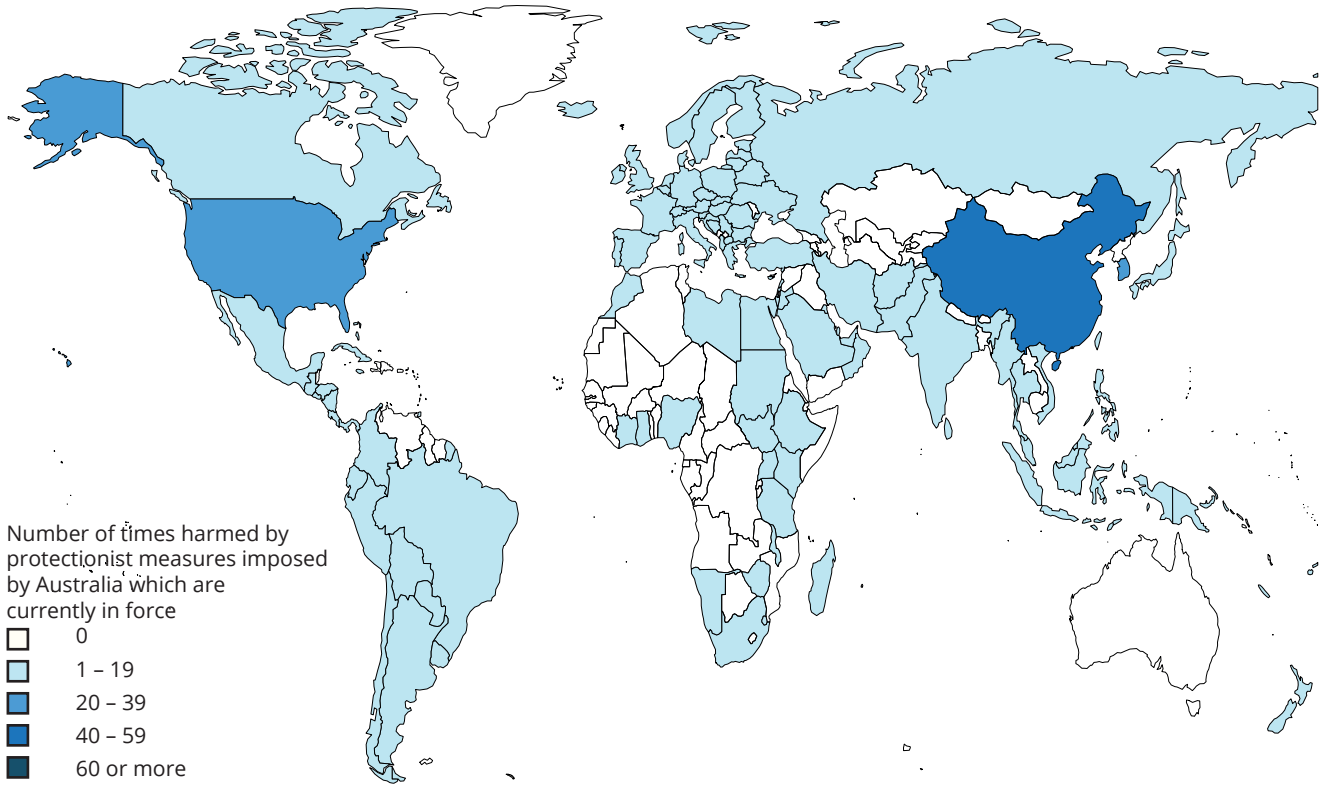
**1.43%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF AUSTRALIA'S IMPORTS</b>
China	21.21%
United States	10.90%
Japan	7.01%
Singapore	5.13%
Germany	4.88%
South Korea	4.71%
Malaysia	4.54%
Thailand	4.36%
New Zealand	3.23%
United Kingdom	2.51%

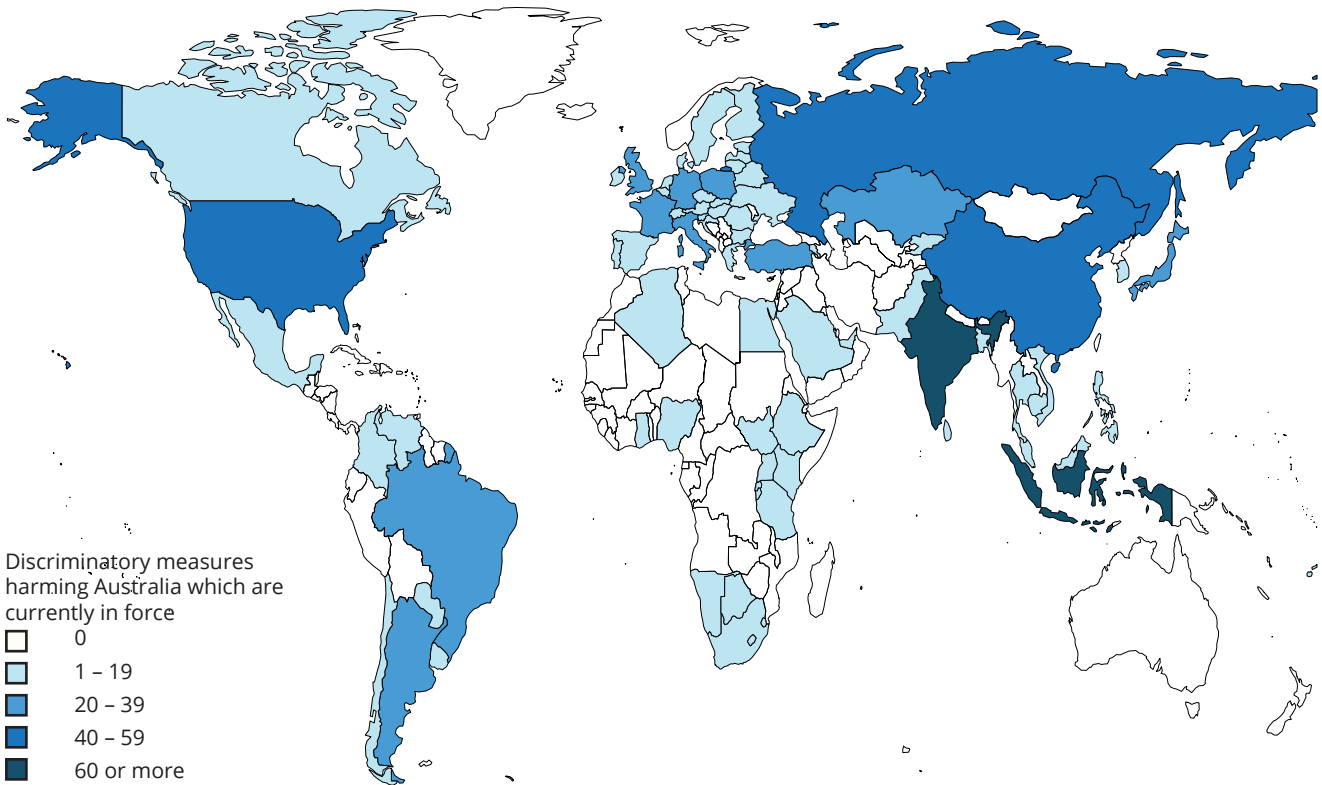
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF AUSTRALIA'S EXPORTS</b>
China	38.92%
Japan	19.25%
South Korea	8.14%
United States	4.16%
India	3.96%
Hong Kong	3.35%
Malaysia	2.46%
Indonesia	2.25%
Thailand	2.16%
New Zealand	2.06%



## COUNTRIES HARMED BY AUSTRALIA'S DISCRIMINATORY MEASURES

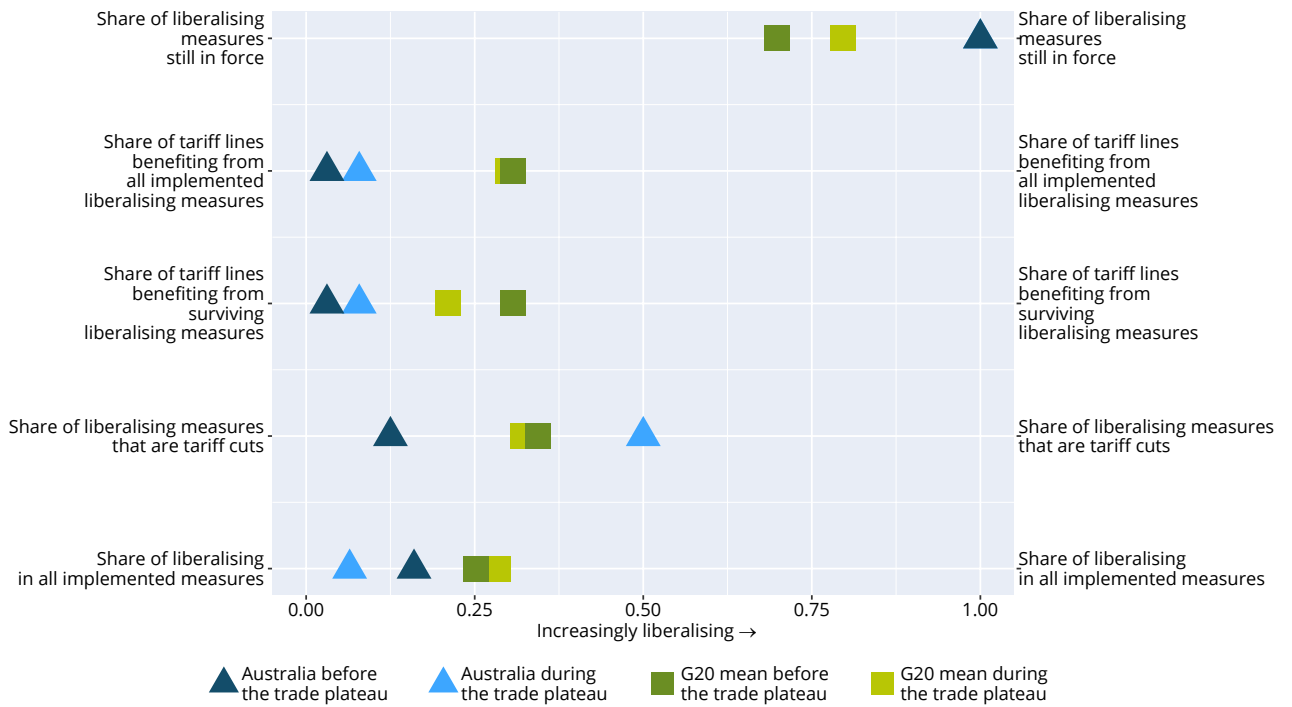


## DISCRIMINATORY MEASURES HARMING AUSTRALIA'S INTERESTS



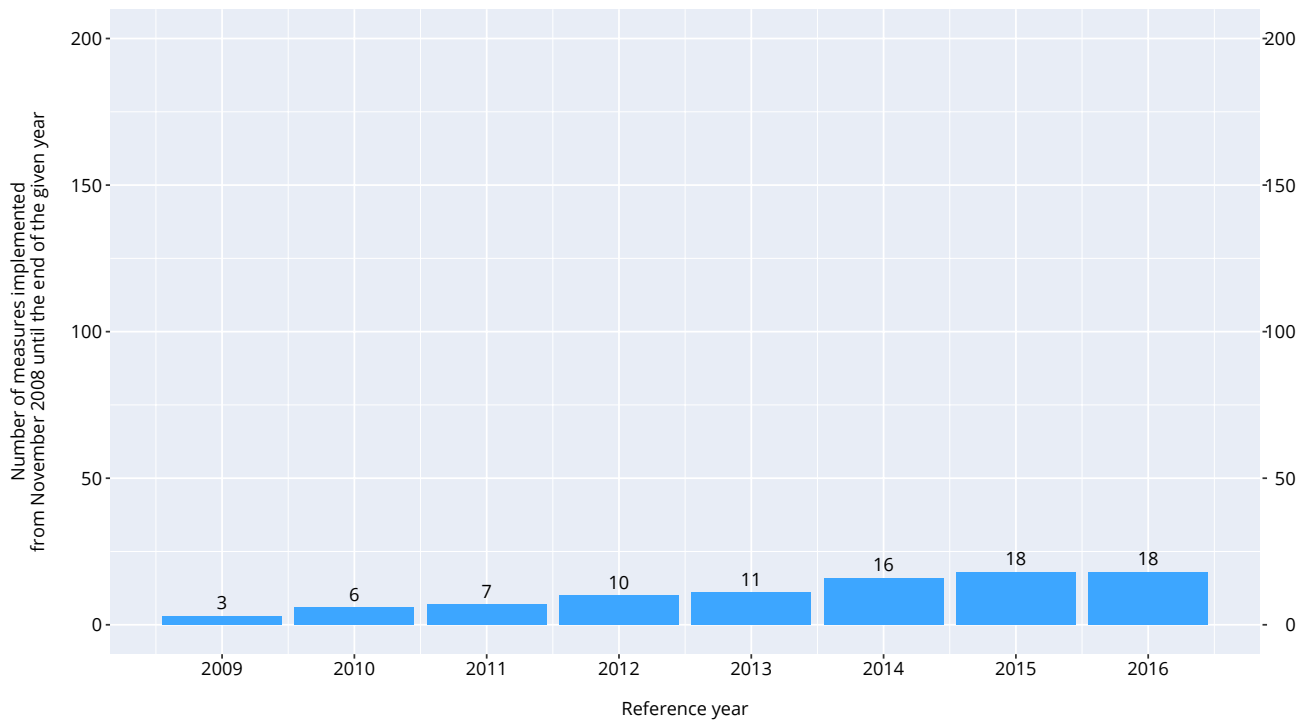
## AUSTRALIA

### Track record of liberalisation



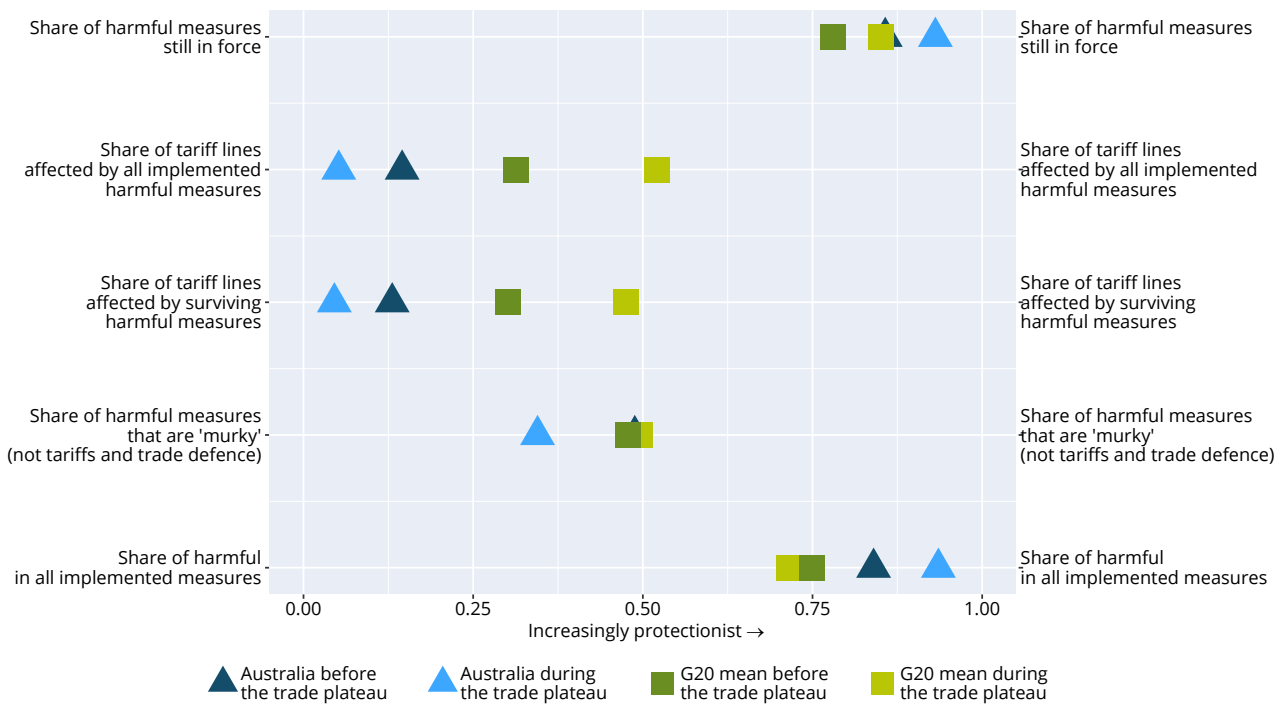
## AUSTRALIA

### Number of liberalising measures imposed since November 2008



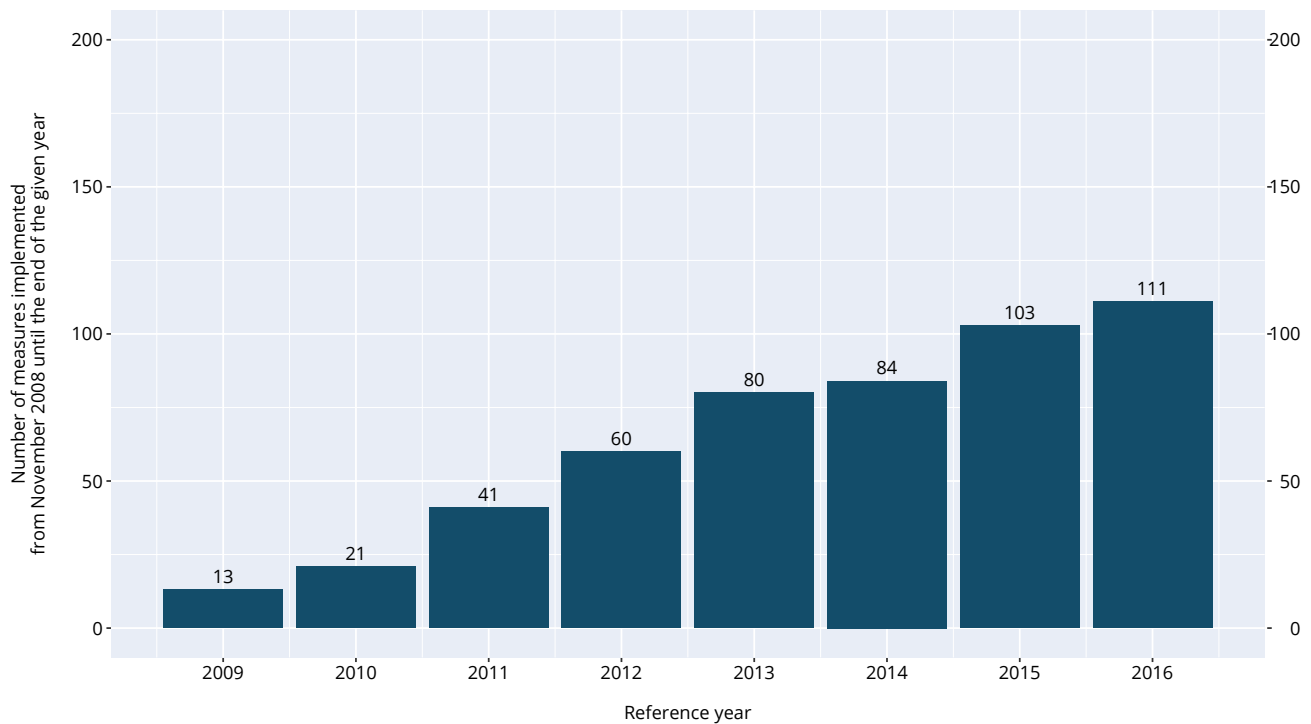
## AUSTRALIA

### Track record of protectionism



## AUSTRALIA

### Number of discriminatory measures imposed since November 2008



# BRAZIL

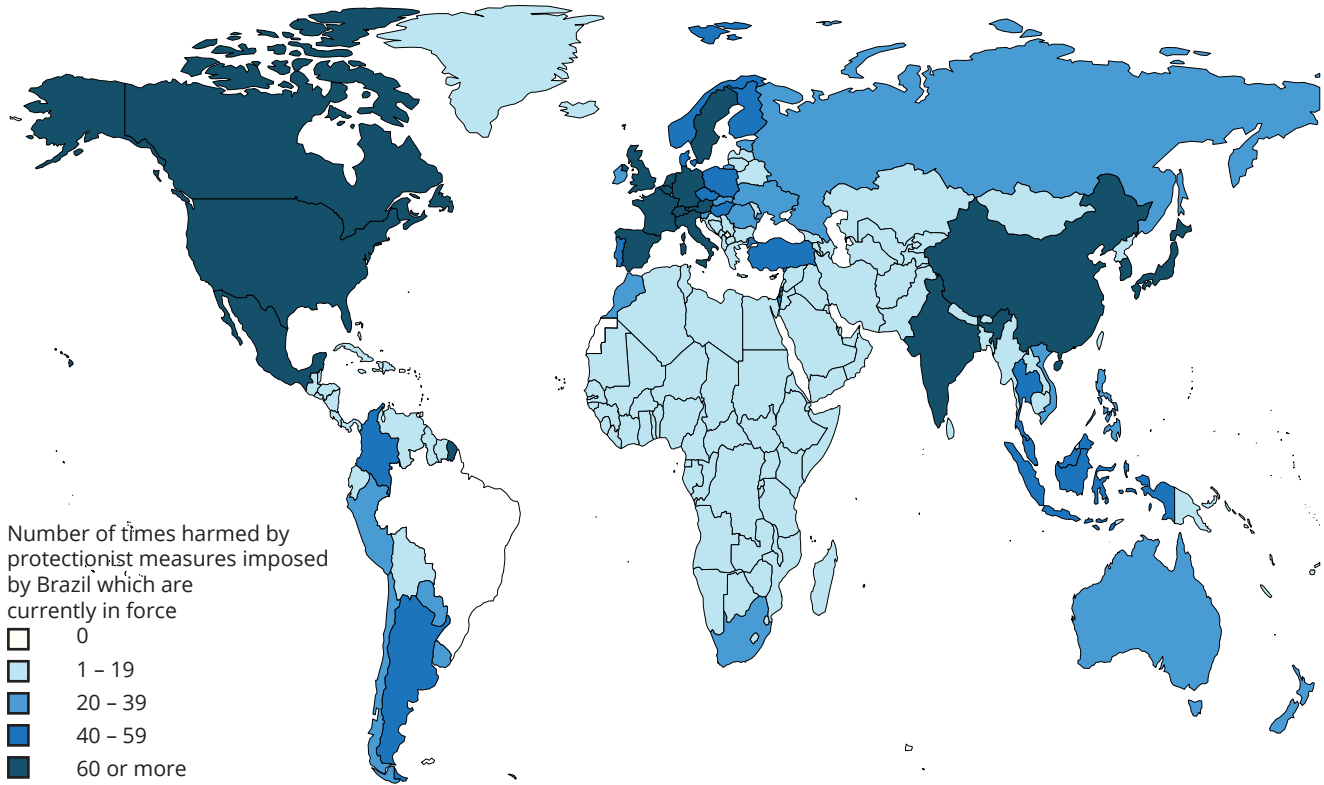
**1.31% of world imports in 2014**

**1.25% of world exports in 2014**

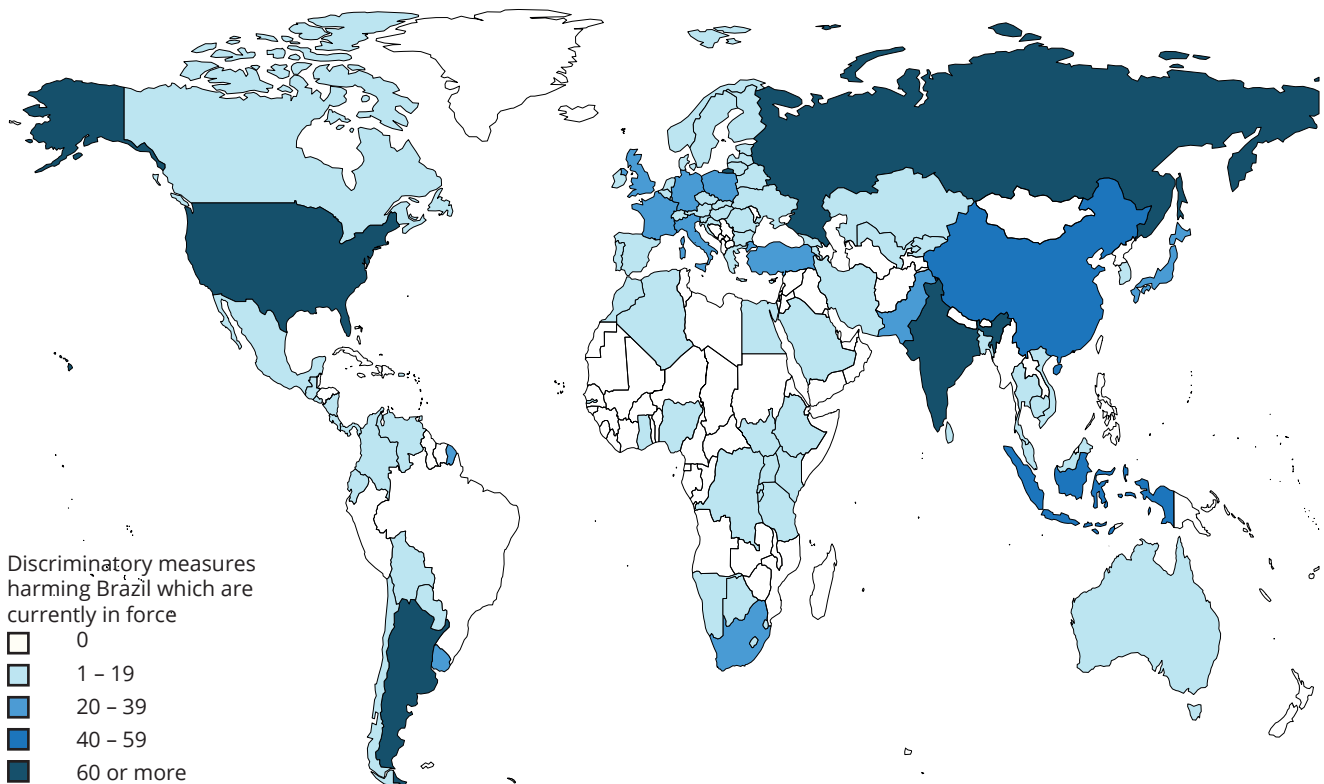
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF BRAZIL'S IMPORTS</b>
China	16.58%
United States	15.67%
Argentina	6.28%
Germany	6.14%
Nigeria	4.22%
South Korea	3.79%
India	2.95%
Italy	2.80%
Japan	2.62%
France	2.53%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF BRAZIL'S EXPORTS</b>
China	23.60%
United States	13.95%
Argentina	6.49%
Germany	5.57%
Japan	4.43%
Netherlands	2.72%
Chile	2.59%
India	2.53%
South Korea	2.24%
Mexico	2.04%

## COUNTRIES HARMED BY BRAZIL'S DISCRIMINATORY MEASURES

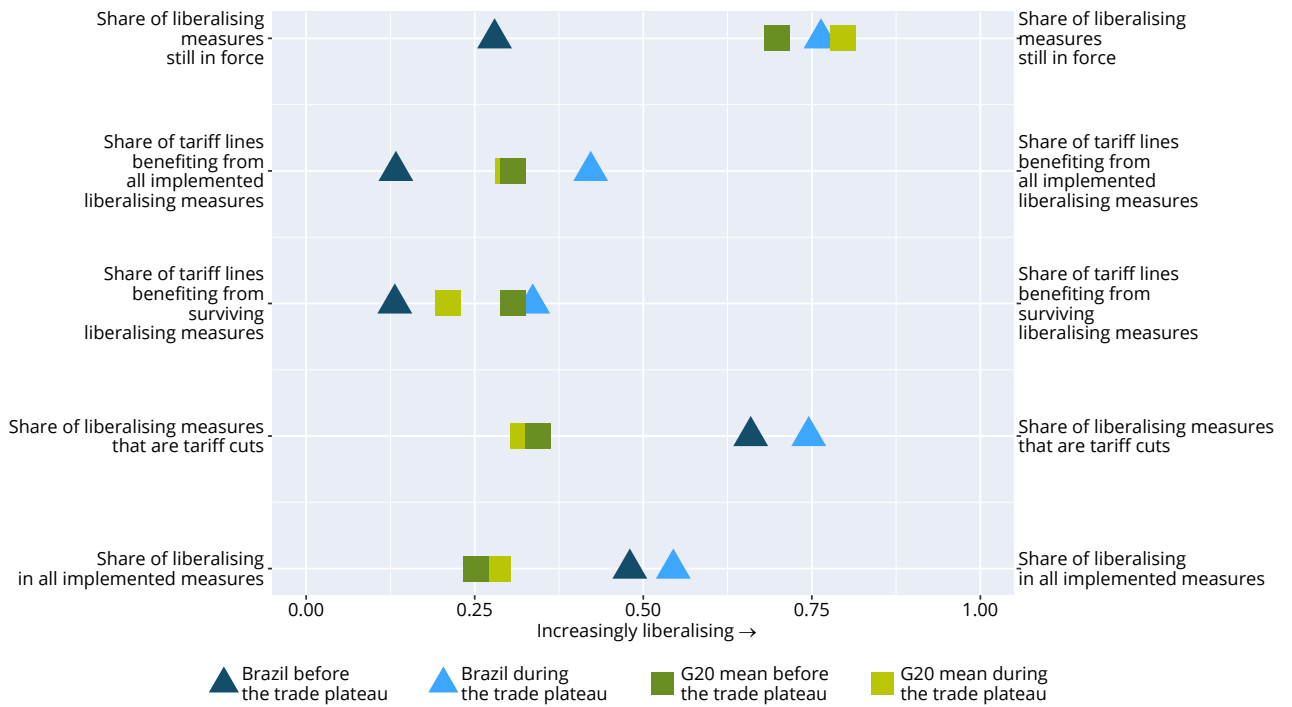


## DISCRIMINATORY MEASURES HARMING BRAZIL'S INTERESTS



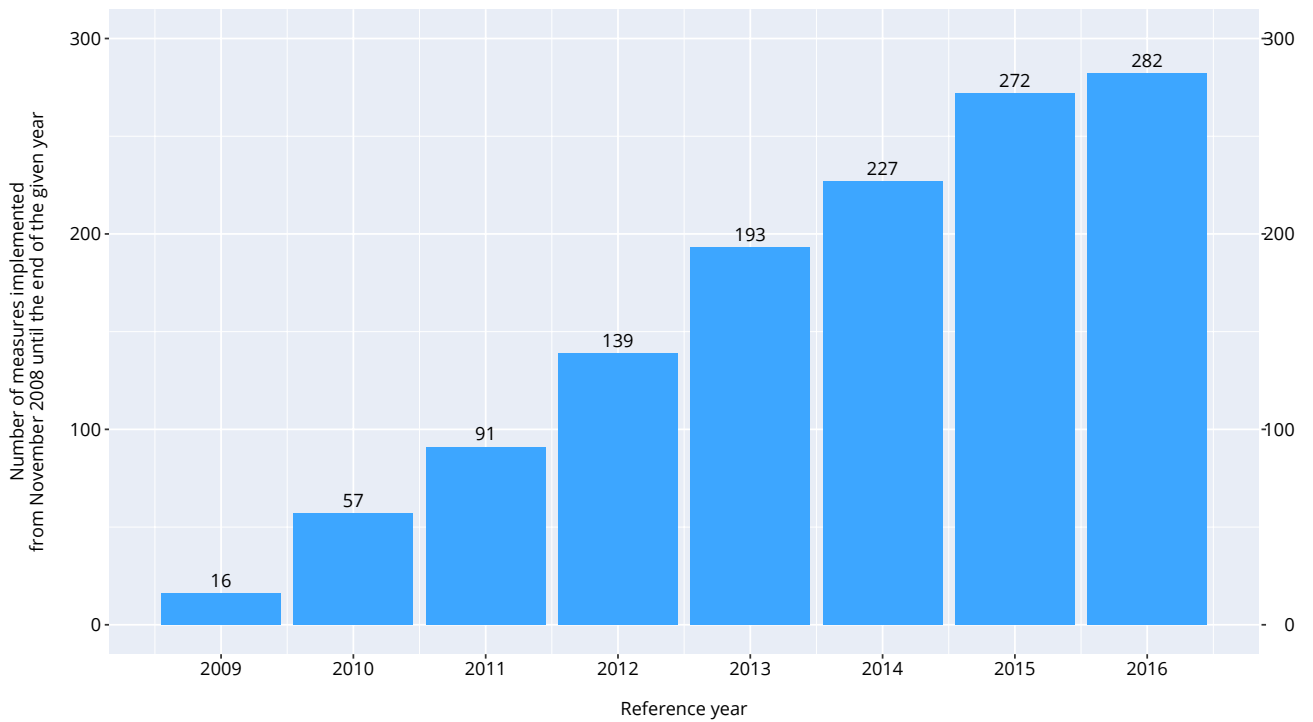
## BRAZIL

### Track record of liberalisation



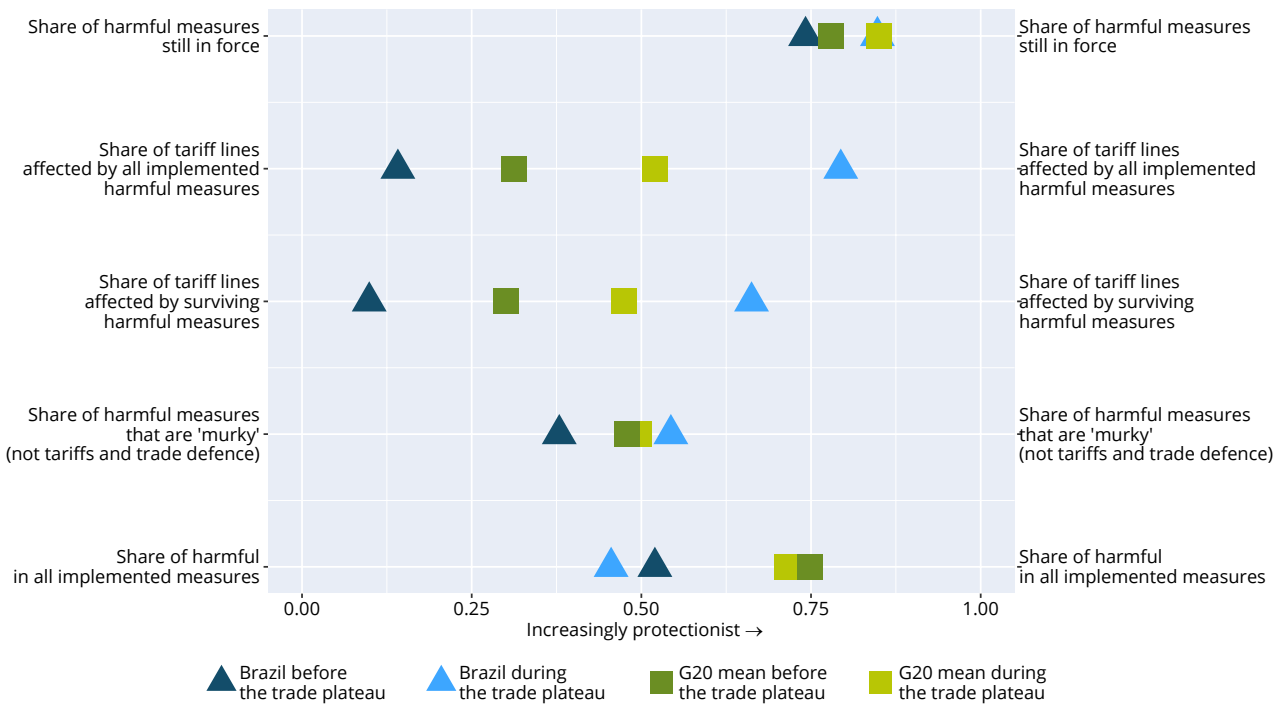
## BRAZIL

### Number of liberalising measures imposed since November 2008



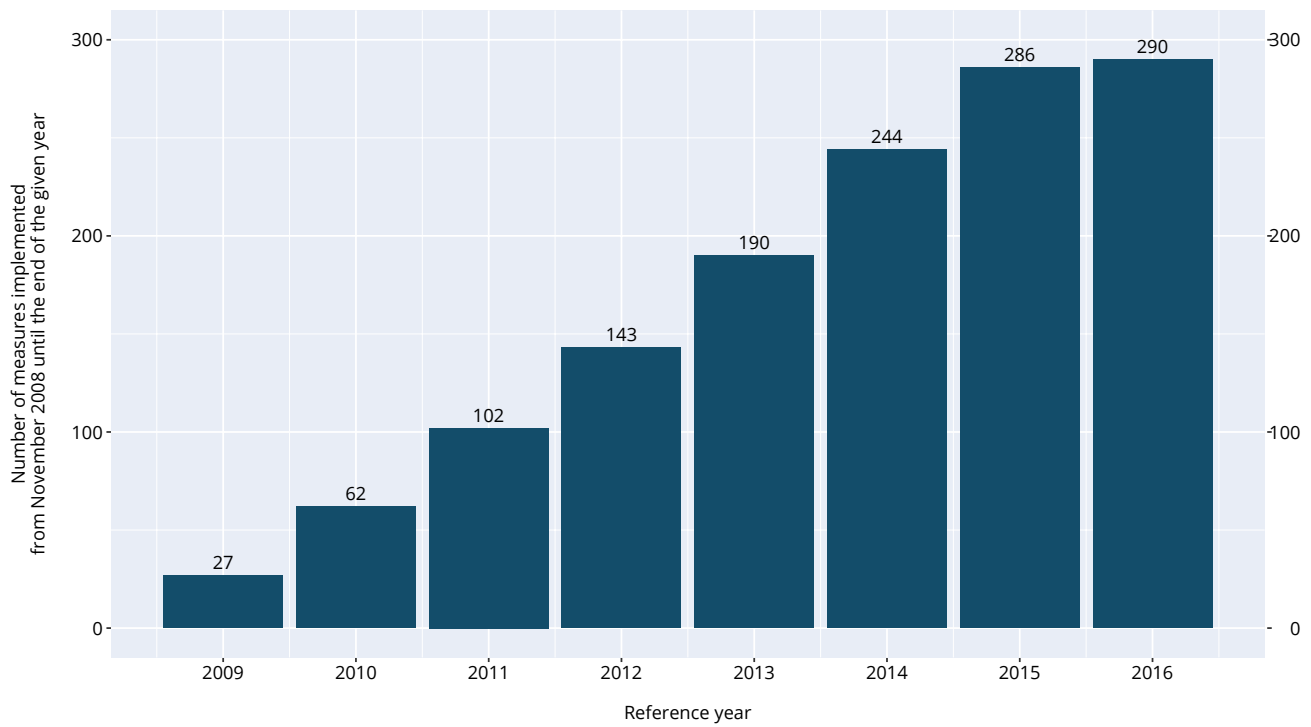
## BRAZIL

### Track record of protectionism



## BRAZIL

### Number of discriminatory measures imposed since November 2008



# CANADA

**2.64%** of world imports in 2014

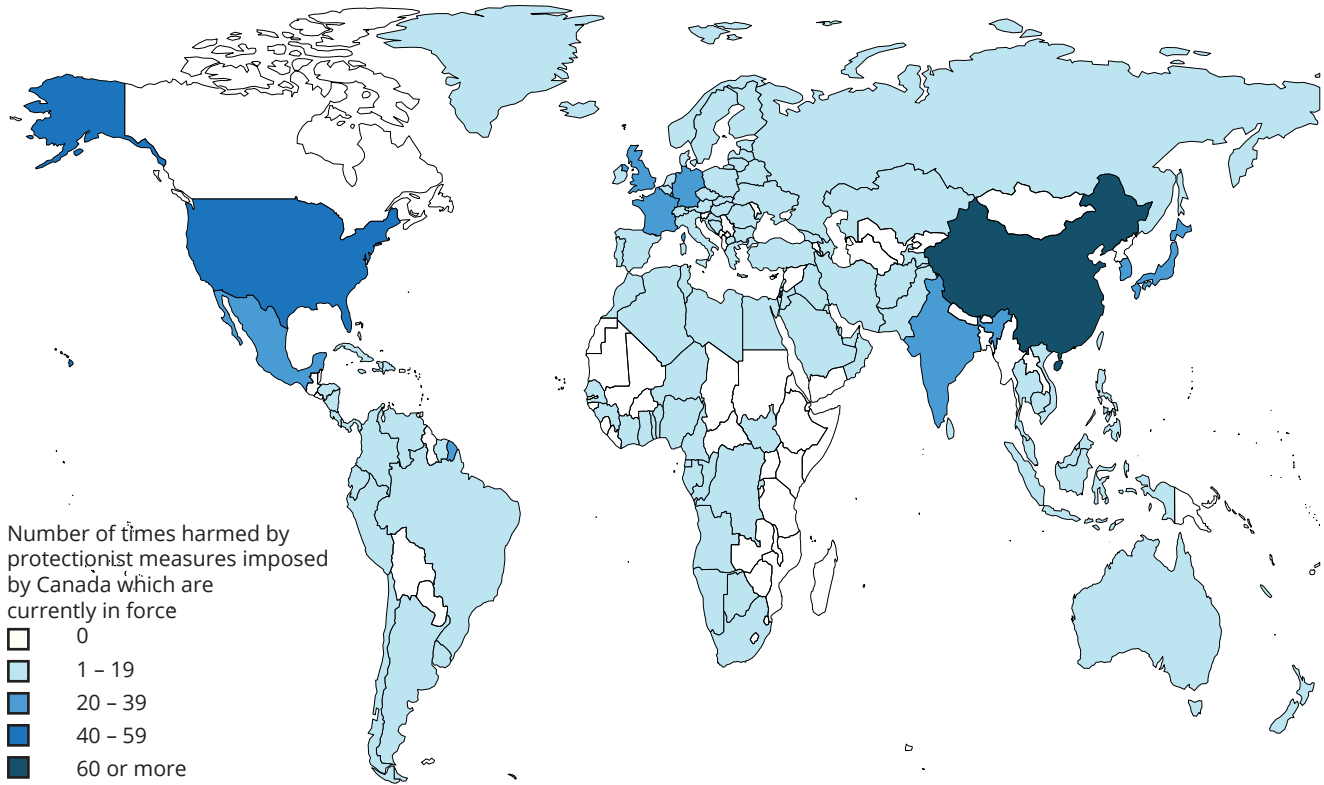
**2.71%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF CANADA'S IMPORTS</b>
United States	54.36%
China	11.48%
Mexico	5.63%
Germany	3.13%
Japan	2.60%
United Kingdom	1.79%
South Korea	1.42%
Italy	1.26%
France	1.16%
Taiwan	0.91%

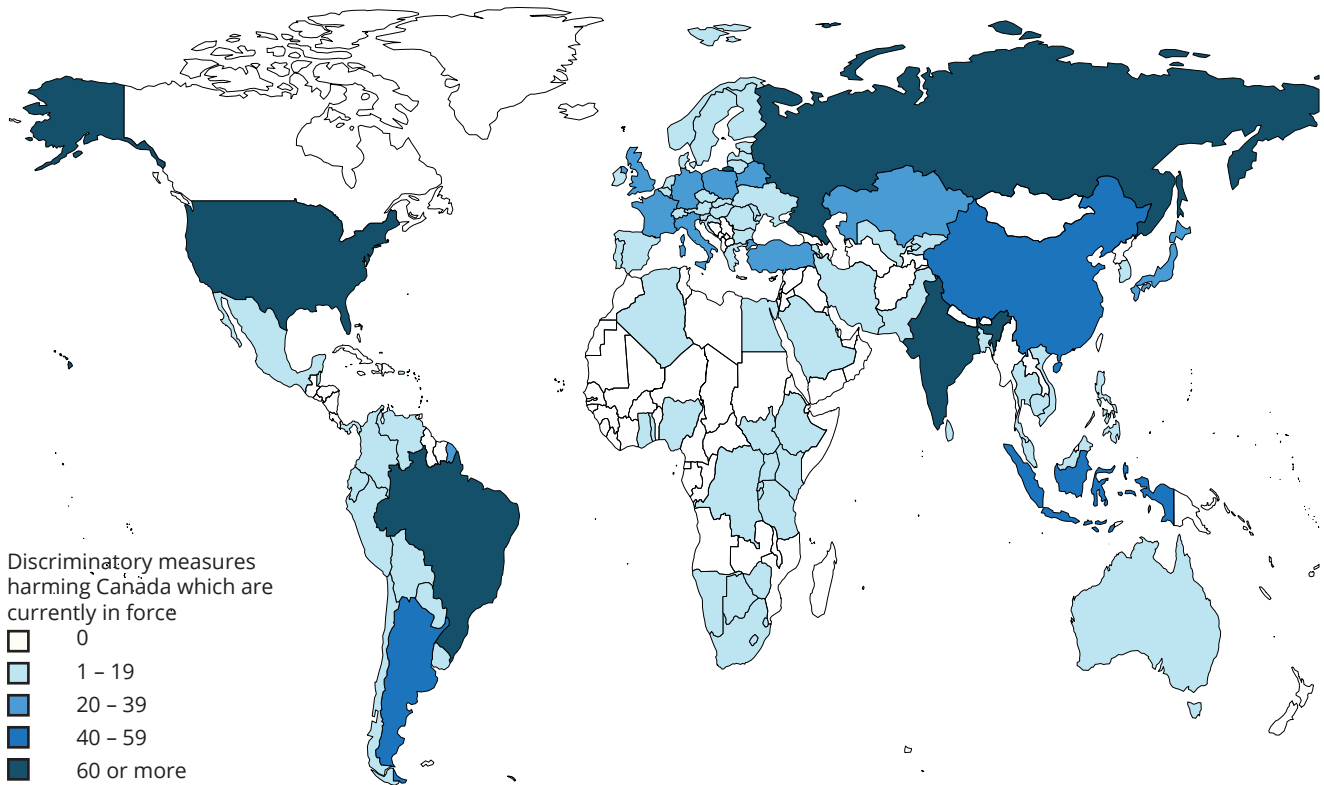
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF CANADA'S EXPORTS</b>
United States	73.08%
China	5.31%
United Kingdom	2.89%
Japan	2.42%
Mexico	2.12%
South Korea	1.15%
Germany	1.01%
France	0.83%
India	0.79%
Hong Kong	0.78%



## COUNTRIES HARMED BY CANADA'S DISCRIMINATORY MEASURES

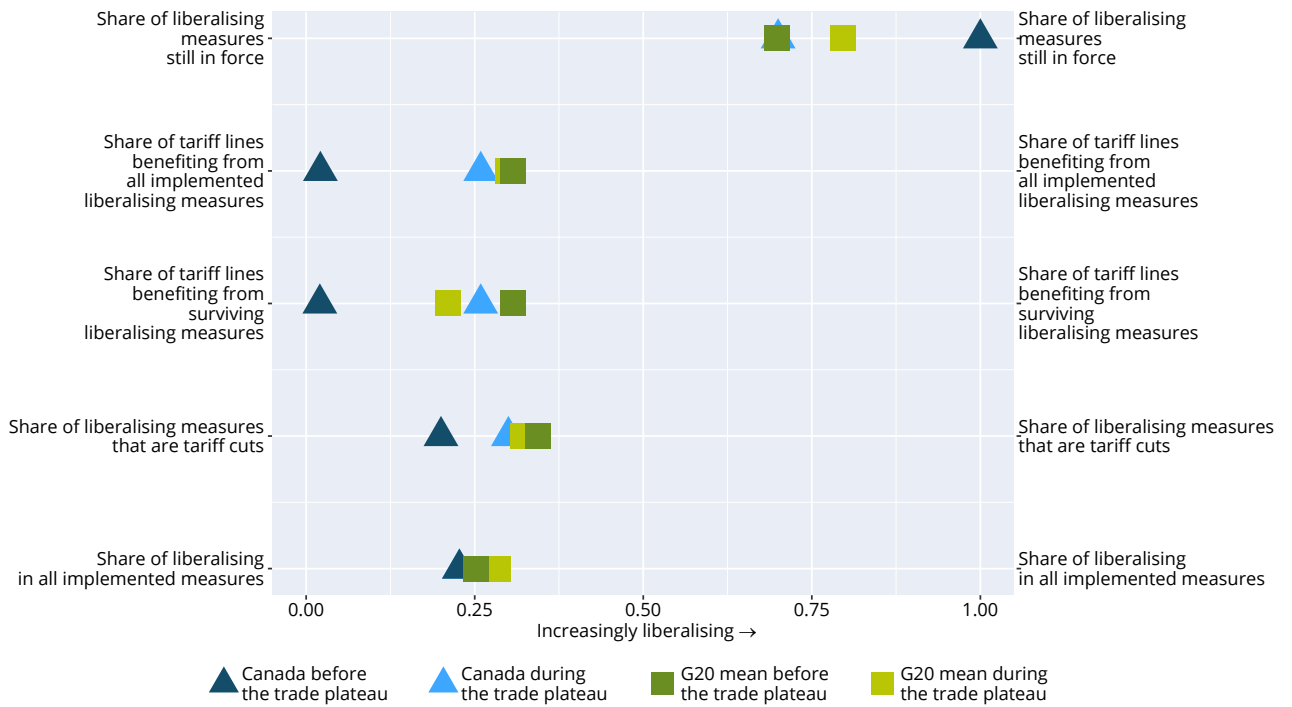


## DISCRIMINATORY MEASURES HARMING CANADA'S INTERESTS



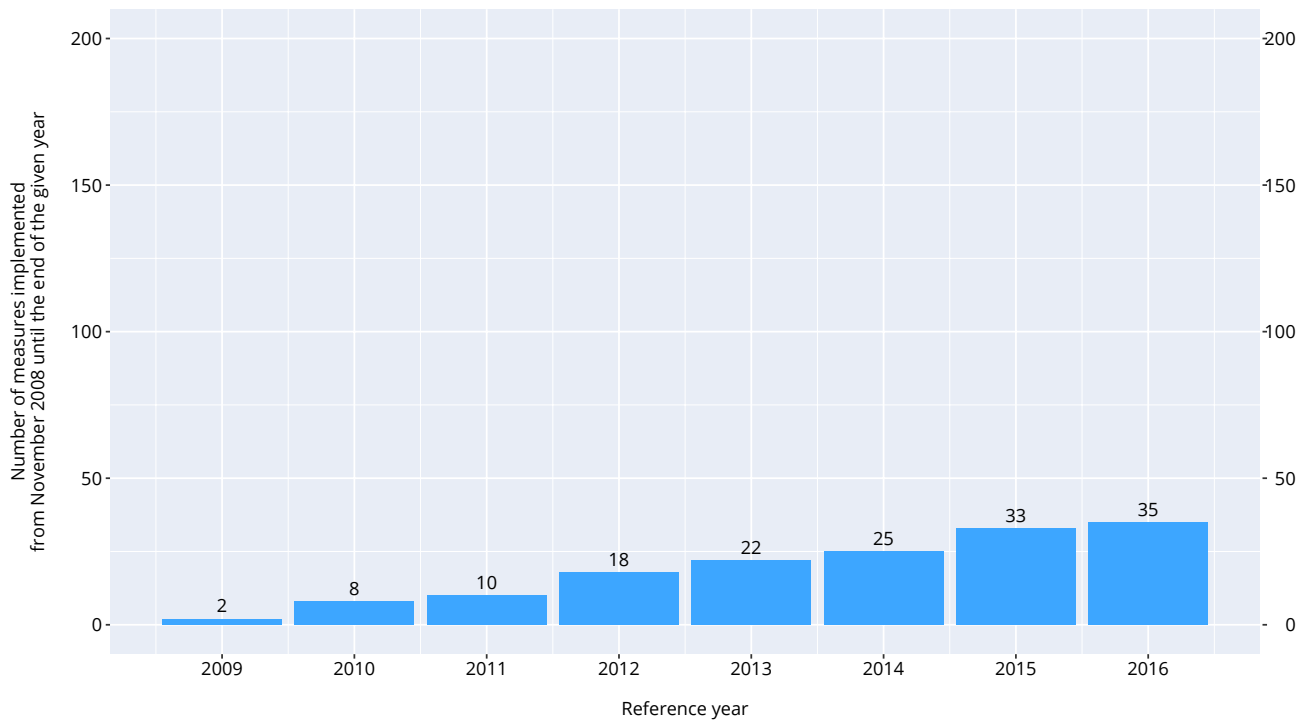
## CANADA

### Track record of liberalisation



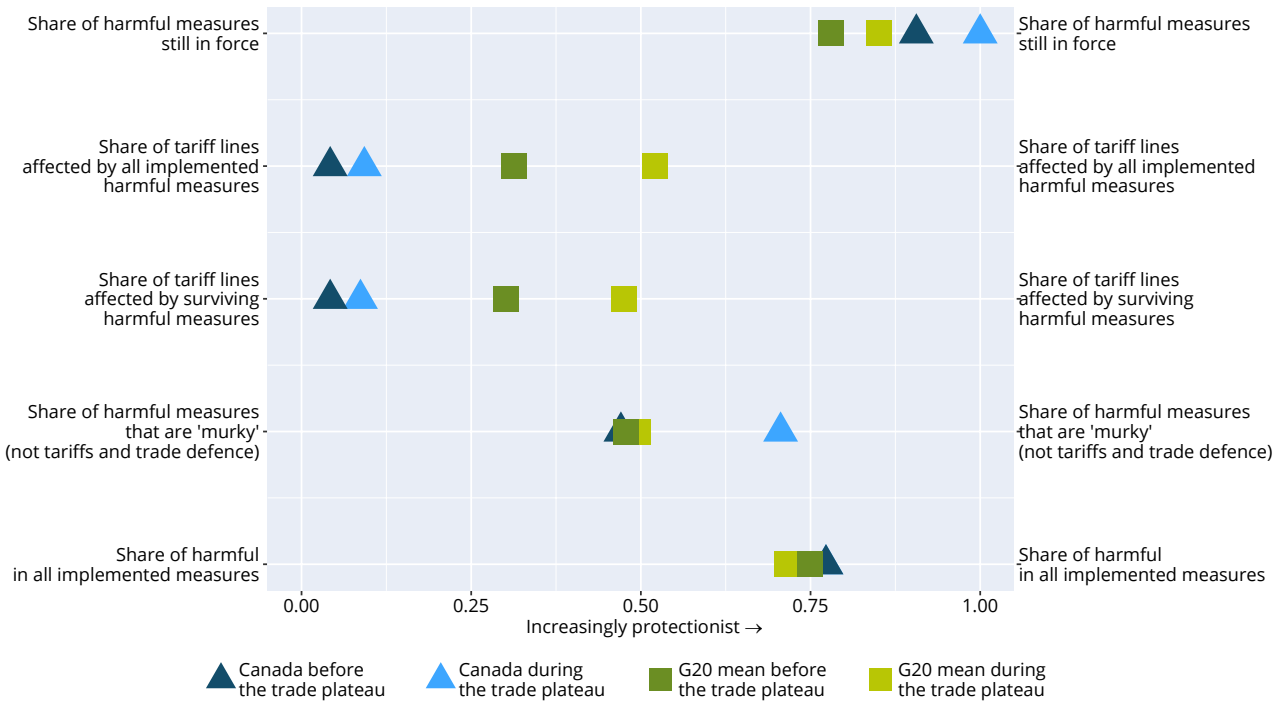
## CANADA

### Number of liberalising measures imposed since November 2008



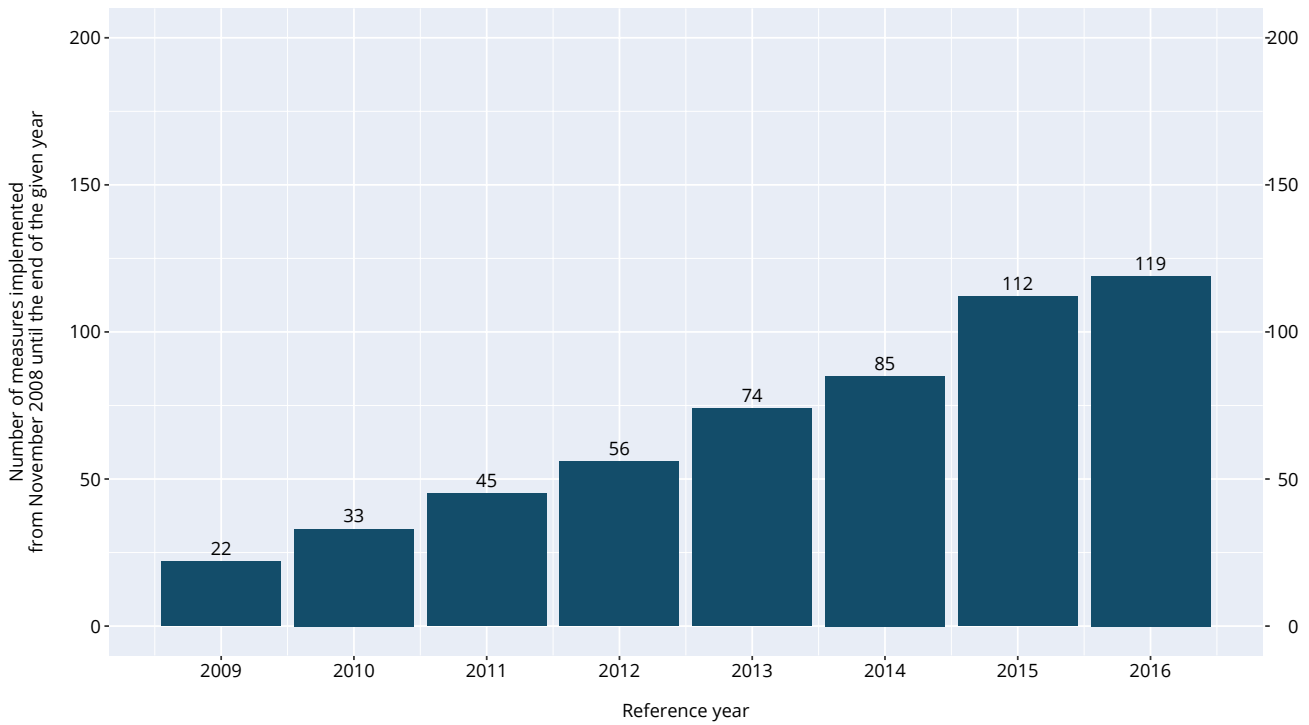
## CANADA

### Track record of protectionism



## CANADA

### Number of discriminatory measures imposed since November 2008



# CHINA

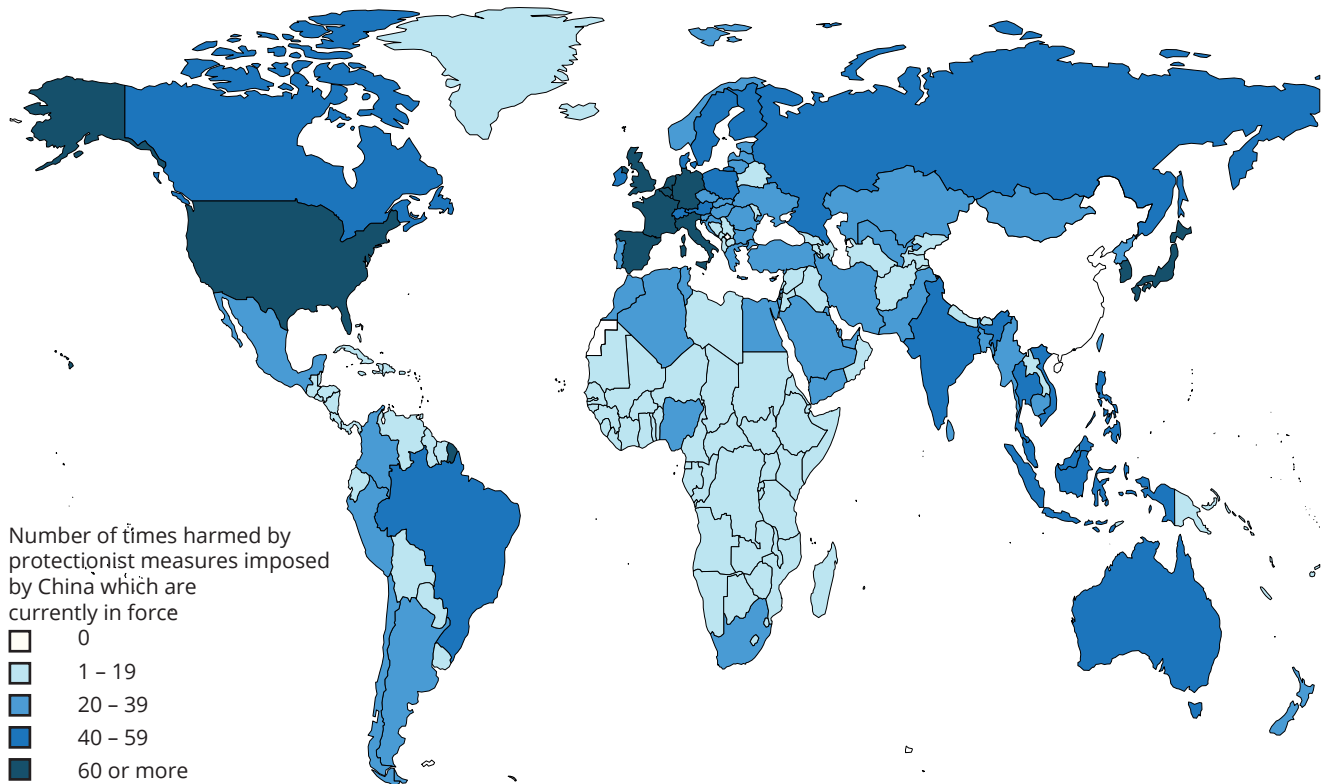
**11.19%** of world imports in 2014

**13.11%** of world exports in 2014

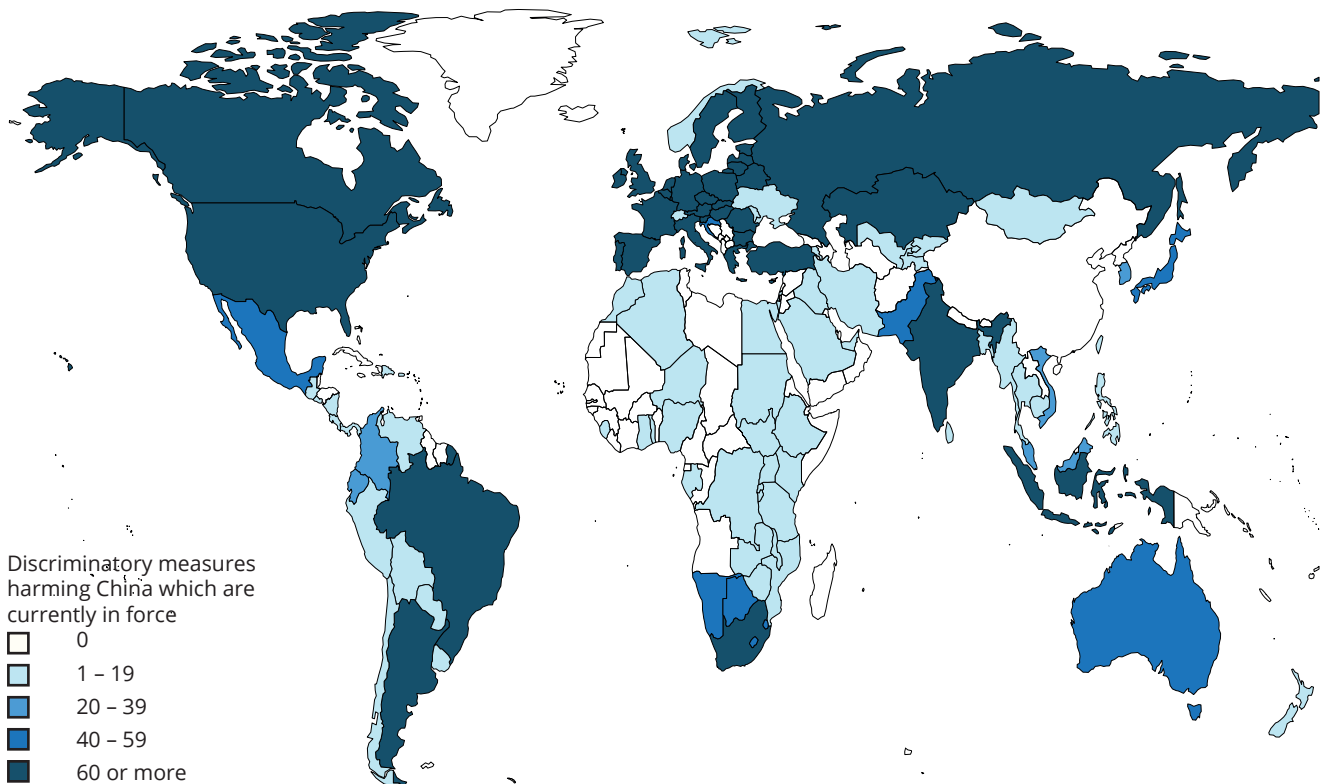
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF CHINA'S IMPORTS</b>
South Korea	9.71%
Japan	8.32%
United States	8.16%
Taiwan	7.76%
Germany	5.36%
Australia	4.99%
Malaysia	2.84%
Brazil	2.64%
Saudi Arabia	2.48%
South Africa	2.28%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF CHINA'S EXPORTS</b>
United States	20.35%
Hong Kong	11.69%
Japan	7.92%
Germany	4.67%
South Korea	3.93%
Mexico	2.89%
United Kingdom	2.80%
India	2.54%
France	2.46%
Canada	2.31%

## COUNTRIES HARMED BY CHINA'S DISCRIMINATORY MEASURES

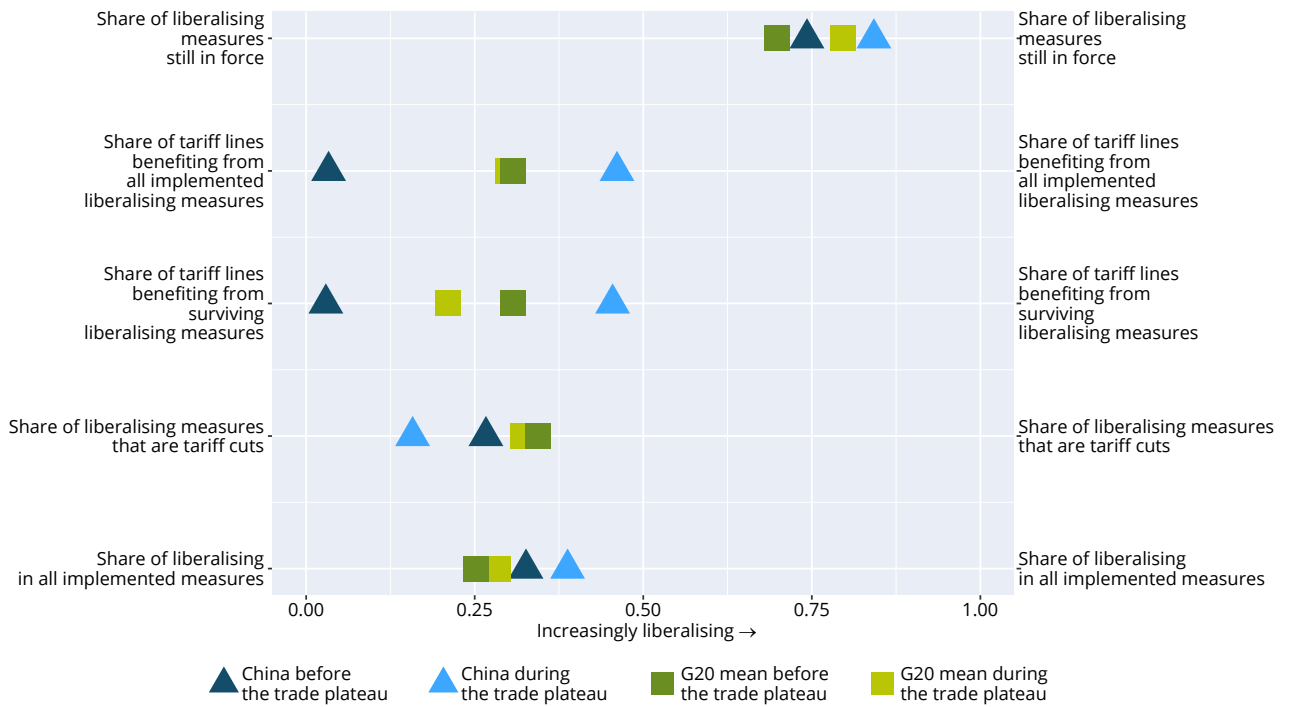


## DISCRIMINATORY MEASURES HARMING CHINA'S INTERESTS



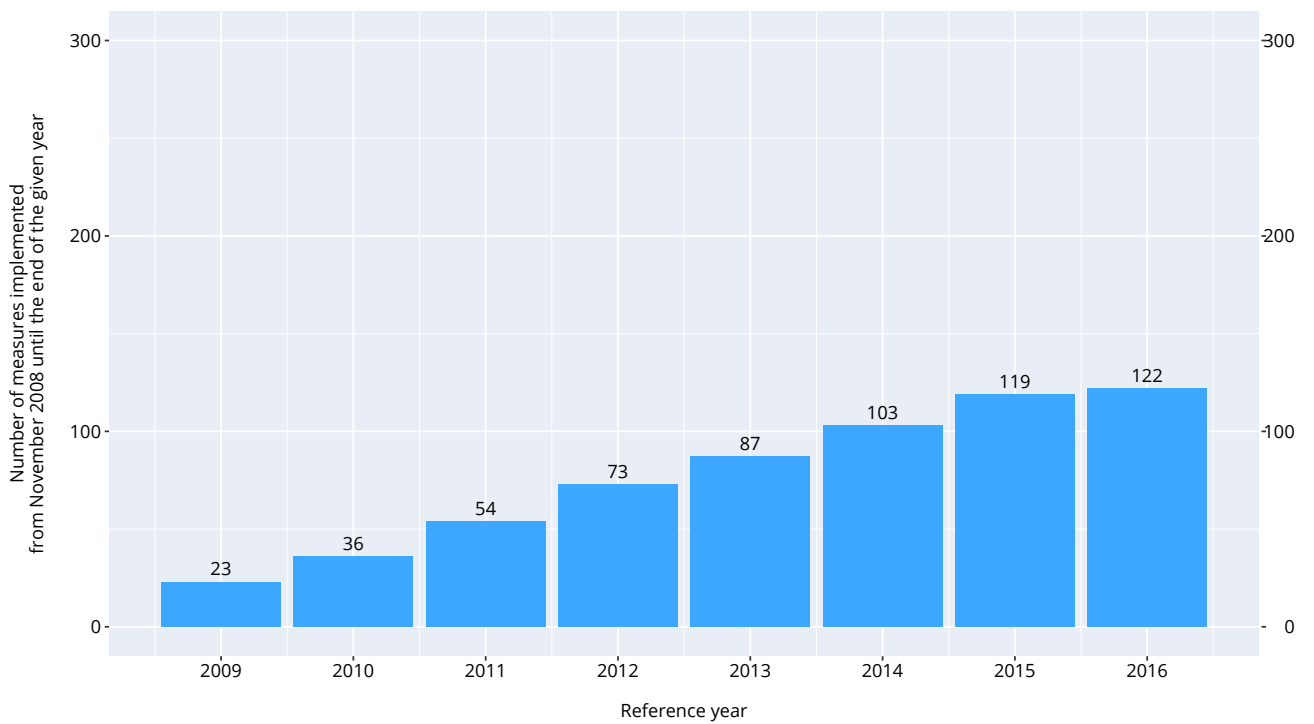
## CHINA

### Track record of liberalisation



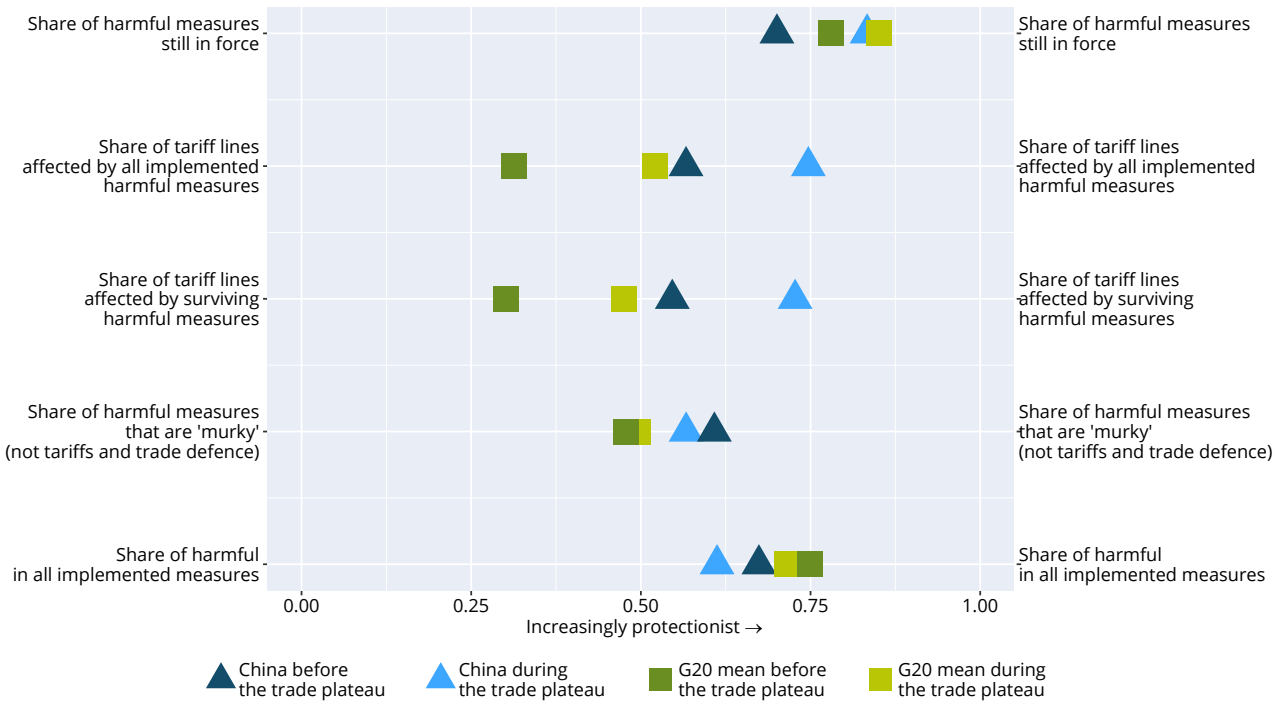
## CHINA

### Number of liberalising measures imposed since November 2008



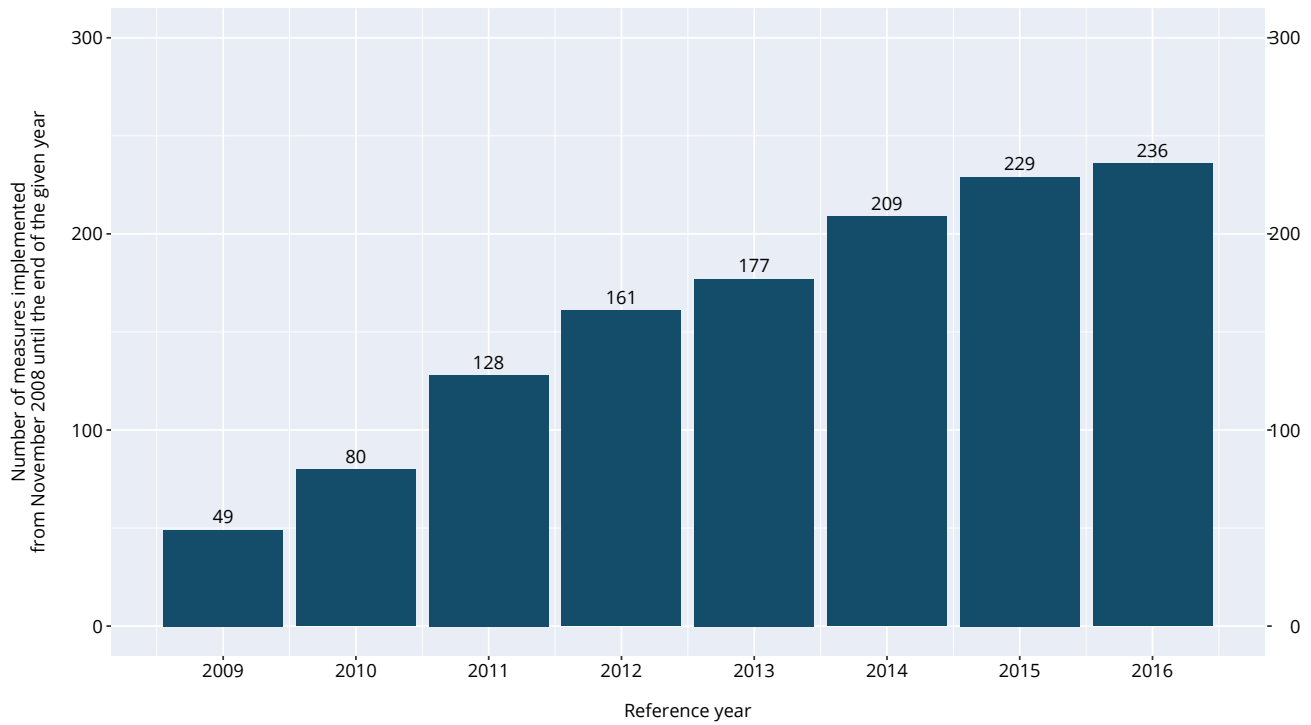
## CHINA

### Track record of protectionism



## CHINA

### Number of discriminatory measures imposed since November 2008



# FRANCE

**3.77%** of world imports in 2014

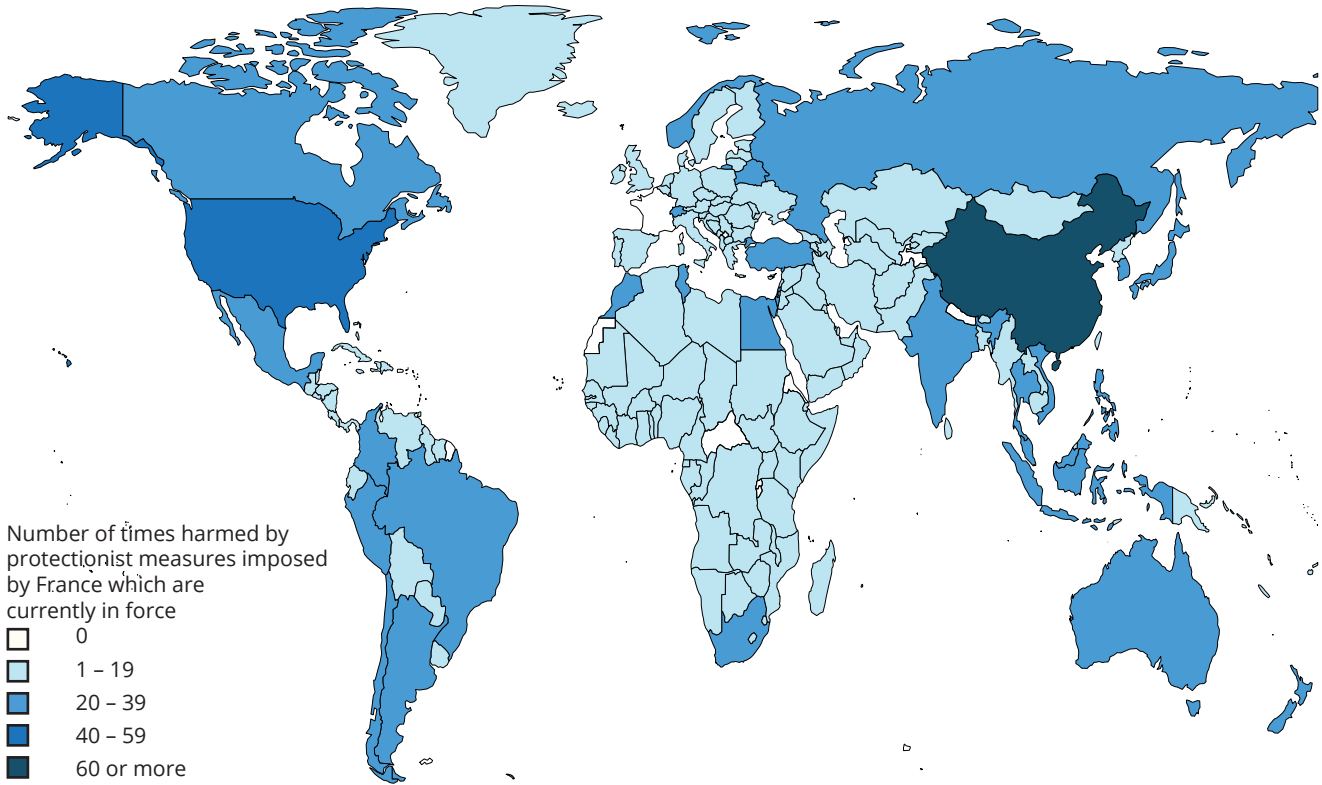
**3.24%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF FRANCE'S IMPORTS</b>
Germany	17.30%
China	8.64%
Belgium	8.10%
Italy	7.36%
United States	6.41%
Spain	6.01%
Netherlands	4.36%
United Kingdom	3.99%
Switzerland	2.58%
Russian Federation	2.10%

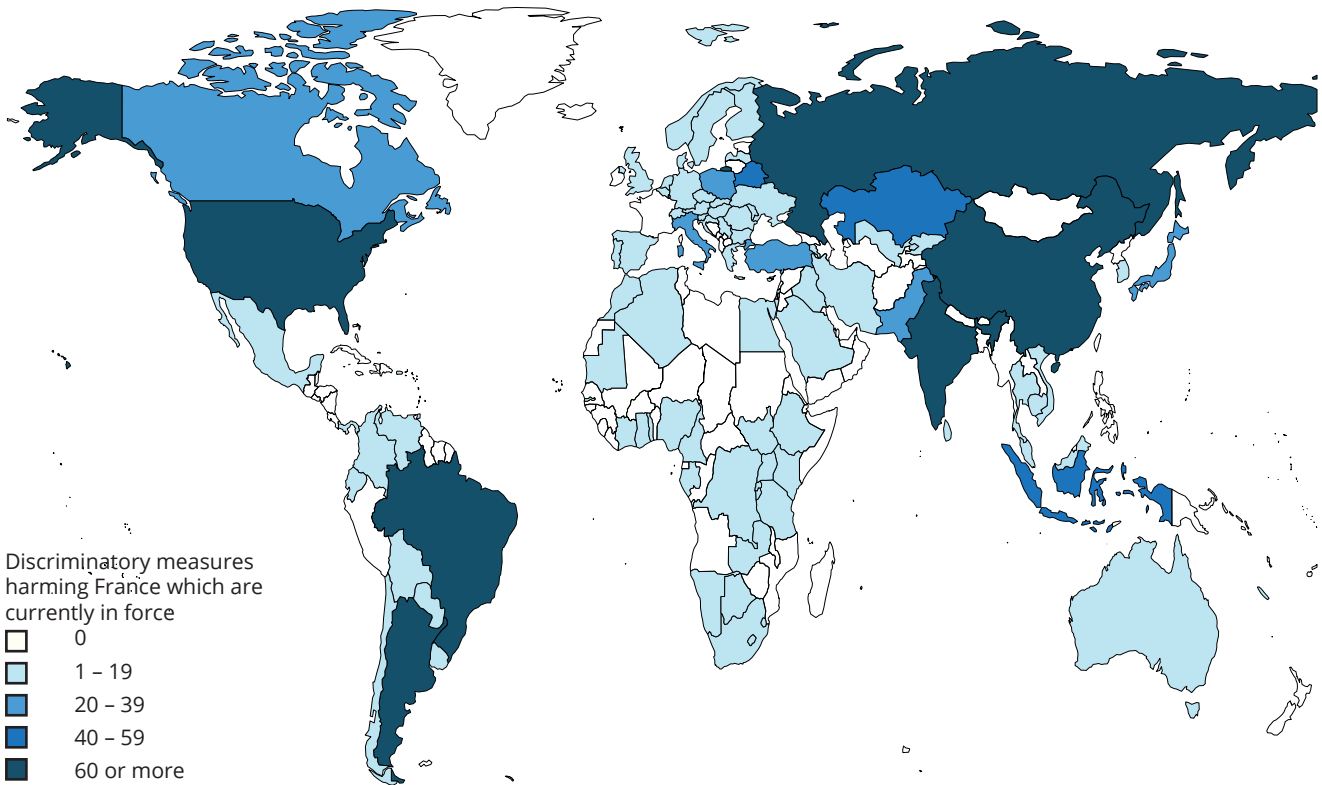
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF FRANCE'S EXPORTS</b>
Germany	15.65%
United States	8.28%
Belgium	8.13%
United Kingdom	7.67%
Italy	7.15%
Spain	6.78%
China	4.70%
Netherlands	4.03%
Switzerland	3.19%
Japan	2.10%



## COUNTRIES HARMED BY FRANCE'S DISCRIMINATORY MEASURES

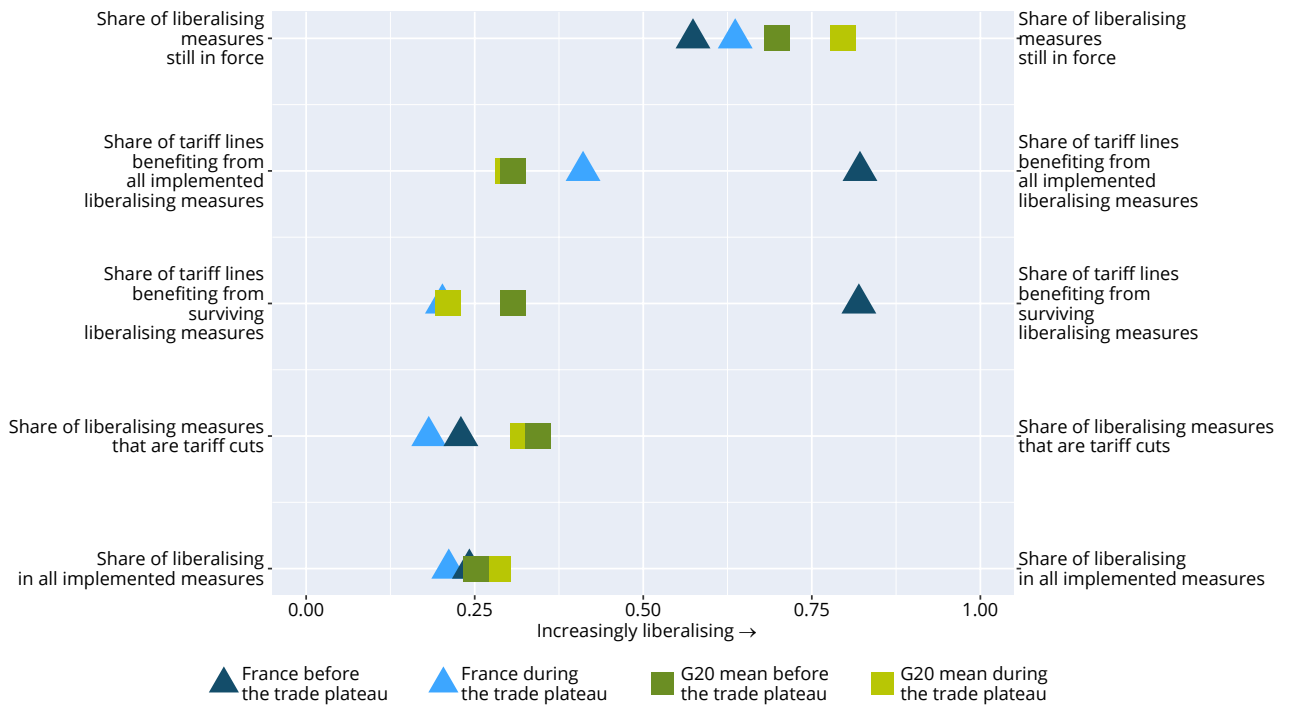


## DISCRIMINATORY MEASURES HARMING FRANCE'S INTERESTS



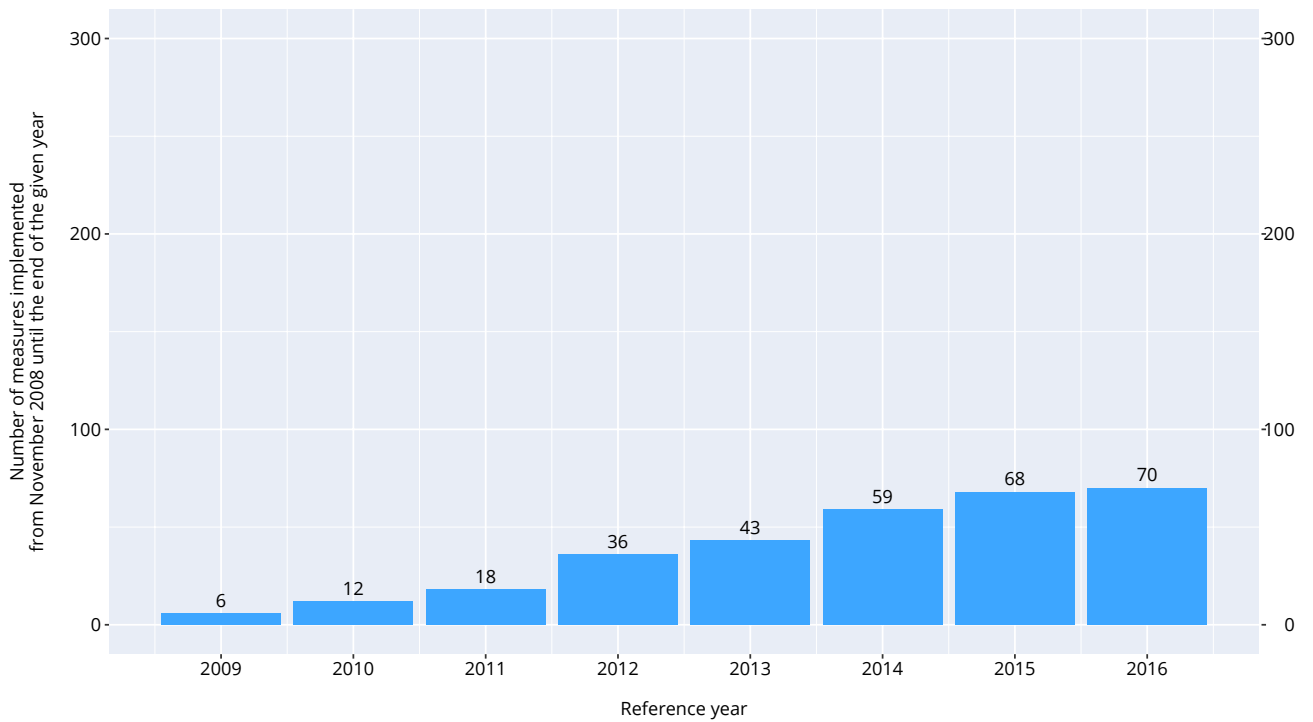
## FRANCE

### Track record of liberalisation



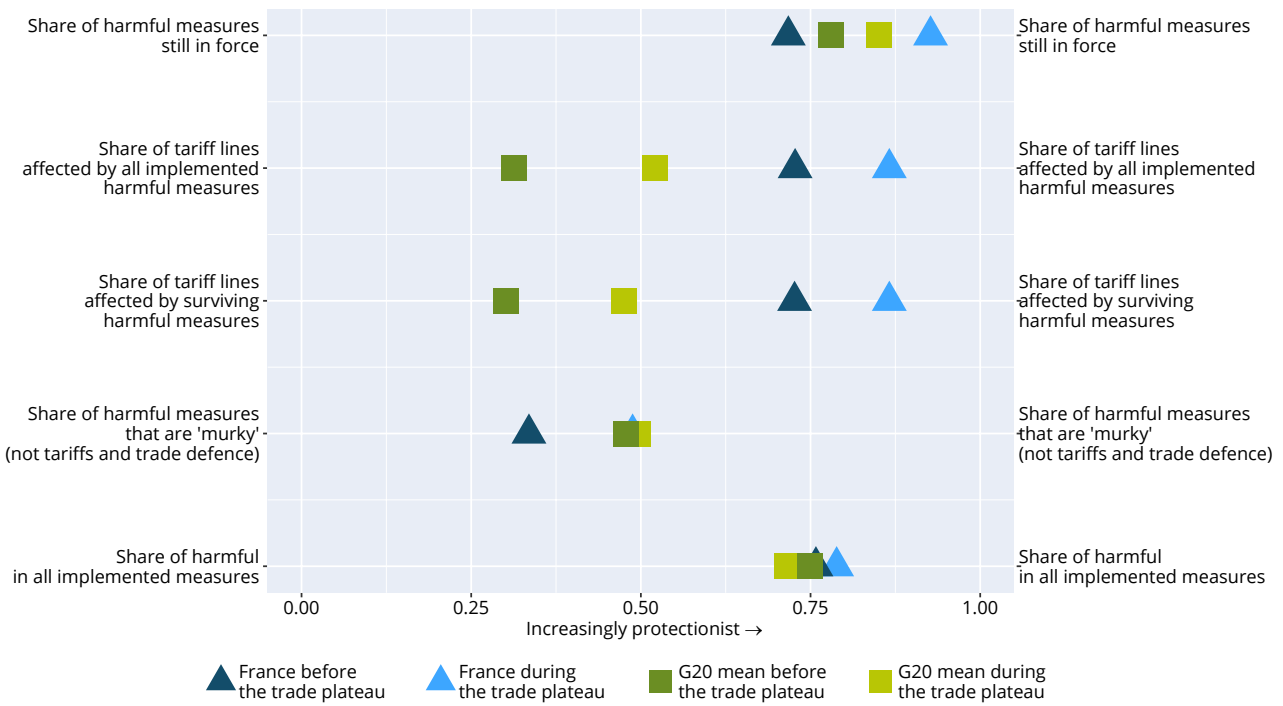
## FRANCE

### Number of liberalising measures imposed since November 2008



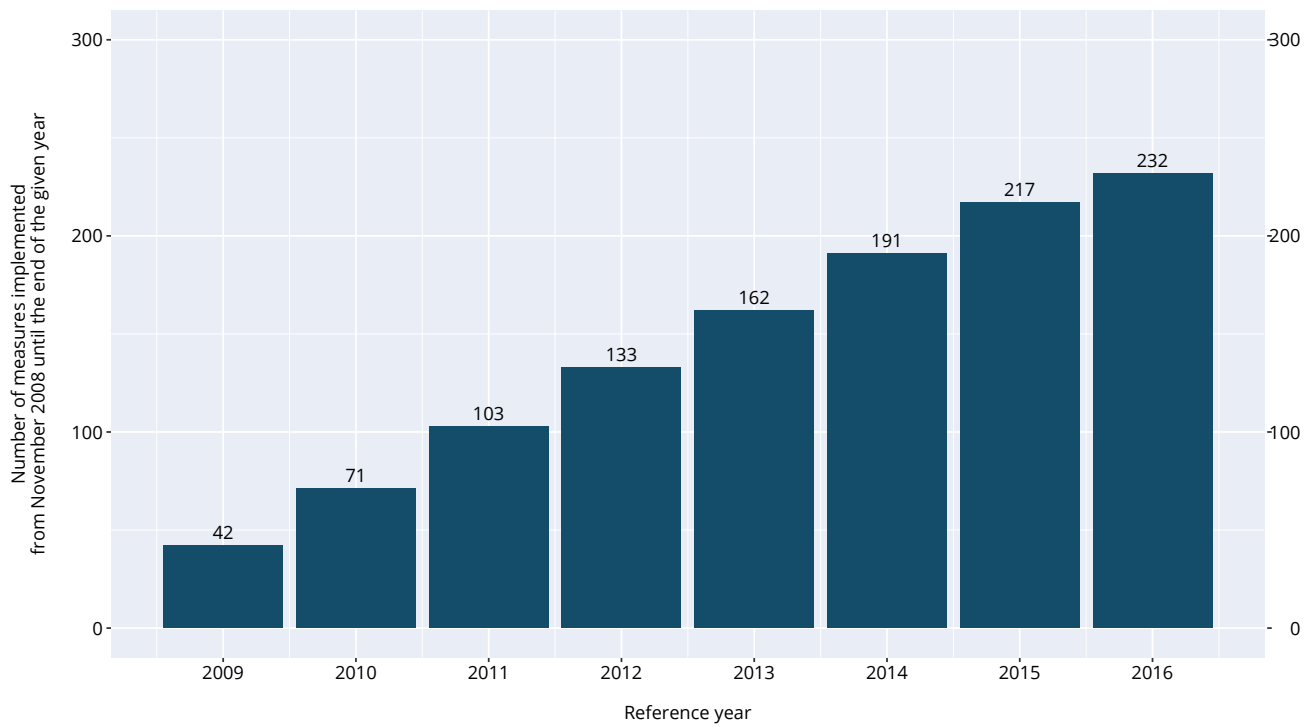
## FRANCE

### Track record of protectionism



## FRANCE

### Number of discriminatory measures imposed since November 2008



# GERMANY

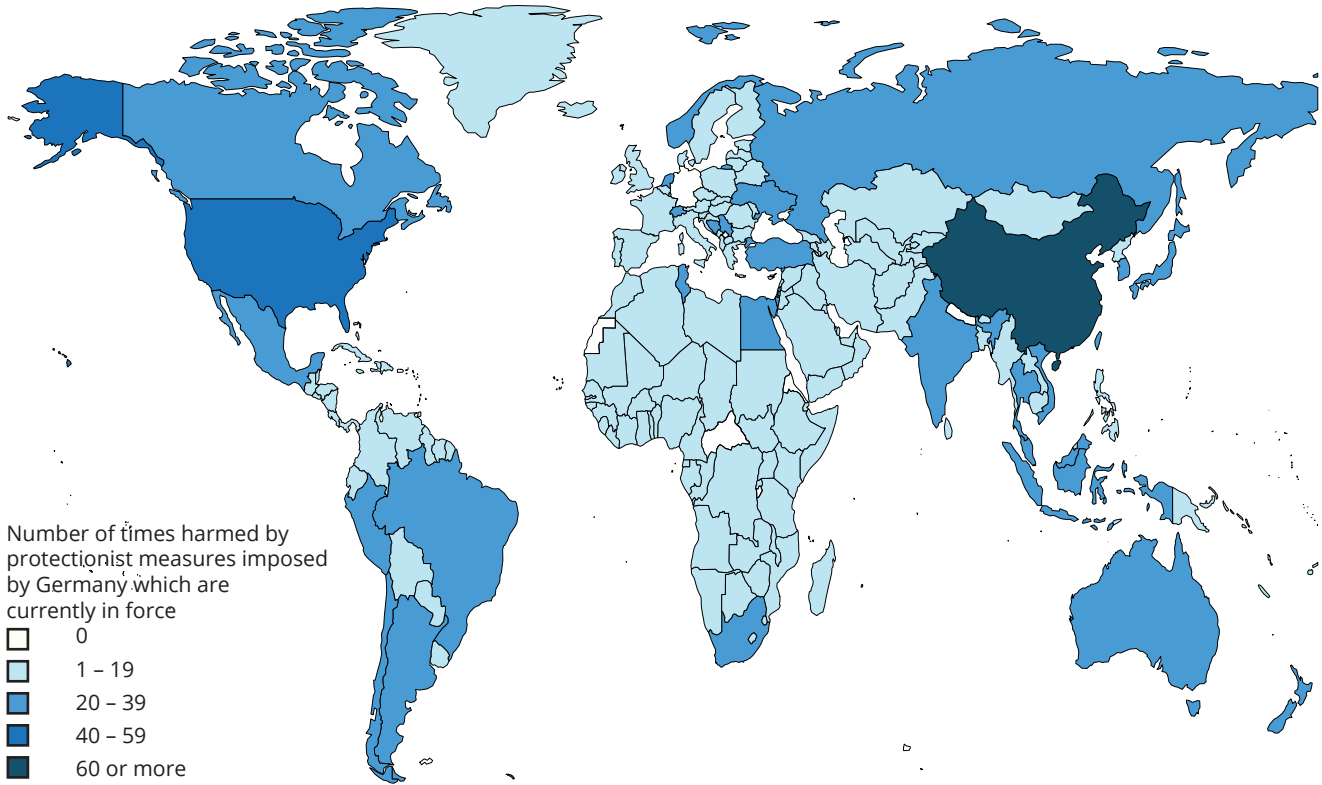
**6.99%** of world imports in 2014

**7.81%** of world exports in 2014

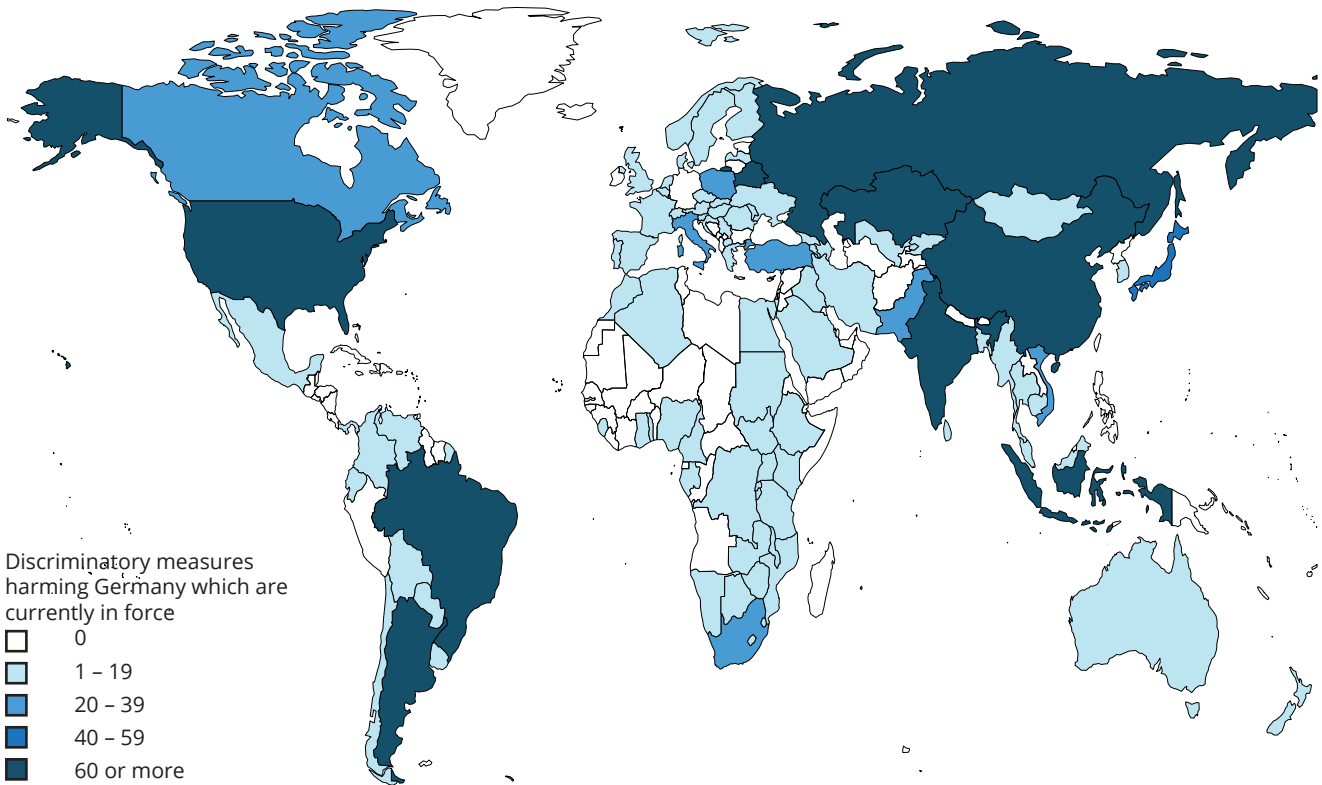
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF GERMANY'S IMPORTS</b>
Netherlands	8.84%
China	8.76%
France	7.26%
United States	5.45%
Italy	5.24%
Switzerland	4.40%
Poland	4.32%
Belgium	4.19%
United Kingdom	4.16%
Czech Rep.	4.00%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF GERMANY'S EXPORTS</b>
United States	9.02%
France	8.27%
China	7.68%
United Kingdom	7.34%
Netherlands	6.05%
Italy	5.31%
Austria	4.64%
Belgium	4.36%
Switzerland	4.35%
Poland	3.44%

## COUNTRIES HARMED BY GERMANY'S DISCRIMINATORY MEASURES

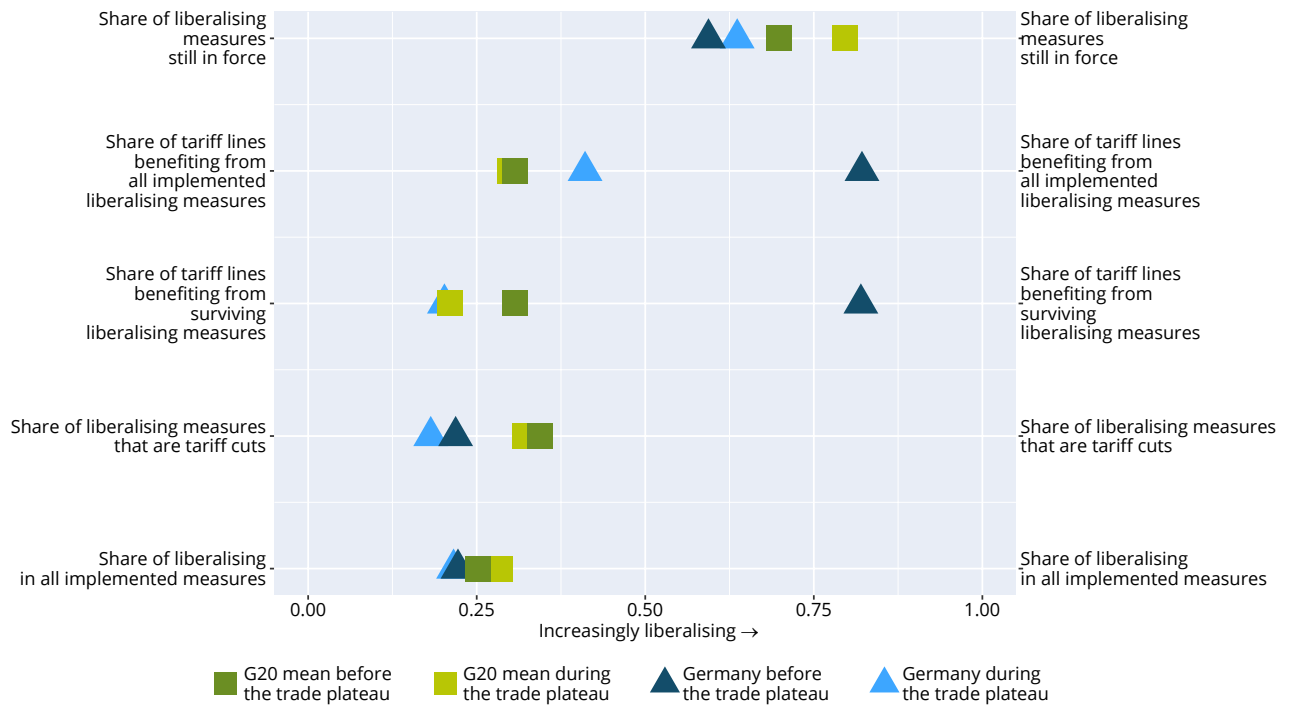


## DISCRIMINATORY MEASURES HARMING GERMANY'S INTERESTS



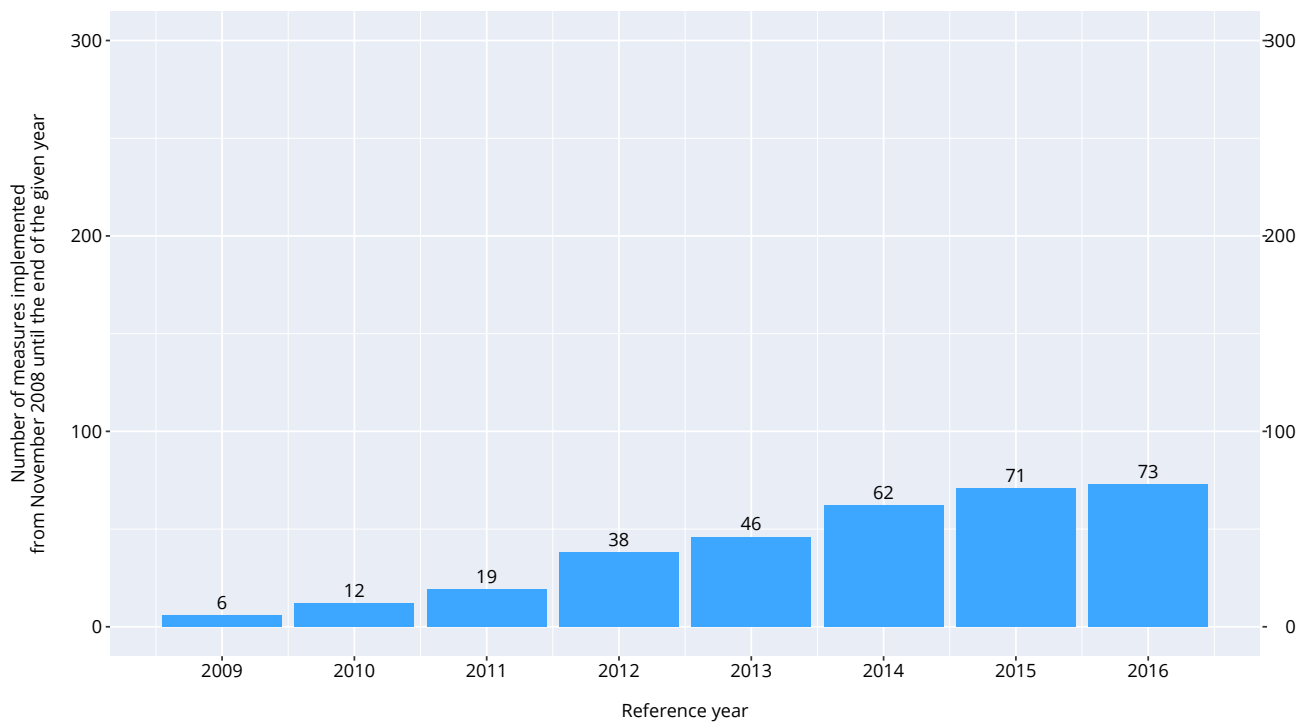
## GERMANY

### Track record of liberalisation



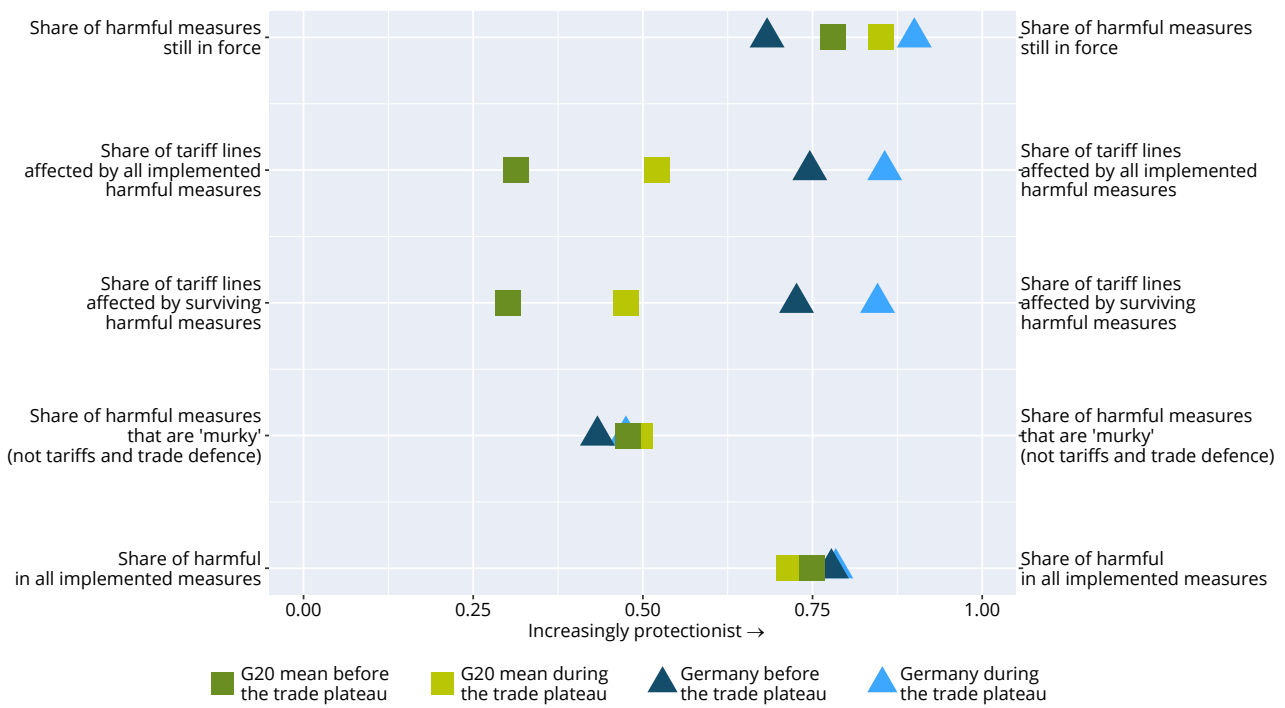
## GERMANY

### Number of liberalising measures imposed since November 2008



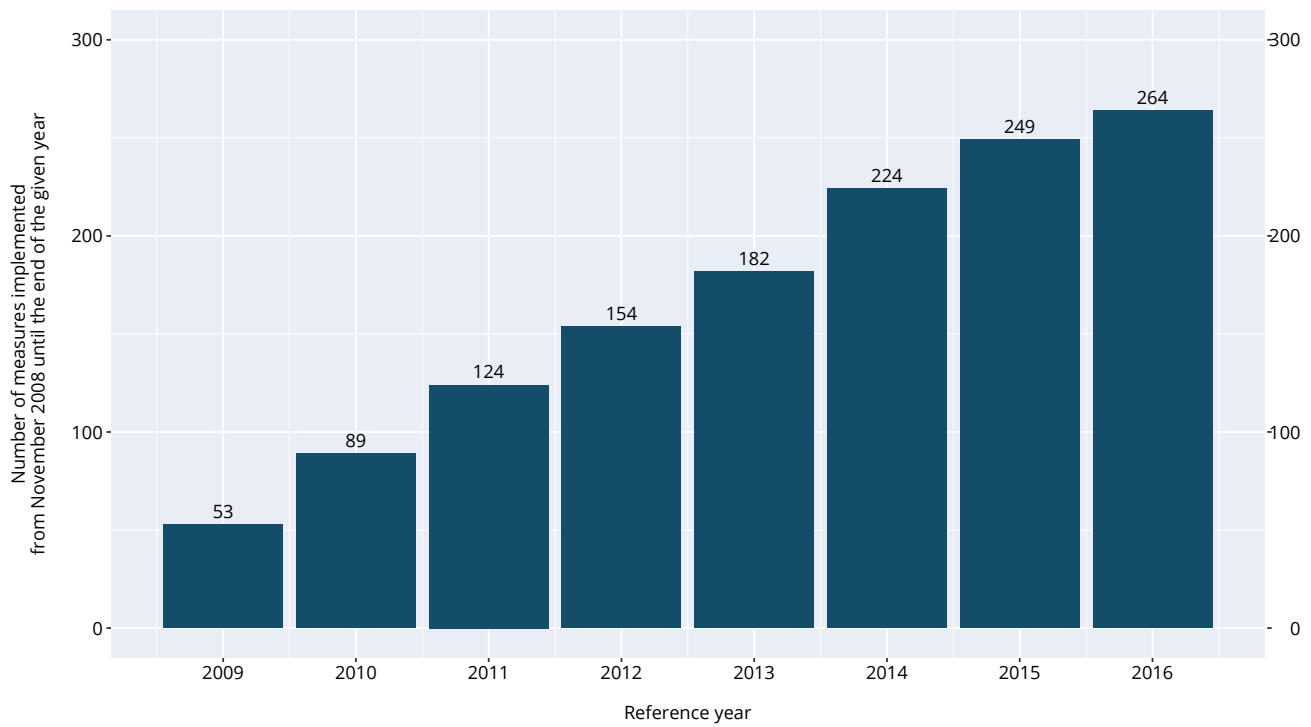
## GERMANY

### Track record of protectionism



## GERMANY

### Number of discriminatory measures imposed since November 2008



# INDIA

**2.63%** of world imports in 2014

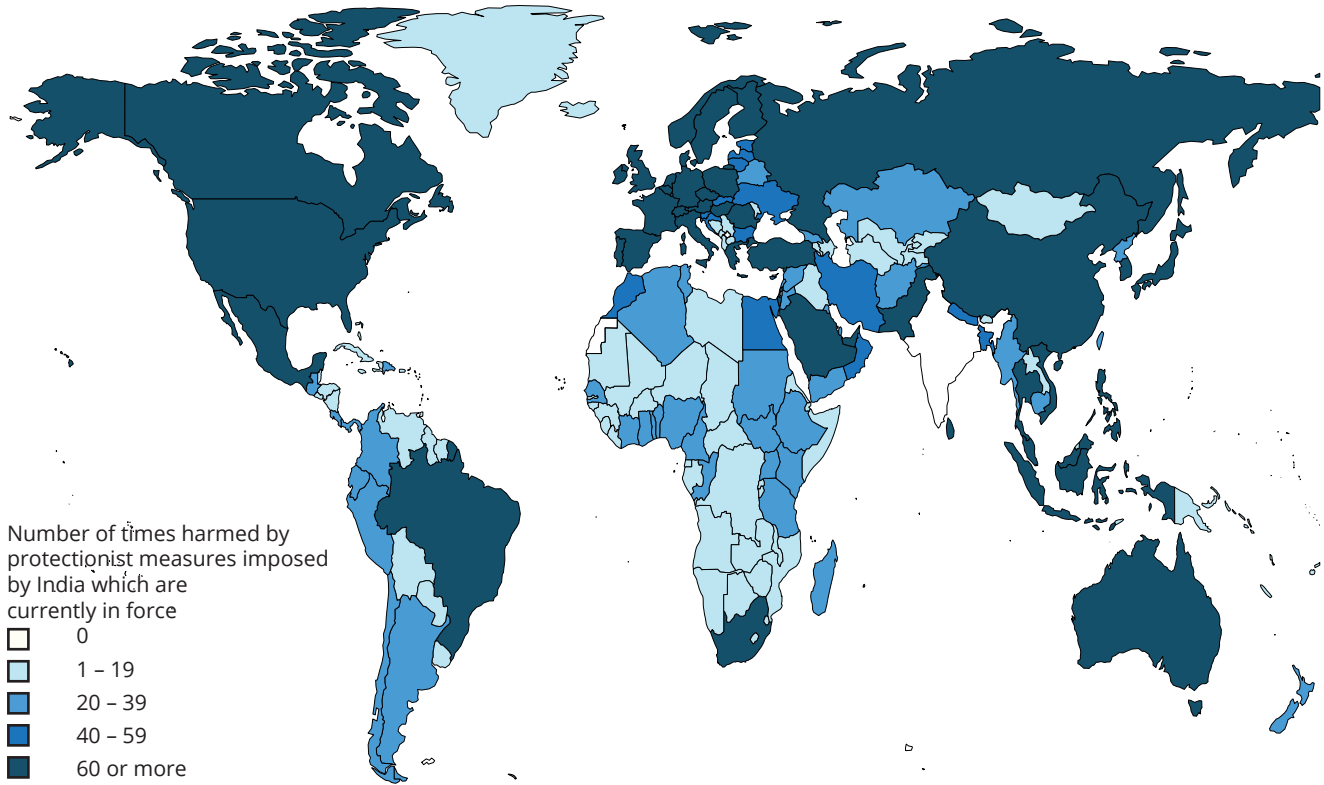
**1.39%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF INDIA'S IMPORTS</b>
China	12.87%
Saudi Arabia	7.23%
United Arab Emirates	6.03%
Switzerland	4.67%
United States	4.52%
Qatar	3.66%
Iraq	3.55%
Nigeria	3.46%
Indonesia	3.36%
Kuwait	3.32%

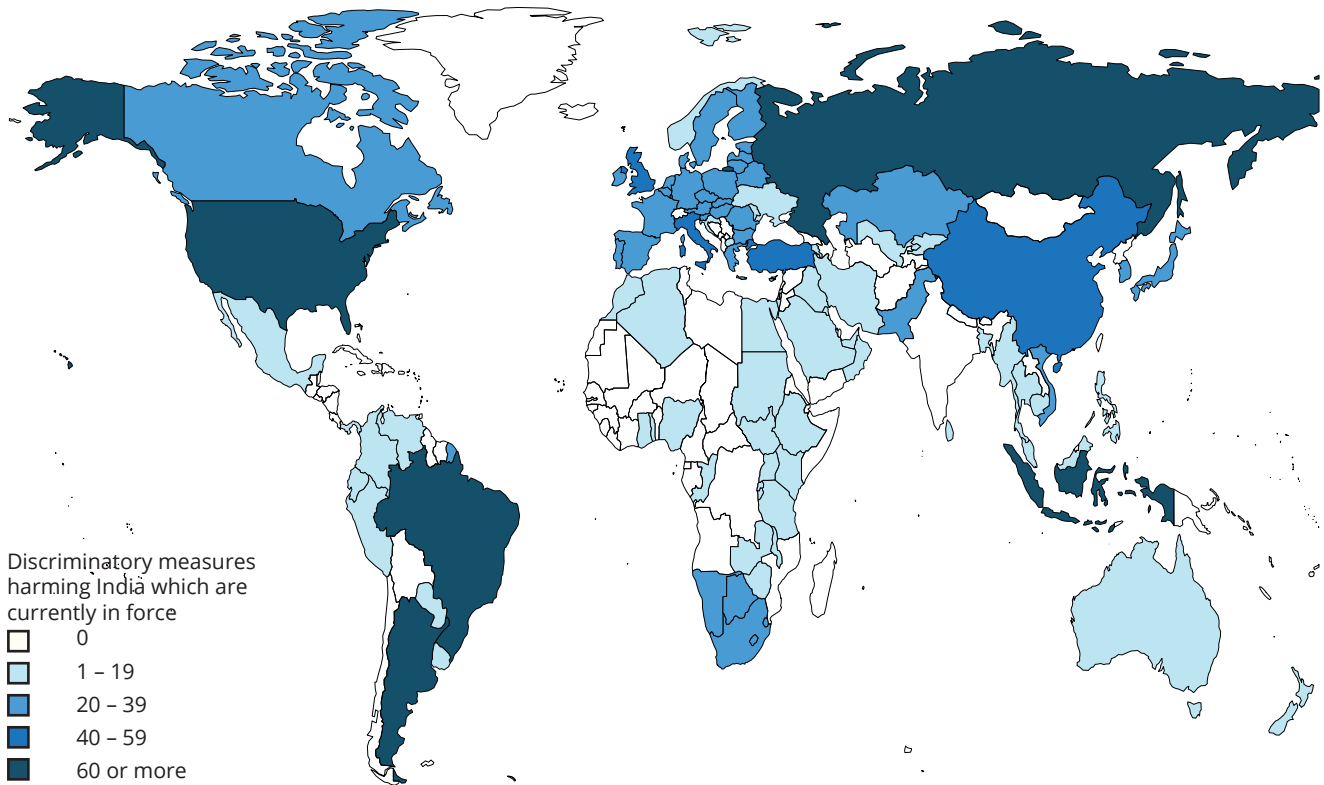
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF INDIA'S EXPORTS</b>
United States	18.64%
United Arab Emirates	7.18%
China	6.74%
Hong Kong	5.12%
United Kingdom	4.42%
Germany	3.94%
Singapore	3.41%
Japan	3.06%
Turkey	2.84%
France	2.83%



## COUNTRIES HARMED BY INDIA'S DISCRIMINATORY MEASURES

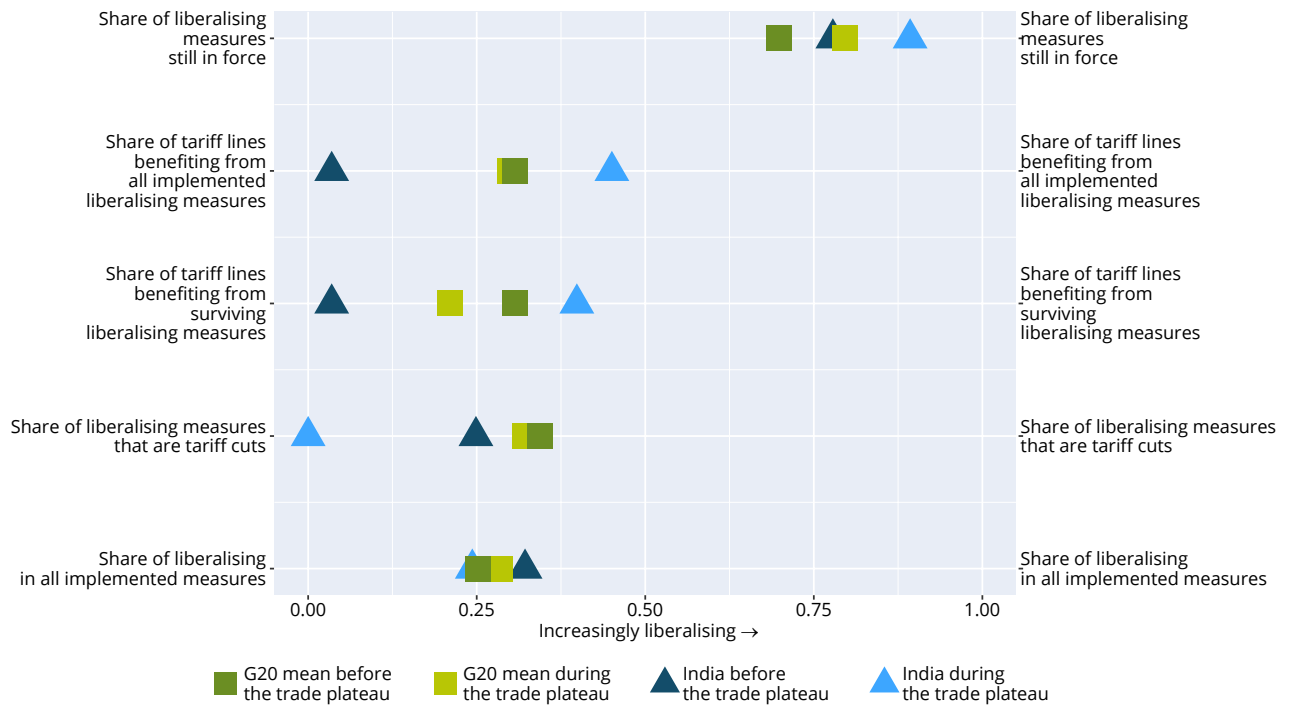


## DISCRIMINATORY MEASURES HARMING INDIA'S INTERESTS



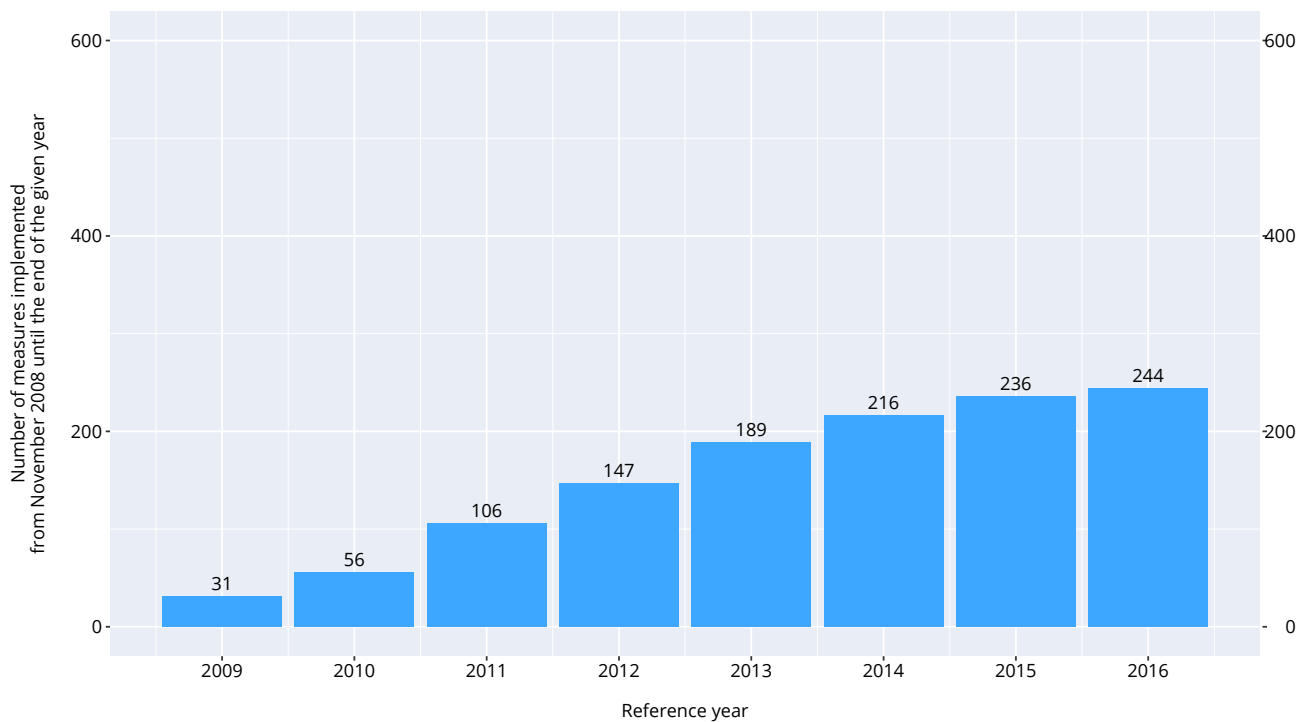
## INDIA

### Track record of liberalisation



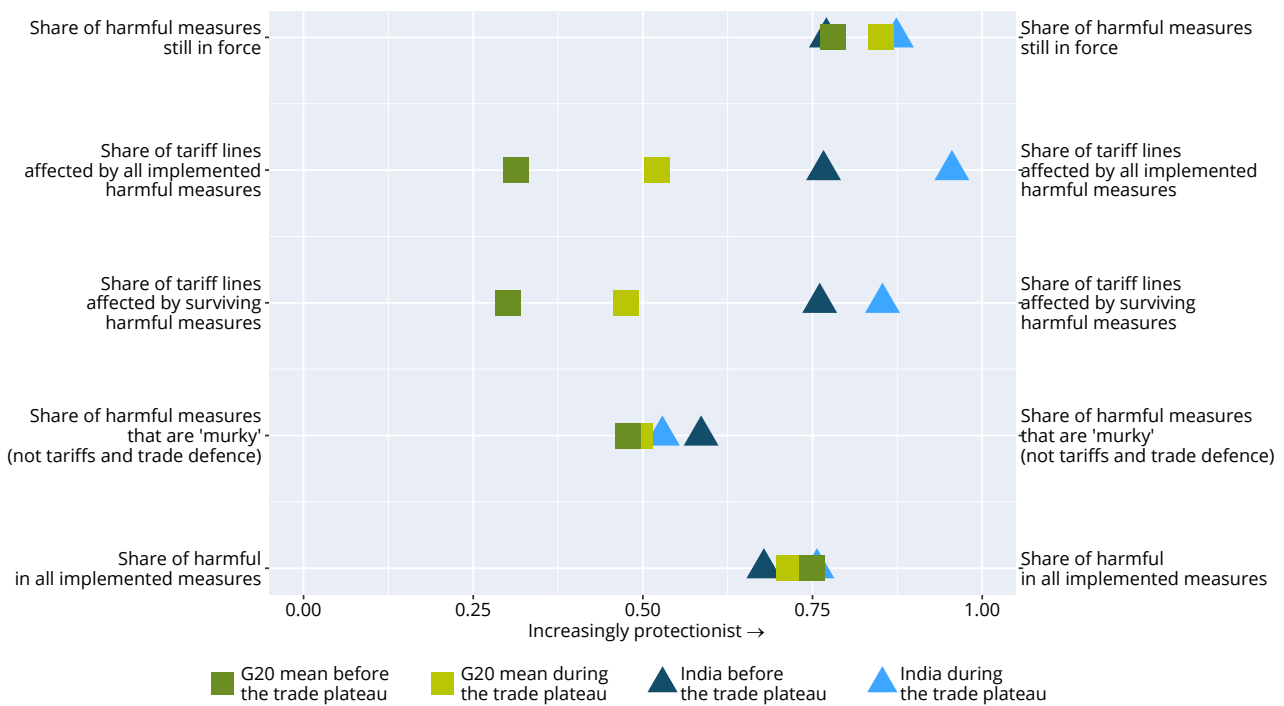
## INDIA

### Number of liberalising measures imposed since November 2008



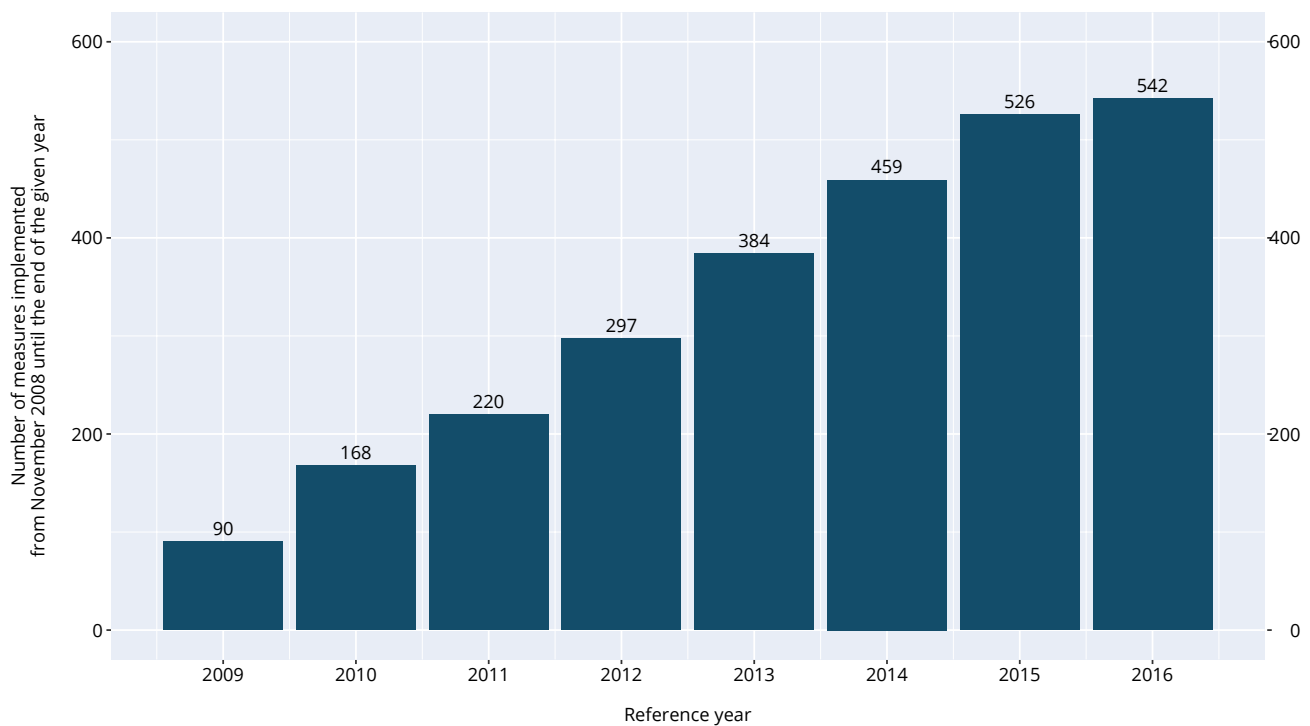
## INDIA

### Track record of protectionism



## INDIA

### Number of discriminatory measures imposed since November 2008



# INDONESIA

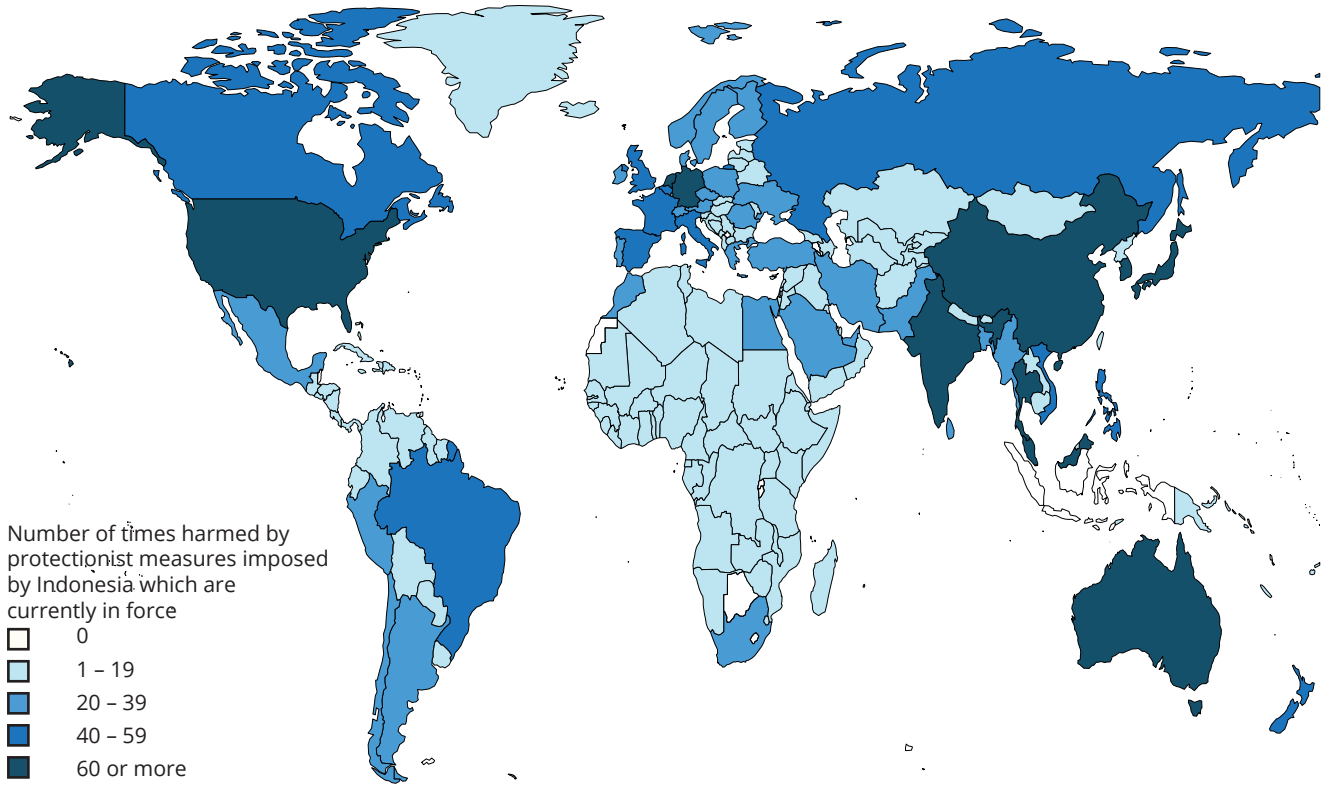
**1.02%** of world imports in 2014

**1.05%** of world exports in 2014

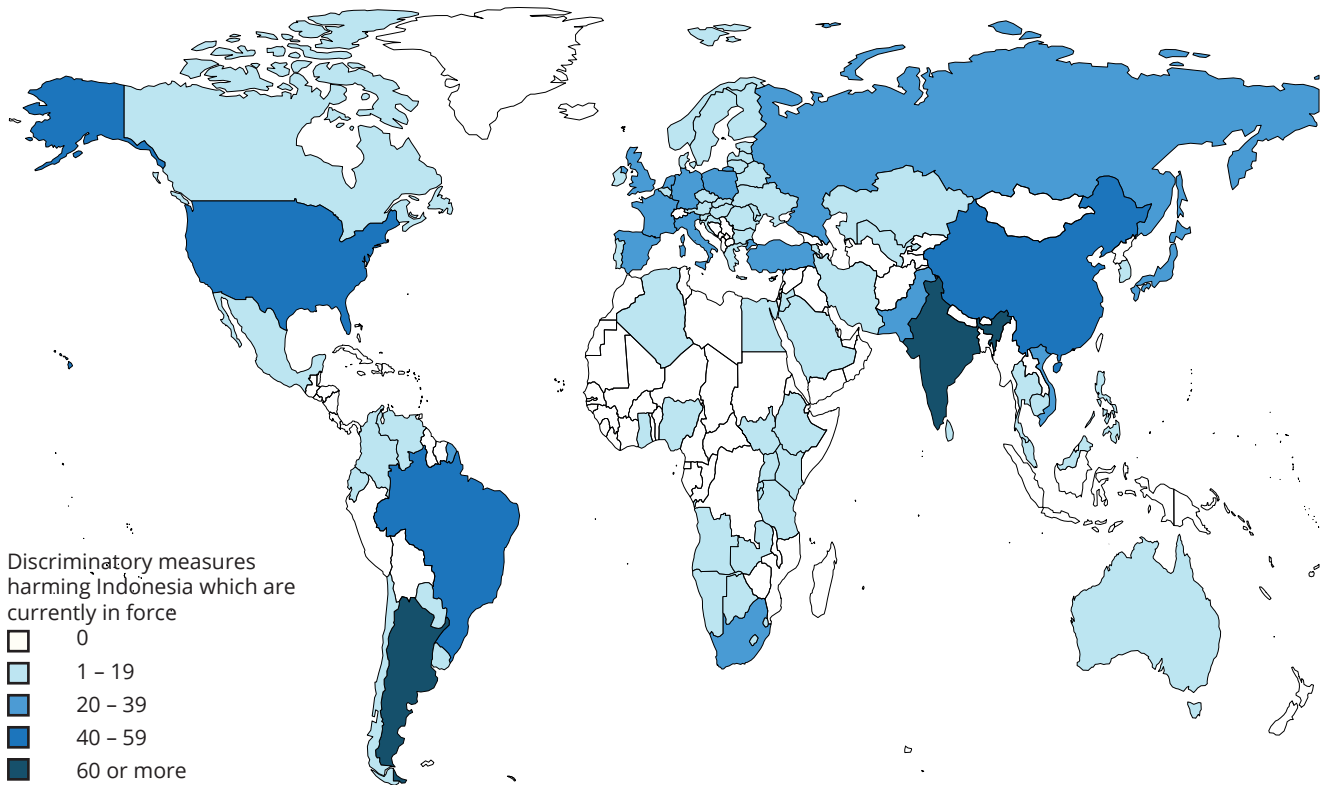
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF INDONESIA'S IMPORTS</b>
China	17.19%
Singapore	14.14%
Japan	9.55%
South Korea	6.65%
Malaysia	6.09%
Thailand	5.49%
United States	4.60%
Saudi Arabia	3.66%
Australia	3.17%
Germany	2.30%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF INDONESIA'S EXPORTS</b>
Japan	14.02%
China	13.32%
United States	10.53%
Singapore	10.21%
India	8.26%
South Korea	6.67%
Malaysia	4.61%
Thailand	3.96%
Australia	2.95%
Germany	2.68%

## COUNTRIES HARMED BY INDONESIA'S DISCRIMINATORY MEASURES

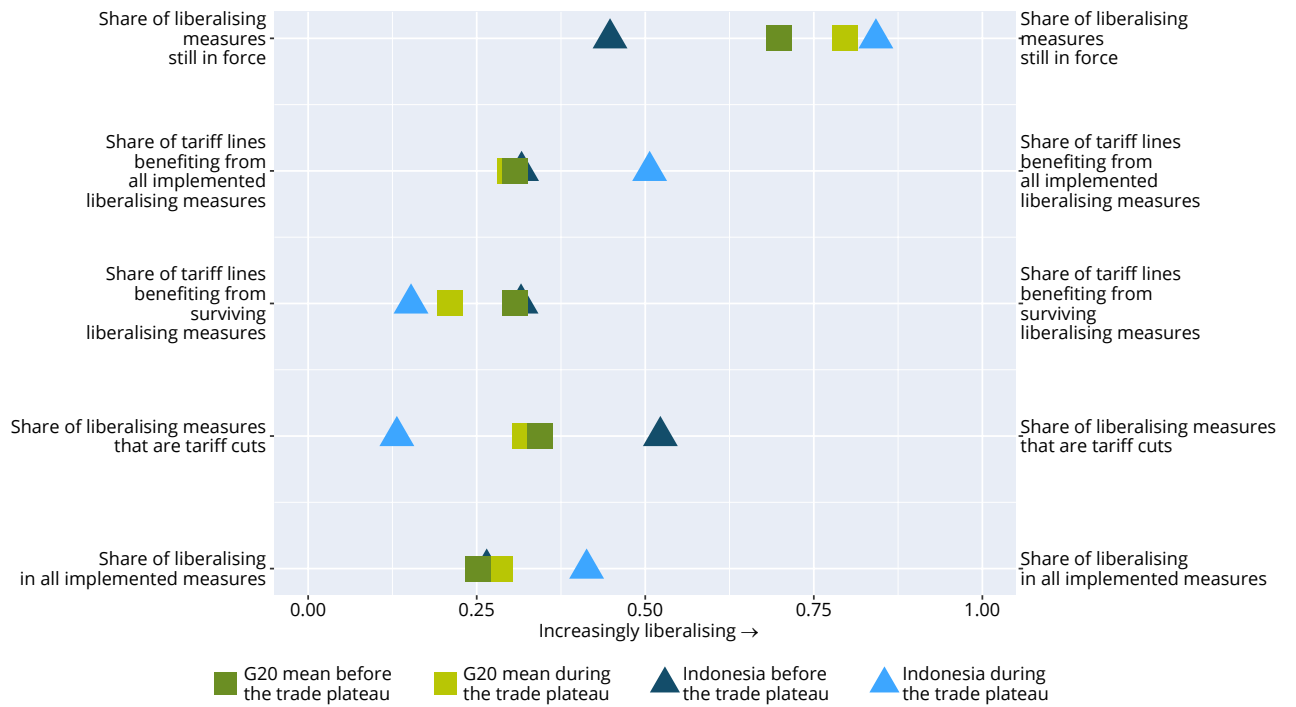


## DISCRIMINATORY MEASURES HARMING INDONESIA'S INTERESTS



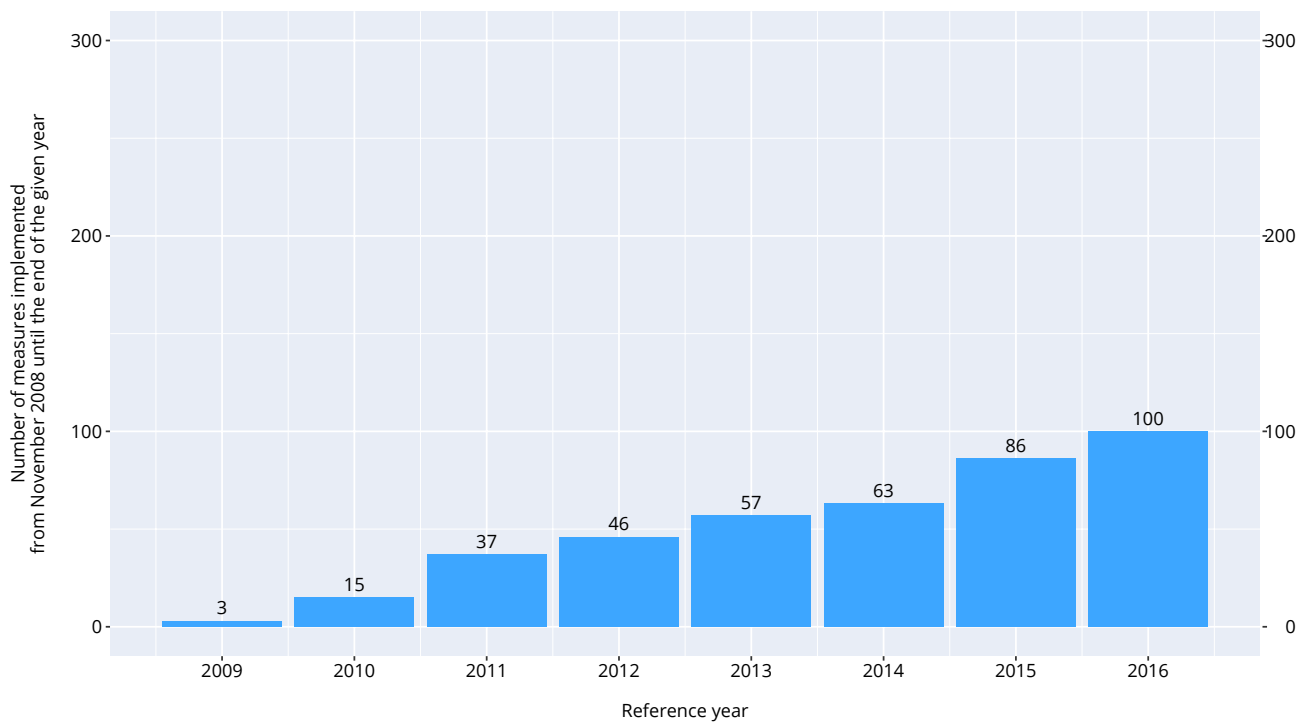
## INDONESIA

### Track record of liberalisation



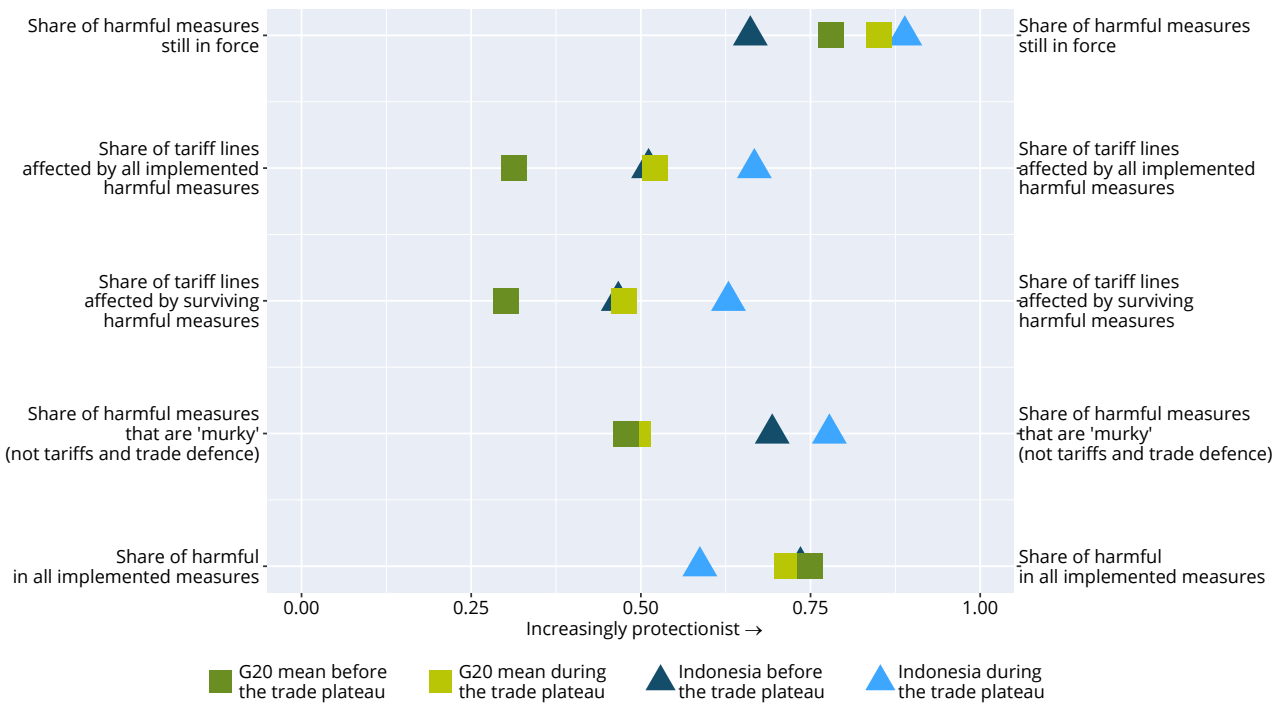
## INDONESIA

### Number of liberalising measures imposed since November 2008



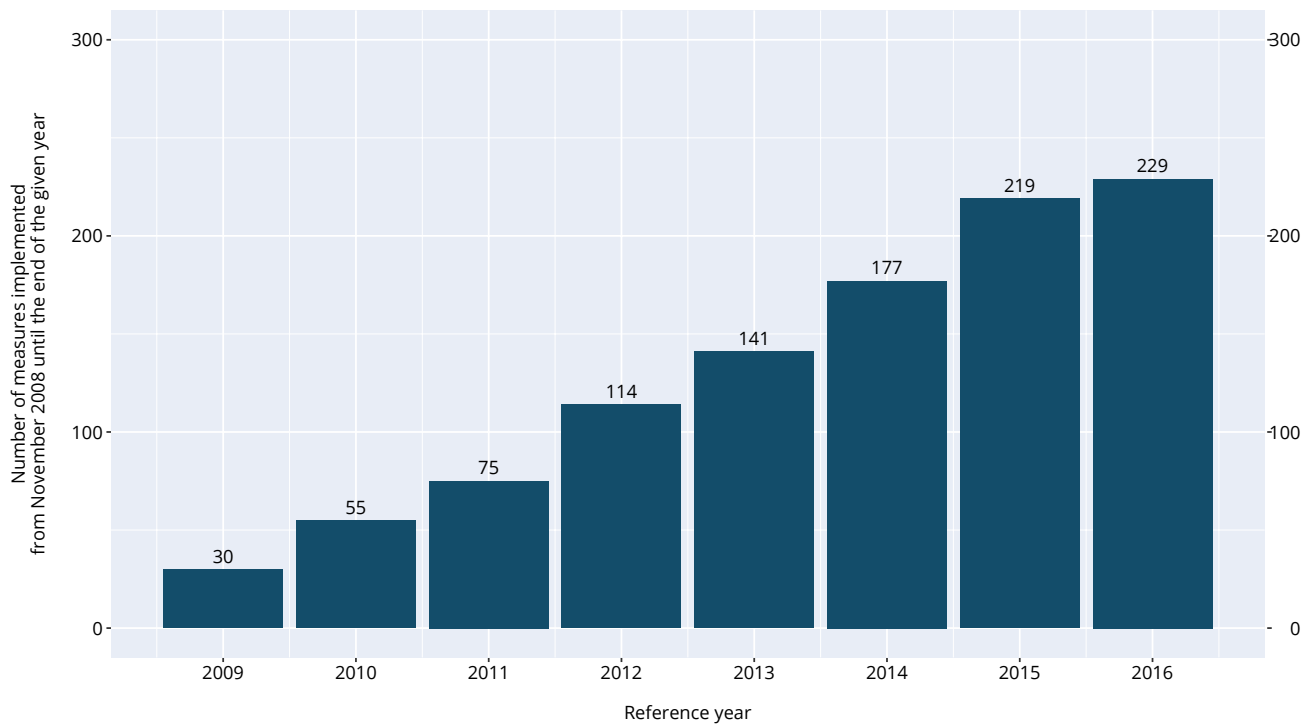
## INDONESIA

### Track record of protectionism



## INDONESIA

### Number of discriminatory measures imposed since November 2008



# ITALY

**2.70%** of world imports in 2014

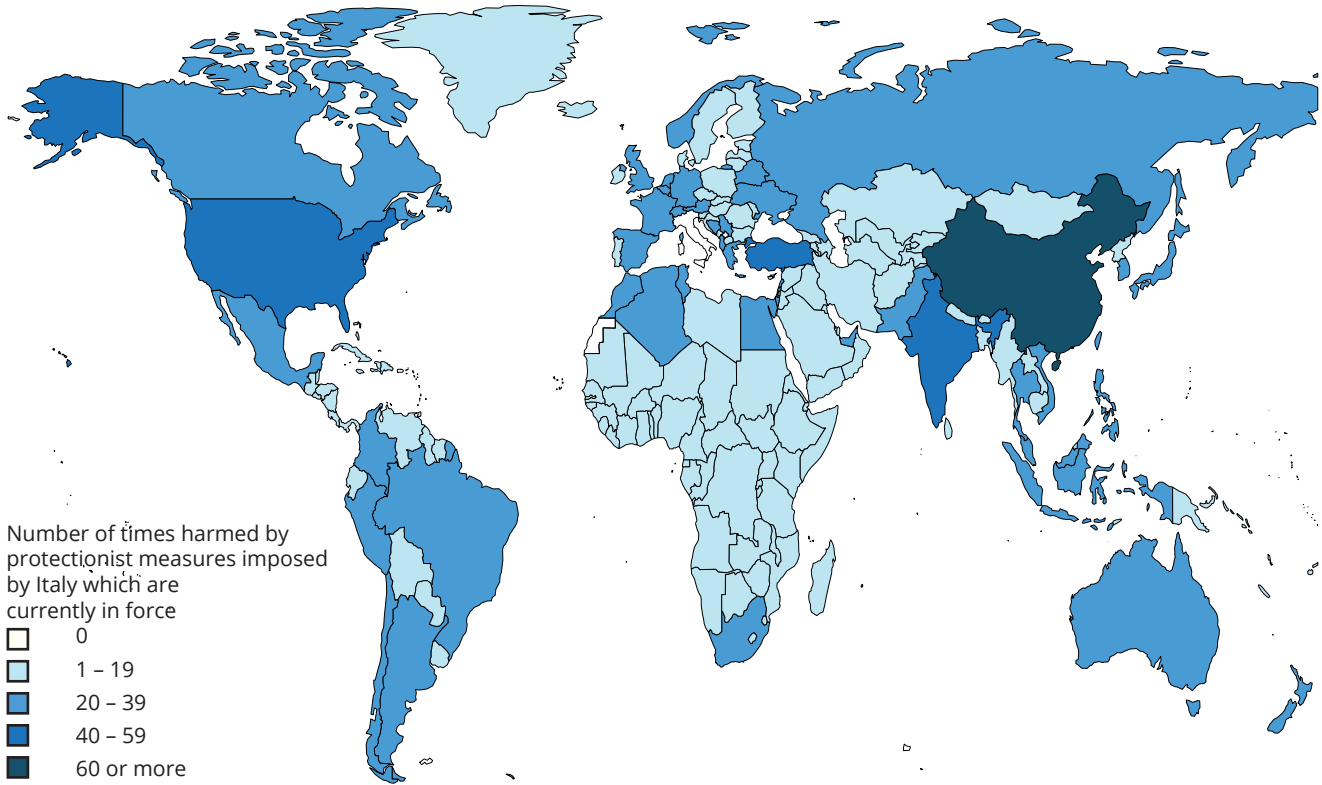
**2.74%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF ITALY'S IMPORTS</b>
Germany	15.44%
France	8.63%
China	7.08%
Netherlands	5.55%
Spain	4.80%
Russian Federation	4.57%
Belgium	4.22%
United States	3.52%
Switzerland	2.97%
United Kingdom	2.85%

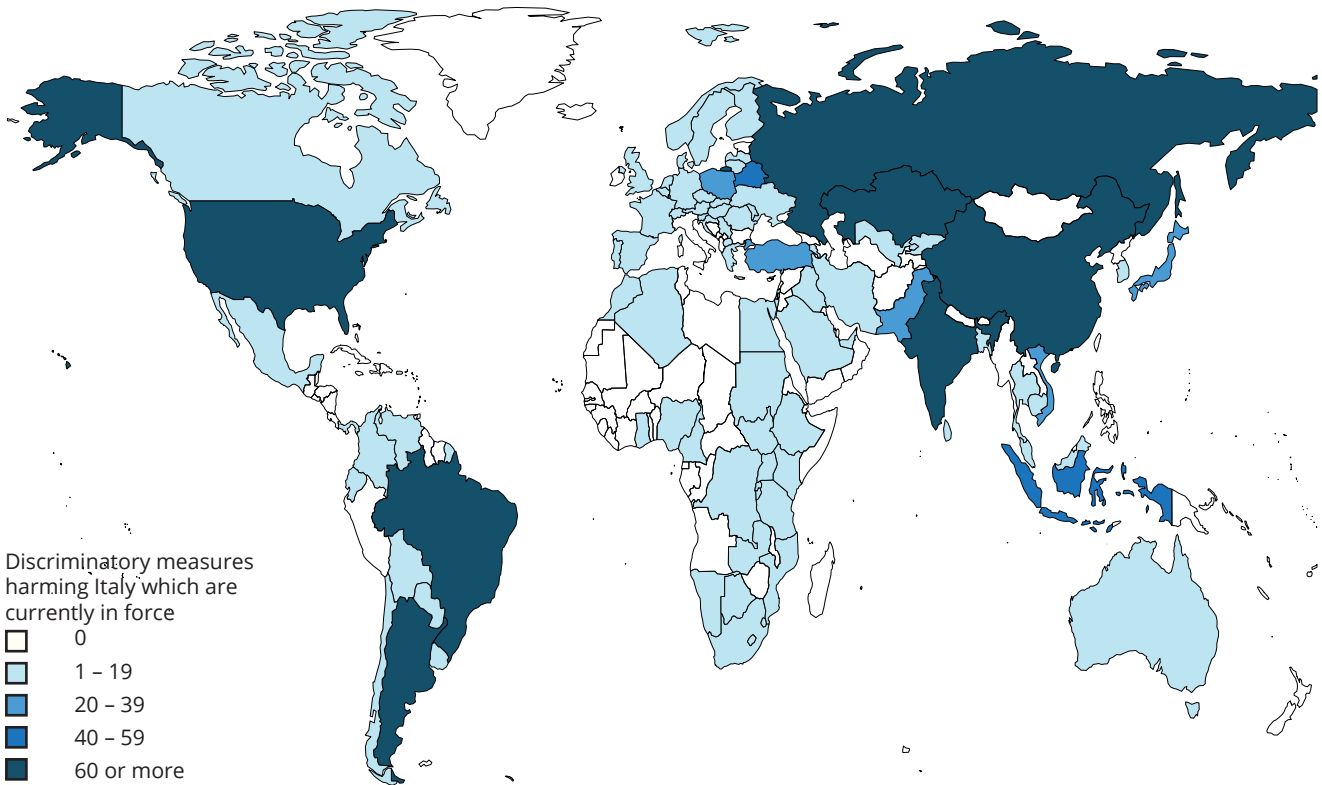
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF ITALY'S EXPORTS</b>
Germany	13.38%
France	10.04%
United States	8.79%
United Kingdom	5.94%
Switzerland	4.72%
Spain	4.31%
China	4.00%
Belgium	3.28%
Turkey	2.52%
Poland	2.38%



## COUNTRIES HARMED BY ITALY'S DISCRIMINATORY MEASURES

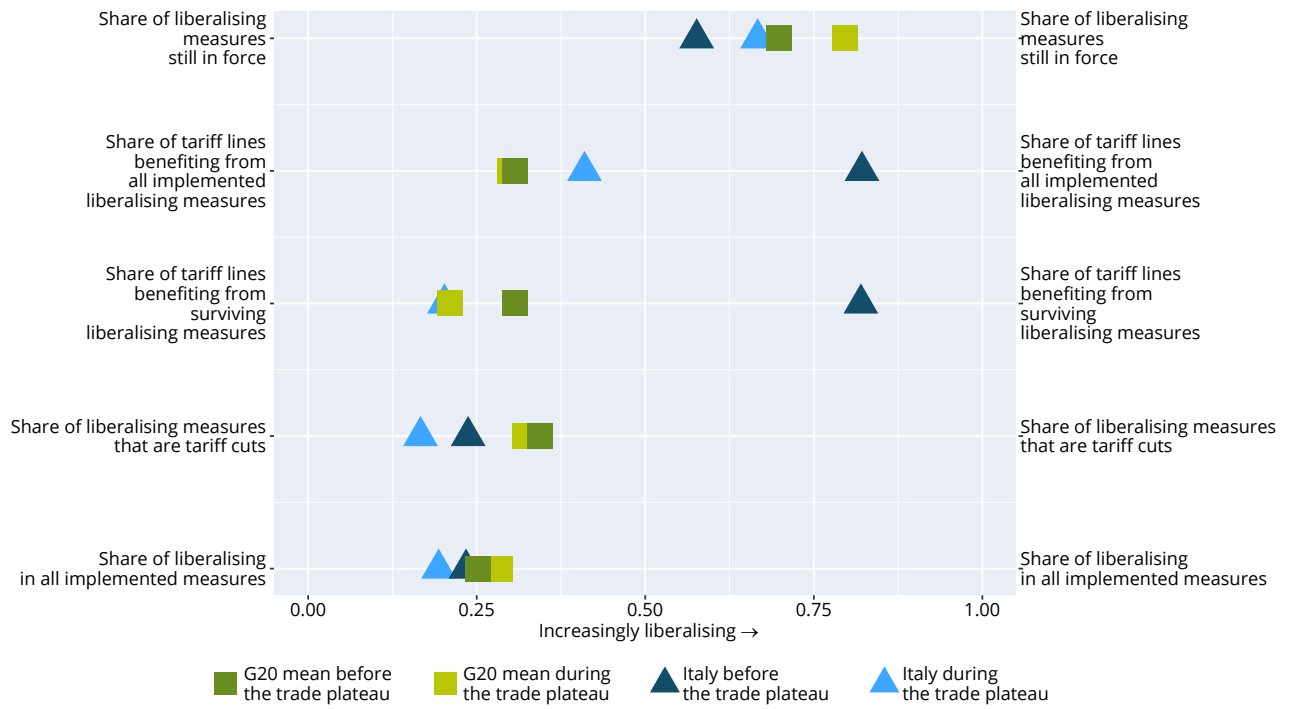


## DISCRIMINATORY MEASURES HARMING ITALY'S INTERESTS



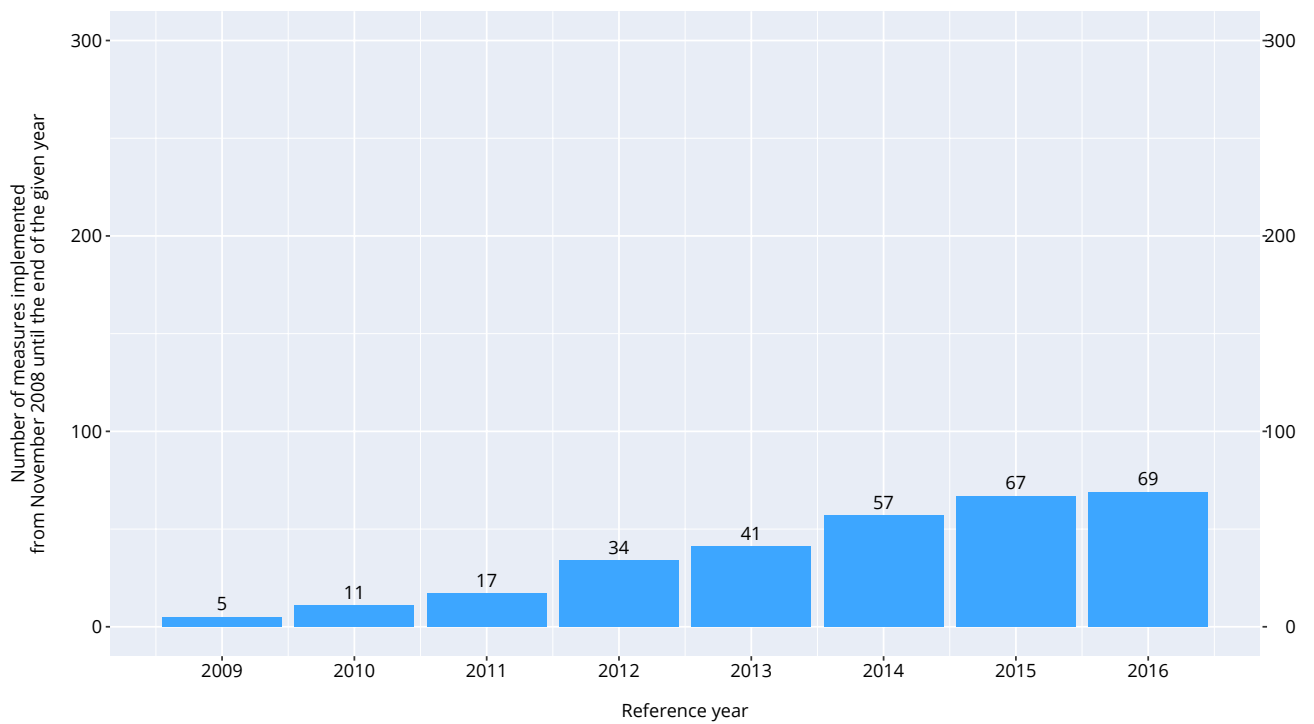
## ITALY

### Track record of liberalisation



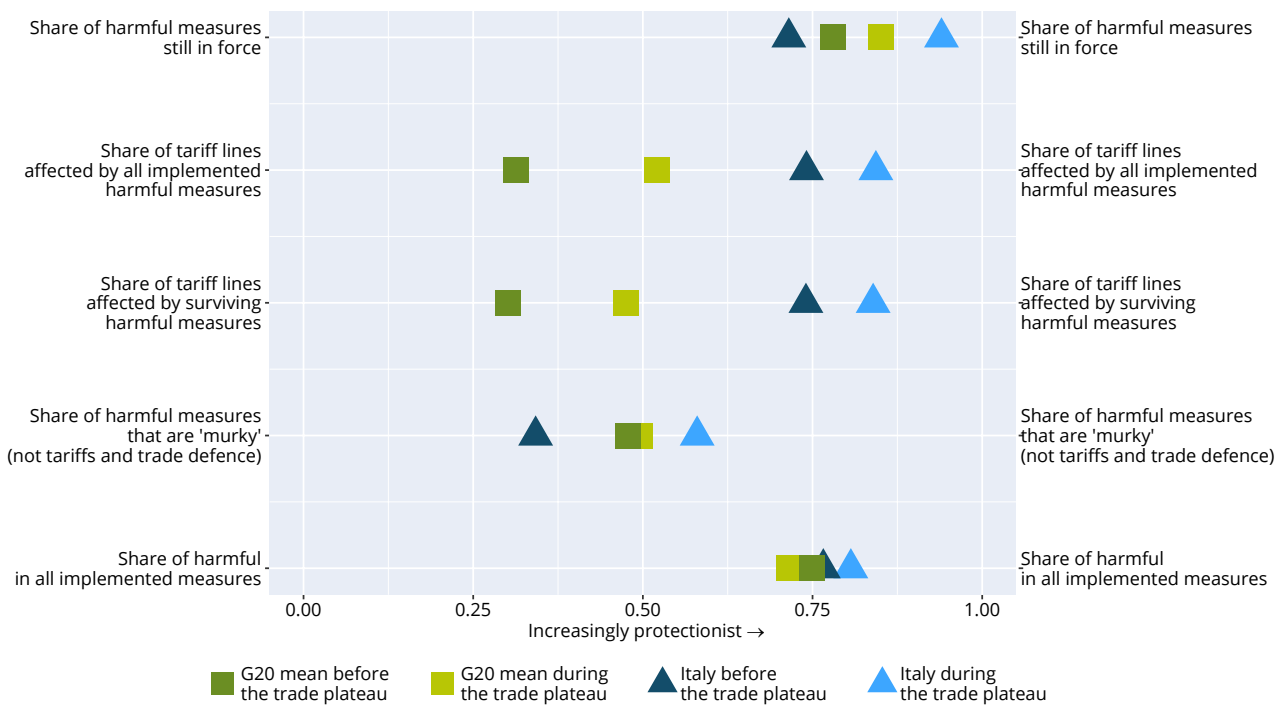
## ITALY

### Number of liberalising measures imposed since November 2008



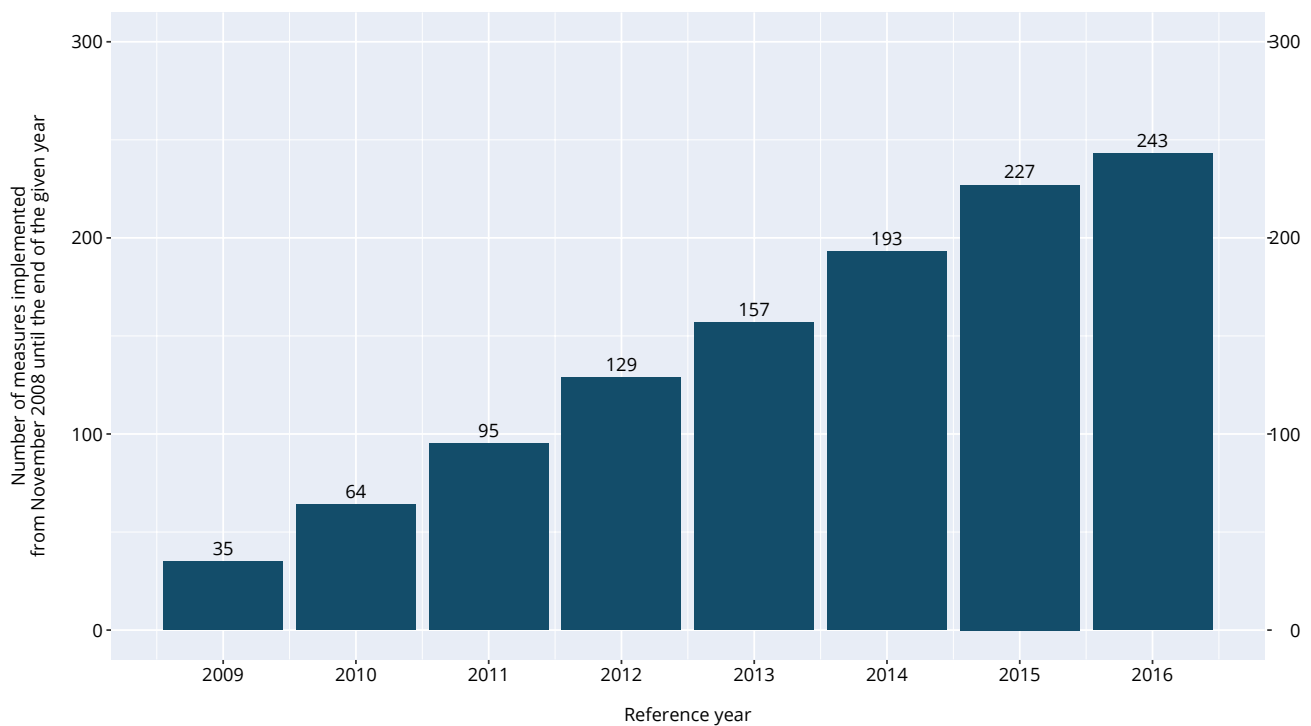
## ITALY

### Track record of protectionism



## ITALY

### Number of discriminatory measures imposed since November 2008



# JAPAN

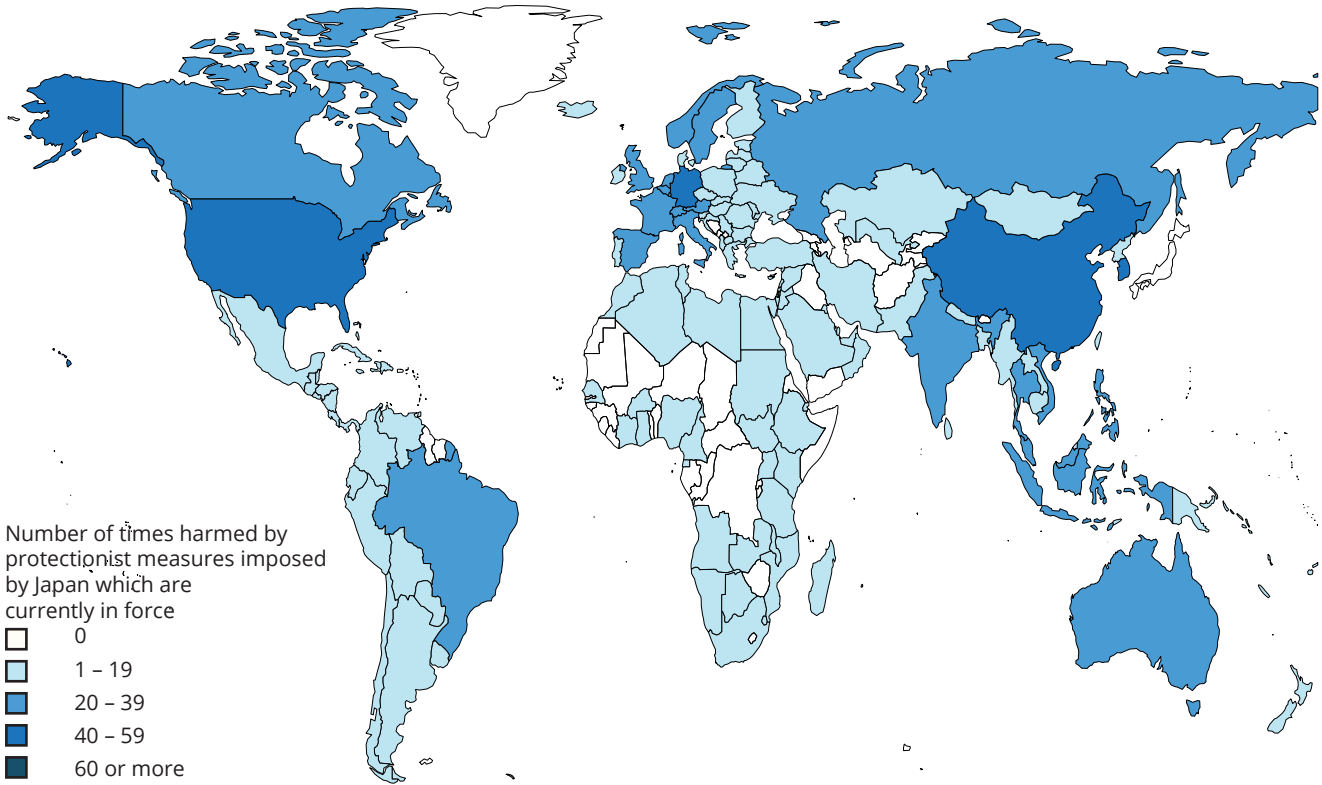
**4.70%** of world imports in 2014

**4.01%** of world exports in 2014

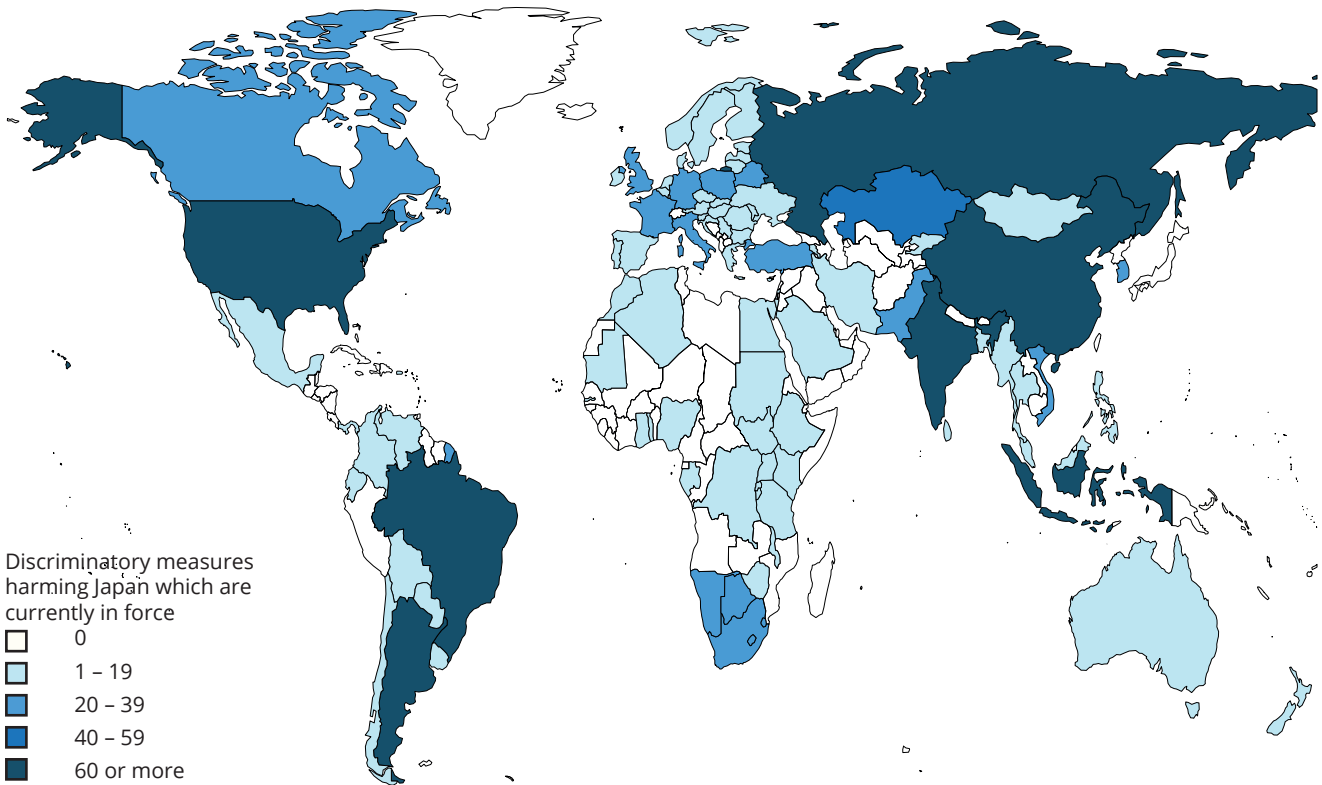
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF JAPAN'S IMPORTS</b>
China	22.11%
United States	9.05%
Australia	5.88%
Saudi Arabia	5.77%
United Arab Emirates	5.06%
South Korea	4.21%
Qatar	4.07%
Malaysia	3.56%
Indonesia	3.14%
Russian Federation	3.09%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF JAPAN'S EXPORTS</b>
China	23.22%
United States	19.11%
South Korea	7.67%
Hong Kong	5.54%
Thailand	5.09%
Germany	3.79%
Singapore	2.87%
Mexico	2.50%
Indonesia	2.42%
Malaysia	2.39%

## COUNTRIES HARMED BY JAPAN'S DISCRIMINATORY MEASURES

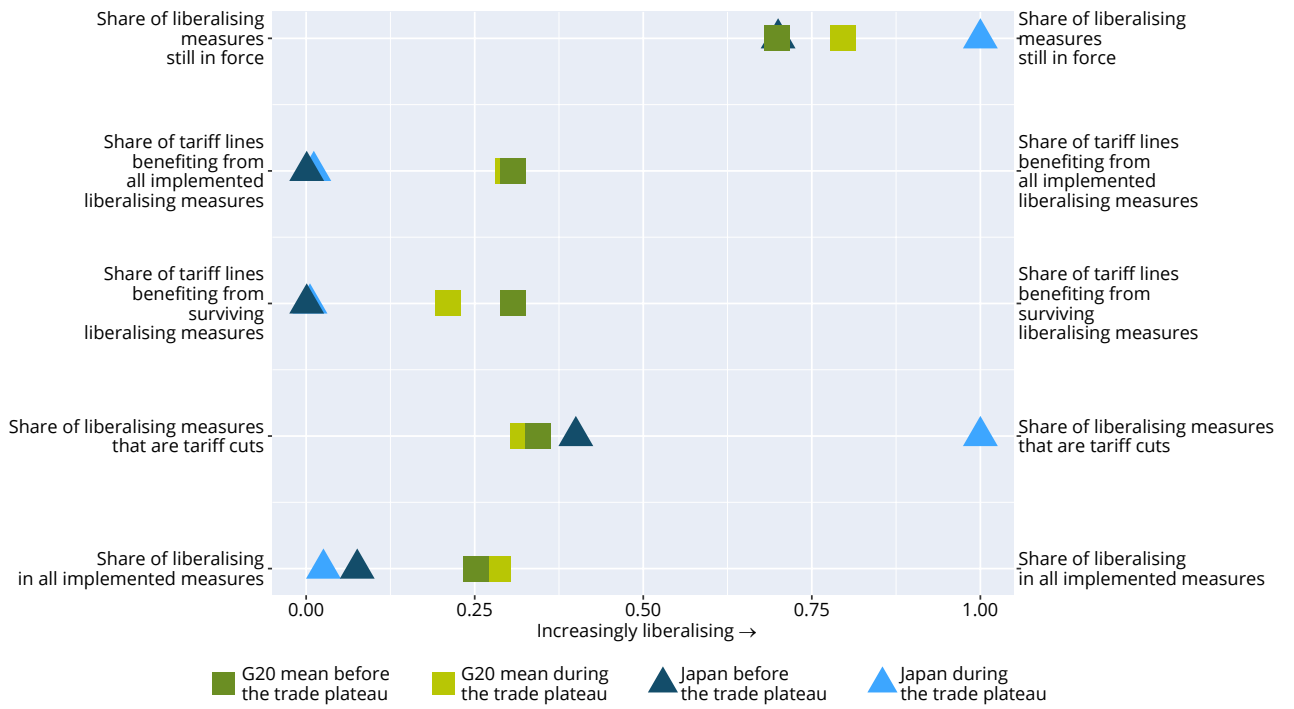


## DISCRIMINATORY MEASURES HARMING JAPAN'S INTERESTS



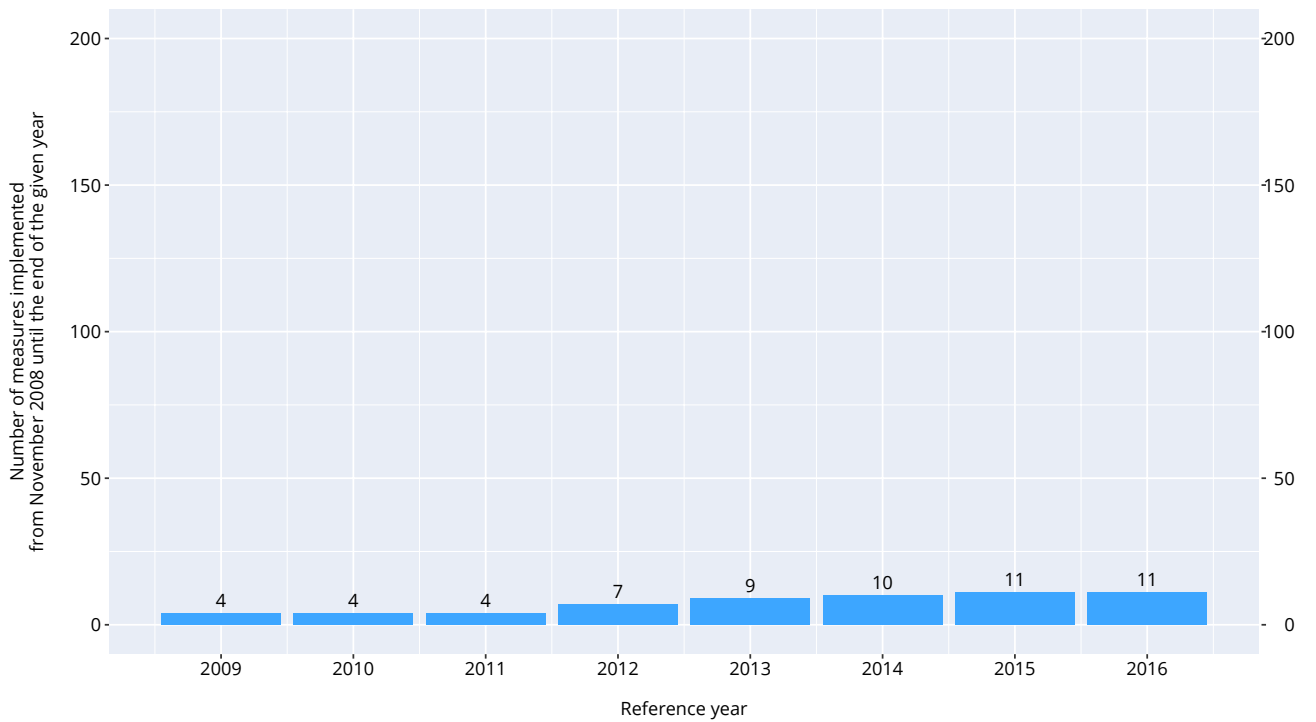
## JAPAN

### Track record of liberalisation



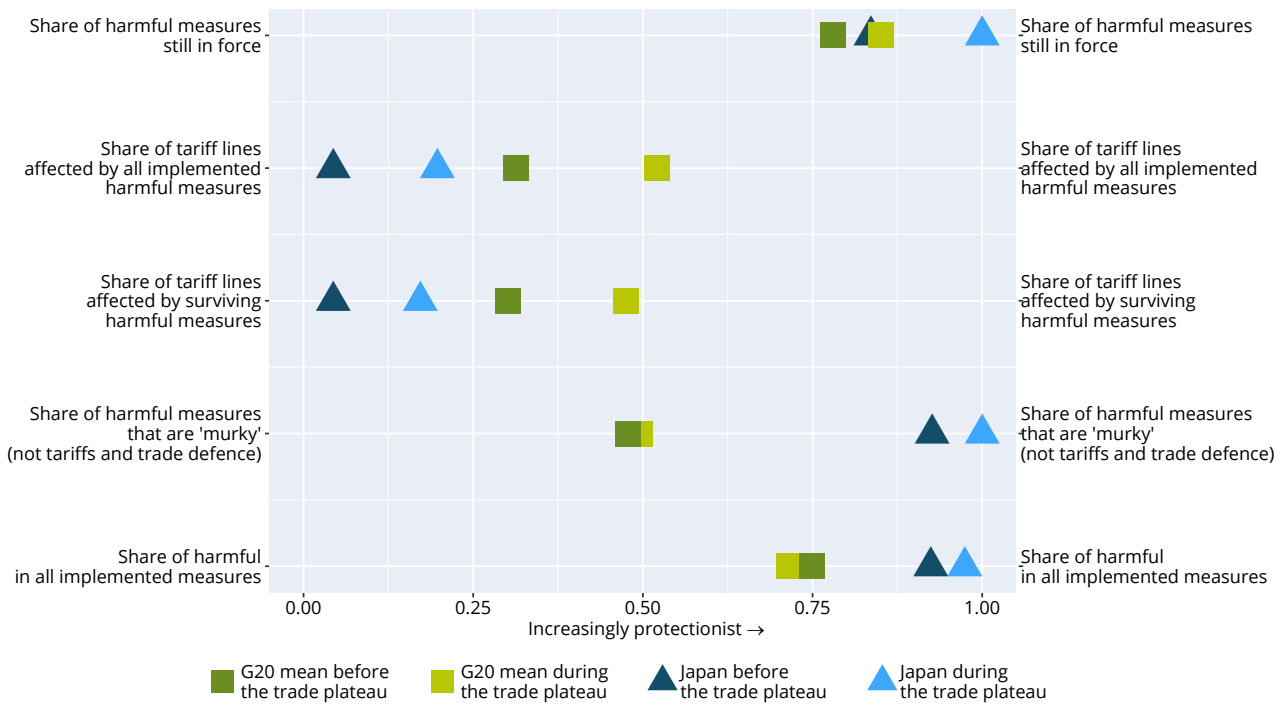
## JAPAN

### Number of liberalising measures imposed since November 2008



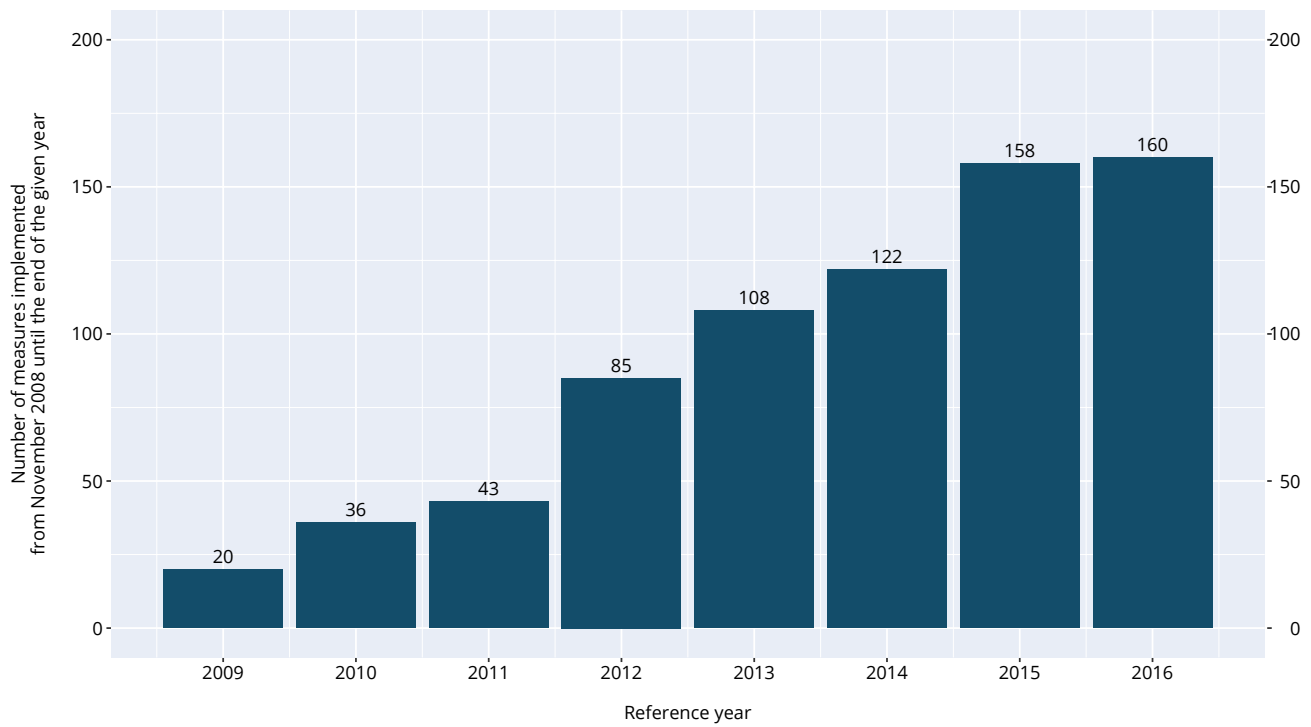
## JAPAN

### Track record of protectionism



## JAPAN

### Number of discriminatory measures imposed since November 2008



# MEXICO

**2.29%** of world imports in 2014

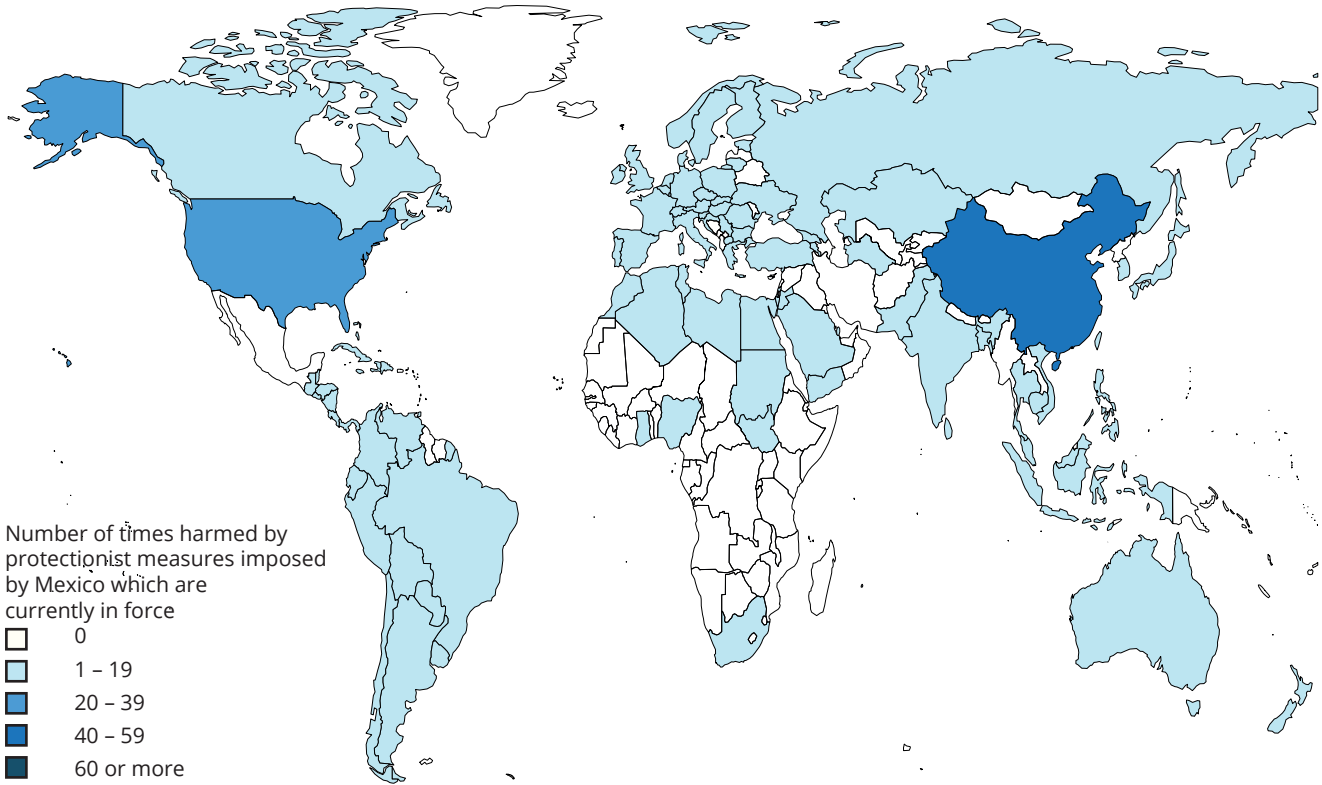
**2.31%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF MEXICO'S IMPORTS</b>
United States	48.97%
China	16.57%
Japan	4.39%
South Korea	3.44%
Germany	3.44%
Canada	2.51%
Malaysia	1.64%
Taiwan	1.59%
Italy	1.30%
Spain	1.19%

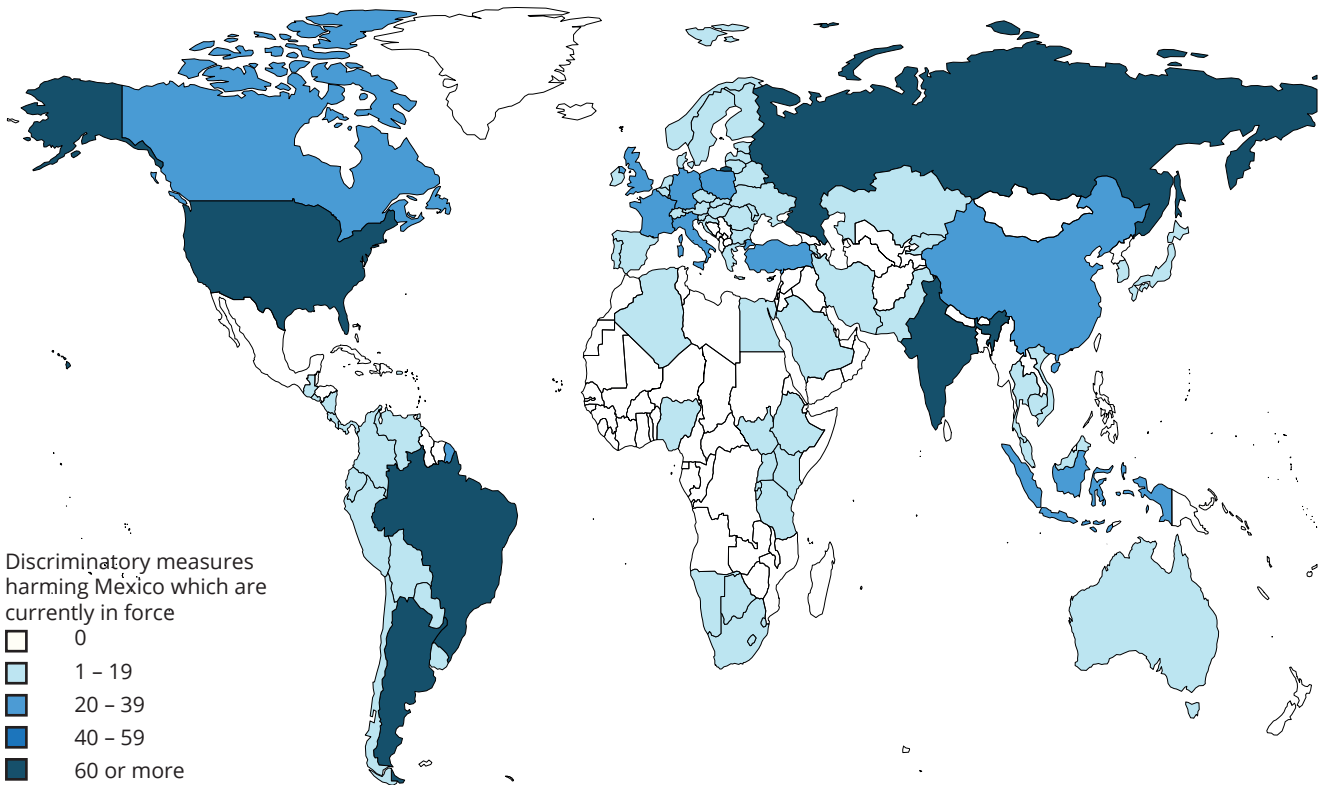
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF MEXICO'S EXPORTS</b>
United States	72.80%
Canada	6.44%
China	2.77%
Spain	1.68%
Brazil	1.33%
Colombia	1.31%
Germany	1.22%
Japan	1.08%
India	0.85%
South Korea	0.81%



## COUNTRIES HARMED BY MEXICO'S DISCRIMINATORY MEASURES

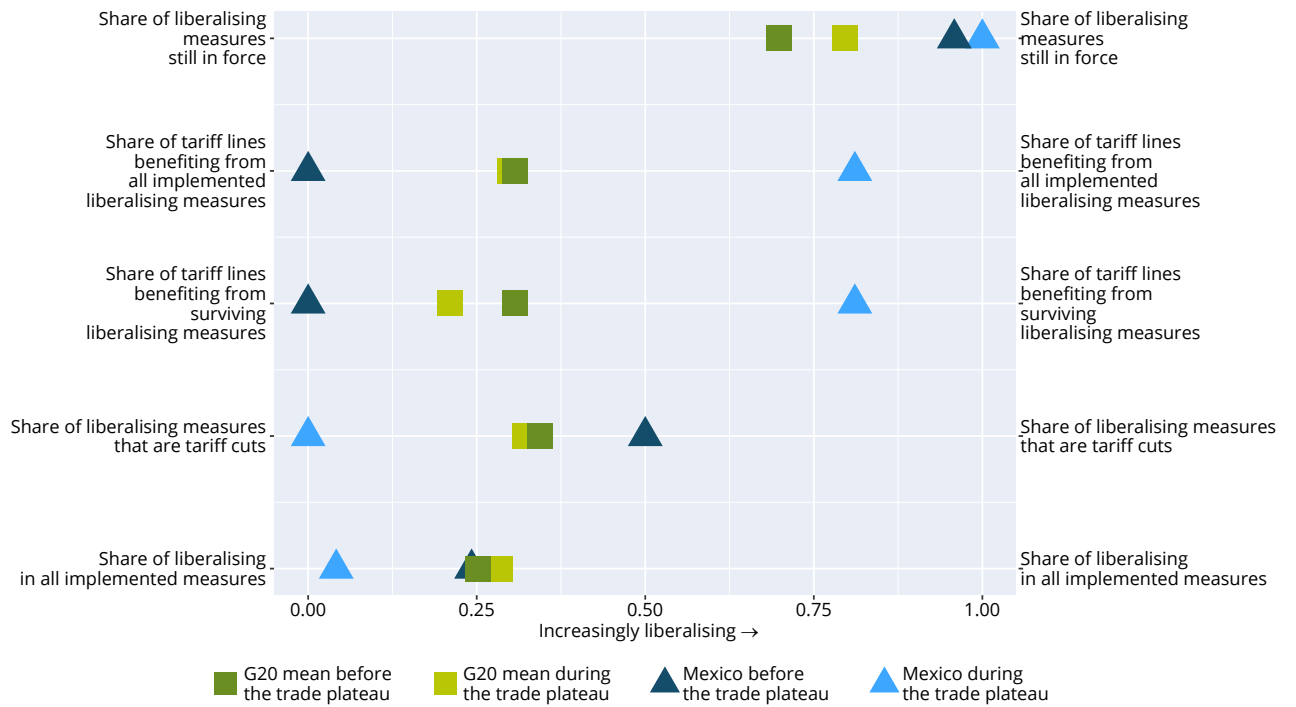


## DISCRIMINATORY MEASURES HARMING MEXICO'S INTERESTS



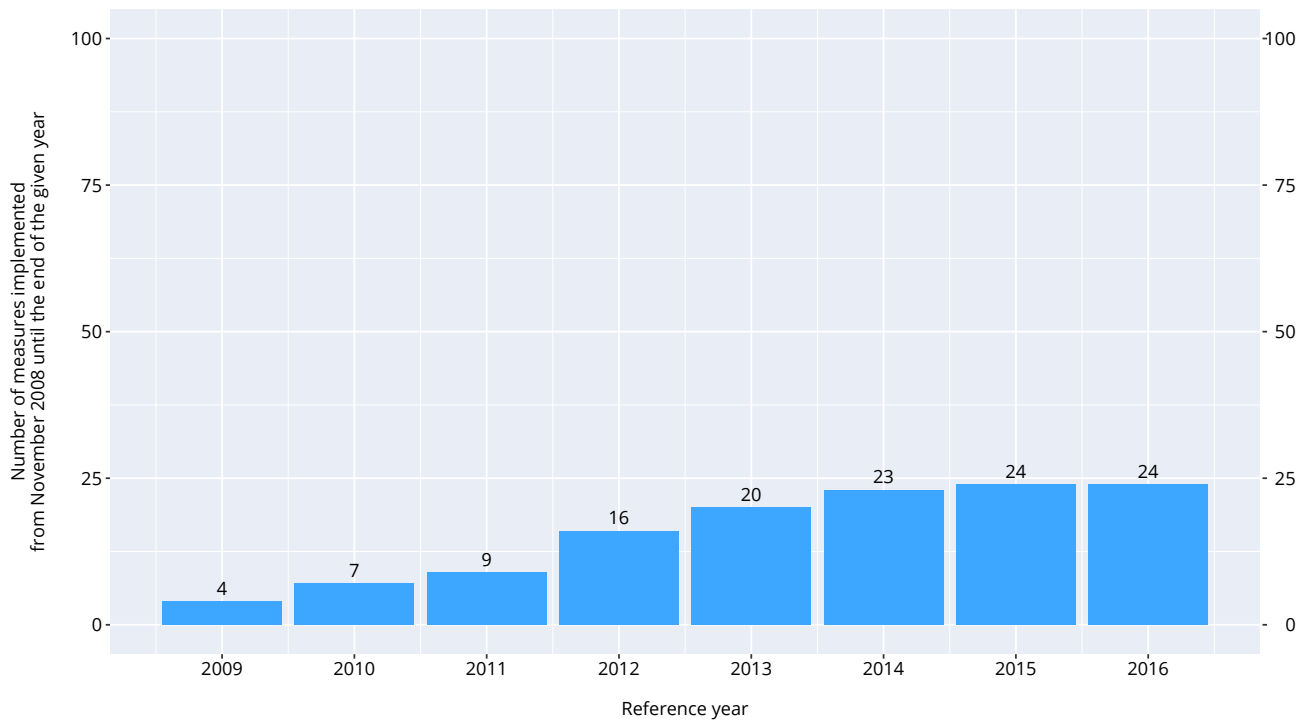
## MEXICO

### Track record of liberalisation



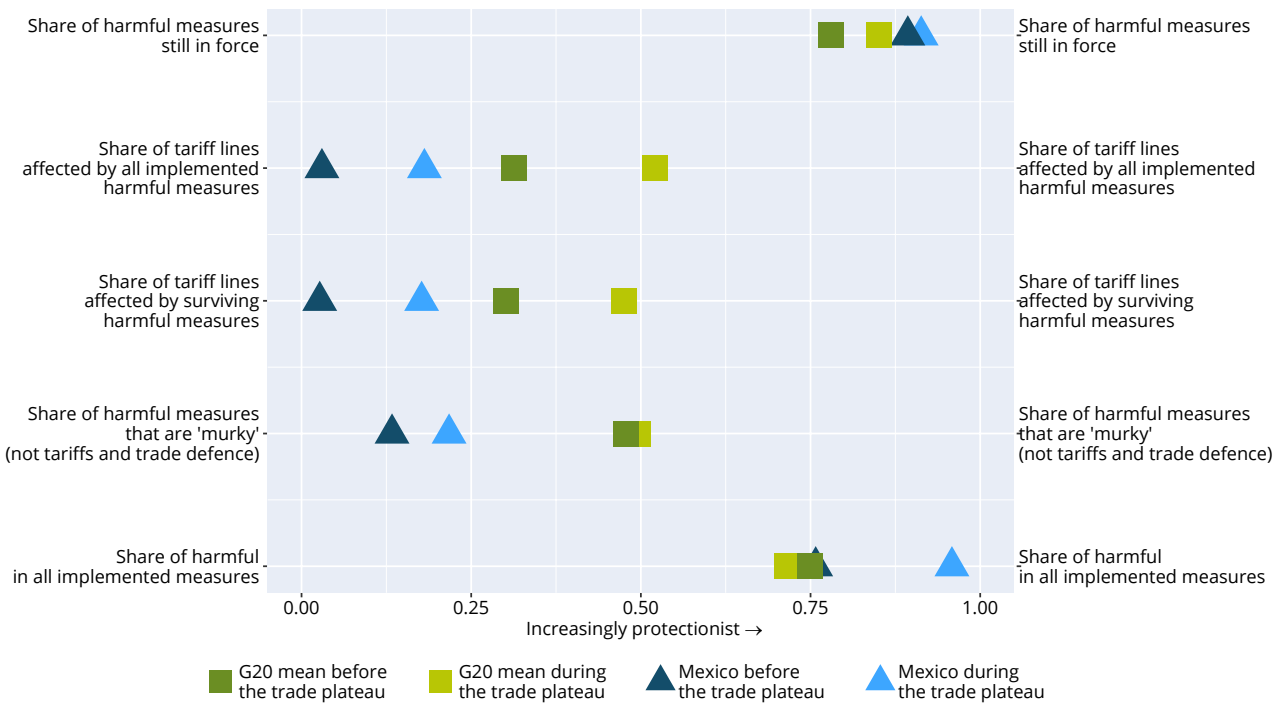
## MEXICO

### Number of liberalising measures imposed since November 2008



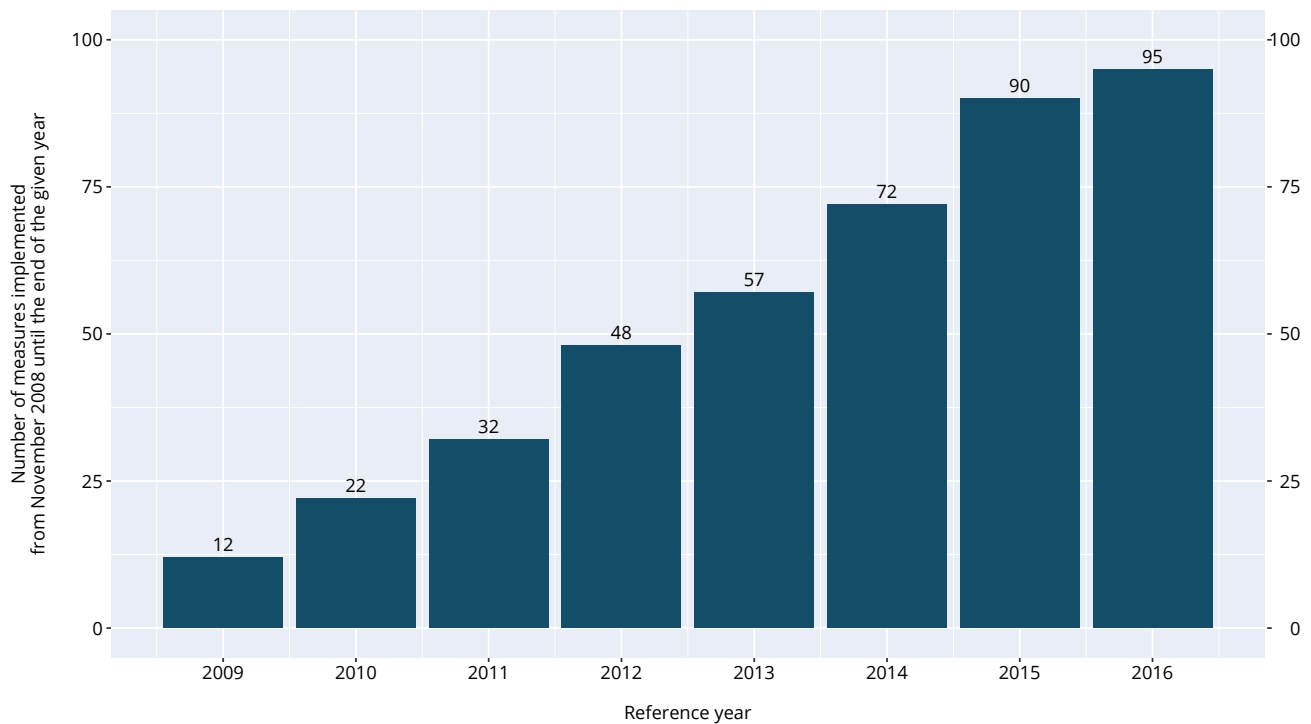
## MEXICO

### Track record of protectionism



## MEXICO

### Number of discriminatory measures imposed since November 2008



# RUSSIA

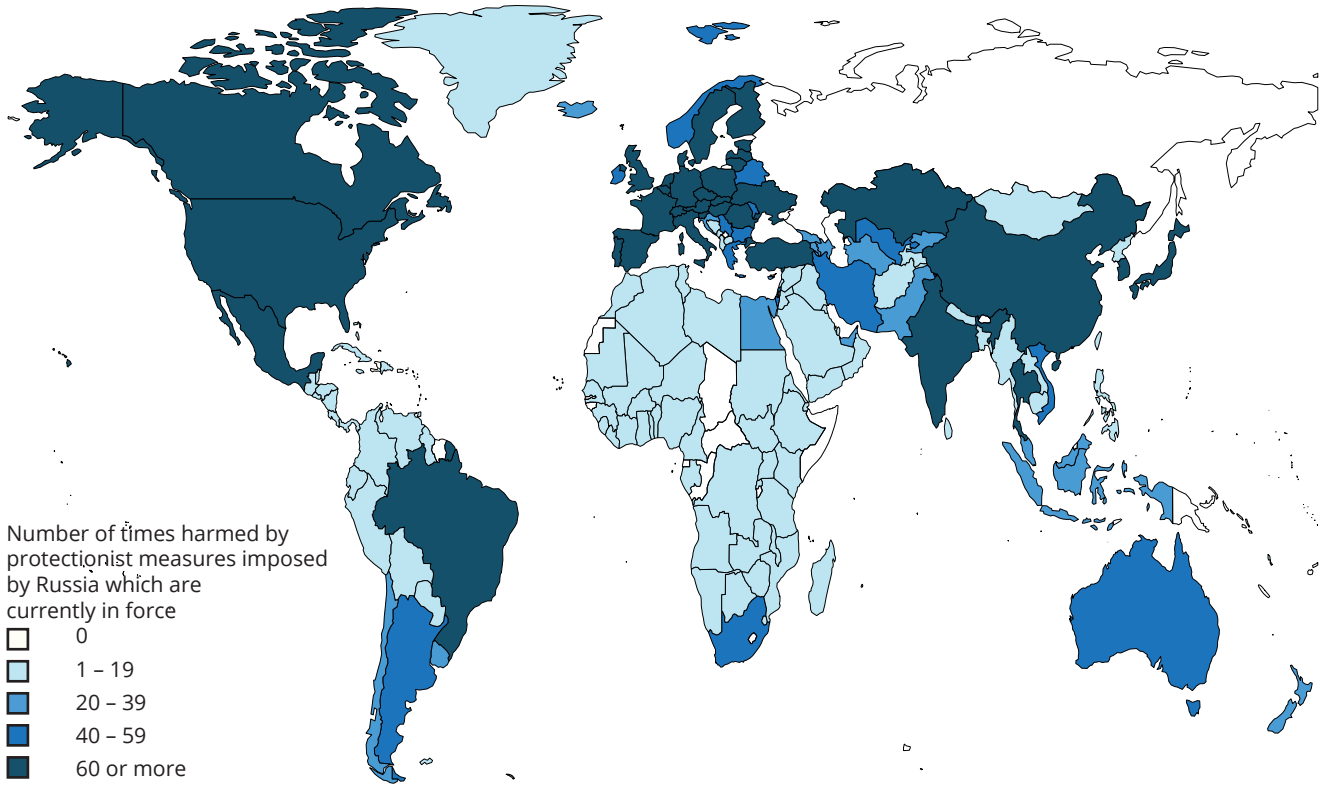
**1.64%** of world imports in 2014

**2.59%** of world exports in 2014

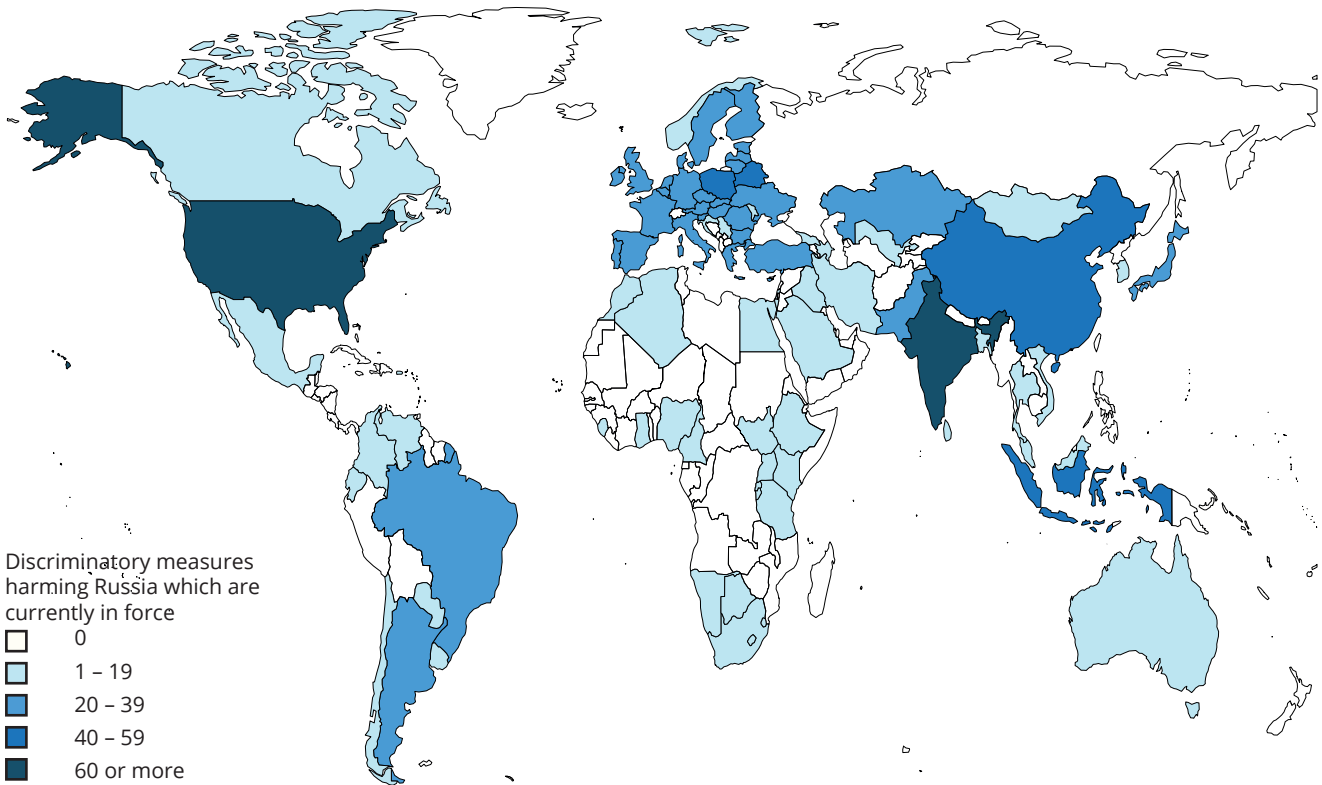
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF RUSSIA'S IMPORTS</b>
Germany	12.70%
Switzerland	7.79%
China	6.80%
United Kingdom	5.29%
Belarus	4.28%
France	3.80%
Netherlands	3.68%
Ireland	3.56%
South Korea	3.49%
Ukraine	3.33%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF RUSSIA'S EXPORTS</b>
China	9.19%
Germany	8.17%
Japan	5.60%
Turkey	5.58%
Netherlands	5.24%
United States	5.22%
Poland	5.17%
Belarus	4.83%
Italy	4.74%
South Korea	3.46%

## COUNTRIES HARMED BY RUSSIA'S DISCRIMINATORY MEASURES

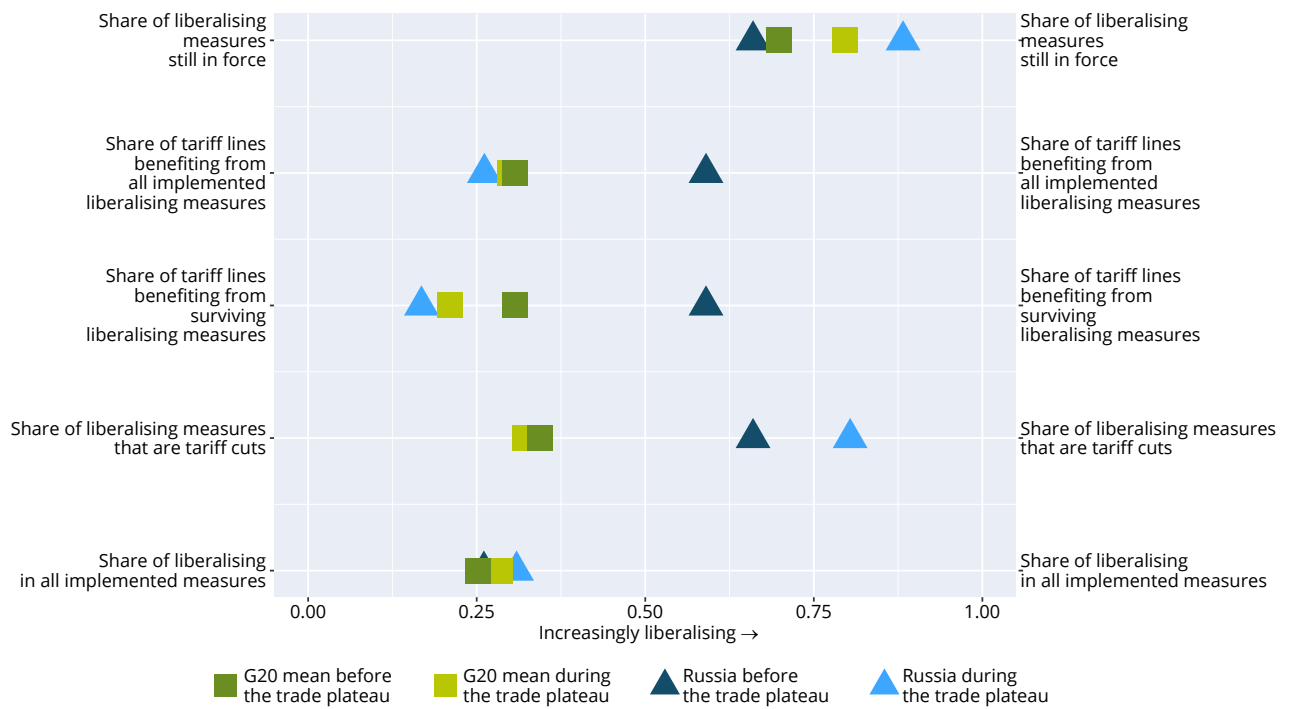


## DISCRIMINATORY MEASURES HARMING RUSSIA'S INTERESTS



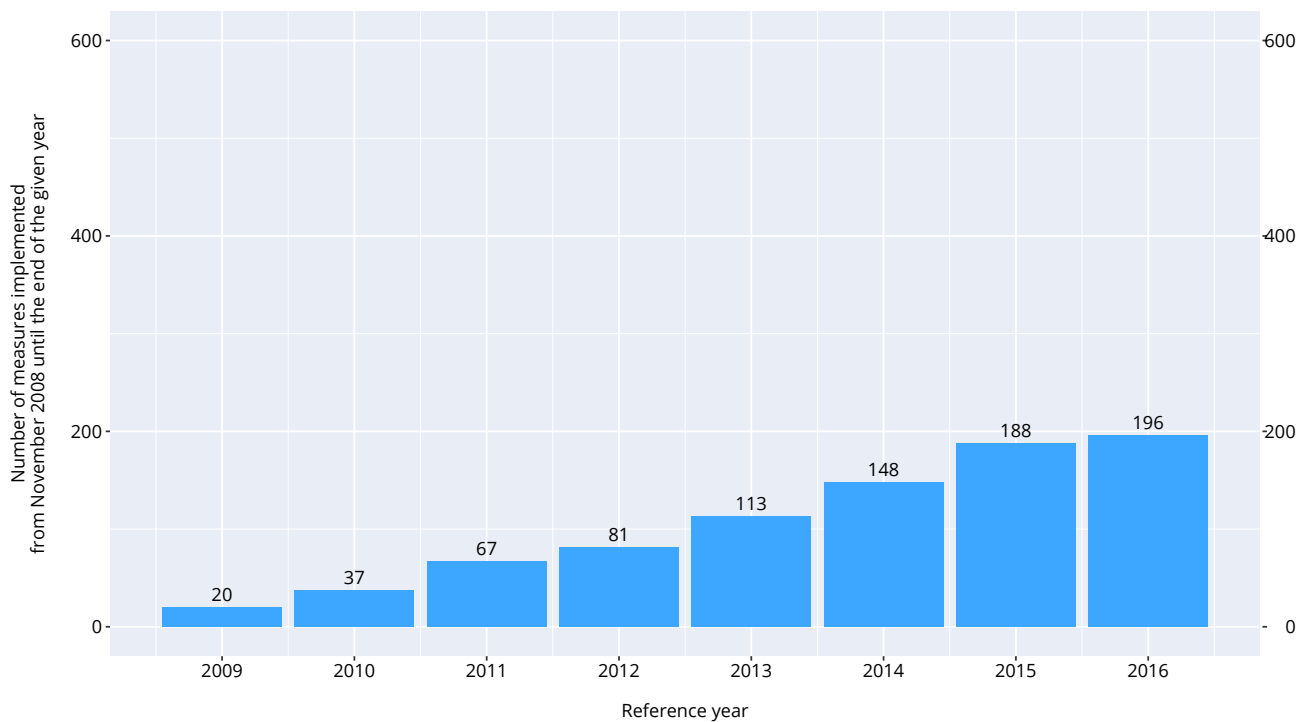
## RUSSIA

### Track record of liberalisation



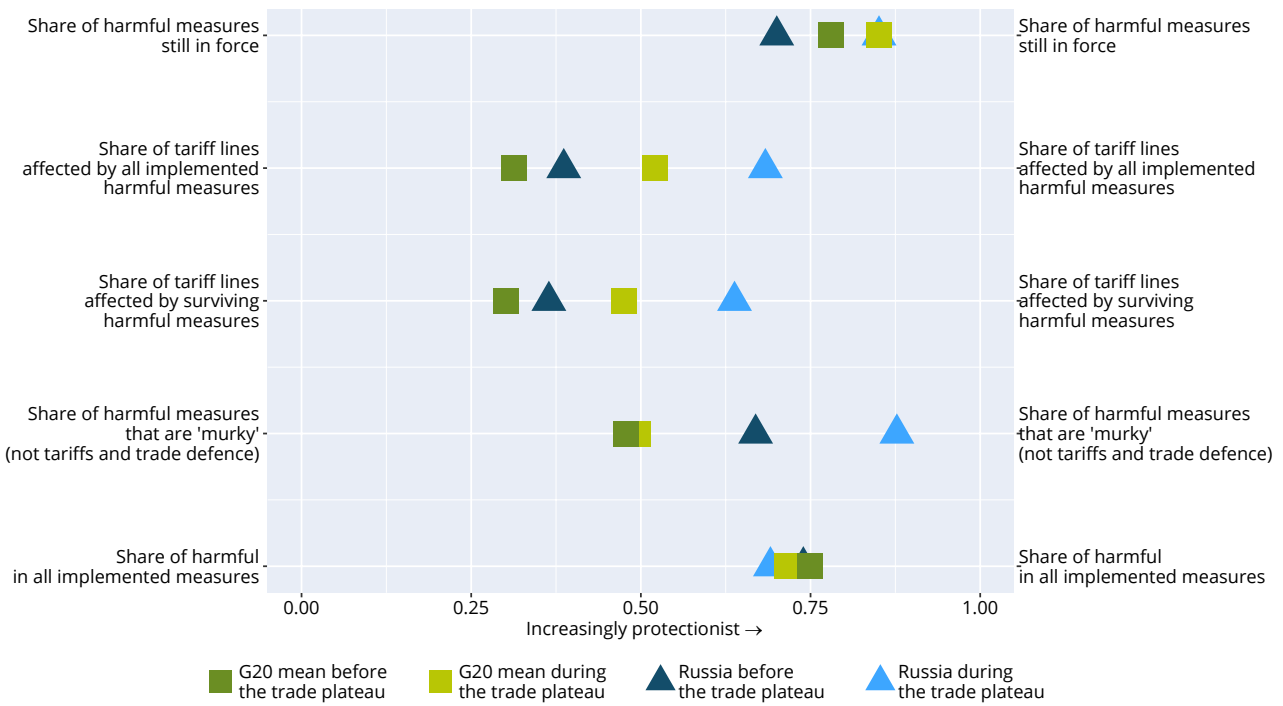
## RUSSIA

### Number of liberalising measures imposed since November 2008



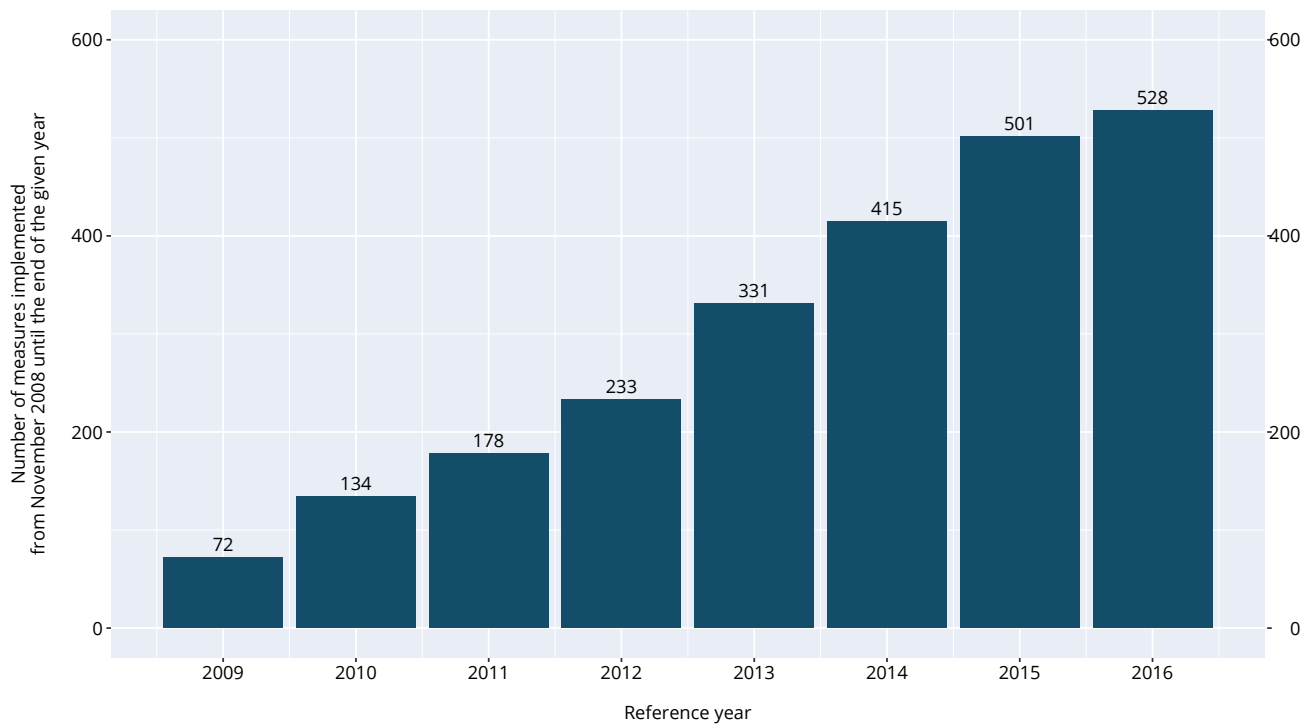
## RUSSIA

### Track record of protectionism



## RUSSIA

### Number of discriminatory measures imposed since November 2008



# SAUDI ARABIA

**0.90%** of world imports in 2014

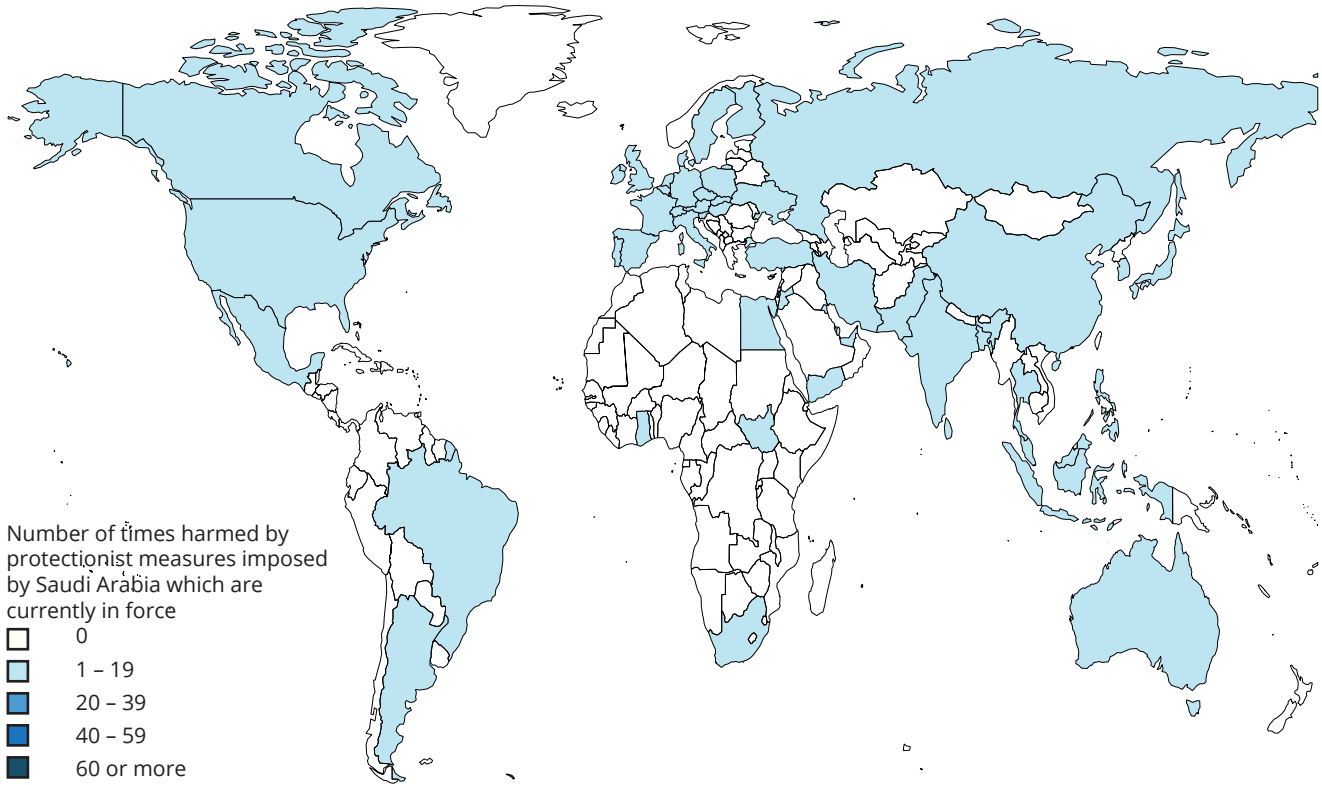
**1.91%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF SAUDI ARABIA'S IMPORTS</b>
China	13.07%
USA	11.88%
India	8.30%
Germany	7.56%
South Korea	5.26%
Japan	4.80%
United Kingdom	4.37%
Italy	4.07%
United Arab Emirates	3.55%
Switzerland	3.18%

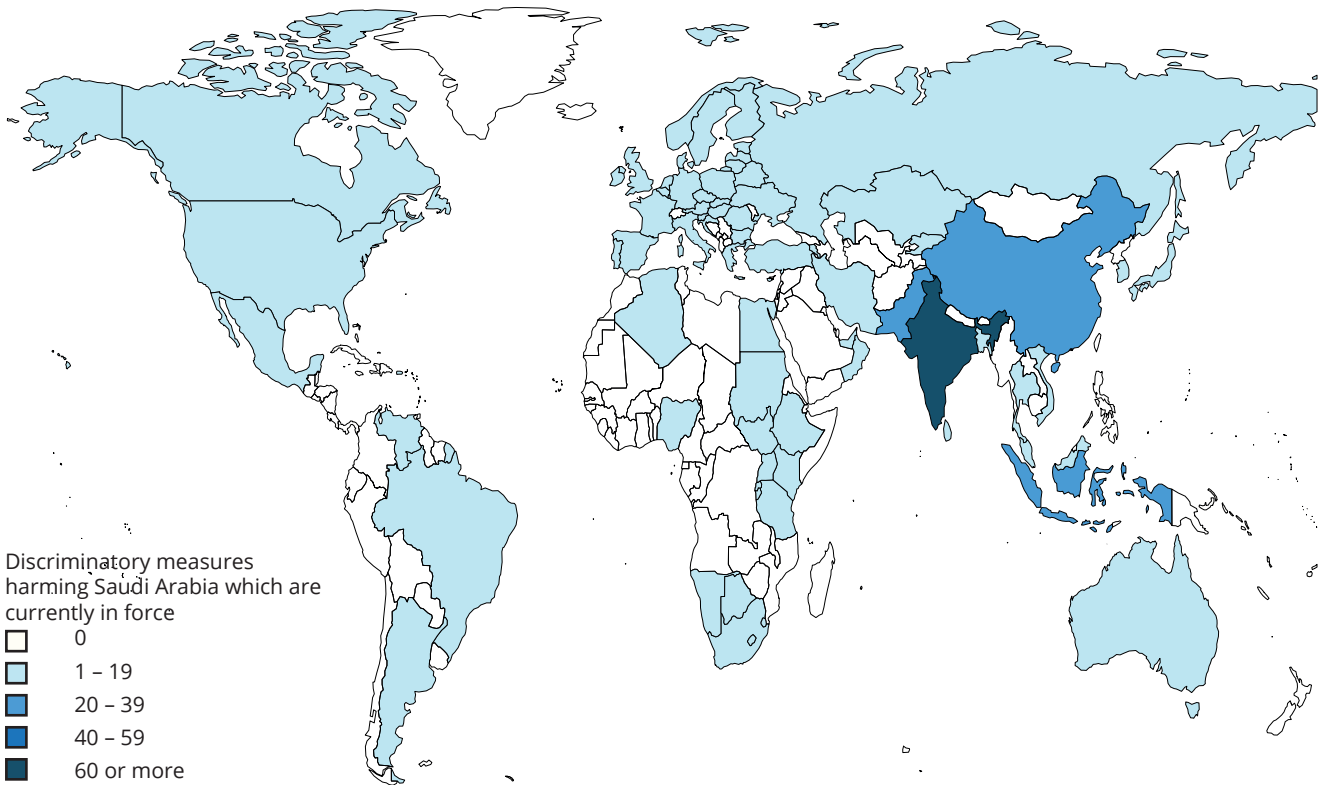
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF SAUDI ARABIA'S EXPORTS</b>
China	14.54%
Japan	14.22%
United States	14.10%
South Korea	11.01%
India	9.81%
Singapore	4.38%
France	2.82%
Bahrain	2.51%
Thailand	2.34%
South Africa	2.14%



## COUNTRIES HARMED BY SAUDI ARABIA'S DISCRIMINATORY MEASURES

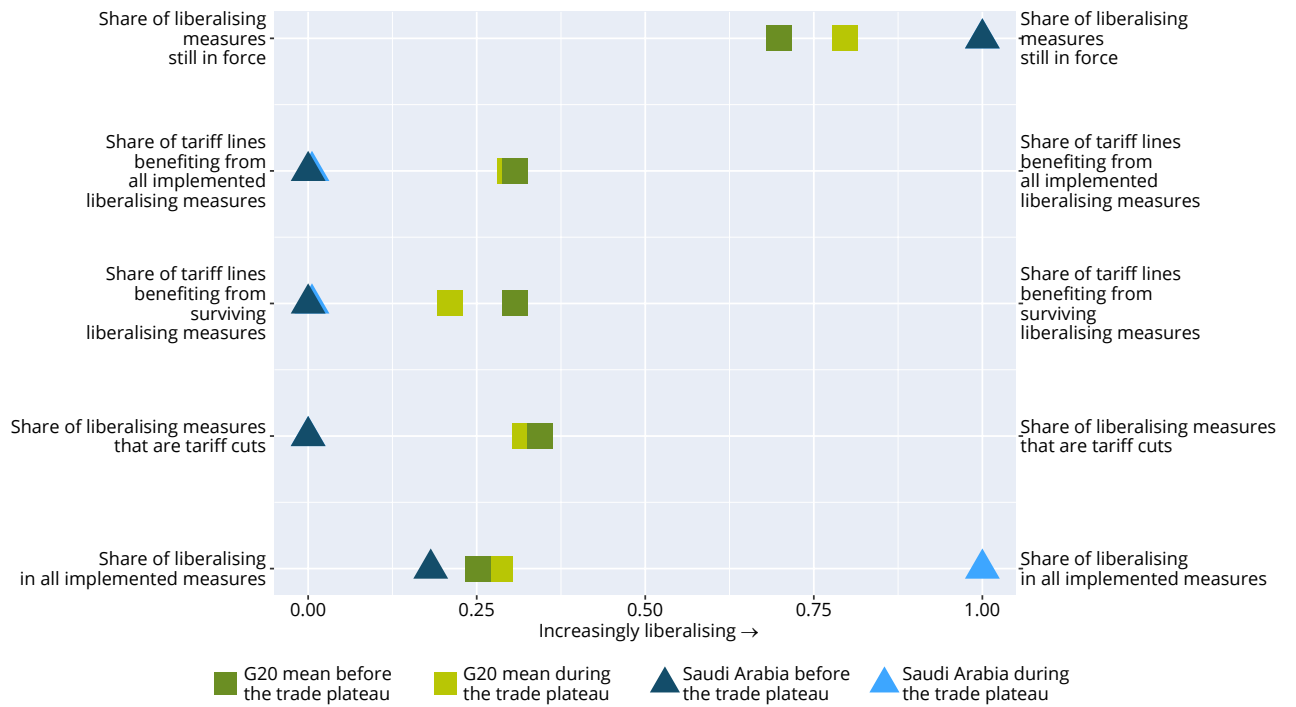


## DISCRIMINATORY MEASURES HARMING SAUDI ARABIA'S INTERESTS



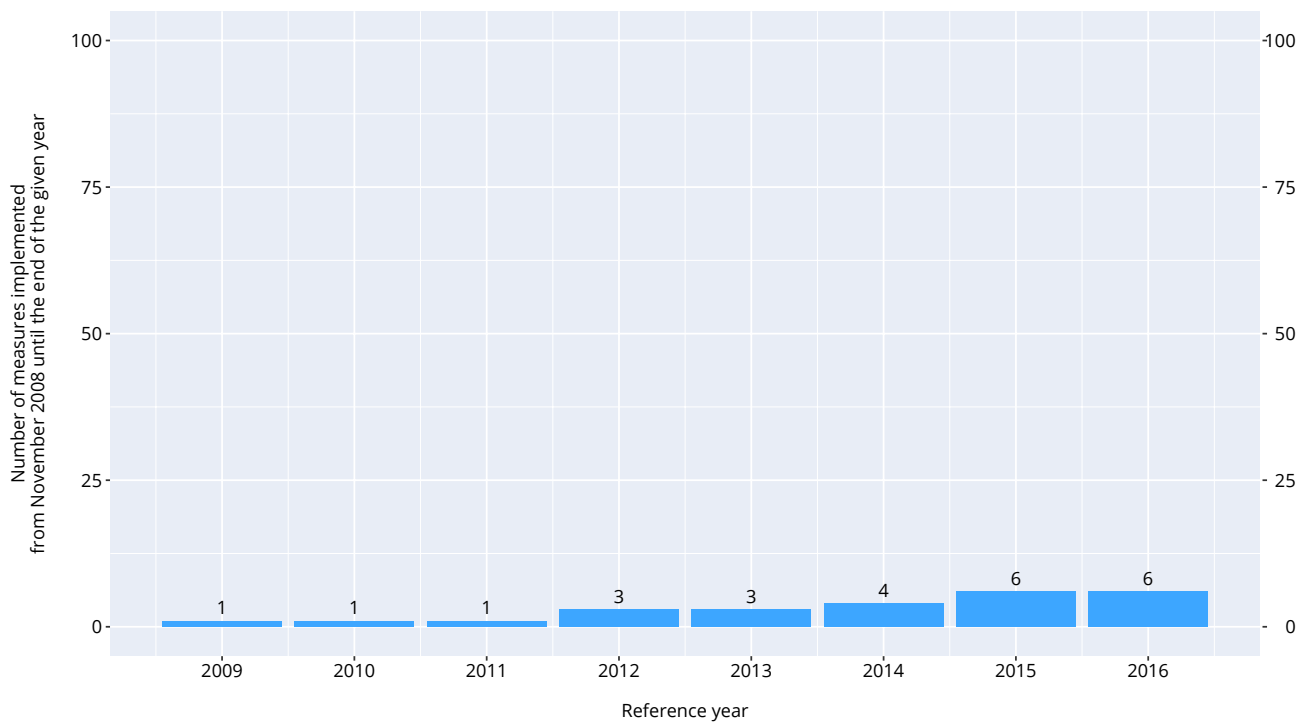
## SAUDI ARABIA

### Track record of liberalisation



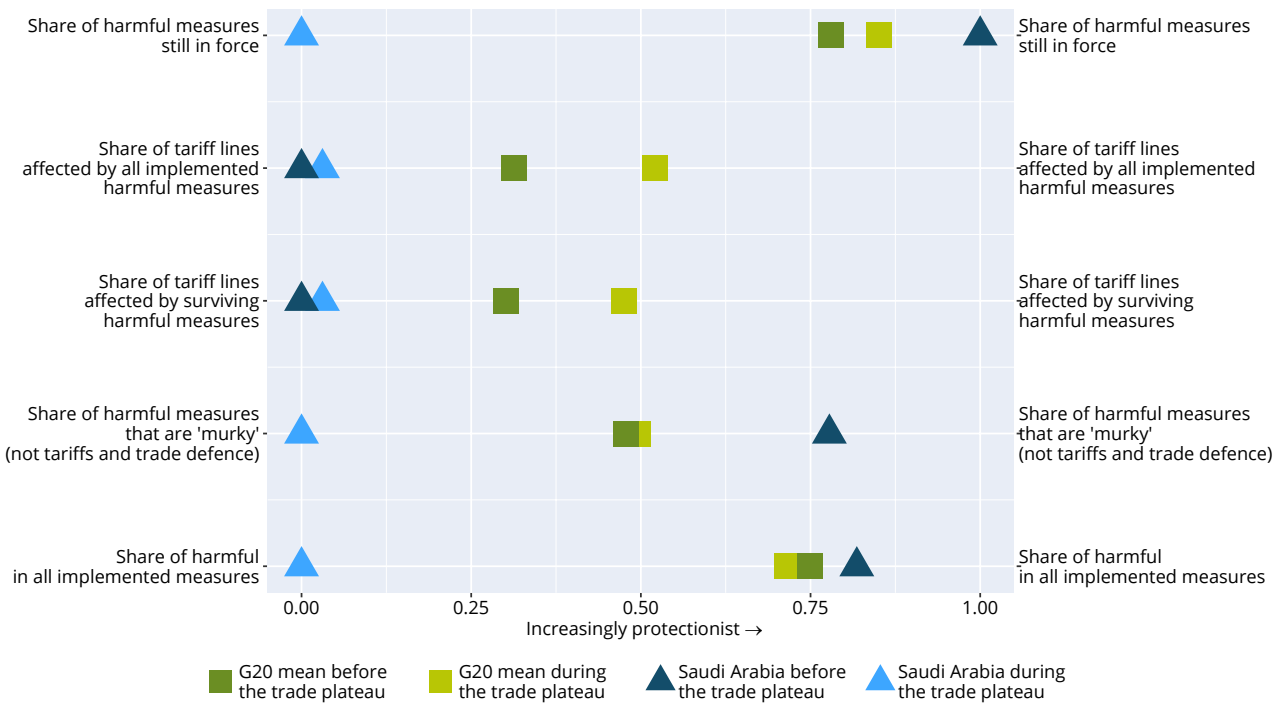
## SAUDI ARABIA

### Number of liberalising measures imposed since November 2008



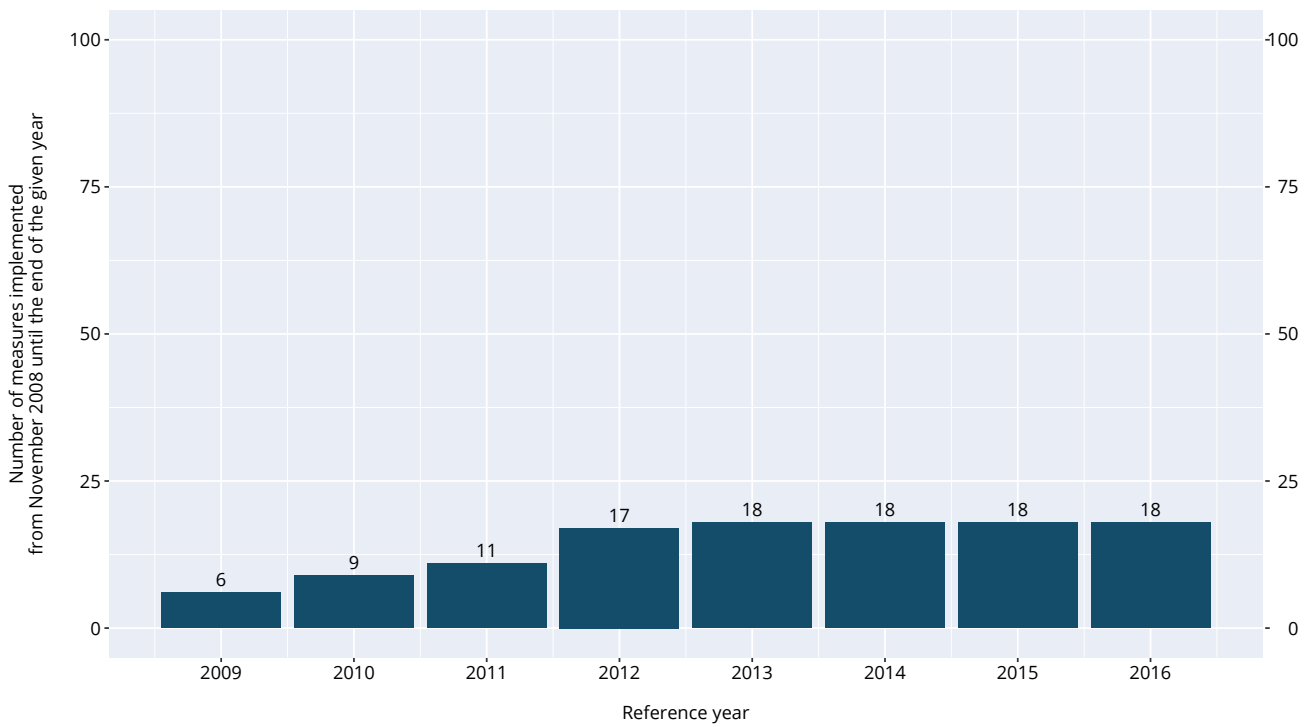
## SAUDI ARABIA

### Track record of protectionism



## SAUDI ARABIA

### Number of discriminatory measures imposed since November 2008



# SOUTH AFRICA

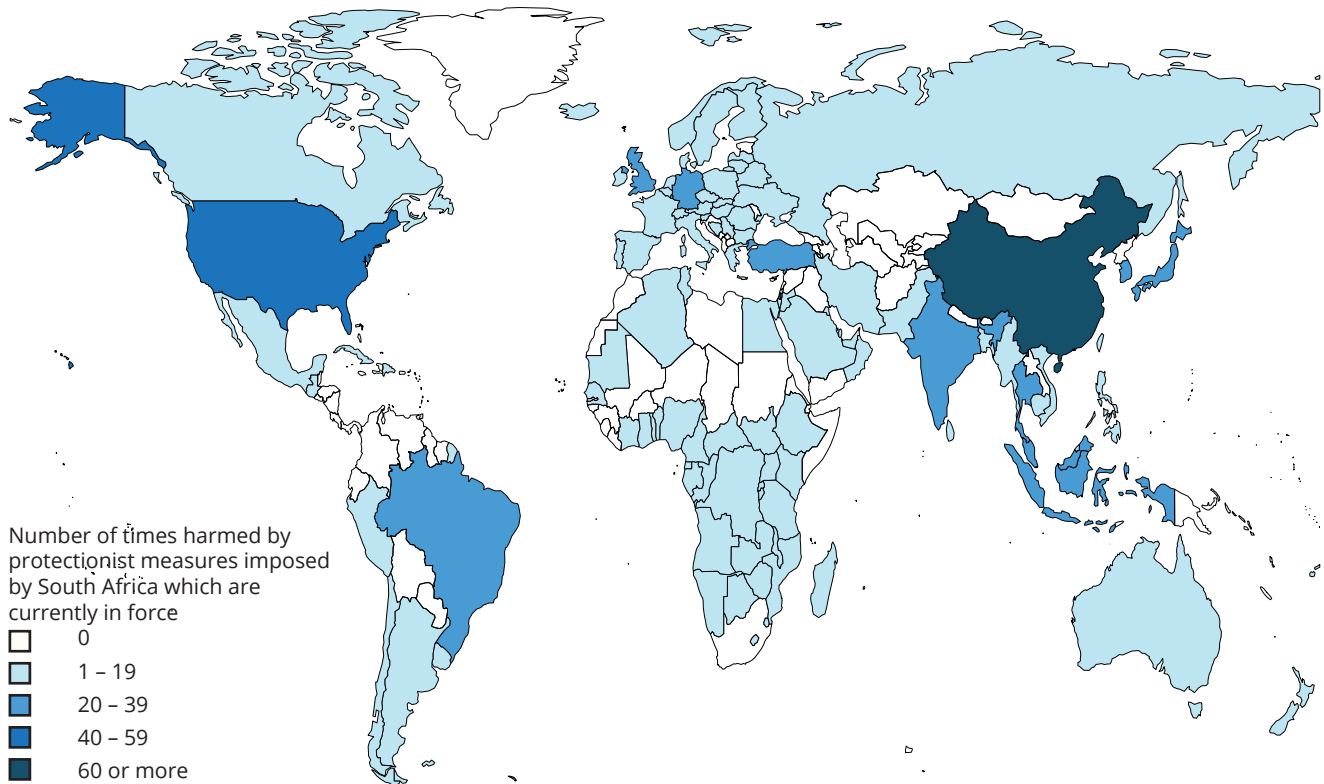
**0.57%** of world imports in 2014

**0.72%** of world exports in 2014

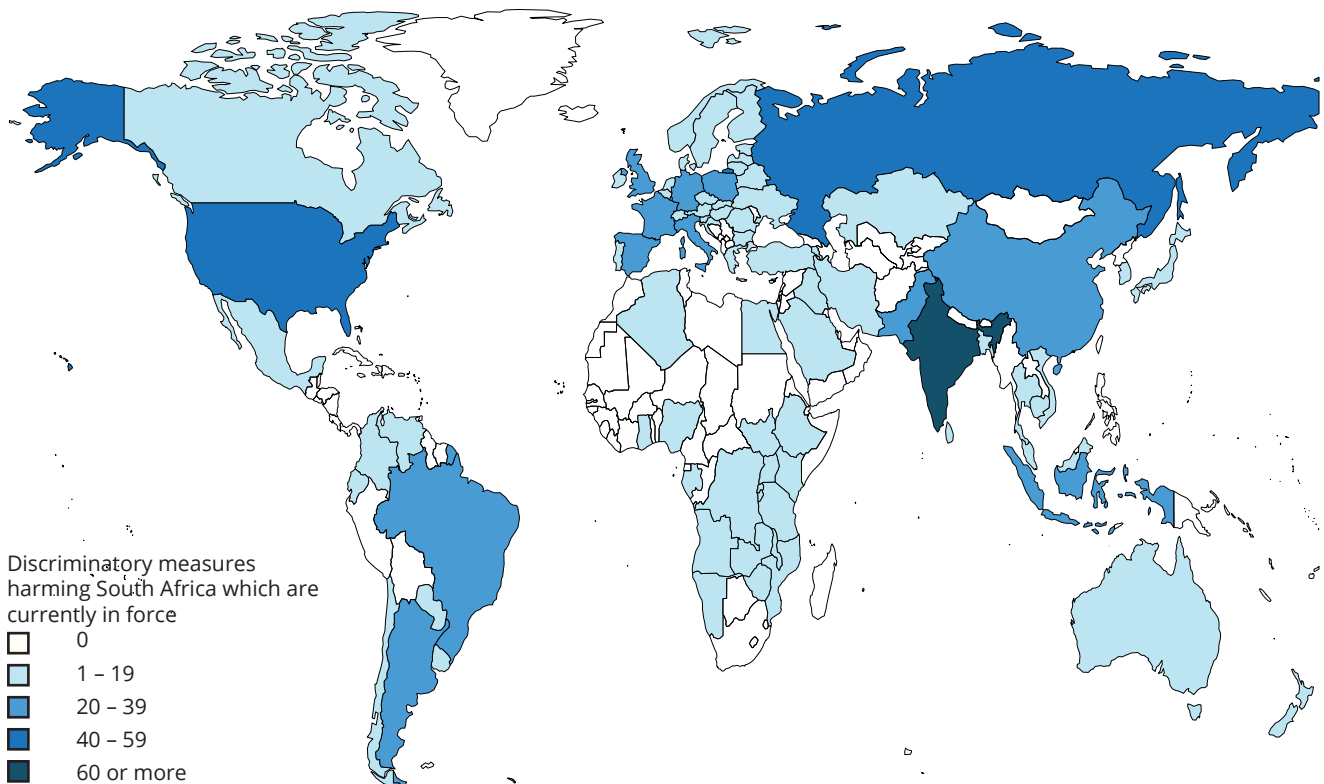
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF SOUTH AFRICA'S IMPORTS</b>
China	15.53%
Germany	10.06%
Saudi Arabia	7.17%
United States	6.63%
Nigeria	5.16%
India	4.58%
Japan	3.80%
United Kingdom	3.29%
Italy	2.66%
Thailand	2.39%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF SOUTH AFRICA'S EXPORTS</b>
China	35.47%
United States	6.60%
Japan	6.23%
United Kingdom	4.80%
India	4.77%
Germany	4.76%
Botswana	3.94%
Hong Kong	3.93%
Zambia	2.46%
Mozambique	2.30%

## COUNTRIES HARMED BY SOUTH AFRICA'S DISCRIMINATORY MEASURES

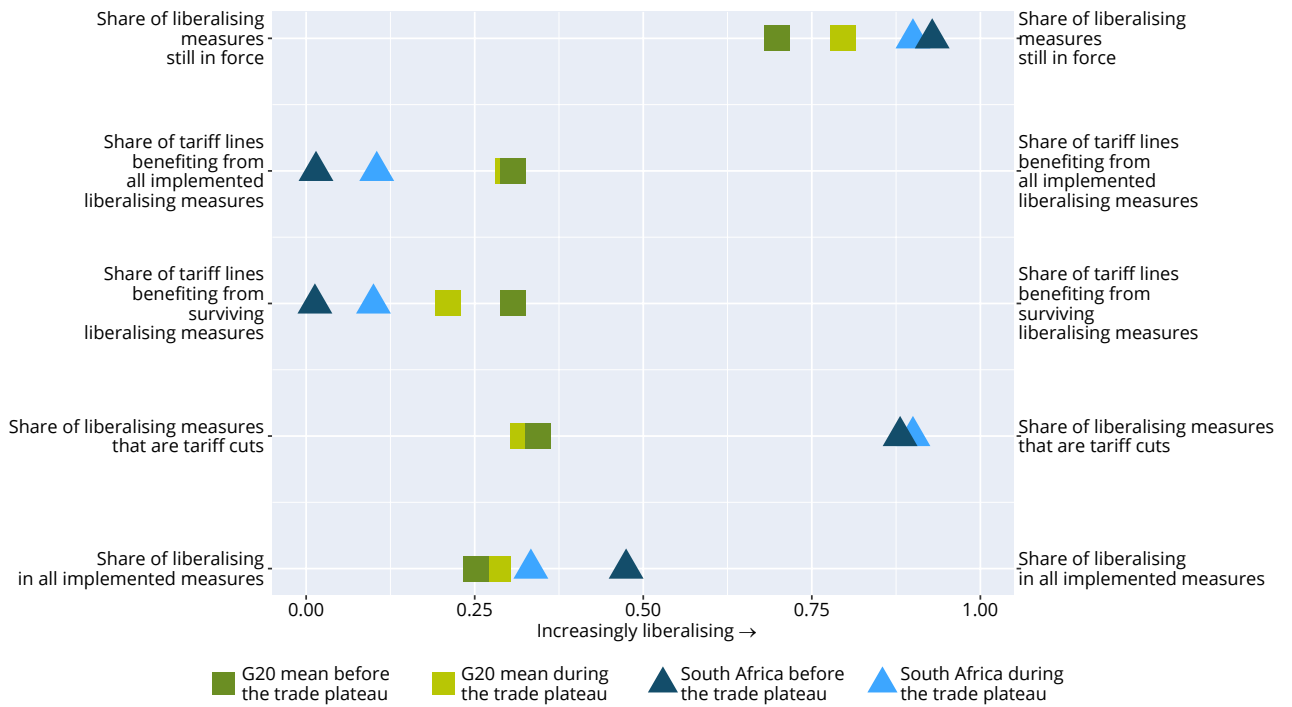


## DISCRIMINATORY MEASURES HARMING SOUTH AFRICA'S INTERESTS



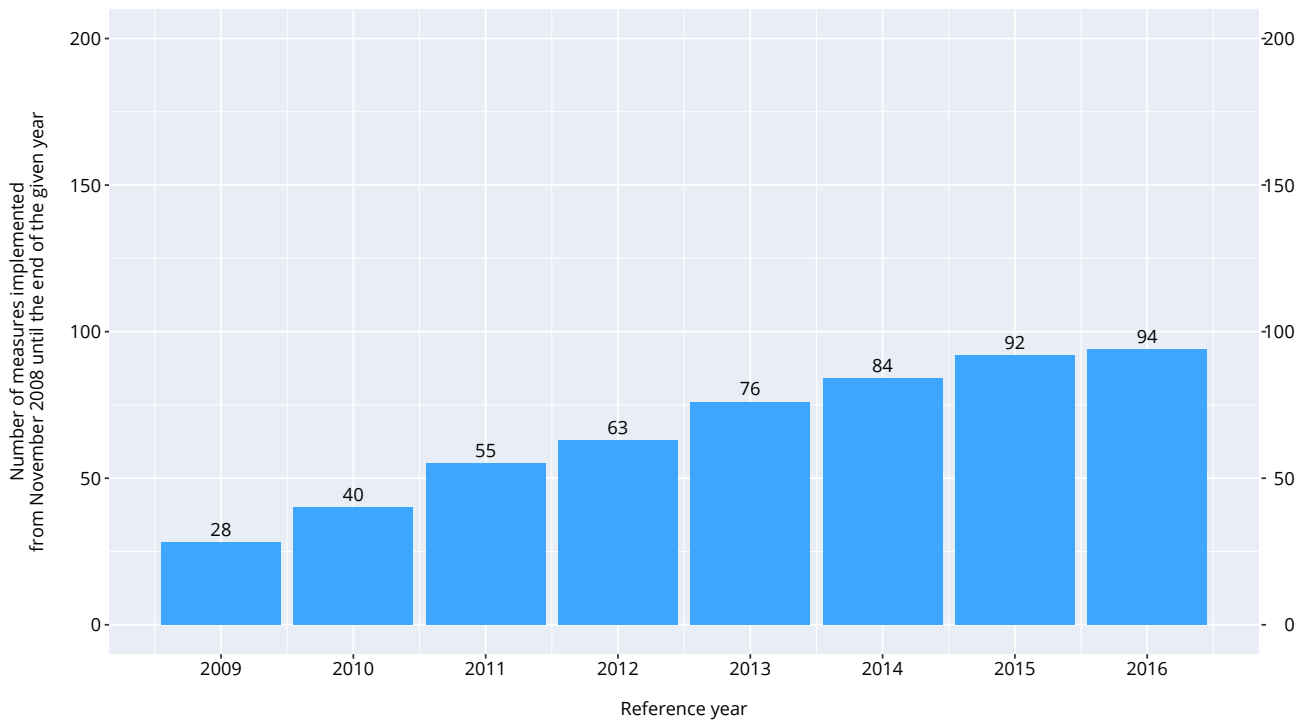
## SOUTH AFRICA

### Track record of liberalisation



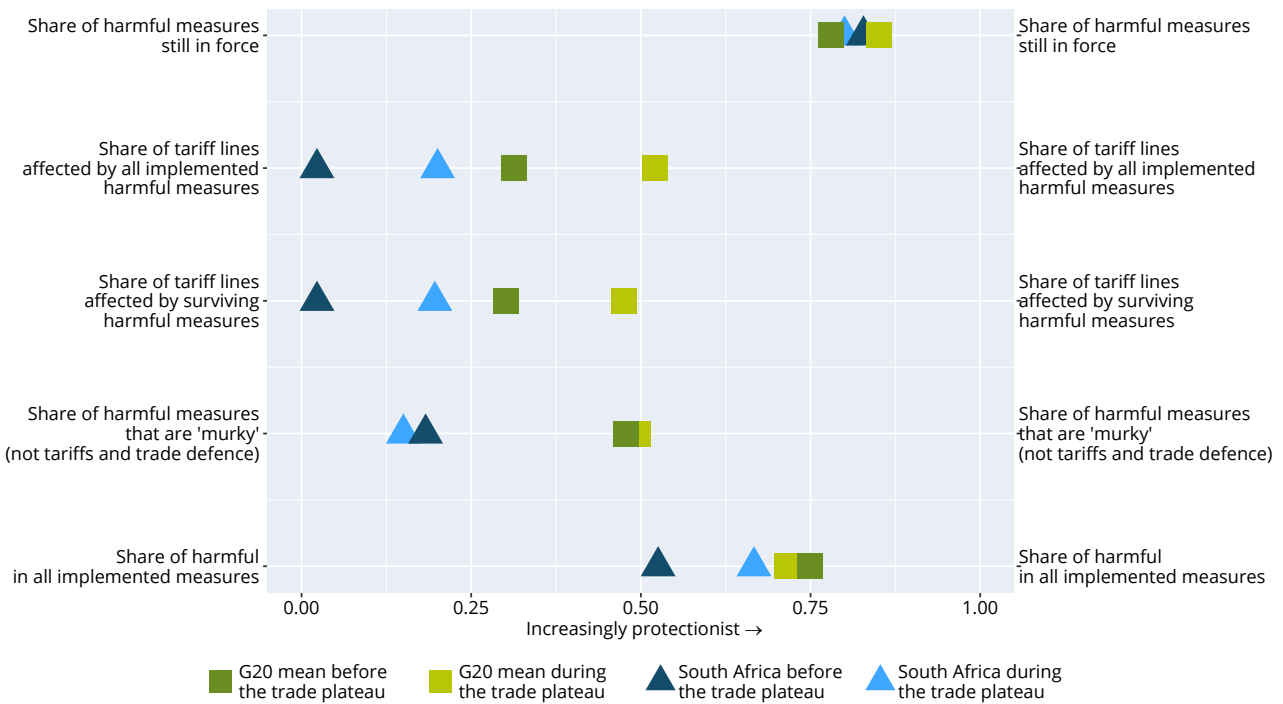
## SOUTH AFRICA

### Number of liberalising measures imposed since November 2008



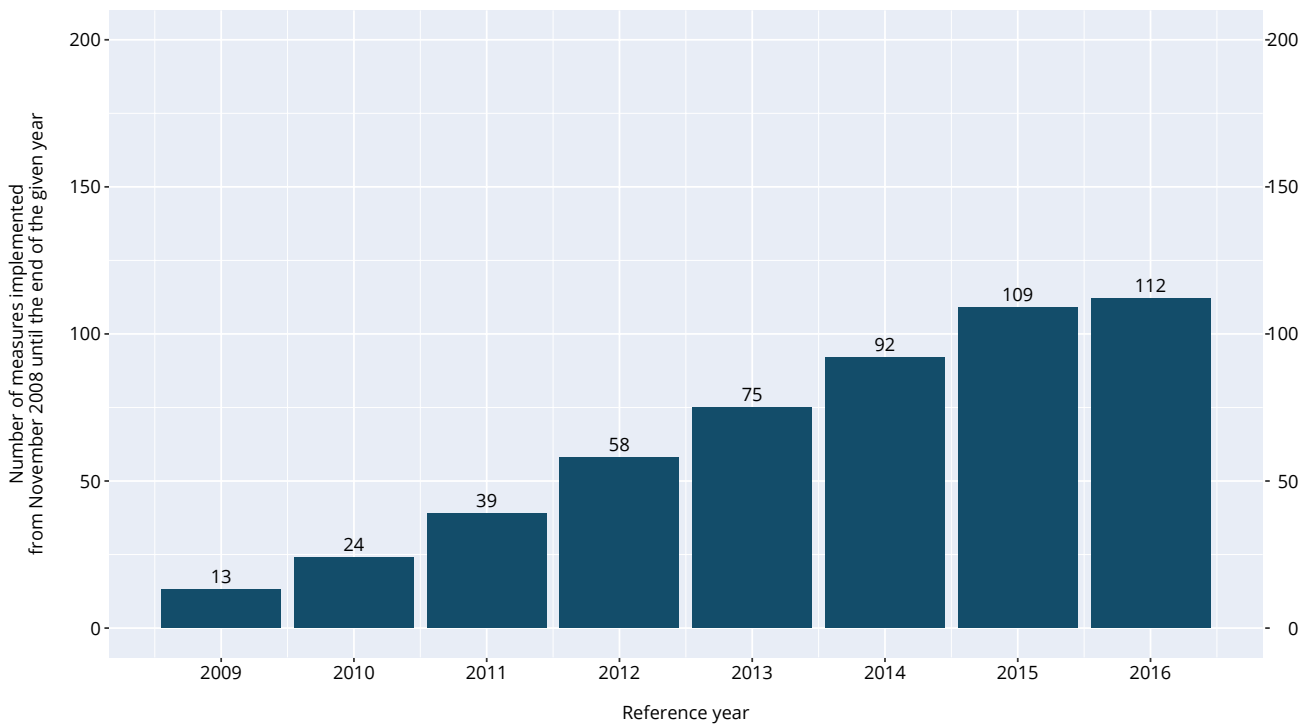
## SOUTH AFRICA

### Track record of protectionism



## SOUTH AFRICA

### Number of discriminatory measures imposed since November 2008



# SOUTH KOREA

**3.00%** of world imports in 2014

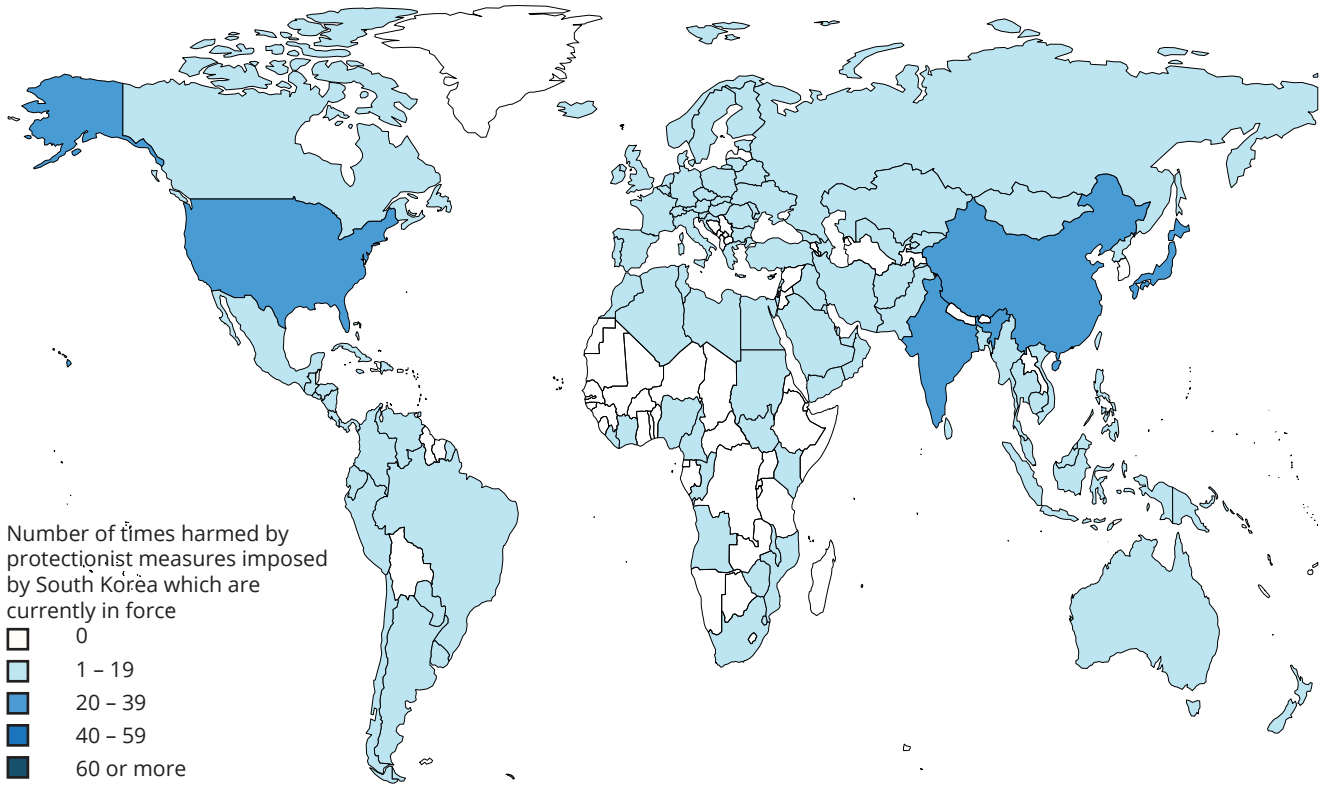
**3.08%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF SOUTH KOREA'S IMPORTS</b>
China	17.15%
Japan	10.24%
United States	8.67%
Saudi Arabia	6.99%
Qatar	4.90%
Germany	4.05%
Australia	3.89%
Kuwait	3.22%
United Arab Emirates	3.08%
Taiwan	2.99%

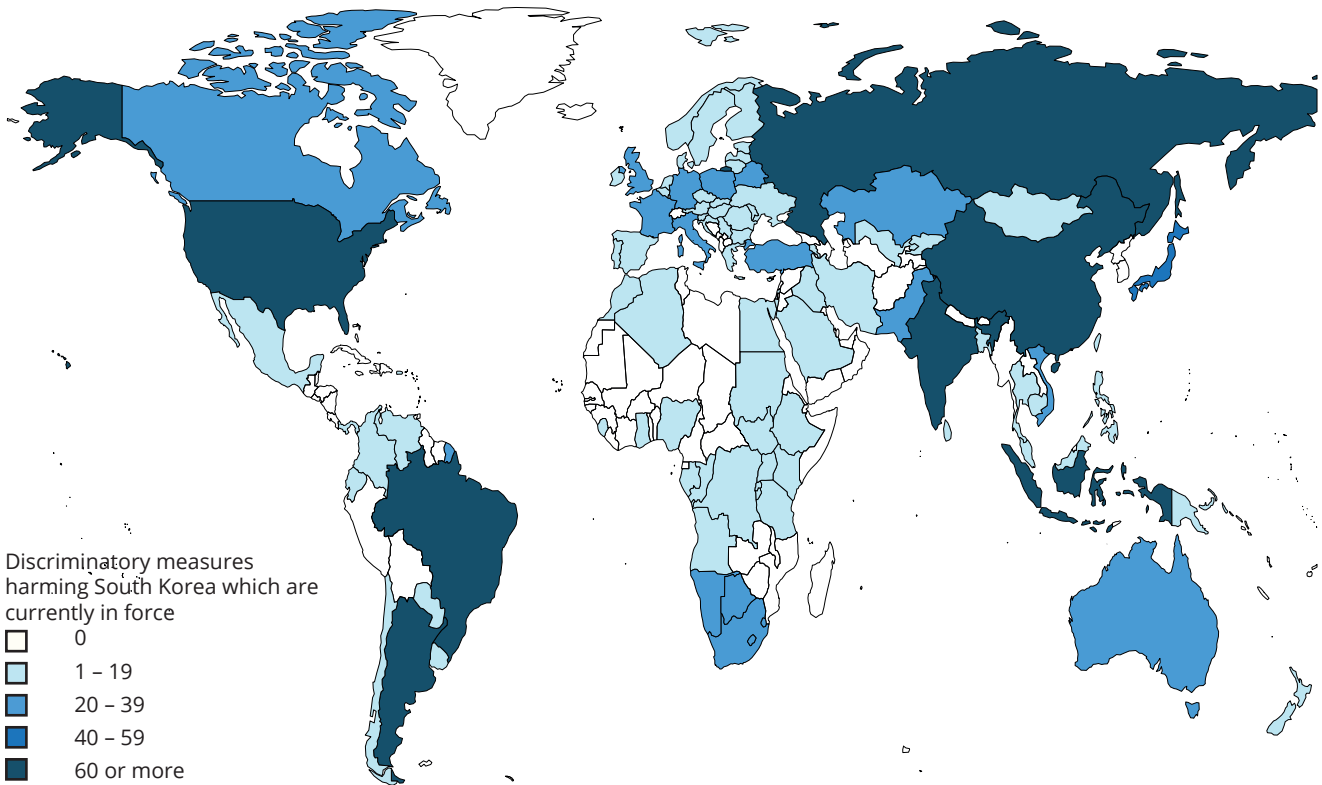
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF SOUTH KOREA'S EXPORTS</b>
China	35.32%
United States	12.92%
Japan	6.42%
Hong Kong	4.30%
Singapore	4.01%
Mexico	2.56%
India	2.50%
Indonesia	2.20%
Germany	1.98%
Australia	1.91%



## COUNTRIES HARMED BY SOUTH KOREA'S DISCRIMINATORY MEASURES

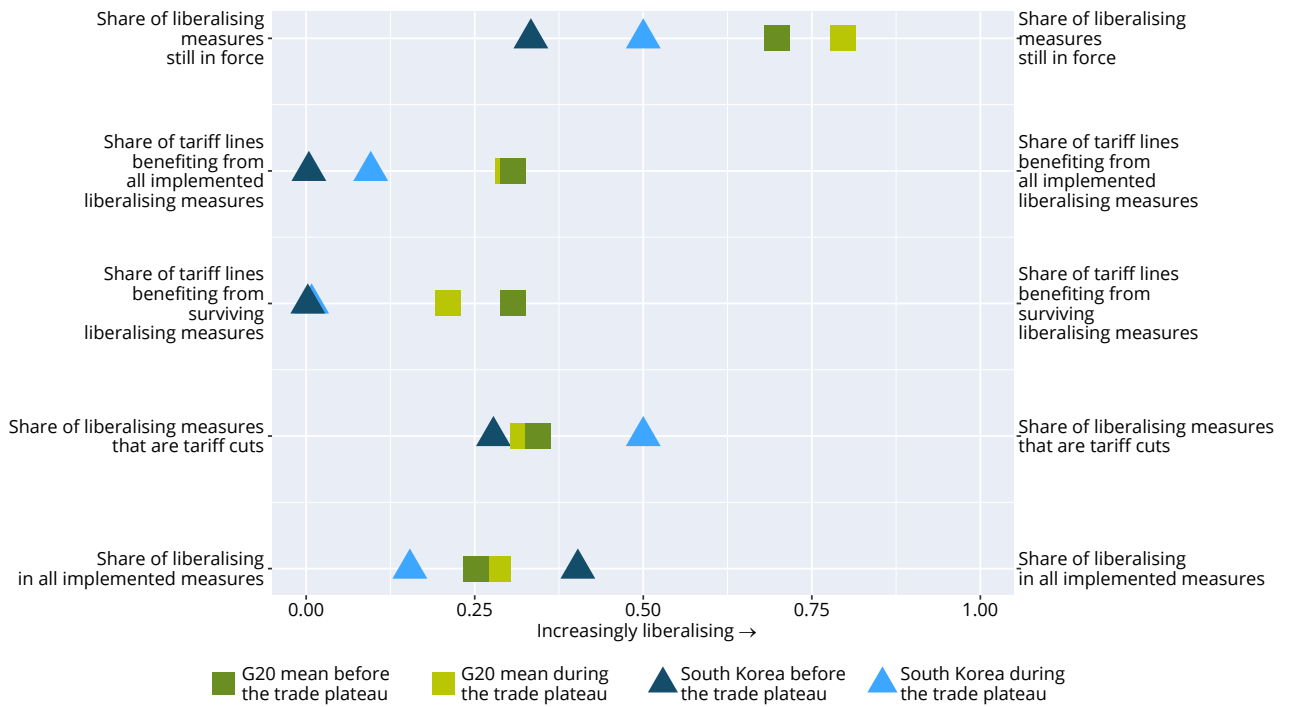


## DISCRIMINATORY MEASURES HARMING SOUTH KOREA'S INTERESTS



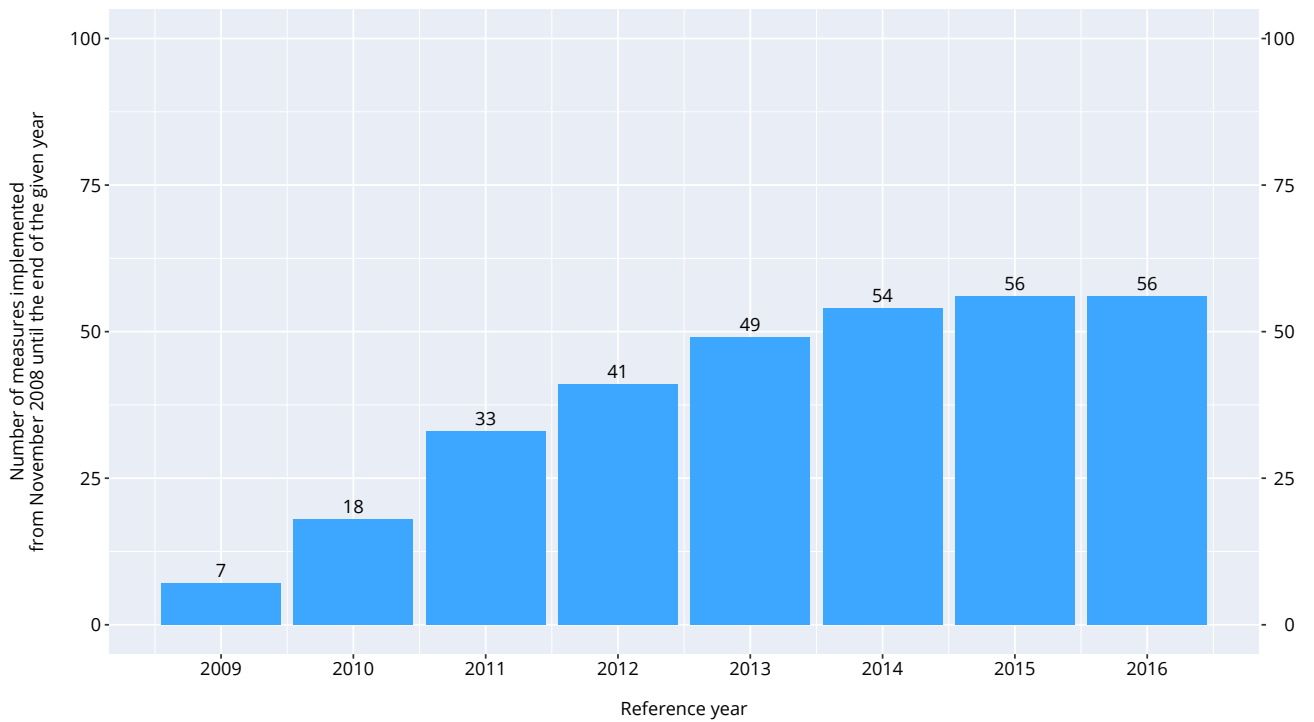
## SOUTH KOREA

Track record of liberalisation



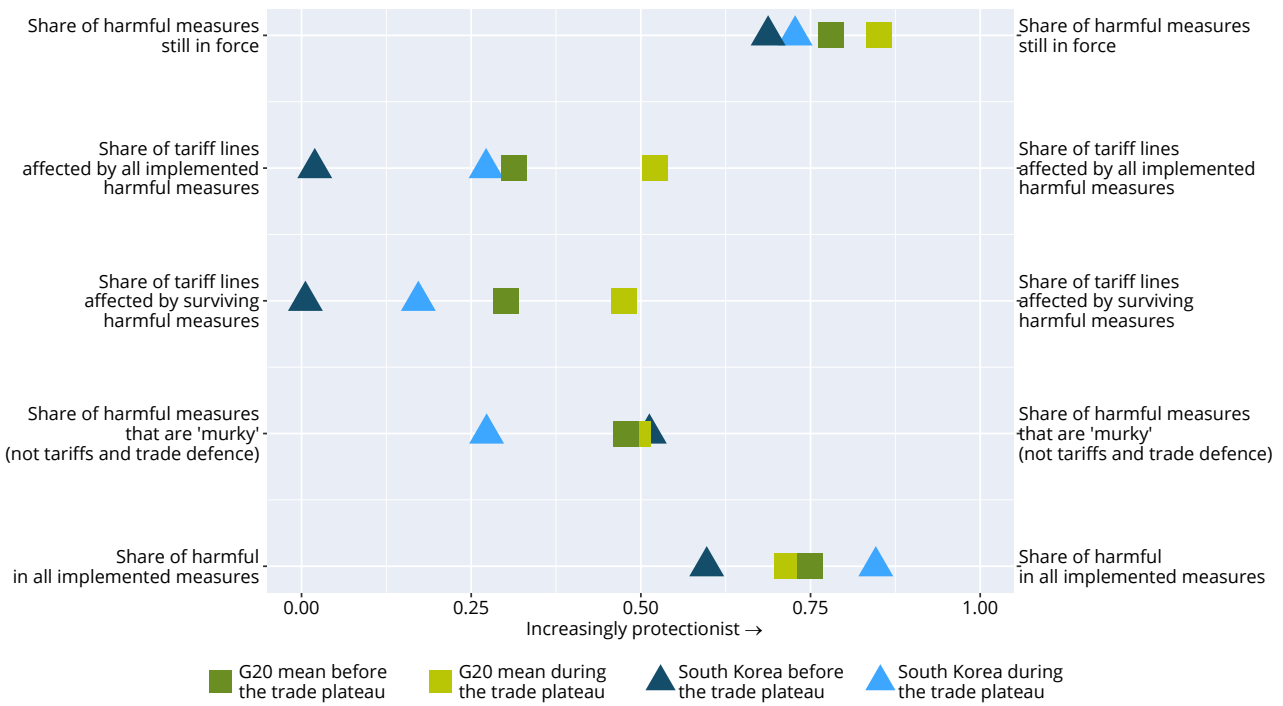
## SOUTH KOREA

Number of liberalising measures imposed since November 2008



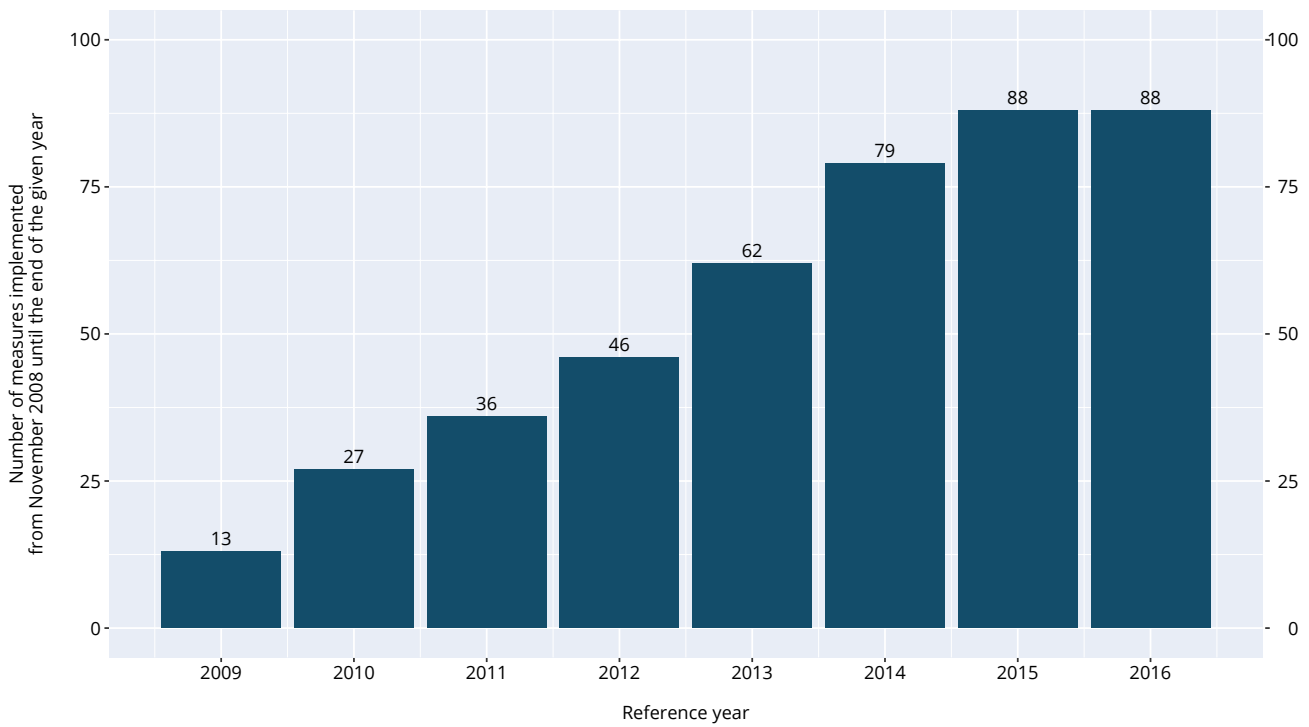
## SOUTH KOREA

### Track record of protectionism



## SOUTH KOREA

### Number of discriminatory measures imposed since November 2008



# TURKEY

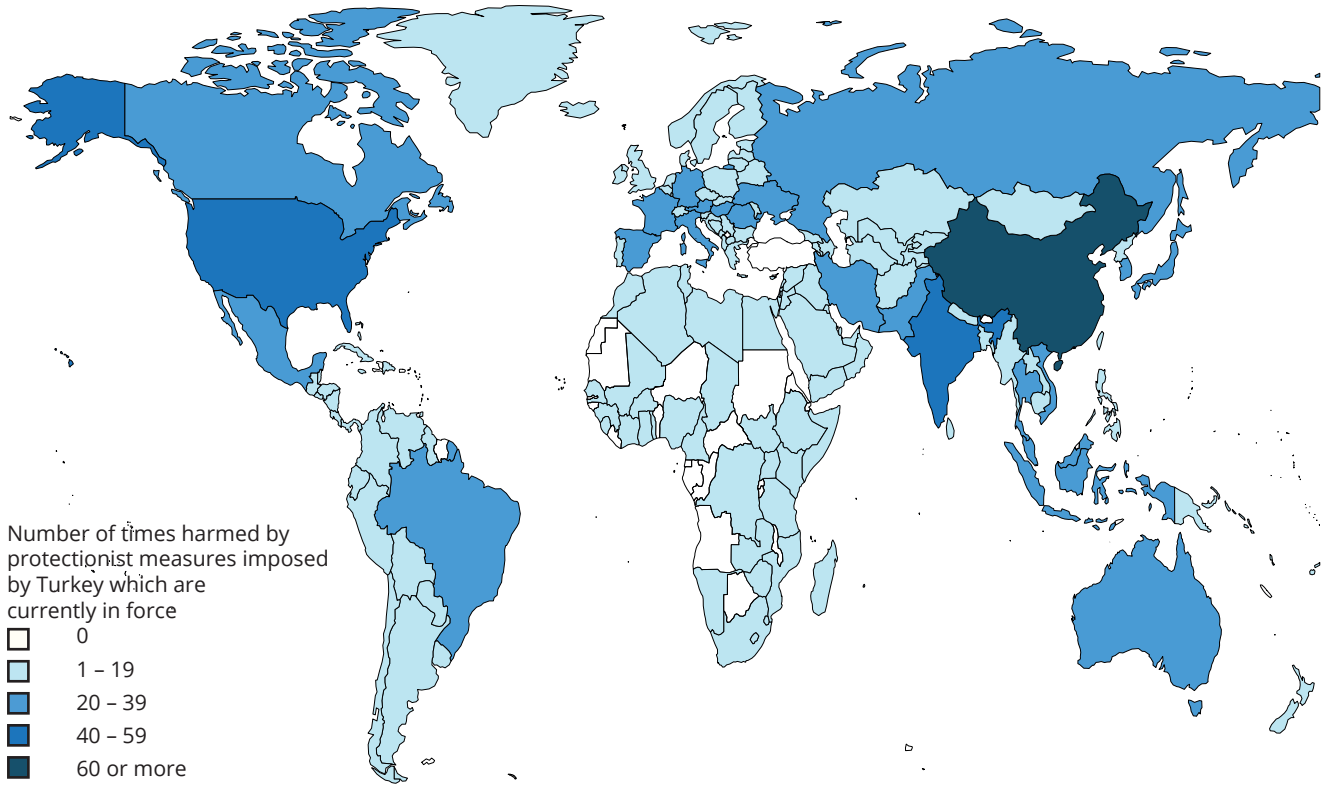
**1.38%** of world imports in 2014

**0.75%** of world exports in 2014

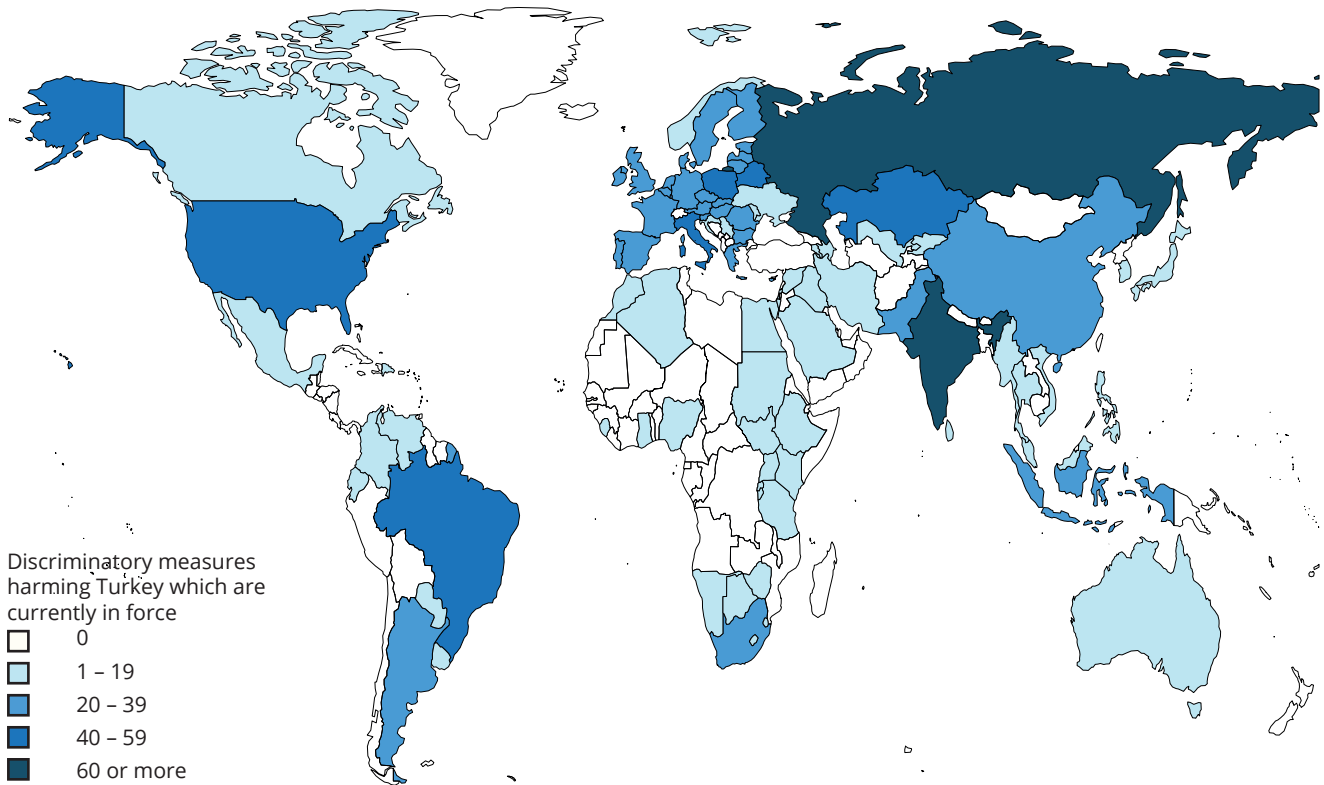
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF TURKEY'S IMPORTS</b>
Russian Federation	11.07%
China	10.90%
Germany	9.79%
United States	5.57%
Italy	5.27%
Iran	4.30%
France	3.55%
South Korea	3.30%
India	3.02%
Spain	2.66%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF TURKEY'S EXPORTS</b>
Germany	13.55%
United Kingdom	8.04%
France	6.21%
Italy	5.77%
United States	5.60%
Spain	4.00%
Russian Federation	3.71%
Belgium	3.44%
China	2.82%
Switzerland	2.76%

## COUNTRIES HARMED BY TURKEY'S DISCRIMINATORY MEASURES

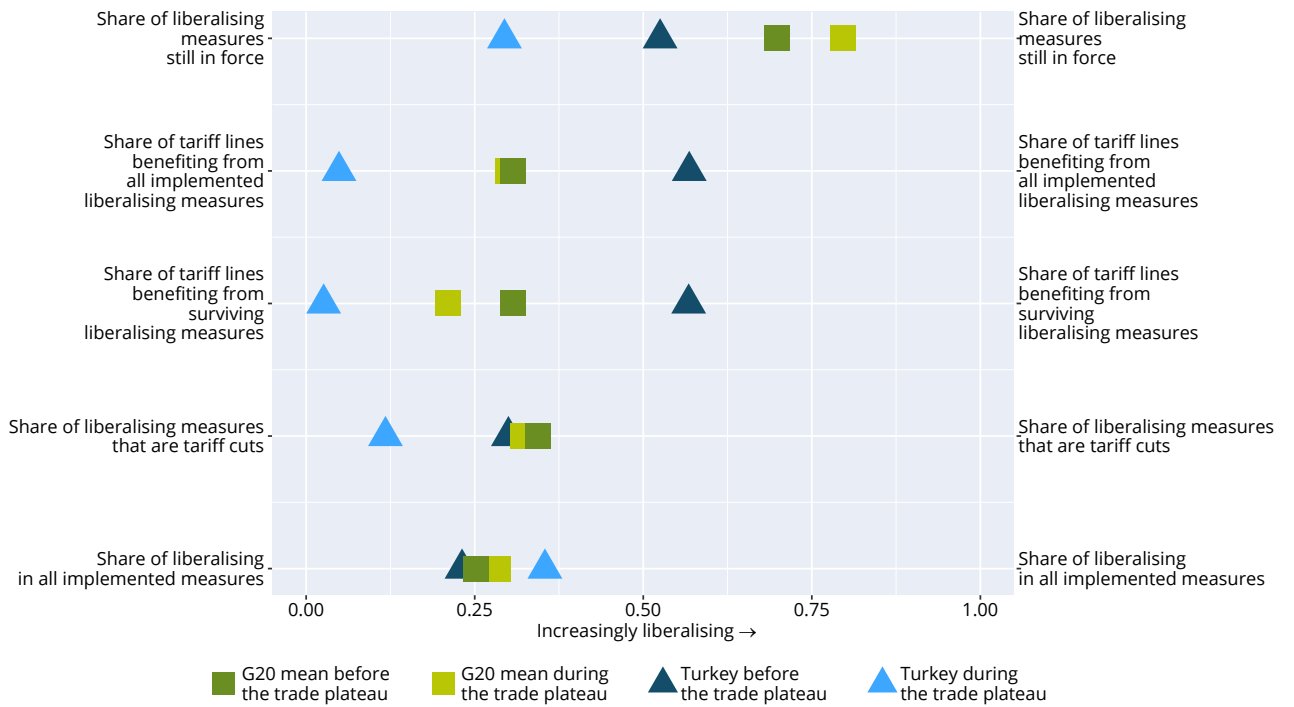


## DISCRIMINATORY MEASURES HARMING TURKEY'S INTERESTS



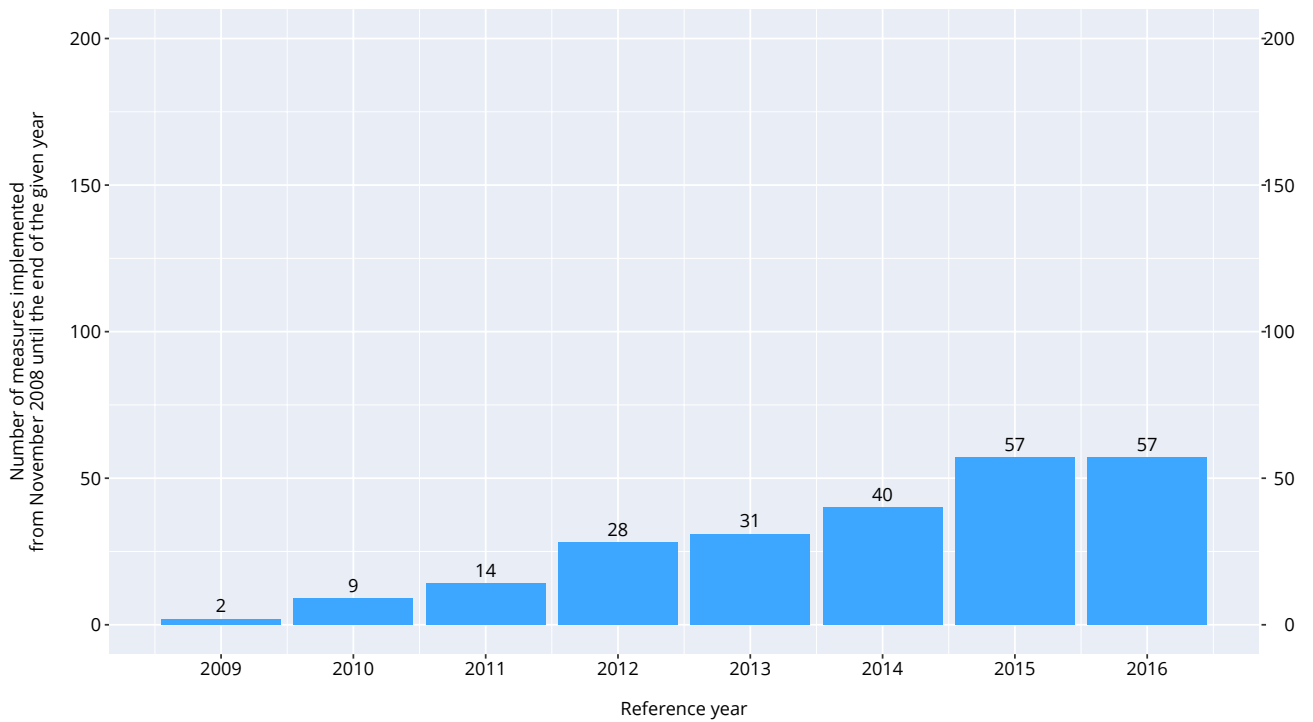
## TURKEY

### Track record of liberalisation



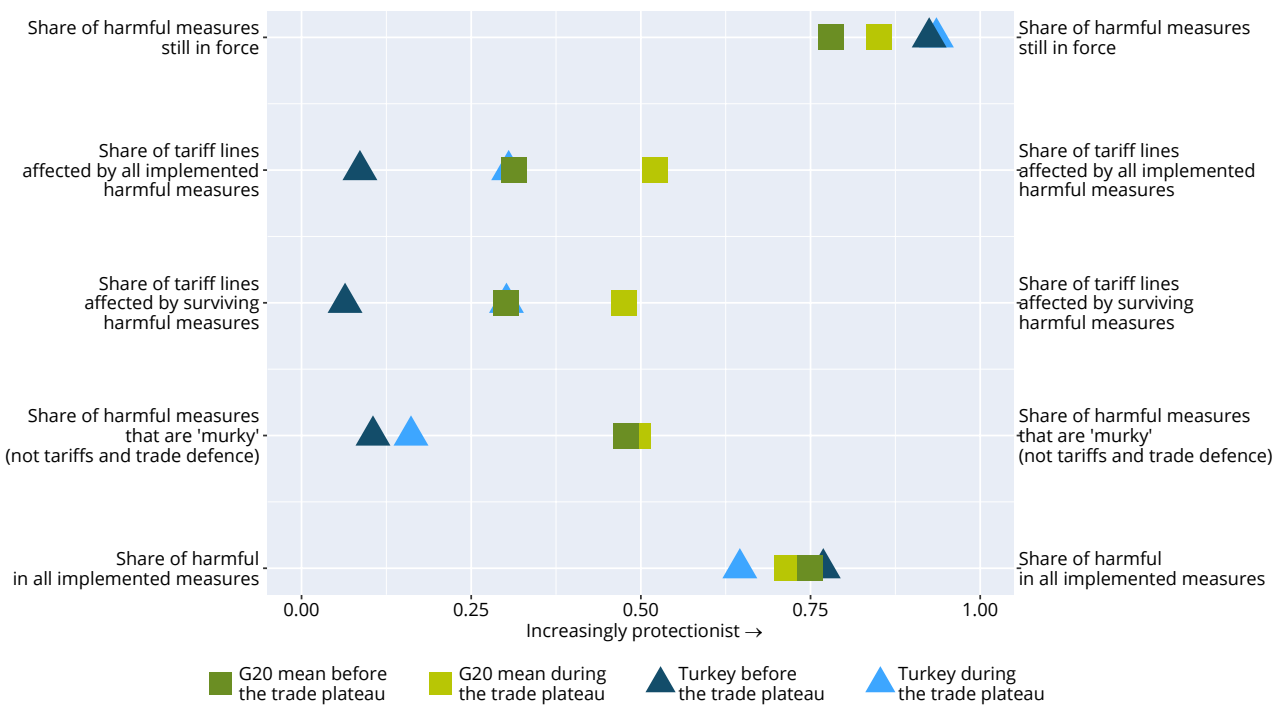
## TURKEY

### Number of liberalising measures imposed since November 2008



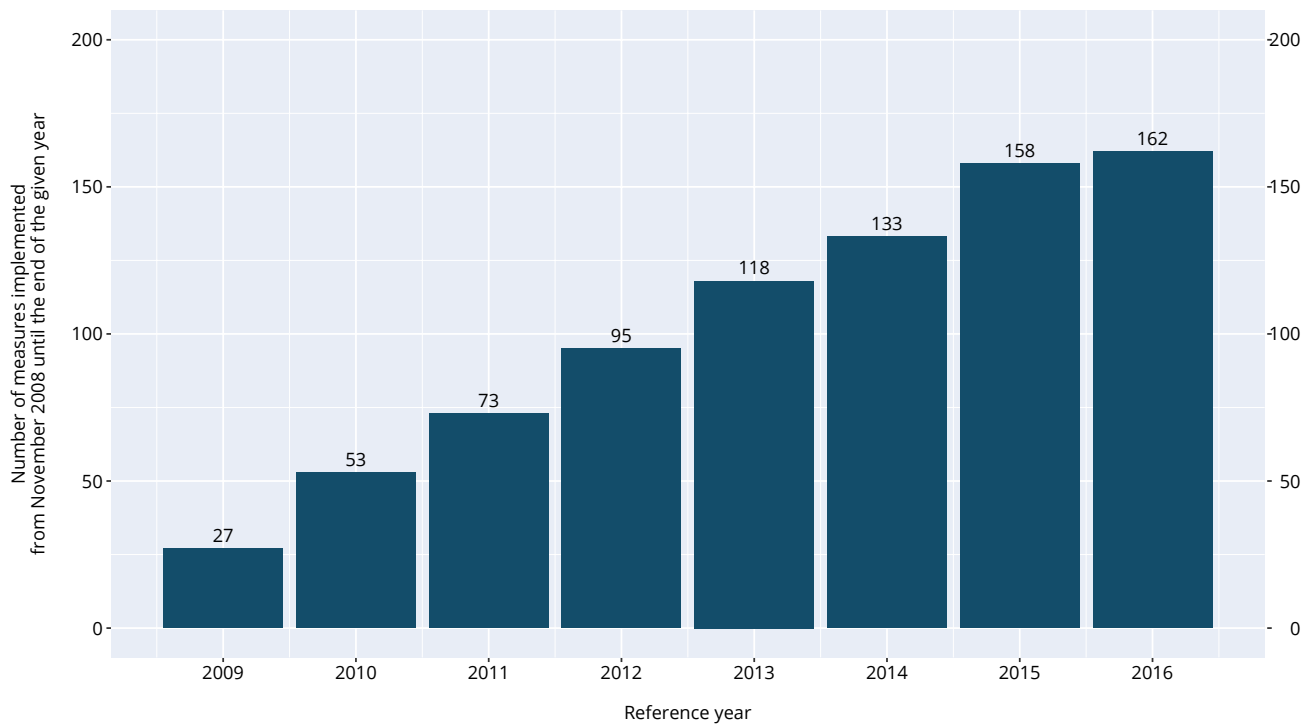
## TURKEY

### Track record of protectionism



## TURKEY

### Number of discriminatory measures imposed since November 2008



# UNITED KINGDOM

**3.97%** of world imports in 2014

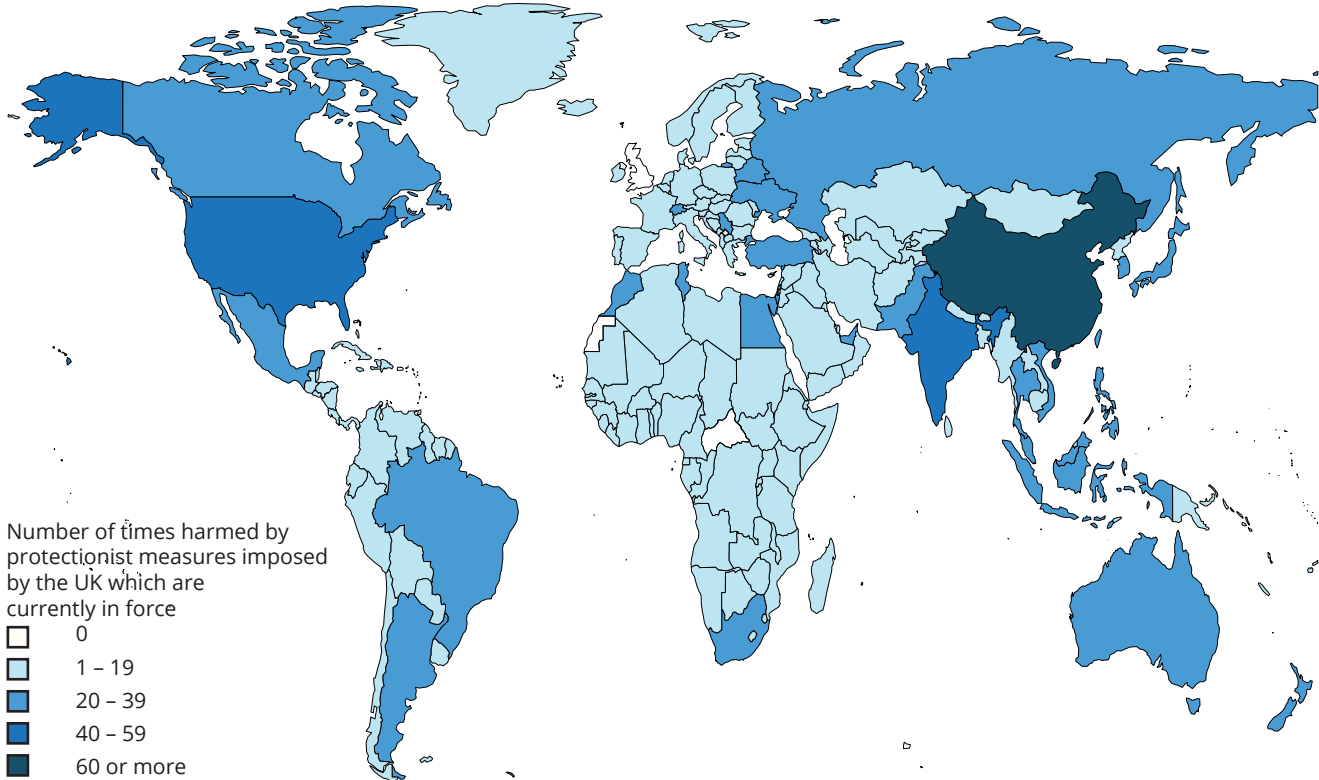
**2.66%** of world exports in 2014

<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF THE UK'S IMPORTS</b>
Germany	14.50%
China	9.27%
United States	8.47%
Netherlands	7.74%
France	6.29%
Belgium	4.92%
Italy	4.11%
Norway	4.07%
Spain	3.18%
Ireland	2.81%

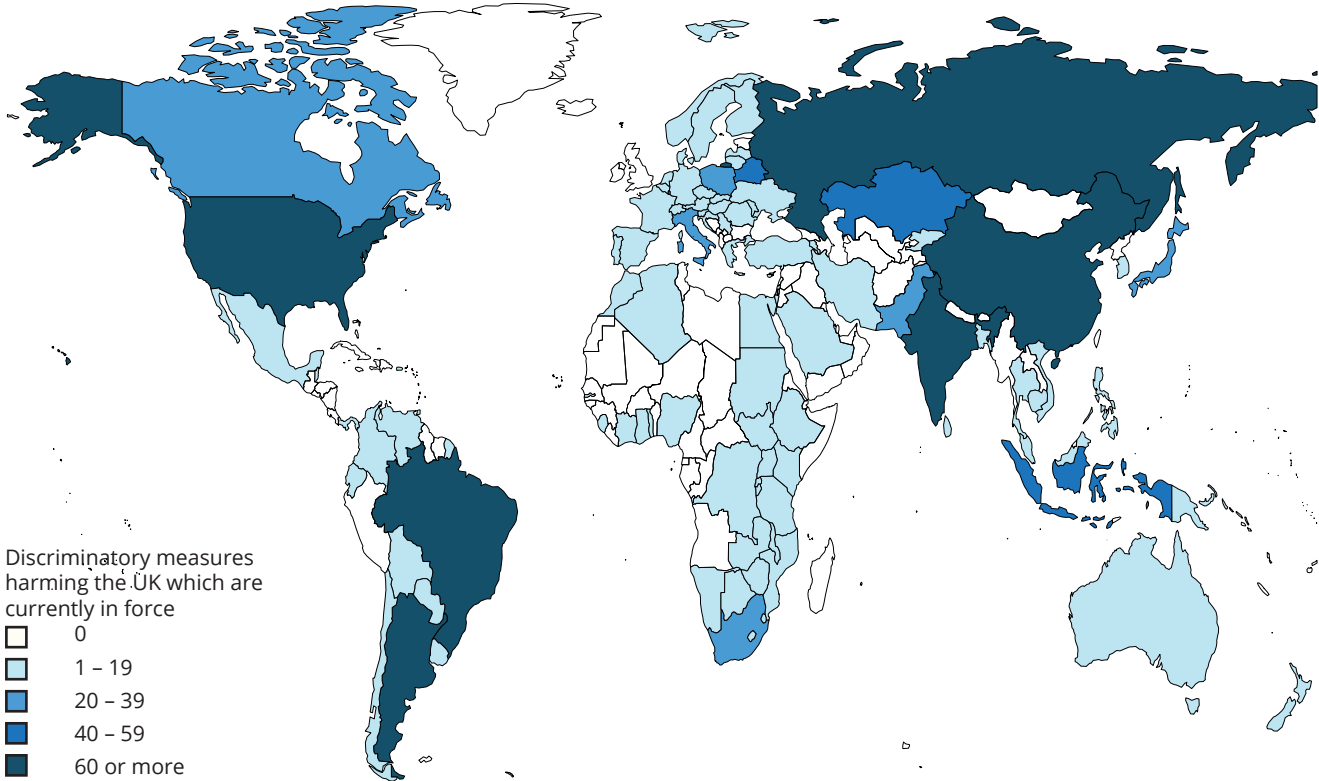
<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF THE UK'S EXPORTS</b>
United States	11.66%
Germany	10.92%
Switzerland	7.24%
Netherlands	7.17%
France	5.59%
China	5.07%
Ireland	4.91%
Belgium	4.75%
Russian Federation	3.25%
Spain	3.15%



### COUNTRIES HARMED BY THE UK'S DISCRIMINATORY MEASURES

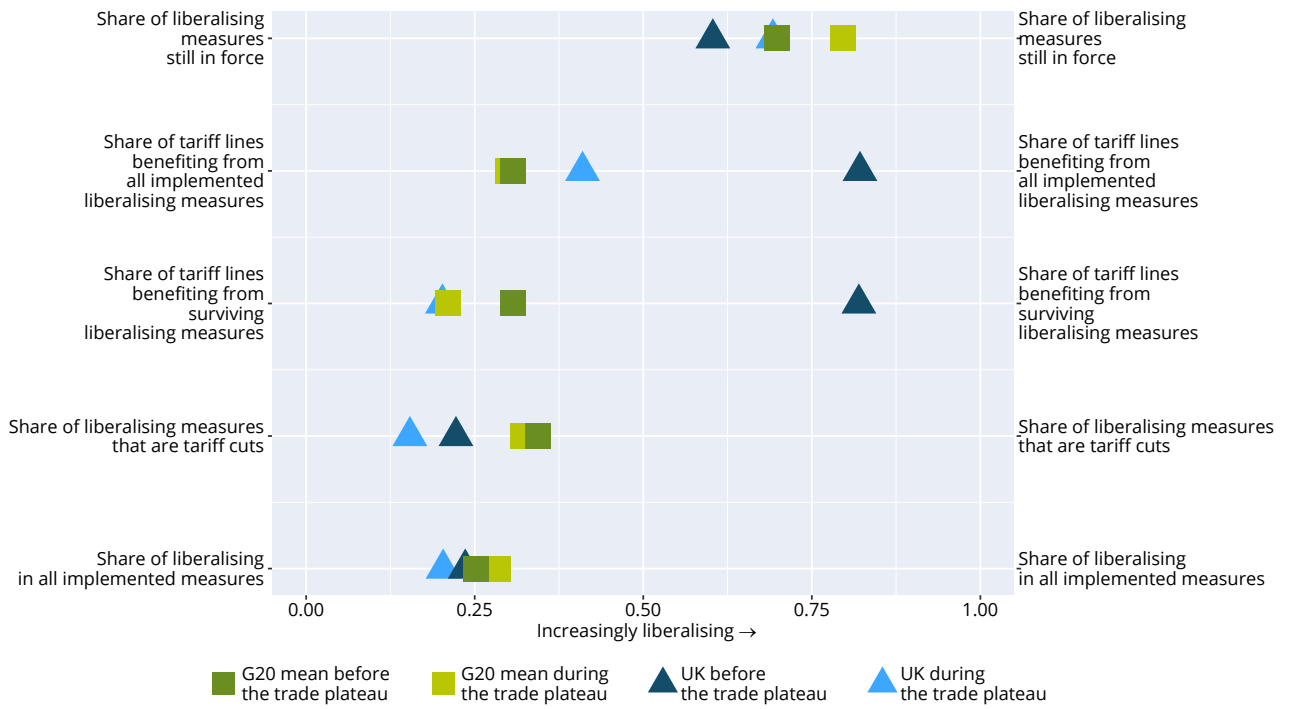


### DISCRIMINATORY MEASURES HARMING THE UK'S INTERESTS



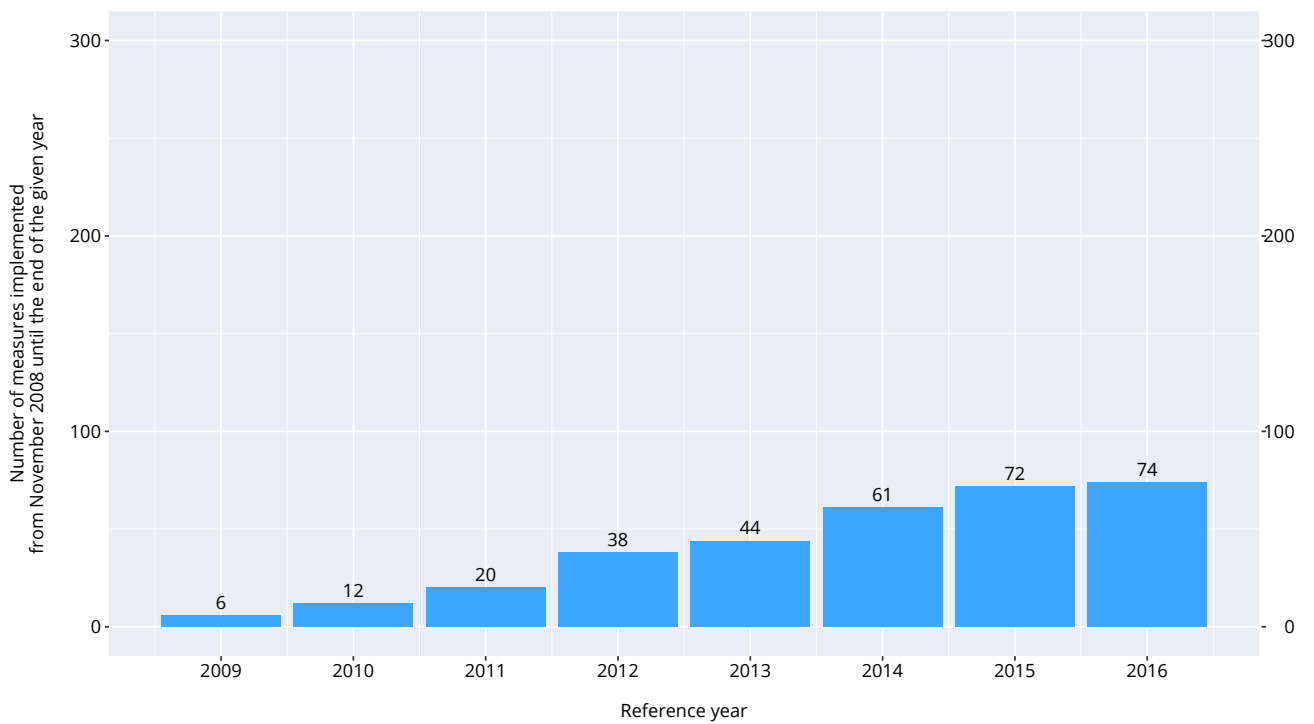
## UNITED KINGDOM

### Track record of liberalisation



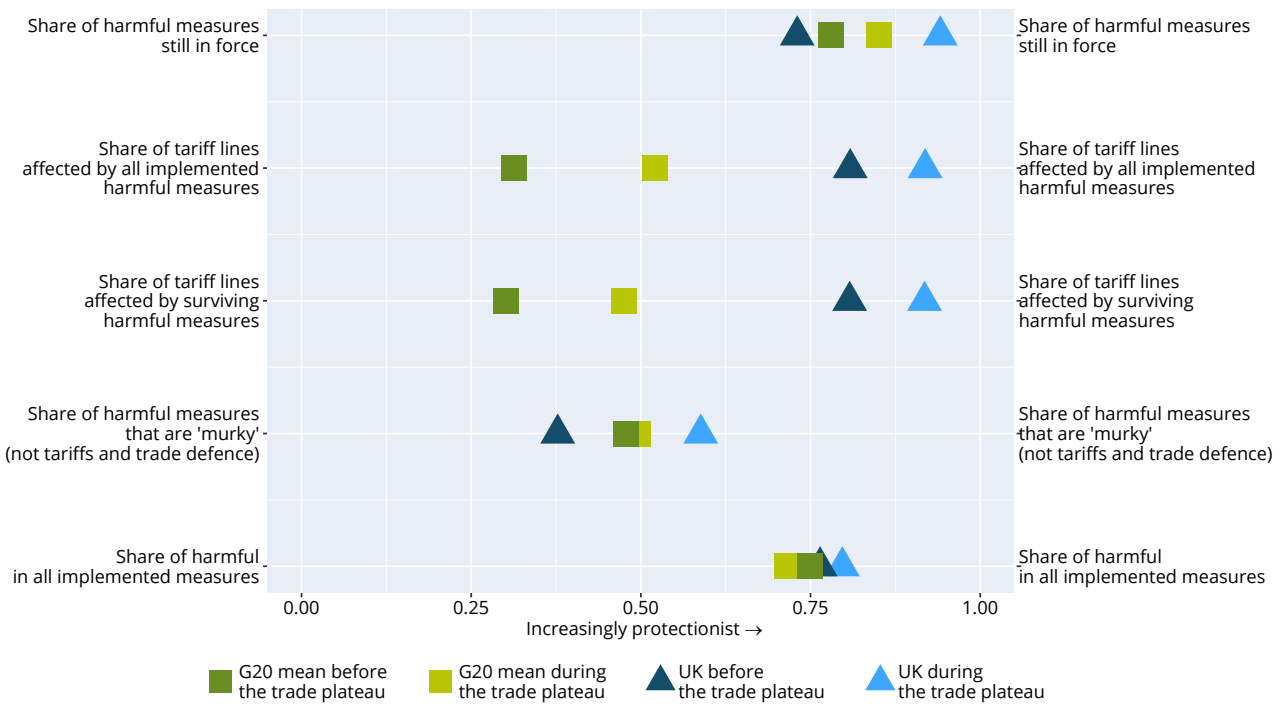
## UNITED KINGDOM

### Number of liberalising measures imposed since November 2008



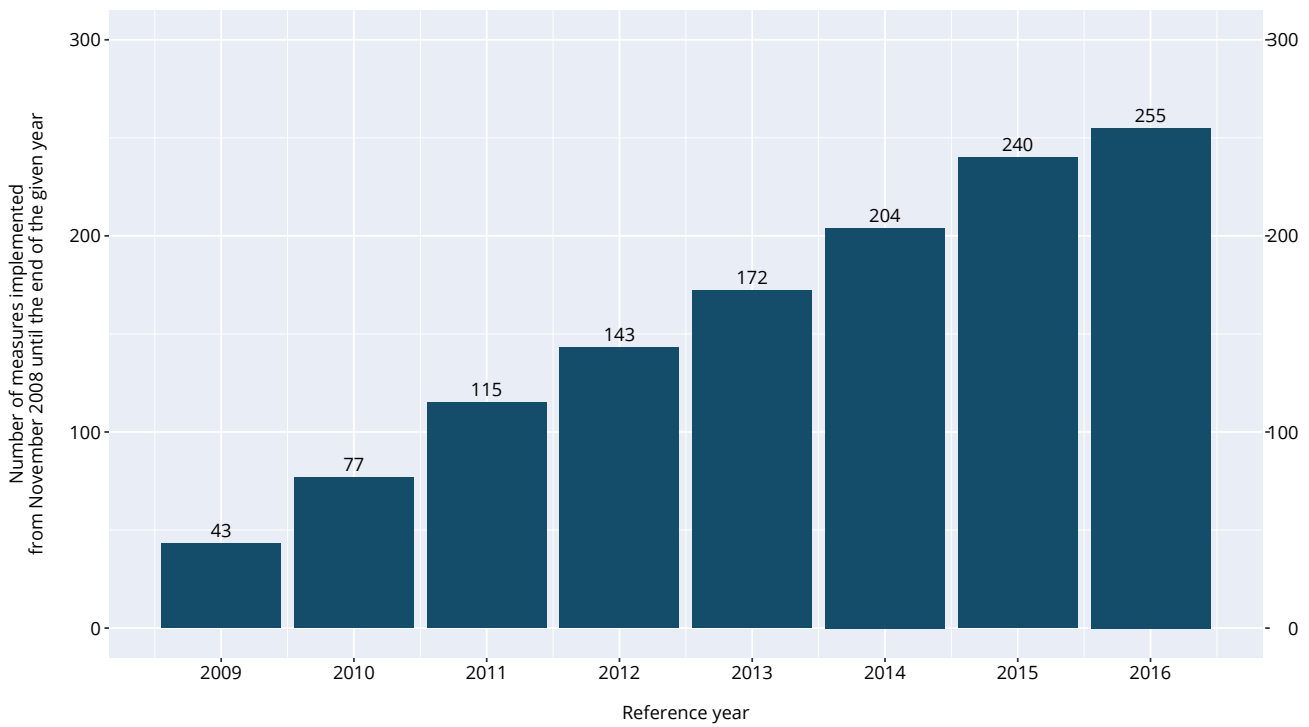
## UNITED KINGDOM

### Track record of protectionism



## UNITED KINGDOM

### Number of discriminatory measures imposed since November 2008



# UNITED STATES

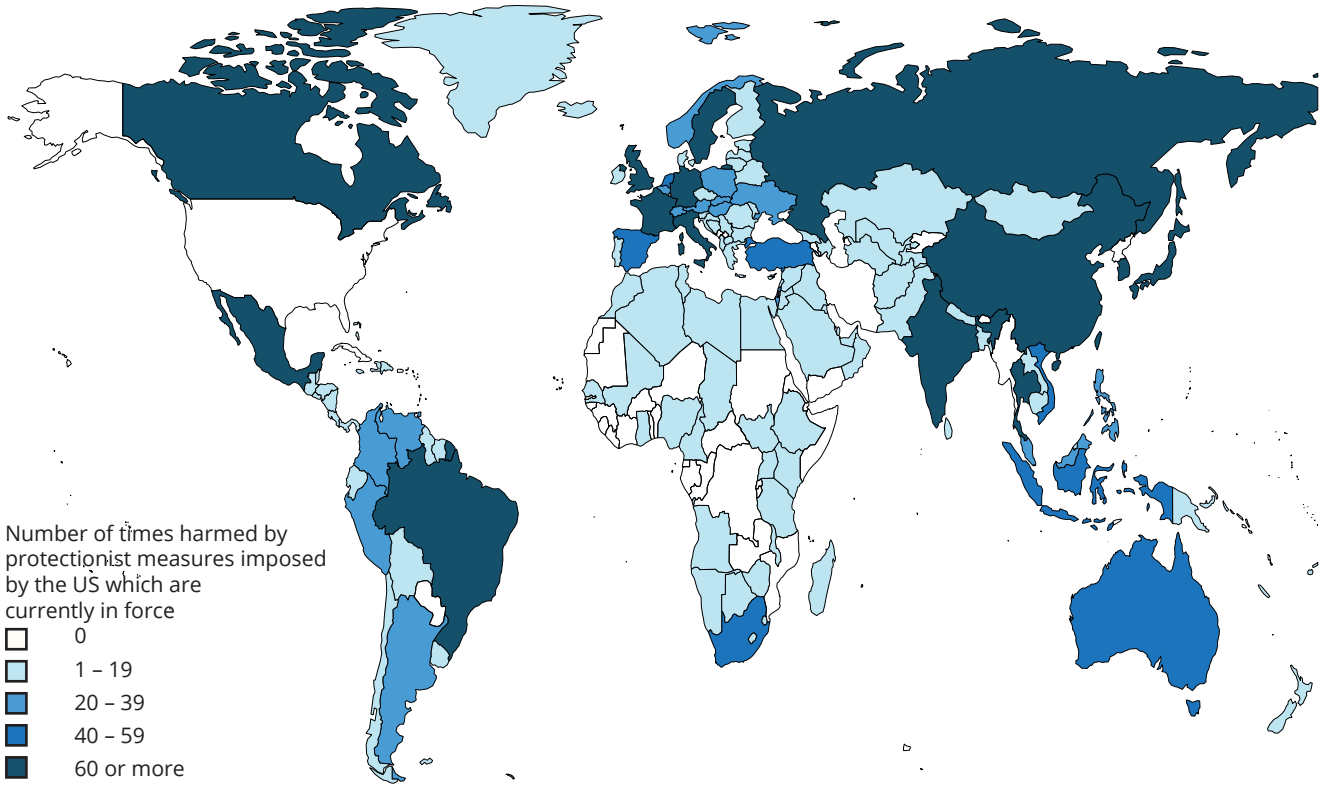
**13.41%** of world imports in 2014

**8.26%** of world exports in 2014

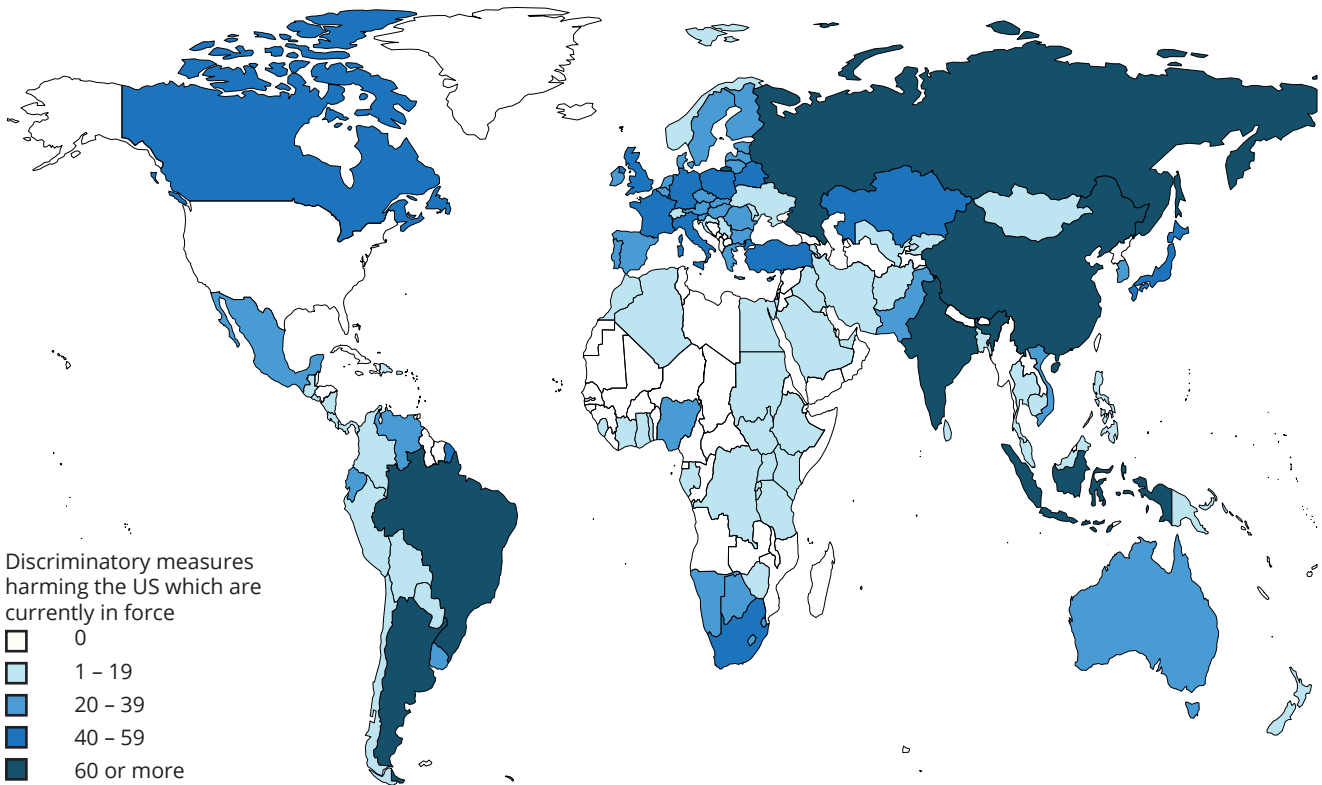
<b>TOP 10 IMPORT SOURCES IN 2014</b>	<b>SHARE OF THE US' IMPORTS</b>
China	19.91%
Canada	14.79%
Mexico	12.54%
Japan	5.72%
Germany	5.26%
South Korea	2.97%
United Kingdom	2.32%
Saudi Arabia	2.01%
France	2.00%
India	1.93%

<b>TOP 10 EXPORT DESTINATIONS IN 2014</b>	<b>SHARE OF THE US' EXPORTS</b>
Canada	17.37%
Mexico	13.55%
China	11.06%
Japan	5.15%
Germany	4.62%
United Kingdom	4.06%
South Korea	3.15%
France	2.90%
Singapore	2.62%
Brazil	2.44%

## COUNTRIES HARMED BY THE US' DISCRIMINATORY MEASURES

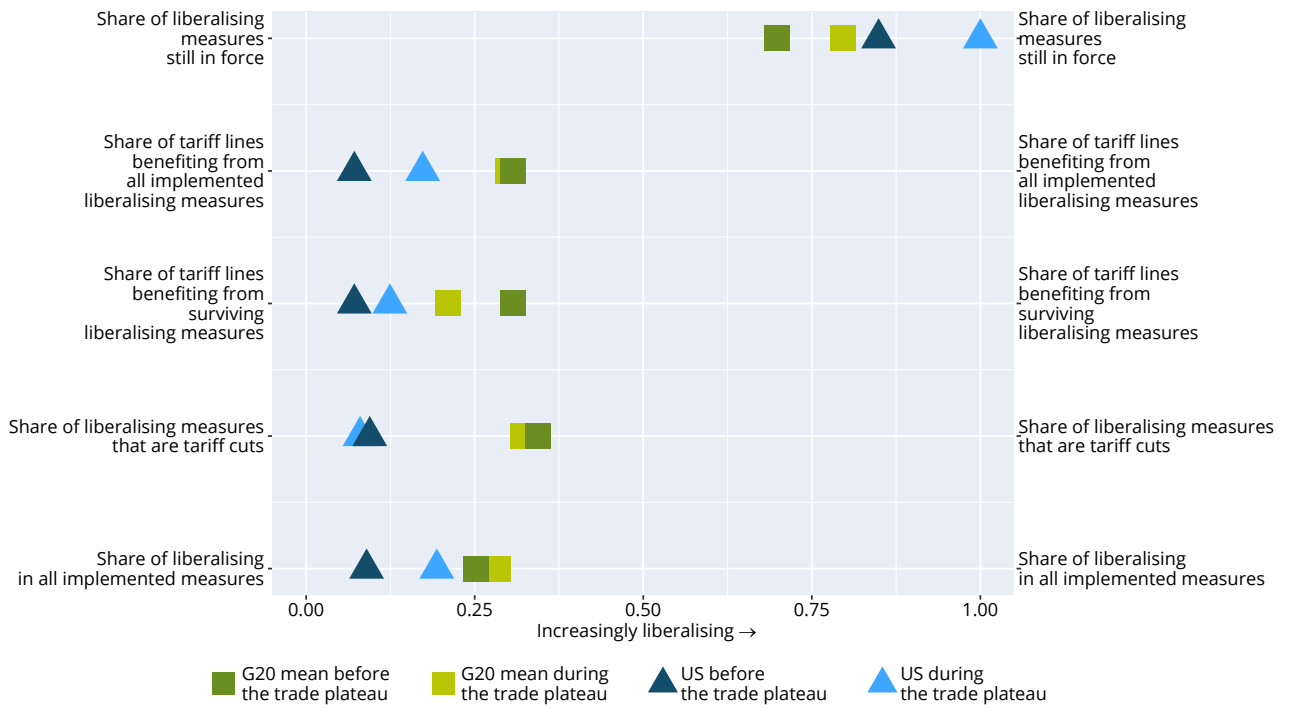


## DISCRIMINATORY MEASURES HARMING THE US' INTERESTS



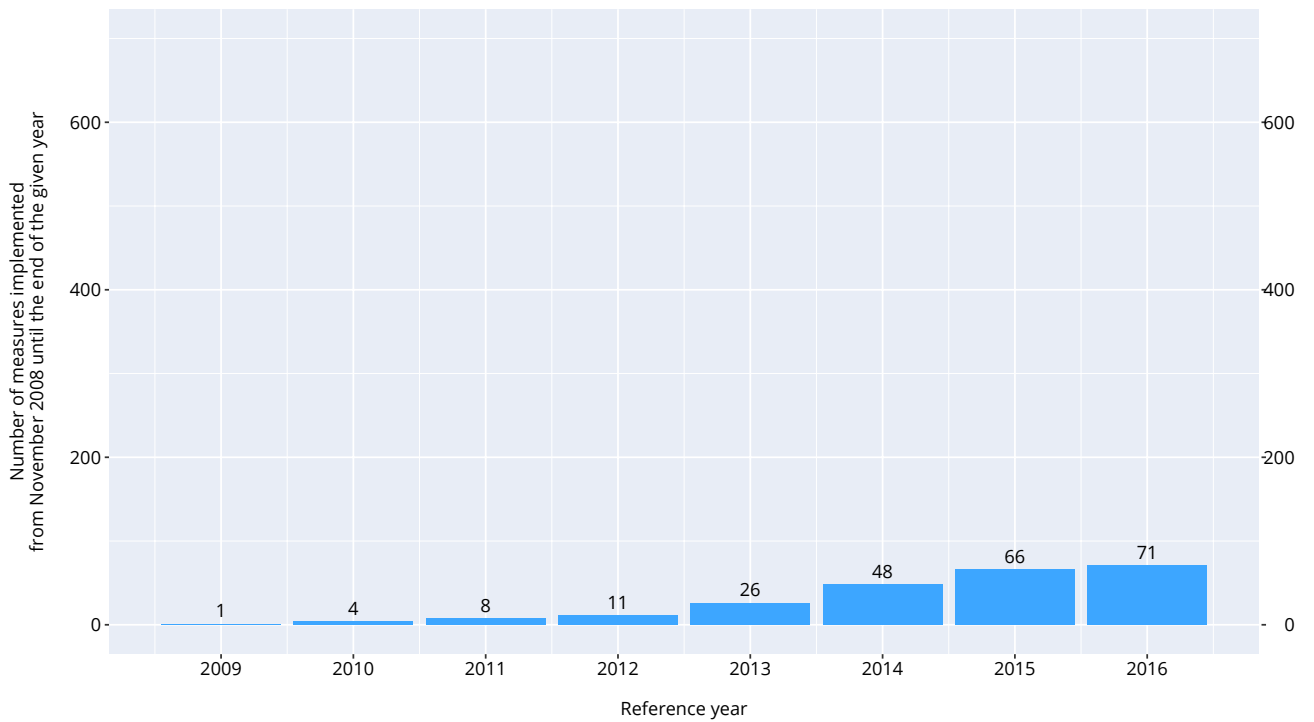
## UNITED STATES

### Track record of liberalisation



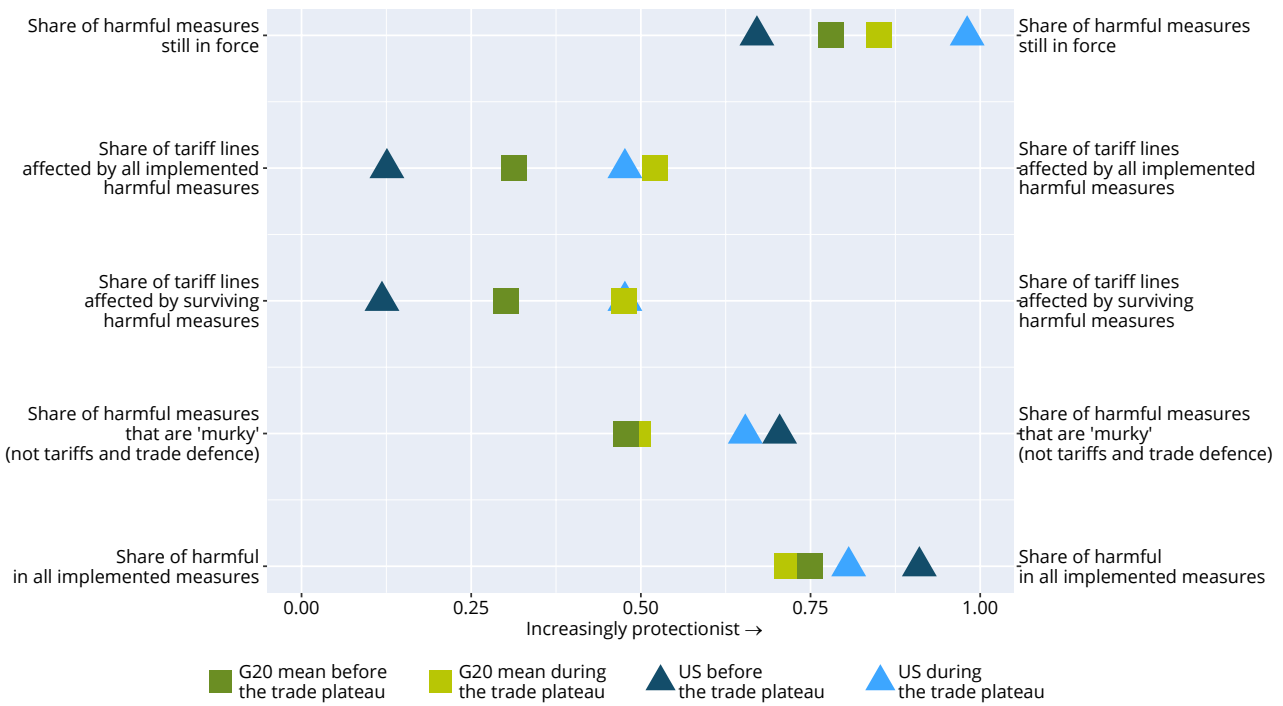
## UNITED STATES

### Number of liberalising measures imposed since November 2008



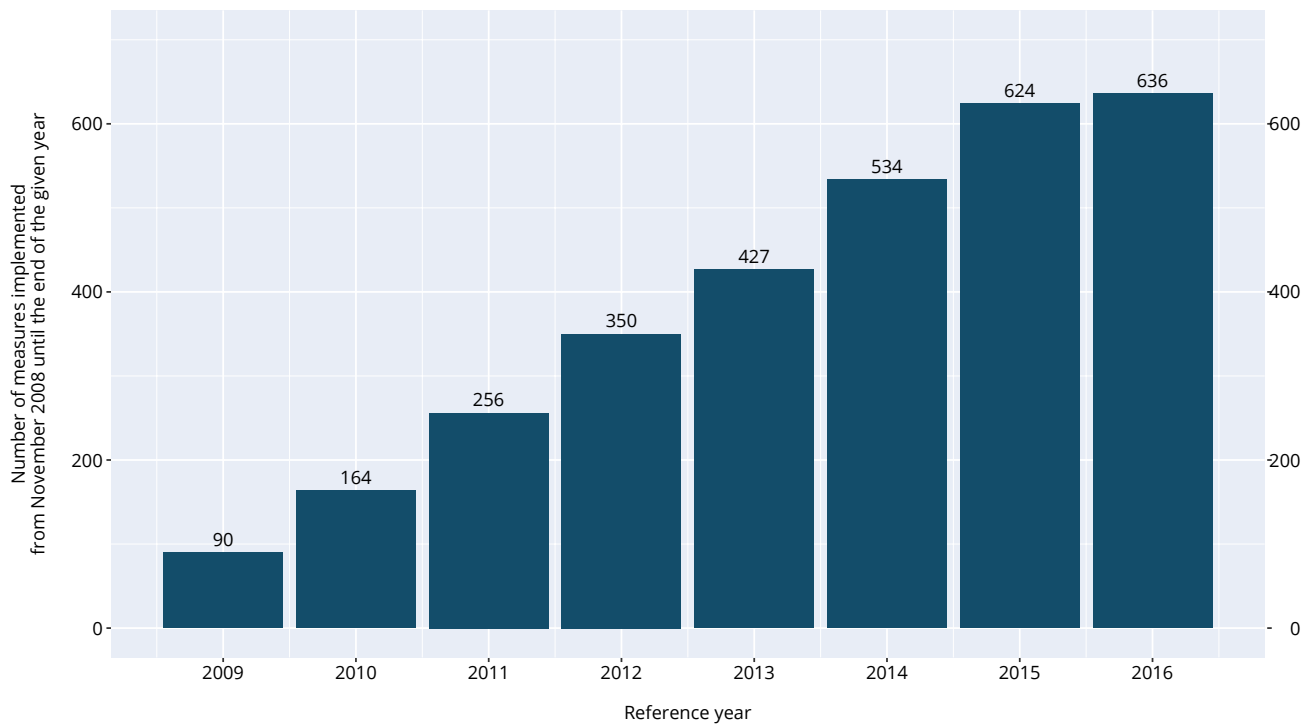
## UNITED STATES

### Track record of protectionism



## UNITED STATES

### Number of discriminatory measures imposed since November 2008



This report demonstrates that talk of a global trade slowdown is misplaced. Since January 2015 world trade volumes have plateaued, which is unusual as pauses in trade growth are typically associated with global recessions. A global trade plateau is a major source of concern as it is likely to add to the temptation of governments to engage in zero-sum commercial policies that seek to steal market share from foreign rivals.

Using a specially constructed database that tracks most of the world's global trade flows on a monthly basis to the end of 2015, this report also shows that the number of product categories where trade is contracting at the global level has grown since our last report was published in November 2015. The pain is spreading.

Evidence is also presented in this report that the mix of protectionism used by governments has shifted since global trade plateaued. Furthermore, this report includes separate chapters on the high-profile trade tensions in the steel sector and much quieter spread of localisation requirements.

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